The Unrecognized Dimension of Corporate Sustainability Assessment

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Abstract
Companies play a central role on the way towards sustainable development. Over the last years, many approaches have emerged that attempt to measure companies’ contribution to sustainable development, i.e. corporate sustainability. Our analysis of existing approaches reveals two major shortcomings. First, value creation as a core condition for sustainability as well as for further contributions to economic sustainability is often ignored in these assessments. Second, existing approaches fail to differentiate between the actual contribution of a firm to sustainability on one hand and the structural and managerial measures aimed at attaining this contribution on the other hand. We argue that the implementation of sustainability oriented organizational structures and managerial instruments alone does not necessarily guarantee sustainability performance. In response to these shortcomings we put forward a generic framework for corporate sustainability assessment. Besides the dimension of current sustainability performance we introduce the notion of future-orientation of management as the second – and so far unrecognized – dimension of corporate sustainability assessment.

Introduction
The notion of sustainability has become almost a standard element at least of the rhetoric and self-portrayal of most large enterprises and multinational corporations, but can increasingly be found in small and medium sized enterprises as well. Along with the concept of corporate social responsibility (CSR) – and often intermingled with it –, sustainability is regarded as an approach to combine economic, ecological and social concerns within a coherent business strategy. In practice, true efforts are undertaken as well as obviously mere greenwashing (Laufer, 2003). The motivation for the implementation of these approaches on the firm level ranges
from personal motivation to economic considerations, presuming a ‘business case’ for sustainability and CSR. Also on supra-national level efforts are made to work towards a more sustainable economy and society. One example for this is the EU-strategy for sustainable development, finalized in Gothenburg in 2001. Several of the goals formulated in this document are strongly dependent on the behaviour of business: climate change, decoupling of economic growth and pollution, efficient use of resources (Commission of the European Communities, 2001). In this context, efforts of the EU to encourage CSR (European Commission, 2002) can be seen as attempts to integrate businesses in a framework of multi-level governance aiming at the societal goal of sustainability. Even if the attainment of the societal goal of sustainability by the means of CSR has its limits (Barth et al., 2007) the impact of voluntary contributions of business must not be underestimated. Nevertheless, assessing the precise extent of this contribution contains several pitfalls. One of these is the existence of considerable differences concerning the definition of sustainability in general as well as concerning the definition of corporate sustainability in particular. Consensus in the debate about corporate sustainability can at least be found in the replacement of financial performance as the sole measure of corporate success through the “triple-bottom-line” conception (Elkington, 1998). This concept takes into account the performance of business in economic as well as in environmental and social respect (Elkington, 1998). It emphasizes the necessity of simultaneous performance of companies in these three spheres, even if there is no general consensus on how to operationalize this performance. Firms increasingly switch to not only disclosing financial data but also information about corporate performance in the environmental and social sphere. This is for example discernible in the publication of sustainability (or similarly labelled) reports by 67 % of the Fortune 500 companies in 2007 (CorporateRegister.com, 2008) and in the non-financial reporting (even if in different forms) of all of the companies listed in the German DAX 30 index (IÖW, 2007). This practice is partially due to increased societal sensitivity to negative (side-) effects of business. Another reason is a changing view on the responsibilities business has not only towards its owners and shareholders but also to a vast array of further stakeholders (Freeman, 1984). Accordingly, the demand not only for ethical corporate conduct but also for information about this conduct has arisen.
This data contained in sustainability reports is provided to satisfy the demands of several different groups demanding this information for various reasons. With the rise of Socially Responsible Investment (SRI) practices, the disclosure of sustainability performance became a way for firms to illustrate towards rating agencies specialized in SRI that they conduct business in a sustainable way and therefore are eligible for SRI-Funds and sustainability oriented investors. Furthermore, individual investors as well as further stakeholders were therewith given the opportunity to appraise the sustainability of a business.

