Sustainability Performance Management in Large Firms: A Qualitative Research amongst Seven Western European Firms

Abstract

Today, more and more companies engage in sustainable business strategies in order to fulfill the requirements of Sustainable Development (Brundtland, 1987). The management of environmental, social as well as economic issues has become a key element to ensure the survival of a company in the medium to long term and to contribute towards its ability to create stakeholders' value (Christman, 2000; Chousa and Castro, 2006).

The pursuit of sustainability in business practices has necessitated the management and assessment of corporate economic, environmental and social performances (Karatzoglou, 2006). Actually, if we consider that business performance is related to the achievement of its predetermined objectives whatever their nature and their diversity (Bourguignon, 2000), it is crucial to manage, to control and to evaluate if sustainable strategic objectives have been met or not, as well as to identify the reasons for this situation in order to continuously improve performance in the future. More than before, firms are now expected to account explicitly for all aspects of their performance, i.e. not just for their financial or economic results, but also for their social and environmental performance (Cramer, 2002). This is what is traditionally called "Sustainability Performance Management" (Schaltegger et al., 2006).

Over recent years, sustainability issues have therefore progressively been integrated into the accounting and finance areas. Researchers and practitioners have proposed to develop new tools and instruments, as well as to adapt those that already exist, to permit the strategic and performance management of sustainability by businesses (Schaltegger and Burrit, 2006; Chousa and Castro, 2006).

The objective of this paper is to understand better sustainability performance management in large firms. Based on previous research in this field (such as Schaltegger and Burritt, 2000; Cramer, 2002 ; Figge et al., 2002; Schaltegger et al. 2003, Wagner and Schaltegger 2004; Schaltegger and Wagner, 2006; Epstein and Widener, 2011), this paper reports the results of a qualitative research (Glaser and Strauss, 1967; Mayer and Ouellet, 1991; Hlady Rispal, 2002) amongst seven large Western European firms.

Concretely, we examine the sustainability performance management in these large firms by investigating ***why*** they manage, or not, their sustainability performance (i.e. their reasons and motivations) and ***how*** they practically operate to manage and measure it (i.e. the performance management tools and systems which have been implemented).
This research reveals that all seven firms effectively manage and measure their sustainability performance with more or less complex tools (such as the Sustainability Balanced ScoreCard). The results also suggest that, whereas all seven respondents stress a strong integration of economic, social and environmental issues into their core business strategy, this positive statement is questioned by the observations that, to date, only two of the sampled firms really integrate all three pillars of Sustainable Development into the individual objectives of their workers and that there is, in the facts, very few links between social and/or

environmental objectives and bonuses. These are actually, in most cases, only related to the achievement of traditional economic goals.

After a presentation of the main current limitations of this research, we finally stress some directions for future research in the field.

Key words: Sustainability, Performance Management, Large Firms

Introduction

Even if sustainability issues were already investigated in the strategic management literature prior to 1990s, the last two decades have seen an important increase in scientific research on sustainable business strategies, practices and related management tools.

Nowadays, the management of environmental, social as well as economic issues has become a key element to ensure the survival of a company in the medium to long term and to contribute towards its ability to create stakeholders' (and thus also shareholders') value (Christman, 2000; Chousa and Castro, 2006). Indeed, it is obvious that more and more companies engage in sustainable business strategies in order to fulfill a part of the requirements of the Sustainable Development (Brundtland, 1987).

The pursuit of sustainability in business practices has necessitated the (integrated) management and assessment of corporate economic, environmental and social performances (Karatzoglou, 2006). Actually, if we consider that business performance is related to the achievement of its predetermined objectives whatever their nature and their scope (Bourguignon, 2000), it is crucial to manage, to control and to evaluate if sustainable strategic objectives have been met (or not) as well as to identify the reasons for this situation in order to remedy to it in the future. More than before, firms are now expected to account explicitly for all aspects of their performance, i.e. not just their financial or economic results, but also their social and environmental performance (Cramer, 2002). This is what is traditionally called "Sustainability Performance Management" (Schaltegger et al., 2006).

Sustainability issues have therefore progressively been integrated into the accounting and finance areas. Researchers and practitioners have proposed to develop new tools and instruments, as well as to adapt those that already exist, to permit the strategic and performance management of sustainability by businesses (Schaltegger and Burrit, 2006; Chousa and Castro, 2006).

Based on previous research in the field (such as Schaltegger and Burritt, 2000; Cramer, 2002; Figge et al., 2002; Schaltegger et al. 2003, Wagner and Schaltegger 2004; Schaltegger and Wagner, 2006; Epstein and Widener, 2011), the objective of this paper is to understand better sustainability performance management in large[1] firms thanks to the qualitative content analysis (Glaser and Strauss, 1967; Mayer and Ouellet, 1991; Hlady Rispal, 2002) of the cases of seven Western European firms. Concretely, in this study, we investigate ***why*** large firms manage (or not) their sustainability performance (i.e. the reasons and motivations for) and ***how*** they practically operate to manage and measure it (i.e. the performance management tools and systems which have been implemented).

Concretely, the present paper is organized as follows.

The conceptual framework of the research is exposed in the first section (Section I). Based on an extensive review of previous literature, it clarifies the concepts of sustainability, of sustainable business strategy and of sustainability performance management.

[1] Based on the definition of the European Commission (2003), large firms are firms which employ more than 250 workers and which have a turnover superior to 50 million Euros or a Total Balance Sheet superior to 43 million Euros. For the present study, only the number of workers has been considered.

