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A study of policy makers' view upon the link between
sustainability and management accounting

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Abstract

The aim of this study is to provide empirical evidence of policy makers' view upon the link between sustainability and management accounting. The study is based on a case study of nine different policy makers and performed through personal interviews with one individual in each organisation. The frame of reference was collected during the entire study and is based on literature about policy makers, sustainability and management accounting. This study established that the majority of the interviewed policy makers do not approach the link between sustainability and management accounting. The reason for this has shown to be a lack of demand or a lack of resources for sustainable actions from their members. The policy makers with an active position acknowledged two different ways to approach the link. However, many of these policy makers struggled to exemplify their actions towards the link, therefore we suspect that few actions are taken in practise. This study provides empirical evidence of policy makers' view upon the link between sustainability and management accounting and give one explanation to the slow development of this connection.

Introduction

Sustainability has become an important issue in today's society and several organisations choose to undertake sustainable efforts. The reason for the increased sustainability approach varies. Durden (2008) describes one reason as the desire to improve an organisation's image. Other studies argue that society's interest along with pressure from different stakeholders have pushed organisations to undertake a sustainability focus in their operations (Galphin and Whittington, 2012). Regardless of the reason for adapting to a more sustainable approach, the importance of sustainability has increased. However, some argue that sustainable actions are seldom as successful as they could be (Galphin and Whittington, 2012).

Studies in management accounting have found problems in the embedment of sustainability within management accounting. These problems have resulted in a lack of sustainable efforts in organisations. A study published by CIMA (2011, 2) observed the following key barriers in the embedment:

Incompatibilities of measurement systems, organisational silos and stretch, insufficient investment in the sustainability side, under-developed key performance indicators (KPIs) and under-development of other metrics and information technology (IT).

Furthermore, a Swedish bachelor thesis on how sustainable development is reflected within management accounting has found evidence that the link between sustainability and management accounting is scarce. There is usually no expression of sustainability in the formation of management accounting. The only link found is the increased communication between controllers and sustainability groups within an organisation (Conradsson and Gunnarsson, 2014). Mundy and Arjalies (2013) have found that even though management accounting can be used to succeed in a sustainable approach, organisations tend to not undertake more sustainability efforts than what is beneficial for their investors.

Policy makers have the opportunity and power to influence their members. By educating, offering seminars, having constant discussions and a significant flow of information, they play an important role in their members' daily concern and performances. The Global Reporting Initiative (2012) highlights the essential role that policy makers have in distributing the importance of sustainability to organisations. By guiding their members and advocating a sustainable approach, policy makers can encourage and affect organisations to change their operations and as well their sustainable performance. No previous studies have taken the perspective of how policy makers view upon the link between sustainability and management accounting. The approach and values taken by these operators will influence and be reflected upon their members. Therefore the way in which they interact with sustainability could affect how member organisations view upon its importance.

The result of prior studies, that the performance of sustainability within management accounting is scarce, leads to wondering how policy makers confront the implementation. If the operators that impact and represent their members do not actively work with the link, can

organisations be expected to do so? The absence of existing studies within this area and the result of previous research have lead to the following question formulation:

Overarching question formulation:

What is the position of policy makers towards the issue of the link between sustainability and management accounting?

Empirical questions:

Do policy makers engage in the link between sustainability and management accounting?

Yes:

How is the link described and what are the arguments for this description?

How is the position of the policy makers disseminated to members and others?

No:

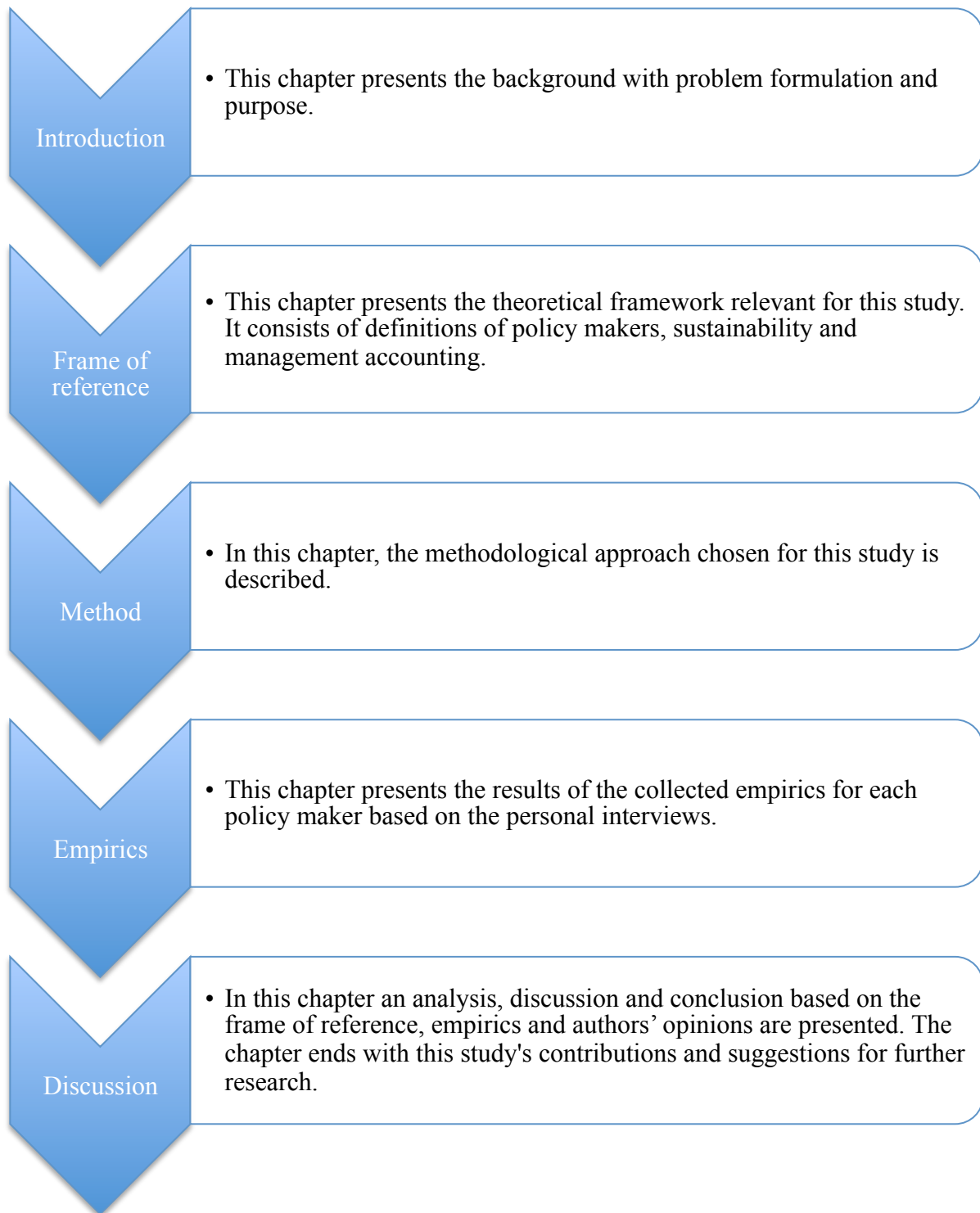
Why?

