



HAL
open science

CAN SOCIAL RESPONSIBILITY PARADOXICALLY STRENGTHEN THE IMPORTANCE OF FINANCE?

Charles Daussy

► **To cite this version:**

Charles Daussy. CAN SOCIAL RESPONSIBILITY PARADOXICALLY STRENGTHEN THE IMPORTANCE OF FINANCE?. Comptabilité sans Frontières..The French Connection, May 2013, Canada. pp.cd-rom. hal-01002375

HAL Id: hal-01002375

<https://hal.science/hal-01002375>

Submitted on 6 Jun 2014

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

CAN SOCIAL RESPONSIBILITY PARADOXICALLY STRENGTHEN THE IMPORTANCE OF FINANCE?

Charles DAUSSY
Assistant Professor and PhD Student
Reims Management School, Reims, France
charles.daussy@reims-ms.fr

Résumé: Au-delà des besoins de communication, l'intégration de la RSE dans la stratégie et les systèmes de pilotage de la performance s'organise autour des relations suivantes : RSE et Performance ; RSE et Stratégie ; Performance financière et Performance sociétale. Sur la base de ces relations, et avec des niveaux différents de sensibilité à la RSE, l'organisation peut rencontrer des obstacles d'ordre cognitif et opérationnel lorsqu'elle met en place un système de pilotage de toutes les dimensions de sa performance. Au travers d'une transposition des relations ci-dessus dans le secteur bancaire, cette recherche s'attache à montrer que la recherche à tout prix d'un système intégré de pilotage peut conduire à un renforcement de la dimension financière de la performance et peut nuire à l'appropriation de la RSE.

Mots-clés : Responsabilité Sociale d'Entreprise, performance globale, systèmes de pilotage de la performance, performance financière, performance sociétale.

Abstract: Beyond communication needs, integration of CSR into strategy and performance management systems is organized around the following relationships: CSR vs. Performance; CSR vs. Strategy; Financial Performance vs. Corporate Social Performance. On the basis of these relationships, and with different levels of sensitivity to CSR, an organization may face cognitive and operational barriers when implementing systems to manage all aspects of its performance. With a transposition of the above relationships in the banking industry, this research attempts to show that the search at any price of an fully integrated management system may lead to a strengthening of the financial dimension of performance and may affect ownership of CSR.

Key-words: Corporate Social Responsibility, Global Performance, Performance Management Systems, Financial Performance, Corporate Social Performance.

Introduction

An organization needs clear intentions and objectives to build its strategy. Corporations implement control systems to manage the formulation and the deployment of strategy and to control the achievement of the agreed-upon objectives. Those systems are central to the process of management control.

In 1965, Anthony defined management control as “the process by which managers assure that resources are obtained and used, effectively and efficiently, in the accomplishment of the organization’s objectives.” Management Control Systems (MCSs) are the performance management tools that organizations use to guide the management control process.

Performance is the term managers use to report the achievement—or lack of it—of their organization’s objectives and to analyze the way the processes related to those achievements have functioned. As related to Anthony’s definition, performance could objectively be looked at in terms of effectiveness and efficiency, respectively. However, performance measurement depends on those who will use the information to make decisions; therefore it is more of a subjective construct than an objective measure (Saulquin and Schier, 2005) or a framework that managers can use for evaluation.

The environment of organizations has considerably changed—has grown wider—during recent years and strategy formulation and objective setting need to take this new context into account. Organizations are more and more connected to others in their value creation processes. As they tend to deal with more stakeholders, organizations may believe they are performing well when they successfully respond to the expectations of all their stakeholders—even if they are contradictory—and not only when they reach their financial goals.

Meeting the needs of the organization’s stakeholders is related to Corporate Social Responsibility (CSR), and in that respect the relationship between CSR and performance is a key point. Many scholars talk of global performance when economic, environmental, and social–societal–performances are associated. Some of them (Wood, 1991) use the term Corporate Social Performance (CSP) to develop this three pillars based performance concept. Consensus among researchers has shown there is no indisputable definition of CSR; therefore it makes sense to talk of CSR as being a definitional construct (Carroll, 1999). CSR can be considered by an organization on a mandatory or a voluntary basis and in the latter case, CSR can be viewed as a framework that brings many opportunities to the organization.

Returning to the control systems, it seems more appropriate to talk of performance control or performance management than of management control (Bessire, 1999; Otley, 2003); and as an extension of this statement, referring to Performance Management Systems (PMSs) seems more relevant than using MCSs. According to Moon *et al.* (2011), managing global performance requires strong interactions between the “standard” MCSs— which are mainly focused on financial performance—and what the authors call “Sustainability Control Systems” (SCSs) which are dedicated to sustainability performance management. Some “standard” MCSs can include CSR objectives and SCSs should include financial objectives (as the economic dimension is one of the three societal performance pillars). So the PMSs are a combination of “standard” MCSs and SCSs with different levels of interactions.

An increasing number of regulations—and more demands from stakeholders—have led organizations to report their CSR initiatives¹. The level of sensitivity to CSR varies from one organization to another and is based on the company's intentions or perspective regarding CSR. That is to say, it is possible for organizations to establish a relationship between different CSR intentions and the level of CSR they integrate into their strategies. Also, the way corporations integrate CSR into strategy depends on the way they integrate PMSs—through the processes of setting objectives and identifying success factors. As Naro and Noguera (2008) put it, if it is relevant to look at the CSR reports, it is more and more necessary to deeply analyze the PMSs and see if—and how—CSR is part of them.

Adapting Hoffman and Bazerman (2005, quoted by Moon *et al.*, 2011), we can anticipate that as the integration of CSR into strategy can face cognitive barriers, integration of CSR into the PMSs can face organizational and technical barriers that may paradoxically lead to reinforcing the dominance of financial performance over CSP.

It is possible to identify different types of links between CSP and financial performance which appear to be related to how SCSs are associated with MCSs to make global performance management systems: the systems can be fully integrated or stay dissociated (proactively dissociated according to Quairel, 2006; Capron and Quairel, 2006).

Therefore, in this paper, we will discuss the relationship between CSR and strategy and then the relationship between CSP and financial performance. In order to assess the degree of integration of CSR into the organization, these two relationships are expected to possibly face barriers that can be cognitive, organizational, or technical and we anticipate that those barriers may paradoxically lead an organization to focus more on financial performance than on societal performance, particularly when organizations seek to implement fully integrated systems.

In order to analyze these hypotheses, we decided to transpose the above proposed relationships in the banking industry. Because of the current crisis, banks strive to regain their lost legitimacy and that makes this industry a relevant investigation field for our research. Expected results from an ongoing empirical work should stress the fact that a desperate search for establishing causal links between CSP and financial performance can strengthen the financial dimension of performance and prevent organizations from appropriating CSR. On the basis of those anticipated outcomes, a new approach to both performances and their associated management systems may be necessary.

The objective is to define the theoretical boundaries of the research problem, to lay the foundation of the empirical work and to provide a framework for expected results.

¹ Loi NRE (Nouvelles Réglementations Economiques, 2001): the French listed companies have an obligation to disclose in their annual report the social and environmental consequences of their activity (art. 116)—the so-called “Grenelle 2” law (art. 225, 2010) extended this obligation to some non-listed companies; the GRI guidelines (Global Reporting Initiatives, 2002) help companies to find appropriate indicators to report their social and environmental programs and initiatives.

1 CSR and Performance: Two Frameworks but No Indisputable Definitions

Examining CSR and performance requires being clear on the definition of the two terms if there is one. As seen above (Saulquin and Schier, 2005), because its measurement can be interpreted, performance is considered to be subjective construct. Concerning CSR, many authors have covered the topic, it is impossible to give any indisputable definition: in the words of Carroll (1999), CSR can be viewed as a definitional construct. Similar difficulties arise when defining CSP. According to Simpson and Kohers (2002, p. 100), “an ideal empirical measure of a comprehensive conceptual construct of CSP does not exist.”

Taking all that into account, we chose to consider CSR, performance and CSP as theoretical frameworks that are gradually being built with new hypotheses tested through empirical works.

