

CHAPTER FIVE: SUSTAINABILITY SCORECARDS AND THE TRIPLE BOTTOM LINE REPORTING

The term “sustainability” which has both ecological and social components poses an inescapable challenge: without sustainability there will soon be no more profits. Hence, business people have a strong self-interest in minimising the ecological damage of their operations.

(Capra & Pauli, 1995:vii).

5.1 INTRODUCTION

In terms of the conceptual framework of this study, it is clear that there are many factors that have an impact on the overall performance of an organisation. Such factors include society (the local community) and the natural environment. To sustain current operations for future generations, organisations need to create the potential to maintain social well-being, which depends on the well-being of the natural environment, in the long run. Thus, organisations must have a conscience regarding their obligation to be responsible in the proper use of natural resources.

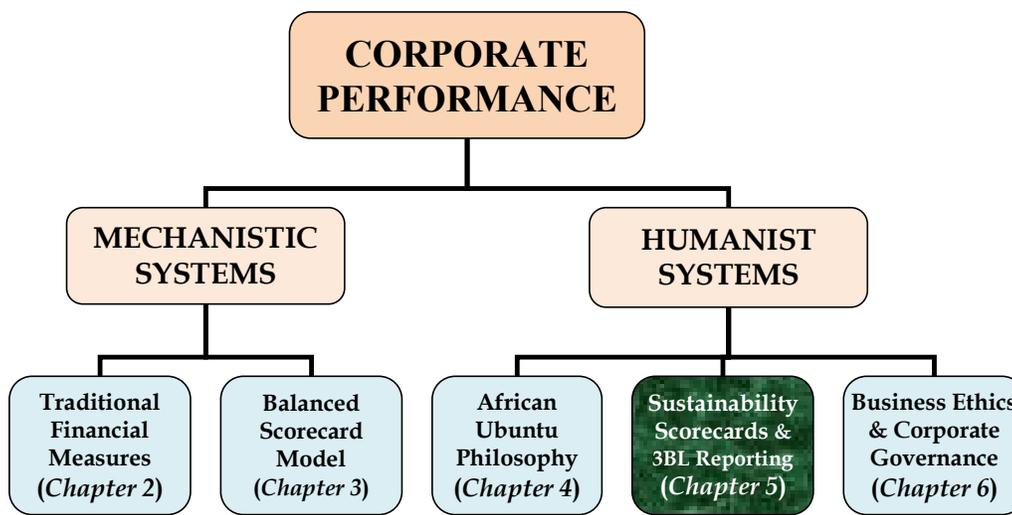
Organisations have started paying more attention to sustainability issues, which have become more pronounced amidst social concerns and anxiety about global warming which are currently attracting attention worldwide (Strategic Direction, 2010). Governments and international institutions have changed and adapted legislation and policies in order to address concerns about sustainability. There has been consumer pressure on organisations regarding quality and healthy “green” products; and concern over the environment has become aligned with concern for a business’s reputation.

Recent developments show that many corporations are paying more attention to and are reporting on corporate sustainability issues. For example, 100% of

companies on the Financial Times Stock Exchange (FTSE) now include sustainability issues on their corporate websites. Furthermore, it is widely recognised that a sustainable business must be resource-efficient, respect the natural environment and be a good neighbour to society (Sustainable Business Team, 2000). It is indicative of these developments that accommodating sustainability issues is now essential if businesses are to continue realising profits in the long term.

This chapter reviews and analyses literature on corporate sustainability issues as they relate to corporate performance systems, as is shown in Figure 12, below.

Figure 12: Corporate performance and corporate sustainability



Source: Own observation

The chapter discusses principles surrounding corporate sustainability issues. A notion that is very important to issues of sustainability is the triple bottom line (3BL) concept, which reflects the idea that corporate performance should be measured based on three dimensions, namely economic, environmental and social elements. Several models and concepts, including the triple bottom line concept, the Carroll model, the Senge model and sustainability balanced scorecard models, are also reviewed. This chapter also reviews the significance

and challenges of sustainability for modern businesses and their management systems.

5.2 CORPORATE SUSTAINABILITY

5.2.1 Overview on corporate sustainability

Sustainability discussions are founded on the premise that corporations have to focus their attention on social and environmental activities, apart from their economic endeavours, for them to remain in business sustainably. Business activities are responsible for most of the human impact on the earth's vanishing ecosystems (Capra & Pauli, 1995:vii). Unfortunately, business operations are often conducted with too little thought about their sustainability, where satisfying a business's own aspirations does not diminish the chances of sustainability for future generations. Issues of sustainability have become more pronounced amid fears of the possible global warming, with its disastrous consequences, which will have adverse effects on humankind and on business in general.

Over the centuries, corporations as open systems have competed for different resources obtained from the environment. These resources include labour, raw materials for the manufacturing industries, energy, financial and debt capital, and data. These inputs from the environment are later processed into goods and services. The processed goods are eventually sent back to the environment for consumption and disposal, as indicated in the conceptual framework in Figure 1 (page 7).

The earth as the sole provider of inputs to business operations is not getting any bigger, although the human population and industries are growing. The earth's natural resources are being depleted, but the amounts of waste that are being generated are astronomical and unheard of in human history (Stead & Stead, 2004:7). Tropical forests are being cleared to achieve economic gains; water tables are being drawn down to dangerous levels throughout the world; soil erosion is exceeding soil replenishment; human numbers are growing

excessively; and mankind is using natural resources extravagantly. The implication of these facts is that humankind has reached a stage in its history where it needs to reassess its destination and how it will get there.

Today, the world is faced with a series of global problems, and some of these are harming the biosphere and human life in alarming ways that may soon become irreversible (Capra & Pauli, 1995:1). Many current business practices are destroying life on earth, endangering wildlife reserves, the wilderness and indigenous cultures. Harmful business practices are causing the disintegration of living natural systems, including the air and water resources, because they have been transformed into repositories for waste. Hence, the survival of humanity and of the planet is at stake; and for earth and humanity to survive, organisations have to learn to adhere to basic principles relating to ecosystems and sustainability.