Purpose

The purpose of this study is to provide empirical evidence of policy makers' view upon the link between sustainability and management accounting. Previous studies have found evidence on problems and a slow development of this connection in practice. We provide one explanation for these evidences by highlighting the position taken by policy makers. This study contributes to the literature that studies sustainability and management accounting by emphasising policy makers' view towards the issue and by demonstrating how the link can be practised.

Disposition

This study's disposition is presented in the following figure:



Frame of reference

In this study we examine the position policy makers have towards the link between sustainability and management accounting. This chapter presents definitions, previous studies and articles regarding policy makers, sustainability and management accounting. The first part defines policy makers and describes their influential role. The second part consists of definitions of sustainability and how it can be implemented. The final part defines and delimits the concept of management accounting for this study.

Policy makers

In this study, we define policy makers as a generic term of different types of operators with the opportunity to influence their members. Member organisations, federation of labour unions and professional associations, all represent their members and reach out to several organisations, employees and employers. We wanted to examine influential operators' position towards the issue of the link between sustainability and management accounting. To facilitate a clear understanding for this study, we delimited the use of definitions of these operators to one specific; policy makers.¹

To be able to define a policy maker, it is necessary to start by defining a policy. The National Co-ordinator centre for public engagement (2014) defines a policy as “a plan, course of action or set of regulations”. When a policy is embraced by an organisation with the ability to influence and determine decisions or procedures, the organisation is called a policy maker. A policy maker can consist of persons from various types of groups; e.g. politicians, employees, professionals and organisations, but the fundamental criterion is that they have the opportunity to affect others and drive changes (National Co-ordinator centre for public engagement, 2014).

Research on the role of policy makers has been scarce but has established that they are important for their members (Dickson and Arcodia, 2010). Greenwood, Suddaby and Hinings (2002) describe three reasons for why they play an important role. The first reason is that a policy maker composes a form of arena where its members can interact, influence each other, take part in the common conduct, adapt to and take on the appropriate approach and behaviour within the association. Greenwood, Suddaby and Hinings (2002, 61) define this as “they are arenas through which organisations interact and collectively represent themselves to themselves”. In this, one important aspect of their role is to create an intra professional agreement amongst their members regarding behaviour, boundaries and membership, and to ensure its existence. Secondly, policy makers practice interaction with other communities. Common approaches and shared values are partly products from each policy maker, but the interaction with other communities is as well important for these shared characteristics. In the interaction with other communities, policy makers represent their members and therefore have an important role in establishing appropriate contacts and external interactions. Finally, policy makers can be important in the surveillance of the shared expectations within the membership. By offering training and education, conveying certifications and organising

¹ Policy makers is the used term in the frame of references

ceremonies of celebration, policy makers can transmit established beliefs and practices through their members. By constantly conveying them, policy makers contribute to that actions based on shared beliefs and values can be sustained (Greenwood, Suddaby and Hinings, 2002).

The Global Reporting Initiative (2012) describes the important role policy makers have in distributing the importance of sustainability to organisations. They recognise that policy makers have a power in the ability to easily spread information and guide their member organisations. They have the ability to benchmark between members and help to locate a best way of working with sustainability, thereby they can change and improve sustainability performance in several organisations.

Sustainability

Sustainability is defined different amongst organisations. Some organisations solely connect it to economic sustainability with focus on economic growth, while others involve environmental aspects (Hubbard, 2006). When referring to this subject, concepts as e.g. sustainability, sustainable development and corporate social responsibility are used. In this study, we refer to sustainability and define it as the integration between economic, social and environmental aspects and that a sustainable development consists of working in long term with these aspects. To justify the definition and show the wideness of the sustainability concept, a collection of different definitions is presented.

The definition of CSR has changed over the years. Kakabadse (2005) has published an overview of research in the concept from the last 50 years. The overview shows evidence that there is no definition that can be considered as the accurate definition of CSR. One reason for this can be that within corporate social responsibility, different kinds of issues have been highlighted and defended over the years. Kakabadse (2005, 280) describe that the theme of the issue range from:

Corporate Social responsibility to Sustainable Development, from Business Ethics to Corporate Social Contract, from Corporate Accountability to Business in Society and from Corporate Citizenship to Corporate Governance.

This range illustrates the wideness of the concept. Characteristic for CSR is that it has a long-term perspective and is built on ethical principles with a social contract between business and society. Sustainability is found in the concept with its economic, social and environmental aspect (Kakabadse, 2005). Rodrigo Lazano (2008) clarifies four categories that separate the different definitions of sustainable development. One of these is the international perspective that encompasses the economic, environmental and social aspect of sustainability. The key characteristic is the integration of these three aspects and the relation between them.

Sustainability has become difficult to define and it is hard to evaluate organisations' performance in the area. GRI has produced a reporting system for sustainability in order to make organisations more sustainable and help them to contribute to a sustainable

development. They illustrate the importance for organisation to integrate sustainability in their operations and in the integration, to consider four aspects; economical, environmental, social and governmental. Sustainability reporting enables firms to measure, understand and communicate their economic, environmental, social and governmental performance. GRI (Global Reporting Initiative, 2015) describes that “ Sustainability – the ability for something to last for a long time, or indefinitely - is based on performances in these four key areas”.

Bansal and DesJardine (2014) emphasise that the most important aspect to consider regarding sustainability is time. Sustainability is about organisations making choices now in order to sustain the survival of the business in the future. Focus should not solely be on the environment and corporate social responsibility. Bansal and DesJardine (2014) has translated the definition of sustainable development from the World Commission on Environment and Development into a business perspective. The World Commission on Environment and Development (1987,43) defines sustainable development as “it meets the needs of the present without compromising the ability of future generations to meet their own needs”. Bansal and DesJardine (2014, 71) define business sustainability as “the ability of firms to respond to their short-term financial needs without compromising their (or others) ability to meet their future needs”. To meet resource limitations, organisations need to cultivate, spend and dispose natural resources in order to shelter the renewal of the health of the planet and fairly distribute the wealth generated, in order to meet the needs of future generations (Bansal and DesJardine, 2014).

