Key findings:

• This study develops a conceptual framework to illustrate how sustainability issues are embedded in the management control system to operationalise firms’ corporate social responsibility (CSR) objectives and strategies.

• Categorising firms’ CSR activities into Responsive and Strategic CSR agendas (Porter and Kramer 2006), this framework emphasises that different uses of MCS must be adopted to effectively operationalise different CSR agendas.

• Boundary systems and diagnostic uses of budgets and performance management systems are more pertinent to operationalising Responsive CSR agendas, whereas the belief system and interactive uses of MCS are more effective in facilitating the selection and implementation of Strategic CSR programmes.

• This study provides empirical evidence on the different types of Responsive and Strategic CSR programmes in two Chinese State-owned Enterprises (SOEs). Our empirical data shed light on the role of MCS in implementing CSR strategies at these firms.
Introduction

In recent years, there has been increased consensus that corporate social responsibility (CSR) is significant for the sustainable development of companies and society as a whole. CSR is increasingly incorporated into mission statements and prioritised in strategic configurations of modern organisations (Mersereau and Mottis 2011; Bennett and James 1998). According to a 2009 survey conducted on Fortune 500 firms, CSR is becoming an increasingly prominent and accepted part of the corporate strategy agenda. However, there is very little understanding of how different control mechanisms are adopted to operationalise strategic agendas related to CSR. Against this backdrop, this research examines the way in which companies embed CSR in their MCS in an attempt to align the behaviour of organisational participants with strategic objectives concerning sustainability in China.

In China, the concept of CSR is advocated by the Chinese government as part of its grand agenda of building a harmonious socialist society. The leaders of the Communist Party of China (CPC) have repeatedly asserted the importance of CSR in the scientific development of society. Given the link between SOEs and the Chinese government, SOEs are expected to serve as pioneers in the use of CSR to facilitate the development of a harmonious society and the continuance of China’s ‘economic miracle’. Against the backdrop of this increased attention to CSR at the strategic level in Chinese SOEs, this study aims to explore the manner in which firms manage and incentivise CSR activities. Our empirical inquiry concerns two case Chinese SOEs, one for-profit conglomerate in Mainland China and one not-for-profit organisation in Hong Kong. By closely examining empirical materials collected from two case companies, we contribute to the field of sustainable development and CSR by elaborating on the mechanisms by which MCS is used to render companies’ sustainable strategies operational.

Porter and Kramer (2006) propose a strategic approach to examining the relationship between companies and the society in which they operate. They categorise firms’ involvement in society as Responsive CSR and Strategic CSR based on the importance of certain social issues to society and to business. Responsive CSR involves companies acting as good citizens and actively mitigating the potentially harmful effects of their value chain on society, whereas Strategic CSR extends beyond these practices and involves initiatives that both differentiate themselves from their competitors and are distinctly beneficial to society and the environment. Drawing upon this categorisation of firms’ CSR agendas and Simons’ levers of control (LOC) (1991, 1995) as a frame of reference, we seek to explore how different uses of controls facilitate the management and operationalisation of both Responsive and Strategic CSR initiatives. It is argued that the boundary system and diagnostic uses of MCS are more attuned to facilitating the implementation of Responsive CSR agendas, whereas the belief system and interactive uses of MCS are more capable of enabling organisations to initiate and manage Strategic CSR programmes. The integration of different uses of formal MCS enables managers to embed concepts pertinent to CSR and sustainability in the mind-sets of organisational participants and direct their behaviour to achieve firms’ CSR strategic agendas.

We aim to provide knowledge on organisational practices and lessons from the control and performance management of CSR programmes, which will guide management accountants and companies to direct and manage their CSR efforts to achieve sustainable development in emerging markets. We address the following research questions:

- How do different uses of MCS facilitate the operationalisation of both Responsive and Strategic CSR agendas in Chinese SOEs?

Specifically, we examine the following questions:

- What types of Responsive and Strategic CSR activities do Chinese SOEs undertake?
- What are the roles of MCS in the management of firms’ Responsive CSR agendas?
- What are the roles of MCS in the management of firms’ Strategic CSR agendas?

