

**Kölner Schriftenreihe  
International Management**

Band 1



Tobias Meurer / Michael Volkmann

**A conceptual framework for measuring  
value creating Corporate Social Responsibility**

**Technology  
Arts Sciences  
TH Köln**

# Impressum

**Tobias Meurer / Michael Volkmann\*:**

**A conceptual framework for measuring value creating Corporate Social Responsibility**

\*in alphabetical order

**Köln, Januar 2020**

**Herausgeber der Schriftenreihe / Series Editorship**

**Prof. Dr. Michael Volkmann**

Schmalenbach Institut für Wirtschaftswissenschaften  
Schmalenbach School of Management

Technische Hochschule Köln  
University of Applied Sciences

Gustav-Heinemann-Ufer 54  
50968 Köln

Tel. +49 221 8275-3893

Mail [michael.volkmann@th-koeln.de](mailto:michael.volkmann@th-koeln.de)

Web [www.th-koeln.de](http://www.th-koeln.de)

## Table of Contents

Table of Contents.....	I
List of Figure .....	II
List of Tables .....	II
Abbreviations.....	III
1. Introduction.....	2
1.1. Background.....	2
1.2. Research problem .....	3
2. Value creating Corporate Social Responsibility (CSR).....	4
2.1. Terminology of CSR.....	4
2.2. Organizational motivation for CSR engagement.....	6
2.3. Orientation Models for CSR engagement.....	8
2.4. Contribution of orientation models to the overall value creation .....	9
2.4.1. The Narrow View of CSR value creation.....	10
2.4.2. The Broad view of CSR value creation potential .....	11
2.4.3. Convergence of the Narrow and the Broad view.....	12
2.5. Economic Relevance: Business-case arguments for CSR practices.....	13
2.5.1. Value creation by means of Cost and Risk Reduction .....	14
2.5.2. Value creation by means of Building Competitive Advantage .....	16
2.5.3. Value creation by means of Strengthening Legitimacy and Reputation.....	17
2.5.4. Value creation by means of Syncretic value creation.....	19
2.6. Challenges of Corporate Social Responsibility approaches .....	20
2.6.1. Recognising interdependence of environment, society and economy ..	20
2.6.2. Management and Measurement of Corporate Social Responsibility ...	21
3. The Balanced Scorecard (BSC) approach.....	22
3.1. The Balanced Scorecard as tool for performance measurement .....	23
3.2. Perspectives of the Balanced Scorecard .....	23
3.3. The role of cause-and-effect relationships.....	26
3.4. Performance drivers and outcome measurements .....	28
3.4.1. Lagging indicators .....	29
3.4.2. Leading indicators .....	29
3.5. Balancing function of the Balanced Scorecard.....	29
3.6. Balanced Scorecard as tool for performance management.....	30
3.7. Suitability and limitations of the BSC in relation to CSR strategies.....	33
4. Integration of CSR strategies into the BSC framework.....	35
4.1. Potential approaches for the systematic integration of CSR strategies .....	35
4.1.1. Integration of CSR aspects in the four BSC perspectives .....	36
4.1.2. Introduction of an additional non-market perspective into the BSC ....	38
4.1.3. Deduction of a derived environmental and social scorecard .....	40
4.1.4. Critical assessment of the outlined introduction approaches.....	42
4.2. Procedural approach for integrating CSR strategies into BSC framework	43
4.2.1. Basic requirements for the systematic integration.....	44
4.2.2. Identification of environmental and social exposure.....	45
4.2.3. Determination of strategically relevant sustainability aspects.....	47
4.2.4. Systematic integration of strategically relevant environmental and social aspects into the Balanced Scorecard.....	52
4.3. Illustration of causality via Strategy map .....	54
5. Conclusion and Discussion.....	54
6. References.....	57

## List of Figure

Figure 1: Five dimensions of Corporate Social Responsibility (based on author's research) .....	5
Figure 2: Core Dimensions of Corporate Social Responsibility (according to Teh, 2013, p.21).....	6
Figure 3: The landscape of value creation potential according to the orientation profile of CSR engagement (based on author's research).....	10
Figure 4: Types of CSR value creation (based on author's research) .....	14
Figure 5: Classical perspectives of the Balanced Scorecard (according to Kaplan and Norton, 1996, p.54).....	24
Figure 6: Hierarchical interconnection of the BSC perspectives (according to Figge et al., 2002, p.262).....	27
Figure 7: Cause-and-effect relationships of the Balanced Scorecard (based on Kaplan and Norton, 1996, p. 71) .....	28
Figure 8: Management process of the Balanced Scorecard (based on Kaplan and Norton, 1997, p.10) .....	30
Figure 9: Strategy alignment of key perspectives (based on Kaplan and Norton, 2001a, p. 91).....	32
Figure 10: Integration of an additional non-market perspective into the Balanced Scorecard (based on Degen, 2001, p.23; Kaplan and Norton, 1997, p.9) .....	39
Figure 11: Framework for the identification of a business unit's social exposure (according to Porter and Kramer, 2006, p.85).....	47
Figure 12: Decision-model for the systematic integration of CSR strategies into the BSC framework (based on author's research).....	49
Figure 13: Matrix to determine the strategic relevance of environmental and social aspects (according to Figge et al., 2001a, p.42) .....	52
Figure 14: Strategy map including a non-market perspective (based on Figge et al., 2002, p.282).....	54

## List of Tables

Table 1: Framework for identifying environmental exposure (based on Figge et al. 2001a, p.36).....	45
Table 2: Generic categories for the formulation of lagging indicators (based on Figge et al, 2002, p.279).....	51
Table 3: Generic categories for the formulation of leading indicators (based on Figge et al., 2002, p. 242).....	51

**Abbreviations**

BSC	Balanced Scorecard
CSR	Corporate Social Responsibility
etc.	et. Cetera
p.	Page
pp.	Pages
NGO	Non-governmental organisation
SR-BSC	Social Responsibility – Balanced Scorecard

## 1. Introduction

### 1.1. Background

Industrial development and the globalization of the economy offer mankind many opportunities to make the world a positive place. However, these processes often go hand in hand with negative side effects, which affect both the social coexistence within the world community and the preservation of an intact environment.

The public debate within the population is constantly increasing, as demonstrated by the ongoing success of the Fridays for Future initiative, for example. Internal and external business environments exert pressure and force transparency as well as responsible action in terms of resolving environmental and social impacts. In line with this, Porter and Kramer (2011, p.4) regard business behaviour that addresses societal needs and challenges, as the “new way to achieve economic success”.

However, whereas some companies “remain trapped in an out-dated approach to value creation” and restrict their CSR commitment to the compliance with governmental regulation (Porter and Kramer, 2011, p.4), others proactively address stakeholder needs. By addressing these needs, companies can benefit from grasping the opportunity of enhanced cost efficiency and lowered risk or gaining competitive advantages through establishing unique value propositions, in a way that meets stakeholder demands. Apart from that, CSR performance can be seen as powerful tool to successfully influence stakeholder perceptions in terms of reputation, and thus an exceptional source of value creation. In addition to this, organisations can profit from win-win-win situations related to syncretic value creation by means of partnering with stakeholders (Kurucz, Colbert and Wheeler, 2008, p.92). This, however, implies expanding the focus of cost- and risk-reduction towards increasing competitiveness through creating mutual benefits for environment, society and the economy alike (Porter and Kramer, 2006, p.85).

Although a growing number of companies have recognised the advantages coming along with Corporate Social Responsibility engagement, the accompanying efforts have not been sufficiently mature yet (Schaltegger, 2011, p.27). Due to the fact that many organizations apply a rather narrow and out-dated approach to value creation, they fail to achieve a balance between environmental, social and economic objectives (Porter, and Kramer, 2011, p.4). This, in turn, implies a restriction in their ability to exploit the full value creation potential that is related to CSR

engagement. But even organisations applying a broader perspective of value creation, struggle to internalise the opportunities. This is mainly due the challenge of balancing and integrating economic and non-economic criteria. At the same time, organizations are facing the challenge of getting support from senior management and staff. Thus, in order to profit from adopting a ‘broad perspective’, firms must build a deep understanding of the benefits resulting from mutual value creation. However, the main challenge remains the systematic and strategy related integration of Corporate Social Responsibility strategies into core business processes. In respect to this, organizations have to take into account that “social and environment performance are almost certainly unique to each organization” (Hubbard, 2009, p.180). Thus, value creation in terms of CSR has to be understood as a highly complex set of cause-and-effect relationships among mediating variables and situational contingencies (Carroll and Shabana, 2010, pp.95-101), which is too specific to rely on poorly structured and generic approaches.

In brief, organisations seem to struggle establishing an understanding that does not consider environmental, social and economic benefits as mutually exclusive. Notwithstanding, that such an understanding is established the complexity of factors influencing Corporate Social Responsibility impedes to balance between economic and non-economic criteria. Furthermore, organisations have difficulties to strategically integrate, manage and measure environmental and social performance drivers as well as outcome measures.

## **1.2. Research problem**

In order to be able to systematically take into account how CSR engagement provides a source of value generation, and thus profit from addressing sustainability issues, a vast variety of characteristics and mechanisms have to be considered. The main challenge remains to unfold the details determining how Corporate Social Responsibility affects corporate success. The Balanced Scorecard as a tool for the strategic management and measurement of financial as well as non-financial aspects represents a promising starting point for addressing these challenges.

However little literature is available on the causal interconnection of the underlying drivers that determine internal and external motivation for CSR engagement and the actual value creation potential of addressing sustainability topics. Building upon the current state of scientific knowledge, the paper wants to close this research gap by unfolding interconnections of strategy oriented Corporate Social Responsibility

and corporate success. Hence, the significance and contribution of this research is to provide a holistic understanding of CSR engagement for establishing a conceptual framework that offers the possibility to reveal the causal interconnection of value creating Corporate Social Responsibility and corporate success. Thereby, the paper further attempts to develop a concept for the translation of verbally formulated CSR strategies into tangible objectives, performance drivers and measures.

The achievement of the research objective is based on the following hypotheses:

(1) Hypothesis: The more internal and external environments are in favour of CSR, the higher the overall value creation potential of Corporate Social Responsibility engagement.

(2) Hypothesis: The actual value added of Corporate Social Responsibility is the highest, where CSR actions and decisions imply meaningful benefit for the environment, society and economy alike.

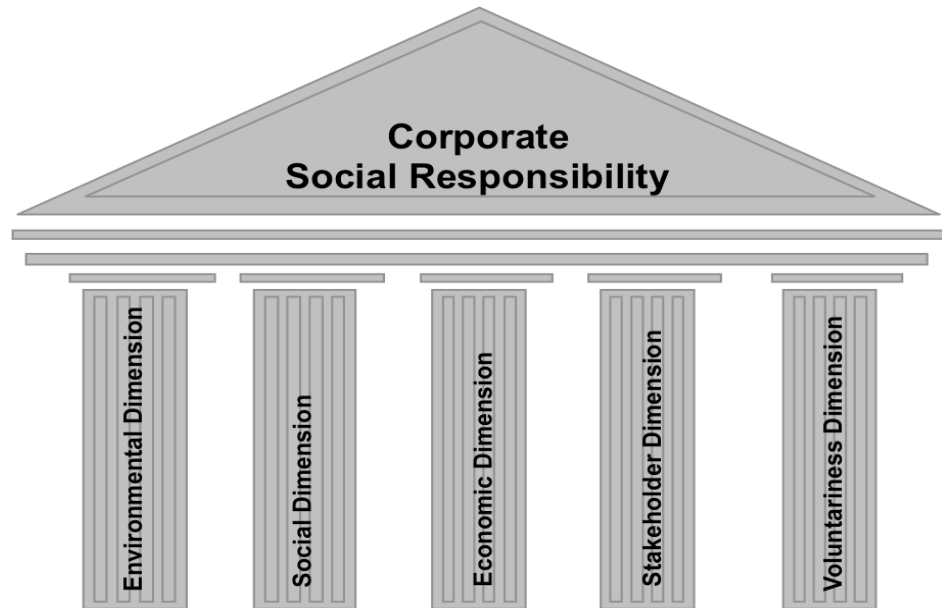
(3) Hypothesis: The higher the accuracy of a CSR management and measurement approach, the higher the predictability of causal interconnections between outcome measures and performance drivers of environmental, social and economic benefits.

(4) Hypothesis: The higher the predictability of causal interconnections between outcome measures and performance drivers of environmental social and economic benefits, the higher the accountability and measurability of effects on corporate success.

## **2. Value creating Corporate Social Responsibility (CSR)**

### **2.1. Terminology of CSR**

Business' concerns for society can be traced back over centuries (Carroll, 1999, p.268). Consequently, there have been numerous attempts throughout literature to provide a clear definition of Corporate Social Responsibility. Capturing academic attention, Dahlsrud (2008, p.6) addresses the existing definitional confusion and illustrates a consensus of understanding across CSR definitions. Based on an empirical investigation, he demonstrates the existence of five core dimensions, which were consistently mentioned in most Corporate Social Responsibility definitions, as shown in Figure 1.

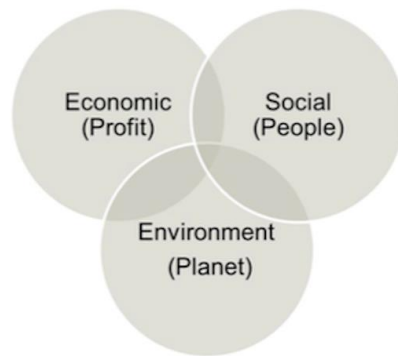


**Figure 1: Five dimensions of Corporate Social Responsibility (based on author's research)**

The common denominators of CSR definitions are shown in Figure 1. The underlying assumption of this concept, states that companies must measure their performance on environmental, social and economic grounds alike. Given this, the approach allows for balancing between the achievements of all three interdependent dimensions and ensures sustainable value creation (Elkington 1997, p.70). In line with Porter and Kramer (2006, p.85), the fourth dimension stresses the importance to incorporate stakeholder interests into concepts of corporate responsible business behaviour. This serves, as a basis for a customised approach to address emerging CSR needs. Finally, along the lines of Davis (1973, p.313), who states that “social responsibility begins where the law ends” the fifth dimension underpins the necessity to voluntarily exceed regulatory minimum requirements.

Dahlsrud's (2008, p.6) investigations demonstrated that most definitions are building upon this particular set of core dimensions. The perspective of the Commission of the European Communities stresses Corporate Social Responsibility as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. This definition creates an understanding of CSR, which fosters that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital (‘triple bottom line’ approach). These core dimensions of CSR being shown in Figure 2 are the common sense of research

literature and they are building the basis for the further trains of thought within this paper.



**Figure 2: Core Dimensions of Corporate Social Responsibility (according to Teh, 2013, p.21)**

However, all approaches have in common, that companies are uncertain about the value creating potential of Corporate Social Responsibility, which may involve significant costs.

## **2.2. Organizational motivation for CSR engagement**

However, organizational interactions and interdependencies with society and the environment are many and complex (Carroll and Shabana, 2010, p.94). Thus, before analysing the value creation potential, which results from addressing environmental and social concerns, it is important to investigate on the underlying motivation for engaging in Corporate Social Responsibility concepts.

Berger, Cunningham and Drumwright (2007, pp.139-146) asserted that CSR is a function of “external markets for virtue” and “internal markets for virtue”, which means that CSR engagement is triggered from internal as well as from external perspective:

The external motivation (‘external market for virtue’) reflects “the extent to which a firm’s external environment supports or impedes, rewards or punishes, CSR behaviour”. This ‘external market for virtue’ and the accompanying provision or refusal of resources due to the compliance as well as the non-compliance of organizations with stakeholder interests, are an important factor for directing company strategies towards Corporate Social Responsibility. Balancing competing interests of multiple stakeholders is a difficult task (Banerjee and Bonnefous, 2011, p.126). Building upon stakeholder theory, a classification of stakeholder groups depending on power and urgency as well as legitimacy seems to be helpful. The

higher the degree to which each indicator is fulfilled, the more critical is the stakeholder interest for a company's success.

Thus, from an external point of view, CSR engagement seems to be reasonable for some, but not all, organisations. However, given the fact that companies and stakeholders are mutually dependent (Freeman, 1984, p.27), it can be assumed that the more important Corporate Social Responsibility is to external stakeholders, the more critical it will be for corporate success. Due to the interdependence of organizations and stakeholder groups, it is also possible that pro-active organisational CSR engagement is able to shape or at least influence the "external market for virtue".

In order to understand how Corporate Social Responsibility is generated and adopted across organizations, it is also necessary to unfold the factors determining the 'internal market for virtue'.

Research of Ivanaj et al. (2013, p.25) illustrates that organizational CSR attitudes and actions derive from a "complex interaction between the three levels of social arrangements": (1) the individual level, (2) the organisational level, (3) and the institutional level. Just like any other institutional logic, the institutional context of CSR comprises a set of rules and values that influence the relationships between individuals, organisations and institutions (Ivanaj et al., 2013, p.18). Thus, the more this institutional context supports individual and organizational CSR performance, the higher the overall value creation potential related to Corporate Social Responsibility (Porter and Kramer, 2006, p.91).