5.2.2 Principles relating to ecosystems and sustainability

The new paradigm that is emerging regarding sustainability issues requires a holistic world view, where corporations see the world as an integrated whole, rather than as a dissociated collection of individual parts (Capra & Pauli, 1995:5). There is therefore a need to understand the principles of ecological systems and their relationships. Such principles include the interdependence of members of the ecosystem, who are interconnected in a web of relationships, and the notion that all life and processes depend on one another. Furthermore, the interdependence among parts of an ecosystem involves an exchange and sharing of energy and resources that are in a continual flow. The interconnectedness and interdependence of several stakeholders within the global system are recognised in the conceptual framework of this study (Figure 1, on p. 7).

Because of their interdependencies, parts of ecosystems are involved in continual partnerships for their survival (Capra & Pauli, 1995:5). In partnerships,

members are engaged in a subtle interplay of competition and cooperation. To have a successful partnership, there must be flexibility, which is characterised by interdependent fluctuations of variables within an ecosystem. Each partner must be able to adjust to any changes and reach equilibrium levels without destroying its forms or the forms of other parts of the system (co-evolution). All partnerships and interdependencies should be geared towards achieving sustainability, which implies the long-term survival of each part of the ecosystem on a limited resource base. Thus, all parts of an ecosystem should organise themselves according to the co-evolution principle in order to achieve maximum sustainability.

5.2.3 Application of ecosystems and sustainability principles

Based on a better understanding of ecosystem principles, there have been calls for tougher definitions and an increase in the practices of corporate sustainability in order to benefit society, the natural environment and business (Strategic Direction, 2010:27-30). The concept of sustainability provides a framework to integrate both the environmental and social performance of corporations with the traditional economic approach. By combining three measures of sustainability (environmental sustainability, social sustainability and economic sustainability) under the same umbrella, executive managers are able to create a comprehensive sustainability strategy for long-term corporate performance.

More and more corporations are realising the importance of reporting sustainability activities in the form of corporate social responsibilities to keep the environment clean, show a human face to people and achieve economic goals (White, 2005:36-43). In connection with this new dimension, disclosure of corporate sustainability has become a vital part of both internal and external information dissemination to support the decision-making systems of organisations. For example, environmentally, organisations regularly apply environmental management techniques such as eco-efficiency, pollution prevention, total quality environmental management systems, and design for the environment. In addition, organisations are embracing the concept of a

stakeholder-centred approach to management, where all stakeholders are considered critical for successful business operations.

Sensitisation to the stakeholder-centred approach is increasingly influencing the setting of corporate strategic priorities. As part of their corporate citizenship, corporations have started including corporate social responsibility activities in the mainstream of their corporate strategies (Stead & Stead, 2004:17). Globally, many organisations, including governments and public sector corporations, are striving to meet the standards set by external organisations such as the United Nations in its Declaration of Human Rights, and the International Labour Organisation (ILO).

Meeting the sustainability challenge requires multi-sectoral collaboration, where the stakeholders co-create sustainability by interweaving work and achievements that have no precedents (Senge, Lichtenstein, Kaeufer, Bradbury & Carroll, 2007:44-48). Corporations have now started to work with governments in an effort to meet and resolve sustainability challenges. In respect of collaborative change on sustainability, governments and corporations now work together and deal with different issues to achieve meaningful sustainability. Such collaborative arrangements are even prevalent amongst competitors.

Organisations, including governments, can achieve sustainable development only when they aspire to meet the needs of current generations without compromising the ability of future generations to meet their needs and aspirations (World Commission on Environment and Development, 1987). In their current endeavours, organisations have to work in ways that do not jeopardise the future of general social, economic and natural resources (White, 2005:37). It is evident from their declarations that corporations have to manage human and natural capital with the same vigour that they apply to the management of financial capital. Corporations need to act proactively to ensure the sustainability of the environment and local communities for their future business operations. As corporate operations take place, there is a need to be cautious with regard to

continuity problems related to the availability of resources for current, and more especially future, generations.

Taking cognisance of emergent sustainability concerns, major accounting and auditing firms such as KPMG have started to recognise the relevance of sustainability reporting (KPMG International, 1999; White, 2005:37). Apart from its core financial auditing, KPMG also offers a variety of sustainable development services that include environmental and social reporting opinions, assurance on environmental and social management systems, risk and performance management, hot issue reporting on such things as climate change, emerging standards and regulations, human rights, supply chain risks and stakeholder activism. It is therefore to be expected that many corporations will take advantage of such services and include them in their corporate planning and performance measurement systems.

As with other management areas, sustainability has become a key strategic concern for organisations. Several contemporary management models include sustainability dimensions. It has been established that corporations are striving to become socially and environmentally friendly, apart from pursuing financial gains (Juscus, 2007:42). The fundamental thinking about corporate sustainability is that organisations should fully integrate social and environmental goals and objectives in their economic or financial planning models. Apart from aiming at maximising shareholders value, corporations should also account for their actions and performance in terms of the well-being of a wider range of stakeholders through modern accountability and reporting systems, which include issues of social and environmental sustainability.

Corporations are established on the basis of a going concern. The going concern concept entails that organisations have to be forward-looking for them to remain strategically successful. Sustainability management, which is economically feasible, should be competitively carried out through current organisational processes and practices. However, the biggest weakness of many industrial

conglomerates is that they have embarked on programmes to cut costs and remain competitive without giving due consideration to the local community and the limits of their natural environment (Capra & Pauli, 1995:12).

The situation is even worse when an organisation is entangled in a financial crisis, when there is often a management perception that the sustainability costs do not contribute anything towards economic success and should therefore be the first to be cut back (Figge, Hahn, Schaltegger & Wagner, 2002:273). Sound sustainability management programmes should be practised even during any times of financial distress that an organisation may experience.

The above literature review shows that corporations may not perceive sustainability costs as effective investments in the short term. However, the strategic impact of such investments on society and the natural environment would be significant in the long term. Stated differently, considering the future operations of corporations and also future generations, such sustainability investments would be considered cost-effective in the long run.

From the above analysis, it is clear that recognising environmental and social factors should be considered critical in modern management systems. The management of risks associated with environmental and social incidents can be facilitated by means of sustainability reporting systems (Institute of Directors in Southern Africa, 2009; Stead & Stead, 2004; White, 2005). Managers should focus proactively on addressing environmental and social risks in order to reduce problems that may emerge in the local and global arena. The adoption of sustainable practices can reduce operating expenses by improving efficiency, promoting innovativeness amongst managers, enhancing an organisation's reputation, and assisting in product development, all areas which subsequently improve the financial bottom line of the organisation in the long term.