Galpin and Whittington (2012) describe the importance of engaging the workforce in organisations’ sustainability strategy in order to generate results. Employees who are engaged will be motivated to do more than what is asked of them in their original job assignments. Galpin and Whittington (2012) argue that if sustainability actions are meant to provide long-term values, sustainability must be integrated in an organisation’s strategy. Another important aspect is to connect sustainability to an organisation's values. The values create “a source of motivation, commitment and loyalty among organisational members” (Galpin and Whittington 2012, 42). Therefore, connecting it to the values will enable employees to align with the firm's sustainability objectives.

In ways of connecting sustainability and management accounting, Hubbard advocates the use of a Sustainable Balance Scorecard (SBSC) and Sustainable Organisation Performance Index (SOPI). The SBSC is based on the existing Balance Scorecard (BSC) and an approach called Triple Bottom Line (TBL). Both BSC and TBL are tools based on the stakeholder theory, where organisations are seen to have responsibility towards their stakeholders. TBL takes on a wider perspective than the BSC and include environmental and social aspects. In the SBSC, the TBL is embedded into the BSC and consists of more dimensions since it includes the social and environmental issues in organisations’ measurements. SOPI is an index created to facilitate the use of the SBSC. Hubbard means that the SBSC is practically useful and easily understood and by combining it with the SOPI, organisations can measure their performance in sustainability in relationship to their stakeholders (Hubbard, 2006).

Management accounting

Management accounting is a wide term with several definitions within different contexts. Examples of terms are management control systems, management control, management accounting practice and management accounting. In this study, we chose to define it as management accounting.²

Management accounting consists of planning after expected or known circumstances, follow-up and evaluation of different kinds of reports (Frenckner, 2015). CIMA (2009) describes management accounting as combining accounting, finance and management. This is practised through e.g. analysing a report for decision-making, formulating a business strategy and identifying and managing risks. To facilitate the exemplified actions, management accounting partly consists of different kinds of tools. Examples of tools are calculating, budgeting, performance measurement, transfer pricing and empowerment (Ax, Johansson and Kullvén, 2012).

The main applications of management accounting can be categorised as *responsibility control*, *basis for decision-making* and *focus attention*. Within *responsibility control*, the economic responsibility is identified in a budget and followed-up in financial reports. In this category, management accounting is based on financial measures and used to evaluate performances of individuals and units within an organisation. Financial measures are often considered complex and hard to understand for both internal and external users. Employees within an organisation have difficulties to assimilate the information produced from these measures and therefore difficulties to perform in order to fulfil the objectives. To avoid this conflict, measures need to be closer connected to the actual business. This can be accomplished by using non-financial measures as a compliment to the financial measures. Non-financial measures can be used to determine e.g. quality, flexibility, productivity and innovation ability and can be important for responsibility control. Measures at non-financial basis expand the potential evaluation of both individuals and units, and give managers possibilities to create an adapted control in line of an organisation's purpose and core business. The second usage of management accounting is *basis for decision-making*. Managers in decision-making use management accounting either by studying an economic report before a decision or by taking part of an analysis made by the finance department to evaluate a specific problem. In this category, management accounting does often have an indirect influence and is used for long-term decisions. For example, a specific decision does not have to be connected to a financial measure but the financial measure will influence the decision-making in long term. Management accounting needs to be closer to the core business therefore the third field of application *focus attention* is important. Management accounting can be closer by an increased and more detailed description of an organisation and its core business. This can be achieved by e.g. a clear strategy and non-financial measures. This will enable managers to have a deeper understanding for the business and how measures and actions are connected. In turn, managers will be able to identify and prioritise attention to defects within the organisation (Lind, 1996).

² Management accounting is the used term in the frame of references

Merchant and Van der Stede (2012) describe three reasons for why management accounting is needed: lack of direction, motivation problems and personal limitations. Lack of direction comes into existence when employees are unaware of what the organisation expects from them. If the employees are unaware of an organisation's expectations, the desired behaviour and the desired actions from employees will be unachieved. Motivation problems occur when employees know what the organisation expects, but instead are unmotivated to fulfil their job assignments. This is a normal phenomenon when employees' objectives differ from an organisation's and when employees might act in their own interests instead. One consequence of motivation problems is that employees are unmotivated to reach the organisation's objectives. The final problem for organisations, which occurs even though employees know what is expected and are motivated, is due to personal limitations. Personal limitations can be lack in knowledge, education, personal- or social skills, which will prevent employees to deliver what the organisation desire (Merchant and Van der Stede, 2012). By having a good management accounting with accurate tools, these problems can be diminished or even eliminated. Since many management tools are available, different tools are suitable in different situations (Parment, 2010).

Method

The purpose of this study is to provide empirical evidence of policy makers' view upon the link between sustainability and management accounting. As mentioned earlier, previous studies have established problems in the embedment of sustainability within management accounting but not investigated policy makers view on the process.

Since prior studies are non-existent and this study focuses on the view of policy makers, it is a case study in exploratory shape (Beckman, 2008). To fulfil the purpose of this study, interviews have been held with nine different policy makers, which all are considered substantial in Sweden with the potential to influence.

Selection of policy makers and respondents

In the selection of policy makers we chose to solely examine Swedish policy makers. We have tried to identify the most important and influential ones related to management accounting or sustainability. To be considered important and influential, the organisations had to consist of a larger number of members, substantial organisations or have the ability to affect many organisations in Sweden. Beside from being able to influence a wide and significant audience, they needed to be connected to either the internal work in organisations or sustainability.

Interviews

This study is based on nine interviews with different policy makers in Sweden. Eleven organisations were contacted, but FAR and CSR i Praktiken were not able to participate because of claimed time limitation.

The contacted policy makers were:

- Sveriges Kommuner och Landsting (SKL)
- CSR Sweden
- CSR Västsverige
- Tillväxtverket
- Sveriges Redovisningskonsulters Förbund (SRF)
- Sveriges Managementkonsulter (SMK)
- Ekonomistyrningsverket (ESV)
- Civilekonomerna
- Teknikföretagen
- FAR
- CSR i Praktiken

To be an appropriate respondent for this study, the individual was desired to have an understanding for the internal work in an organisation and possess some sort of knowledge within sustainability. Finding respondents with the requested knowledge was challenging, many of the observed organisations had separate individuals either working with economy or sustainability. When this occurred, we searched for a respondent with economic knowledge. The organisations were first contacted by email with a brief review of the study and its purpose. Several of the first contacted individuals referred to other colleagues within the organisation because they lacked enough knowledge to participate or claimed that it was not

their area of expertise. In few cases, the letter of enquiry was referred to several persons within the same organisations before the most appropriate person was found.

