"I want to use the Balanced Scorecard model for the implementation of sustainability management in my business!"

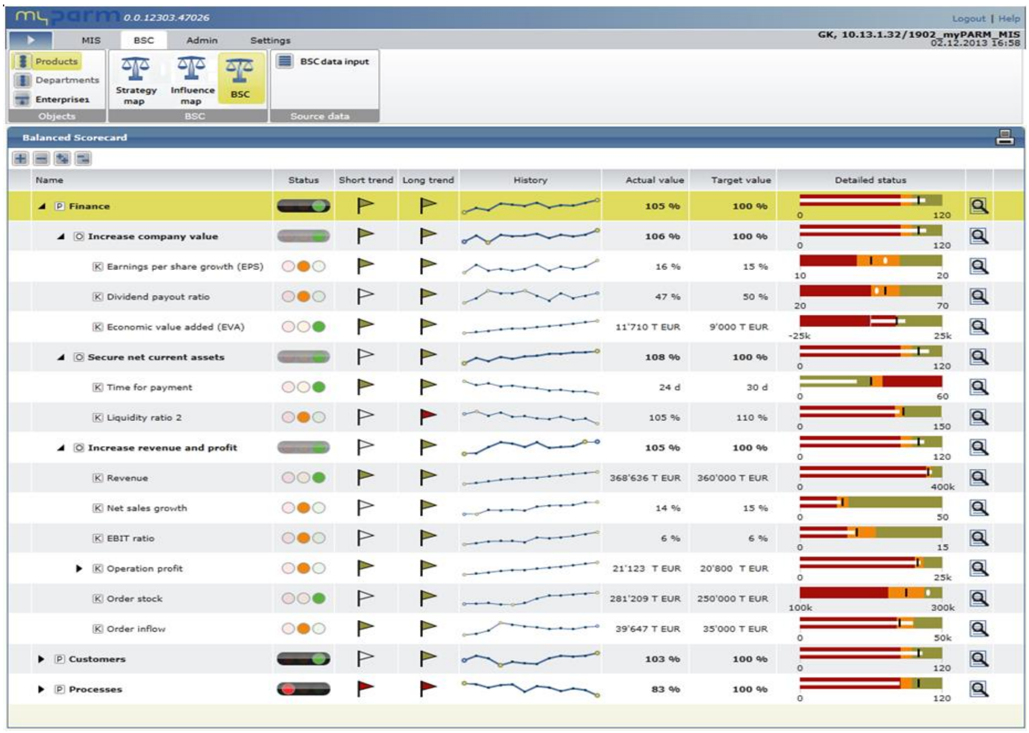
Background

The Commission for Technology and Innovation (CTI) of the Federal Department of Economic Affairs, Education and Research supports a project between St. Gallen University of Applied Sciences and parm ltd.

The project has been set up to integrate companies' sustainability-oriented management policies into their strategy development and implementation processes. To this end, they are categorised by using a maturity level barometer and this is used as a basis for developing specific measures. By using Sustainability Scorecards, the strategies are implemented and the corresponding professional software is developed. Additionally, an approach is being established whereby companies will be able to evaluate the effects of their sustainability management and discover other activities worth pursuing.

Central ideas of the Balanced Scorecard (BSC)

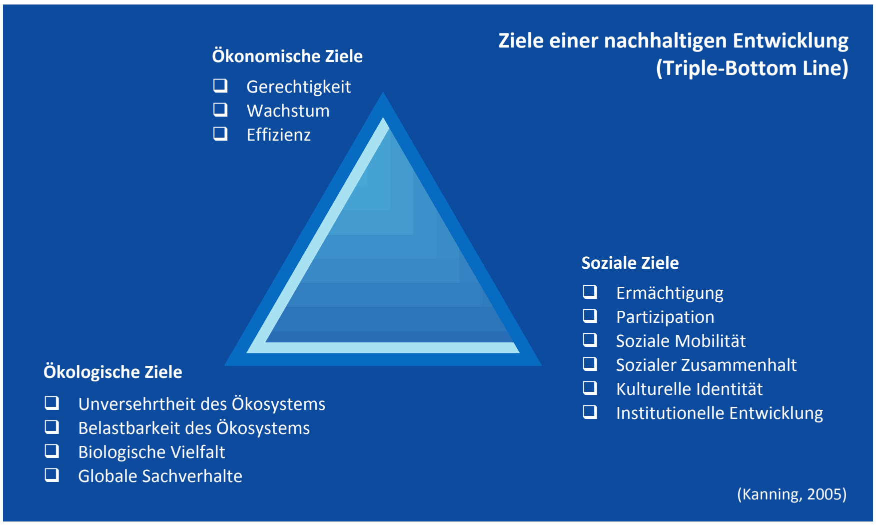
The basic idea behind the Balanced Scorecard developed by Prof. R. Kaplan and Dr. D. Norton in the early 1990s is primarily to look at the financial goals of a company in close conjunction with various performance perspectives. This means the model goes beyond looking at financial figures. The one-dimensional and short-term nature of the familiar system of financial KPIs, that looks back towards the past, is therefore brought into balance with various performance factors such as customers, internal processes and the company's ability to learn. These four perspectives make it possible to achieve a balance between short-term and long-term corporate goals and between metrics and the desired results. Within these perspectives, the vision and strategy (Strategy Map) should be communicated and implemented at all levels of the company management by means of goals, KPIs, requirements, initiatives and specific measures.



Aspects of sustainable development

According to the Brundtland definition [Gro Harlem Brundtland, Our Common Future, WCED 1987], development is sustainable if it "satisfies the needs of the present without running the risk of future generations being unable to satisfy their needs“. There are four key findings associated with this:

1. The key to designing sustainable development processes is the examination of human needs, of both
2. present and future generations.
3. At the same time, this is linked to the ethical demand for a balance between industrial and developing countries and
4. the insight that it is essential to regard economic, social and environmental developments together as a whole.