The problem remains how to assess the sustainability of a business in a reliable and meaningful way. This task gets rendered difficult by several factors: despite wide agreement on an abstract definition of sustainability, the more concrete the definitions become, the higher the number of definitions. This is due to the complexity of the notion as well as to the practical complexity of sustainability. Different tools for the assessment of corporate sustainability therefore have different focal points and little is known about criteria systems used to process information for corporate sustainability assessment and rating (Schäfer, 2005). A comprehensive framework of this concept is lacking even more. This paper therefore endeavors to review different approaches to the assessment of corporate sustainability to compile an overall picture of it.

To obtain a broad view on the criteria used to assess corporate sustainability in practice, a sample of guidelines, standards and ratings methodologies was analyzed. The central criteria of these documents were then extracted. Subsequently, these elements were coded and appropriate categories were set up (Friedrichs, 1980; Strauss and Corbin, 1990).

The paper is structured as follows: firstly, we will give a short description of the emergence of the concepts of sustainable development, corporate sustainability and corporate social responsibility, emphasizing the evolution of the concept of business as an institution solely centred on the generation of profit to being a societal actor of economic, environmental and social relevance. Thereby the relevance of the closely related but nevertheless differing concepts CSR and corporate sustainability for the societal goal of sustainable development will be outlined. Subsequently, different approaches to the assessment of corporate sustainability are described: methodologies of rating agencies, guidelines and standards of international
organizations, and requirements of sustainability-prizes awarded by professional associations and governments.

The analysis of the existing approaches reveals two shortcomings. First, value creation as a core condition for sustainability as well as for further contributions to economic sustainability is only seldom considered in sustainability rating. Second, there is a lack of differentiation between data about the actual contribution of a firm to sustainability and the structural and managerial measures aimed to attain and secure this contribution is observable. In response to these shortcomings, the notions of sustainability performance and future orientation of management are introduced and included into a common framework. Therewith the difference between valid measures for corporate sustainability and elements necessary for the attainment and stabilization of corporate sustainability becomes clear and operational. Based on these conclusions, research gaps and directions for further research will be specified.¹

Unravelling the Notions of CSR, Corporate Sustainability and Sustainable Development

Rising concerns about the limits of economic growth (Meadows et al., 1973) and pollution (Beck 1986) led to the call for a sustainable development, defined as a ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (World Commission on Environment and Development, 1987). With a number of different justifications - ranging from business being the only societal actor able to attain sustainable development (Gladwyn et al., 1995) to business as one societal actor besides others obliged to contribute to sustainable development (Shrivastava, 1995) to the potential economic benefit of sustainable business conduct (World Business Council for Sustainable Development, 2002) - businesses as well became increasingly confronted with the call for attention to environmental and social concerns within and also exceeding requirements of the law.

Being firstly concentrated on the environment, sustainability increasingly included social concerns as well. With the stakeholder approach (Freeman, 1984)

¹ The work presented here was carried out as part of a project in collaboration with the Zurich Cantonalbank (Zürcher Kantonalbank – ZKB). The project aimed at developing a corporate sustainability assessment for small and medium sized enterprises (SME) as a basis for the ZKB Sustainability-Award for SME (ZKB Nachhaltigkeitspreis für KMU).
emphasizing companies’ dependence on and influence on different reference groups besides its shareholders it became possible to systematically analyze the relations of business to various societal groups.

The insight into the interrelation of corporate economic performance and the environmental and social impact of business resulted in an extended definition of the performance of a firm, substantiated by the notion of the “triple-bottom-line” by Elkington (1998). These “triple-bottom-line” criteria can be seen as the application of the principles of sustainable development on the company level (Bansal, 2005).