Especially an organisational culture fitting individual values and beliefs is able to encourage individuals to support prevailing CSR logics, by means of generating strong commitment, motivation and attachment. In particular, managers' attitudes and values inhabit an extensive influencing potential (Papagiannakis, Voudouris and Lioukas, 2014, p.254). It's a complex and highly interactive process of CSR engagement, which has to be regarded as a function of individual, organisational and institutional perspectives. This, in turn, involves individual leadership roles and employee responsibilities in the implementation of CSR policies, organisational identities and images as triggers of CSR engagement, as well as institutional driving forces (Ivanaj et al., 2013, p.18).

The acquired knowledge indicates that the success of strategic Corporate Social Responsibility depends on the prevailing internal and external market conditions,

which shape an organization's CSR environment and might not always be in favour of CSR. Alongside these findings, Carroll and Shabana (2010, p.92) state "there is no single business case for CSR – no single rationalization for how CSR improves the bottom line". In order to assess the value creation potential of CSR engagement, it is therefore necessary to acquire a better understanding of the underlying market dynamics.

### **2.3. Orientation Models for CSR engagement**

In regard to the underlying internal and external factors determining the implementation of Corporate Social Responsibility into mainstream business operations, Berger, Cunningham and Drumwright (2007, pp.139-146) revealed distinct orientation profiles for CSR engagement. Drawing upon these findings allows for a differentiation between three different models: (1) the 'Social Values-led Model', (2) the 'Business Case Model' and the (3) 'Syncretic Stewardship Case Model'. Building upon this, the models will be outlined in the following section, before further investigations reveal, how the underlying organisational internal and external motivation can restrict or trigger value creation potential of Corporate Social Responsibility.

First, the 'Social Values-led Model', here, the underlying motivation for CSR engagement derives predominately internally. Fundamental for the long-term planning of these organizations is a specific non-economic or philanthropic reason, which builds upon social issues of particular stakeholder groups (Berger, Cunningham and Drumwright, 2007, p.143). This, in turn, constitutes the driving force of the organization, while economic objectives are of secondary importance and external market pressures remain in the background. The disregard of economic objectives, however, implies that the main challenge of these organizations is to preserve the company's continued existence. Hence, these organizations (mainly small private companies) belong to the for-profit and non-profit sector alike.

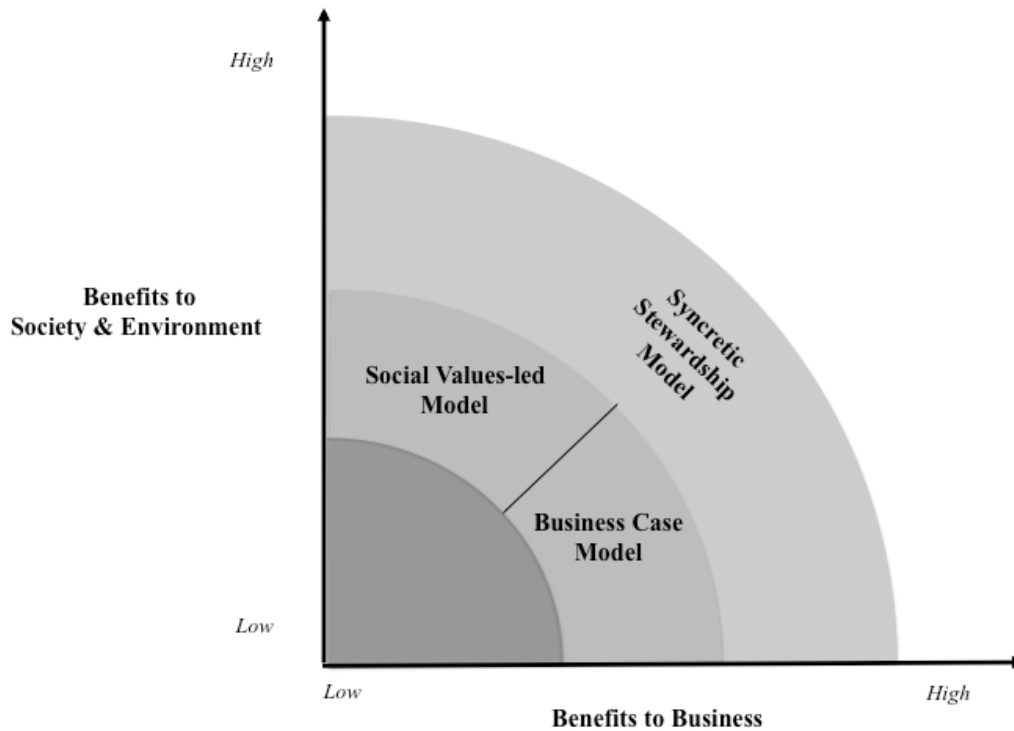
Secondly, in the 'Business Case Model' motivation to engage in CSR arises from economic external drivers, while internal non-economic drivers are weak or relatively powerless. Accordingly, the focus is on meeting shareholder needs, as "companies were either financially rewarded for supplying CSR in the marketplace or financially punished for failing to do so" (Berger, Cunningham and Drumwright, 2007, p.140). Clear and direct links between CSR initiatives and financial

performance are the driving force behind CSR engagement. Companies whose motivation can be assigned to the 'Business Case Model' face the challenge of combining business opportunities and Corporate Social Responsibility.

Finally, the 'Syncretic Stewardship Model', which is based on both the development of a "robust and vibrant internal market for virtue" as well as the ability to master the complexity and dynamics of external markets for virtue (Berger, Cunningham and Drumwright, 2007, p.140). In contrast to the 'Business Case Model', it considers CSR engagement as a multi-dimensional effort; alongside Berger, Cunningham and Drumwright (2007, p.147) emphasize the importance of "negotiating, balancing, and integrating the often competing claims of varied stakeholders". As it identifies and responds to emerging CSR challenges of multiple stakeholders, a broader and more holistic CSR approach is required. Therefore, the achievement of results is measured in accordance with the 'triple bottom line' including economic, social, and environmental key performance indicators alike. In this case, CSR commitment goes beyond those stakeholder claims, which can be considered to affect the organization's financial performance in a short-term and direct manner.

#### **2.4. Contribution of orientation models to the overall value creation**

Based on the previously outlined orientation profiles Carroll and Shabana (2010, p.101) identify two main logics framing the value creation potential of CSR engagement, namely a narrow and broad view. The logics imply that the approach to value creation, will predominately be triggered in accordance with the aforementioned motivation models. Thus, by economic benefits in terms of the 'Business Case Model', non-economic benefits for the 'Social Values-led Model' or with respect to the 'Syncretic Stewardship Model' by a combination of economic and non-economic benefits (Berger, Cunningham and Drumwright, 2007, p.147). In this regard, it is contended that the social responsibility mind-set, reflects the firm's ability to realize the opportunities for significant shared value creation in terms of economic, social and environmental benefits alike (Carroll and Shabana, 2010, p.101, Porter and Kramer, 2006, p.78; 2011, pp.4-5).



**Figure 3: The landscape of value creation potential according to the orientation profile of CSR engagement (based on author's research)**

#### **2.4.1. The Narrow View of CSR value creation**

The application of Figure 3 offers the possibility to illustrate the landscape of the overall value creation potential resulting from CSR engagement. Furthermore, it allows an allocation of the different orientation models according to their value creation potential. In this context, it is indicated that the 'Business Case Model', as well as the 'Social Values-led Model' illustrates a rather narrow perspective of CSR value creating potential (Carroll and Shabana, 2010, p.93). These approaches to Corporate Social Responsibility are commonly managed in a fragmented fashion (Porter and Kramer, 2006, p.78), and often reflect a manager's personal interests while failing to recognise the full extent of value creation potential (Nikolaeva and Bicho, 2011, p.140). In addition to this, they are poorly structured and not related to business strategies. As a result, they can be seen as 'pet projects' reflecting a rather narrow and self-defined perspective of CSR that implies only minor benefits for society, environment and economy.

While CSR approaches located in the middle part, are generally better structured and imply the generation of higher added value. Nevertheless, the overall value creation potential is restricted and often one-sided (Carroll and Shabana, 2010, p.93). In terms of the 'Business Case Model', this is particularly owed to the fact that CSR approaches require the existence of a clear link to financial performance.

Therefore, they are limited to CSR actions and decisions that translate into a competitive advantage. While the one-sided concentration of benefits related to the ‘Social Values-led Model’ rather results from its orientation on a specific non-economic philanthropic or environmental issue, while neglecting economic measures (Berger, Cunningham and Drumwright, 2007, pp.140-142). In both cases, however, trade-offs are responsible for the restricted ability to exploit the full value creation potential of CSR engagement. Building on this theoretical basis, the paper states that one of the major challenges of CSR engagement is the:

*Challenge 1: Establishment of a mind-set that does not consider the achievement of environmental, social and economical benefits as mutually exclusive.*

#### **2.4.2. The Broad view of CSR value creation potential**

This indicates that the business case for CSR is far more complex, and that a restriction to short-term tangible benefits or non-economic objectives results in lost economic, social and environmental opportunities. In contrast to the former presented models, the ‘Syncretic Stewardship Model’ builds upon a broader perspective, encompassing economic and non-economic objectives, as well as immediate short-term and intangible long-term benefits (Berger, Cunningham and Drumwright, 2007, p.147). So that organizations applying this approach are well positioned to realize opportunities for substantial shared value creation. Porter and Kramer (2011, p.5) reinforce the assumption by contending “the concept of shared value ... has the power to unleash the next wave of global growth”.

Comparing the perspectives indicates that an essential advantage of the broad perspective lies in the fact that it is rooted in an awareness of interdependence between business, society and the environment (Carroll and Shabana, 2010, p.93). In addition, the broad perspective acknowledges the dependency of CSR and financial performance on mediating variables and situational contingencies (Berger, Cunningham and Drumwright, 2007, p.147). This, in turn, prospectively enables an organisation to identify strategic long-term challenges beyond conventional economic needs and helps to build creative partnerships, which offer significant mutual benefits for organizations, society and environment alike. As a result, companies applying the ‘Syncretic Stewardship Model’ can benefit from exploiting the corresponding value creating potential to a much higher extent. Despite the apparent advantage, “even progressive companies manage individual functional areas in a fragmented fashion” (Porter and Kramer, 2006, p.78;

Schaltegger, 2010, p.27). Thus, the paper states its second of the major challenges of CSR engagement as follows:

*Challenge 2: Finding a methodologically convincing approach for the systematic and strategy related management and measurement of Corporate Social Responsibility.*

#### **2.4.3. Convergence of the Narrow and the Broad view**

Even though, it is possible to illustrate distinct CSR orientations depending on the respective internal and external environment, Berger, Cunningham and Drumwright (2007, pp.154-155) indicate that these profiles are not fixed and static. Instead, once engaged in CSR the ‘Business Case Model’ as well as the ‘Social Values-led Model’ tends to gravitate toward the ‘Syncretic Stewardship Model’ in the long-run.

In terms of the ‘Social Values-led Model’, an extreme focus on non-economic objectives and simultaneous disregard of hard business realities accelerates an increasing attention to economic objectives. In line with this, a shift towards the ‘Syncretic Stewardship Model’, thus, towards economic benefits is recognisable. This development, however, is an expression of efforts to ensure the long-term survival of businesses or to provide additional support for the social issues driving the organizations (Berger, Cunningham and Drumwright, 2007, p.155). Both of these efforts reflect the negligence of economic objectives and indicate that the principle of value creation should provide a general guidance for resource allocation in terms of societal concerns (Porter and Kramer, 2011, p.12).

The migration process of the ‘Business Case Model’ towards an integration of non-economical objectives, however, is mainly triggered by a changing mind-set of organizational leaders and employees. Even, if initiated for economical reasons, deep CSR engagement sometimes laid the foundation for further steps towards the development of an “internal market virtue” (Berger, Cunningham and Drumwright, 2007, p.155; Kashmanian, Wells and Keenan, 2011, p.110), thus a different way of individual and correspondingly organizational thinking and acting. This migration trend is triggered by “the potential for synergy and added value” in both cases (Berger, Cunningham and Drumwright, 2007, p.155). Thus, in the long-run, the ‘Syncretic Stewardship Model’ is likely to become the prevailing approach to balance and integrate tangible and intangible, short-term and long-term objectives.

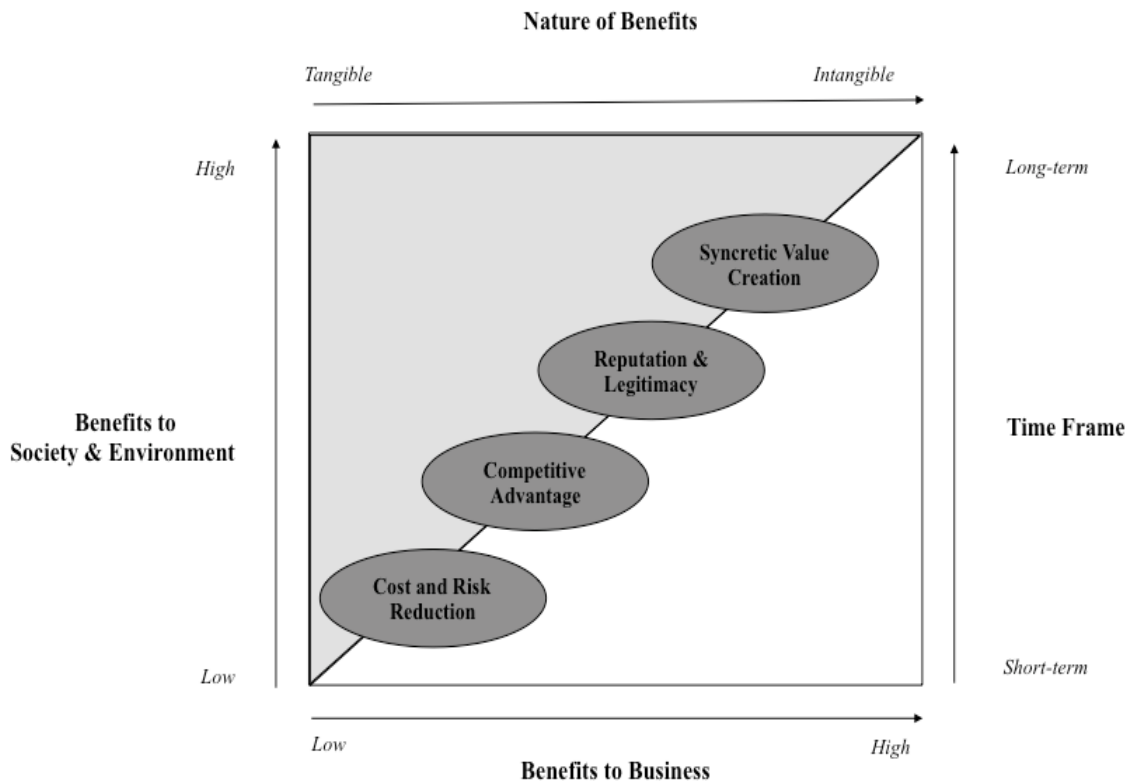
## **2.5. Economic Relevance: Business-case arguments for CSR practices**

The aforementioned convergence of orientation models is a further proof that achieving sound business objectives and resolving environmental and social concerns are not mutually exclusive. However, driving these developments forward requires organisations to unfold the details determining the relationship between CSR and corporate success (Carroll and Shabana, 2010, p.102). A distinction of benefits across the dimensions; time frame, nature of benefits and benefit split, facilitates the assessment of how Corporate Social Responsibility affects corporate success (Keys, Malnight and van der Graaf, 2009, pp.38-44).

*Time frame:* With regard to this, organizations should give careful consideration to both immediate short-term, as well as strategic long-term benefits. In particular, strategic CSR investment decisions depend on a variety of mediating variables and situational contingencies. Hence, realising the full potential of shared value may only pay out in the long-run (Carroll and Shabana, 2010, pp.95-101). Implicitly, the time frame is generally assigned special significance (Möller and Schaltegger 2005, p.78).

*Nature of benefits:* In some cases benefits will be tangible, such as cost reductions through higher resource efficiencies (Porter and Kramer, 2006, p.83). However, in other cases, effects will be far more complex, thus intangible (Carroll and Shabana, 2010, p.95). In order to capture these effects, organizations have to be aware of the differing nature of benefits (Schaltegger, 2011, p.17).

*Benefit split:* Becoming aware of how benefits contribute to the overall value creation is integral, as it prevents organizations from failing to recognise the full extent of CSR (Carroll and Shabana, 2010, p.97). Thus organisations need to develop an understanding of how CSR actions and decisions affect the ‘triple bottom line’.



**Figure 4: Types of CSR value creation (based on author’s research)**

In order to systematically take into account how CSR engagement provides a source of value generation, the following section will outline explicit opportunities of CSR engagement. In line with the former presented value creation potential Kurucz, Colbert and Wheeler (2008, pp.85–92) illustrate four different types of the business case: (1) cost and risk reduction, (2) competitive advantage, (3) reputation and legitimacy, (4) as well as synergistic value creation. Based on these types, the following section will outline how environmental and social aspects contribute to corporate success and allocate them according to their, time frame, nature of benefits and value creation potential, as shown in Figure 4. While it is noteworthy to mention that the types and benefits can be applied simultaneously, however, they can be considered as different stages of value creation. Thus, benefiting from a higher stage presupposes the achievement of the subsequent stage.