1.1 CSR–for Intentions–and CSP–for Measurement: frameworks that bring opportunities

To arrive at a definition of CSR, we can refer to Carroll (1999), as he made a comprehensive analysis of the evolution of the concept. Reaching back further, Bowen (1953) said that corporations’ activities affect the lives of people in many ways and because of that, those organizations must establish sound relations with society; he argued that CSR was mandatory. Similarly, Jones (1980, quoted by Carroll, 1999, p. 284) wrote, “CSR [is] the notion that business corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.” So, is CSR an obligation? Some academics—as reported in Carroll’s analysis—began quickly to look beyond the mandatory nature of CSR. For example, Walton (1965) proposed that CSR should include a degree of voluntarism, and Davis (1973, cited p. 277) wrote: “Social responsibility begins where the law ends.” In 1979, Carroll’s hierarchy of CSR (economic, legal, ethical, and discretionary responsibilities) provided an idea of what is in the area of compulsory behavior (economic, legal, and ethical) and what is in the area of voluntary behavior (discretionary). To expand on this idea of voluntarism, it is interesting to refer to The European Commission’s Green Paper (2001), which defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

Because some corporate behavior falls in the compulsory area and other behavior in the voluntary area, CSR will simultaneously focus on those two corporate behaviors; thus the big difference between organizations will be their discretionary initiatives. This area of voluntary actions is where corporations can develop new opportunities.

After many attempts to define CSR, some researchers developed a new concept they called “corporate social performance” (CSP)—or CSR₂ as Frederick (1994, cited by Wood, 2010) named it. The idea was to replace “responsibility”—which was considered as a non-measurable concept—by “performance.” Sethi (1975, cited by Carroll, 1999, p. 279) defined three dimensions of CSP: social obligation (corporate behavior in response to market and law), social responsibility (beyond obligation), and social responsiveness (adaptation to social

needs). In 1991, Wood defined a CSP model that includes the principles of CSR (legitimacy, public responsibility, and managerial discretion); the processes of corporate social responsiveness (with stakeholders' management); and the outcomes of corporate behavior. Almost twenty years later (2010, p. 76), the author stressed the fact that CSP was too focused on corporations and not enough on the stakeholders and society itself. He believed it provided a research challenge that may lead to "results that will be meaningful [and useful] to corporate managers and their many stakeholders."

In his landmark book on stakeholder theory (1984), Freeman put stakeholders at the heart of CSR. According to Freeman and Evan (1993, cited by Donaldson and Preston, 1995, p. 79), "the very purpose of the firm is to serve as a vehicle for coordinating stakeholders' interests." As put by Epstein (1987, quoted by Germain and Trébuq, 2004), meeting stakeholders' expectations is a key condition for the success of a corporation. Sharing the value created by the companies is one of the major challenges, and CSR can be seen as a lever to create shareholder value as well as stakeholder: "Produce the goods and services demanded by society, thereby generating profit for its owners and shareholders, while contributing to the welfare of society" (Saulquin and Schier, 2005, p. 3). Finding a better fit between economic imperatives and societal obligations requires a comprehensive approach to performance.

It was important to go beyond the construct and to operationalize it. As put by Carroll (1999, p. 292): "It is expected that attention will be given increasingly to measurement initiatives as well as theoretical developments." There is a desperate need of empirical work. According to Dejean and Gond (2004, p. 18), "the lack of theoretical consensus on the definition of the concept [CSR] influences the operationalization of the construct" and we see that there is a gap between "'what should be measured', depending on theoretical models [...] and 'what is actually measured' in empirical works in the choice of proxies for CSR."

We conclude this chapter on CSR, with the skepticism expressed by Gladwyn *et al.* (1995a, quoted by Bieker *et al.*, 2001, p. 2), who wrote "the notion of sustainability development [close to CSR] will remain fuzzy, elusive, contestable, and/or ideologically controversial for some time to come." Is this still the case more than fifteen years later?

1.2 Performance Is a Framework Managers Can Use for Evaluation

An organization is considered to be performing when it achieves its key objectives (the organization is effective) and when it uses properly the resources that it has to reach its targets (the organization is efficient). The outcomes of the actions (the results) and the actions themselves can be part of the performance measurement. But, as was stated previously, the performance can be subjectively appreciated and can then convey "a value judgment on the result finally obtained (positive or negative) and the approach that has helped to achieve it." (Saulquin and Schier, 2005, p. 5)

As put by Neely *et al.* (2002, p. 2)²: "there is no one 'holy grail' or best way to view business performance and the reason for this is that business performance is itself a multi-faceted concept." The authors note that there are multiple performance frameworks and measurement

² Neely, A. and Adams, C. developed in 2002 a three-dimensional model called The Performance Prism that includes simultaneously stakeholder satisfaction and stakeholder contribution.

methodologies and that even if they seem inconsistent, each of them appears to claim comprehensiveness and to offer a unique perspective on performance. This is what Moon et al. (2011) discussed regarding MCSs and SCSs—creating control systems that can be fully integrated or stay dissociated to manage performance.

So, when taking into account the fact that an organization intends to meet the needs of all its stakeholders, performance being multidimensional and subjective, it is possible to anticipate the difficulties of operationalizing PMSs. Managing potentially conflicting stakeholders' expectations is central to assessing the global performance of organizations.

Global performance supposes performance in the economic, social, and environmental fields—simultaneously. Performance in those fields needs to be measured and managed, with integrated systems coherently linking the three dimensions with causality relationships (Germain and Trébucq, 2004). As put by Capron and Quairel (2006, quoted by Dohou and Berland, 2007, p. 2), “The concept of global performance is mobilized in the management literature to assess the implementation of sustainable development strategies by business corporations.” The authors stressed the fact that it is difficult to measure the interactions between the three dimensions of performance.

Saulquin and Schier (2005) intended to define the different impacts CSR may have on the way corporations manage performance. They identified two different approaches: a) the performance is considered as static (the systems are focused on financial performance as a finality) or the performance is considered as dynamic (the PMSs are focused on meeting the stakeholders' expectations and creating shared value, that is to say on CSP) and b) the organization is closed to CSR (viewed as a constraint) or the organization is open to CSR (viewed as an opportunity). Performance management can then be related to the way an organization views CSR, as can be summarized with the following table:

Table 1: Performance management vs. the way an organization views CSR (adapted from Saulquin and Schier (2005))

Performance is viewed as...	CSR indicators are...	Final performance is measured by ...	CSR is perceived as...	Regarding CSR issues, organization is...	Saulquin and Schier model (2005): performance is...	
Static	Intermediate operational indicators	Financial performance	A constraint	Closed	Fragmented	Reduction of costs and risk
Static	Intermediate operational indicators	Financial performance /CSP	An opportunity – or a constraint?	Open	Opportunistic	Communication → legitimacy
Dynamic	Specific and priority indicators	CSP/financial performance	A constraint – or an opportunity?	Closed	Procedural	Internal processes improvement
Dynamic	Specific and priority indicators	CSP	An opportunity	Open	Global (systemic)	CSR as the finality

This relationships model can be adapted according to the balance of power between the different stakeholders. As Saulquin (2008, p. 11) wrote, performance can be “fragmented” on some issues (environment, for instance) and “opportunistic” on others (humanitarian issues) and it may change when the balance of power changes or when the context is different. That supposes the PMSs should be flexible enough to take that into account.

We can say that the way performance is viewed in relation to CSR may have an impact on the PMSs. We will demonstrate in the coming pages how performance can be related to strategy and how both relationships, CSR vs. performance (or in a further step social performance vs. financial performance) and CSR vs. strategy, influence at varying degrees the PMSs and their operationalization.

Although performance can be understood as the perception of if–and how–objectives are attained and as objective setting combined with the general intention of the organization build strategy, the relationship between CSR and performance brings the question of integration of CSR within the strategy of the organization.

2 The Integration of CSR into PMSs Helps to Formulate a Strategy that Includes CSR Perspectives

2.1 Strategy Can Include CSR

Strategy is the route an organization takes to reach its destination.