Parallel to the emerging discourse about sustainability, the role of business in society beyond the generation of profit got discussed with increasing intensity. Since early mentions of the responsibilities of business beyond the generation of profit (Clark, 1916; Bowen, 1953), issues of corporate responsibility have been discussed. The concept of Corporate Social Responsibility (Carroll, 1979), emphasizing the responsibilities of business beyond the mere generation of profits is in general compatible with the notion of sustainability in general and the concept of corporate sustainability in particular. Even if the concept of CSR is defined differently throughout the literature, sometimes intermingled with the concept of corporate sustainability, there is evidence that CSR is an important constituent of firms’ contribution to sustainable development which can be identified as CS. As defined in the EU-greenpaper ‘Promoting a European Framework for Corporate Social Responsibility’, CSR is ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’. But the voluntary character of CSR makes clear that CSR and CS are not synonymous, because a portion of corporate contributions to sustainable development is certainly compulsory, such as the compliance with economic, environmental and social laws. Therefore a relationship between CSR, CS and sustainable development, as visualized in figure 1, is proposed.
The rising societal awareness of the impact of business on ecological and social issues resulted in increasingly rigorous legislation (e.g. permissible emissions, workplace security) on the one hand. However, sustainability as a complex and fuzzy set of features dependent on a vast range of actors can be enforced by law only to a limited extent. Therefore voluntary actions of all parties involved are an integral part of the societal project of sustainable development. One way to foster the contribution of business to sustainable development is the promotion of CSR. Since CSR is of voluntary nature, besides measures to promote CSR, further incentives seem appropriate to encourage business to contribute to sustainable development. Transparency plays a central role in increasing the incentives for business to operate sustainably. The logic is that the transparency of business practices boosts the commitment to CSR and sustainability due to the sensitivity of society and thus of (potential) customers for the sustainability of business practice. Steps into the direction of increased transparency are undertaken in various forms. One example for the attempt to standardize criteria for disclosure of sustainability relevant information is the Global Reporting Initiative. Indeed, apart from engaging in environmental and social activities, companies started to inform interested stakeholders about these activities. Since the 1980ies, environmental corporate reporting became regular practice in almost all large enterprises (Schäfer et al., 2004). Subsequently, information about corporate social activities and achievements was increasingly included in non-financial reporting of such companies so that this can be regarded as common practice in 2009.
Approaches to Sustainability Assessment

The assessment of a firm’s sustainability is important for firms aiming for sustainable business conduct as well as for a range of stakeholders interested in the sustainability of a firm for various reasons. The practice of sustainability assessment is influenced by a variety of factors. Firstly, the definition of sustainability applied by the assessing instance or organization is crucial. Secondly, the capacity of this instance to gather information shapes the way corporate sustainability is assessed. Finally, the aim of the assessment of corporate sustainability might influence the manner the assessment is performed.

In the following, the most important of the instances (international organizations, standards, rating methodologies) influencing the perception and practice of assessment of corporate sustainability and their approaches will be described. By this means, the development of the notion of corporate sustainability as well as the principles underlying sustainability assessment and also rating can be traced and understood. Since these sources are manifestations of – in some cases more and in some cases less – pressing requirements faced by business, they can additionally be seen as exercising normative pressure on the implementation of sustainability as well as on the reporting-practice of firms.

The sustainability of business firms is assessed by various institutions. On the one hand, on national level professional associations provide guidelines for their members to attain ecological as well as social sustainability. A measure to support such aspirations is the awarding of sustainability prizes, which is common in most European countries as well as in the USA (Fombrun, 2005). Examples for such awards are the ‘Initiative Freiheit und Verantwortung’ in Germany and the ‘Swiss Award of Business Ethics’ in Switzerland. Similar to quality-related awards, competition for sustainability awards is seen as a measure to foster the sustainability orientation among business firms.

On the other hand, on international level several guidelines and standards exist as assistance for sustainability implementation and reporting. Moreover, sustainability assessment is conducted by a number of rating agencies.

These different institutions and initiatives can be seen as sources defining and shaping the practice of sustainability assessment and even the notion of sustainability.
International Organizations and Standards

On the level of international organizations various efforts are made to encourage companies to minimize negative impacts on the environment and the society, to implement comparable standards and to disclose their efforts in this regard. Being voluntary, the approaches described in this section can be seen as efforts to encourage and facilitate corporate commitment to ecological and social standards reaching beyond legally sanctioned regulation.

One example is the United Nations Global Compact (UNGC), a list of ten responsibilities concerning human rights, labor norms, environmental protection and the fight against corruption. Companies can become members of the UNGC on a voluntary basis. Non-conformance to the UNGC principles can in the worst case lead to de-listing from the member-list. Being a guideline concerning the areas described above, the UNGC requires reporting on the measures taken to implement the aims of that initiative. In which manner this reporting takes place is not prescribed by the UNGC.

