

Navigating Competing Demands: Management Control and Sustainability in the Pharmaceutical Sector of a Developing Economy

Abstract

This study explores how pharmaceutical companies in a developing economy, specifically Bangladesh, integrate management control systems to enhance performance while striving to implement sustainable practices within a complex institutional environment. Through semi-structured interviews with management and staff across various organisational levels, the study examines how these companies navigate competing demands involving financial performance, regulatory compliance, and ethical responsibilities. Findings reveal that distinct institutional logics—commercial, regulatory, societal, and sustainability—exert conflicting pressures on organisational practices. The prioritisation of profitability under commercial logic often overshadows sustainability goals, while weak regulatory enforcement and political influence complicate compliance. Additionally, societal expectations for ethical conduct clash with profit-driven strategies, creating further challenges in establishing sustainable practices. These insights contribute to management accounting literature by highlighting the impact of external institutional pressures on organisational actions and by providing practical recommendations for regulatory reform and governance improvements to support ethical and sustainable management practices in emerging markets.

1. Introduction

The pharmaceutical industry plays a crucial role in advancing public health and supporting economic growth worldwide. In Bangladesh, the pharmaceutical sector has grown significantly, enhancing access to essential medicines and generating employment (Alam et al., 2021; Mohiuddin et al., 2015). However, this rapid expansion presents complex challenges for effective management control, performance measurement, and the integration of sustainability. Bangladesh's pharmaceutical industry operates within ethical and social considerations, where profit-driven objectives sometimes conflict with responsibilities toward affordable and accessible healthcare (Mohiuddin et al., 2015). As these companies strive to maintain financial success, there is an increasing need to ensure their management practices prioritise ethical considerations, patient welfare, and broader societal impacts.

We explore the strategies and mechanisms used by pharmaceutical companies in Bangladesh to incorporate sustainable practices into their management frameworks, offering insights into best practices and areas for potential improvement. A key concern for this sector is aligning management control and performance management with sustainability objectives. Effective management control and performance systems are essential for pharmaceutical companies to manage operations, improve efficiency, and meet strategic goals. Yet, sustainable practices are equally critical, particularly given the industry's responsibility to minimise its environmental footprint, promote safe and ethical practices, and contribute positively to societal health outcomes. Therefore, effective integration of management control, performance management, and sustainability is necessary for long-term industry success and for fostering trust and responsibility in a sector that impacts millions of lives.

2. Literature Review

Management control plays a significant role in organisational governance, encompassing systems, processes, and practices to achieve strategic objectives effectively and efficiently. The literature on management control offers insights into frameworks that guide the design and function of control mechanisms, including planning, budgeting, and performance measurement, which enable organisations to monitor activities, allocate resources, and make informed decisions (Simons, 1994;

Merchant & Van der Stede, 2007). These studies provide foundational models highlighting how management control systems align operations with organisational goals.

Performance management is closely related, focusing on continuously measuring, monitoring, and enhancing organisational performance to meet strategic targets. Theoretical perspectives in performance management, such as those by Otley (1999, 2003) and Broadbent & Laughlin (2009), offer models that guide the structure of performance measurement systems. Additionally, goal-setting theory (Locke & Latham, 1990, 2013) emphasises the importance of setting clear objectives and feedback mechanisms to improve individual and organisational performance. Together, these frameworks underscore the role of performance management in driving efficiency and strategic alignment.

In recent years, sustainability has become integral to organisational decision-making, emphasising environmental, social, and economic impacts. The triple-bottom-line approach (Elkington and Rowlands, 1999), encourages companies to balance financial objectives with broader social responsibilities. Global Reporting Initiatives (GRI), Sustainable Development Goals (SDGs), and Integrated frameworks provide guidelines that embed sustainability into corporate strategies, aligning business activities with societal expectations (Carroll, 1999; Freeman, 2010). For industries like pharmaceuticals, which directly affect public health, these frameworks are particularly relevant, helping to guide ethical and responsible practices.