The literature also indicates that the incorporation of social and environmental sustainability performance measures, together with the effective communication

of corporate sustainability strategy to key stakeholders, improves the likelihood that an organisation will achieve its strategic objectives (Epstein & Wisner, 2001:1-2). There is now increased environmental and social accountability through the explicit inclusion of performance measures that relate to social and environmental goals. Such inclusion recognises the interconnectedness of social and environmental activities with the multi-dimensional set of corporate objectives. This approach is in conformity with the principles of ecosystems and sustainability where the interconnectedness and interdependence of dimensions are fundamental in interpreting the successes of any sustainability programmes. However, such provisions are not captured in the Balanced Scorecard model.

5.2.4 The stakeholder-centred approach within corporate sustainability programmes

There are many stakeholders that need to be considered in the corporate world. Hence, each stakeholder has to be included when measuring corporate performance. It is expected that modern management systems should have a rich set of measures that reflect the complexity of business operations (Epstein & Wisner, 2001:6-7). Such performance measures could be a mix of leading/lagging, financial/non-financial, external/internal, long-term/short-term, process/product, people/technology and input/output measures.

Apart from treating sustainability as an integral constituent of corporate strategy, an organisation's leadership must be committed to the sustainability discussion and should build on additional corporate capacity (Epstein, 2007). In order to achieve sound corporate performance, sustainability strategies must be supported by management control, performance measurement and reward systems. The implication of this is that sustainability strategies must be supported by the corporate vision, mission, culture and people. Issues regarding sustainability must not be treated as only a matter of risk avoidance and compliance, but also as an avenue for opportunities, where corporations can be innovative and hence are able to create competitive advantage.

Many modern organisations have embraced a stakeholder-centred approach, where stakeholder value, rather than just shareholder value, is supposed to be maximised (Du Plessis & Prinsloo, 2010; Epstein, 2007; Janson, 2005). Senior executives have begun to integrate sustainability variables into their management decisions for them to better understand issues such as corporate social responsibility and corporate performance. In pursuit of financial achievements, it is regarded as a noble course of action for an organisation to achieve both environmental and societal performance targets. Thus, corporate managers have to determine corporate performance measures effectively and they must always understand the causal actions that create organisational capabilities, and the impact of those actions on operational performance, customer value, sustainability performance and financial performance (Epstein & Wisner, 2001:2). The financial bottom line of internal operations must be linked with social and environmental sustainability measures.

Similarly, corporations can use sustainability scorecards to create differentiation and a competitive advantage. What may be good for the environment can turn out to be good for the sustainability of business operations as well, especially in the long term. While corporations strive to meet their sustainability goals, at the same time, they can also improve on their efficiencies and cost savings, and can increase sales and profitability. For example, Wal-Mart improved its sustainability and profitability with improvements in the supply chain management systems (Smorch, 2007:46-48). Wal-Mart focused on key areas, such as package design, material optimisation, shelf impact, stock-keeping unit consolidation, productivity improvements, alternative packaging and material handling. In improving the internal packaging systems, Wal-Mart also made sure that they made the packaging materials environmentally friendly.

Corporate sustainability is of the utmost importance to the survival of organisations and to future generations of employees. Corporate sustainability programmes balance the need for economic growth with environmental

protection and social equality. However, many small-and-medium enterprises (SMEs) lack a holistic strategic plan to address corporate sustainability issues. As a result, SMEs address sustainability issues piecemeal and usually in an uncoordinated manner. An uncoordinated plan may result in the organisation's exposure to unnecessary business risks, thereby forcing SMEs to miss out on strategic opportunities for future growth and development (Fisher, 2010:29-30).

The above literature review indicates that thinking on corporate sustainability is still new and that it is in transition. Thus, there is a lot to be done to sensitise organisations to the value and significance of the sustainability concept. However, given the trend in recent natural disasters on the global map, organisations may start to acknowledge the urgency of taking a proactive approach in tackling sustainability issues sooner rather than later.

5.3 THE TRIPLE BOTTOM LINE (3BL) PRINCIPLE

The premise of the triple bottom line principle states that corporate performance should be assessed on the basis of three elements, namely the accounting or financial element, the social element and, finally, the environmental element (Elkington, 1997; Gray, 2006; White, 2005). Apart from the conventional single financial bottom line, which is reflected in terms of the profitability figures, corporate success should be evaluated on the basis of the other two critical bottom lines: the organisation's environmental and social performance.

As each sustainability measure poses immense challenges to senior managers and stakeholders, there must be a deliberate policy where all three critical sustainability dimensions are improved simultaneously without increasing complexity unnecessarily. Organisations need to use a triple bottom line concept, because it offers a multi-purpose approach for the collection, systemisation, quantification and evaluation of all the relevant issues that are found in a corporate environment (Kleine & Von Hauff, 2009:530).

In modern organisational frameworks, the triple bottom line concept is used as both a strategic planning tool and a performance measurement tool (Du Plessis & Prinsloo, 2010:158-160). As a standard of ethical responsibility, many corporations, institutions, and governments have adopted this triple bottom line concept as a guiding principle in their strategy formulation and evaluation.

In general, humankind should strive to ensure that future generations enjoy a healthy, equitable and prosperous life on earth. Organisations, especially international ones, have started embarking on projects to correct their current behaviours and policies, redesigning the way organisations currently operate (Kleine & Von Hauff, 2009). The idea is to overcome the fact that humans and thus organisations have adopted destructive lifestyles that do not safeguard the coexistence of business with its neighbours: society and the natural environment.

Modern corporations link sustainability perspectives with their business strategies. It has further been observed that, in line with the triple bottom line concept, organisational activities are being guided by considerations of environmental, social and economic justice between generations and in respect of contemporaries (Gray, 2006:793; Sardinha, Reijnders & Antunes, 2003:51-52). The operationalisation of environmental performance is achieved when corporations leave the environment no worse off at the end of financial year than at the beginning. In line with modern demands, business executives are encouraged to sustain the complementarity of environmental restoration when environmental destruction is detrimental to contemporary and future business activities.

5.3.1 The triple bottom line and corporate social responsibility

Corporate social responsibility has attracted a lot of attention amongst corporations, as they are considered part of local communities. Organisations have been sensitised to plough back into the local communities within which their operations take place. The ploughing back can take the form of supporting the

underprivileged (poor) or physically challenged people, or of protecting the environment. Many giant companies, including IBM Corporation and the Toyota Motor Corporation, recognise the importance of society and local community issues, incorporating societal aspects into their long-term philosophy (Gerstner, 2003; Liker, 2004). Many companies believe that the purpose of their investments, amongst other things, is to help local communities and to contribute to the local communities in which their businesses operate and flourish.