Several features of the Global Compact are criticized: Because the principles of the UNGC are not sanctionable beyond de-listing and because there are no measures to screen participants the legitimacy of this initiative is only limited while the UNGC-label provides the opportunity for public relations (Arevalo and Fallon, 2008). Nevertheless the commitment to its principles alone can be seen as a force shaping the design of corporate sustainability and of corporate sustainability assessment as well as the practice of reporting about it.

The Organization for Economic Cooperation and Development (OECD) released non-binding guidelines for multinational enterprises (MNE) covering disclosure practice, employment, combating bribery, consumer interests, science and technology, competition, taxation and these are an attempt to set standards for responsible business conduct (OECD, 2000).

Another initiative concerning sustainability partially initiated by the United Nations is the Global Reporting Initiative (GRI), launched in 1997, which aims to support companies to create a report about their sustainability in a standardized and therefore transparent and comparable way (Global Reporting Initiative, 2006a). The GRI guidelines propose the operationalization of sustainability through a multitude of indicators concerning a company’s performance in the economic, environmental and
social sphere and can be regarded as a guideline to attain conformance to the goals formulated by the UNGC.

In the area of international standards, a number of standards have been set up to promote and systemize practices of environmentally and socially favourable practice and thereby make corporate conduct comparable. Because of the rising awareness concerning the ecological and environmental impact of corporations, certifiable environmental and social standards are one measure for firms to relatively easily assess the degree of sustainability of the firms they are doing business with.

In addition to the ISO 9000 family of standards for quality management, the International Standardization Organization (ISO) set up the environmental norm ISO 14000 covering environmental aspects of production and services. Another norm – ISO 26000 – concerning social standards is planned to be released in 2010.

The Social Accountability SA 8000 standard is a standard concentrated on social aspects of business. Being also a voluntary and certifiable approach, it aims to translate the Universal Declaration of Human Rights, the Universal Convention on the Rights of the Child and various conventions of the International Labour Organization to practicable and comparable standards.

Rating Agencies

In the course of the rising societal sensitivity for environmental and social concerns, socially responsible investment (SRI) is becoming an expanding business segment. A number of investment funds specialized on SRI and several indices such as the Dow Jones Sustainability Index, the KLD Domini 400 Social Index and the Financial Times Stock Exchange-Index FTSE4Good are focussed on socially responsible companies. Besides these indices, several rating agencies such as Asset 4, SAM, Inrate or oekom research specialize on the provision of ratings concerning particular stocks or companies.

In addition to the rising importance of SRI, which is limited to publicly traded companies, sustainability assessment and rating is also becoming important for companies not traded on stock markets. Apart from investment funds specializing in SRI and individual investors with similar preferences, some banks attach importance to the sustainability of firms demanding credit from them, be it for moral reasons or be it because a positive relation between corporate sustainability/CSR and financial performance is assumed.
Two Shortcomings of Corporate Sustainability Assessment

Incomplete Inclusion of the Economic Aspects of Corporate Sustainability

The first result of our review of the most important documents concerning sustainability on corporate level is a prevalent concentration on environmental and social aspects of sustainability. Whereas in research on corporate sustainability the “triple-bottom-line” approach emphasizing the simultaneous relevance of economic, environmental and social corporate performance is common (Zadek, 1999; Bansal, 2002), in practice the aspect of economic sustainability seems to be primarily restricted to specific features such as bribery, money laundering and the practice of financial disclosure. However, economic stability of a firm is a sine qua non for its ability to sustainably contribute to the goal of sustainability and therefore needs to be regarded as an indispensable element of corporate sustainability (see Global Reporting Initiative, 2006a). Following Rufer and Huber (2001), economic sustainability can be divided into an area of value creation directly important for economic success and an area of further reaching contributions to the economy. The former area is barely covered by the analyzed sources (with the GRI as a notable exception). One reason for this could be the fact that financial performance usually is reported and analyzed separately and therefore somewhat out of the scope of sustainability assessment and rating. Nonetheless, economic performance is an integral element of corporate sustainability and therefore needs to be observed in the assessment of corporate sustainability.