### 2.5.1. Value creation by means of Cost and Risk Reduction

*Trading: Engaging in CSR to reduce costs and risks to the firm*

With regard to the first type of value creation, Kurucz, Colbert and Wheeler (2008, p.88) illustrate that “under a cost and risk reduction perspective of the CSR business case, the primary view is that the demands of stakeholders present potential threats to the viability of the organization”. Similar to the former presented narrow perspective the company perceives value creation by means of CSR as some form

of trading interests among social, environmental, and economic concerns (Porter and Kramer, 2006, p.83). In respect to these concerns, social as well as environmental engagement is considered necessary in order to mitigate threats and reduce associated costs impacting corporate economic interests (Carroll and Shabana, 2010, p.97).

Given this, the environment can be considered as one determining aspect affecting business success. In particular, the costs associated with environmental regulation compliance and environmental risk reduction will continue to increase, implying immediate effects on corporate success. Thus, from a natural resource-based view, it appears imperative to address the existing and anticipated environmental concerns, as modern businesses continue to rely heavily on natural resources. As a result, corporate environmental engagement emerges in response to increasing threats, such as depleting natural resources and environmental degradation (Carroll and Shabana, 2010, p.97). Alongside, Porter and Kramer (2006, p.83) illustrate that the identified cost reduction potential of such measures, particularly depends on a company's effectiveness towards achieving an efficient use of natural resources, as it can drive down operating costs.

In addition to this, Porter and Kramer (2006, p.83) emphasize that CSR initiatives aiming for improved "education, health care, and equal opportunity are essential to a productive workforce", and can be an effective means towards benefits, which are based on cost and risk reduction. In particular the strong sense of loyalty felt by employees of socially responsible companies goes hand in hand with a reduction of cost-intensive employee turnover (Carroll and Shabana, 2010, p.102).

The cost and risk reduction approach is driven by shareholder primacy (Kurucz, Colbert and Wheeler, 2008, p.101). The fact that benefits resulting from individual efficiency-driven CSR projects can be directly linked to the company's financial performance (Carroll and Shabana, 2010, p.102), indicates the value creating potential and form the basis for further CSR engagement (Kashmanian, Wells and Keenan, 2011, p.110). Consequently, this type of value generation implies only minor benefits, but can represent a trigger for further social, environmental and economic objectives.

### **2.5.2. Value creation by means of Building Competitive Advantage**

*Adapting: A strategic approach to CSR to build relative competitive advantage*

Investigations on the second type reveal, that the focus is on creating superior value “orienting and directing resources toward the perceived demands of stakeholders” (Kurucz, Colbert and Wheeler, 2008, p.89). In this context, stakeholder interests are considered an opportunity to leverage value-creating potential in terms of a differentiation strategy, instead of being a part of cost and risk management. Based on Porter’s (1985, pp.11-15) generic competitive strategies, stakeholder related CSR engagement can be considered as part of a differentiation strategy that plays a key role in building a unique competitive advantage over industry rivals. Exemplified by an increasing amount of industries and companies, which consider CSR initiatives as a powerful tool to strengthen their competitive positions (Porter and Kramer, 2006, p.89). In this context, stakeholder issues are considered a source of competitive advantage. Thus, organizations strategically manage their limited resources in a way that meets stakeholder demands and exploits the accompanying opportunities, which can be expected to confer a competitive advantage (Kurucz, Colbert and Wheeler, 2008, p.89).

As far as labour markets are concerned, for instance, a distinct CSR engagement strengthens a company’s ability to recruit skilled workforce and to access talent pools, as employees tend to prefer working for socially responsible companies (Lev, Petrovits and Radhakrishnan, 2010, p.183; Smith, 2003, p.63). This effect has become increasingly relevant, especially in highly competitive labour markets, as potential and existing employees attach increasing importance to corporate social performance.

Moreover, the capital market perceives socially responsible companies as low-risk investments, which offers an additional competitive advantage. Implicitly, these organizations become an attractive investment alternative for both institutional investors, who tend to ‘avoid companies or industries that violate their organizational mission, values, or principles’ (Smith, 2005, p.64), as well as socially responsible investors (Chih, Chih and Chen, 2009, p.133). Here, reduced risk translates into competitive advantages in terms of improved access to capital markets and lower capital costs, while lower capital costs boost the overall company value.

However, apart from the improved access to capital markets additional competitive advantages can be generated from the sales market. Corporate Social Responsibility initiatives can further trigger a company's competitiveness through improved customer relationships (Pivato, Misani and Tencati, 2008, p.10). Environmental and social initiatives function as a mediating variable and lend the company a distinct competitive advantage in terms of increasing customer loyalty. In this context, a clear link between Corporate Social Responsibility and customer satisfaction is recognizable (Lev, Petrovits and Radhakrishnan, 2010, pp.183-186).

Even though, benefits are rather intangible and demand a longer investment period, companies can internalise the overall value creation potential of CSR to a higher extent. Nevertheless, actions and decisions remain rather fragmented, which restricts the achievement of environmental, social and economic objectives alike.

### **2.5.3. Value creation by means of Strengthening Legitimacy and Reputation**

*Aligning: Exploiting CSR activities in firm reputation and legitimacy*

Fombrum and Van Riel (1997, p.10) define corporate reputation as "a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders". Consequently, reputation results from stakeholder evaluation processes of an organization's trustworthiness and reliability. Thus, this type implies setting a "focus on value creation by leveraging gains in reputation and legitimacy made through aligning stakeholder interests" (Kurucz et al. 2008, p.90).

Since a company's reputation evolves slowly and can be easily damaged it must be given the time needed to develop (Scott and Walsham, 2005, p.312). Additionally, it depends on multiple contextual factors that may contribute to or impede corporate performance (Deephouse and Carter, 2005, pp.332-343). Investigations of Bebbington, Larrinaga and Moneva (Porter and Kramer, 2002, p.78) on reputation ranking studies, reveal five determining organizational fields of a company's corporate reputation, namely (1) financial performance, (2) quality of management, (3) social and environmental performance, (4) employee quality, (5) the quality of the goods/services provided.

With some exceptions, Porter and Kramer (2006, p.78) question the reliability of these ratings, nevertheless, they acknowledge that an increasing amount of rankings

on CSR performance is recognisable and attracts public attention. However, given the increasing public awareness related to impacts through business activities, Corporate Social Responsibility attracts worldwide attention (Carroll and Shabana, 2010, p.85). This, in turn, goes hand in hand with a tendency to bring those responsible to account (Porter and Kramer, 2006, p.80). Particularly, in developed countries, a company's corporate reputation is linked to its Corporate Social Responsibility (Bebbington, Larrinaga and Moneva, 2008, p.357). In this context, the British Department of Trade and Industry (2003) contends, "reputation and the importance of CSR and sustainability are clearly linked." Alongside, Duhé's (2009, p.77) findings underpin the value creating potential of CSR and indicate that "social responsibility – made consistently positive contributions to several measures of firm financial performance."

In this context, Fombrun and van Riel (1997, p.6) underpin the value creation potential of reputations by stating, "they generate perceptions among employees, customers, investors, competitors, and the general public what a company is, what it does, what it stands for." Thus, reputations can be considered a powerful means that is able to attract employees on competitive labour markets for instance (Berger, Cunningham and Drumwright, 2007, p.149). In addition to this, it functions as tool for cause-related marketing, which attracts customers through strong brand or product reputations that build upon environmentally friendly or socially responsible business activities (Kurucz, Colbert and Wheeler, 2008, p.89). Apart from that, positive reputation inhabits the ability to enhance trust in organisational business decisions, and thus to attract investors by deepening the long-term basis of trust (Fombrun and Van Riel, 1997, p.6).

Implicitly, given the fact that nowadays social and environmental performances are an integral part of a company's reputation, and sustainability topics are gaining importance, CSR reputation contains an indirect but high value creation potential. Consequently, CSR performance can be seen as powerful tool to successfully influence stakeholder perceptions in terms of reputation and an exceptional source of opportunities for value creation. In particular, the fact that CSR is applied in strategic way, by means of cause-related marketing, for instance, contributes to the higher results in terms of value generation.

#### **2.5.4. Value creation by means of Syncretic value creation**

*Relating: Integrating Stakeholder interest to create value on multiple fronts*

The fourth and last type is built upon Elkington's (1997, p.94) perspective on sustainable value creation, who is convinced that companies are able to balance the simultaneous achievement of environmental, social and economic objectives. Therefore, instead of viewing value creation narrowly, this type encompasses the entire array of benefits resulting from Corporate Social Responsibility engagement, and functions as an important link "that cuts across disciplines" and brings business, society and the environment together (Porter and Kramer, 2011, p.17). Here, the emphasis is on finding win-win-win outcomes (Kurucz, Colbert and Wheeler, 2008, p.92), which implies expanding the focus of cost- and risk-reduction towards increasing competitiveness through creating mutual benefits (Carroll and Shabana, 2010, p.102).

However, expanding the focus does not imply that these organisations do not profit from the three remaining types of CSR value creation, but rather the opposite. Considering the types as four different stages of value creation allows for revealing that syncretic value creation is able to profit from Corporate Social Responsibility to the highest extent. Although, these benefits are highly intangible and long-term oriented. Apart from the aforementioned effects, that are mainly related to primary stakeholder groups, companies applying the approach are also able to profit from partnering with stakeholder groups, such as non-governmental organisations (NGO), local communities, environmental, human health or anti-poverty groups (Carroll and Shabana, 2010, p.100; Porter and Kramer, 2011, p.11; Kashmanian, Wells and Keenan, 2011, p.124).

In respect to these partnerships, companies can profit from combining resources, sharing knowledge or technical knowhow to address sustainability issues affecting organisations and the respective partner alike. Furthermore, these partnerships imply a huge synergy and innovation potential for both sides (Kashmanian, Wells and Keenan, 2011, p.124). By means of these partnerships organisations can gain a better understanding of environmental and social concerns affecting their socio-economic environment. The acquired knowledge, can serve as basis for innovative products and services (Porter and Kramer, 2002, p.66), which represent a customised solution that is tailored to the specific sustainability needs on the one

hand, and key driver of innovations that allow for benefiting from an early mover advantages on the other hand.

## **2.6. Challenges of Corporate Social Responsibility approaches**

Although, a growing number of organizations underline the importance of Corporate Social Responsibility and demonstrate social and environmental commitment (Porter and Kramer, 2006, p.78), these efforts have not been sufficiently mature yet (Schaltegger, 2011, p.26). The paper claims that challenges associated with value creation by means of CSR can be allocated to the former presented orientation profiles proposed by Berger, Cunningham and Drumwright (2007, p.139). Based on this, the central focus lies on the challenge of making a real contribution to mutual value creation (Porter and Kramer, 2006, p.78), in terms of the ‘narrow perspective’. In contrast to that, the ‘broad perspective’ is particularly facing the challenge of a systematic and strategy related integration of Corporate Social Responsibility into core business processes.

### **2.6.1. Recognising interdependence of environment, society and economy**

*Challenge 1: Establishing a mind-set that does not consider the achievement of environmental, social and economical benefits as mutually exclusive.*

The cornerstone of CSR strategies builds upon a paper stated by Porter and Kramer (2006, p.80), who contend that the relationship between business and society is in need of a changing mind-set, which does not consider "corporate success and social welfare as a zero-sum game". Due to the fact that many companies apply a rather narrow and out-dated approach to value creation, they fail to achieve a balance between business success, environmental protection and social responsibility. This implies both, CSR approaches solely focussing on economic short-term and tangible benefits, as well as CSR approaches focussing on specific non-economic objectives, while neglecting corporate success. This narrow perspective, however, which “pits business against society” (Porter and Kramer, 2006, p.91), or vice versa, society and environment against business, is restricted in its ability to exploit the full value creation potential of CSR engagement. Even though, internal and external motivations are able to trigger CSR engagement on their own, it is a combination of both, that reveals the full value creation potential of Corporate Social Responsibility. Thus, effectively combining them is considered as a strategic challenge.

One possibility to face this challenge, however, is to reveal positive effects resulting from CSR engagement (Kashmanian, Wells and Keenan, 2011, p.110). These in turn, allow triggering a changing mind-set of organizational leaders and employees through revealing “the potential for synergy and added value” (Berger, Cunningham and Drumwright, 2007, p.155). However, this will require to systematically integrate sustainability topics into strategic decision-making and to expand traditional measurement in order to allow balancing between environmental, social and economic performance.

### **2.6.2. Management and Measurement of Corporate Social Responsibility**

*Challenge 2: Finding a methodologically convincing approach for the systematic integration as well as strategy related management and measurement of Corporate Social Responsibility.*

Adopting a ‘broad perspective’ enhances the acceptance of the business case for CSR, at the same time; however, it implies the challenge of balancing and integrating economic and non-economic criteria. Even though, a certain perspective is adopted at a corporate level, it remains a challenge getting support from staff at lower hierarchical levels. Implicitly, an organisational culture must match organisational members’ values, beliefs and attitudes in order to channel the energies, the abilities and knowledge of employees towards a prevailing CSR logic at all hierarchical levels. This, in turn, is possible by means of generating strong CSR commitment, motivation and attachment (Ivanaj et al., 2013, p.16). Thus, in order to profit from adopting a ‘broad perspective’, firms must build a deep understanding of the benefits resulting from mutual value creation.

In respect to the former mentioned concerns, organizations have to take into account that “social and environment performance are almost certainly unique to each organization, or at least each industry” (Hubbard, 2009, p.180). Thus, value creation in terms of CSR has to be understood as complex set of cause-and-effect relationships among mediating variables and situational contingencies (Carroll and Shabana, 2010, p.94), which is too specific to rely on poorly structured and generic approaches.

However, many organizations still think of CSR in generic ways, instead of applying a customised approach tailored to their specific business strategy (Porter and Kramer, 2006, p.78). Thus, environmental and social management is often

disconnected from economic results and organisations become disillusioned about the economic contribution of CSR (Figge et al., 2002, p.270). Consequently, organisations need to concentrate their efforts on those areas where the implementation of strategic CSR is able to leverage synergies and bundle forces. This allows creating shared value, which is meaningful benefit to the ‘triple bottom line’.

In order to be able to systematically quantify these benefits, a vast variety of characteristics and mechanisms have to be considered. The main challenge remains to unfold the details determining how Corporate Social Responsibility affects corporate success. In addition to this, measurement systems must take into account the respective frame, nature of benefits and benefit split. This implies balancing between short-term and long-term, tangible and intangible, economic and non-economic, market driven and non-market driven effects (Schaltegger, 2011, p.16). In order to be able to take into account these factors, organizations need to apply performance measurements systems that allow for revealing impact of softer, more subjective measures on corporate success. This, in turn, can be used as basis for transparent decision-making and to evaluate the economic effects resulting from environmental and social engagement (Dubielzig, 2009, p.18). Hence, the structured and systemized organizational implementation of Corporate Social Responsibility strategies itself remains a challenge for the majority of organizations.

### **3. The Balanced Scorecard (BSC) approach**

In the beginning of the 1990s, Kaplan and Norton (1992) developed the concept of the Balanced Scorecard (BSC), which offered a new approach of reporting on organizational performances. The underlying motivation for this development was an increasing criticism of traditional and past oriented financial key figures, applied in conventional management accounting systems. The BSC approach, which is expressed in this criticism, is based on the assumption that besides tangible financial assets, non-financial intangible assets, such as human capital, knowledge capital or an outstanding customer orientation, also constitute a key source of competitive advantage. In response to that, the Balanced Scorecard represented an entirely new approach, which exceeded traditional performance measurement systems and allowed incorporating non-financial and financial key figures alike

while aligning them with corporate strategy (Kaplan and Norton, 1992, 1996).

Thus, the following chapter intends to describe and evaluate opportunities as well as challenges of integrating organizational CSR management into the Balanced Scorecard. However, before doing so, the Balanced Scorecard as tool for performance measurement and management will be outlined. The acquired theoretical knowledge, in turn, will serve as a basis for analysing and critically assessing the suitability and limitations of the BSC as a tool for CSR management and measurement.