Policy makers	Respondent	Position
SKL	Märit Melbi	Administrator
CSR Sweden	Marianne Bogle	Executive Director
CSR Västsverige	Zandra Jönsson	Project manager and communicator
Tillväxtverket	Linnea Hagblom	Administrator
SRF	Mikael Carlsson	Accounting manager
SMK	Dag Larsson	Chairman
ESV	Kenneth Eliasson	Investigator
Civilekonomerna	Alexander Beck	Investigation manager
Teknikföretagen	Elinor Kruse	Advisor

Data collection and analysis

The data collected is based on personal interviews with one respondent from each organisation. Personal interviews were an obligation in order to fulfil the purpose of this study and to be able to obtain a fair view of the policy makers' perspective. The respondents were allocated through the policy makers' websites. The majority of the contacted persons responded within short notice.

The majority of the respondents were located in other areas, e.g. Stockholm. Therefore six of nine interviews were performed over telephone. CSR Västsverige, Tillväxtverket and Sveriges Managementkonsulter had business offices in Gothenburg, therefore a face-to-face interview was possible.

All of the interviews were held in Swedish and were based on the research questions (see appendix) with principal questions followed by supplementary questions. The subject of this study is rather unexplored and some of the organisations were unversed in the subject or did not consider it being their area of expertise. To ensure the purpose, each interview began with a presentation of the definitions of sustainability and management accounting in this study. This created additional security that the respondents gave accurate responses suitable for this study. However, we did not provide examples of how the link between sustainability and management accounting could be practised in order to receive unbiased answers. In order to enable a total understanding of the questions and perceive the most accurate answer for the purpose of this study, few of the supplementary questions had to be adapted to the certain interviewee.

The aim was to possess an accurate and fair reflection of the policy makers' view, therefore the starting-point was to not send the specific questions in advance. However, a few of the respondents requested the questions to be willing to participate, in these cases an email with the principal questions was sent. The interviews lasted for 30-90 minutes. When we were allowed, we recorded the interviews.

The secondary data was collected from scientific articles, textbooks, theses and websites, which all have been used to create the frame of reference. Both sustainability and management accounting are concepts with several definitions that can be difficult to delimit. To create an appropriate frame of reference, we have emphasised the most relevant descriptions of these concepts for this study. The frame of reference was necessary in order to create an understanding and delimitation before collecting the empirics, therefore some parts of the secondary data were collected before the interviews and other parts during the process.

The secondary data was collected from the university library and its database, Google Scholar and searches in Google. The most frequent search words were: *management control systems*, *management accounting*, *sustainability*, *professional associations* and *policymakers*. Both the Swedish and English translations of these words have been used, but the English ones have resulted in better matches. To find suitable references, the words have been used in different combinations.

The interviews were performed by one of the authors while the other author documented the answers and participated if a potential question mark arose. After the interviews, we compiled the result and added potential gaps in order to get a complete and accurate documentation. After the compilation, the actual text for the study was written, which enabled a complete and fair review of the interviews.

Empirics

In this chapter the collected data from the interviews is presented. It is divided into two sections based on the policy makers' position towards the link between sustainability and management accounting.

Policy makers that engage in the link between sustainability and management accounting:

Sveriges Kommuner och Landsting

The motivation for including SKL in the study

SKL is an employers- and members organisation with Sweden's all municipalities, county councils and regions as members. SKL's aim is to offer support and advice to their members, to contribute to the development of their operations and to increase their opportunities for local and regional control. They contribute to a suitable development for their members by acknowledging significant global changes and trying to impact decision-makers internally and nationally. SKL is a network of knowledge and guidance, which offers education, conferences and advocates a constant development beneficial for society. One part of their mission is to "raise issues, act decisively and enlighten public opinion" (Sveriges Kommuner och Landsting, 2015).

Motivation for working with the link between sustainability and management accounting

SKL underlines the importance of taking responsibility for a sustainable development and argue that sustainability must be implemented in an entire organisation. Management accounting can be used as a tool and is important for a successful implementation. An implementation of sustainability will only have positive effects for an organisation and society, therefore SKL encourages a sustainable approach. In this sustainable approach, the link to management accounting is included.

The ways in which sustainability can be linked to management accounting

SKL believes that management accounting can be used as a tool to implement sustainability in an organisation. Management accounting is used for setting appropriate objectives and evaluating performances within sustainability. By using these tools, an organisation will achieve its sustainable vision. Successful objectives have to be SMART; specific, measurable, assignable, realistic and time-related, with an exception of time-related since sustainability objectives should be considered indefinitely. Organisations should identify objectives regarding environmental, social and economic aspects. An environmental objective can be to minimize carbon dioxide emissions or usage of fossil fuel, and a social objective can be to diminish alienation and language difficulties for students with foreign parents. By setting objectives, organisations concretize their sustainable efforts. It is important to limit the number of objectives to very few, organisations will not be able to prioritise and follow up too many objectives. When objectives are established, they need to be communicated and

acknowledged throughout the entire organisation. In the follow-up, it is important to analyse the result in order to identify potential changes for the following period. SKL encourages organisations to learn from and to imitate organisations that are successful in sustainable efforts. This can be accomplished by networking amongst members. In the implementation, it is important that the political management is distinct in what they aim to achieve. The entire organisation must understand the reasons for and the importance of an implementation.

SKL explains that some objectives are more relevant for certain organisations but all organisations have the ability to contribute to a specific target achievement. To exemplify, SKL mentions a municipality with social objectives to diminish problems regarding alienation and language difficulties for students with foreign parents. In the municipality, the education authority will contribute by offering additional education and a municipal housing corporation will contribute by arranging premises for these additional education sessions. Both organisations contribute to the municipality's objectives, but in different ways.