The latter area – further reaching contributions to the economy – is covered to some extent, but also not in a comprehensive manner. Paying taxes, job creation, and innovation are at least as important as a proactive handling of corruption and money laundering or honest and open disclosure of financial information.

Most strikingly, none of the analyzed sources mentioned the sustainability of corporate investment – be it corporate assets or be it pension funds. Because of the rising influence of socially responsible investments on the sustainability oriented practices of firms, corporate investment policy is an important lever for the further dissemination of sustainable corporate practices.
Mixture of future oriented Features and Performance

The second important result of our analysis concerns a lack of suitability of specific indicators for the assessment of corporate sustainability. Throughout all sources, a mixture of performance indicators and structural features crucial for the attainment and continuation of sustainability could be stated. Both approaches can result in a biased picture of corporate sustainability and harbour the danger of setting wrong incentives (Ittner and Larcker, 2003, p. 92), as argued below.

A further danger of the misconception of structural organizational features lies in the potential emergence of normative pressures for firms to show such features as evidence for their sustainability, even if the existence of that feature might be not only invalid as evidence for corporate sustainability but also potentially dysfunctional. One example is reporting about corporate social responsibility in small and medium sized enterprises. Because such practice is inherent in larger organisations, non-financial reporting might be pointless in smaller enterprises imposing an inadequately heavy burden on them (Fassin, 2008).

The sustainability of a firm is firstly operationalized by means of indicators – denoted as sustainability performance measures in the following – like the amount of emissions (or of reduced emissions) of a firm and the amount of water and energy consumed (or saved) in the environmental sphere. In the social sphere, indicators like the amount of money invested in social projects or philanthropic giving or the number of accidents reduced are used to define social sustainability. Economic sustainability is – if at all – mainly concretized by means of practice of disclosure of financial data, number of apprentices or generation of new jobs. These measures are supplemented by various structural as well as procedural features. Examples for these structural features are sustainability-specific organizational units and arrangements. This ranges from board-member responsibility for sustainability, the coupling of incentives and the attainment of specific sustainability goals, the existence of working groups and sustainability departments to sustainability representatives. Furthermore, several formalized tools like codes of conduct, certificates and mission statements can be found as measures for the sustainability of a company. These features certainly are elements of the process of implementing sustainability within a firm’s operations, but they must not be confused with the performance measures mentioned above since their existence in a firm does not necessarily mean that the company is more sustainable than a firm without these
features. For example, the existence of sustainability-reporting alone must not be seen as an indicator for the sustainability of a company.

This makes clear that the validity of measures for the assessment of corporate sustainability is difficult to appraise. Apart from general problems concerning the measurement of non-financial performance (Ittner and Larcker, 2003; Chatterji and Levine, 2006), in the following the neglect of the differences between strategic and future-related features on the one hand and performance-related features on the other hand will be analyzed.

The Two Dimensions of Corporate Sustainability
Since our findings suggest that in the practice of sustainability assessment measures concerning the organizational potential to act sustainably are dealt with just as measures concerning actual performance, a distinction between actual sustainability performance and the organizational potential to attain and pursue corporate sustainability is recommended.

Performance related features can be seen as concerning the present sustainability of a firm and therefore as constituting the actual sustainability. In contrast to that, structural features are the precursors of future sustainability, but are far from being a sufficient condition for that and by no means indicators for the actual sustainability performance of a firm. The features constituting this group have two things in common: firstly, they are future-related insofar as they are suitable for ensuring sustainability performance in the future. Secondly, they are concerning managerial and organizational features. Therefore these features will be referred to as the future-orientation of management. In the following, the concepts of sustainability performance and future-orientation of management will be outlined. Subsequently, these two concepts are proposed as two distinct dimensions of a framework for the comprehensive assessment of corporate sustainability.