### **3.1. The Balanced Scorecard as tool for performance measurement**

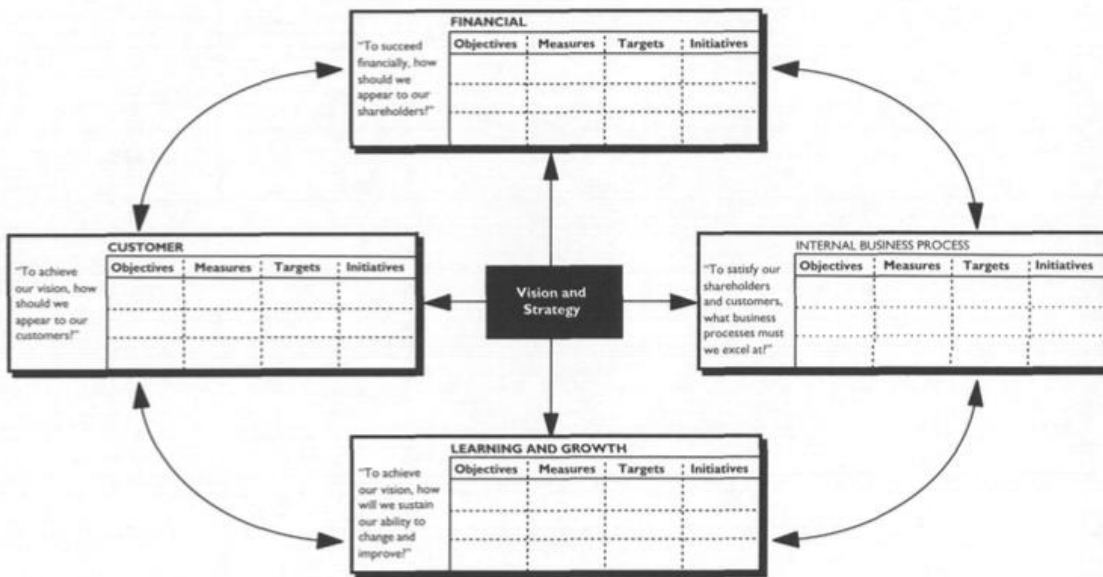
The Balanced Scorecard represents a strategic management model, which uses a multi-dimensional set of financial and non-financial performance indicators in order to link performance measurement and strategy. The concept provides executives with a comprehensive framework, which enables the translation of an organization's vision, mission and strategy into a coherent and linked set of performance measures (Kaplan and Norton, 1996, p.55). At the same time, the Balanced Scorecard facilitates balancing between current operational performance and future performance indicators as it simultaneously applies outcome measures and corresponding key performance drivers (Kaplan and Norton, 1996, p.53). Thus, in contrast to traditional controlling systems, the BSC concept represents a framework to articulate and communicate a company's business strategy, at the same time, it allows an alignment of individual, organizational and cross-departmental initiatives in order to achieve one overarching objective (Kaplan and Norton, 1996, p.56).

### **3.2. Perspectives of the Balanced Scorecard**

However, in its core, the BSC constitutes a performance measurement system for the systematic connection of financial and non-financial measures. Thus, it functions as a basis to model the complex set of interrelations among multiple measures in a comprehensive and transparent way across different perspectives. So that they can be communicated, monitored and controlled at all time (Kaplan and Norton, 2004, pp.54-55).

In respect to this, the Balanced Scorecard concept distinguishes between four key perspectives; (1) financial, (2) customer, (3) internal business process, and (4) learning and growth perspectives, as presented in Figure 5 (Kaplan and Norton, 1996, p.53). These perspectives provide the opportunity to balance "between short-

term and long-term objectives, between desired outcome measures and performance drivers of those outcomes, and between hard objective measures and softer, more subjective measures” (Kaplan and Norton, 1996, p.56).



**Figure 5: Classical perspectives of the Balanced Scorecard (according to Kaplan and Norton, 1996, p.54)**

Even though, this multi-dimensional set of financial and non-financial performance metrics represents a unique business strategy, some measures appear repeatedly. This, in turn, implies that besides strategy related metrics; most perspectives also reflect relevant strategic objectives, indicators and outcome measures that are rather generic in nature.

However, in general it should be noted that neither the laid down number of perspectives nor the content-related design are rigidly predetermined. In contrast to that they have to be consistent with prevailing company situations (Kaplan and Norton, p.97), hence, the concept rather portrays a set of general perspectives and functions as a basic framework that can be adapted individually. In this context, the perspectives should be adjusted in respect of company size and sector (Schreck, 2009, p.28), as well as the corporate vision, mission and strategy (Figge et al., 2002, p.270):

(1) Financial perspective: “To succeed financially, how should we appear to our shareholders?” (Kaplan and Norton, 1996, p.54).

First, the financial perspective defines strategically critical long-term objectives of an organization. Thus, it permits illustrating tangible outcomes of business

strategies in terms of economic success (Kaplan and Norton, 1996, p.54). The two-fold significance of this perspective derives from its role in defining strategic financial objectives on the one hand, while functioning as a destination point of hierarchically linked causal chains on the other hand (Figge et al., 2002, p.271).

(2) Customer perspective: “To achieve our vision, how should we appear to our customers?” (Kaplan and Norton, 1996, p.54).

Second, the customer perspective determines a company's strategic goals in accordance with prevailing value propositions of customer and market segments, in which the organization is competing (Kaplan and Norton, 1996, p.54). The value propositions identified here include product and service attributes, image and reputation, as well as relationship. In regard to the outcome measures, Kaplan and Norton (1996, p.58) illustrate that the perspective encompasses a set of generic outcome measures, such as “customer satisfaction, customer retention, new customer acquisition, customer profitability and market and account share in targeted segments”. However, even though generic, the measures should be tailored to the respective target group, which offers the highest benefits in terms of growth and profitability (Kaplan and Norton, 1996, p.58).

(3) Internal business process perspective: “To satisfy our shareholders and customers, what business processes must we excel at?” (Kaplan and Norton, 1996, p.54).

Third, the internal business process perspective identifies those processes, which are crucial to reliably deliver against current and future value propositions of target groups while satisfying shareholder expectations (Figge et al., 2002, p.271). Hence, customer satisfaction and financial success are in the centre of interest, and measures should predominately focus on processes that have most significant impact on the latter. Further, it is noteworthy that traditional approaches of performance measurements are limited to monitoring and improving existing business processes, thus, rather short-term oriented in respect to the overall value creation. In contrast to that the BSC approach incorporates both an existing business process as well as an innovation process perspective. This, in turn, allows a continual review and improvement of current operational processes, as well as identifying innovative processes that are considered to be strategically critical drivers for future business' competitiveness and long-term value creation (Kaplan

and Norton, 1996, p.63).

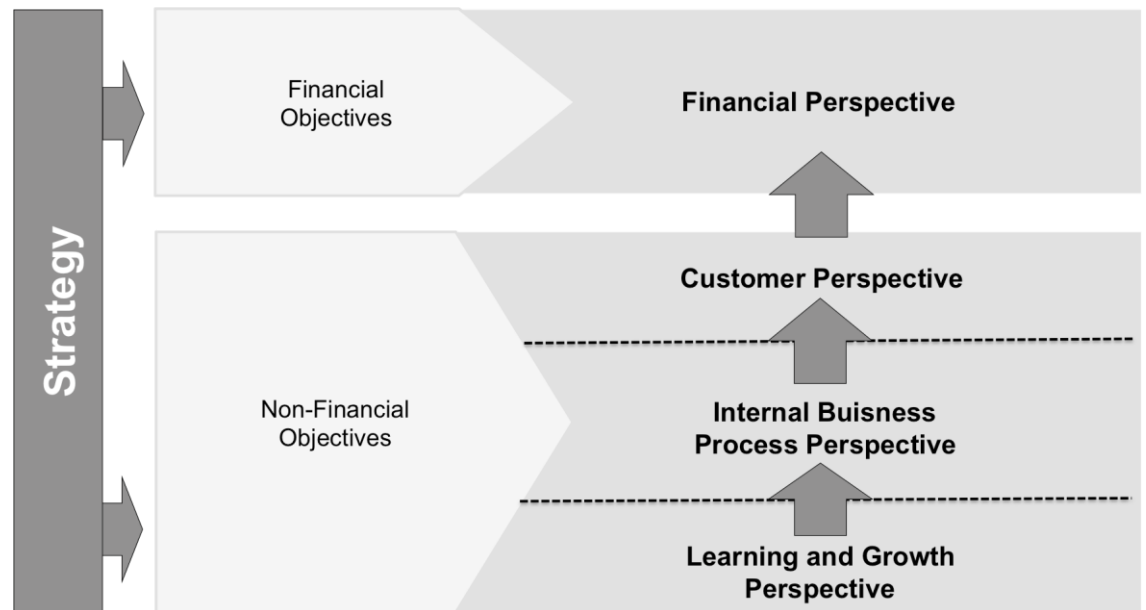
(4) Learning and growth perspective: “To achieve our vision, how will we sustain our ability to change and improve?” (Kaplan and Norton, 1996, p.54).

Fourth and finally, infrastructure driving long-term growth is identified by means of the learning and growth perspective. In this context, the perspective functions as a basis for revealing the most critical factors contributing to current and future success. Typically, human capital, information capital and organizational capital are the relevant sources, which are known to support the achievement of the financial, customer and internal business perspectives (Figge et al, 2002, p.271). Thus, the learning and growth perspective is of particular importance, as it closes potential gaps between available and necessary capabilities to reach predefined objectives. This perspective stresses particularly employee performances. Besides a number of contextual factors, metrics include generic outcome measures, such as “employee satisfaction, employee retention, employee training, and employee skills” (Kaplan and Norton, 1996, p.64).

### **3.3. The role of cause-and-effect relationships**

However, the Balanced Scorecard approach requires more than a loose collection of critical indicators and key success factors that are expressed in a set of different perspectives. In order to illustrate the complex interrelation of multiple measures, affecting a specific business strategy, the BSC has to be based on a “linked series of objectives and measures that are both consistent and mutually reinforcing” (Kaplan and Norton, 1996, p.64). Building upon the assumption that strategies represent a distinct set of hypothesized cause-and-effect chains, measurement systems have to apply a holistic approach to provide valuable and comprehensible information of causal interconnections between outcome measures and performance drivers of the perspectives.

By means of cause-and-effect chains, the BSC links financial and non-financial perspectives with corporate strategy. Implicitly, building upon the learning and growth perspective, the internal business process perspective as well as the customer perspective will be hierarchically directed towards the financial perspective as shown in Figure 6. To this extent, the BSC represents a hierarchic system of causally linked objectives, which is directed towards financial performance measurements.

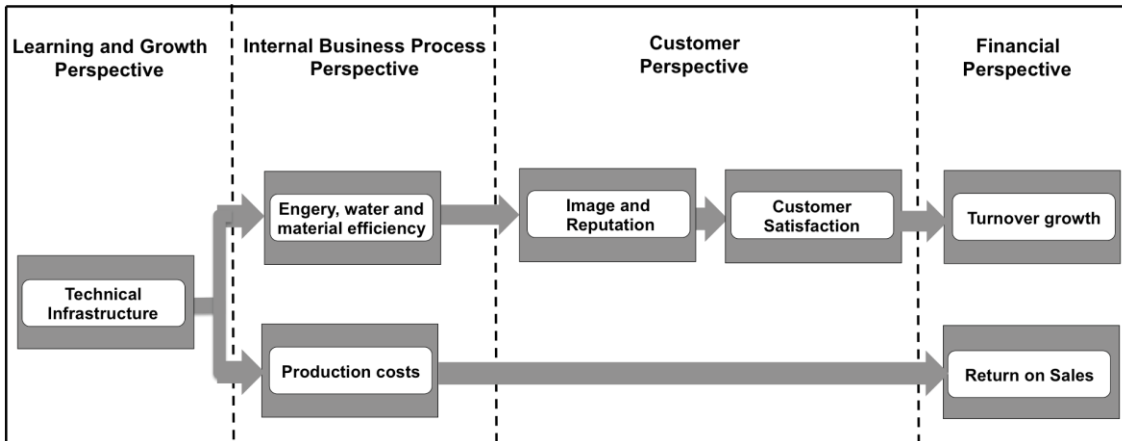


**Figure 6: Hierarchical interconnection of the BSC perspectives (according to Figge et al., 2002, p.262)**

The all-pervading presence of cause-and-effect relationships across the perspectives, provides executives with a comprehensive framework, which enables the translation of an organization's vision, mission and strategy into a coherent and linked set of outcome measures and key performance drivers. This, in turn, allows revealing the causal relationships between intangible assets and financial long-term performance and represents an important prerequisite to make success more tangible and thus controllable (Kaplan and Norton, 1996, p.67). Consequently, the BSC can be thought of as an instrument of value-oriented corporate management and an important component in the value-based steering and measuring of corporate business decisions and activities.

The simplified depiction of cause-and-effect as shown in Figure 7, can be used to exemplify causal relationships among non-financial perspectives and financial perspectives (Kaplan and Norton, 1996, p.65). The example illustrates that an improved technical infrastructure may have a positive influence on the internal business perspective. Increasing energy, water and material efficiency, in turn, will reduce the environmental footprint and may have a positive influence on the environmentally and socially responsible image of the organisation within the customer perspective. Based on this, customer satisfaction may rise and result in an improved financial performance in terms of enhanced turnover growth. At the same time, an improved energy, water and material efficiency will reduce production costs. This, in turn, will have a direct effect on the financial perspective through an

enhanced return on sales. Ultimately, the following example illustrates the importance of cause-and-effect relationships and provides a first impression of the intended ability to reveal the causal relationships between intangible assets and financial long-term performance.



**Figure 7: Cause-and-effect relationships of the Balanced Scorecard (based on Kaplan and Norton, 1996, p. 71)**

The establishment of cause-and-effect relationships, however, requires organizations to ensure an adequate orientation on corporate strategy and corresponding objectives. This allows revealing company-specific interactions of non-financial and financial outcome measures. The BSC framework should function as a basis to model the complex set of interrelations among multiple measures comprehensively and transparently across all perspectives, so that they can be communicated, monitored and controlled at all time. In addition to this, the portrayal of causal linkages allows to examine and evaluate the strategy implementation process and functions as monitoring system, which is suitable to test assumed causal chains in terms of strategy and value orientation (Kaplan and Norton, 1996, pp.65-67). In particular, the maintenance of a clear link to financial results must be guaranteed at all times.

### **3.4. Performance drivers and outcome measurements**

The BSC aims to create a consistent hierarchical system, providing detailed and aggregated information on the achievement of strategic objectives. This in turn, requires the former presented alignment of non-financial towards financial perspectives in accordance with the organizational long-term strategy. Given this, the causal interconnection serves as a basis for formulating lagging and leading indicators within and across the four perspectives (Kaplan and Norton, 1996, p.65).

### **3.4.1. Lagging indicators**

In this context, lagging indicators function as outcome measures. Consequently, they allow to track performance in respect of strategic objectives and to indicate the impact of past and present business decisions on each individual perspective. As a result, they can be considered as subsequent measures for evaluating target achievements. Lagging indicators are mostly generic in nature, owing to the similarity of strategic targets, industry and company structures (Kaplan and Norton, 1996, p.66; Epstein and Wisner, 2001, p.2).

### **3.4.2. Leading indicators**

Leading indicators instead, are very company-specific and represent the unique input or performance drivers that are necessary to fulfil expectations and ultimately generate the requested results, represented by lagging indicators (Epstein and Wisner, 2001, p.2). Therefore, performance drivers function as early indicators for trends occurring at sub-ordinated perspectives along the causal chain. More importantly, due to the fact that they provide a decisive key to achieve strategic objectives, they tend to describe the organization's competitive advantage (Figge et al., 2002, p.271). While it is noteworthy to mention, that the majority of leading indicators contribute to future financial performance by means of costs reduction, increasing profits, and enhanced reputation (Epstein and Wisner, 2001, p.2).

Without performance drivers, the application of outcome measures fails to provide guidance on how to achieve outcomes. Consequently, the organization will not be able to detect a successful strategy implementation or negative developments in time. Implicitly, it is not possible to counter such developments with suitable measures. However, even-though, performance drivers may realise operational improvements in the short-run, they will fail to indicate if improvements translated into tangible benefits affecting the bottom line (Kaplan and Norton, 1996, p.66). Given this, a Balanced Scorecard will only develop its full potential when it maintains an adequate balance between outcome measures (lagging indicators) and respective performance drivers (leading indicators). Consequently, a well-balanced ratio of lagging and leading indicators guarantees sensitivity and transparency.

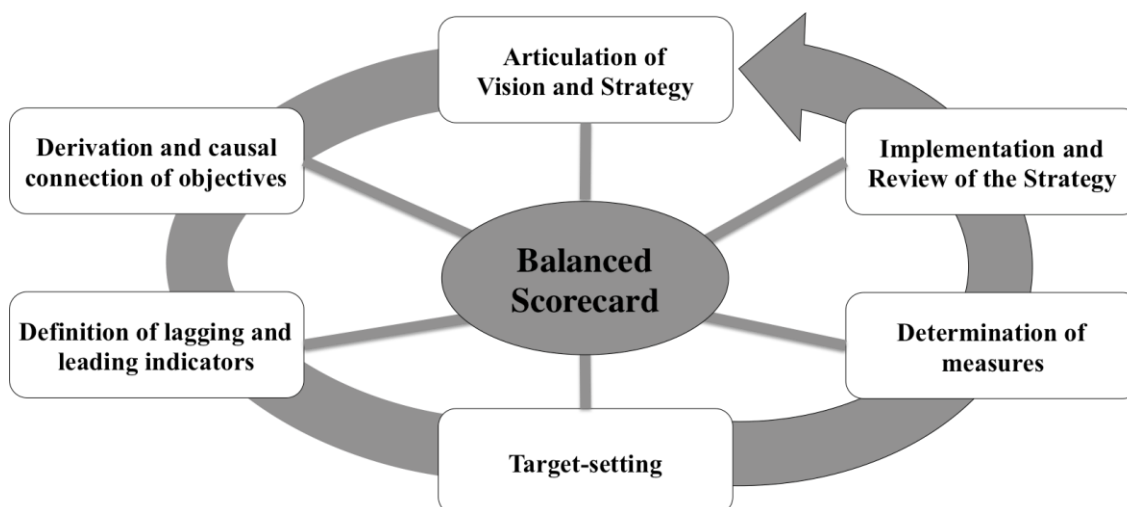
### **3.5. Balancing function of the Balanced Scorecard**

The core part of enabling a successful strategy implementation by means of the BSC is, besides the causal linking of perspectives, the concept's balanced composition. On the one hand, the balance can be attributed to equilibrium of

measures within the different perspectives. Hence, in order to keep the concept concise and not too complicated the number of separate measures should remain within the limit of four to seven measures per perspective. At the same time, it should be ensured that the total amount of 25 strategically relevant measures is not exceeded. In this context, it is equally important that an integrated and multi-dimensional set of measures is put in place, which, in turn, is deemed responsible for defining the strategy and functions as key performance driver for competitive success at the same time. Given this, the Balanced Scorecard offers the opportunity to balance between clear and powerful short-term benefits and strategically critical long-term benefits, as well as between hard objective measures and softer, more subjective measures (Kaplan and Norton, 1996, pp.56-65).