As the natural environmental debate intensifies, modern organisations are being sensitised on how and why they should pursue corporate social responsibility options in their planning endeavours (Martin, 2007:36-37). However, many companies are still ignoring environmental risk management, because they think the identification, assessment and control of such risks and the associated liabilities will have detrimental effects in the short to medium term.

Equally, there is a growing concern within corporations about social investments through corporate social responsibility. According to the Commission of European Communities (2006), an emphasis on corporate social responsibility guides corporations to integrate social and environmental concerns in their business operations and also in their interactions with their stakeholders on a voluntary basis. It is about the enterprise's deciding to go beyond the minimum legal requirements and obligations stemming from collective agreements, in order to address social and natural environmental needs.

Within the framework of corporate strategy, organisations can refocus their strategies towards community enterprise. The strategic focus can be intensified, not only by contributions in cash, but also by contributions in kind, where, for instance, corporations donate their staff's time to work with local communities. Such relationships help to build essential skills relating to general administration, financial management, quality control, project management, strategy and business skills. The provision of such rare skills goes a long way towards fostering a healthier relationship and professionalising the fledging community

enterprises as well. This would be one scenario where corporations can serve local communities through the achievement of both economic and social empowerment (Nwankwo, Phillips & Tracey, 2007:99).

In agreement with current social thinking, BP (n.d:np.), as a multinational company, started refocusing its corporate strategy to make social investment a core area in the strategic direction of the company. Through such a strategic focus, BP realises a win-win situation, where the company delivers commendable services to local communities. This ultimately benefits BP too, through direct community links, a good reputation and high profitability gains. Thus, it can be argued that corporate social responsibility should become a core business function. The conscience strategic theme of the conceptual framework recognises this need for corporate social responsibility.

Studies also indicate that through a multi-stakeholder approach within strategic planning and evaluation processes, corporations can be geared towards achieving a sustainable position. For example, corporations can contribute towards sustainable developmental goals such as poverty reduction by creating social capital linkages into the community and stakeholder networks (Boutillier, 2007:131-132). By involving local communities, corporations can improve the livelihood of people in local communities, which includes both economic and social status. However, in involving community networks, a lot of caution should be exercised, as there are potential pitfalls in such programmes. These challenges include self-serving elites, unorganised communities, conflicting stakeholder demands and violent opposition.

The well-being of various stakeholders should also be accounted for through appropriate accountability and reporting systems. During the London Summit in July 2005, it was agreed that it is fundamental that sustainability information should be made available to the market place (Boerner, 2006:35-42). Such strategic information should be effectively communicated to stakeholders so that

it is more understandable and so that they may use it as inputs into their various decision-making processes.

5.3.2 The triple bottom line and the African Ubuntu philosophy

The argument that corporate performance should not only be based on financial targets but also on social and environmental contributions is in line with the Ubuntu philosophy, which is people-centred and community-based. As discussed in Chapter Four, social responsibility in Africa takes a holistic approach, in that the interests of the community and not those of the individual are paramount; and decisions are effected for the sole benefit of the community through a consensus process (Du Plessis, 2001). Community value systems and spirituality further entrench the importance of society.

In African cultures, wealth lies in social relationships and not in individual ownership; hence, the frontiers separating collective from individual preferences are often non-existent or quite vague (Dai, 1991:10-13). Economic value, as it is realised from performance, is measured in terms of contributions to reinforce the bonds of the community. Because social standing is achieved through sharing the benefits of wealth with all the people in the community, it is argued that a sustainable development agenda should be guided by community interests, rather than individual selfish economic gains, as is the case with the shareholder-centred approaches on which the original Balanced Scorecard model is conceptualised.

To realise proper economic and social sustainable development within communities, skills development is foundational in an African context (McGrath & Akoojee, 2009:151-155). Although the sustainability of national development projects in Africa still face many design and implementation problems, governments can enhance skills development efforts in communities via the public and private sectors. Mostly, particularly in Africa, skills development

activities are left to government institutions, while the private sector contributes little to such efforts.

Recognition of local or indigenous knowledge and culture is important. There is a need to incorporate the indigenous knowledge available in the community into planning frameworks (Breidlid, 2009:147). For example, Authorities and local organisations must acknowledge and appreciate the indigenous cultural capital at their disposal when setting up educational systems. In the context of the current study, a prioritisation of non-indigenous knowledge, like Western education, also means the underutilisation of indigenous resources and knowledge in development efforts within African societies. Any sustainability programmes should be undertaken in a way that is relevant to Africa in cognisance of the community values and worldview of indigenous Afro-centric systems with regard to the definitions and principles of sustainability as discussed above.

For a more sustainable future and also taking cognisance of many globalisation issues, Western and African indigenous systems need to complement each other within the local African setting (Du Plessis, 2001:376; Palmer, 2009:136). In general, organisations have to understand the people-centric, community-based and interconnected views of the indigenous environment as expressed by the Ubuntu philosophy and principles. To be relevant in the local setting, managers are expected to adapt Western sustainability models and make them Africa-based.

5.3.3 Application of the triple bottom line in the Malawi Growth and Development Strategy (MGDS) national framework

The national strategic framework of Malawi, the Malawi Growth and Development Strategy (MGDS) provides a good example of the application of the triple bottom line as a strategic planning and performance measurement tool. Apart from economic sustainability, the Malawi Growth and Development Strategy, which is a national framework for the Malawi Government (2006) addresses environmental and social sustainability issues. The national strategy recognises

the interrelation of the three critical sustainability areas to be dealt with in the most coherent and balanced manner possible.

a) The Malawi Growth and Development Strategy's economic dimension

The main thrust of the national framework, as expressed in the Malawi Growth and Development Strategy, is to create wealth through sustainable economic growth and infrastructure development as a means of achieving poverty reduction. This is expected to transform the country from being a predominantly importing and consuming country to a predominantly producing and exporting economy (Malawi Government, 2006:v-xvii). The thematic components of the Malawi Growth and Development Strategy are sustainable economic growth, social protection, social development, infrastructure development and improved governance.