Sustainability Performance
As noted above, the concept of sustainability integrates economic, environmental and social concerns. Within the triple-bottom line approach, this concept in translated into business logics, emphasizing requirements of efficiency as well as of effectiveness in the economic, ecological and social sphere (Dyllick and Hockerts, 2002). The concrete indicators used in practice to operationalize and measure CS
substantiate the contributions of companies to the goal of societal sustainability described above. In the most apparent form, these are measures concerning measurable flows of substances or money (and the development of these indicators over time). In the economic domain, the measurement of performance is standardized and carried out in a quantitative and comparable way. Even if the relevance of specific indicators is contested, a multitude of indicators is available. In contrast to financial indicators, in both non-financial spheres the reporting is partially qualitative and partially quantitative (Perrini 2006), and still only standardized to a limited degree (Schäfer 2005). In the ecological sphere, with rising awareness for environmental issues as well as a rising number of legal requirements, measurement of the ecological performance of an enterprise is becoming more and more common. As soon as relevant factors are identified and benchmarks are agreed on, measuring according indicators is a technical matter, but nevertheless feasible. One example is the measurement of the reduction of polluting emissions (Skaerseth and Wettestad, 2009). In the social sphere, things are more difficult: measuring social sustainability in most cases has its limits due to intangibility and ambiguity. Compared to economic and ecological sustainability – measurable flows of money or substances – social sustainability is more intangible. Impacts depend on objective criteria as much as on subjective perception. A further problem – especially for multinational corporations – is the heterogeneity of social values and the resulting ambiguity of certain social impacts. For example, gender equality regarded as a desirable contribution to social sustainability might be judged differently in more traditional societies.

If a set of measures is agreed on to represent sustainability, the measurement might be technically difficult but nonetheless feasible. As discussed by Chatterji and Levine, the selection of specific measures excludes others and hence harbours the danger of inadequacy (2006). But there is at least agreement that the aim of the process of measurement is the assessment of the actual performance in a specific domain.

The Future-Orientation of Management
In contrast to measures for actual performance, measures of structural features are not necessarily indicators for performance and also are no guarantee for performance. As noted by Morgan et al., features like structural orientation towards sustainability, reporting practice or codes of conduct do not necessarily indicate how well a company does manage sustainability related issues, even if the ‘presence and
depth of governance mechanisms, operating structures and systems provides at least some feel for corporate conduct in this space’ (2009, p.43). But ‘some feel’ is definitely not enough to be taken as a valid measure for a company’s actual sustainability performance.

Nevertheless, the mention of arrangements destined to attain corporate sustainability called for by the different sources above is followed by many firms in their non-financial reporting practice without distinguishing it from performance indicators. Whether this is intended to show efforts to attain sustainability without being obliged to show any achievements, functioning as an alibi or whether this is the description of serious work in progress (Caron and Turcotte, 2009) is not discernible at a specific point of time but needs to be evaluated ex post. But it should be clear that actual performance and enablers of potential performance are two distinct categories which are sometimes confused leading to a biased picture of the actual sustainability of a firm.

One example is the utilization of the number of board members as an indicator of good governance (Chatterji and Levine, 2006). Another example is a code of conduct: a code of conduct might be a step towards sustainability (Bondy et al., 2007). But the existence of such a code alone does not say anything about the sustainability of a firm (Murphy, 2005; Holder-Webb, 2008).

Structural features related to the management of sustainability therefore can rather be seen as the enablers of sustainability. Furthermore, by means of such features, the degree of implementation into a firm and hence the potential for future contributions to sustainability can be assessed. This adds a future dimension to the assessment of sustainability.

First steps towards the integration of future considerations into the conception of sustainability can be found in Hart and Milstein (2003). Nevertheless, this concept is confined to the relevance of a firms’ capacity to generate products and services in the future for future growth. Despite providing a first indication of different temporal dimensions relevant for the assessment of corporate potential and performance, this approach is limited to economic issues only. Since – with regard to the challenges of sustainability – the potential of a firm to perform in the future is not limited to economic performance but extends to ecological and social performance, we put forward the concept of future orientation of management as the enabler of future sustainability performance.
Linking the two Dimensions