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1 For example, the importance of CSR to the development of China was strengthened in the sixth plenary session of the 16th CPC congress: ‘extensively carrying out activities to create a harmonious situation in which everyone promotes harmony, and focusing on enhancing a sense of social responsibility amongst citizens, enterprises and all kinds of organisations. We must continue to improve the incentive mechanism for enterprises; we should also focus on strengthening external constraints, guiding enterprises to improve management and fulfil their social responsibility’.

2 On 4 Jan. 2008, the State Council’s State-Owned Assets Supervision and Administration Council (SASAC) issued a publication for state-owned enterprises (SOEs), ‘Guidance for SOEs on their Social Responsibility Obligations’, whose purpose has been to raise awareness of Corporate Social Responsibility (CSR).
Corporate Social Responsibility and Innovation in Management Accounting

Theoretical Framework

Responsive CSR and Strategic CSR

Since the 1990s, companies worldwide have begun to invest in various CSR programmes to improve their relationships with society and the environment—not only because they want to be good corporate citizens but also because they believe doing so is good for business (Stone 1995; Mersereau and Mottis 2011). Porter and Kramer (2006) argue that the lack of effective coordination and control of these CSR programmes tends to diffuse companies' impact on society, resulting in unrelated efforts and precluding a full range of social benefits from these companies' actions. The authors contend that companies' social agendas must be responsive to stakeholders' requirements (i.e. fulfilling Responsive CSR), but these agendas must also move beyond simply meeting societal expectations. Companies must further engage in CSR activities that reinforce their strategies and leverage their capabilities to improve their competitive advantages (i.e. developing Strategic CSR).

Responsive CSR involves acting as a good corporate citizen, satisfying the evolving needs of stakeholders, and mitigating existing or potential adverse effects of organisational activities. Strategic CSR moves beyond Responsive CSR and directs organisational resources and managerial attention to initiate and operationalise CSR agendas that are consistent with firms' strategies and are able to differentiate themselves from their competitors, resulting in strengthened strategic positions. This study aims to extend the work of Porter and Kramer (2006) by proposing a framework that illustrates the role of MCS in operationalising and managing Responsive and Strategic CSR agendas.

When examining the role of MCS the implementation of firms' strategies, Simons' levers of control (LOC) framework (1990, 1991, 1995) has served as a useful analytical tool (Abernethy and Brownell 1999; Henri 2006). The LOC framework focuses on the tensions between the organisational need for change and the organisational need for the achievement of predefined objectives. Simons (1991, 1995) classifies MCS into four categories: belief systems, boundary systems, and diagnostic and interactive uses of MCS. It is argued that MCS plays a significant role in formulating and operationalising firms' CSR strategies and that different uses of MCS tend to facilitate the management of different categories of CSR strategies.

Controlling Responsive CSR

Responsive CSR involves the identification and management of the evolving expectations of a company's different stakeholders and its existing and potential social and environmental risks. Given that the dimensions of Responsive CSR are more explicit and standardised than those of Strategic CSR, a checklist approach may be adopted to manage Responsive CSR agendas. The boundary system and diagnostic uses of MCS play a critical role in this process. The boundary system of MCS in relation to CSR is an explicit set of organisational boundaries that is expressed in negative or minimum terms and defines activities that are considered detrimental to the interests of key stakeholders. The boundary system prevents employees from engaging in actions that expose the firm to social and environmental risks.

The core areas of stakeholders' requirements and a firm's CSR risks may be translated into performance indicators. Targets for satisfactory performance in these areas may be established and monitored. Key performance indicators, such as energy usage, carbon emissions, R&D expenditures, employee satisfaction, and expenditures in training, may be outlined in budgets. Actual performance is monitored and compared against pre-set targets in these dimensions to identify exceptions and deviations from plans through the performance evaluation system (Abernethy and Lillis 1995; Tuomela 2005). This diagnostic use of MCS in relation to Responsive CSR highlights the aspects critical to stakeholders and is intended to drive employees to perform and align their behaviour with stakeholders' evolving expectations to promote good corporate citizenship and obtain the license to operate.