The second part of this paper is dedicated to the qualitative analysis of the cases of seven large Western European firms. Section II presents the research methodology (sample, data collection and analysis) and the results of the study.

At the end of the paper, the results of the qualitative research are discussed and directions for future research are highlighted.

I. Sustainability Performance Management: A conceptual framework

1. Key concepts

1.1. Sustainable Development

For about twenty years, a new macroeconomic objective has appeared and has progressively developed: the world economy has to tend towards "Sustainable Development". The Brundtland Commission (1987) defined it as "*a development that meets the needs of the present without compromising the ability of future generations to meet their own needs*".

The three principles of sustainability are traditionally referred to the 3P's: People (Social), Planet (Environmental) and Profit (Economic). These three dimensions have to be considered simultaneously, in an integrated manner, if one wants to reach a Sustainable Development of the World and of the Economy, as defined above.

1.2. Corporate Sustainability

Like "green", "eco-efficient", "ethical" or "socially responsible", the term "sustainable" has become a buzzword which has been defined and interpreted in very different ways (Carroll, 1999; Bieker, 2002).

Until recently, the contribution of firms to the macroeconomic goal of tending towards a "Sustainable Development" has nevertheless most commonly been called their Corporate Social Responsibility (CSR) (European Commission, 2002; Schrek, 2009). This term has indeed been widely used in theory and in practice (Schrek, 2009).

CSR is considered to be the subset of corporate responsibilities that addresses a firm's voluntary or discretionary relationships with its stakeholders. This means that, in most cases, CSR is typically undertaken with some intentions to improve an important aspect of society or to improve relationships with communities, with non-governmental entities or with non-profit organizations (Caroll, 1979).

Nevertheless, "*CSR, defined in this way, is frequently operationalised in terms of community relations, philanthropic activities, multi-sector collaborations, or volunteer activities, which cover only very limited aspects of the broader definition*" (Schaltegger and Wagner, 2006). These approaches (such as philanthropic or volunteer activities) do not particularly **integrate** core business issues with social and environmental activities and they do not consider the general economic relevance of corporate societal engagement. These CSR activities result thus in establishing a parallel organization in the company, such as CSR departments and managers, to deal with non-economic issues and measure non-economic aspects of performance (Hamschmidt and Dyllick, 2002; Schaltegger and Wagner, 2006 ; Porter, 2011).

Schaltegger and Wagner (2006) underline three problems with such a CSR approach.
Firstly, social or environmental developments, which are parallel or supplementary to the core business, contrast with the basic vision of sustainability that fundamentally integrates social, environmental and economic issues.
Secondly, sustainable development requires participation and involvement of societal stakeholders but also of conventional business managers. Sustainable business strategy, communication and reporting should be linked with sustainability performance management. An inter-linkage between the respective actors, i.e. between the environmental/sustainability department, the information management and accounting department, the public relations department and the external communication department, are necessary to link sustainability management with business strategy and strategy implementation.
Thirdly, "*building up parallel organizational structures with satellite management and measurement methods always faces the danger of being cut back in times when corporate economic performance is under pressure, since parallel developments can be managed as a discretionary activity*" (Schaltegger and Wagner, 2006). Furthermore, a satellite approach to the measurement, management and reporting of social and environmental issues often conflicts with the business reality of conventional production, financial and accounting managers.

Based on previous considerations, we have thus decided, in the present paper, to use the term "Corporate Sustainability" to refer to management attempts to tackle the challenges posed by the need for corporations to move towards the goal of sustainability (Dyllick and Hockerts 2002, Schaltegger and Burritt, 2006). Corporate sustainability can thus be defined as the integration of social, environmental and economic dimensions in business strategies and practices.

A large-scale[2] study carried by the UN Global Compact in partnership with Accenture (2010) reveals that eighty-one percent of CEOs—compared to just 50 percent in 2007—state that sustainability issues are now fully embedded into the strategy and operations of their company.

1.3.Sustainable (Business) Strategy

The term "Sustainable Strategy"[3] denotes a strategy which includes a vision consistent with the principles of Sustainable Development and which is thus composed with strategic objectives that **integrate** economic, environmental and social dimensions. It is a "*business strategy that meets the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future*". (International Institute for Sustainable Development, 1992)

[2] The results of this study are based on 100 in-depth interviews with global leaders and on an online survey of 766 Global Compact member CEOs.
[3] Johnson et al. (2008) define strategy as follows: "*Strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholders' expectations*".

Nevertheless, as for the terms "CSR" and "Corporate Sustainability", several terms are used in the literature to refer to business strategies which can be related to the principles of Sustainable Development. Terms, such as Environmental Strategy, Social Strategy, Societal Strategy, CSR Strategy or Sustainable Strategy are frequently used in the literature. In some papers, these terms can be considered as synonymous while, in some others, not.

Under these conditions, as mentioned in section 1.2., in this research, we have chosen to use the term "Sustainable" strategy because it refers clearly to the integration of the three pillars of Sustainable Development into business strategies and practices.

Today, an increasing number of firms are getting involved into sustainable strategies for diverse reasons (Bansal and Roth, 2000). Based on previous literature, most frequently evoked reasons for engaging into sustainable business strategies are summarized in Table 1.