As described above, indicators concerning the actual sustainability performance of a firm are often confused with structural features in the practice of corporate sustainability assessment. The fact that sustainability-related structural and organizational arrangements neither are an indicator for actual sustainability performance nor a sufficient condition for future sustainability needs to be considered in order to validly assess the actual sustainability performance of a firm. Accordingly, such factors must not be used as indicators for sustainability performance. However, since sustainability itself is a future oriented concept, actual sustainability performance is of limited value as a contribution to sustainable development if it is not continued. And one condition, if only a necessary one, for this is the implementation of measures aimed at anchoring sustainability in the structure and processes of a firm. Even if there is no optimal structural configuration and the suitability of specific measures to attain and carry forward sustainability depends on the specific features of a firm, the degree of such implementation needs to be considered to judge the potential of a firm to be sustainable in the long run. Therefore we propose a framework in which the dimension of sustainability performance and the future orientation of management are combined (figure 2). By means of this framework, it becomes possible to clearly distinguish between the two dimensions described above and identify indicators relevant for the assessment of actual corporate sustainability and the potential to maintain this performance.

<table>
<thead>
<tr>
<th>Sustainability Performance</th>
<th>Future Orientation of Management</th>
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<tbody>
<tr>
<td>Economy</td>
<td>Strategy &amp; Structure</td>
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<tr>
<td>- Long term economic performance</td>
<td>- Business objective</td>
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<tr>
<td>- Value creation</td>
<td>- Social &amp; ecological objectives</td>
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<tr>
<td>- Innovation</td>
<td>- Management-system</td>
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<tr>
<td>Environment</td>
<td>- Controlling</td>
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<td>- Use of resources</td>
<td>- Leadership</td>
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<td>- Traffic and transportation</td>
<td>- Customers</td>
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<td>- Environmental impact of products</td>
<td>- Suppliers</td>
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<td>Society</td>
<td>Implementation &amp; Control</td>
</tr>
</tbody>
</table>
| - Education               | - Management-
| - Diversity               | system |
| - Wages                   | - Controlling |
|                            | - Leadership |
|                            | - General public |

Figure 2: A framework of the present- and future oriented dimensions of corporate sustainability assessment and their sub-categories

For the purpose of practicability and as guidance for the decision whether an indicator is related to sustainability performance or to the future orientation of
management the two dimensions in the proposed framework can be further differentiated into different spheres and criteria. In the dimension of sustainability performance the “triple-bottom-line” approach applies as argued above and elsewhere (Elkington, 1998; Bansal, 2005). Apart from indicators concerning the economic performance of a firm, performance in the ecological and social sphere is measured. This differentiation is not completely precise due to the multiple effects, side- and after-effects of almost every corporate action. For example, a specific environmental impact of a firm does not only influence the environment. It might also have economic effects both on company-level and also on the level of the economy. Furthermore, it might cause effects in the social sphere directly or as a side-effect of its ecological or economic impact. Hence the subdivision into the triple-bottom-line schema is somewhat artificial. But it is the way it is done in practice, and it can be regarded as a first step towards reducing the complexity of sustainable development in practice.

The dimension of the future orientation of management can be organized in the following manner: from a practical point of view, one can differentiate between the three spheres of strategic and structural features, features concerning intra-organizational processes of implementation and control and features concerning the management of relations between an organization and its environment.

The strategic/structural level can be regarded as the level on which the direction of a firm is determined. With respect to sustainability, the observance of a firms’ impact not only in the economic sphere but also on the environment and on society has to become part of corporate strategy and also needs to be anchored in the organizational structure by some means or other, e.g. CSR-reporting or sustainability mission statements. Furthermore, this strategy needs to be implemented within organizational processes. On this procedural level, a differentiation can be made between intra-organizational processes such as management systems or leadership on the one hand and processes and the design of exterior relations with the organizational environment on the other hand.

As argued above, the future-dimension of management seems to be a necessary condition for ensuring future corporate sustainability performance, but it is by far not a sufficient condition. From a sustainability-oriented organizational structure does not necessary follow that an organization is indeed sustainable. A sustainability department can be ineffective. A firm can be certified with the ISO 14001 standard
and nevertheless pollute the environment severely. This differentiation needs to be taken into account when the sustainability of a corporation is assessed. Otherwise, (well-intentioned as well as purposely) measures may be taken falsely as a proof of effectiveness.