Dissemination channels for the link between sustainability and management accounting

SKL practises interest surveillance and possess several different channels for distributing information. As mentioned earlier, they extend conferences, education and offer different kinds of expert support. Alongside with this, they distribute newsletters, involves in investigations and participate in contract establishments at national level. All channels are being used to advocate sustainability but seldom in a collective term or connected to management accounting, it is instead integrated in different subjects. They develop tools that can facilitate the implementation, e.g. a management system for sustainable development. The management system is accommodated for municipalities, counties and regions and possible to connect to and build on existing management system. SKL also offers information material on their web shop consisting of e.g. “green performance measures” and environmental indicators. This can be used as a tool to facilitate and put focus on environmental efforts (Hagnell, 2000 and 2006).

CSR Sweden

The motivation for including CSR Sweden in the study

CSR Sweden is the leading business network with focus on social responsibility in Sweden. They aim to inspire organisations and contribute to a work within CSR by conveying knowledge and contacts between organisations and their stakeholders, and opening up discussions with politicians. CSR Sweden has 18 members and is an associate to CSR Europe, Europe's leading CSR-network. CSR Europe is the parent organisation, which convey international knowledge and experience to CSR Sweden. CSR Sweden gathers organisations and offers exchange of experiences, connects organisations for responsible initiatives, develops practical tools and transmits knowledge from CSR Europe. Their workshops and programs are offered to any organisation with the desire to become more engaged in CSR, therefore they reach out to more organisations than their members (CSR Sweden, 2015).

Motivation for working with the link between sustainability and management accounting

The link between sustainability and management accounting is important for the ability to implement sustainability in an entire organisation. To be implemented in an organisation, sustainability has to be embedded within management accounting. One aim of implementing sustainability is to reduce negative impacts on society. CSR Sweden claims that these negative impacts are connected with different kinds of risks e.g. losing customers that neglect irresponsible businesses. By embedding sustainability, organisations will both reduce negative impacts and find new innovative ways to perform their businesses without the same risk, e.g. by developing business systems and more effective and sustainable products. Therefore the advantages with sustainability do not solely benefit society, it also favours organisations in their internal business. Organisations can increase their opportunities in different procurements, e.g. becoming a distributor to an organisation that emphasises sustainable aspects and attract more or better competence, since more employees seek for responsible employers. It can as well result in a better reputation amongst customers and clients, since the importance of sustainability has increased in the entire society.

The ways in which sustainability can be linked to management accounting

CSR Sweden believes that sustainability has to be embedded within management accounting. One key in the embedment is to define non-financial aspects as financial. The non-financial ones mainly concern environmental- and social aspects e.g. employee engagement. It is essential for organisations to understand how these non-financial aspects affect the result in the financial report.

All aspects are not relevant or possible to consider for all organisations, therefore organisations need to perform a substantial analysis. A substantial analysis helps to identify important aspects for an organisation and to account for the relevant and irrelevant ones. CSR Sweden has developed a seven-step analysis that organisations can use for this process. The seven-step analysis helps to identify relevant non-financial KPI measures for the specific organisation. It is built on seven questions concerning CSR and based on how an organisation answers these questions, suitable non-financial KPI measures are developed. KPIs for non-financial aspects measure e.g. carbon emissions, employee engagement and ethical integrity (CSR Europe, 2012). With this analysis, the KPIs are produced internal and will be customised and unique for an organisation and its operations. The seven-step analysis is a concrete way to embed sustainability within a business strategy and thereby management accounting. Bonus systems are another example. By giving bonuses based on sustainable actions, e.g. choosing a sustainable distributor instead of an unsustainable one, organisations advocate and encourage sustainable efforts. The identified KPIs are suitable to use when organisations want to evaluate and reward performance with bonuses.

Dissemination channels for the link between sustainability and management accounting

CSR Sweden is a network and platform where they discuss sustainability with decision makers and entrepreneurs. They organise education involving sustainable training and

discussion. In education about the link between sustainability and management accounting, CSR Sweden refers to the seven-step analysis and the use of bonus systems.

CSR Västsverige

The motivation for including CSR Västsverige in the study

CSR Västsverige is a non-profit organisation with the aim to create good synergies between business and social responsibility. They have 203 members represented from the private, public, non-profit and academic sector. CSR Västsverige's mission is to support organisations in the work with CSR and sustainability. Their support is directed to both small and large organisations and is offered regardless of how far organisations are in the implementation process. To be able to meet different genre of organisations, they have a broad supply of services and resources. These are e.g. educations, meetings, a wide knowledge database and collaboration groups. They offer systematic tools to facilitate sustainability efforts for organisations e.g. relevance analysis, responsibility initiative and action program (CSR Västsverige, 2015).

Motivation for working with the link between sustainability and management accounting

Management accounting is an important aspect in order to achieve a more sustainable approach in an organisation. In order to take on long-term efforts within sustainability, it is important to work systematic and perform an implementation close to the core business. CSR Västsverige describes this as combining business with social responsibility and the need to create as many synergies between the two as possible. Here is where management accounting interacts and plays a crucial role. Management accounting enables sustainable aspects to be assembled and more visible for both internal and external stakeholders. Organisations need to clearly communicate how they define sustainability, their objectives in sustainability and how these are evaluated.

The ways in which sustainability can be linked to management accounting

Management accounting can either be used as a tool to successfully implement sustainability in an entire organisation, or organisations can embed sustainability within management accounting. When embedding sustainability within management accounting, organisations have to go over their strategies, objectives and internal processes. Sustainability needs to be embedded in these activities and related to decisions at a daily basis. Connecting bonuses to sustainability is one effective way to perform the embedment. CSR Västsverige specifies Riksbyggen as an example of when this has been successful. Riksbyggen has introduced bonuses for when their caretakers reach objectives connected to sustainability.

The implementation of sustainability needs to be established throughout an organisation, therefore CSR Västsverige highlights the importance of a clear anchoring. The CSR and sustainability work are often allocated to one specific person with a personal concern and drive to implement it within an organisation. One engaged employee is a good start, but in order to truly succeed with an implementation, it is important that this individual receives

resources and mandate in order to be noticed by the entire organisation. The success relies in a thorough commitment, ranging from an employee at the lowest level in the organisational hierarchy to the top management or board of directors. Every employee is important and can contribute to the objectives, but in different ways depending on their role. Therefore the management have to be involved and acknowledge the importance of these questions and drive the sustainable mode of operation. Embedding sustainability within management accounting can facilitate the anchoring e.g. by developing a clear strategy.

In the use of management accounting as a tool, organisations can define and set appropriate objectives within sustainability based on their potential. Objectives are important to enable a follow-up and evaluation of performances. This will permit an organisation to establish potential changes necessary to reach a desired result. To exemplify, CSR Västsverige highlights IPS Alarm. Through a present value analysis, IPS Alarm has identified areas with the need for improvement. Transportation between installers was shown to be their most negative impact on the environment. In order to diminish the negative impact, they established objectives connected to their transports, along with educating in eco driving and naming one employee as “the driver of the month”.