The intersection of management control, performance management, and sustainability is a growing area of interest, reflecting the need for integrated approaches incorporating environmental and social dimensions within traditional business models. While management control systems primarily focus on operational efficiency, recent studies highlight the need to embed sustainability considerations within these systems to address broader impacts on society and the environment (Beusch et al., 2022; Riccaboni & Leone, 2010). Performance management systems, likewise, benefit from including sustainability measures, which allow for a more comprehensive evaluation of organisational success beyond financial outcomes.

In emerging markets, including Bangladesh, external pressures such as regulatory constraints, socioeconomic factors, and institutional demands add complexity to the integration of sustainability within management systems. Mahmood & Uddin (2021) underscores how public expectations, market demands, and governance challenges influence the adoption of sustainability practices in these contexts. This study builds upon their findings by investigating how such pressures shape the adoption and effectiveness of management control and performance management systems within Bangladesh's pharmaceutical sector.

3. Theoretical Framework

Institutional Logic Theory (ILT) is useful in analysing the social, economic, and regulatory pressures that shape organisational practices within the Bangladeshi pharmaceutical industry. ILT explains how organisations operate within multiple "institutional logics"—systems of socially constructed values, norms, and beliefs—that influence their decisions and behaviours (Thornton & Ocasio, 2008). In the pharmaceutical sector, these logics include financial objectives, regulatory compliance, and ethical expectations, each reflecting different and sometimes conflicting priorities.

This study applies ILT to understand how pharmaceutical companies in Bangladesh manage the balance between profit goals, regulatory adherence, and ethical responsibilities. Commercial logic drives these firms toward profitability, regulatory logic enforces safety and compliance standards, and societal logic demands ethical conduct, particularly due to the impact on the industry's public health.

This framework thus helps explore how organisations integrate these competing demands, adjusting their management control and performance practices to align with financial and social obligations.

ILT moves beyond traditional economic theories by recognising that organisational behaviours are influenced by multiple, often competing, institutional pressures. In Bangladesh's pharmaceutical industry, commercial, regulatory, and societal logic interact in ways that compel companies to address financial and sustainability goals. For instance, regulatory demands may require adherence to specific safety standards, while societal expectations encourage ethical marketing practices. These diverse pressures shape management controls, pushing firms to embed sustainability measures into their performance metrics and to evaluate success beyond purely financial outcomes (Mahmood & Uddin, 2021).

This theoretical approach also highlights how institutional pressures impact the design and implementation of control systems, requiring companies to adapt to external demands. Regulatory bodies may impose standards prioritising safety, while public expectations influence corporate strategies toward ethical responsibility. These factors affect management systems, encouraging companies to integrate sustainability into their performance frameworks. Additionally, ILT underscores that management control systems are shaped by broader social and institutional contexts, not just by economic goals. This perspective is relevant for the Bangladeshi pharmaceutical sector, where organisations must balance short-term profitability with long-term sustainability. ILT thus provides insight into how these companies adjust control mechanisms to align with societal expectations, addressing the challenges of reconciling financial performance with ethical and environmental impacts.

4. Research Methods

This study employed a qualitative research design to examine how management control, performance management, and sustainability practices are integrated within Bangladeshi pharmaceutical companies. A purposive sampling strategy was used to select 20 participants occupying roles such as top management, senior leadership, and operational, marketing, and compliance staff, ensuring a broad perspective on sustainability practices at various organisational levels.

Data was collected through semi-structured interviews conducted between April and May 2024. Each interview, lasting between 45 and 90 minutes, provided participants the opportunity to discuss their experiences and views on organisational strategies, ethical challenges, and sustainability practices in depth. The semi-structured format allowed flexibility, ensuring that while core topics were covered, participants could introduce new insights relevant to the research focus. Interview questions focused on sustainability initiatives, compliance with regulatory standards, ethical concerns in marketing, and how management control and performance systems influence sustainability goals.