Main Reasons for Engaging in a Sustainable Business Strategy	Explanations
1. Market Reasons	- Gaining or ensuring a competitive advantage, winning and retaining customers and business partners (Bansal and Roth, 2000; Herzig and Schaltegger, 2006) - Cost and efficiency savings (Lampe et al., 1991; Porter and Van der Linde, 1995; Bansal and Roth, 2000)
2. Marketing Reasons	Increasing corporate reputation and brand value (Herzig and Schaltegger, 2006)
3. HR Reasons	Attracting, retaining and developing motivated and committed employees (Herzig and Schaltegger, 2006)
4. Legal Reasons	Anticipating legislative pressure, business self-regulation (Lampe et al., 1991; Bansal and Roth, 2000; Schaltegger and Burrit, 2006)
5. Values	- Ethical values of the CEO or of the top management team members (Winn, 1995; Lawrence and Morell, 1995; Bansal and Roth, 2000) - Values of the company in line with the principles of Sustainable Development (Buchholz, 1991,1993)

Table 1: Major reasons for engaging in a Sustainable Business Strategy

However, it is important to mention that, even if an increasing number of senior managers recognize the importance of formulating sustainable business strategies, they often find it difficult to translate them into actions as well as to measure and to manage corporate sustainability performance (Epstein and Roy, 2001).

2. Sustainability Performance Management : A review of the literature

Based on previous literature, this section is organized into three parts. Firstly, Section 2.1. clarifies the term "Sustainability Performance Management". Section 2.2. exposes the reasons (external and internal motives) why firms engage into sustainability performance management. Finally, Section 4.3. presents and classifies the major tools which have been discussed by previous researchers.

2.1. Key concepts

2.1.1. From Financial Performance to Sustainable Performance

While the concept of performance is central in management science and while numerous researchers have tried to define it since the 1980's, to date, there is still no generally accepted definition of this concept in the literature (Bourguignon, 1995; Bessire, 1999; Bourguignon, 2000; Capron and Quairel, 2004; Dohou and Berland, 2007). Numerous various definitions have indeed been proposed in the literature.

In the present paper, the definition of performance proposed by Bourguignon (2000) has been retained. Performance is about the "*achievement of the organizational goals, whatever their nature and their variety*".

Due to the evolution of the role of firms in the Economy and, more globally, in the Society, the concept of performance has evolved (Cramer, 2002). The traditional vision of performance, which, as underlined by Friedman (1970), was generally restricted to a short term and financial vision of the firm, has progressively been replaced by a larger vision. This new vision is more global and tridimensional (Elkington, 1997; Reynaud, 2003; Germain and Trebucq, 2004; Capron and Quairel, 2005). Indeed, Elkington (1997) introduces the concept of the "Triple-P Bottom Line", which stands for profit (economic prosperity), planet (ecological quality) and people (well-being). According to him, firms need to attain a certain minimum performance in all these three areas in order to be labeled as 'sustainable' businesses (Cramer, 2002).
The shift from a financial vision of performance towards a more sustainable one includes thus the achievement of economic and financial objectives (as the traditional vision does) but it also incorporates the achievement of societal goals (Cramer, 2002; Germain and Trebucq, 2004). In this sense, a firm is performing well if it achieves its financial/economic, social and environmental objectives.

Even if, to date, there is no consensus in the literature, some previous researchers have demonstrated that there are some positive relationships between societal (social and environmental) performance and financial results (Moskowitz, 1972; Wokutch and Spencer, 1987; Burke and Logsdon, 1996; Hart and Ahuja, 1996; Klassen and McLaughlin, 1996; Klassen and Whybark, 1999; Preston and O'Bannon, 1997; Stanwick and Stanwick, 1998, Christmann, 2000; Konar and Cohen, 2001; Dentchev, 2004). According to this win-win paradigm, economic, environmental and social aspects of corporate sustainability are, at least partly, in harmony with each other and management should seek to identify those situations in which economic, environmental and social corporate objectives can be achieved simultaneously. This win–win paradigm constitutes the so-called business case for sustainability according to which environmental protection and social responsibility pay off for companies (Dyllick and Hockerts, 2002; Salzmann et al., 2005).

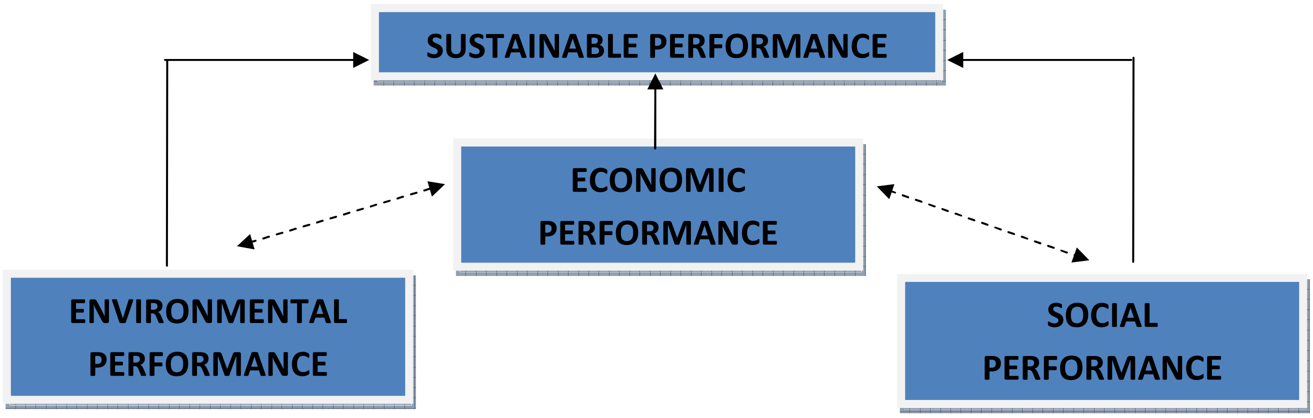

Figure 1: The Sustainable Performance (Reynaud, 2003)

2.1.2. Performance Management

With reference to Bourguignon (2000), a firm will be performing well if it reaches its objectives. This statement introduces the importance of strategic performance management. Indeed, once a (sustainable) strategy has been elaborated and implemented, it is necessary to measure and to control if the fixed strategic objectives have been met in order to determine if the firm is performing well and in order to continuously improve its performance, via a continuous adaptation of its (sustainable) strategy (Johnson et al., 2008; De Wit and Meyer, 2010). Financial budgets, cost accounting and (balanced) scorecards are well-known traditional performance management tools (Merchant and Van der Stede, 2007).