The importance of all these areas is fully reflected in the Strategy, which maintains a focus on accelerated and sustainable growth, while also outlining steps to ensure social development, good governance and environmental sustainability (Malawi Government, 2006). Progress in all these thematic areas is expected to increase prosperity, reduce poverty and assist in the achievement of the Millennium Development Goals (MDGs). The Malawi Growth and Development Strategy also aspires to attain sustainable socio-economic development through the development and application of science and technology in order to improve industrial productivity and the quality of goods and services.

b) The Malawi Growth and Development Strategy's environmental dimension

In line with the triple bottom line principles, the Malawi Growth and Development Strategy recognises that managing natural resources is an essential aspect of environmental sustainability. Therefore, the national strategy does not only directly consider environmental sustainability in

forestry resources and fisheries, and the enforcement of and education on environmental standards, but the strategy seeks to identify areas for potential eco-tourism, which have a positive multiplier effect on economic sustainability (Malawi Government, 2006).

The conservation of the natural resource base is considered to be an important factor, as it is recognised that weak management of natural resources is a major problem in Malawi (Malawi Government, 2006:xvi). More national challenges come in the form of high population growth, environmental degradation, and the encroachment of agricultural and settlement activities on forestry and marginal lands. The national strategy recognises that equal participation in economic activities and sustainable management of the environment are critical to the development of the country.

c) The Malawi Growth and Development Strategy's social dimension

In addition to economic and environmental key priority areas, the Malawi Growth and Development Strategy national framework also focuses on social attributes such as health, education, gender, environment, governance and protection of the vulnerable, among others (Malawi Government, 2006:xviii-xxi). The strategy recognises that a healthy and educated population is necessary if Malawi is to achieve sustainable development. In this regard, the national strategy seeks to achieve and sustain the Millennium Development Goals by focusing on health packages and the development of health infrastructure. In education, the emphasis is on the provision of adequate learning and teaching materials, rehabilitation and the construction of modern schools at all levels.

The national strategy also focuses on good governance, as it is a prerequisite for achieving sustainable economic growth and development (Malawi Government, 2006:xxi-xxii). Government has drawn up plans to

provide social protection to marginalised groups of people, including the elderly, women, people with disabilities and children. Social programmes are developed in line with human capital needs to transform vulnerable groups to access social basic needs. The Malawi Growth and Development Strategy recognises that human development is important if a country is to achieve its economic growth and development agenda. The goal, therefore, is to develop human capital for full participation in the socio-economic and political development of Malawi.

The Malawi Government's national framework has incorporated the three critical areas of sustainability into the Malawi Growth and Development Strategy. These sustainability areas are economic sustainability, environmental sustainability and social sustainability, which are also elements highlighted in the triple bottom line concept. Thus, the above analysis reveals the significance of the triple bottom line principle in guiding corporate planning and performance measurement systems even at national levels.

Overall, the above literature and analysis also demonstrates that the triple bottom line phenomenon can only be achieved if corporations adopt a stakeholder-centred approach that takes cognisance of society and natural resources as a means of sustaining business. However, the current Balanced Scorecard model, being shareholder-centred, does not explicitly make provisions in its perspectives for the triple bottom line constituents.

An overemphasis on the maximisation of shareholder value, which is achieved at the expense of other stakeholders, is against the principles of ecosystem sustainability and the triple bottom line. The current Balanced Scorecard model is deficient in addressing the triple bottom line reporting requirements and general ecosystem principles. Thus, the generic Balanced Scorecard model is not relevant to the African environment in its present form.

In addition to the popular triple bottom line concept, there are also other models that have been developed to reflect issues important to humanity and society, apart from financial business profits. These models include the Carroll model, the Senge model, and the sustainability scorecard models, which are conceptualised on the basis of issues relating to corporate sustainability.

5.4 THE CARROLL MODEL

The Carroll model is founded on the interrelationship of three critical sustainability elements – the economic, legal and discretionary dimensions (Carroll, 1979:499-500). Under the Carroll model, it is argued that the main responsibility of a corporation is economic, as organisations are expected to produce goods and services that the market or society demands and thereby create economic sustainability through value adding. At the same time, businesses have to adhere to the legal and ethical rules and regulations that are considered normal by the given society.

Apart from legal statutes, corporations have to follow ethical standards, including those on corporate governance (Carroll, 1979:500). As will be discussed more fully in Chapter Six: *Business ethics and corporate governance*, ethical standards are set by different governing institutions. Corporate governance standards guide corporations on the way they should behave in relation to different issues; and these standards are normally dictated by socio-cultural frameworks.

Finally, there are discretionary responsibilities, which reflect society's desire to see corporations participate actively in the improvement of society beyond the minimum standards set by the economic, legal and ethical responsibilities of organisations (Carroll, 1979:500). Such discretionary responsibilities would include the provision of community-based programmes, giving donations to communities or charities, and offering pleasant work aesthetics.

Two main elements of the triple bottom line, namely the economic and social dimensions, are covered by the Carroll model. However, the model is basically economic and capitalist. The social elements are regarded as discretionary responsibilities, implying that the corporation can do without them in their strategic modelling systems. Moreover, there is no provision for and coverage of the natural environmental sustainability issues in the Carroll model. The only plausible explanation for this lack of emphasis on environmental dimension could be that environmental issues were not highly pronounced at the time when the model was conceptualised in the 1970s. The Carroll model resembles the current Balanced Scorecard model, in that much of the emphasis is on economic and financial gains and that social and environmental dimensions are treated as secondary or discretionary. Contrary to the Carroll model, the Senge model takes a different view, and one that is similar to the triple bottom line approach.

5.5 THE SENGE MODEL

The Senge model (Senge *et al.*, 2007:46) highlights the three different worldviews that inform the notion of corporate sustainability. The three dimensions under the Senge model comprise *rationalism*, which recognises efficient utilisation of resources, *naturalism*, which conceptualises the need for corporations to work in harmony with nature, and *humanism*, which signifies that sustainability depends on an intrinsic human desire to be part of healthy communities that preserve the environment for present and future humankind and other species. For there to be motivation towards sustainability changes, each worldview should provide a vital counterbalance to the others.

The above literature review demonstrates that the Senge model conforms with the triple bottom line principle, but is arranged in a different format. Issues of rationalism, naturalism and humanism under the Senge model are all critical ingredients of a recipe for achieving a balance between economic, social and environmental elements under the triple bottom line principle.