According to Bessire (2000), performance management is characterized by the meaning given to the actions that have to be taken and this meaning is based on a company consensus on the general intentions and goals, the strategies implemented, and the objectives set. According to Bessire, performance management is organized with a “trialectic” model:

- a) A subjective dimension related to the organization’s intentions: “for whom and why?”
- b) An objective dimension related to the organization’s objectives: “what and how much?”
- c) A rational dimension related to the organization’s strategies: “how?”

The rational dimension is the combination of the subjective and the objective dimensions. According to Bessire, the organizations focus too much on the subjective dimension and do not pay enough attention to the other two. By focusing on the subjective dimension, organizations are generally confined to a communication process; the other two dimensions involve a performance management process.

The equation is then very simple: *intentions + objectives = strategy* and CSR is integrated into strategy if CSR is part of the organizations’ intentions and objectives—that is to say their PMSs. The following table summarizes how CSR can be included in strategy depending on how it is integrated into the systems (adapted from Moon *et al.*, 2011):

Table 2: Integration of CSR into strategy vs. integration of CSR in PMSs

CSR intentions	+	CSR Objectives (included in PMS with different levels of interactions between MCS and SCS)	=	Strategy
Yes	+	In SCS only (not MCS)	=	CSR as symbolic, focus on economic performance, strategy without CSR
Yes	+	In SCS with MCS	=	CSR into strategy

According to Dejean and Gond (2004), the radical transformation of the business environment in the direction of societal responsibility has increased pressure on organizations. As a result of that pressure, corporations have been increasingly integrating CSR into the formulation of their strategies—at least at the symbolic level. Depending on the way management is open or closed to the idea of CSR (Saulquin and Schier, 2005), companies will view it either as a constraint or as an opportunity in the processes of formulating strategy and setting objectives.

2.2 The PMSs Help Formulate and Deploy CSR Strategy

Strategy is built when CSR is integrated into the PMSs, and not vice versa. According to Neely *et al.* (2002, p. 8), “One of the great fallacies of performance measurement is that measures should be derived from strategy.” For Lorino (2001, quoted by Naro and Noguera, 2008), CSR can be part of a “operational-strategic” management system that will ensure that sustainability strategy is translated into concrete actions (being part of the internal processes) and that, as part of a learning process, the organizations learn how to capitalize on feedback. For Norreklit (2000), the design of performance indicators can work as a catalyst for strategy formulation.

Dohou and Berland (2007) concurred, referring to Aggeri *et al.* (2005), who stated that what is essential is moving CSR from a rhetorical concept to concrete actions. Some PMSs (most of them?) seem only “rhetorical oriented” as wrote Norreklit (2000, 2003) for the Balanced Scorecard (BSC) or Norman and McDonald (2004) for the Triple Bottom Line. This paper will refer to those two systems later in the argumentation.

2.3 CSR vs. Strategy

Based on organization’s level of sensitivity to CSR—it can be closed or open to CSR (Saulquin and Schier, 2005)—and using Bessire’s approach (2000), we identified five levels of sensitivity to CSR—or five levels of CSR intentions—that can be used in a synthesizing phase:

On a scale ranging from a very low to a very high sensitivity to CSR, an organization can be considered as a) resigned, b) resilient, c) opportunistic, d) differentiated, or e) activist:

- a) Resignation: CSR gradually invades public and competitive environments and the organization has no choice but to take this new factor into account.

- b) Resilience: To keep its license-to-operate, maintain its market position, and reduce hidden costs, the organization has to keep its legitimacy by complying with a minimum of rules. Beyond the simple compliance, it will ensure its sustainability by maintaining its level of profitability and must adapt its cost structure to be more efficient.
- c) Opportunism: Beyond legitimacy and cost structure efficiency, the organization seeks to take advantage of opportunities that this new CSR environment can offer.
- d) Differentiation: By focusing on developing products and services to meet the expectations of stakeholders, the organization wants to differentiate itself from its competitors.
- e) Activism: CSR is the ultimate goal and the organization seeks thereby to have an influence on the behavior of society in general.

Coming back to the PMSs, when discussing the Sustainability Balanced Scorecard (SBSC; Hockerts, 2001), Bieker *et al.* (2001) and Bieker (2003) adapted the ecological competition strategy model developed by Dyllick *et al.* (1997) and identified four different CSR strategies: clean, efficient, innovative, or progressive. In addition, the authors classify those types of strategies according to the way the organization is reactive or proactive when in relation with the public or the market.

According to Bessire (2000), CSR strategy relies on clear intentions (“for whom and why?”) and clear objectives (“what and how much?”). The way an organization views CSR will give a good idea of the intentions (from resignation to activism) and the performance focus provides a good idea of the objectives. The adapted model (by Bieker and colleagues) described above seems the most relevant approach for combining the two following relationships: CSR vs. strategy and CSR vs. performance. Table 3, annex 1, presents—for the five levels of sensitivity to CSR—how the intentions of an organization can be combined with its key objectives to reach five different strategy profiles.

On the other hand, along this sensitivity scale, performance measurement is more or less focused on achieving financial goals. For the last sensitivity degree, focusing on CSP may jeopardize financial performance in the long run. It can be considered detrimental to long-term sustainability of the organization.

There may be barriers to the integration of CSR into strategy. According to Hoffman and Bazerman (2005, quoted by Moon *et al.*, 2011), those barriers can be cognitive, organizational, or technical. In the strategy formulation process, the barriers are likely to be cognitive: CSR intentions and objectives are not clear or top management lacks commitment to CSR issues. Those barriers can lead an organization to sacrifice its desired CSR intentions (unclear and long-term goals) to profit making (clear and short-term expectations from the shareholders).

Therefore, based on the modeled relationships between CSR and strategy and CSR and performance (table 3, annex 1) and taking into account potential cognitive barriers to integration, a first hypothesis can be proposed: integration of CSR into strategy does not depend only on clear CSR intentions but also on clear CSR objectives.

3 CSP vs. Financial Performance: PMSs Operationalization Barriers May Paradoxically Strengthen the Financial Dimension of Performance

3.1 CSP vs. Financial Performance

The integration of CSR into strategy assumes the organization will expand its performance targets, taking into account non-financial objectives and, more precisely, environmental and social objectives. In this context, CSP and financial performance are theoretically complementary, but they often prove to be conflicting. This leads one to wonder whether there is a link between CSP and financial performance and whether this link is positive or not.

In the past, there was much less ambiguity about the objectives of business organizations than there is today. According to Friedman in 1970 (p. 6), a corporation had only one social responsibility: to increase its profit “within the rules of the game,”—that is to say, the rules of the “open and free competition” world. The author called social responsibility a “fundamentally subversive doctrine.” Today, the fundamental purpose of corporations is supposed to have changed with the sustainable development three pillars approach, which assumed that economic (financial), social, and environmental performance are of equal importance. Performance is no longer being assessed exclusively on the financial dimension. However, some have challenged this so-called balanced performance measurement approach.

According to Allouche and Laroche (2005, p. 3) “there is a ‘likely’ influence of CSR on [...] financial performance of companies.” The issue here is the cause-and-effect relationships between CSP and financial performance.

As CSR is somehow perceived as an obligation, the survival of organizations depends not only on the financial aspects of their operations but also on the way they behave, as stated by Dohou and Berland (2007). We may consider that a strong commitment to CSR can jeopardize the organization’s financial performance in the end. As Saulquin and Schier (2005, p. 8) wrote, “There is no evidence to date that a socially responsible company gets systematically better results in the long run.” In other situations, CSR can be seen as a mere means to achieve other objectives, including financial ones. “It comes to whether societal performance is truly a goal in itself or if it is a means to reach other objectives” (Germain and Trébucq, 2004, p. 40).

To illustrate their work, Allouche and Laroche (2005) used a model developed by Preston and O’Bannon in 1997. In this model, the authors say that CSP can influence financial performance either positively—the better the CSP, the better the financial performance (“*Social Impact Hypothesis*”)—or negatively—CSR means additional costs that can jeopardize financial performance (“*Trade-off Hypothesis*”). On the other hand, financial performance can influence CSP either positively—financial performance means available funds for CSR (“*Available Fund Hypothesis*”)—or negatively—CSR can be sacrificed for financial performance (“*Opportunistic Hypothesis*”). Of course, the authors consider possible that bilateral causal sequences exist, even if they are quite rare.