As underlined by many researchers (Epstein and Roy, 2001; Schaltegger and Wagner, 2006), there are several crucial steps in strategic management, which can be related to the principles of the Deming wheel (1986), also called the Plan-Do-Check-Act process:

- *Plan*: Based on a diagnosis, definition of the strategy and determination of the strategic objectives and of the organizational processes which are necessary to deliver results in accordance with the expected output.
- *Do*: Implementation of the strategy and realization of concrete actions.
- *Check*: Measurement and monitoring. Comparison between the concrete results and the expectations in order to ascertain any differences.
- *Act*: Analysis of the differences to determine their causes. Identification of needed changes in order to improve the firm's strategy and performance.

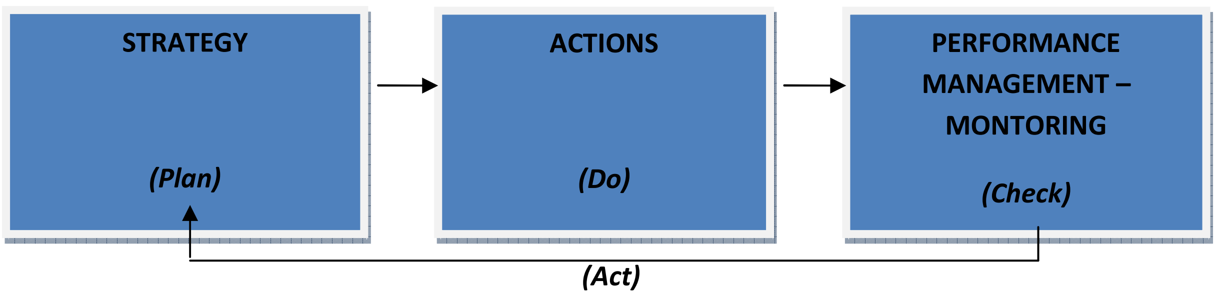

Figure 2: Four crucial steps in strategic management

Figure 2 illustrates these four steps and stresses the importance of performance management in the strategic process of all firms.

2.1.3. *Sustainability Performance Management*

In parallel to the progressive shift from the concept of traditional performance to the concept of sustainable (or global) performance, an evolution from traditional (economic) performance management towards sustainability performance management is noticeable in the literature.

Sustainability performance management is therefore a relatively recently emerging term in the debate about corporate sustainability *(*Schaltegger et al. 2003, Wagner and Schaltegger 2004) as well as in the fields of finance, accounting and performance management (Chousa and Castro, 2006).

"Sustainability performance measurement and management can be defined (based on Bennett and James 1997) as the measurement and management of the interaction between business, society and the environment" (Schaltegger and Wagner, 2006). It aims at answering the following question: "*How could business progress towards sustainability be operationalised, measured and communicated?"* (Schaltegger and Burrit, 2006). Indeed, information about sustainability impacts and sustainability performance can help managers to incorporate deliberative, sustainable thinking into their decision-making, planning, implementation and control activities (Donaldson and Preston, 1995; Schaltegger et al., 2006; Epstein and Widener, 2011). Sustainability performance management is thus the process by which managers ensure that resources are obtained and used effectively and efficiently in order to reach the economic, social and environmental firm's objectives (Anthony, 1965; Henri and Journeault, 2009).

According to Schaltegger and Wagner (2006), the management of sustainability performance requires "*a sound management framework which, on the one hand, links environmental and social management with the business and competitive strategy and management and, on the other hand, integrates environmental and social information with economic business information and sustainability reporting*".

2.2. Motivations

Two categories of motivations for engaging into sustainability performance management are generally distinguished in the literature: external and internal motives.

2.2.1. External motives

Firstly, sustainability performance management permits to legitimate corporate activities, products and services which create environmental and social impacts towards external stakeholders (Herzig and Schaltegger, 2006). It supports the public acceptance of the company generally, as well as the acceptance of particular management decisions and activities which may sometimes be compromising. Secondly, it may contribute to an increase in corporate reputation and brand value (Herzig and Schaltegger, 2006). Thirdly, information coming from the sustainability performance management system can be used to signal superior competitiveness, with the help of sustainability reporting activities as a proxy indicator for overall performance (Herzig and Schaltegger, 2006). In addition, it may allow comparison and benchmarking against competitors (Herzig and Schaltegger, 2006). Finally, it can be considered as a manner to be in conformity with, or to anticipate, new legislations about sustainability. Indeed, national or international regulations imposing the introduction of mandatory information and reporting requirements are developed in some countries and this will probably be more and more common in the future. In case of compelled information requirements on sustainability, institutional compliance is (or will be) necessary for the continuation of business activities (Schaltegger and Burrit, 2006).