Following data collection, verbatim transcriptions of the interviews were created for accuracy, after which thematic analysis was conducted to identify key patterns and recurring themes. NVivo software facilitated the coding and organisation of data, allowing for efficient categorisation of themes associated with management control, performance management, and sustainability. Initial coding captured specific responses, then refined and grouped into broader themes, such as regulatory pressures, financial targets affecting ethical practices, and organisational responses to societal expectations.

To enhance the credibility of the findings, member checking was undertaken by sharing preliminary analyses with participants to confirm that interpretations accurately reflected their views. Feedback from participants was incorporated to refine themes, validating the interpretations.

Additionally, the study's robust approach to coding—systematically revisiting and refining codes to ensure they represented a comprehensive view—further contributed to the credibility and reliability of the results.

5. Findings

The findings reveal how various institutional logics—commercial, regulatory, societal, and sustainability—shape management practices and the integration of sustainability within the Bangladeshi pharmaceutical sector. Each of these logics exerts distinct pressures, sometimes aligning and often conflicting, influencing how companies approach ethical practices, performance targets, and long-term sustainability.

Commercial logic, driven by financial performance and profit maximisation, heavily influences the operational decisions of pharmaceutical companies. Participants reported that intense competition in the market pushes companies to prioritise short-term financial goals over sustainable practices. This focus manifests in aggressive sales tactics and unethical marketing strategies, such as offering incentives to healthcare professionals to increase sales. While these practices may deliver immediate financial gains, they undermine ethical standards and contribute to a corporate culture focused on profit at the expense of sustainability. Companies prioritising commercial logic often face difficulties in implementing sustainability initiatives that do not directly contribute to profitability, creating a significant barrier to integrating environmental and social goals into core business strategies.

Regulatory logic is based on compliance with government policies, industry standards, and legal obligations, guiding companies to operate within prescribed frameworks. However, findings indicate that the effectiveness of regulatory logic in Bangladesh's pharmaceutical sector is compromised by political corruption and weak governance. Participants described how political connections influence regulatory support, with companies aligned with political actors receiving favourable treatment while others face heightened scrutiny. This uneven enforcement creates a challenging environment for sustainable practices, as companies are often uncertain about compliance expectations. Furthermore, the lack of consistent regulatory enforcement hinders long-term planning and investments in sustainable innovation, particularly in research and development, where regulatory uncertainty significantly affects budget allocations. Thus, the instability in regulatory logic restricts the sector's ability to pursue meaningful sustainability advancements.

Societal logic reflects the ethical expectations and social responsibilities that organisations face, particularly in industries like pharmaceuticals, where public health is directly impacted. Participants highlighted that societal pressures demand responsible behaviour, especially regarding marketing practices and patient care. However, findings reveal a tension between societal expectations and commercial practices. While there is growing public demand for ethical conduct and transparency, companies often resort to practices that compromise these values, such as pressuring sales teams to meet financial targets through aggressive tactics. This misalignment between societal logic and organisational actions damages public trust and hinders the adoption of sustainability practices that could benefit public welfare. Additionally, extensive working hours and job insecurity were noted as internal issues affecting employees' engagement with sustainability goals, as workforce instability detracts from a supportive organisational culture essential for fostering ethical and responsible behaviour.

Sustainability logic promotes practices prioritising long-term environmental and social impacts alongside financial performance. Some companies have begun to incorporate sustainability metrics into their performance evaluations, attempting to align business practices with broader environmental

and social responsibilities. However, findings indicate that sustainability logic is often secondary to commercial objectives. Companies that attempt to implement sustainability metrics frequently face internal resistance, as sustainability initiatives are perceived as costly and not immediately beneficial to financial performance. This tension reflects the difficulty of embedding sustainability within the sector, as companies remain primarily guided by commercial logic. The findings further suggest that, without stronger institutional support, sustainability initiatives struggle to gain traction within performance management frameworks, leaving sustainability as an aspirational rather than operational priority.

