

INFLUENCE OF THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE ON THE INSTRUMENTS OF CONTROLLING

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Abstract

The Corporate Sustainability Reporting Directive (CSRD) forces companies to prepare a sustainability report. This has an impact on all functions within the company, including controlling. In order to determine the influence of sustainability reporting on controlling and its instruments, a literature analysis was carried out. It was found that, in principle, all known controlling instruments can be used to manage sustainability aspects. Examples include the balanced scorecard, investment appraisal, or the use of key figures and key figure systems.

1. INTRODUCTION

The Corporate Sustainability Reporting Directive (CSRD) will significantly expand the group of companies that are required to publish a sustainability report. It also specifies and expands the mandatory content to be reported in sustainability reports (Lanfermann & Scheid, 2021; Scheid & Reinke, 2021). On the one hand, this expansion of reporting obligations causes a great deal of effort for companies in terms

of implementation. On the other hand, they also offer added value for companies if the information generated is used wisely and with foresight (KPMG, 2023a). In order to fulfil the requirements of the CSRD, companies are currently busy creating structures and processes to implement them. This will also have an impact on some of the corporate functions. As was the case with the integration of the International Financial Reporting Standards (IFRS), the CSRD will also affect the area of accounting and controlling. One reason for this is the procurement of the necessary data, some of which must be generated by controlling. On the other hand, this information and therefore also the reporting should serve as a basis for decision-making. This would make the company more sustainable, more successful, and more resilient at the same time (KPMG, 2023a, 2023b; Weißenberger, 2017). So far, however, it is not yet clear to what extent and in what form mandatory sustainability reporting will have an impact on controlling and its instruments.

2. THEORETICAL FOUNDATION

The underlying concept of controlling is the value-added-orientated controlling concept according to Becker et al. (2014). Here, value creation in the company serves as the starting point (Becker et al., 2014). This pursues the goal of securing the long-term existence of the company, which is achieved by controlling the effectiveness and efficiency of the company's actions (Petzold & Westerkamp, 2018). Controlling fulfills the locomotion function as an original function. This means that controlling ensures that the focus on value creation is taken into account in all management considerations, decisions, and actions (Becker et al., 2014; Becker, 2022). Therefore, controlling is an integral part of corporate management, as the locomotion function is based on the purpose of entrepreneurial activity, which is characterized by value creation. The tasks of controlling can be derived from the functions or the perception of the functions of the business model of a company. For example, the locomotion function leads to the implementation of measures and decisions that are necessary to achieve the set goals. These tasks are performed by management and supported by the two derivative functions performed by controllers. On the one hand, they serve to procure the necessary information and, on the other, to coordinate the necessary actions and control behavior. In principle, all methods, procedures, and techniques known in business management can be used to fulfill these tasks (Becker, 2022).

3. METHODOLOGY

The starting point for this study is the requirements of the CSRD, which, for example, requires companies to document and explain how they deal with the social and environmental impacts of their own business

activities. It also requires information on the impact on internal management and control processes. It will therefore certainly have an impact on corporate management and therefore on controlling and its instruments (KPMG, 2023b). In order to identify these effects on controlling instruments, a literature analysis was carried out. The main focus was on articles in German trade journals that deal with the topics of 'controlling' and 'sustainability'. On this basis, it was analyzed which of the instruments currently used in controlling could also be relevant for sustainability reporting.

4. RESULTS

In the following, only a few examples of the influence of sustainability reporting on controlling and the associated instruments will be discussed. In general, all existing instruments can also be used for sustainability reporting and the associated management if they are expanded to include non-financial aspects. A prominent example is the balanced scorecard, which can be used to implement and monitor a (sustainability) strategy (Vollmar, 2022; Endenich & Trapp, 2022).

A look at the tools used in controlling shows that in general they only need to be expanded to include environmental and social perspectives. With regard to the tools used, there is a need to link data and systems of financial and non-financial information (Oehler & Kämmler-Burrak, 2024). One example of this is investment appraisal: it is used to assess various investment alternatives and helps to select the most favourable one. The CSRD, for example, demands that companies disclose sustainability-related investments. However, in order to be able to assess the sustainability performance of different investment alternatives, ecological and social aspects must be integrated into the calculation, as investment projects must fulfil two requirements in the future: on the one hand, they must contribute to improving the company's sustainability performance, but on the other hand, they must also be economical (Endenich & Trapp, 2022).

A further challenge that arises from sustainability reporting is the increasing amount of data resulting from the linking of financial and non-financial information. This poses major challenges for data architectures, as the growing number of sustainability initiatives and reporting requirements increase the need for heterogeneous and complex data sets for information provision and successful management. Powerful, integrated information systems are needed to meet this challenge, as the analysis of financial and non-financial data must be interlinked (Hoffmann, 2024).

These large volumes of data also have an impact on the management reporting process and therefore also on the key figures and indicator systems frequently used in this process. In the future, sustainability reporting will require a large number of environmental

and social indicators, which should also be incorporated into the management/steering of the company. The long-term challenge here is to raise the quality of non-financial indicators to the level of financial indicators (Möhrer & Vanini, 2022). These key figures are to be added to the existing key figure systems (Endenich & Trapp, 2022). This is necessary so that controlling can determine the extent to which the measures taken contribute to the achievement of objectives and thus support the strategy (Fifka, 2016).

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