2.2.2. Internal motives

Firstly, sustainability performance management allows legitimating internally sustainability activities. It increases transparency and accountability within the company (Herzig and Schaltegger, 2006). Secondly, it contributes to establish and to support employee motivation as well as internal information and control processes (Herzig and Schaltegger, 2006). Thirdly, sustainability performance management is a system that permits to determine if the firm is performing well or not: it checks if strategic objectives have been achieved or not and it allows understanding better the reasons for the success or failure to achieve these objectives (Ratnatunga et al. 1993; Donaldson and Preston, 1995; Morse et al. 2003). Finally, one last - but not least- internal motivation to introduce sustainability performance management is to identify and to realize the economic potential of social and environmental activities (e.g. cost reduction or increase in revenues). Corporate management will of course be more motivated by engaging into a sustainable strategy if it is proved that the company has a business case for pursuing sustainability, but which would only be made transparent with better information (Schaltegger and Burrit, 2006).

2.3. Tools

Sustainability issues have progressively been integrated into the accounting and finance areas. Over the past recent years, more and more researchers and practitioners have proposed to develop new tools and instruments, as well as to adapt those that already exist, to permit the strategic performance management of sustainability by businesses (Chousa and Castro, 2006; Crutzen and Van Caillie, 2010).

Tools such as environmental accounting, social accounting, green budgets, and sustainable (balanced) scorecards including social and environmental indicators have been developed over the last decades (Abbot and Monsen, 1979; Christophe, 1995; Gray et al., 1996; Adams and Harte, 2000; Everett and Neu, 2000; Hockerts, 2001; Bieker, 2002; Figge et al., 2002; Caron et al., 2007). In particular, researchers such as Figge et al. (2002) or Crutzen and Van Caillie (2010) have analyzed how the new dimensions popularized by Sustainable Development could be taken into account in the performance management of firms, by focusing on one particular tool: the Balanced ScoreCard (Kaplan and Norton, 1992, 1996, 2001).

However, this proliferation of research over the previous years has conducted to numerous definitions of the terms (such as sustainability, social or environmental accounting or performance management) and to different categorizations of tools.
For example, sustainability accounting has, in the main, not been conceptualized. At best, a vague description can be found but, in most cases, sustainability accounting is just used as another term for environmental accounting or environmental reporting. In addition, sustainability accounting can be developed in different ways. On the one hand, it can be based on an entirely new system of accounting while, on the other hand, it can be developed as an extension or as a modification to conventional financial, cost, or management accounting (Schaltegger and Burrit, 2006).

So, to date, there is no consensus on the definitions and on the classification of the tools which can be used to manage and measure corporate sustainability performance.
In these conditions, based on a review of previous research, we have decided to propose a classification of major tools which are discussed in the literature to manage and measure (environmental, social or sustainability) business performance.

Sustainability performance management can be organized into two main categories of tools: (a) Sustainability Accounting and (b) Sustainability Reporting Tools which serve the collection, analysis and communication of corporate sustainability information (Schaltegger et al., 2006).

"*Sustainability accounting and reporting can be defined as a subset of accounting and reporting that deals with activities, methods and systems to record, analyze and report firstly, environmentally and socially induced economic impacts; secondly, ecological and social impacts of a company, production site, etc.; and thirdly, and perhaps the most important, measurement of the interactions and links between social, environmental and economic issues constituting the three dimensions of sustainability*"(Schaltegger and Wagner, 2006).

a. Sustainability Accounting

Sustainability accounting can be considered as a broad umbrella term bringing together existing accounting approaches dealing with environmental, eco-efficiency, social or societal issues (Schaltegger and Burrit, 2006). Sustainability accounting serves the collection and the analysis of corporate sustainability information. It is an important "bridge" between strategic management of corporate sustainability and sustainability reporting (Schaltegger and Wagner, 2006).

Based on an examination of previous literature, Table 2 presents and describes briefly the major tools that can be used in Sustainability Accounting:

Tools	Description
Green or social accounts in conventional accounting (Christophe, 1995; Schaltegger and Burrit, 2006)	It consists in integrating the cost or revenues related to the firm's activities in favor of the environment or in favor of Society in conventional accounting (eg. provisions for environmental charges) (Christophe, 1995)
Green, social appendices in conventional accounting (Christophe, 1995; Schaltegger and Burrit, 2006)	It consists in the explanation of the nature and of the calculation of the costs or revenues related to the firm's environmental or social activities which have been integrated in specific accounts in conventional accounting (Christophe, 1995).
Green, social or sustainability budgets (Ito et al., 2006; Henri and Journeault, 2009)	A budget "*is the quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinating what needs to be done to implement that plan*", with four useful characteristics (Horngren et al. 2003.): - It compels strategic planning and implementation of plans - It provides a framework for judging performance - It motivates managers and employees - It promotes coordination and communication among sub-units within the company

Environmental, social or sustainability cost accounting (Antheaume, 2004; Gluch and Baumann, 2004; Herbohn, 2005)	It focuses on generating information for management planning, control and decision-making (Horngren et al. 2005) in relationship with sustainability issues.
Scorecards or Dartboards (Bonacchi and Rinaldi, 2007)	Sets of performance indicators that include economic, social and/or environmental dimensions
Balanced ScoreCard (Kaplan and Norton, 1992, 1996, 2001; Hockerts, 2001; Bieker, 2002; Figge et al. 2002, Hahn and Wagner 2002, Schaltegger 2004, Schaltegger and Dyllick 2002, Hubbard, 2009)	The Balanced Scorecard as a strategic management tool claims to identify the major strategically relevant issues of a business and to describe and depict the causal contribution of those issues that contribute to a successful achievement of a firm's (sustainable) strategy (Kaplan and Norton, 1996).
Scandia Navigator (Edvinsson and Malone, 1997)	Anchored in the field of intellectual capital, this tool positions human resources at the center of the business value creation and numerous specific performance indicators are dedicated to human resources (Edvinsson and Malone,1997).