The findings illustrate the ongoing struggle within Bangladeshi pharmaceutical companies to balance these competing institutional logics. While commercial logic drives short-term financial performance, regulatory weaknesses undermine consistent compliance, and societal demands for ethical conduct clash with profit-focused strategies. The influence of multiple logics creates a challenging environment where immediate financial and operational pressures often overshadow sustainability goals. The application of ILT highlights that companies face significant challenges in aligning their management control and performance systems with sustainability objectives due to these competing demands. To achieve a more balanced approach, findings suggest that companies may benefit from revisiting internal policies and performance metrics to better integrate sustainability logic alongside commercial objectives. Strengthening internal governance to reflect ethical and financial considerations could allow companies to create strategies that harmonise profit motives with social responsibility, enhancing their reputation and long-term viability within the market.

6. Summary and conclusion

This study sheds light on the significant challenges faced by pharmaceutical companies in Bangladesh as they work to align management control, performance management, and sustainability practices within a complex and often contradictory institutional environment. By examining the influence of political, regulatory, commercial, and societal pressures, this research highlights how competing institutional logics shape organisational decision-making, frequently hindering the integration of sustainability into core management practices.

The findings reveal that political corruption and governance weaknesses are critical barriers to sustainable management in the Bangladeshi pharmaceutical sector. Political connections influence regulatory support and scrutiny, leading to an uneven competitive landscape where companies with political favour may circumvent compliance and those without face obstacles to innovation. These governance issues and inconsistent enforcement of regulatory standards create a lack of clarity that discourages long-term planning and sustainable investment, particularly in research and development. Ethical concerns, such as aggressive marketing practices and inducements offered to healthcare providers, further complicate the integration of sustainability, as they prioritise immediate financial gains over ethical responsibilities and public trust.

Applying Institutional Logic Theory (ILT) has provided a valuable framework for understanding how Bangladeshi pharmaceutical companies navigate the demands of different institutional logics. This study has shown that commercial logic, emphasising profitability, often overshadows sustainability logic, which promotes long-term social and environmental responsibility. Similarly, regulatory logic, intended to ensure compliance and safety is weakened by political interference, which complicates adherence to standards. Societal logic, reflecting public expectations for ethical conduct, frequently clashes with profit-driven strategies, leading to practices that undermine public trust in the industry. These tensions highlight the difficulty of aligning sustainability with traditional management controls

and performance metrics, as companies face persistent pressure to prioritise economic over ethical objectives.

The study suggests that meaningful integration of sustainability into management practices will require regulatory reform and more robust governance structures within Bangladesh. Clearer, more consistently enforced regulations could create a fairer competitive environment, allowing companies to plan and invest in sustainable innovations without fear of arbitrary or politically influenced regulatory pressures. Strengthening governance frameworks to support ethical and transparent business practices would encourage companies to incorporate sustainability objectives into their performance management systems, aligning financial goals with social and environmental responsibilities.

The study contributes to understanding sustainability integration in emerging markets, where institutional pressures and governance challenges complicate organisational responses to social and environmental issues. By revealing how different institutional logics interact and often conflict within the Bangladeshi pharmaceutical industry, this research underscores the need for a balanced approach that allows companies to pursue sustainable and ethical practices without compromising economic viability. Through regulatory improvements and the reinforcement of ethical standards, the Bangladeshi pharmaceutical sector can work toward aligning commercial success with its broader social responsibilities, setting an example for other industries facing similar institutional challenges.

Future research should explore these dynamics further by conducting comparative studies across different sectors or regions to understand how varying regulatory and socio-political contexts affect the integration of sustainability within management control practices. Cross-regional studies could reveal how differences in governance, political stability, and societal expectations influence companies' abilities to balance competing logic effectively. Furthermore, longitudinal research within the Bangladeshi pharmaceutical sector could provide insights into how regulatory changes and shifts in public expectations impact sustainability practices over time.

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