All the views comprising the triple bottom line, the Carroll model and the Senge model on corporate sustainability demonstrate that the topic has become a major focus of modern business frameworks. The notion that corporate sustainability has become a key strategic tool has been recognised and adopted by many business practitioners (Juscus, 2007).

The basic principle of corporate sustainability is that corporations should fully integrate social and environmental responsibilities with their economic and financial objectives, which is not the case with the generic Balanced Scorecard model. However, the triple bottom line principle has been embraced by various organisations, including governments and international organisations. Because of the limitations of the Balanced Scorecard model in addressing social and corporate issues, sustainability balanced scorecard models have been developed as a compromise.

5.6 SUSTAINABILITY BALANCED SCORECARDS

Contemporary managers have started to recognise that sustainability issues are core and relevant pillars in modern management systems. Senior management treats sustainability as part of corporate strategy (Epstein & Wisner, 2001:1). However, senior managers want to understand the causal relationships between sustainability performance and financial performance. They appreciate any payoffs from social and environmental improvements and want to create a culture where all employees understand corporate sustainability issues.

Many organisations measure and report corporate social responsibilities within their corporate frameworks (Epstein & Wisner, 2001:9-10). This sustainability reporting can be done by means of sustainability performance measures. Such performance measures include both lagging and leading indicators of financial, customer, internal business process, and learning and growth. It can be deduced that corporations have started aligning sustainability issues with systems that are based on the Balanced Scorecard model framework.

5.6.1 Adding a sustainability perspective to the Balanced Scorecard model

In line with the current thinking on corporate sustainability, studies have established that there is need to adopt a more integrated approach towards achieving corporate sustainability than is the case with the generic Balanced Scorecard model (Bieker, Dyllick, Gminder & Hockerts, 2002:1-10). This can be done by incorporating a fifth dimension, a **sustainability** perspective (Epstein & Wisner, 2001:6) for environmental and social sustainability into the Balanced Scorecard model to create the sustainability balanced scorecard (SBSC) model, as illustrated in Figure 13, below.

Figure 13: The Sustainability Balanced Scorecard (SBSC) model



Source: Adapted from Epstein & Wisner, 2001:6

The inclusion of the sustainability perspective elevates the corporate sustainability status especially for organisations that respect and focus their

activities on sustainability issues. A sustainability balanced scorecard model can also be used by corporations to plan and implement sustainability strategy and link corporate sustainability objectives with appropriate corporate actions and performance outcomes (Epstein & Wisner, 2001:1). By implication, there should be a way of measuring sustainability performance, as is the case with the Balanced Scorecard model. As with the Balanced Scorecard model, managers must understand the causal relationships between actions that create corporate capabilities and have an impact on corporate performance, customer value, sustainability performance and ultimately financial performance (Figge *et al.*, 2002:271-281). Cause-and-effect relationships can be understood through strategy maps, enabling managers to determine performance measures effectively.

The Balanced Scorecard model acts as a starting point, as the model takes into account non-monetary strategic success factors that significantly affect the economic success of corporations. Corporations can modify it to fit their strategic focus.

5.6.2 The significance of sustainability balanced scorecards (SBSC)

The use of sustainability balanced scorecards in environmental and social performance measurement systems can help to link sustainability performance measures to corporate strategy. By adding a fifth perspective to the Balanced Scorecard model, namely the sustainability perspective (Epstein & Wisner, 2001:6), each organisation can define sustainability performance indicators that are based on corporate goals and strategy. Under this arrangement, the choice of the sustainability balanced scorecard model depends on the organisational systems and set-up of activities within a given organisation.

By using sustainability balanced scorecards, corporations can position themselves to generate profitability and demonstrate the accountability

demanded by different stakeholders, especially local communities within which corporate activities take place. The sustainability balanced scorecard with its social, environmental and economic measures can help to demonstrate the accountability of all stakeholders and provides an effective way to implement a sustainability strategy that drives and cascades through corporate strategy down to business units, support units and finally employees as well.

The above literature review indicates that the inclusion of social and environmental factors into the main management framework that uses the generic Balanced Scorecard model helps corporations to overcome the shortcomings of conventional approaches by integrating the three pillars of sustainability into a single and overarching strategic management tool. The recognition of the inclusion of a sustainability perspective into the generic Balanced Scorecard model is in itself a testimony that the original model is deficient in addressing emerging challenges in the form of social and natural environmental paradigms. Thus, the sustainability balanced scorecard model is acts as a compromise towards achieving a fair and equitable representation of society and the natural environment as critical factors of organisational activities, as accommodated within the conceptual framework of this study (Figure 1, on p. 7). The above analysis also reveals that corporations have moral responsibilities towards the society within which they operate and that these obligations have to be met in line with existing guidelines, as directed by different regulatory bodies.

5.7 SUSTAINABILITY REPORTING GUIDELINES

Sustainability reporting guidelines provide corporations with a holistic approach to the achievement of sustainable practices. When an entire company is engaged in the process, there is a far greater likelihood that the outcomes will be successful (White, 2005:38). When there is sub-optimisation and corporate projects are fragmented and are not tied to the overall corporate strategy, the desired organisational goals are likely to be suboptimal as well.

Experience also indicates that many initiatives that appeared promising never achieved their intended objectives. Such programmes include the total quality management, activity-based costing, just-in-time, business process reengineering, and materials resources planning systems. There are benefits to a pro-active and participatory approach in management systems. A participatory approach engages people from the conceptualisation of an initiative to its completion. When people are involved, they own the programmes and as a result there is little or no resistance and the implementation of such projects becomes easier.

5.7.1 Integration of social and environmental issues

When the environmental and social aspects are integrated into business management issues, there is some assurance that corporate sustainability covers all three critical dimensions of sustainability (Figge *et al.*, 2002). The implication is complementary relationships among the three sustainability dimensions which can contribute to healthy corporate performance. It suggests that for any business to perform optimally, there must be some improvement in performance with regard to all three dimensions of sustainability simultaneously.

By combining the economic, social and environmental performance indicators within the planning and evaluation processes, senior managers can produce meaningful financial and non-financial sustainability measures that provide better information for decision-making. These performance measures can give a better view of a corporation's short-term and long-term profitability, as well as of the long-term viability of business (White, 2005; Stead & Stead, 2004) than single-dimensional measures could.