Table 2: Major tools used in Sustainability Accounting

b. Sustainability Reporting

Reporting and external corporate communication play an important role in corporate sustainability (Herzig and Schaltegger, 2006). Indeed, more than ever, firms are now expected to account explicitly for all aspects of their performance, i.e. not just for their financial results, but also for their social and ecological performance. Openness and transparency are the new key words (Cramer, 2002).

Ideally, the preliminary step towards sustainability reporting is the design of the sustainability accounting system in a way that ensures the correct information is made available, at the right level of quality, to calculate key performance indicators and to assess the achievement of goals (Möller and Schaltegger 2005; Schaltegger, 2004; Schaltegger and Burritt, 2000). An efficient sustainability accounting, which ensures the collection of judicious data on the environmental, social and economic performance of the firm, is therefore a prerequisite for an efficient reporting.

Two kinds of reporting can be distinguished: internal and external reporting. Indeed, internal communication on sustainability aspects is important to give feedback to collaborators on the evolution of the firm's situation. Nevertheless, reporting towards external stakeholders (clients, suppliers, banks, NGOs, etc.) is more popular and widely-used. Diverse traditional communication means can be used to display information about sustainability practices. The publication of a dedicated report is the most popular tool for sustainability reporting.

The World Business Council for Sustainable Development (WBCSD) defines sustainable development reports as "*public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions*" (WBCSD, 2002).

These reports carry a wide range of different titles, such as "Environment", or "Environment, Health and Safety" (e.g. Heineken, 2002; Xerox, 2002); "Social", "Social Accountability", or

"Social Responsibility" (e.g. British American Tobacco, 2002; Daimler Chrysler, 2002), and in some cases "Sustainability" reports (e.g. ABB, 2002; Philips, 2003) (Daub and Karlsson, 2006).

In addition, these reports may have several characteristics:
On the one hand, they can be integrated or not in the traditional annual reports. For several years, an increasing number of companies have published supplementary reports in addition to their standard annual reports (Daub and Karlsson, 2006). These new reports serve the purpose of representing the performance of the company relative to the natural environment and the society of which they are a part (Daub et al. 2003; Daub and Karlsson, 2006)
On the other hand, some companies tend primarily to favor hard copies while others favor computer-based reports (i.e. electronic and online reports) (Isenmann and Kim, 2006).

To conclude this point, it is important to underline that it comes out of recent research that most companies <u>focus mainly, or even only, on the external reporting aspects</u> of sustainability performance management and that they do not consider any future action plans and budgets concerning their sustainability or environmental strategy and activities (Ito et al., 2006). Therefore, while Schaltegger and Burritt (2000) underline that sustainability reporting should be based on an efficient sustainability accounting, which ensures the collection of judicious data on the environmental, social and economic performance of the firm, some other studies such as Ito et al. (2006) reveal that this is not necessarily always the case.

2.4. Individual objectives and bonuses

To conclude Section 2, it is important to highlight that the performance management system has ideally to include specific incentives and bonus in order to ensure corporate performance (i.e. the achievement of corporate objectives). Indeed, it is important to ensure a link between strategic objectives (economic but also environmental and social objectives) and personal incentives or bonuses (Henri and Journeault, 2009) to encourage workers to reach the predetermined goals.

II. Sustainability Performance Management in Seven Large Western European Firms: A Qualitative Analysis

The present empirical study is based on a partnership between HEC-Management School of the University of Liege (Belgium)[4] and Business and Society Belgium[5]. Thanks to an electronic (online) questionnaire sent to all firms which were members of Business and Society Belgium in 2010, it aims at better understanding of how sustainable strategies and sustainability performance management are tackled in practice.

1. Research Methodology

1.1. Sample

[4] Represented by Nathalie Crutzen, Assistant Professor, Accenture Chair in Sustainable Strategy, HEC-Management School of the University of Liege (Belgium)
[5] A non-profit organization which support CSR practices which was represented by Sabine Denis (Director) and Véronique Graham (Manager)

An online electronic questionnaire was sent to all members of Business and Society Belgium in 2010 (population = 69 firms). The CSR managers of seven large western European firms accepted to answer to the various questions in details (about 10% response rate). Anyway, most of them required for the confidentiality of their responses. This is why Table 3 describes some key characteristics of the sampled firms without mentioning their names.

	A	B	C	D	E	F	G
Nationality	Belgian	French	French	Belgian	Belgian	Dutch	Belgian
Industry	ICT	Food Retailing	Energy	HR Services	Chemicals	Logistics	Biopharmacheuticals
Workers	17.000	138.000	200.000	1.465	19.000	160.000	9.000
Annual Sales (in Euros)	6.065.000	19.9 billion	Not available	842.714	8.5 billion	10.4 billion	3.1 billion

Table 3: Characteristics of the sample

1.2. Data Collection

Primary data were collected via an electronic questionnaire that was available to all members of Business and Society Belgium between July 2010 and October 2010. Several emails were sent to the various members in order to motivate them to answer to this questionnaire.

This survey contained a series of questions about the sustainable strategy of their firm (contents, motivations) as well as about their sustainability performance management (motivations, tools).

In order to ensure the trustworthiness of the data collection, these data were completed thanks to a series of secondary data (website information, internal documents, sustainability reports, etc.). This permitted a triangulation of the data collection (Yin, 1988).