As stated earlier, CSP is a very complex and multidimensional construct. Mobilizing multiple authors and providing evidence from the banking industry, Simpson and Kohers (2002) have extensively covered this definitional reality. According to them, a large number of investigations have found a positive link between CSP and financial performance and they

refer, among others, to Waddock and Graves (1997), who suggested “[there is] a positive CSP-financial performance link because of a simultaneous relationship combining slack resources and good management which results in a ‘virtuous circle’ between CSP and financial performance” (cited by Simpson and Kohers, 2002, p. 102).

To achieve a “balanced performance measurement” system, companies need balanced PMSs with balanced interactions between MCSs and SCSs. Coming back to Hoffman and Bazerman (2005, quoted by Moon *et al.*, 2011), there may be barriers to the integration of SCSs with MCSs, as there are barriers to the integration of CSR into strategy. In the strategy formulation process the barriers are mainly cognitive. In the strategy deployment process (with integration of CSR into the systems and their operationalization), the barriers are organizational and/or technical–operational–such as organizational coordination, key performance indicators and metrics, links between CSR initiatives and performance, short- and long- term horizons, etc.

To continue to explore the issue of the difficulties of operationalization of PMSs, a focus will be made on two systems that are commonly used in corporations: the sustainability balanced scorecard (SBSC) and the triple bottom line (TBL).

3.2 SBSC and Triple Bottom Line

The SBSC is an adaptation of the traditional BSC (organized around four perspectives: finance, customers, internal processes and learning and growth). According to Bieker *et al.* (2001), the SBSC can be built using five different frameworks.

- One or two indicators in the only traditional perspective that is exposed the most to sustainability issues (“*partial SBSC*”).
- CSR indicators in all four traditional perspectives (“*transversal SBSC*”).
- A specific fifth perspective for CSR added to the four traditional ones (“*additive SBSC*”).
- A mix of transversal and additive SBSC (“*Total SBSC*”).
- For shared services in charge of sustainable development issues only (“*Sustainability Services SBSC*”).

The Triple Bottom Line framework was developed by Elkington in 1997. His model aggregates social and environmental bottom lines with the current economic bottom line. In that way, the analogy of Triple Bottom Line with the three pillars of sustainable development has made this model “the pre-eminent model for business corporations to interpret sustainability” (Bieker *et al.*, 2001). Regarding the possibility of establishing links between two dimensions separately, Hockerts (1996, 1999b, cited by Bieker *et al.*, 2001, p. 3) made the following adaptation: a) the “*business case*,” which links social and environmental dimensions to the economic one (eco-efficiency and social productivity), b) the “*human case*,” which links the economic and environmental dimensions to the social one (economic equity and ecological equity) and c) the “*green case*,” which links economic and social dimensions to the environmental one (eco-efficiency and sufficiency). Ideally, the Triple Bottom Line aggregation concept has to establish a link between the three dimensions.

3.3 Operational Barriers Reinforce the Dominance of Financial Performance over CSP

Apart from organizational issues specific to some corporations or industries, the operational barriers are mainly technical. The most significant of them are finding the appropriate non-financial variables and indicators, making the hypotheses of cause-and-effect relationships between those measures and checking they are eventually relevant, and finally, taking into account the time dimension that confronts most long-term programs that deal with short-term expectations.

As far as global performance is concerned, companies need financial indicators as well as non-financial indicators. According to Ittner and Larcker (2003, p. 88), “[Companies] fail to identify, analyze and act on the right non-financial measures” and “Most business corporations have made little attempt to identify areas of non-financial performance that might advance their chosen strategy.” Also, the choice of appropriate indicators is largely due to the possibility of linking the measures to strategy. Organizations can make major mistakes when they pay attention to non-financial indicators: the measures may not be linked to strategy, the links are not validated, or the right performance targets have not been set or measured correctly.

Another issue is that people “tend to focus on [measures] that have been in use for a while and they are familiar with” (Bukh and Malmi, 2005, p. 5, note¹) or focus “on improving the efficiency of its physical assets only, because that is what gets measured, appraised and evaluated by senior managers” (Hauser and Katz, 1998, cited by Bontis *et al.*, 1999, p. 392).

It seems that the theoretical model of SBSC is limited as a global system as it lacks qualitative and social indicators (Naro and Noguera, 2008, referring to Capron and Quairel, 2006 and Igalens and Gond, 2005). To improve the relevancy of the SBSC indicators, some socio-economic measures can be included, provided they are relevant and reliable and that the validity of constructs and measures has been checked (Naro and Noguera, 2008).

With the Triple Bottom Line model, “bottom line” is the key word. The components of CSP have to be measured using standard indicators and the data derived from those indicators are aggregated to build a social and environmental “bottom line” that we could call a social and environmental Profit (“Goods”) and Loss (“Bads”) Statement (“G&B” versus “P&L”). For the operationalization of Triple Bottom Line, this model supposes—as Norman and McDonald (2004) stressed—that an “agreed-upon methodology” could allow the companies to add and subtract the data they get from the indicators in order to get a net sum. This methodology assumes that people are able to weigh all the pros and cons and agree on a broad common scale to do so. It seems difficult—or impossible—to make quantitative assessments for those kind of measures. According to Norman and McDonald (p. 250), “We are not sure what the social version of this “[bottom] line” should look like, or in what sort of units it should be expressed.” So, without any real “G&B,” companies do not need to get compared on those areas to other actors of the market. Then we are back to the voluntary initiatives, which allow an organization to report what it wants to report—or what it is forced to report—when there is particular pressure from one of its stakeholders.

Correctly identifying the appropriate non-financial variables (as the key drivers of future stakeholder satisfaction) and defining the related metrics are key steps toward designing an

efficient performance measurement framework. But what is essential, too, are the potential links between the different measures.

Various authors have questioned the causal relations between indicators. In 1998, Otley (cited by Germain and Trébucq, 2004) asserted that the BSC cause-and-effect relationship logic was questionable. According to Norreklit (2000), this model is risky because the evidence of a cause-and-effect relationship will appear “after the fact,” and it might be a problem because those relationships will be used to determine the actions/programs that will be the drivers for future (financial) performance. If the causal relationships are invalid, the related performance indicators will be faulty and that will lead to “dysfunctional organizational behavior and sub-optimized performance” (De Haas and Kleinfeld, 1999, cited by the author, p. 75). It happens that BSCs are scorecards that include a set of measures sorted in four (or more) dimensions, and there is no attempt to map the relationships between the indicators. That makes them, according to Bukh and Malmi, more key performance indicators scorecards, as Kaplan and Norton (2001) defined them.

The question remains: are the relationships between indicators generic (established) or assumed (possible)? Kaplan and Norton have not suggested any generic relationships, but they have indicated some links might exist for a particular organization, depending on its strategy and the probability that an improvement in that specific strategy will lead to a desired outcome (Bukh and Malmi, 2005). Norreklit (2000) sees the BSC perspectives to be interdependent. The focus has to be put on the causality between actions and measures, not on the linkage between the perspectives.

The hypothesis of an existing cause-and-effect relationship between two (or more) measures requires taking into account the temporal dimension. When trying to measure the global performance of an organization, companies face potential conflicts between short-term expectations (from the shareholders, for instance) and actions and programs implemented toward sustainability, which will show their results in the long run. According to Norreklit (2000, p. 65), “the financial consequences of the uncompleted chains of action extend beyond the time of measurement.” Thus, if a causal relationship requires a time lag between cause and effect, the time dimension has to be part of the BSC (and the PMSs in general), but it is not the case that all measures are made at the same time: “the effect of the measures will occur at different points of time because the effects of the different areas involve different time scales” (p. 71).