### 3.6. Balanced Scorecard as tool for performance management

On the other hand, besides its intended purpose as a tactical and operative tool for performance measurement, the BSC can also be applied in order to pursue long-term strategies in terms of a strategic management system. In this context, the Balanced Scorecard functions as a tool to communicate, coordinate and translate the business strategy (Kaplan and Norton, 1997, pp.10-18). With regard to this, the framework is considered an important means to bridge the gap between strategic and operative planning (Kaplan and Norton, 2001b, p.65). In this context, the BSC is particularly well suited for streamlining the critical management processes concerned with the detailed implementation of the strategy (Kaplan and Norton, 1997, p.10), as indicated in Figure 8.



**Figure 8: Management process of the Balanced Scorecard (based on Kaplan and Norton, 1997, p.10)**

Starting point for these management processes is the formulation of a corporate

vision and the definition of the business strategy. However, the BSC is generally not meant to function as an instrument for formulating strategies, but a tool for guiding the implementation and enforcement of existing strategies (Kaplan and Norton, 1997, p.36). Thus, with regard to business strategy implementation, the challenge rather consists in establishing a common understanding across the organization and to reach a consensus among top management (Kaplan and Norton, 1997, p.11).

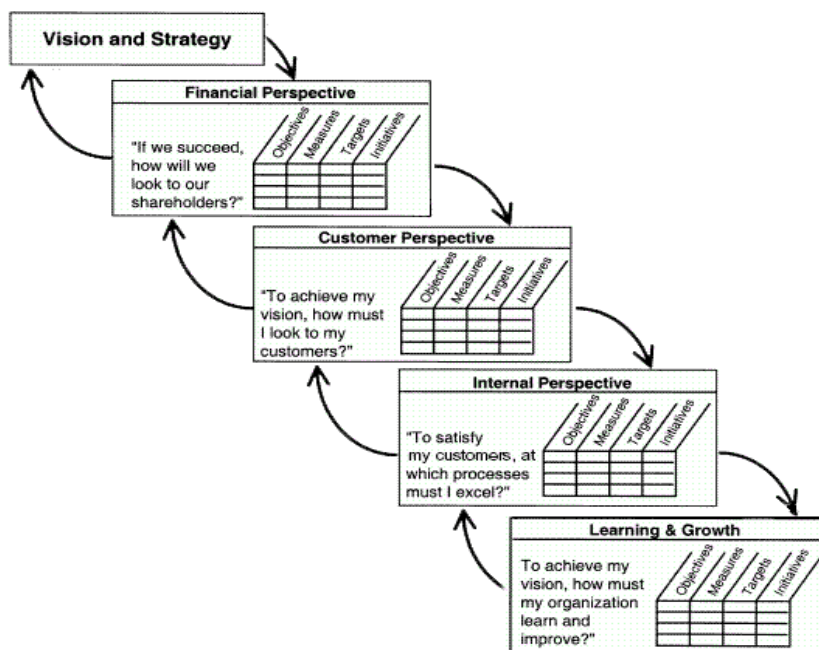
Secondly, based on this consensus and building upon strategic core issues, the Balanced Scorecard allows deriving company-specific objectives in the four perspectives. At the same time, it maintains a clear link to financial performance by means of a distinct set of cause-and-effect relationships. In addition to this, strategic objectives reflect all relevant factors influencing financial success and describe the requirements for accomplishing it (Kaplan and Norton, 1997, p.11).

However, it is important to ensure that the concept concentrates on those strategic core issues, which provide the company with a distinct competitive advantage (Kaplan and Norton, 1997, p.36). Implicitly, in the course of management processes, particular importance is ascribed to the formulation of objectives. This is mainly due to the fact that they serve as a basis for all further steps, directed towards achieving the previously stated objectives. As a result, the accuracy of objectives has a significant influence on the implementation process of the Balanced Scorecard, and thus can be seen as essential to the realization of the strategy.

Thirdly, on the basis of previously stated objectives, outcome measures as well as performance drivers are determined in a subsequent step (Epstein and Wisner, 2001, p.5). With regard to this, outcome measures allow for a quantitative performance assessment of strategy related decisions, while performance driver function as indicators for monitoring future corporate development. Whereas targets serve preliminary to further specify strategic objectives. However, only clearly defined and communicated targets can provide reliable information on the hypothesized causal chain of lagging and leading indicators. In order to support strategic corporate reorientation and to test cause-and-effect relationships, organizations, thus have to set clear and ambitious goals in terms of both target values as well as planning periods (Kaplan and Norton, 1996, p.67).

Lastly, the achievement of strategic objectives and realisation of corporate strategy

by means of the Balanced Scorecard, requires the subsequent translation of targets into individual initiatives at the operational level. In this respect, before introducing new initiatives, existing initiatives should be evaluated in terms of their contribution to accomplish the overall objectives. In this context, significant importance is attached to the preparation of a catalogue of concrete initiatives, which have to be carefully coordinated with the planning of financial and personnel resources (Kaplan and Norton, 2001c, p.46). Given that, it is possible to integrate the results of the former presented sub-processes in the four perspectives. This in, turn allows to model the BSC management process in a consistent and coherent way and to provide a holistic picture as indicated in Figure 9.



**Figure 9: Strategy alignment of key perspectives (based on Kaplan and Norton, 2001a, p.91)**

In order to achieve sustainable corporate success, however, it is of particular importance to continuously review the implementation process, as well as the actual strategy (Kaplan and Norton, 1997, p.14). But this requires the critical assessment of the underlying hypotheses and potential adaptations according to the prevailing circumstances. As a result, it is possible to review formulated strategic objectives and targets on the one hand, and to verify hypothesized cause-and-effect relationships on the other hand (Kaplan and Norton, 1996, p.67). The described procedure on feedback and review is part of a strategic learning process within the organisation, and closes the BSC management process cycle; hence it functions as starting and finishing point simultaneously (Kaplan and Norton, 1997, p.15).

The successful implementation of business strategies by means of the Balanced Scorecard, requires management systems to ensure a common strategy comprehension at all hierarchical levels (Kaplan and Norton, 2001, p.65). This, however, presumes a well-functioning communication within and across all levels of corporate hierarchy. By using a top-down approach in terms of a cascade-like process, the BSC attempts to ensure strategic alignment at all corporate levels. Starting from the top management, this process should ideally be continued down to the lowest staffing levels, resulting in a system of interconnected outcome measures, performance drivers, targets and initiatives (Kaplan and Norton, 1997, pp.10-18). The objective is to give staff a better understanding of the close connection between operational tasks and the achievement of strategic objectives, which, in turn, allows coordinating employee activities in a strategy oriented way. In line with this, it is possible to demonstrate employees how to contribute to corporate success (Kaplan and Norton, 1997, p.15).

### **3.7. Suitability and limitations of the BSC in relation to CSR strategies**

In order to link performance measurement and strategy, the Balanced Scorecard as a strategic management model requires managing a multi-dimensional set of financial and non-financial performance indicators in an integrative way (Kaplan and Norton, 1996, p.53). Similar requirements apply to CSR management, which is facing the challenge of balancing and integrating economic and non-economic aspects (Berger, Cunningham and Drumwright, 2007, pp.152-154). In particular, this conceptual similarity can serve as basis for the systematic integration of Corporate Social Responsibility strategies into the BSC framework (Degen, 2001, p.12).

However, the BSC is generally not meant to function as an instrument for formulating strategies, but a tool for guiding the implementation and enforcement of existing strategies (Kaplan and Norton, 1997, p.36)

. Thus, the main focus lies on establishing causal relationships between implemented strategies and performance measurement. In this context, Kaplan and Norton (1996, p.63) attach high importance to ensuring that the BSC consists of objectives and measures, which are consistent and mutually reinforcing. Given that, the framework functions as a basis to model a complex set of cause-and-effect relationships between outcome measures and performance drivers. In particular, the

fact that integrated objectives have to be consistent and mutually reinforcing can be used to reveal that it is possible to simultaneously achieve environmental, social and economic benefits.

Besides that, the hierarchically linked set of cause-and-effect relationships allows the translation of an organization's vision, mission and strategy into a coherent and linked set of lagging and leading indicators (Kaplan and Norton, 1997, p.10). More importantly, it reveals the causal interconnection between intangible assets and financial long-term performance (Figge et al., 2002, p.270). As previously mentioned, a main challenge of CSR strategies remains to unfold how mediating variables and situational contingencies affect corporate success. In respect to these concerns, the Balanced Scorecard offers the possibility to reveal value creation potential of strategically relevant sustainability topics by means of causal chains (Epstein and Wisner, 2001, p.9). Thus, the systematic incorporation of environmental and social aspects into the BSC, can serve as a basis to make contributions of CSR actions and decisions to corporate success tangible and thus controllable.

The increased measurability, in turn, allows for enhanced CSR performance measurement (Weber and Schäffer, 2000, p.111). In addition to this, it offers the opportunity of balancing associated short-term and long-term, tangible and intangible, economic and non-economic CSR objectives (Möller and Schaltegger, 2005, pp.76-78). Moreover, it is possible to extend a rather out-dated approach to value creation towards an understanding that considers the systematic integration of CSR strategies into the BSC, as part of competitive positioning and strategy formulation (Kaplan and Norton, 2001, p.40)

By explicitly including environmental and social objectives into the BSC framework, not only the measurability but also the accountability of CSR aspects improves (Mayr and Ausweger, 2013, p.42). Here, particularly the causal linkage of outcome measures and performance drivers allows for revealing interconnections within and across the four perspectives (Kaplan and Norton, 1996, p.65). As a result, it is possible to communicate the strategic relevance of sustainability issues across the entire organization (Epstein and Wisner, 2001, p.9). At the same time, this can constitute a foundation for a deep understanding of the benefits resulting from mutual value creation, and thus for support from staff at lower hierarchical levels (Kaplan and Norton, 2001, p.65). Consequently,

organisations need to concentrate their efforts on those areas where the implementation of strategic CSR is able to leverage synergies and bundle forces.

Drawing on findings of Hahn and Wagner (2001, p.3) the Balanced Scorecard allows for incorporating all non-financial factors that have direct market relevance. As a result, strategically relevant sustainability topics, which are market driven can be embedded into core business processes and internalised via the market system. This implies aspects that have a direct relevance to “the financial market, the customer market, the supplier market, or the labour market” for instance (Möller and Schaltegger, 2005, p.76). However, if sustainability issues develop outside of markets, and are therefore not driven by market mechanisms they cannot be modelled adequately by means of prevailing perspectives. This, in turn, restricts the applicability of the conventional Balanced Scorecard perspectives to those environmental and social aspects that are already internalised via the market system (Schaltegger, 2011, p.17).

This indicates that a successful and systematic integration of sustainability issues into the Balanced Scorecard requires structural modifications, which imply adaptation and extension of the existing framework (Möller and Schaltegger, 2005, p.76). In order to further investigate how strategically relevant environmental and social aspects can be systematically integrated by means of the Balanced Scorecard, the next section will outline different integration approaches.

#### **4. Integration of CSR strategies into the BSC framework**

##### **4.1. Potential approaches for the systematic integration of CSR strategies**

The Balanced Scorecard provides the foundation for a systematic integration and balancing of sustainability issues by means of corporate performance measurement and management systems. Nevertheless, the basic framework has to be adapted to suit the highly contextual requirements of these factors (Figge et al., 2002, p.273; Hahn and Wagner, 2001, p.2; Möller and Schaltegger, 2005, p.76; Schaltegger, 2011, p.20).

There are basically three different approaches for the systematic integration of environmental and social core issues into the Balanced Scorecard (Figge et al, 2002, p.273). First of all, there is the possibility of integrating sustainability issues into the existing four perspectives. Secondly, it is possible to introduce an additional non-market perspective into the Balanced Scorecard (Epstein and Wisner, 2001,

p.10; Figge et al., 2002, p.273; Hahn and Wagner, 2001, p.2; Möller and Schaltegger, 2005, p.76; Schaltegger, 2011, p.20). Thirdly and lastly, organizations can integrate sustainability core issues through deducting an environmental and social scorecard (Degen, 2001, p.50; Figge et. al, 2002, p.273). The following section will outline the former indicated approaches in detail. In addition to this it evaluates their individual suitability to overcome the shortcomings of the conventional Balanced Scorecard approach as a management and measurement tool for value creating Corporate Social Responsibility.

#### **4.1.1. Integration of CSR aspects in the four BSC perspectives**

In general, as for any other strategic core issue, the first approach suggests a simultaneous integration of environmental and social aspects into the existing perspectives of the Balanced Scorecard (Epstein and Wisner, 2001, p.7; Degen, 2001, p.20). In this context, sustainability aspects are integrated through the identification of strategic core issues as well as respective performance drivers. In addition to this, it is necessary to formulate causal chains of lagging and leading indicators and further specify the aspired objectives through the formulation of targets and initiatives in terms of the BSC management process (Kaplan and Norton, 2001, p.90).

This approach preserves the original shape of the Balanced Scorecard (Möller and Schaltegger, 2011, p.76), so that the hierarchical structure of the BSC management process constitutes the basis for the top-down deduction of social and environmental core issues (Kaplan and Norton, 2001, p.45). By integrating these aspects into the existing perspectives, they become an integral part of cause-and-effect chains and, thus, maintain a clear link to financial performance.

However, it has to be considered that Kaplan and Norton (1996, p.68) suggest restricting the number of strategic measures to “those that define a strategy designed for competitive excellence”. Consequently, the focus is on a limited set of aspects, implying the 16-25 most critical factors for corporate success. On the one hand, this allows concentrating on those social and environmental aspects that represent strategically relevant core issues to corporate success (Figge et. al. 2002, p.274). In addition to this, they become part of corporate strategy, and reflect only those factors expected to lead to competitive advantage, thus, incorporate the highest value creating potential of CSR engagement. On the other hand, there is a risk that

the highly aggregated and restricted amount of measures leads to a negligence of ecological and social aspects.

In consideration of the aforementioned characteristics, this approach is particularly suitable for organizations and sectors appealing to ecologically sensitive market segments, for which, strategic environmental and social core issues have already been internalized (Degen, 2001, p.21). In this case, for example, the lagging indicator “Market Share” could imply a further ecological specification, such as “Market Share within the ecologically sensitive customer segment”. At the same time, the performance driver “Product Attributes” could include an additional environmental performance indicator (Figge et al., 2002, p.274).

The simultaneous integration into the existing perspectives of the Balanced Scorecard offers the advantage of an integrated approach, which takes into account the cross-dimensional character of environmental and social aspects (Epstein and Wisner, 2001, p.9). This, in turn, allows the identification and value oriented coordination of those sustainability topics that are relevant to the market, and additionally represent strategic core issues or performance drivers of corporate success (Schaltegger, 2011, p.17).

However, given this approach, the range of sustainability issues that can be considered by means of the existing perspectives is limited, as it encompasses only those factors that are already internalised via market systems. But a vast variety of environmental and social aspects develop outside of markets. This, in turn, implies that they are not driven by market mechanisms, and thus cannot be modelled adequately by means of the prevailing BSC perspectives (Schaltegger, 2011, p.20). Implicitly, the approach lacks of an ability to identify strategically relevant non-market driven core issues and to understand the mechanisms that relate them to corporate success (Hahn and Wagner, 2001, p.3). Hence, the presented option is mainly applicable for market driven sustainability issues, which have already been internalised in the market system. Therefore, even though, it can be considered a promising starting point for revealing value creation potential of CSR, it is not able to leverage synergies and bundle forces to the full extent. It is for that reason, that the integration of environmental and social aspects into the four perspectives of the conventional balanced scorecard requires structural modifications (Möller and Schaltegger, 2005, p.76).

#### **4.1.2. Introduction of an additional non-market perspective into the BSC**

Taking into account that the main obstacle for the integration of environmental and social aspects into the Balanced Scorecard remains the difficulty of internalising non-market driven sustainability aspects, alternative sources of integration should be identified. The introduction of an additional non-market perspective into the Balanced Scorecard can overcome the indicated limitation, and thus represents a promising alternative (Degen, 2001, p.22; Schaltegger, 2011, p.20).