In practical respect, these findings are useful for the assessment of sustainability-practice in firms as well as for the implementation of measures to achieve corporate sustainability. Furthermore, the developed schema can be used as a guide to systematically investigate the different elements of corporate sustainability. The pre-conditions for sustainable performance can be identified as well as the outcomes of these organisational features. Accordingly, deficits in organizational or practical implementation can be tagged and dealt with to facilitate sustainable performance well anchored in organisational structure and culture.

By means of a simple 2x2-matrix (see figure 3), both the degree of sustainability performance of a company and the degree of implementation of sustainability capabilities can be related. From the position of a company within the matrix further necessary steps can be derived. Examples for the application of the matrix are given in figure 3: anchoring sustainability performance in organizational structure and thereby stabilizing it (1), realizing sustainability aims already intended in the organizational structure (2) or building sustainability capabilities (implementing a sustainability-oriented structures and promoting a sustainability-oriented culture) to achieve sustainability performance (3).

![Figure 3: Degree of sustainability governance and sustainability performance](image-url)
Concluding Remarks

The issue of sustainability is moving from the fringes of scientific and practical interest to a more mainstream position. Despite uncertainties about the financial benefits of the implementation of sustainable practice into daily business of companies (Margolis and Walsh, 2003), businesses are increasingly urged to demonstrate their sustainability due to the pressure of numerous stakeholder groups (Schäfer, 2005).

These stakeholders, interested in corporate sustainability for various reasons, apply different methodologies to assess the sustainability of a firm. This paper attempted to analyze different sustainability guidelines as well as sustainability rating methodologies with the aim of gaining a comprehensive picture about the factors used to assess corporate sustainability. Despite differences in scope as well as in the extent, a predominant majority of the surveyed sources had two shortcomings in common.

Firstly, despite a far reaching consensus in theory that corporate sustainability needs to be anchored in the economic as well as in the environmental and the social sphere, almost all sources concentrate on extra-economic factors. This neglect of the interdependence of the three spheres of sustainability harbours the danger that the concept of sustainability is not acknowledged as a fundamental extension of the calculus of business but remains some mere optional contribution.

Secondly, it became obvious, that management-related organizational features are by mistake treated as performance-related features. On the one hand, treating structural features as performance-related indicators biases the assessment of corporate sustainability. In the worst case, this practice may lead to the labelling a firm as sustainable just because it possesses structural features which might lead to sustainability - even if these structures are completely ineffective.

On the other hand, the omittance of structural features in the assessment of corporate sustainability biases the picture in favour of the present. Indicators for present sustainability performance provide no information about the potential performance in the future. Even if it is impossible to precisely predict future performance, it is at least feasible to appraise the potential to achieve future performance. Therefore, in addition to features representing present performance, a
second set of features needs to cover the potential to carry forward present performance.
For this reason we put forward a framework combining the dimensions of sustainability performance and future orientation of management. Only if these dimensions both are considered – as separate dimensions with differing explanatory potential – present corporate sustainability as well as the potential of a firm to pursue this performance can be assessed in a dependable way.
Apart from the assessment of corporate sustainability, the proposed framework is also relevant for designing and applying measures aiming at the advancement of sustainable development. Sustainability-related political initiatives such as the efforts of the European Union to realize the Gothenburg-strategy – described in the introduction –, as well as sectoral and individual initiatives recognize businesses as important contributors to sustainable development. To render these actors competent to add to this goal it is of utmost importance to take account of the importance of adequate anchoring of sustainability in corporate structures and processes as a necessary – but by far not as a sufficient – condition for lasting sustainability-performance. This means that it is not sufficient to promote objectives and benchmarks for CSR and corporate sustainability. It is of equal importance to build the capacity to attain these objectives in an efficient and lasting manner. Only if the dissimilarity but complex interdependence of sustainability performance and the future-orientation of management is understood in practice, measures as well as methodologies for the evaluation of these measures will be effective.

References


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