Controlling Strategic CSR

Whereas Responsive CSR depends on being a good corporate citizen and addressing the social risks that a business faces, Strategic CSR is more selective and dynamic. A firm's selection of appropriate Strategic CSR initiatives entails a
thorough understanding of its competitive position and an examination of its capacities to benefit society. Strategic CSR initiatives must move beyond simply addressing a standardised checklist of stakeholder expectations and social risks and must enable the firm to differentiate itself and obtain a competitive advantage. The firm must initiate and manage focused, proactive and integrated Strategic CSR programmes based on constant analysis of the dynamic competitive environment and the firm’s resources. Therefore, the belief system and the interactive use of MCS play a critical role in formulating and operationalising Strategic CSR programmes. The belief system clarifies to managers the organisation’s sustainability and CSR values that may not be reflected in routine MCS. This system has the capacity to sanction a departure from an organisation’s routines and to encourage the exploration of new opportunities and innovations that would both benefit society and strengthen the organisation’s competitive advantage.

The interactive use of MCS is characterised by frequent communication between managers and employees at different levels of an organisation. These communications bring together information and ideas regarding a firm’s competitive position and inspire debate and discussion on the benefits and costs of potential strategic CSR programmes. The key areas of CSR and the core competitive advantages are communicated and strengthened among managers and employees. The bottom-up communication in this process presents executive managers with local knowledge about the dynamic environment in which the firm operates (Simons 1995; Bisbe and Otley 2004). The interactions among employees at different levels of the organisation enable innovation as well as the exploration of potential opportunities to formulate CSR programmes that are aligned with the firm’s strategy and can confer competitive advantages.

Given the different dimensions of Responsive and Strategic CSR, it is argued that the boundary system and diagnostic use of budgets and performance management system (PMS) are more pertinent to operationalising and managing Responsive CSR agendas, whereas the belief system and interactive use of MCS are more effective in facilitating the selection and implementation of Strategic CSR programmes. The different uses of MCS enable the company to ensure good corporate citizenship, effectively manage social and environmental risks, strengthen its competitive position and acquire new competitive advantages. The theoretical framework proposed in this research is summarised in Table 1 and Figure 1.

**Table 1:** The role of MCS in managing CSR strategies

<table>
<thead>
<tr>
<th>CSR strategies</th>
<th>Appropriate Use of MCS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsive CSR agendas</td>
<td>Involves securing a good corporate citizenship and mitigating existing and potential harms of a firm’s operations.</td>
</tr>
<tr>
<td>Strategic CSR agendas</td>
<td>Initiatives that would both confer competitive advantage and benefit society.</td>
</tr>
</tbody>
</table>
Figure 1: Controlling Responsive and Strategic CSR agendas

Diagnostic system
The key areas of CSR along are identified and characterised by performance indicators, which are then incorporated into budget and PMS to obtain a good corporate citizenship and mitigates negative impacts of corporate operations.

Responsive CSR agendas
Complement and support the use of measures
Reinforce CSR values
Reinforce rules and prohibitions

Strategic CSR agendas
Belief System
CSR is embedded in the core values and combined with firms’ strategies.

Interactive system
Discussions and debates around the CSR programmes and firms’ core competence are undertaken. Information on CSR activities and strategic capabilities is exchanged across the firm to enable the initiation and management of Strategic CSR programmes.

Boundary System
The boundary system identifies and monitors social and environmental risks and draws boundaries for organisational participants to secure firms’ license to operate.

Reinforce CSR values
Reinforce rules and prohibitions
Defines the bounds within which discussions and actions induced are encouraged
Findings

We examine the empirical data to explore different CSR programmes initiated in two case companies. In particular, we investigate the manner in which different uses of MCS operationalise and incentivise these CSR programmes. Our empirical data analysis is conducted in three steps. First, we identify different CSR programmes conducted within each case company and the manner in which social and environmental issues are embedded in decision-making and operations in different departments within C1 and C2. Second, we categorise these CSR programmes into Responsive and Strategic CSR based on the framework proposed by Porter and Kramer (2006). If the CSR programme or the manner in which social and environmental issues are embedded in the firm’s operations does not reinforce or transform its strategic competitiveness, we consider it Responsive CSR; otherwise, we consider it Strategic CSR. Third, we closely examine how different uses of MCS operationalise and facilitate these CSR programmes. We find that Responsive CSR agendas tend to be facilitated by boundary and diagnostic systems because they are explicit and coherent, whereas Strategic CSR programmes are selected and controlled interactively. The detailed analysis of different CSR programmes and the uses of controls in facilitating these programmes are summarised in Tables 2 and 3.