When preparing sustainability reports, particular care should be taken to ensure that the reporting is balanced, accurate, clear, reliable and timely, and that it facilitates comparability (Du Plessis & Prinsloo, 2010:160). Corporations have to exercise corporate citizenship to protect the sustainability of the corporations, as

business cannot operate in an economically viable manner over prolonged periods without due regard to long-term sustainability issues (Institute of Directors in Southern Africa, 2009).

The above literature review demonstrates that internally and externally, sustainability reporting can provide senior management with a means of analysing stakeholders' needs more transparently. Sustainability reporting is a growing trend that should create a competitive edge for corporations in the modern age.

5.7.2 Integrating the Balanced Scorecard model's perspectives with Global Reporting Initiative (GRI) guidelines

The integration of environmental and social issues into the main management stream is becoming more pronounced in modern management systems. Because of the varied nature of reporting by different corporations, the Global Reporting Initiative (GRI), which is an arm of the United Nations, was founded to standardise sustainability reporting systems (Global Reporting Initiative, 2002:1-2). By incorporating the GRI sustainability indicators into the Balanced Scorecard model, corporations can easily link their sustainability measures to their corporate vision and mission statements (Isaksson & Steimle, 2009:168-181). These sustainability practices can be implemented throughout the corporation to achieve the intended sustainable development strategy for the company concerned. Thus, the traditional four perspectives of the Balanced Scorecard model can be combined with the three components of sustainability reporting (economic, environmental and social reporting) as summarised in Table 7 to Table 9).

Table 7: Intersection of the Balanced Scorecard model and the Global Reporting Initiative's economic sustainability indicators

GRI Economic Sustainability Indicators	The Balanced Scorecard Model Perspectives				
	Financial				Customer
	Revenue and Growth	Cost Reduction	Asset Utilisation	Risk Management	Retention, Acquisition, and Profitability
Customer	X				
Supplier		X		X	
Employees		X	X		
Providers of Capital		X			
Public Sector					X

Source: Adapted from White (2005:39)

Table 8: Intersection of the Balanced Scorecard model and the Global Reporting Initiative's environmental sustainability indicators

GRI Environmental Sustainability Indicators	The Balanced Scorecard Model Perspectives					
	Financial		Customer		Internal Business Process	
	Cost Reduction/ Productivity improvement	Risk Management	Satisfaction, Loyalty	Retention, Acquisition, and Profitability	Innovation	Operations
Materials	X	X		X	X	
Energy	X	X		X	X	
Water	X	X		X	X	
Biodiversity				X		
Emissions		X				
Effluents		X				
Waste	X	X			X	X
Products and services	X		X			
Compliance	X	X				

Source: Adapted from White (2005:41)

Table 9: Intersection of the Balanced Scorecard model and the Global Reporting Initiative’s social sustainability indicators

GRI Social Sustainability Indicators	The Balanced Scorecard Model Perspectives								
	Financial		Customer		Internal Business Process		Innovation		
	Cost Reduction/ Productivity improvement	Risk Management	Satisfaction, Loyalty	Retention, Acquisition, and Profitability	Operations	Post-sale Service	Employee Capabilities	Information Systems Capabilities	Alignment and Empowerment
Labour Practice and Decent Work	X	X			X		X	X	X
Human Rights		X			X			X	
Product Responsibility			X	X		X		X	

Source: Adapted from White (2005:42)

The above three tables (Table 7 to Table 9) show the integration and areas of commonality between the Balanced Scorecard model and the Global Reporting Initiative guidelines. Table 7 looks at the integration of the Balanced Scorecard model and the Global Reporting Initiative’s **economic** sustainability indicators; Table 8 focuses on the integration of the Balanced Scorecard model and the Global Reporting Initiative’s **environmental** sustainability indicators; and finally Table 9 analyses the integration of the Balanced Scorecard model and the Global Reporting Initiative’s **social** sustainability indicators. The checked and shaded boxes (X) signify areas of commonality between the Balanced Scorecard model’s provisions and those of the Global Reporting Initiative.

Overall, the above tabular analysis shows that there are only a few instances where the Balanced Scorecard model shares elements with the provisions of the Global Reporting Initiative. This finding is significant, in that it clearly illuminates gaps in the Balanced Scorecard model in respect of the provisions of the Global

Reporting Initiative. The above discussion confirms that the Balanced Scorecard model is not capable of addressing economic, social and environmental elements in a holistic manner. This deficiency makes the Balanced Scorecard model a weak management tool in the modern business environment, where sustainability issues are becoming more pronounced, especially in an African framework.

5.8 SUSTAINABILITY CHALLENGES

Whilst it is true that sustainability issues have become core issues and that corporations are incorporating such dimensions into corporate strategies, the management of corporate social and environmental responsibility is fraught with difficulties. Epstein and Wisner (2001:1) highlight two main impediments towards sustainability implementation. Firstly, senior managers often do not see any business case for investing in social and environmental costs related to the health and safety of employees and the general environment, especially since organisational resources are always limited. Secondly, perfect sustainability levels cannot be achieved in a practical sense. There are thus serious constraints that hamper organisations in achieving such optimum sustainability goals.

Corporate sustainability issues are unlikely to permeate organisational systems unless social and environmental issues are integrated in the main business streams, as advocated by the triple bottom line concept. To achieve the triple bottom line, a more open-ended perspective should be adopted; and the focus should be more stakeholder-centred rather than the current view, which is largely shareholder-focused (Pedersen & Neergaard, 2008:10).

Worth noting is that triple bottom line reporting by corporations is still challenging in the business sector around the globe. There is little guidance or legislation on corporate sustainability reporting systems (Characklis & Richards, 1999:387; Skinner & Mersham, 2008:252). However, given the current focus on the

environment and society, there is a call for responsibility and urgent action. The success of triple bottom line fulfilment depends on global efforts and the involvement of all stakeholders as well.

Furthermore, within corporate sustainability achievement, management should first identify and realise opportunities for simultaneous improvements in all three dimensions of the triple bottom line concept (Figge *et al.*, 2002:270). Such an approach would facilitate the achievement of strong corporate contributions towards overall sustainability. Although conflict between the three sustainability areas is inevitable in a truly dynamic business system, managers should strive to reduce such conflicts for better corporate performance in the long term.

Depending on the size of a business, the achievement of a viable and sustainable situation has received mixed reactions. The treatment of environmental sustainability programmes has been varied, with large corporations appearing to have adopted environmental sustainability as a core component of their corporate vision and strategy (Hart, 1997:67-70). This could be the case because large companies have resources in terms of funds, time, experience for research and development innovations, and even human capital, to manage sustainability projects.