In conclusion, we can quote Bontis *et al.* (1999, p. 396) who wrote, “If financial results are not achieved, then either the causal chain is different from their hypothesis, or time lags are longer than forecasted.” Because it is difficult to identify the relevant non-financial variables and indicators, an organization may be tempted to rely only on financial results to measure and manage its performance. In addition, actions toward sustainable development are supposed to deliver outcomes (some of them being financial results) in the long-term; thus if organizations are not able to check the cause-and-effect relationships between the non-financial and the financial variables, they may be tempted to rely only on financial results to measure and manage their performance (“We were probably good on the sustainable development issues; if it was not the case, the financial results would have been lower.”)

According to this point of view, even if CSR/sustainable development is fully embedded in the organizational strategy, one may wonder whether it is relevant—and possible—to implement

integrated systems to manage global performance or if organizations should use dissociated systems to manage intermediate or dissociated performances.

According to the level of sensitivity to CSR, different links between CSP and financial performance have been found. The degree of predominance of financial performance over CSP is anticipated to vary accordingly, as summarized in table 4, annex 2 (with details related to SBSC and Triple Bottom Line).

Therefore, based on this modeled relationship between CSP and financial performance and taking into account potential operational barriers to integration, a two-fold second hypothesis can be proposed:

- Even if CSR is integrated into strategy, operational barriers can prevent fully integrated PMSs from being developed and implemented,
- Those barriers can lead to strengthening the financial dimension of performance.

The hypotheses presented in the last two chapters (based on the two models we built, CSR vs. strategy (table 3, annex 1) and CSP vs. financial performance (table 4, annex 2)) need to be tested with empirical work. In order to do so, we found the banking industry to be a particularly relevant investigation field.

4 The Banking Industry: a Particularly Relevant Investigation Field

4.1 ESG³ Criteria to Improve the Image and Reputation Risk Management

Since 2008, because of the financial crisis, banks are facing a profound and necessary questioning of what is their role in our societies. A deep loss of confidence from major stakeholders (i.e. customers) led banks to acknowledge that reputation is their most important intangible asset. Therefore, the banking industry faces a two-fold challenge: rebuild its legitimacy and regain its role in the economic and social life of our societies. As Colin Melvin, CEO of Hermes Equity Ownership Services (*Financial Times*, June 14, 2012) said, “As they emerge from the financial crisis, banks have the opportunity to be responsible stewards of the economy.” The corporate world echoes the academic world as Laugel and Lazlo (2009, p. 31) wrote, “The present financial crisis is an opportunity for a new sustainable value creation process in financial institutions.” This new environment gives banks a real opportunity to further integrate CSR into their strategy and daily operations.

Banks’ key objectives are to manage and reduce risk. The most important risk for them is to lose their reputation. To manage and to reduce this risk is to manage three types of risks clearly addressed by the Basel II committee: credit (or counterparty) risk; market risk; and operational risk. Even if this classification is clear, risks are mostly taken into account when they materialize and then impact banks and rarely at the source, when they form. In France, nine banks are members of ORSE⁴ Club Finance. All nine works on a new approach of risk management: the extra-financial dimension of risks needs to be considered in order to

³ Environment, Social and Governance

⁴ Observatoire sur la Responsabilité Sociétale des Entreprises (*Crédit Agricole SA, BPCE (Banque Populaire et Caisses d’Epargne), Crédit Coopératif, La Banque Postale, BNP Paribas, Société Générale, HSBC and Natixis*).

measure the potential impact of stakeholders' actions on banks as well as the potential risks that banks pose to their stakeholders⁵.

CSR can then be associated to risk management with a new approach: consider the ESG risks as a new reading of the other types of risks, mainly operational risks.

Two bank CSR officers, Vantreesse and Courcier (2012, p. 61), in addition to their involvement in ORSE Club Finance, presented a model that links normative repositories such as Basel II or ISO 26000 to evaluation instruments such as GRI indicators. This reconciles the three systems in order to give a better understanding of operational risks with the aim of acknowledging them as they form instead of once they have materialized. As the authors wrote, "Consideration of ESG criteria in risk management becomes a step towards the integration of CSR into management decision making processes of organizations, and towards a better management of image and reputation risk." (p. 62)

This reconciliation of Basel II and ISO 26000 norms with the GRI indicators can refer to what Donaldson and Preston (1995) wrote on the stakeholder theory. The authors considered this theory as being descriptive, instrumental, normative or managerial. Basel II (and then Basel III) gives a normative (categorical) approach to CSR: "you need to do this because this is the right thing to do"; and the ESG criteria (from GRI or EFFAS⁶) give an instrumental (hypothetical) approach to CSR: "if you want to achieve this goal, you should do this". In this context, ISO 26000 can be considered as a normative-instrumental approach.

Linking those repositories is relevant especially as CSR can be approached either on a mandatory basis (Basel II/III) or on a voluntary basis (ESG indicators in PMSs). Richez-Battesti and Boned (2008, p. 2) proposed the same two approaches when they wrote that mutual cooperative banks may have two different strategies: "The first is based on a procedural legitimacy and a specific repository and leads to an integrated approach to CSR [instrumental use of stakeholder theory with ESG indicators in PMSs]. The second, characterized by an imported legitimacy and the use of a normative repository leads to a more or less symbolic mimetic approach [normative use of stakeholder theory with standard repositories]."

Referring back to the model in table 3 (annex 1), an imported legitimacy can be associated with a fragmented performance management as a procedural legitimacy will need a procedural performance management.

4.2 CSR vs. Strategy and CSP vs. Financial Performance for the Banking Industry

This instrumental vs. normative approach leads to the different levels of sensitivity to CSR (from Resignation to Activism) and CSR integration into strategy (from Clean to Progressive) developed in table 3, annex 1.

To see how the two models can be transposed in the banking industry, we can refer to Baret and Chivot (2012) when they used a typology Jeucken proposed in 2004: in terms of CSR, banks can be defensive, preventive, offensive or sustainable.

⁵ This reciprocity in the relationships between the organization and its stakeholders had already been discussed by Neely et al. (2002) with their Performance Prism.

⁶ The European Federation of Financial Analysts Societies

Adapting this typology to our models, it is possible to identify three consistent categories of banks:

- a) For a resignation attitude, banks can be considered as defensive or preventive and mainly use CSR for communication purposes,
- b) For resilience, opportunism and differentiation attitudes, banks can be considered as offensive but in different ways:
 - a. Reactively offensive if resilient, using CSR for communication purposes and in peripheral activities,
 - b. Opportunely offensive if opportunistic, using CSR in peripheral and/or core activities, depending on the opportunities,
 - c. Proactively offensive if looking for differentiation, using CSR to reorganize their value chain and, in some cases, to change the rules of the game.
- c) For activism attitude, banks can be considered as sustainable.

To this updated typology, we can associate and adapt the four sustainability stages as proposed by Laugel and Lazlo (2009) to get the synthesized model in table 5, annex 3.

4.3 Empirical work framework and expected results

In order to test our three models (see annexes), interviews are currently being conducted with twelve banks. It is relevant to enrich the natural opposition between mutual cooperative and commercial banks with the following four categories:

- a) First level of mutual cooperative banks: Crédit Agricole, Banque Populaire (BPCE group) and Caisse d'Épargne (BPCE group) (imported legitimacy and normative repositories according to Richez-Battesti and Boned (2008)),
- b) Second level of mutual cooperative banks and specific noncommercial banks: Crédit Mutuel and Crédit Coopératif (procedural legitimacy and specific repositories according to Richez-Battesti and Boned (2008)) and La Banque Postale (part of a public service group),
- c) Standard commercial banks: BNP Paribas, Société Générale and HSBC,
- d) Commercial banks which are subsidiaries of a mutual cooperative group: LCL (Crédit Agricole), CIC (Crédit Mutuel) and Natixis (BPCE)⁷.

At this stage, some mutual cooperative banks have evolved since 2006 (last year for the data used by Richez-Battesti and Boned (2008)) from a mere normative repository to a more elaborate specific one. This is the case with Crédit Agricole with its FReD⁸ initiative that was launched in 2011 and produced its first indicators for the 2012 period (published in February 2013).