Table 2: Controlling Responsive and Strategic CSR agendas in C1

<table>
<thead>
<tr>
<th>CSR programmes</th>
<th>Controlling CSR programmes: Uses of MCS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of waste and carbon emission</td>
<td>Diagnostic: Indicators of C1’s footprint on the environment are developed and incorporated into its budget and performance management system.</td>
</tr>
<tr>
<td>Energy saving</td>
<td>Diagnostic: Indicators of C1’s energy usage are developed and incorporated into its budget and performance management system.</td>
</tr>
</tbody>
</table>
| Environmental Safety                        | Boundary: It is made clear across the organisation that any violation of the environment and safety code would be off-limits.  
                                                | Diagnostic: The number of safety accidents is monitored and used as a key performance indicator in its incentive system. |
| Donation                                    | Diagnostic: A budget for philanthropic activities is provided and followed by subsidiaries.             |
| Training                                    | Diagnostic: Training expenses are set as a percentage of annual income. A plan is made at the headquarters level and executed by subordinates. |
| Participation in the local community in C1’s overseas subsidiaries | Belief: C1’s strategy and core values are communicated to managers and employees in local subsidiaries.  
                                                | Interactive: Frequent interactions inspire debate and discussion between headquarters and local subsidiaries on issues including what and how CSR programmes may improve the strategic standing of local subsidiaries. |
Table 3: Controlling Responsive and Strategic CSR agendas in C2

<table>
<thead>
<tr>
<th>CSR programmes</th>
<th>Controlling CSR programmes: Uses of MCS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsive CSR</td>
<td></td>
</tr>
<tr>
<td>3R plus programme (reduce, reuse and recycle, plus rethink)</td>
<td>Diagnostic: Quantitative measures have been developed to review progress in the overall reduction of waste relative to prior reporting periods. Budgeted measures regarding the carbon footprint of C2 are developed and compared with actual performance.</td>
</tr>
<tr>
<td>Incentive programme on ‘Reusable Rice Box’ for internal staff</td>
<td>Diagnostic: C2 provides a 50-cent rebate each time an employee uses his/her own lunch box to purchase a main dish.</td>
</tr>
<tr>
<td>Ocean Park Restaurant’s sustainable seafood menu</td>
<td>Diagnostic: Decisions regarding the initiation of these programmes are made by the CFO and implemented according to plans.</td>
</tr>
<tr>
<td>Staff contest &amp; related sustainability quizzes</td>
<td></td>
</tr>
<tr>
<td>Strategic CSR</td>
<td>Belief: C2 formulated its core values by concentrating on providing quality service to the community and caring about the environment and nature. This belief system facilitates senior managers’ understanding of CSR as a source of competitive advantage.</td>
</tr>
<tr>
<td>Education on sustainability</td>
<td>Interactive: C2 adopts loose control mechanisms in an interactive manner to facilitate the implementation of its educational programmes.</td>
</tr>
</tbody>
</table>

C1: Controlling Responsive and Strategic CSR

Responsive CSR

C1 is a Fortune 500 international metals and mining corporation with operations spanning 26 nations and world regions. The company’s headquarters is in charge of the development of its CSR agendas.

The interview with the head of the corporate office shows that C1 identifies its key stakeholders according to the guidelines of Global Reporting Initiatives and Global Compact. Areas of C1’s operations along its value chain that would impact these stakeholders are outlined next. Measures to evaluate C1’s impact are developed and used to monitor any potential harm that may arise from its operations. These measures include economic value added, which indicates the value created for shareholders by C1, number of safety accidents, which indicates its health and environmental safety performance, employee training expenses, which indicates C1’s investment in employee development, donation, which indicates C1’s contribution to society, and change in emission of COD and comprehensive energy consumption in output units of 10,000 RMB, which indicates C1’s impact on the environment. C1 highlights existing and potential social and environmental risks through the delineation of the above areas along its value chain. Monitoring and controlling the potential harm that may arise from its operations in these areas helps to mitigate potential risks, safeguard its reputation and maintain its license to operate. These Responsive CSR activities are operationalised via the use of a boundary and diagnostic system in C1.