SMEs (whose employees number fewer than 250) are not able to emulate these initiatives and to meet the emerging demands of large corporations because of their limited resources. The situation is even worse with micro-businesses, which have fewer than ten employees and tend to ignore environmental sustainability issues altogether. This is an interesting discussion as SMEs and micro-businesses comprise the most buoyant and significant part of global business (Thomas, 2000:345-353). Additionally, in growing industries, many SMEs enterprises and micro-businesses have limited knowledge and awareness of their individual and collective impact on the environment and of the concept of environmental sustainability (Vernon, Essex, Pinder & Curry, 2003:57-58). A lack

of sensitisation of and involvement by all stakeholders pose big challenges for sustainability efforts.

Corporate sustainability issues are global. Studies show that the leading US corporations that are implementing corporate sustainability performance projects are significantly larger, have higher levels of growth and a higher return on equity than conventional organisations (Artiach, Lee, Nelson & Walker, 2010:31). However, the leading corporate sustainability performance corporations do not have greater cash flows or have lower leverage than other firms. The cash flow bottleneck within such leading organisations could be a result of major injections into the business growth, social and environmental sustainability projects.

Another challenge is that governments tend to face many limitations in effectively dealing with issues of sustainability. One such sustainability constraint is the geographic limitation of government coverage (Senge *et al.*, 2007:44-45). Governments are limited by their political borders and also by time limits attached to the incumbency of the elected office bearers. The increased demographic fragmentation of societies poses a threat to sustainability. Overcoming such fragmentation is a good reason for corporations, especially multinationals, to work with governments. It is contingent upon corporations, governments and non-governmental organisations to substantively confront complex sustainability problems where isolated efforts would be meaningless. For example, internal efficiency improvements are useful to companies, but can become counterproductive if extended too far. Healthy business efficiency levels achieved by a company are supposed to be matched with their ultimate impact on social and environmental systems.

Not only are corporations faced with such resource constraints, but there are also competing pressures that make tradeoffs necessary. Expenditure on corporate sustainability is often perceived by business executives as discretionary expenditure (Senge *et al.*, 2007:44). Worse still, most managers do not know how to deal with sustainability issues. Thus, strategy implementation and the

translation of strategy into action becomes a nightmare, as corporate performance is measured based on the wrongly formulated provisions of inadequate organisational plans.

Reporting results related to corporate sustainability is another big challenge for corporations. For example, in Norway, only 10% of companies comply with the legal requirements of environmental reporting, and only 50% comply with the legal reporting provisions on working environment and gender equality (Vormedal & Ruud, 2009:207, 219-220). Furthermore, many voluntary corporate reports are unsatisfactory when it comes to non-financial issues. The absence of sufficient monitoring and enforcement of environmental and social reporting legislation could be a factor that contributes to many corporate failures in Norway.

Many sustainability programmes are constrained by the need for considerable financial and other resources associated with the implementation of social and environmental projects. Economically, corporations are always operating within competitive marketplaces. Organisations that aspire to promote their social and environmental sustainability often orient themselves to face such stiff competition (Figge *et al.*, 2002:273). Therefore, sustainability management that also contributes towards economic or financial objectives helps to disseminate the concept of sustainable development to the entire organisation. Such an approach acts as a role model for other corporate entities.

The above sustainability challenges indicate that sustainability issues are still new and complex. Fundamental to the above literature review is the recognition of stakeholder interconnectedness and interdependence, which is captured in the conceptual framework of this study (Figure 1, on p. 7). There is a great deal of complex interconnectedness among many stakeholders within such an ecosystem. This interconnectedness is also associated with the interdependence of stakeholders for the whole ecosystem to achieve the best results. This arrangement implies that any damage to one part of the ecosystem would cause distress to other parts of the system. Subsequently, subsystem distress would

have a detrimental effect on the functionality of the entire system. Thus, there is a need to establish an externally oriented approach and a lot of collaborative efforts by all stakeholders involved in the entire ecosystem. There should be proper mechanisms to ensure that all stakeholders are properly coordinated on all fronts. Unfortunately, the Balanced Scorecard model does not make provision for or acknowledge the significance of the interconnectedness and interdependence of different stakeholders within such an ecosystem framework.

5.9 CONCLUSION

This chapter has analysed issues regarding corporate sustainability. It has been discovered that corporations have to pay special attention to economic, social and environmental sustainability parameters. In order to remain competitive and self-sustainable, organisations have started to focus on sustainability issues, which have become more pronounced in contemporary management practices. The chapter has also described different sustainability concepts and models that could be significant in modern business activities. Sustainability concepts and models include the triple bottom line concept, the Carroll model, the Senge model, and sustainability balanced scorecard models.

The most prominent topic in the corporate sustainability discussion is the triple bottom line concept, which takes cognisance of the need to combine and achieve synergy between three parameters – economic, environmental and social resources – in running organisations. The reasoning behind adopting a sustainability approach is based on the premise that corporations must be run within a continuity framework, where current operations do not affect future activities negatively through the destruction of the natural environment and detrimental effects on the general society. The literature review in the chapter also includes corporate sustainability in modern management systems as a holistic approach towards satisfying different stakeholders of organisations.

In trying to incorporate corporate sustainability, corporations can adapt sustainability balanced scorecard models as an alternative in their planning and evaluation of corporate sustainability programmes. The sustainability balanced scorecard measures are formulated based on the Balanced Scorecard model conceptualisation, with an additional sustainability perspective. The chapter has also reviewed sustainability reporting issues, and the significance and challenges of sustainability programmes.

Overall, the literature reviewed in this chapter indicates that corporate sustainability issues inevitably arise in modern organisational frameworks. These issues have become so prominent that they should be part of the strategic direction of all corporate planning and performance measurement systems. However, this aim can only be achieved by pursuing a stakeholder-centred approach where all interested groups, including society and the natural environment, are partners of the organisation. Involvement by society and the natural environment is essential, especially within the African framework. The Balanced Scorecard model does not address such societal and natural environmental elements. Thus, there is a clear need to redesign the Balanced Scorecard model to reflect these fundamental sustainability issues.

The next chapter reviews and analyses issues governing business ethics and corporate governance. It is an extension of the corporate sustainability discussion that was begun in Chapter Five, but Chapter six focuses on the moral and ethical dimensions of the debate.