Apart from Crédit Mutuel (and then CIC), all the above banks are—directly or indirectly—involved in the ORSE Club Finance initiatives. To avoid any bias, the first contact with whom we met was the CSR officer representing his or her bank in this group.

⁷ The relationships between mutual cooperative banks and the financial markets explained some of their recent problems (Crédit Agricole SA is listed, not the Caisses Régionales; Natixis is listed, not BPCE).

⁸ FReD : FIDES (Customers), RESPECT (Employees) and DEMETER (Environment); <http://www.credit-agricole.com/Etre-engage-et-responsable/FReD-une-demarche-RSE-originale/Les-premiers-resultats-FReD>

Why are ORSE Club Finance banks at the first level of investigation? The fact that those banks are members of a structure which is dedicated to a continuous watch on CSR issues supposedly shows they have a high level of concern for those issues. But it nevertheless is necessary to go further and to see if (and how) this concern is deployed into strategy and operations.

The second level of interviews is then to be conducted with operational managers involved in the strategy deployment and/or the performance management processes.

Testing the three models aims at validating the hypotheses that have emerged from the literature review:

- Integration of CSR into strategy does not depend only on clear CSR intentions but also on clear CSR objectives,
- Even if CSR is integrated into strategy, operational barriers can prevent fully integrated PMSs from being developed and implemented,
- Those barriers can lead to strengthening the financial dimension of performance.

What outcomes can be expected from this empirical work?

This work intends to build different links between these items as shown in figure 1. For the different levels of banks' sensitivity to CSR, those links are expected to show that, regardless of how CSR is integrated into PMSs and strategy, the financial performance is strengthened or is at least preserved, especially when banks seek to implement fully integrated systems. Those links must be validated.

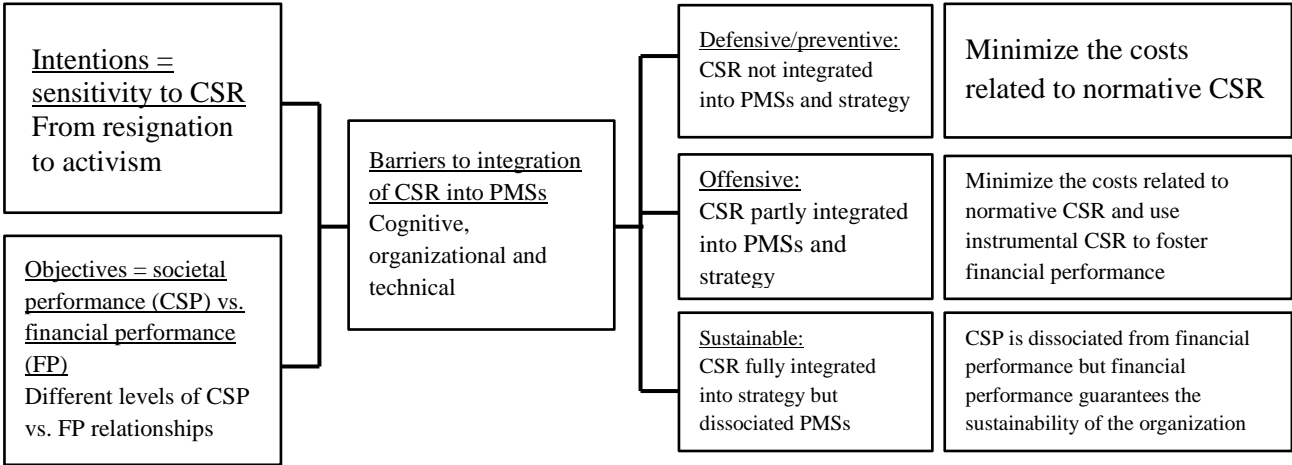


Figure 1

For banks with a low sensitivity to CSR and a defensive/preventive attitude, financial performance is the priority and, even if some CSR programs have to be implemented because of normative constraints, costs related to CSR have to be minimized.

For banks with a variable sensitivity to CSR according to opportunities and an offensive attitude, CSR costs have at least to be minimized or CSR can be a differentiator that contributes to strengthen the financial performance. PMSs can stay dissociated with more or less interactions between them.

For banks with a high sensitivity to CSR and a sustainable attitude, even if CSP is a priority, financial performance guarantees the sustainability of the organization.

This categorization covers many different situations from listed banks which disclose their CSR programs in their annual reports while CSR is hardly integrated into strategy (and not in PMSs) to non-listed activist banks with CSR integrated into strategy and daily operations (“in their DNA”) but without any dedicated PMSs.

5 Conclusion, limits and openings

CSR and sustainable development have become unavoidable in the business environment, and it has become a question of image for companies to communicate about their CSR initiatives. Although CSR can be seen as an obligation in the sense that an organization has duties toward its stakeholders, there is virtually no legal framework binding organizations to follow rules under threat of penalty.

To the extent that companies can communicate about what they want to declare (or are forced to declare), it is necessary to go beyond the communication process and see if CSR is integrated into their strategy and their PMSs. Integrating CSR into the PMSs assumes companies are imbuing financial performance and CSP with the same level of importance, which leads one to wonder whether these areas of performance measurement—which should be complementary—are not conflicting against each other and mainly benefitting financial performance.

Organizations have been found to build CSR strategies on the bases of clear CSR intentions and clear CSR objectives. The objectives-setting process (based on the company’s intentions) includes identifying the appropriate variables and indicators that form the PMSs. Therefore, companies build strategy when they integrate CSR into PMSs.

We built a typology of five levels of sensitivity to CSR and we placed those perspectives in relation with objectives and measurement areas. Those links gave five different CSR vs. strategy relationship profiles.

The integration of CSR into PMSs means different objective focuses and different measurement areas and indicators. We intended to see whether there was a link between CSP and financial performance and whether this link could be positive or negative. We associated our five levels of CSR intentions with the possible links between CSP and financial performance. Then we used two systems commonly used—SBSC and Triple Bottom Line—to discuss the operational barriers an organization can face during the system operationalization process. Those links gave a scale of predominance of financial performance over CSP in the CSP vs. financial performance relationship.

One of the hypotheses was that many barriers can reinforce the dominance of financial performance over CSP. As they are operational in the strategy deployment process, they can be cognitive in the strategy formulation process.

The most important limit of this paper is definitely the absence of results even if a framework for the anticipated outcomes of our empirical study has been proposed.

In order to test our hypotheses, the banking industry has been chosen as a relevant field of investigation and the modeled relationships (table 3, annex 1; table 4, annex 2) have been transposed accordingly (table 5, annex 3).

As CSR becomes increasingly essential to banks, we can anticipate the following developments regarding the three categories identified in the previous chapter:

- a) Banks cannot stay on defensive/preventive positions forever (it might be considered as a transitional position),
- b) The biggest category will be the offensive one where banks will tend to optimize CSP vs. financial performance (and vice versa) and where fully integrated PMSs will not systematically prove to be appropriate,
- c) Few banks will stay in the sustainable category where CSP is clearly the priority provided there is a minimum level of financial performance to guarantee the sustainability of the organization in the long run.

Therefore, for the offensive category of banks, the statement is expected to be the following: striving at any cost to establish causal relationships between CSP and financial performance very likely leads to strengthening the latter over the former and trying to implement fully integrated PMSs probably jeopardizes the CSR ownership by organizations.

However, our paper has opened up new areas of research. We quickly saw that the stakeholder theory was one of the bases of the CSR construct, but we did not develop that point. The question that can legitimately be raised is whether this theory can be used to integrate CSR into PMSs and to enhance organizations' ownership of CSR. Most of the organizations operate under a nexus of contracts and therefore try to take into account the expectations of all their stakeholders while managing potential conflicts between them.

Finally, in their relationships with their stakeholders, as organizations usually operate in a contractual framework, performance management is based upon their ability to fulfill those contracts. In order to do so, PMSs control the outcomes related to contractual objectives.