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3 C1 defines its CSR objectives as ‘building a responsible company and co-creating a bright future’. The corporate office of C1 identifies eight groups of stakeholders, including the government, the State-Owned Assets Supervision and Administration Commission (SASAC), employees, customers, business partners, investors and creditors, the community, the public, and NGOs.

4 These CSR activities, such as environmental protection, employee training and donation, may be combined with the firm’s core strategy and developed to strengthen its competitive position. However, C1 has not had this experience. For example, its donations are made individually by subsidiaries and SBUs and lack co-ordination and strategic impact at the headquarters level. Moreover, in many cases, training is organised in C1 to mitigate potential risks and responsibilities. When an accident occurs in any subsidiary, penalties from the headquarters and regulators are lower in cases where employees have been trained. Therefore, we categorise these activities as Responsive CSR.
Environmental and safety issues are strengthened at all levels of C1. It has been noted that any violations of the environmental and safety code are off-limits. The boundary system related to environmental issues identifies the areas of acceptable behaviour for organisational participants. Within the bounds drawn by the boundary system, the diagnostic use of MCS entails a periodic review of key performance indicators in relation to CSR strategies (Bisbe and Otley 2004; Tuomela 2005). Any deviations from the pre-set target would alarm the managers and induce corrective actions. In this way, the behaviours of organisational participants are monitored and directed to enable the implementation of Responsive CSR agendas. Based on the delineation of the areas that may affect its key stakeholders, performance measures are developed and incorporated into C1’s budget and performance management system in the headquarters and subsidiaries. The results of our surveys with financial managers of different subsidiaries of C1 indicate that key CSR performance targets assigned to subsidiaries by the headquarters are then further developed by subsidiaries and allocated to different business units. In this way, the diagnostic use of MCS pertinent to CSR renders the social and environmental consequences of decisions and the actions of the headquarters, subsidiaries and business units of C1 transparent, accountable and malleable and enables the operationalisation of C1’s Responsive CSR strategies. Responsive CSR measures are also incorporated in the firm’s investment appraisals, highlighting potential social and environmental risks of alternatives to ensure that investment decisions based on financial analysis are consistent with the firm’s Responsive CSR agendas.

**Strategic CSR**

In C1, CSR is primarily conceptualised in a defensive manner, where managers participate in CSR programmes to mitigate existing and potential risks, defend the firm’s reputation and maintain the legitimacy endowed by its key stakeholders in response to the increased attention on the social and environmental impacts of the firm’s behaviour. According to this rationale, managers contend that all CSR activities bear financial costs, and these activities may be justified only if the lack of such CSR endeavours would endanger the firm’s reputation, incur future costs and jeopardise shareholder value. Few CSR programmes have the capacity to enhance a firm’s strategic position, with programmes aimed at increasing participation in the local community for overseas subsidiaries representing an exception.

As a metals and mining corporation, C1 has operations in over 26 countries and global regions. These overseas subsidiaries and business units have initiated programmes to interact with local communities. These programmes take different forms, including building schools in remote, underdeveloped areas, planting trees, interacting with local environmental NGOs, providing training to local employees and improving the environmental and safety-related practices of acquired companies. These CSR activities improve the relationship of C1 with local communities, lessen the local resistance of subsidiaries, increase the morale and loyalty of local employees, facilitate the expansion of operations and strengthen the firm’s competitive position in these areas. Considering the variety of local contexts of different subsidiaries and their geographic distance from the headquarters, it is difficult to operationalise this Strategic CSR agenda with top-down, measure-based control mechanisms. In C1, the interactive use of MCS, characterised by frequent interactions between local units and headquarters and among local units, facilitates the initiation of this programme.