Dissemination channels for the link between sustainability and management accounting

CSR Västsverige uses several of different channels to communicate their knowledge in sustainability. Sustainability is e.g. discussed at seminars, different courses, breakfast meetings, conferences and at meetings with stakeholders. Since the link to management accounting is connected to the implementation in an entire organisation, it is concerned in all different channels. Their website is an important resource. It is used as an official information site and offers a portal for members. The portal offers specific information and customised systems for each member, e.g. performance measures connected to sustainability. The members are able to choose from a wide range of tools to optimise their implementation. CSR Västsverige captures news and developments within sustainability, with the intention to always be up-to-date when they give advice and distribute information to their members. CSR Västsverige offers action programs with different aims and subjects to their members. To mention some, they have action programs named social responsibility, environmental responsibility and decent workplace. They all contain various measures within each subject that contribute to a corporate social responsibility. In the action programs, CSR Västsverige challenges organisations to select at least four measures and fulfil these within 12 months. The action programs are available for all organisations, but members are offered a yearly report where their progresses are documented. This is an initiative by CSR Västverige taken to help organisation to choose suitable actions. CSR Västsverige illustrates examples in how the implementation and the link can be approached, but it is up to their members to apply it in their own operations.

Tillväxtverket

The motivation for including Tillväxtverket in the study

Tillväxtverket is a governmental agency whose mission is to promote a sustainable business development and regional growth, as well as perform structural fund programmes. In order to improve opportunities for existing and future organisations, the agency offers knowledge, networks and funding. They aim to contribute to attractive and easier conditions for organisations, improve their competitiveness and to create sustainable growth at both business and regional level. The agency contribute to a sustainable growth by various of actions, e.g. identifying and raising new conditions and opportunities in order to meet organisations' future challenges, helping entrepreneurs with ideas of how to confront and realise these challenges and by ensuring that their own operations' and authorities' internal work are characterised by sustainability (Tillväxtverket, 2015).

Motivation for working with the link between sustainability and management accounting

Tillväxtverket acknowledges the importance of prioritising sustainability in all organisations. They believe that there are two links between sustainability and management accounting. The first one is to use management accounting as a tool for an implementation of sustainability in an entire organisation. The second link is that sustainability can be embedded within management accounting. A sustainable approach needs to be embraced by the management and considered consistently at a daily basis. A prerequisite for this is that sustainability is understood by the entire organisation. Showing external stakeholders that an organisation considers sustainability internally lead to advantages in the economical aspect. It can improve their reputation and competitiveness against others, which will enable organisations to grow. By using management accounting in an implementation of sustainability, organisations will be stronger and more stable which will enable them to survive in long term.

The ways in which sustainability can be linked to management accounting

Management accounting can be used as a tool to succeed with an implementation. One example of this is the budget process. Resources control the possibility to undertake actions in sustainability. In a budget process, organisations can prioritise the allocation of their resources. By involving sustainability in a budget, resources are reserved for a specific aim and will therefore demonstrate its importance. A budget process can as well be used to encourage good efforts, e.g. by reserving more resources for environmental-friendly choices.

It is important for the management to be involved in an implementation of sustainability and elucidate the importance. Anchoring is therefore a significant aspect where management accounting can facilitate. All employees need to understand the importance of undertaking sustainable efforts. If all employees share the same values, the opportunity for a successful performance in sustainability will increase. Tillväxtverket illustrates the council ESF, Swedish Council for European Social Fund, as an example where this is performed. ESF encourages employees to involve in sustainability and to undertake sustainable efforts, e.g. by offering higher salaries to employees that have attended a course in equality. This illustrates

the importance of sustainable efforts to the rest of the organisation and that competence in sustainability is promoted. This method for anchoring a sustainable approach throughout an organisation illustrates one way of embedding sustainability within management accounting. Shell is mentioned as another successful example of engaging the entire organisation. Shell introduced a contest amongst their gas stations where they evaluated different matters, e.g. the most energy efficient station or the station with lowest energy costs. The best performing stations were acknowledged and honoured for their performance in the corporate group.

Tillväxtverket mentions that non-financial measures are beneficial for an implementation of sustainability. By introducing measurements for non-financial aspects, employees will know how to perform in order to fulfil their expectations and concretises the results for organisations. Alongside with introducing measuring, organisations need to put concrete objectives in order to establish the expected result. Using management accounting as a tool is a way to embed sustainability in already existing measurements and objectives. This can facilitate an implementation in the entire organisation.

Dissemination channels for the link between sustainability and management accounting

Tillväxtverket operates in different projects with organisations. As an authority, they have the possibility to put demands regarding sustainability in these projects. One example is that organisations can be obligated to fulfil certain sustainability criteria in order to receive funding. During their projects, Tillväxtverket focuses on setting good examples and encourages organisations to undertake sustainable objectives. Each project is assigned with an administrator. The meeting between the administrator and the applicant is the most used channel to communicate information and concerns about sustainability. To take advantage of their opportunity to influence, Tillväxtverket put internal focus on establishing important questions and appropriate demands for each project. This is one way to optimise their contribution towards more sustainable organisations. They create and operate in networks, which enables large information spread. By emphasising successful organisations within the field, they try to influence and encourage others.

Policy makers that do not engage in the link between sustainability and management accounting:

Sveriges Redovisningskonsluters Förbund

The motivation for including SRF in the study

SRF is a professional association for accounting- and salary consultants. SRF is leading within its field with approximately 6000 members. SRF's members are consultants with clients in Swedish companies. They convey information and practise a comprehensive amount of education and training. By making sure their knowledge is up to date and sufficient, SRF guarantees quality of their members' competence. To assure high standard and customer satisfaction, SRF put high demands on their members in knowledge, education and experience (Sveriges Redovisningskonsulters Förbund, 2015).

Motivation for not working with the link between sustainability and management accounting

There is a lack of external demand for management accounting services connected to sustainability. SRF explains that their members' clients are small, often family owned companies. These represent the majority of Sweden's companies today and are a group that never approach this issue. These companies struggle to survive and therefore lack the ability to consider sustainability questions. Their shortage of resources and time prevents their capacity to implement future related issues.