1.3. Data analysis

The data were analyzed according to the principles of the qualitative content analysis (Glaser and Strauss, 1967; Mayer and Ouellet, 1991; Hlady Rispal, 2002).

In a first time, the data collected were organized and classified into several predetermined categories in a systematic analysis grid. The categorization of the data is a crucial step in the data analysis process because it allows the comparison of the data (Hlady Rispal, 2002).

In a second time, a content analysis of the data was carried out: in-depth horizontal and vertical analyses were successively undertaken. The horizontal analysis consists in a detailed analysis of each case in order to understand it completely while the vertical analysis focuses on the identification of the similarities and of the differences between the cases.

2. Study Findings

2.1. Sustainable Strategy

All seven sampled firms are engaged in a Sustainable Strategy. All respondents highlight a strong integration between environmental, social and economic aspects in their core business strategy.

Consistent with Section 1.3., all respondents argue that their firm entered such a strategy for many reasons (Bansal and Roth, 2000). All respondents mention the following motivations: market reasons (competitiveness and economic motives), human resource reasons, legal reasons and consistence with corporate values and with the (ethical) values of the top management team members. In addition, six out of seven respondents mention clearly that marketing is also one of the motivations for their firm to be engaged in a sustainable strategy. They completely assume the fact that one of the reason for their firm to enter in such a strategy is to improve its reputation and image on the market. Finally, one respondent mentions that an important motivation for their firm is the creation of synergies and the sharing of best practices amongst the various business units composing the large firm.

2.2. Sustainability Performance Management

The responses to the online questionnaire reveal that a sustainability performance management system (sustainability accounting + sustainability reporting) has been developed in all the seven large firms.

Table 4 summarizes the major motivations for a sustainability performance management which were evoked by the respondents.

To legitimate the sustainable strategy (externally and internally)	7/7
To improve image and reputation	6/7
To improve workers' motivation	6/7
To improve internal organization	3/7
To manage risks/opportunities and to anticipate trends better	3/7

Table 4: Sustainability Performance Management - Major motivations

All respondents are thus really conscious of the importance to manage, to monitor and to evaluate their economic, social and environmental performance. Nevertheless, most of them assume that, while social and environmental goals are related and aligned with core business strategy, the related performance management is not yet integrated. Social and environmental performance management is thus generally still not integrated into the traditional (economic) performance management system. However, the respondents clearly mention that they are aware of the importance of this integration and that this will be their next challenge.

Table 5 and Table 6 expose the responses of CSR managers about the sustainability performance management tools that are used in their firms. These tools are organized into two categories: sustainability accounting and sustainability reporting tools (see Section 2.3.).

a. Sustainability Accounting

Green, social accounts in traditional accounting	5/7
Green, social appendices in traditional accounting	5/7
Green, social or sustainability budgeting	6/7
Green, social or sustainability cost accounting	?
Green, social or sustainability scorecards	2/7
Green, social or a sustainability balanced scorecards	4/7
Skandia Navigator	0/7

Table 5: Sustainability Accouting Tools

Almost all sampled firms elaborate green, social or sustainable budgets (6 out of 7) and integrate societal (green and social) accounts and appendices in their traditional (financial) accounting (5 out of 7 firms). In addition, four respondents indicate they use a Balanced ScoreCard to manage and evaluate their sustainability performance while only two respondents refer to traditional scorecards. Nevertheless, none of them uses Skandia Navigator and none of them has ever heard about green, social or sustainability cost accounting.

b. Sustainability reporting

External reporting	
Website information	7/7
Compulsory social report	6/7
Voluntary CSR report integrated into annual report	2/7
Voluntary CSR report (not integrated into annual report)	5/7
Specific events	5/7
Internal reporting	
Intranet	7/7
Events	5/7
Emails	3/7

Table 6: Sustainability Reporting Tools

With reference to sustainability reporting, two categories of tools have been distinguished: external reporting and internal reporting tools.

As far as external reporting is concerned, all sampled firms use their website to disclose information about the firm's sustainable strategy and its related performance outside.

Moreover, it is worth mentioning that all firms publish a CSR or Sustainability report. However, only two firms integrate this report into their traditional annual report. Finally, five firms out of the seven organize specific events (such as specific workshops or dinners) to diffuse information about their sustainability practices. Others tools such as leaflets for associates, in-store communications, printed brochures or press releases have been cited by the respondents.

As far as internal reporting is concerned, the intranet is widely used by all sampled firms to share information regarding sustainability practices with all categories of workers. Specific events and emails are also examples of means that are commonly used to disclose information inside the company. Finally, magazines, internal notes or newsletters for all employees have been evoked by the respondents.

2.3. Sustainability, Personal Objectives and Bonuses

This last part of the questionnaire aims at understanding better to what extend social and environmental dimensions are integrated into the individual objectives of workers as well as into their potential bonuses.

Integration of social and environmental dimensions into personal objectives	3/7
-Staff with direct functional responsibility (such as CSR Managers)	3/7
-Board members	2/7
-Senior managers	2/7
-All managers	2/7
-All employees	2/7

Table 7: Sustainability and Individual Objectives

Table 7 shows that only three sampled firms integrate social and environmental dimensions into the individual objectives of their workers while these dimensions are officially integrated into the global strategic objectives of the firm (see Section 2.1.). In addition, it is worth noticing that, in one of these firms, only people who are directly concerned with sustainability are concerned. Thus, only two of the sampled firms really integrate all three pillars of Sustainable Development into the individual objectives of all their workers.