The interactive use of MCS in relation to this Strategic CSR programme takes various forms, such as social performance review meetings, organisational conferences on local CSR programmes, and local stakeholder receptions, which engage various groups of stakeholders. Interactive processes stimulate debate and discussion between headquarters and local subsidiaries on issues including which CSR programmes may improve the strategic standing of local subsidiaries and how they may do so. In important overseas markets, local stakeholder receptions are held to gain a deeper understanding of the expectations of the local community and the social context in which the overseas subsidiary operates. Information obtained in these meetings is then transferred upwards from subsidiaries to the headquarters during their interactions. Local knowledge is combined with headquarters’ strategic considerations to inform the evaluation of individual Strategic CSR programmes. Moreover,

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5 In the comprehensive budget of C1, the amount of donation is set at 60 million RMB per year, whereas training is set as a percentage of annual income. Targets for energy saving and waste reduction are also provided in the company’s annual plan.

6 Examples of these measures include energy saving, waste reduction, donation, and safety training.
C1 organises periodic seminars for local subsidiaries to exchange experiences in designing and implementing their local CSR programmes. Such local CSR programmes, once they are demonstrated to be successful, are compiled as case studies to train overseas subsidiaries.

C2: Controlling Responsive and Strategic CSR

Responsive CSR

In C2, several Responsive CSR programmes are developed to ensure good corporate citizenship and mitigate potential social and environmental risks. For example, its 3R-plus programme (reduce, reuse, recycle, plus ‘rethink’) aims to increase the environmental awareness of employees and visitors and to encourage employees to submit proposals on effective mechanisms to reduce waste. The firm’s incentive ‘Reusable Rice Box’ programme for the internal staff aims to encourage staff to bring their own lunch boxes and reduce the use of disposable containers. It provides a 50-cent rebate each time an employee uses his/her own lunch box to purchase a main dish. C2 also provides a sustainable seafood7 menu at its restaurants and organises staff contests and quizzes on sustainability8. These programmes increase C2’s contribution to environmental protection and improve employees’ loyalty and morale. However, these programmes do not have a significant impact on C2’s strategic competitiveness or on the environment. Therefore, we consider these programmes examples of Responsive CSR.

Our empirical data suggest that measures related to the input or outcomes of these programmes are developed and monitored in a diagnostic manner.

For its 3R programme (reduce-reuse-recycle), quantitative measures have been developed to review progress in the overall reduction of waste relative to prior reporting periods. Budgeted measures regarding the carbon footprint of C2 are developed and compared with actual performance. These indicators are reviewed by inter-departmental committees as well as the senior management team. Moreover, C2 has major plans for expansion that require sizable capital expenditures. Prior to making decisions for these capital projects, a multi-disciplinary team is formed to perform feasibility studies involving detailed environmental assessments on potential adverse impacts and related regulatory issues9. More importantly, the performance of management and staff are evaluated with due consideration of any objectives for health, safety and environmental issues10. This particular aspect of performance evaluation enables the alignment of Responsive CSR objectives and the behaviour of organisational participants within C2.

Strategic CSR

Compared with C1, C2, as a not-for-profit organisation, perceives CSR in a more positive and proactive manner. As one of the most popular amusement parks in China, C2 formulated its core values with a focus on providing quality service to the community and consideration of the environment and nature. This belief system facilitates senior managers’ understanding of CSR as a source of competitive advantage. Educating and entertaining the community while preserving the environment and nature is C2’s primary operating objective.

Guided by this core value, C2 developed educational programmes for park visitors and students. It provides over 36 different educational programmes to students at all levels, from pre-school to college. These programmes advocate for animal conservation and a sustainable lifestyle11. These interactive educational programmes attract visitors, encourage exploration of the plants and animals at the amusement park, and increase brand awareness among young people. In addition to strengthening C2’s competitive advantage, these programmes profoundly benefit society by raising awareness among the young generation about environmental protection and fostering a deeper understanding of the relationship between humans and the environment.

C2 adopts loose control mechanisms in an interactive manner to facilitate the implementation of these programmes. Frequent interactions between managers and programme tutors communicate the firm’s core value and strategy to tutors and encourage consistent behaviour. Inter-departmental meetings are held periodically to discuss the design of these programmes and to review their outcomes. The performance of these programmes is evaluated along key dimensions on a subjective basis instead of through quantitative measures and is discussed by managers and

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7 Sustainable seafood is seafood that is either caught or farmed in ways that consider the long-term vitality of harvested species and the well-being of the oceans.
8 A quiz on safety and environmental issues is conducted annually to increase employees’ awareness of Responsive CSR issues.
9 Life Cycle Cost measurement is implemented to fully incorporate the social and environmental costs of C2’s capital investments.
10 Measures such as the number of safety accidents and the departmental reduction of waste are included in the performance evaluation.
11 These programmes have considerable coverage. For example, in the 2010/2011 academic year, C2 reached over 54,000 programme participants.
tutors. Experiences are shared across different training teams. This interactive process encourages debate and discussion on the potential expansion and improvement of these educational programmes. The local knowledge of tutors about the responses of programme participants is shared with managers and informs their decisions regarding resource allocation.