The services offered by SRF's members are highly demanded. Entrepreneurs and companies are required to declare, practise extended accounting, tax payments etc. This results in a high demand for accounting consultants. Involving sustainability and offering services connected to that field request an extensive selling to the member's clients. This would result in higher costs for measures with no specific demand. A sustainable reporting course at SRF would not attract participants. SRF has not approached the link because of the lack of interest. The members are crucial for the association's income and can therefore control its prioritisations. To avoid the risk of losing members, SRF focuses on their members' demand instead of investing in unappreciated aspects.

Sveriges Managementkonsulter

The motivation for including SMK in the study

SMK is a professional association for management consultant firms with approximately 30 members. SMK aims to contribute to the management business and operate in areas important for their members. By coordinating meetings, SMK creates opportunities for their members to exchange experience and develop. On their website SMK (Sveriges Managementkonsulter, 2015) states that "as a professional association we will actively work to develop the business and therefore contribute to strong and well-being companies". They explain that a dynamic

development of Sweden's companies will be positive for society's well being (Sveriges Managementkonsulter, 2015).

Motivation for not working with the link between sustainability and management accounting

SMK does not work with the link because they have not come across this specific demand from their members. The lack of demand concerning the link has resulted in that the connection between sustainability and management accounting has not been considered. Today the association solely consider ethical issues connected to their profession, e.g. confidentiality and professional approach towards their commissioning body. However these issues are not linked to management accounting.

Ekonomistyrningsverket

The motivation for including ESV in the study

ESV is a central administrative agency under the Ministry of Finance. Their mission is to develop management accounting for Government agencies with the aim to improve the Swedish economy. They possess an expertise within management accounting and provide support to the Government offices. Within their expertise they practise training, develop standards, offer support and consultants. The authority follows the development of management accounting in the Government and communicates advice of how it can be accommodated to operations' needs and conditions. Within management accounting, ESV offers expertise in different areas; e.g. financial control, results control, internal control and budgeting. In these areas they offer support by developing and conducting legal frameworks and methods to enable a stable and satisfactory internal control in the country (Ekonomistyrningsverket, 2015).

Motivation for not working with the link between sustainability and management accounting

The implementation of sustainability is not a part of ESV's area of expertise and therefore ESV does not consider approaching the link as their responsibility. ESV is not interested in embedding sustainability in their standards. They define sustainability as a specific field of politics and declare that their specified standards need to be neutral from these kinds of politics. The standards are supposed to compose a framework and infrastructure with the aim to facilitate the use and application of management accounting. ESV applies an infrastructure in management accounting, which authorities can use as a foundation and frame out of their own interests. ESV is not interested in embedding sustainability in their standards since it will interact with their neutrality. The authority is not against a sustainable development but against embedding all kinds of specific field of politics in their infrastructure. If sustainability is embedded within management accounting, any other kind of specific field of political questions, e.g. gender equality, can be embedded as well. ESV does not desire this. ESV's neural infrastructure should be applicable to all different areas and embedding sustainability should be possible even if it is not included in their standards. They intend to contribute to a

good management accounting and embedding sustainability could complicate the formulation of other kinds of objectives.

Civilekonomerna

The motivation for including Civilekonomerna in the study

Civilekonomerna is the leading member organisation and federation of labour union for economists in Sweden. The organisation possess 40 000 members, whereby 12 000 of them are students. Civilekonomerna focuses on questions important for their members e.g. education or condition of employment. They operate in consideration of the individual and its needs, and drive issues aiming to contribute to a career- and personal development. Civilekonomerna has a constant information flow e.g. through their magazine or at their website, reaching all of their members (Civilekonomerna, 2015).

Motivation for not working with the link between sustainability and management accounting

Civilekonomerna does not work with the link because there is a lack of demand and interest for sustainability aspects from their members. Because of the low interest amongst members, seminars with focus on sustainability are hard to fill. Civilekonomerna explains that arranged seminars concerning ethics, e.g. corruption, has not attract organisations or members. Sustainability can often be connected to common sense. If employers or employees perceive themselves to master the issue, they often argue that participating in seminars is a waste of time. Civilekonomerna defines sustainability as a softer topic and that these topics are not as appreciated as e.g. plain management accounting. Training or seminars in advanced management accounting is therefore highly desired from members. Civilekonomerna are controlled by the demand from their members, therefore training issuing the link between sustainability and management accounting is not practiced.

Teknikföretagen

The motivation for including Teknikföretagen in the study

Teknikföretagen is an employers' organisation and consists of 3700 member organisations. Their members are both comprehensive global organisations and smaller local ones. The members stand for one third of Sweden's export. The operator's mission is to improve their members' competitiveness by influencing labour law, product- and quality demands and terms for education and research. They support their members in various fields e.g. negotiation of contract, negotiation support, courses and guidance. This promotes their members with a long-term efficient and profitable business (Teknikföretagen, 2015).

Motivation for not working with the link between sustainability and management accounting

Teknikföretagen does not actively work with the link between sustainability and management accounting. They are an organisation that is controlled by their members and which offers support in issues based on their members' requests. Teknikföretagen has employees working with sustainability, but only when members specifically demand it. Some members are successful in the sustainable field and therefore demand the support. This support regards implementing sustainability in an entire organisation where embedding it within management accounting is one part. However, Teknikföretagen's actions are based on their members' initiative whereby not all members possess a demand for sustainability. Therefore, Teknikföretagen does not actively encourage their members to consider sustainability and does not distribute information of the link between sustainability and management accounting.

Discussion

This chapter consists of an analysis, discussion and conclusion based on the empirics and the frame of reference. Furthermore, the contribution from the study is presented and is followed by suggestions for further research. A table that illustrates a compilation of the empirics introduces this chapter.

Policy Makers	Do the policy maker have an active position towards the link between sustainability and M.A ³ ?	Why/why not?	How?
Sveriges Kommuner och Landsting	Yes	To facilitate an implementation of sustainability	Used as a tool
CSR Sweden	Yes	To facilitate an implementation of sustainability	To embed sustainability within M.A
CSR Västsverige	Yes	To facilitate an implementation of sustainability	Used as a tool and to embed sustainability within M.A
Tillväxtverket	Yes	To facilitate an implementation of sustainability	Used as a tool and to embed sustainability within M.A
Sveriges Redovisningskonsulters Förbund	No	No external demand	
Sveriges Managementkonsulter	No	No external demand	
Ekonomistyrningsverket	No	Not willing to implement specific field of politics in standards	
Civilekonomerna	No	No external demand	
Teknikföretagen	No	Controlled by the specific demand from each member	

The table illustrates a compilation of the policy makers' position

This study illustrates that the link between sustainability and management accounting is not prioritised by all policy makers, only four of the nine interviewed policy makers have an active position towards the issue. The main reason for not having an active position towards the link was a lack of demand from members, which depended on a low interest or lack of resources to take on a sustainable approach. These policy makers considered themselves being controlled by their members. Without a demand from their members, these policy makers will not approach this issue. One of the policy makers could be distinguished from the others. This policy maker did not consider the link because they had no interest in

³ M.A – Management accounting

approaching sustainability within management accounting. Their reason for neglecting the link was therefore not based on their members' demand.

