

Chapter 7

A Balanced Scorecard Framework for Measuring Sustainability Performance of Business Organizations

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ABSTRACT

Sustainability is about meeting the needs of today without compromising the needs of future generations. It involves focus on three main dimensions, economic, environmental, and social, for achieving overall performance. Majority of the companies are adopting sustainability for business growth and boosting their corporate image for long term competitiveness, thereby receiving financial benefits as well. Sustainability is a concept that has come into picture a few years back and presently making a big mark in every field. A balanced scorecard framework is proposed for measuring sustainability performance of business organizations. Four main dimensions are considered, namely organization, process, core, and learning. Each of these dimensions comprises of various indicators obtained from global reporting initiative (GRI) and corporate social responsibility reports. The application of the sustainability scorecard is performed via multi criteria decision making technique called analytical network process (ANP). A numerical study is provided.

INTRODUCTION

Sustainability is about meeting the needs of today without compromising the needs of future generations. It requires the integration of environmental, economic and social priorities. Now the question arises why the companies or bigger firms are looking forward or investing in the sustainability, the concept or term that was no-where a few years back but presently making a big mark in every field.

According to a global survey by Mckinsey and Company (2010), “More than 50 percent of executives consider sustainability- the management of environmental, social and governance issues-“very” or

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“extremely” important in a wide range of areas, including new product development, reputation building and overall corporate strategy”. The result shows the top reason for adopting sustainability is managing or improving corporate reputation that is directly linked with the business point of view, more positive the image of the company more investors it can attract . The other reasons to invest in sustainability can be meeting customer expectations, to have a competitive edge, leadership etc. No doubt, going green comes with a cost. However, the long term benefits and business advantages overpowers the initial costs. According to a business review by Harvard (2012) “ In the past decade, investor demand has increased transparency and communication, creating a large and growing pool of data on corporate sustainability”. Sustainable management practices and sustainable products or services open up a new source of revenues and new markets, therefore bringing new business models with high involvement of sustainability in the corporate strategy (Mota et al 2015). Stakeholders and societies value companies that believe in developing sustainably. In fully realizing the sustainability or the sustainable development, sustainable design has an important role to play (Küçüksayraç, 2015). Some of the drivers of the sustainable development are; customer demands, government regulations, industrial sector initiatives etc. The research study shows the most important drivers for sustainable development are boosting “brand value” and “reputation of the firm”. According to a study by Massachusetts Institute of Technology (2012) “Sustainability is Profitable”, survey done in collaboration with Boston Consulting Group, gathered more than 4000 responses from executives and managers across all industries and regions. The overall results show that companies are taking sustainability seriously and reaping financial benefits with the adoption of the sustainable business practices Consumer wants to know each and every aspect of the product or service they use and how it impacts the environment and human well-being that- gives rise to the sustainability.

Problem Definition

The growing importance of the social and environmental issues in last few decades has put a lot of pressure on the companies to consider these factors in addition to the existing ones. The environmental and social factors are often not linked to the economic success of the firm and the interaction of all three remains unclear. This lack of integration turns out to be an obstacle for firms aiming to achieve simultaneous improvement of economic, environmental and social performance of business. The environment perspective should be deep embedded in the strategy. Managing environmental issues requires much more than just adding an environmental perspective in the existing strategy. Treating all the issues related to sustainability separately even in its own dedicated prospective will lead to isolation and finally crashing the whole cause. Sustainability associated with financial, learning, customer and internal growth processes should be put in the objectives within the process to bring them out as a set. The aim of the research is to develop a sustainability scorecard framework to measure the sustainability performance of business organizations. To achieve this goal, following problems have been addressed:

1. Identifying criteria for measuring sustainability performance.
2. Developing a sustainability scorecard for measuring sustainability performance.
3. Evaluating the sustainability performance of business organizations

The first problem involves the identification of indicators that can be used for measuring the sustainability of business organizations.

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