Strategy-Driven Implications for the Management Control Systems of Electricity Generators due to Government Climate Change Policies

by

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Abstract

The New Zealand Government has developed and revised different climate change policies (GCCPs) over the last nine years in order to meet its Kyoto obligations and address the challenges of climate change. My PhD study examines the changes in the management control system (MCS) arising from strategy choices New Zealand electricity generators make in managing economic volatility and societal pressures resulting from a prolonged period of GCCP change. The study adopts a multiple-theory research framework and analyses interviews and 10-years of documentary data related to five major New Zealand electricity generators over five periods from 2000 to 2009.

The results suggest that GCCP changes impose external economic volatilities and societal pressures on the generators and affect their costs, market competitiveness, and social legitimacy. The diversity of internal characteristics and capabilities of the generators are found to moderate their relative degree of exposure to these external volatilities and pressures. Ten GCCP-related environmental strategies were formulated and implemented by the generators, with different levels of proactiveness (i.e. scope and timing), varying top management emphasis, as well as distinct underlying objectives. These strategy choices had significant implications for organisational MCS. In response, a wide range of controls and control systems were adopted. These can be classified into eight MCS component types and three MCS component groups, each of which supported one or more environmental strategies. Managers varied the degree of use of these MCS component types and groups to match the level of strategy proactiveness and top management emphasis pursued within each period. Additionally, the organisational MCS was underlined by three main objectives (cost control, competitiveness, and legitimacy) which in turn were driven by each generator’s primary strategy objectives and GCCP-related external exposure.

This study addresses a number of gaps in the academic literature and demonstrates the merits of a multiple-theoretical framework in examining GCCP-related strategy and MCS changes. The results also have significant implications for managers and practitioners when planning organisational adaptation to a carbon-constrained economy. Further, the study provides a useful basis for regulators and policy-makers in making the appropriate assessment and providing advice to improve the GCCPs’ environmental and economic outcomes.