It nevertheless will be interesting to consider other types of relationships with stakeholders. Those relationships can go beyond the "explicit" contracts and be based on "implicit" contracts, agreements that can emerge, be renewed, updated or abandoned according to environment changes and the impacts of those changes on stakeholders' management. According to Baret (2007), CSR ownership depends on two opposing visions of organizations: a contractual vision of them or a cognitive and institutionalist vision which is based on the theory of conventions and the theory of organizational learning. Conventions are used by the stakeholders (internal and external) of the organization to adapt to new and uncertain situations. Under those conventions, corporations organize themselves according to different conceptions of interest. This seems an interesting approach to lead organizations to really make CSR part of their values and outcomes. Putting CSR at the core values can prove to be a deep cultural change for an organization. To manage this change, organizational learning is likely to be essential.

Beyond saying that the contractual framework locks the relationships with stakeholders on and prevents ownership of CSR by organizations, one may wonder what PMS could be more appropriate to stakeholders' management on the basis of conventions and organizational learning. In this perspective, it is possible to refer to the different control systems Simons

(1995) discussed. Based on what the author wrote, interactive systems (used to support the adaptation of an organization to its changing environment) seem more appropriate than diagnostic systems (used to control the outcomes compared to the objectives, with a natural focus on financial performance) even it is probably relevant to use both systems simultaneously. This could allow disclosing a different relationship between CSP and financial performance.

6 References

- Allouche, J., Laroche, P. (2005). Responsabilité Sociale et Performance Financière des Entreprises: Une Synthèse de la Littérature. Colloque « Responsabilité sociale des entreprises : réalité, mythe ou mystification ? ». Nancy, 18 mars 2005.
- Anthony, R. N. (1965). *Management Planning and Control Systems: A Framework for Analysis*. Harvard Business School Press.
- Baret, P. (2007). Comprendre l'Appropriation de la RSE : quel(s) éclairage(s) théorique(s) ? XVIème Conférence Internationale de Management Stratégique. Montréal, 6-9 juin 2007.
- Baret, P., Chivot, M. (2012). Pertinence des Principes Equateur comme Outil d'Implémentation de la RSE dans le Secteur Bancaire. Congrès AFC, Grenoble, mai 2012.
- Bessire, D. (1999). Définir la Performance. *Comptabilité – Contrôle – Audit* 5 (2): 127-150
- Bessire, D., C.R.I.⁹ (2000). Du Tableau de Bord au Pilotage: l'Entreprise au Risque de se Perdre. 21^{ème} congrès de l'AFC.
- Bieker, T. (2003). Sustainability Management with the Balanced Scorecard. International Summer Academy of Technology Studies.
- Bieker, T., Dyllick, T., Gminder, C. U., Hockerts, K. (2001). Toward A Sustainability Balanced Scorecard Linking Environmental and Social Sustainability to Business Strategy. Oikos PhD Summer Academy. 2001, 14 p.
- Bontis, N., Dragonetti, N. C., Jacobsen, K., Roos, G. (1999). The Knowledge Toolbox: A Review of the Tools Available to Measure and Manage Intangible Resources. *European Management Journal* 17 (4): 391-402.
- Bowen, H. R. (1953). *Social Responsibility of the Businessman*. New York: Harper and Row.
- Bukh, N., Malmi, T. (2005). Re-Examining the Cause-and-Effect Principle of the Balanced Scorecard. In *Accounting in Scandinavia – The Northern Lights* (Eds. Ahonen, G., Jönsson, S., Mouritsen, J.), Liber, Malmö.
- Capron, M., Quairel-Lanoizelee, F. (2006). Evaluer les Stratégies de Développement Durable des Entreprises: l'Utopie Mobilisatrice de la Performance Globale. *Revue de l'Organisation Responsable – Responsible Organization Review* 1 (1): 5-17.
- Carroll, A. B. (1979). A Three-Dimensional Model of Corporate Social Performance. *Academy of Management Review* 4 (4): 497-505.

⁹ Collectif de Recherche sur l'Immatériel (Collective for Research on Intangibles)

- Carroll, A. B. (1999). Corporate Social Responsibility: Evolution of a Definitional Construct. *Business and Society* 38: 268-295.
- Commission of the European Communities (2001). Green Paper: Promoting a European Framework for Corporate Social Responsibility.
- Courcier, J., Vantreese, N. (2012). Maîtrise du Risque Opérationnel et RSE: même combat. *Revue Banque* 747 : 60-62.
- Dejean, F., Gond, J. P. (2004). La Responsabilité Sociétale des Entreprises: Enjeux Stratégiques et Méthodologies de Recherche. *Finance Contrôle Stratégie* 7 (1): 5-31.
- Dohou, A., Berland, N. (2007). Mesure de la Performance Globale des Entreprises. Actes du 28ème Congrès de l'AFC, Poitiers.
- Donaldson, T., Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review* 20 (1): 65-91.
- Elkington, J. (1997). *Cannibals with Forks: The Triple Bottom Line of the 21st Century Business*. Oxford: Capstone.
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Massachusetts, Pitman Publishing Inc.
- Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. In *New York Time Magazine*, 32-33, 122 and 126.
- Germain, C., Trébucq, S. (2004). La Performance Globale de l'Entreprise et son Pilotage: Quelques Réflexions. In *Semaine Sociale Lamy*, N° 1186.
- Global Reporting Initiatives: guidelines (2002). www.globalreporting.org
- Hockerts, K. (2001). Corporate Sustainability Management – Towards Controlling Corporate Ecological and Social Sustainability. 9th International Conference of Greening of Industry Network, Bangkok.
- Ittner, C., Larcker, D. F. (2003). Coming Up Short on Nonfinancial Performance Measurement. *Harvard Business Review*: 88-93
- Kaplan, R., Norton, D. (2001b). Transforming the Balanced Scorecard from Performance Measurement to Strategic Management: Part 1. *American Accounting Association, Accounting Horizons* 15 (1).
- Laugel, J.F., Lazlo, C. (2009). Financial Crisis: the Opportunity for Sustainable Value Creation in Banking and Insurance. *Journal of Corporate Citizenship* 35: 24-38.
- Moon, J., Grubnic, S., Herzig, C., Gond, J. P. (2011). Management Control for Sustainability Strategy. In *Research Executive Summary Series*, CIMA 7 (12).
- Naro, G., Noguera, F. (2008). L'Intégration du Développement Durable dans le Pilotage Stratégique de l'Entreprise : Enjeux et Perspectives des « Sustainability Balanced Scorecards ». *Revue de l'Organisation Responsable – Responsible Organization Review* 1.
- Neely, A., Adams, C. (2002). The Performance Prism, research project: evolution of business performance measurement systems.

- Norman, W., MacDonald, C. (2004). Getting to the Bottom of “Triple Bottom Line”. *Business Ethics Quarterly* 14 (2): 243-262.
- Norreklit, H. (2000). The Balance on the Balanced Scorecard – A Critical Analysis of some of its Assumptions. *Management Accounting Research* 11 (1): 65-88.
- Norreklit, H. (2003). The Balanced Scorecard: What is the Score? A Rhetorical Analysis of the Balanced Scorecard. *Accounting Organizations and Society* 28: 591-619.
- Nouvelles Réglementations Economiques (2001).
- Otley, D. (1999). Performance Management: A Framework for Management Control Systems Research. *Management Accounting Research* 10: 363-382.
- Otley, D. (2003). Management Control and Performance Management: Whence and Wither? *The British Accounting Review*.
- Preston, L. E., O’Bannon, D. P. (1997). The Corporate Social-Financial Performance Relationship: A Typology and Analysis. *Business and Society* 36: 419-429.
- Quairel-Lanoizelee, F. (2006). Contrôle de la Performance et Responsabilité Sociale d’Entreprise, Congrès de l’AFC, Tunis.
- Richez-Battesti, N., Boned, O. (2008). Les Banques Coopératives et la RSE: vers l’explication de leurs spécificités ? Une analyse exploratoire. 3^{ème} congrès du RIODD, Lyon 5-6 juin 2008.
- Saulquin, J. Y. (2008). La Théorie des Parties Prenantes comme Grille de Lecture du Comportement Solidaire des Banques envers la Communauté, 5^{ème} Congrès de l’ADERSE, Grenoble.
- Saulquin, J. Y., Schier, G. (2005). La Responsabilité Sociale d’Entreprise comme Obligation/Occasion de Revisiter le Concept de Performance? Congrès GREFIGE, Nancy, 17 and 18 mars.
- Scholtens, B. (2009). Corporate Social Responsibility in the International Banking Industry. *Journal of Business Ethics* 86: 159-175.
- Simpson, W. G., Kohlers, T. (2002). The Link between Corporate Social and Financial Performance: Evidence from the Banking Industry. *Journal of Business Ethics* 35: 97-109.
- Simons, R. (1994). How Top Managers use Control Systems as Levers of Strategic Renewal. *Strategic Management Journal* 15 (3): 169-189.
- Wood, D. J. (1991a). Corporate Social Performance Revisited. *Academy of Management Review* 16: 691-718.
- Wood, D. J. (2010). Measuring Corporate Social Performance: A Review, *International Journal of Management Review*.