Overall, levers of control associated with CSR are used to facilitate the implementation of Responsive and Strategic CSR agendas. The boundary system communicates the message to organisational participants that the pursuit of short-term profits at the expense of the firms’ sustainable development is off-limits. The diagnostic use of budget and performance management systems provides periodic monitoring of firms’ social performance, mitigates risks and detects any deviation from pre-set CSR targets. Together, with the boundary system, it encourages different divisions to achieve their key CSR targets and to facilitate the implementation of Responsive CSR agendas. Training on CSR across different levels of the firm instils the core value of sustainability and social responsibility in managers and directly influences their decisions. The interactive use of MCS related to CSR focuses on the communication between different levels of organisational actors, which further strengthens the core values of CSR across different organisational levels. The belief and interactive systems induces necessary revisions of CSR strategies and render the Strategic CSR programmes operationable.

Implications for practical applications

• Develop both Responsive and Strategic CSR agendas to mitigate social and environmental risks and address social issues that strengthen competitive advantage.
• Adopt diagnostic uses of budget and performance management systems to monitor and facilitate Responsive CSR agendas.
• Instil a core value of sustainability within the company and apply MCS in an interactive manner to inspire and operationalise Strategic CSR agendas.
• Balance economic short-term interests and long-term sustainability as an on-going, dynamic management process.

Appendix 1: References


Appendix 2: Methodology

This study adopts a multi-case qualitative field study approach (Ahrens and Chapman 2006; Yin 2009). The purpose of this study is to examine how CSR strategy is implemented at the firm level with the different uses of MCS in emerging markets. The two case companies are described in the following.

Case company 1 (C1):

Based in Beijing, C1 was founded in 1950 as a major SOE and has long played an important role as a major import and export channel for metals and minerals in China. C1, a Fortune 500 company, is now a multinational corporation involved in businesses such as exploration, mining, smelting, processing and trading in metals and minerals and is engaged in finance, real estate, mining and metallurgic technology, with operations spanning 26 countries and world regions.

Case company 2 (C2):

C2 is a statutory not-for-profit organisation based in Hong Kong that aims to provide elements of entertainment, education and conservation at an affordable price. It owns one of the largest educational theme parks in Hong Kong, which covers more than 870,000 square metres of land and features a diverse selection of marine attractions. It was ranked among the ‘10 Most Popular Amusement Parks in the World’ in 2006 and the ‘50 Most Visited Tourist Attractions in the world’ in 2007 by Forbes.

Empirical data are collected from these two case companies to inform the analysis of our theoretical framework.

- Five open-ended interviews were conducted with a corporate office manager and the Departmental Managers of the Department of Finance, Investment, Human Resource, and Risk Management at the headquarters of C1. All of the interviews were recorded and transcribed.
- Fifty-three survey questionnaires on the integration of CSR in MCS were collected from the financial managers of over 20 subsidiaries of C1 to examine the extent to which CSR is incorporated in the operations of subsidiaries of C1. Questions in the survey were directed towards the manner in which CSR agendas are embedded in operations in subsidiaries of C1.
- Two open-ended interviews were conducted with the chief financial officer/deputy executive director and the corporate services director of C2 to explore how CSR programmes at C2 are selected and managed. Interviews were recorded and transcribed.
- Two focus groups were conducted with senior managers responsible for financial control, health, environment and safety as well as managers responsible for the day-to-day operations of C2 to examine how CSR agendas affect the operations and decision-making of these managers.
- Relevant internal policy, operational procedures, communication materials and reports in relation to health, the environment and safety as well as social-community activities were collected for both C1 and C2.

12 A division in charge of formulating CSR strategy and implementing CSR programmes.