The policy makers with an active position considered two different approaches towards the link between sustainability and management accounting. The first approach was that management accounting can be used as a tool to facilitate and optimise an implementation in an entire organisation. The other approach was that sustainability is embedded in the existing management accounting within an organisation. Some of the policy makers advocated solely one of these while others advocated a combination.

The approach to use management accounting as a tool corresponds with the category *responsibility control* (Lind, 1996). The policy makers that advocated this considered management accounting as a resource, where sustainability is incorporated in different tools to facilitate an implementation. The use of objectives was the main mentioned tool and highlighted with great importance by these policy makers. Objectives were considered to concretize sustainability in an organisation, which would enable an understanding for needed actions and result in better performances. These policy makers described the importance of clearly formulating and anchoring objectives within organisations. Corresponding to Merchant and Van der Stede (2012) this would avoid motivation problems.

Embedding sustainability in management accounting corresponds to what Lind (1996) categorises as *focus attention*. This positions sustainability closer to the core business and management accounting is used to create a deeper understanding of the implementation. Similar to what Galphin and Whittington (2012) described, the policy makers that advocated the embedment believed that commitment and engagement throughout an organisation is important. By raising the issue at management level and embedding it in the strategy, organisations enable an anchoring amongst all employees. These policy makers believed that the embedment of management accounting could involve and engage all employees. According to Merchant and Van der Stede's (2012) theory, this would avoid the problem lack of direction.

The active policy makers believed that sustainable aspects have to be implemented in an entire organisation, be understood by the management and connected to the core business. In both approaches towards the link, the policy makers mentioned this as possible when organisations define and connect objectives to non-financial measures. This corresponds with Lind's (1996) theory that non-financial measures are closer to the core business and simplifies the connection between measurements and actions. Similar to what Bansal and DesJardine (2014) advocated, many of the interviewed policy makers emphasised this sustainable approach in long-term.

However, all active policy makers could not concretise examples in how the link can be practised. Even though they had an active position towards the issue, many struggled to clarify examples specifically connected to management accounting. Similar to what previous studies have established in organisations, there is a possibility that in practice, policy makers

do not clearly disseminate the link between sustainability and management accounting. The reason could be that the policy makers had difficulties in distinguishing a specific link connected to management accounting. This instead resulted in a discussion of a general implementation of sustainability in an entire organisation. The policy makers also had different perceptions about organisations' ability to contribute to a sustainable society. Working with the link between sustainability and management accounting could help each specific organisation to e.g. identify resources, possible actions, defective areas and to create an appropriate approach. By approaching this link organisations can clarify and improve both actions and performances. Therefore policy makers should consider to actively work with the link towards their members.

The fact that the majority of the policy makers did not consider the link between sustainability and management accounting can give one further explanation of the slow development within sustainability. As GRI (2012) and Greenwood, Suddaby and Hinings (2002) describe, policy makers have an important role towards their members. With the power to influence, educate and advocate a specific behaviour, one could argue that taking an active position towards the link can be of crucial relevance. Even though these policy makers had not come across any demand from their members, they could highlight the importance which could result in significant effects. Policy makers are powerful operators with wide networks and by constantly informing the importance of the linkage, sustainability can eventually be considered as a given approach.

This study has three primary contributions. The first contribution is that this study provides the first empirical evidence of policy makers' view upon the link between sustainability and management accounting. By interviewing nine influential policy makers in Sweden, this study has found evidence that the majority of policy makers do not engage in the link. This leads to the second contribution. The second contribution of this study is that it contributes to the literature that studies the link between sustainability and management accounting (Moon, Grubnic and Herzig, 2011). By studying the view of policy makers, this study has taken on a new perspective towards the link between sustainability and management accounting. This new perspective provides one further explanation to the slow development of the connection between sustainability and management accounting. Since the link was not emphasised by all influential policy makers, organisations and members lose a significant informant in this process. The policy makers with an active position towards the link gave few concrete examples of how the link can be practised. This indicates a risk that policy makers claim to work more extensive and to clearer disseminate the connection between sustainability and management accounting than they actually do in practice. Furthermore the evidence found contributes to the general debate about sustainability and provide one explanation to its slow development in organisations (Galpin and Whittington, 2012). The third contribution is that this study has established two different ways in which the link can be practised. The first way is to use management accounting as a tool to implement sustainability in an organisation. The second way is to embed sustainability within the existing management accounting.

Suggestions for further research

In the process of fulfilling this study we have acknowledged several interesting subjects for further research. We consider the chosen policy makers as influential and important. It would be interesting to continue the study by examining how organisations consider these policy makers, if they are considered influential and if their approaches have an extensive impact on the organisations' operations.

The policy makers had different perceptions of organisations' ability to contribute to a sustainable society. Therefore another suggestion for further research is to examine how management accounting can customise the implementation of sustainability after each organisation's ability.

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Question appendix

Sustainability: the integration between social, economic and environmental aspects. A sustainable development consists of working in long term with these aspects without affecting future generations.

Management accounting: the purpose of management accounting is to help an organisation to achieve desired objectives. This consists of planning after established or unexpected expectations, follow-up and planning after performed reports. It can be e.g. internal processes, budgeting and calculating.

What do your organisation believe organisations can do to embed sustainability within management accounting?

- What can this mean in practice? Give examples
- What is the most important part of the embedment? Why is this important?
- What can this mode of operations lead to?
- How can organisations work with the link between sustainability and management accounting?
- How do you communicate the connection between sustainability and management accounting?

What problems do you find for organisations in the embedment of sustainability within management accounting?

- What solutions do you find?

What advantages do you recognise of working with sustainability within management accounting?

- What disadvantages do you find?

How do you find your role as an accommodator of the link between sustainability and management accounting?

Policy makers without any answer for the first question we continued with further questions:

- Why do you not work with the link between sustainability and management accounting?
- Why do you not communicate the connection?

When needed, we asked the respondent to further explicate and give example.