Annex 1

Table 3: CSR vs. Intentions/Objectives/Strategy

CSR INTENTIONS (1)				CSR OBJECTIVES (1): Performance Management (2)				CSR STRATEGY (1)
Rate of sensitivity to CSR	Perceived as...	Listening to Community (3)	Adapting to Business stakeholders' demands (3)	Performance is focused on	Types of indicators	Objectives & measurement areas	Performance management is	Strategy type (3)
Low ↑	A constraint	Reactive		Financial performance	Intermediate operational KPIs that lead to financial results	Get enough legitimacy to maintain market share / license to operate	Fragmented	Clean
	A constraint		Reactive	Financial performance	Intermediate operational KPIs that lead to financial results	Reduction of hidden costs and risks (cost of non-quality, of non compliance to legislation, of absenteeism, etc.)	Fragmented	Efficient
	A constraint turned to an opportunity	Reactive	Reactive	Financial performance	Intermediate operational KPIs that lead to financial results	Take the opportunity of CSR to be (and stay) legitimate and profitable	Opportunistic	Efficient & Clean
	An opportunity		Proactive	Financial performance combined with either Social or Environmental performances	Specific CSR KPIs and intermediate operational KPIs that lead to financial results	Optimize processes to offer products & services which meet stakeholders' needs	Procedural	Innovative
High ↓	More than an opportunity: a vocation	Proactive		Global performance (*)	Specific CSR KPIs	CSR is the finality of the organization	Global (systemic)	Progressive

(1) Adaptation of Bessire (2000).

(2) Adapted from Saulquin and Schier (2005).

(3) Adapted from Dyllick (1997); Bieker et al. (2001); Bieker (2003); Naro & Noguera (2008).

(*) might jeopardize financial performance

KPIs= Key Performance Indicators

Annex 2

Table 4: CSP vs. Financial Performance

CSR Intentions	Link between CSP and financial performance (1)	PMSs				CSP vs. financial performance
Rate of sensitivity to CSR		Triple Bottom Line (2)		SBSC (3)		Predominance of financial performance over CSP
<div style="border: 1px solid black; padding: 2px; background-color: #cccccc; text-align: center; margin-bottom: 5px;">Resignation</div> <div style="text-align: center; margin-bottom: 5px;">↑ Low</div> <div style="border: 1px solid black; padding: 2px; background-color: #cccccc; text-align: center; margin-bottom: 5px;">Resilience</div> <div style="border: 1px solid black; padding: 2px; background-color: #cccccc; text-align: center; margin-bottom: 5px;">Opportunism</div> <div style="border: 1px solid black; padding: 2px; background-color: #cccccc; text-align: center; margin-bottom: 5px;">Differentiation</div> <div style="border: 1px solid black; padding: 2px; background-color: #cccccc; text-align: center; margin-bottom: 5px;">Activism</div> <div style="text-align: center;">↓ High</div>	<p>Negative link (c): "<i>trade-off hypothesis</i>"</p> <p>Negative link (c): "<i>trade-off hypothesis</i>"</p> <p>Negative link (d): "<i>managerial opportunism</i>"</p> <p>Positive links (b): "<i>available fund hypothesis</i>" and (a): "<i>social impact hypothesis</i>"</p> <p>Positive links (a): "<i>social impact hypothesis</i>" and (e): "<i>positive synergy</i>"</p>	NA	NA	Partial SBSC	1 or 2 indicators in BSC axis most exposed to CSR issues	<div style="text-align: center; margin-bottom: 5px;">↑ High</div> <div style="text-align: center; margin-bottom: 5px;">↑</div> <div style="text-align: center; margin-bottom: 5px;">↓</div> <div style="text-align: center;">↓ Low (*)</div>
		Business case	Eco-efficiency + social productivity	Partial SBSC	1 or 2 indicators in BSC axis most exposed to CSR issues	
		Business case	Eco-efficiency + social productivity	Partial (+ additive) SBSC	1 or 2 indicators in BSC axis most exposed to CSR issues + potential 5th axis	
		(business case + green case) or (business case + human case)	(eco-efficiency + social productivity) + (eco-effectivity + sufficiency) or + (economic and ecological equity)	Transversal SBSC	CSR integrated in all the 4 BSC axes	
		The 3 cases	(eco-efficiency + social productivity) + (eco-effectivity + sufficiency) + (economic and ecological equity)	Total SBSC = transversal SBSC + additive SBSC	CSR integrated in all the 4 BSC axes + 5th axis	

(a): the better the CSP, the better the financial performance

(*) provided stakeholders potential conflicts have been solved

(b): financial performance means available funds for CSR

(c): CSP means additional costs that can jeopardize financial performance

(d): CSR can be sacrificed for financial performance

(e): positive synergy between CSP and financial performance

(1) Preston & O'Bannon (1998); (2) Adaptation of Hockerts (1996; 1999b); (3) Adapted from Bieker et al. (2001);

Annex 3

Table 5: Banking Industry

Sensitivity to CSR (see Annexes 1 & 2)	CSR strategy (adapted from Dyllick (1997)) ⁽¹⁾	CSR related bank categories (adapted from Jeucken (2004) and Scholtens (2009)) ⁽²⁾	Sustainability stages (adapted from Lazlo & Laugel (2009)) ⁽²⁾
Resignation	Clean	<u>Defensive</u> “trade-off hypothesis” ⁽³⁾ : higher (lower) levels of societal performance lead to lower (higher) profit	<u>Communication if mandatory</u> <i>PR/Window dressing</i>
		<u>Preventive</u> Regulatory compliance + legitimacy (risk of reputation) Manage some operational risks “trade-off hypothesis” ⁽³⁾	<u>Communication</u> <i>PR/Window dressing: SD reports, green communication, respect for the customer</i>
Resilience	Efficient	<u>Reactively offensive</u> Manage all types of risks: operational, market and credit “win-win” situation with the stakeholders Still focus on legitimacy and “trade-off hypothesis” ⁽³⁾	<u>Communication and peripheral activities</u> <i>Quick wins and lateral resources: direct social/environmental impacts, partnerships with NGOs, philanthropy</i>
Opportunism	Clean and efficient	<u>Opportunely offensive</u> “opportunistic hypothesis” ⁽³⁾ : higher (lower) levels of profit lead to lower (higher) levels of societal performance	<u>Peripheral or core activities according to opportunities</u> <i>With some value chain reorganization</i>
Differentiation	Innovative	<u>Proactively offensive</u> “available fund hypothesis” ⁽³⁾ : higher (lower) levels of profit lead to higher (lower) levels of societal performance and/or “social impact hypothesis” ⁽³⁾ : higher (lower) levels of societal performance lead to higher (lower) profit	<u>Core activities and game change</u> <i>Value chain reorganization, new sustainable products and services, stakeholders’ expectations integrated into strategy</i>
Activism	Progressive	<u>Sustainable</u> Long term projects with a SD perspective “positive synergy” ⁽³⁾ between profit and societal performance	<u>Game change</u>

(1) In Bieker et al. (2001)

(2) In Baret and Chivot (2012)

(3) Preston and O’Bannon (1997)