Bonus for the achievement of	
Economic objectives	6/7
Environmental objectives	2/7
Social objectives	2/7

Table 8: Sustainability and Bonuses

Table 8 leads to similar observations as Table 7. Indeed, while all firms mention explicitly that social and environmental objectives are a fundamental part of their global core strategy, only two firms offer bonuses to their workers in function of the achievement of social and environmental objectives while six sampled firms offer nevertheless bonuses for the achievement of economic objectives.

Discussion and implications for future research

Several interesting observations come out from the present qualitative research.

At first, this research confirms that, as Bansal and Roth (2000) argue, multiple reasons explain the elaboration and the implementation of a sustainable strategy by a large firm. All respondents mention that market reasons, human resource reasons, legal reasons and leadership corporate values are at the origins of their sustainable strategy. In addition, six respondents clearly mention that marketing is also one important motivation.

Secondly, while some previous research underline that social and environmental preoccupations often remain at the periphery of core business and that it can mainly be associated to marketing activities without any direct relationships with core (financial) activities (Hamschmidt and Dyllick, 2002; Schaltegger and Wagner, 2006; Porter, 2011), the seven respondents highlight a strong link between economic, social and environmental dimensions in their strategy.

Thirdly, this research reveals an increasing awareness of the importance to manage and to measure the social and environmental performance as well as the economic performance of large firms. Indeed, whereas some studies argue that managers find it difficult to translate sustainable strategy into actions and measures (Epstein and Roy, 2001) and that most companies focus mainly, or even only, on external reporting (Ito et al., 2006), the qualitative analysis of these seven large Western European firms suggests moderating these previous observations. Indeed, all sampled firms manage and measure their sustainability performance using sustainability accounting and reporting tools and most of them are aware of the advantages of sustainability performance management. The respondents underline the following motivations: the external and internal legitimization of the sustainable strategy, the improvement of the firm's image and reputation, the improvement of internal organization and the better management of risks and opportunities. Nevertheless, most of them assume that, while social and environmental goals are related and aligned with core business strategy, the related performance management is not yet integrated. Social and environmental performance management is thus generally still not integrated into the traditional (economic) performance management system. However, the respondents clearly mention that they are aware of the importance of this integration and that this will be their next challenge.

Fourthly, as far as sustainability accounting tools are concerned, this study reveals that some tools presented in the literature are very common while others, such as the Skandia Navigator or the green cost accounting, are not used by the respondents, or even totally unknown. Four respondents pretend that a sustainability balanced scorecard (SBSC) has been developed in their firm in order to manage and to evaluate its sustainability performance. However, it is worth mentioning that the balanced scorecard is largely presented by scientific researchers and by practitioners as the "best practice" in (sustainability) performance management. Therefore, the statement made by the CSR managers about the fact that they use a balanced scorecard can be questioned. Indeed, some firms develop scorecards, which are not balanced, but they present them as balanced scorecards because this term is very popular. This question needs to be investigated in future research with in-depth case studies.

Fifthly, as previous research did (Ito et al., 2006), this research highlights again the importance of external and internal communication about sustainable strategy, practices and related performance. Our results show that all respondents are aware of the importance of reporting about their sustainability activities. Various means of communications have been evoked such as websites, CSR reports for external reporting and intranet or internal magazines for internal communication.

Finally, the results also suggest that, whereas all seven respondents stress a strong integration of economic, social and environmental issues into their core business strategy, this positive statement is questioned by the following observations. To date, only two of the sampled firms really integrate all three pillars of Sustainable Development into the individual objectives of all their workers and there are, in the facts, very few links between social and/or environmental objectives and bonuses. These ones are actually, in most cases, only related to the achievement of economic/financial goals. Thus, in practices, the personal objectives and bonuses policy shows that, in the majority of the sampled firms, economic activities with direct financial returns on business are still the priority…

To conclude, even a general trend towards a closer integration of social and environmental dimension into core business strategies and into performance management has been stressed by the present research, some improvements are still necessary. Indeed, this study suggests that social and environmental objectives and activities are still considered as less important as classical economic ones, even if they are increasingly integrated into core business activities.

The current empirical research has nevertheless some limitations.

On the one hand, these results have to be “relativized” because they only repose on the qualitative content analysis of the cases of seven large firms. Even if a qualitative study contributes to an in-depth understanding of a research question, a qualitative research is usually presented as more subjective than a quantitative one (Cooper and Schindler, 2000; Thiétart, 2003). A larger scale study would be necessary to validate and to generalize these results.

On the other hand, these results are mainly based on the responses given by CSR Managers (sometimes also heads of corporate communication!) to an online questionnaire. Even if triangulation methods (Yin, 1988) have been used in order to ensure the trustworthiness of the data collection (collection of secondary data on websites, on internal documents, etc.), the results of the present study are probably partly influenced by the perceptions and by the interests of these respondents. More detailed case studies, based on several interviews with diverse stakeholders (inside and outside the firms), would be useful to confirm these findings.

This research opens some avenues for future research.

Firstly, as a qualitative research is usually presented as more subjective than a quantitative one (Cooper and Schindler, 2000; Thiétart, 2003), in the future, it would be judicious to work on a bigger-scale study which could lead to statistically-significant results. This would lead to more robust and externally-validated observations (Thiétart, 2003).

Secondly, detailed case studies, based on several interviews with diverse stakeholders (inside and outside the firms), would be useful to investigate more deeply why large firms manage (or not) their sustainability performance and how they practically operate to manage and measure it.

Finally, a comparison between several countries (and even several continents) would be pertinent in order to identify if there are some national or regional trends in terms of sustainability performance management.

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