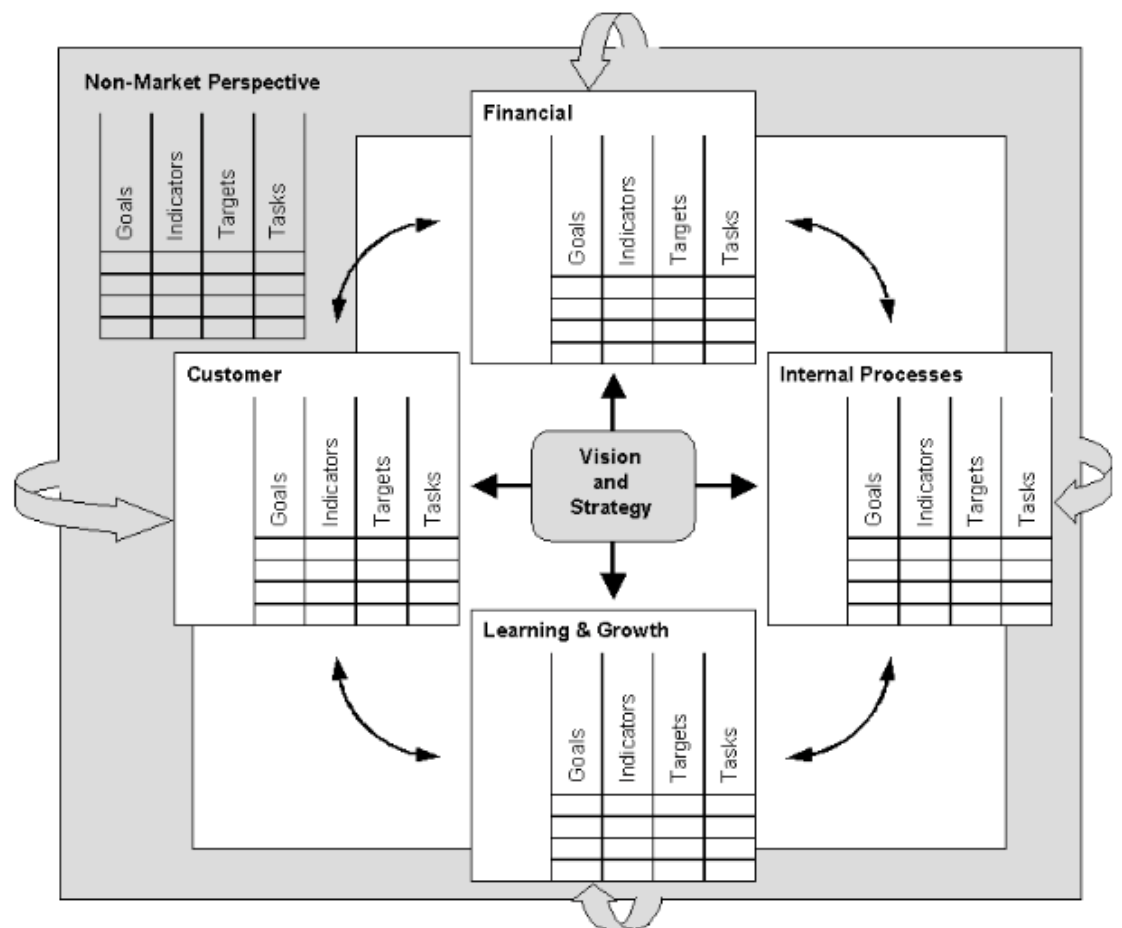
Building upon the premise that the included aspects represent a strategic core issue and, thus, an important pre-condition to build a competitive advantage, neither the laid down number of perspectives nor the content-related design of the BSC are rigidly predetermined (Kaplan and Norton, 1996, pp.68-69). Therefore, an additional non-market perspective can represent an important link between the economic sphere, represented by the Balanced Scorecard on the one hand, and those social and environmental aspects that can be deemed strategically relevant for corporate success, but are not internalised via market systems on the other hand (Figge et al. 2002, p.274).

In line with Hill's (1985, p.118) model of socio-economic rationality, an additional non-market perspective considers organisations as quasi-public institutions, whose operations incorporate interactions with multiple spheres. Implicitly, organizational actions and decisions are not exclusively restricted to the economic and commercial sphere. Furthermore, given the fact that sustainability issues are social constructs, they can emerge in all spheres of interaction. Thus, business related impacts on environmental and social well-being, be it positive or negative, will be evaluated and reflected. Based on this, Degen (2001, p.20) asserts that environmental and social aspects can become strategically relevant and affect corporate success from outside the market system. In line with this, Schaltegger (2011, p.17) goes on step further and contends, "in some cases these non-market issues can have a stronger economic effect than many topics with a clear market link".

In respect to this, the underlying motivation for establishing an additional non-market perspective is build upon two fundamental conditions. First of all, environmental or social aspects are of strategic relevance for the achievement of corporate success; thus, represent either strategic core issues or performance

drivers. Secondly, that it is not possible to adequately reflect them within the existing perspectives of the Balanced Scorecard.

One of the main characteristics of environmental and social aspects, lying outside the market system, is their ability to simultaneously affect corporate success in all four perspectives of the Balanced Scorecard (Möller and Schaltegger, 2005, p.77). Implicitly, their impact on corporate performance can be reflected through either direct financial, and/or indirect non-financial cause-and-effect relationships (Figge et al. pp.274-275). In this respect, an additional non-market perspective provides a multi-dimensional framework that encompasses all economic core perspectives of the BSC, as shown in Figure 10.



**Figure 10: Integration of an additional non-market perspective into the Balanced Scorecard (based on Degen, 2001, p.23; Kaplan and Norton, 1997, p.9)**

From a socio-economic rationality point of view, the integration of such a perspective seems reasonable, as it offers the possibility to reveal non-market driven interdependences between corporate activities in economic, as well as

societal and ecological environments (Möller and Schaltegger, 2005, p.82). Therefore, the major advantage of an additional non-market perspective lies in its ability to incorporate sustainability topics according to their strategic relevance, even though, they are situated outside the economic sphere (Degen, 2001, p.22; Möller and Schaltegger, 2005, p.78). This incorporation enables organizations to move beyond the economic sphere and to broaden their perspective.

However, in that context, it is important to note that the non-market perspective does not incorporate all objectives and indicators related to sustainability, but only those non-market driven issues that cannot be integrated by means of conventional perspectives (Figge et al. 2002, p.274). Whereas, for market driven sustainability issues, the four perspectives of the conventional balanced scorecard must be applied (Möller and Schaltegger, 2005, p.77).

#### **4.1.3. Deduction of a derived environmental and social scorecard**

The third and final possibility to integrate sustainability aspects into the Balanced Scorecard framework is the deduction of a derived environmental and/or social scorecard. In this regard, it is of particular importance to mention that the approach should not, be developed in parallel to the conventional Balanced Scorecard (Degen, 2001, p.25; Figge et al. 2002, p.275). Otherwise, sustainability management is in danger of being regarded, as tasks of secondary importance. This, in turn, would imply that environmental and social issues are considered as special responsibility besides economic core tasks, rather than being mainstreamed as a cross-cutting responsibility in all prevailing perspectives (Degen, 2001, p.25). Therefore, although this approach allows for an integration of sustainability topics, it lacks of ability to balance economic and non-economic criteria.

In particular, against the background of value oriented CSR, the coordinative and integrative potential of the Balanced Scorecard concept, can contribute to achieve mutual benefits for organizations, society and environment alike. However, the parallel application of both, the conventional Balanced Scorecard, as well as a derived environmental and/or social scorecard, implies the danger of unused coordinative and integrative potential (Degen, 2001, p.26).

In respect to these concerns and in contrast to the former presented integrative possibilities, the approach does not represent an independent integration tool, but rather an extension of the former presented alternatives (Figge et al., 2002, p.275).

Consequently, the actual content of the environmental and/or social scorecard has to be deducted from an existing Balanced Scorecard. In other words, a derived scorecard does not require the generation of new contents, but builds upon cause-and-effect relationships between social and environmental objectives, measures, performance drivers, targets and initiatives that have already been integrated into the BSC framework.

With regard to this, the principal task of such a derived scorecard is the coordination, organization, and further specification of sustainability related topics across different business areas and hierarchy levels. In this context, a derived scorecard can be an adequate means to further articulate and communicate the importance of CSR strategies within the organisation (Epstein and Wisner, 2001, p.9). The application is especially useful if CSR has been institutionalised as a department in its own right within the organization. In this case, deducting a derived scorecard serves particularly to define and further clarify the relationship between CSR departments and the Balanced Scorecards of strategic business units (Kaplan and Norton, 2001, p.48)

A derived scorecard is able to comprise all strategically relevant environmental and social aspects by means of a single framework. This, in turn, implies a high coordination and intervention potential that allows for coherent steering and monitoring of sustainability issues. In addition to this, it can serve as a basis for formulating customised environmental and social strategies. Moreover, by means of explicitly including performance metrics related to sustainability objectives, it is possible to reveal the value creation potential of achieving environmental, social and economic benefits alike (Degen, 2001, pp.26-27). Apart from that, it offers the opportunity to further specify environmental and social metrics, which can constitute the foundation to internalise non-market driven sustainability aspects (Schaltegger, 2011, p.79).

For the purpose of integrating such a derived scorecard, the organization should set up a central staff function. For example, it may include establishing a particular CSR department. This organizational institutionalisation of environmental and social aspects is an adequate means for continuously steering the array of actions and decisions related to Corporate Social Responsibility (Degen, 2001, p.26). However, it is noteworthy to mention that a derived scorecard has to be formulated

in accordance with the existing Balance Scorecards of different business units and corporate hierarchy levels (Figge et al. 2002, p.275). Implicitly, it has to build upon strategically relevant sustainability topics that are considered to be most critical for the achievement of corporate success.

#### **4.1.4. Critical assessment of the outlined introduction approaches**

Probably the most important difference between the previously outlined approaches is the fact that both the simultaneous integration of social and environmental aspects, as well as the integration of an additional non-market perspective, relates to changes within the composition and actual structure of the conventional Balanced Scorecard (Möller and Schaltegger, 2005, p.79). Whereas, the third alternative derives from an existing core Balanced Scorecard (Degen, 2001, p.27). Due to the fact that the content of the derived environmental and social scorecard has to be formulated in accordance with Balanced Scorecards of differing business units and corporate levels, it requires the existence of at least one of the former mentioned approaches (Figge et al., 2002, p.275). Therefore, its application is to be understood as a second possible step with regard to the systematic integration of environmental and social aspects by means of the BSC framework.

Thus, in a first step, environmental and social aspects have to be integrated into the Balanced Scorecard through the previously presented variants. Here, the decision on which variant will be applied mainly depends on the characteristics of strategically relevant social and environmental aspects (Möller and Schaltegger, 2005, p.76). Given that these aspects are market driven, it is possible to formulate lagging and leading indicators and to integrate them into the existing four perspectives. On the other hand, if those aspects cannot be modelled adequately by means of the market mechanism, a systematic integration requires the introduction of additional non-market perspective (Epstein and Wisner, 2001, p.6; Schaltegger, 2011, p.21). It has to be noted here, that these two options are by no means mutually exclusive indeed ideally both approaches should be combined (Sturm, 2000, p.374).

However, the simultaneous application of a non-market perspective would only be justified under two premises. First, environmental and social aspects are of strategic relevance and thus represent strategic core issues or performance drivers. Secondly, it is not possible to adequately reflect the strategic relevance of non-market driven sustainability aspects by using the existing four perspectives of the BSC (Figge et

al. 2001a, p.55). In brief, the structural and content related design of the systematic integration is mainly determined by the nature of environmental and social aspects. Which integration method is used, depends on the specific contextual organizational external and internal environment and will take place in the course of a detailed implementation process.

#### **4.2. Procedural approach for integrating CSR strategies into BSC framework**

Based on the acquired theoretical knowledge of the previous sections, the process of formulating a Corporate Social Responsibility Balanced Scorecard (SR-BSC) has to follow the outlined structure. However, initially, before examining the process in a more detailed manner, it is helpful to regain a holistic understanding of the preconditions determining the value creation potential of Corporate Social Responsibility. This, in turn, allows for recognising the necessity of the respective processing steps. Such understanding is best achieved by highlighting the underlying hypotheses, which constitute the basis for the formulation of a (SR-BSC).

- (1) *Hypothesis 1: The respective internal and external markets for virtue constitute the basic conditions for the overall value creation potential of Corporate Social Responsibility.*
- (2) *Hypothesis 2: The actual value added of Corporate Social Responsibility is the highest, where CSR actions and decisions imply meaningful benefit for the environment, society and economy alike.*
- (3) *Hypothesis 3: The more accurate a SR-BSC is tailored towards specific organisational preconditions, as well as characteristics and mechanisms determining the strategic relevance of environmental and social aspects, the higher the predictability of the causal interconnections between outcome measures and performance drivers of environmental, social and economic benefits.*

Consequently, organisations need to concentrate their efforts on those areas where the implementation of strategic CSR is able to leverage synergies and bundle forces. This allows creating shared value, which is meaningful benefit to the ‘triple bottom line’, instead of applying a loose connection of initiatives, which results in misallocation of resources to the disadvantage of economic prosperity, environmental responsibility and social stewardship (Porter and Kramer, 2006, p.83).

As previously indicated and in respect to these concerns, the formulation of a SR-BSC can be an adequate means for facing the challenges of strategic Corporate Social Responsibility engagement. The formulation process can be divided into three major steps. In an initial step, the process investigates on the underlying organizational preconditions, which serves as a basis for the formulation of a SR-BSC. As a second step, it is now possible to identify the company specific environmental and social exposure of the organization that affects or is affected by the external organizational environment. In a third step, the process allows for choosing an adequate method for the conceptual integration of the BSC framework that is tailored to the specific external and internal requirements.

#### **4.2.1. Basic requirements for the systematic integration**

As previously stated, the BSC is generally not meant to function as an instrument for formulating strategies, but a tool “to articulate the strategy of the business, to communicate the strategy of the business, and to help align individual, organizational, and cross-departmental initiatives” in order to reach a common objective (Kaplan and Norton, 1996, p.56). Thus, an existing business strategy can be considered as a linchpin for the formulation of a Balanced Scorecard that is directed towards long-term corporate success. It is for this reason, that a systematic integration of environmental and social aspects into the BSC presupposes, a well-formulated CSR strategy. However, if this is not the case, it requires at least a common understanding of the strategic orientation related to Corporate Social Responsibility among top management, which can serve as a basis for formulating a strategy related to environmental and social issues.

Therefore, in general, top-management must be willing to systematically identify and integrate sustainability topics into the Balanced Scorecard (Degen, 2001, p.29). In respect to these concerns, in particular, managers’ attitudes and values inhabit a high influencing potential (Papagiannakis, Voudouris and Lioukas, 2014, p.254), so that management commitment towards CSR strategies and an accompanying integration will be required. Based on this commitment, it is possible to formulate a CSR strategy that is able to identify the strategic environmental and social aspects, which can reflect strategic core issues in terms of corporate success and function as outcome measures or performance drivers of the Balanced Scorecard. Given this managerial commitment, the systematic integration of sustainability topics can represent a promising starting point to support senior managers in repositioning their organizations towards enhanced Corporate Social Responsibility performance

and to communicate the importance of CSR strategies (Epstein and Wisner, 2001, p.9).

Depending on the prevailing internal and external environment, the spectrum ranges from a latent interest in establishing such a strategy to CSR concepts that are already an integral part of corporate strategy. As previously outlined, three distinct profiles for mainstreaming CSR emerge, and for which a framework for measuring value creating Corporate Social Responsibility can offer useful insights (Berger, Cunningham and Drumwright, 2007, pp.139- 146).

#### **4.2.2. Identification of environmental and social exposure**

As previously outlined, social and environment performance are very company specific (Hubbard, 2009), and CSR strategies depend on mediating variables and situational contingencies (Carroll and Shabana, 2010, p.93). Thus, identifying the business unit's environmental and social exposure, serves as a basis for a customised approach to address business related impact on environmental and social well-being. In this respect, it is necessary to set up a profile that contains a comprehensive list of all possibly strategically relevant environmental and social aspects, which may be expected to affect the business strategy, now and in the future. In this context, the identification of environmental and social exposure is best attained by means of the following frameworks. It is noteworthy to mention, that environmental and social aspects are separately identified.

<b>Environmental exposure of a business unit</b>	
Type of environmental intervention	Business unit specific occurrence
Emissions (to air, water, and soil)	...
Waste	...
Material input/material intensity	...
Energy intensity	...
Noise and vibrations	...
Waste heat	...
Radiation	...
Direct interventions on nature and landscape	...

**Table 1: Framework for identifying environmental exposure (based on Figge et al. 2001a, p.36)**

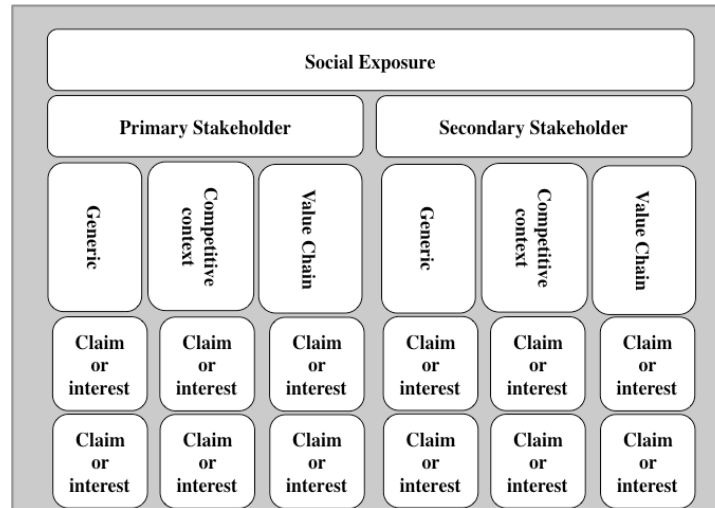
However, the framework is generic in nature, thus, in order to identify the business unit's explicit environmental exposure, all business activities, products and services have to be checked against the potential environmental impacts. This, in turn, allows revealing points of intersection between the business unit and its ecological environment (Figge et al. 2002, p.277). Especially, in respect to the influencing potential of environmental impacts on corporate success, it is of particular importance to set up a profile that contains all potential and strategically relevant environmental exposures.

In line with this, in a second step, there is the need to identify strategically relevant social exposures of the business unit. This, in turn, can be done in an analogous manner to the former presented approach. There is a common consensus, stating that nearly every business related activity causes either positive or negative impacts on society (Porter and Kramer, 2006, p.84). But in contrast to environmental exposure, there is no comprehensive and clear classification of social aspects (Clarkson, 1995, p. 102; Degen, 2001, p.34).

Unlike environmental exposures, however, social exposures are not physically measurable. Instead, they occur through the interaction of various societal groups and depend on their respective values, beliefs and attitudes (Ivanaj et al., 2013, 2013, p.25; Hubbard, 2009, p.186). Resulting in a spectrum of social aspects that is broad and extremely diverse, covering a wide range of topics (Griffin, 2000, p.483). Consequently, social issues are manifold and "will vary from business unit to business unit, industry to industry, and place to place" (Porter and Kramer, 2006, p.85). Therefore, given the complexity and variety, the classification of societal aspects should be based on the actors involved, rather than on a list of potential business impacts on society.

The approach of Porter and Kramer's (2006, p.85) model for the prioritisation of social issues, allows for further differentiation of potential stakeholder claims and interests. This subdivision permits to distinguish between generic social issues, value chain social impacts and social dimensions of competitive context. In this regard, generic social issues are those, which are not significantly affected by business related activities nor strategically affect corporate long-term competitiveness. Whereas, value chain social impacts, represent social issues that are significantly affected by organizational activities in the ordinary course of

business. Ultimately, social dimensions of competitive context stand for social issues inherent in the external environment, which significantly affect the critical factors that are expected to lead to superior corporate competitiveness (Porter and Kramer, 2006, p.85).



**Figure 11: Framework for the identification of a business unit's social exposure (according to Porter and Kramer, 2006, p.85)**

The application of the framework requires in an initial step, the identification of strategically relevant stakeholder groups for the business unit. Based on this, a second step aims to clarify the particular social claims and interests brought up by these stakeholder groups. This, in turn, allows setting up a specific profile of strategically relevant social aspects, which have the potential to affect corporate success through the provision as well as the denial of critical stakeholder resources.

Through identifying all environmental and societal needs, benefits, and harms resulting from a company's business related activities. This part of the formulation process, constitutes a starting point for creating mutual benefits for the environment, society and the economy alike (Porter and Kramer, 2011, p.8). However, the risks as well as the opportunities are not static; quite the opposite they will change constantly as technology advances, economies develop, and societal values and preferences shift. Thus, an on-going exploration of strategically relevant environmental and societal needs is imperative.

#### **4.2.3. Determination of strategically relevant sustainability aspects**

The systematic integration of sustainability issues into the balanced scorecard shall provide a performance management and measurement system that systematically accounts for environmental and social aspects according to their relevance for

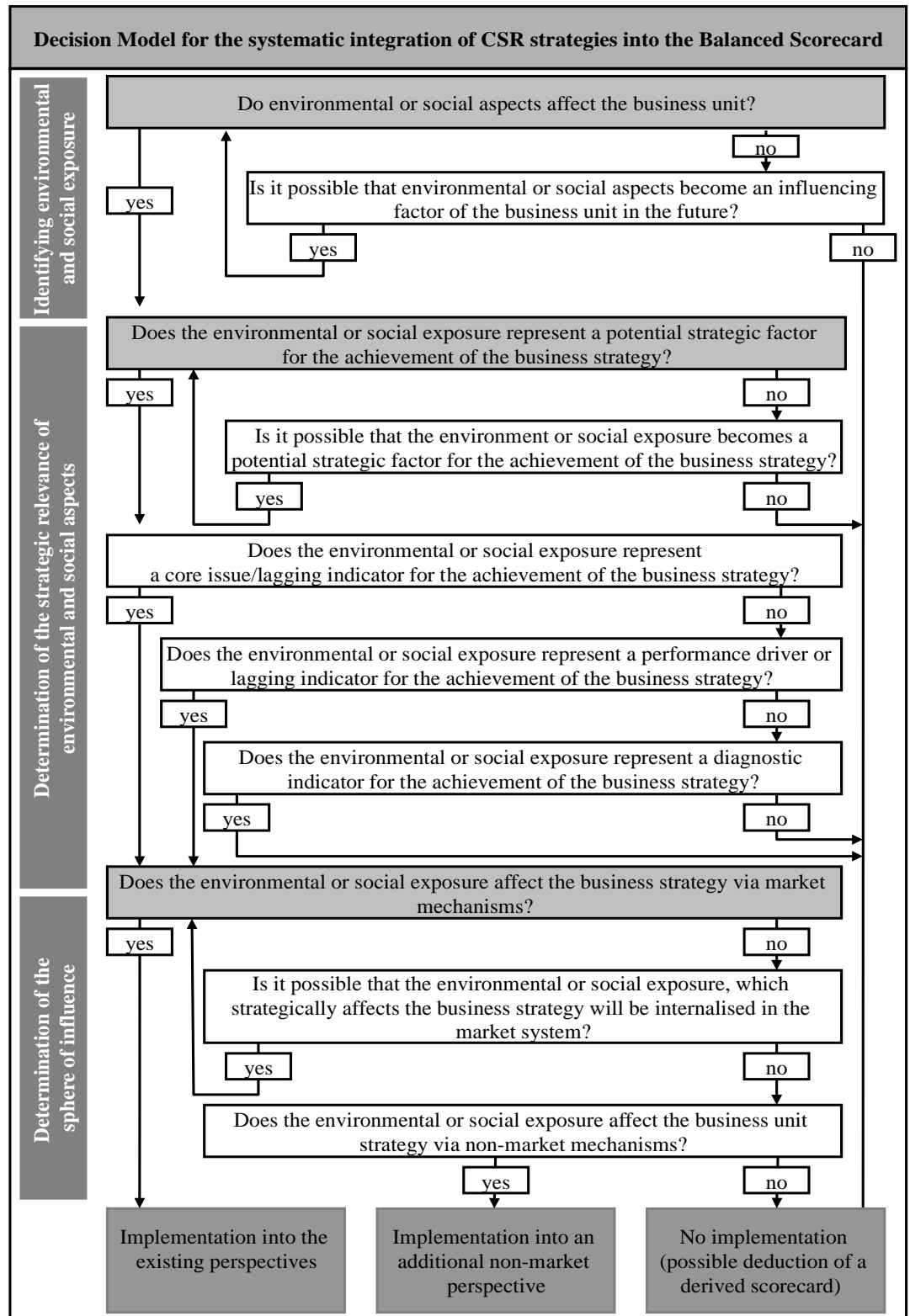
business success in strategic management (Schaltegger, 2011, p.25). Therefore, the identification of potentially relevant sustainability aspects, serves as a basis for determining the most critical factors contributing to current and future success of a business unit's strategy. However, it is the alignment of the most critical core issues with the business strategy, which allows a translation of verbally formulated strategies into tangible objectives, performance drivers and measures.

Despite some research progress concerning the conceptual integration of Corporate Social Responsibility into the Balanced Scorecard (Bieker, 2003, p.17; Degen, 2001, p.5), it remains a poorly structured and highly complex decision-making problem that is too often managed in a fragmented fashion (Schaltegger, 2011, p.27). In respect to these concerns, the paper developed a decision-theoretical model in order to support the formulation process that is necessary to systematically integrate environmental and social aspects by means of the SR-BSC. The following prescriptive decision model was developed by applying an inductive approach. Existing concepts were evaluated according to their relevance and value for implementing the SR-BSC (Volkman, 2003, pp.15-16).

Instead of solely examining isolated factors of success this paper intends to develop a more holistic approach that combines various measures of a strategic management process. In this context, interpretive-descriptive theoretical propositions are characteristic for prescriptive decision models (Volkman, 2003, pp.15-16). Based on these theoretical propositions, the paper will derive heuristic recommendations for action (Volkman 2003, p. 169-179).

The application allows for a complexity reduction of the decision-making problem, related to the actual choice of the respective integration concept, by breaking down the overall problem into small sub problems. At the same time, it enables a successive reduction of the remaining alternatives. Implicitly, it is recommended to proceed gradually applying a step-by-step approach in order to take account of the respective sub problems. Based on the analysis and evaluation of the subsequent steps, the model functions as an appropriate knowledge base for decision support.

In this context, the following figure provides an overview of the relevant decision-making problems related to the conceptual integration of CSR strategies into the Balanced Scorecard. Thus, it constitutes the foundation for determining the strategic relevance of environmental and social aspects. Ultimately, the sphere of influence will be analysed in order to facilitate an appropriate selection from the former presented integration alternatives.



**Figure 12: Decision-model for the systematic integration of CSR strategies into the BSC framework (based on author’s research)**

“Strategy is always about making choices, and success in Corporate Social Responsibility is no different. It is about choosing which social issues to focus on”

(Porter and Kramer, 2006, p.91). Kaplan and Norton (1996, p.68) contend that the number of strategic measures within the BSC has to be restricted to “those that define a strategy designed for competitive excellence”. This restriction aims at ensuring that the focus lies on a limited number of core issues and performance drivers, which implies the 16-25 most critical factors for corporate success. In addition to this, Kaplan and Norton (1996, p.68) suggest to align the critical factors causally and hierarchically with the long-term objectives of the financial perspective. In respect of the SR-BSC, an analogous procedure is recommended, so that it is possible to formulate the Balanced Scorecard in a top-down approach. This, in turn, allows the formulation of all strategically relevant, financial and non-financial, lagging and leading indicators across the different perspectives. In respect to the predominantly non-financial character of environmental and social aspects, this process stage is considered to be of particular importance for their systematic integration.

The identification of sustainability aspects provides solely a comprehensive profile of potential exposures. Thus, there is the necessity to further specify, whether and how these aspects can be integrated into the Balanced Scorecard (Möller and Schaltegger, 2005, p.76). According to Degen (2001, p.20), there are basically two types of environmental and social aspects, which justify a systematic integration into the existing perspectives or into an additional non-market perspective of the Balanced Scorecard.

These are on the one hand, environmental and social aspects that can be classified as lagging indicators. This, in turn, implies that they are categorised as strategic core issues, which function as outcome measures. In this regard, they allow to track performance in respect of strategic objectives and to indicate target achievements of past and present business decisions for each individual perspective (Kaplan and Norton, 1996, p.66; Epstein and Wisner, 2001, p.2). Lagging indicators are mostly generic in nature, Table 2 provides an overview of categories for the formulation of environmental and social aspects representing lagging indicators.

Financial perspective	Customer perspective	Process perspective	Learning and growth perspective
<ul style="list-style-type: none"> <li>• Revenue growth</li> <li>• Productivity growth</li> <li>• Asset utilization</li> </ul>	<ul style="list-style-type: none"> <li>• Market share</li> <li>• Customer acquisition</li> <li>• Customer retention</li> <li>• Customer satisfaction</li> <li>• Customer profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation process</li> <li>• Operations process</li> <li>• Postsale service process</li> </ul>	<ul style="list-style-type: none"> <li>• Employee retention</li> <li>• Employee productivity</li> <li>• Employee satisfaction</li> </ul>

**Table 2: Generic categories for the formulation of lagging indicators (based on Figge et al, 2002, p.279)**

In contrast to that, leading indicators reflect a possible second type of strategically relevant sustainability aspects. They represent highly business specific performance drivers, and provide a decisive key to achieve strategic objectives, represented by lagging indicators (Epstein and Wisner, 2001, p.2). Although, these performance drivers are highly contextual, Table 3 provides an overview of possible categories for the formulation of environmental and social leading indicators.

Financial perspective	Customer perspective	Process perspective	Learning and growth perspective	Non-market perspective
–	<ul style="list-style-type: none"> <li>◦ Product attributes</li> <li>◦ Customer relationship</li> <li>◦ Image and reputation</li> </ul>	<ul style="list-style-type: none"> <li>◦ Cost indicators</li> <li>◦ Quality indicators</li> <li>◦ Time indicators</li> </ul>	<ul style="list-style-type: none"> <li>◦ Employee potentials</li> <li>◦ Technical infrastructure</li> <li>◦ Climate for action</li> </ul>	leading or lagging indicators from all other perspectives

**Table 3: Generic categories for the formulation of leading indicators (based on Figge et al., 2002, p. 242)**

The remaining aspects, which have been classified as potentially relevant but do not represent strategic core issues or performance drivers, can be considered as diagnostic indicators (Kaplan and Norton, 1997, p.156). These indicators, in turn, should be sufficiently managed in order to sustain successful business operations. However, they are not considered to be critical for corporate success. In this regard, it is noteworthy to mention that lagging and leading indicators should clearly be separated from diagnostic indicators (Kaplan and Norton, 1996, p.68). This ensures a strategy related focus on those environmental and social aspects, which are most critical to corporate success.

#### 4.2.4. Systematic integration of strategically relevant environmental and social aspects into the Balanced Scorecard

Once allocated according to the different stages of strategic relevance, environmental and social aspects, market driven as well as non-market driven, can be integrated into the Balanced Scorecard. In order to determine, which approach must be applied to allow a systematic integration into the hierarchic system of strategic objectives, the matrix shown in Figure 13 can be applied.

		Environmental Exposure						Social Exposure					
								Primary Stakeholder			Secondary Stakeholder		
								Generic	Competitive context	Value Chain	Generic	Competitive context	Value Chain
Stage of strategic relevance	Strategic Core Issue	Non-Market											
		Market											
	Performance Driver	Non-Market											
		Market											
	Diagnostic Indicators	Non-Market											
		Market											

**Figure 13: Matrix to determine the strategic relevance of environmental and social aspects (according to Figge et al., 2001a, p.42)**

In an initial step, and in line with the former presented decision-model, the matrix allows cross-checking environmental and social exposures with the different stages of strategic relevance. This, in turn, allows a complexity reduction of the decision-making problem, which is achieved through classifying lagging and leading, as well as diagnostic indicators. As a second step, the matrix can be used to determine whether those aspects become effective via market or non-market driven mechanisms. If sustainability aspects are considered to be of strategic relevance, but driven by non-market mechanisms, a systematic integration via an additional non-market perspective is required (Degen, 2001, p.23).

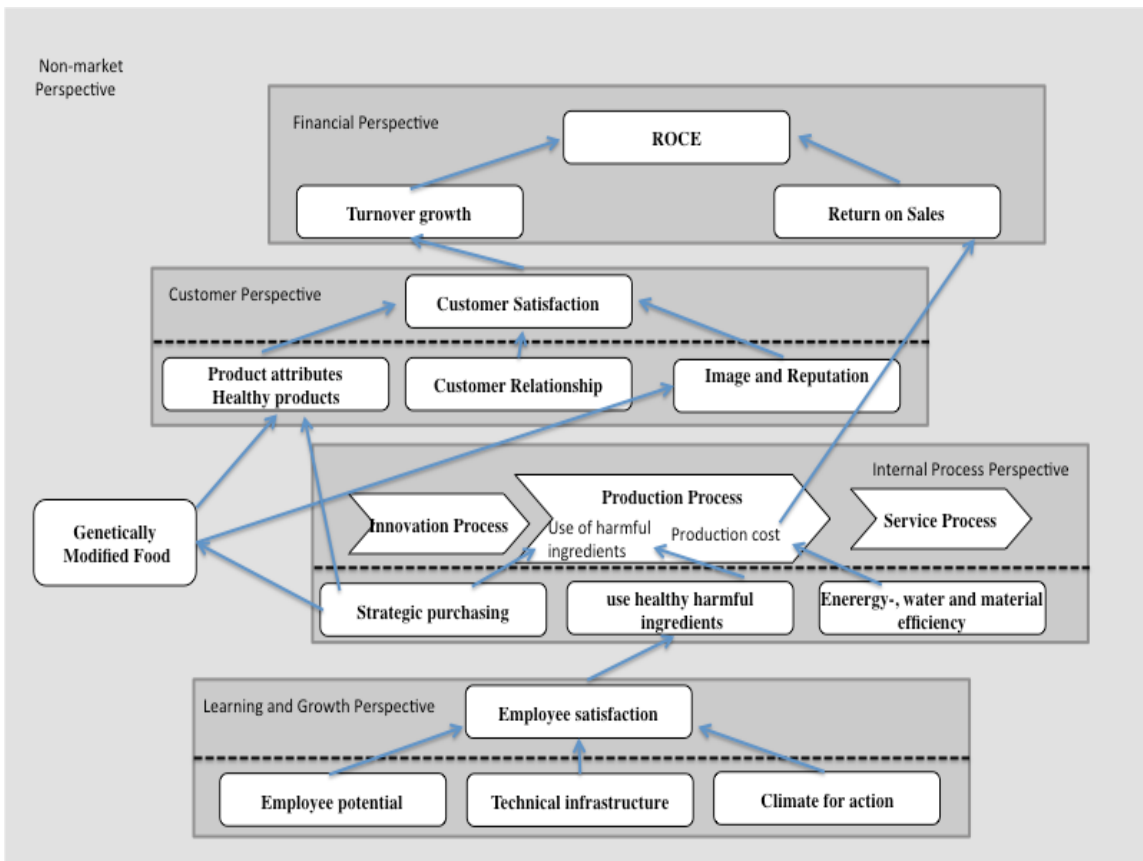
In a third step, it is possible to align outcomes measures and performance drivers to the different perspectives applying a top-down approach as previously shown (Degen, 2001, p.23). This, procedure serves as a basis to check, whether and how potentially relevant sustainability aspects affect the perspectives of the Balanced Scorecard. It is part of a hierarchic and gradual process, originating from the financial perspective, in which environmental and social exposures will be cross-checked in terms of cause-and-effect relationships with all perspectives. In this regard, two particularities have to be considered. First, cause-and-effect chains of lagging and leading indicators are not restricted to the perspectives, but can also indicate interconnections across the different perspectives (Figge et. al. 2002, p.281). Thus, outcome measures of lower perspectives, such as the customer perspective, can simultaneously function as performance drivers for superordinated perspectives, like the financial perspective. Given this, environmental and social exposures can affect different perspectives as lagging and leading indicators, at the same time. Secondly, Möller and Schaltegger (2005, p.77) highlight the particular characteristic of non-market driven aspects to simultaneously affect corporate success in all four perspectives as it embeds them as indicated in Figure 14 In respect to the complex relationship between lagging and leading indicators and the respective perspectives, it is recommend illustrating distinct cause-and-effect chains by means of a strategy map.

The previously outlined decision model allows for a consistent and more structured approach to systematically integrate CSR strategies into the BSC framework. The first advantage lies in the provision of a comprehensive list of all possible environmental and social aspects, which may be expected to affect the business strategy, now and in the future. This, in turn, considerably reduces the risk of neglecting sustainability aspects, which either reflect strategic challenges or opportunities. An important additional advantage is reflected by the opportunity to allocate environmental and social aspects to different stages of strategic relevance. As a result, it is possible to determine whether they contribute to corporate success by means of lagging, leading or diagnostic indicators. Such differentiation is essential, in order to guarantee a strategy focus and thus the applicability of the SR-BSC as tool for communication, information and learning (Kaplan and Norton, 1996, p.56). Moreover, the approach allows determining, whether business strategy is affected via market or non-market driven mechanisms. Again, this leads to risk reduction and enhanced opportunities, as it is possible to detect strategically

relevant sustainability aspects, no matter whether they develop inside or outside the market system. However, most importantly, it determines the approach for the systematic integration of sustainability aspects into the Balanced Scorecard.

### 4.3. Illustration of causality via Strategy map

Based on the former presented process and the acquired knowledge it is now possible to model a distinct set of cause-and-effect relationships that is able to communicate and articulate the strategy throughout the organisation. The strategy map allows modelling the relationships between different perspectives. Moreover, it provides an overview of the interconnection between lagging and leading indicators. Apart from that it allows to reveal the cross-dimensional influencing character of non-market driven indicators, as shown in Figure 14.



**Figure 14: Strategy map including a non-market perspective (based on Figge et al., 2002, p.282)**

## 5. Conclusion and Discussion

Although a growing number of organisations have recognised the benefits related to Corporate Social Responsibility engagement, they “lack an overall framework for guiding these efforts” (Porter and Kramer, 2011, p.4).

This paper provides a holistic understanding of the underlying internal and external motivations for CSR engagement. Moreover, it allows differentiating between distinct CSR profiles, and more importantly to allocate them according to their value creation potential. On the hand, this can be an effective means to encourage firms to broaden their perspective in order to access a higher value creation potential related to CSR. On the other hand, it offers the possibility of revealing challenges related to superior Corporate Social Responsibility. Being aware of possible obstacles is an important precondition in order to investigate on the causal interconnection of Corporate Social Responsibility and corporate success.

The aim here was to define the conceptual process of how environmental and social issues can affect corporate success. With regard to the conceptual similarity, the Balanced Scorecard framework is suitable for the systematic integration of Corporate Social Responsibility strategies.

It offers a considerable support for the implementation of existing and well-formulated CSR strategies. In particular, its ability to model complex cause-and-effect relationships that are consistent and mutually reinforcing supports the simultaneous achievement of environmental, social and economic outcome measures and performance drivers. Hence, a systematic integration enables organisations to overcome the challenge of balancing between economic and non-economic criteria. By means of revealing cause-and-effect relationships between the most critical factors for corporate success and through aligning them with the financial perspective, the framework makes strategic sustainability issues tangible and thus controllable. Therefore, it can provide an impulse for further sustainable development and establish a mind-set that does not consider the achievement of environmental, social and economic benefits as mutually exclusive.

As a result, the paper provides a decisions-model, which offers the possibility of identifying and appropriately incorporating these sustainability topics. Moreover, does it allow for revealing how non-market as well as market driven environmental factors affect corporate success. So that it constitutes the foundation for mutual value creation in terms of economic prosperity, without compromising environmental responsibility and social stewardship.

In brief, the systematic integration of CSR concepts into the BSC can be thought of as an instrument for unfolding strategically critical long-term benefits resulting from the voluntary adoption of social and environmental responsibility by organisations. In addition, it represents an appropriate tool for value-oriented CSR

management and an important component in the value-based steering and measuring of Corporate Social Responsibility decisions and activities.

## 6. References

- Banerjee, SB and Bonnefous, A 2011, 'Stakeholder Management and Sustainability Strategies in the French Nuclear Industry', *Bus. Strateg. Environ.*, vol. 20, no. 2, pp. 124-140.
- Bebbington, J, Larrinaga, C and Moneva, J, M. 2008, 'Corporate social reporting and reputation risk management', *Accounting, Auditing and Accountability Journal*, vol. 21, no. 3, pp. 337-361.
- Berger, I, Cunningham, P and Drumwright, M 2007, 'Mainstreaming corporate social responsibility: developing markets for virtue', *California Management Review*, vol. 49, no. 4, pp. 132-157.
- Bieker, T 2003, 'Sustainability management with the Balanced Scorecard', *Proceedings of 5th international summer academy on technology studies*, pp. 17-34.
- Carroll, AB 1999, 'Corporate Social Responsibility: Evolution of a Definitional Construct', *Business and Society*, vol. 38, no. 3, pp. 268-295.
- Carroll, AB and Shabana, KM 2010, 'The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice.(Report)', *International Journal of Management Reviews*, vol. 12, p. 85-105.
- Chih, H-L, Chih, H-H and Chen, T-Y 2009, 'On the Determinants of Corporate Social Responsibility: International Evidence on the Financial Industry', *Journal of Business Ethics*, vol. 93, no. 1, pp. 115-135.
- Clarkson, MBE 1995, 'A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance', *The Academy of Management Review*, vol. 20, no. 1, pp. 92-117.
- Dahlsrud, A 2008, 'How corporate social responsibility is defined: an analysis of 37 definitions', *Corporate Social Responsibility and Environmental Management*, vol. 15, no. 1, pp. 1-13.
- Davis, K 1973, 'The Case for and Against Business Assumption of Social Responsibilities', *Academy of Management Journal*, vol. 16, no. 2, pp. 312-322.
- Deephouse, DL and Carter, SM 'An Examination of Differences Between Organizational Legitimacy and Organizational Reputation\*', *Journal of Management Studies*, vol. 42, no. 2, pp. 329-360.
- Degen, T 2001, *Ansatzpunkte zur Integration von Umweltaspekten in die "Balanced Scorecard"*, Universität Lüneburg, Arbeitspapier.

- Dubielzig, F 2009, *Sozio-Controlling im Unternehmen: das Management erfolgsrelevanter sozial-gesellschaftlicher Themen in der Praxis*, Springer-Verlag.
- Duhé, SC 2009, 'Good management, sound finances, and social responsibility: Two decades of U.S. corporate insider perspectives on reputation and the bottom line', *Public Relations Review*, vol. 35, no. 1, pp. 77-78.
- Elkington, J 1997, *Cannibals with forks : the triple bottom line of 21st century business*, Capstone Publishing Ltd., Oxford.
- Epstein, MJ and Wisner, PS 2001, 'Using a Balanced Scorecard to Implement Sustainability', *Environmental Quality Management*, vol. 11, no. 2, pp. 1-10.
- Figge F, Hahn T, Schaltegger S, Wagner M. 2001a. *Sustainability Balanced Scorecard. Wertorientiertes Nachhaltigkeitsmanagement mit der Balanced Scorecard*. Center for Sustainability Management: Lüneburg.
- Figge F, Hahn T, Schaltegger S, Wagner, M 2001b. *The Sustainability Balanced Scorecard – a tool for value-oriented sustainability management in strategy- focused organisations*. Conference Proceedings of the 2001 Eco-Management and Auditing Conference. ERP Environment: Shipley; pp.83–90.
- Figge, F, Hahn, T, Schaltegger, S and Wagner, M 2002, 'The Sustainability Balanced Scorecard – linking sustainability management to business strategy', *Business Strategy and the Environment*, vol. 11, no. 5, pp. 269-284.
- Fombrun, CJ and van Riel, CBM 1997, 'The Reputational Landscape', *Corporate Reputation Review*, vol. 1, no. 2, p. 5-13.
- Freeman, RE 1984 *Strategic management : a stakeholder approach*, Boston.
- Griffin, JJ 2000, 'Corporate social performance: research directions for the 21st century.(Revisiting Corporate Social Performance)(response to article in this issue, p. 397)', *Business and Society*, vol. 39, no. 4, p. 479-491.
- Hahn, T and Wagner, M 2001, 'Sustainability balanced scorecard. Von der Theorie zur Umsetzung' [Sustainability Balanced Scorecard. From Theory to Implementation]. Lüneburg, Germany: CSM (Centre for Sustainability Management).
- Hill,W 1985: Betriebswirtschaftslehre als Managementlehre, in: Betriebswirtschaftslehre als Management und Führungslehre, hrsg. v. Wunderer, Rolf, Stuttgart, 1985, p.111-146.

- Hubbard, G 2009, 'Measuring organizational performance: beyond the triple bottom line', *Business Strategy and the Environment*, vol. 18, no. 3, pp. 177-191.
- Ivanaj, V, Guimaraes Da Costa, N, Ivanova, O, Ivanaj, S & Kar, RN 2013, 'Understanding MNEs' attitudes towards CSR: A literature review and research agenda', *Revue de l'organisation responsable*, vol. 8, no. 2, pp. 15-30.
- Kaplan, RS and Norton, DP 1992, 'The balanced scorecard--measures that drive performance', *Harvard Business Review*, vol. 70, no. 1, pp. 71-79.
- Kaplan, RS and Norton, DP 1996, 'Linking the balanced scorecard to strategy', *California Management Review*, vol. 39, no. 1, pp. 53-79.
- Kaplan, RS and Norton, DP 1997, 'Balanced Scorecard: Balanced scorecard: Strategien erfolgreich umsetzen', *Schäffer-Poeschel*, Stuttgart.
- Kaplan, RS and Norton, DP 2001a, 'Transforming the Balanced Scorecard From Performance Measurement to Strategic Management: Part II', *Accounting Horizons*, vol. 15, no. 2, pp. 147-160.
- 2001b, 'Leading change with the balanced scorecard', *Financial Executive*, vol. 17, no. 6, pp. 64-66.
- 2001c, 'The strategy-focused organization : how balanced scorecard accompanys thrive in the new business environment', *Harvard Business School Press*, Boston, Mass.
- Kaplan, RS, Norton, DP and Kunstler, B 2004, 'INFORMATION RESOURCES', *Research Technology Management*, vol. 47, no. 2, pp. 62-64.
- Kashmanian, RM, Wells, RP and Keenan, C 2011, 'Corporate environmental sustainability strategy: key elements', *The Journal of Corporate Citizenship*, no. 44, p. 107-130.
- Keys, T, Malnight, TW and van der Graaf, K 2009, 'Making the most of corporate social responsibility', *McKinsey and Company*, pp. 38-44.
- Kurucz, E, Colbert, B and Wheeler, D 2008, 'The business case for corporate social responsibility.', *The Oxford Handbook of Corporate Social Responsibility.*, vol. pp. 83-112.
- Lev, B, Petrovits, C and Radhakrishnan, S 2010, 'Is doing good good for you? how corporate charitable contributions enhance revenue growth', *Strategic Management Journal*, vol. 31, no. 2, pp. 182-200.
- Mayr, S and Ausweger, M 2013, 'CSR-Strategien mittels CSR-Scorecard erfolgreich umsetzen', *Controlling and Management Review*, vol. 57, no. 4, pp. 36-44.

- Möller, A and Schaltegger, S 2005, 'The sustainability balanced scorecard as a framework for eco-efficiency analysis', *J. Ind. Ecol.*, vol. 9, no. 4, pp. 73-83.
- Nikolaeva, R & Bicho, M 2011, 'The role of institutional and reputational factors in the voluntary adoption of corporate social responsibility reporting standards', *Journal of the Academy of Marketing Science*, vol. 39, no. 1, pp. 136-57.
- Papagiannakis, G, Voudouris, I and Lioukas, S 2014, 'The Road to Sustainability: Exploring the Process of Corporate Environmental Strategy Over Time', *Business Strategy and the Environment*, vol. 23, no. 4, pp. 254-271.
- Pivato, S, Misani, N and Tencati, A 2008, 'The impact of corporate social responsibility on consumer trust: the case of organic food', *Business Ethics: A European Review*, vol. 17, no. 1, pp. 3-12.
- Porter, ME 1985, 'Competitive Advantage', *The Free Press*. New York.
- Porter, ME and Kramer, MR 2002, 'The competitive advantage of corporate philanthropy', *Harvard Business Review*, vol. 80, no. 12, pp.56-69.
- Porter, ME and Kramer, MR 2006, 'Strategy and society: the link between competitive advantage and corporate social responsibility', *Harvard Business Review*, vol. 84, no. 12, p. 78-91.
- Porter, ME and Kramer, MR 2011, 'Creating shared value', *Harvard Business Review*, vol. 89, no. 1/2, pp. 2-17.
- Schaltegger, S 2011, 'Sustainability as a driver for corporate economic success', *Society and Economy*, vol. 33, no. 1, pp. 15-28.
- Schreck, P 2009, 'The Business Case for Corporate Social Responsibility Understanding and Measuring Economic Impacts of Corporate Social Responsibility, Business Case for Corporate Social Responsibility : Understanding and Measuring Economic Impacts of Corporate Social Performance', *Springer*, Dordrecht.
- Scott, SV and Walsham, G 2005, 'Reconceptualizing and Managing Reputation Risk in the Knowledge Economy: Toward Reputable Action', vol. 16, no. 3, pp. 308-322.
- Smith, NC 2003, 'Corporate social responsibility: whether or how?', *California Management Review*, vol. 45, no. 4, pp. 52-76.
- Smith, T. 2005, 'Institutional and Social Investors Find Common Ground', *Journal of Investing*, vol. 14, pp. 57-65.
- Sturm, A 2000, 'Performance Measurement und Environmental Performance Measurement - Entwicklung eines Controllingmodells zur

unternehmensinternen Messung der betrieblichen Umweltleistung.',  
*Technischen Universität Dresden.*

Teh, W 2013, 'Strategic Implementation of Organizational Ecosustainability Policy and Strategy - a McKinsey Seven S's Approach, PhD Thesis, Graduate School of Business and Law, RMIT University

Volkman, M 2003, 'Zum Konstanzprinzip bei der Produktpflege', Köln: Hundt Verlag.

Welford, R 2009, 'CSR managers giving CSR a bad name', *CSR Asia*.

Weber, J and Schäffer, U (2000): 'Balanced Scorecard and Controlling: Implementierung, Nutzen für Manager und Controller; Erfahrungen in deutschen Unternehmen' [Balanced Scorecard and management control. Implementation, benefit for managers and controllers]. *Wiesbaden: Schaeffer-Poeschel.*