Putting the above demands into practice is very difficult, partly because it is almost impossible to predict the needs of future generations and partly because economic, environmental and social interests often conflict.

The various players and scope of their responsibility

Sustainable development can only work as a participatory process. The main players are outlined below.

- **State.** The framework or "guide rails" within which economic and social processes can develop in a sustainable way should be defined by policy. The task of policy-makers and the administration is therefore to set appropriate targets, develop suitable indicators and to keep the necessary data to measure the path of sustainability.
- **Academia.** A new academic understanding is needed that no longer relies on a lack of value judgements and instead is geared to specific social issues. This means interdisciplinary boundaries must be crossed.
- **Society** Every individual citizen is urged to act, especially in his or her personal life. That applies to industrialised countries in particular, because it is undisputed that the consumption that citizens of industrialised countries engage in cannot be extended without limit to the whole of humanity. That means that every individual should be frugal with natural resources and help to minimise consumption.
- **Business.** Economies today are mostly not sustainable. Yet it is companies that are crucial to developing and implementing the necessary innovations. Businesses therefore have an important role to play in Corporate Social Responsibility (CSR). Businesses have a wide sphere of influence over their environment. As the economic forces, they shape the market and influence political decisions through interest groups and lobbying. Over and above individual companies, the great challenge is to embed corporate solutions into social development processes.

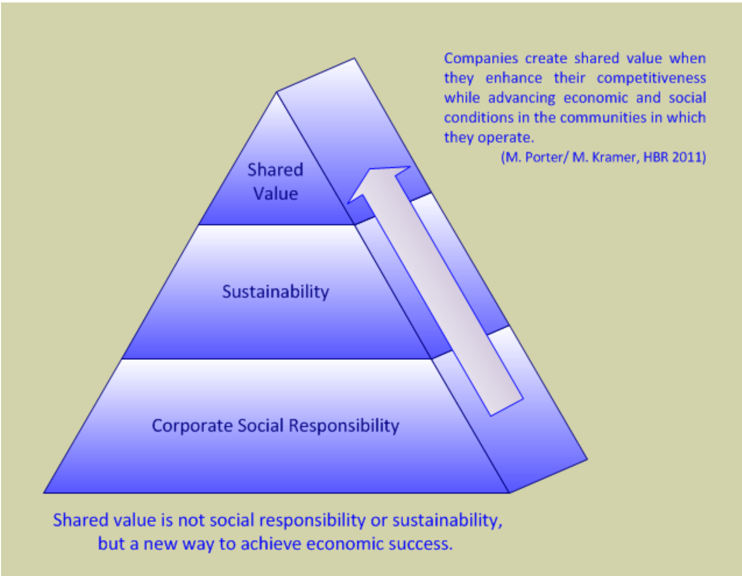
From Corporate Social Responsibility (CSR) to Shared Value

CSR is considered as a (voluntary) contribution to (sustainable) social development which goes beyond the legal demands on businesses. The relevant activities build on the interests and influence of internal and external stakeholders and often stress a shift from economic to social responsibility of businesses. CSR often involves specifying how transactions should be carried out. For instance, the voluntary standard ISO 26000 (2011) "Guidance on social responsibility" contains specific principles on "Accountability", "Transparency", "Ethical behaviour", "Respect for the interests of stakeholders", "Respect for the rule of law", "Respect for international standards of conduct" and "Respect for human rights".

In their study of CSR activities in companies, Porter and Kramer [M. Porter and M. Kramer, Harvard Business School, 2011] conclude that such activities are widespread, but they are often unproductive and fragmented. As a result, companies miss out on major opportunities to make a contribution to society and to improve their competitive position. One of the causes of this problem is a lack of harmonisation between CSR activities and the strategy and core competences of a company; another is an artificial juxtaposition of business and society. Successful companies need a well-functioning society and a well-functioning society needs successful companies.

Whether social issues have strategic relevance for a company depends on the industry and the company in question. The closer the association between a social problem and a company's business, the greater the potential to use the company's resources to solve it and hence to create a social benefit. The Shared Value is intended to help identify such opportunities.

The Shared Value concept contains guidelines and best practice to increase the competitiveness of a company while at the same time improving the economic and social conditions of society by concentrating on identifying and strengthening the connections between social and economic progress.



The concept is based on the assumption that both economic and social questions need to be asked when it comes to values. In this case, a value is the benefit achieved in relation to the costs. Creating value is a well-established concept in business - profit is the difference between revenues received from customers and costs. However, companies have hitherto only rarely analysed social issues from this value perspective, and that conceals the link between social and economic progress.

Thinking in terms of value categories is even more rare in the social sector. Charitable organisations and governments often only measure success by the results achieved or the resources invested. If they shift to a value perspective, they will develop must more interest in co-operating with business.

Porter and Kramer highlight three ways of utilising Shared Value potential:

- Meeting social needs
- Improvements along the value chain
- Support for the local social environment.

Sustainable development in corporate practice

Companies play a key role in the implementation (whether local, regional or global) because they are both the cause of and the solution to the problem. The basis for the perception of corporate responsibility in enterprises is often the standards they set for their own activities (Codes of Conduct).

In recent years there have been increasing calls for multinational corporations to not only take responsibility for their own actions, but also for those of their supply chain. There are three different views of the scope of corporate responsibility:

1. The first thesis assumes that implementation of environmental protection and human rights is the responsibility of the State. In this case, companies would be only passive players that are required to comply with prescribed rules.
2. Building on this, the second thesis calls on companies not to accept the low environmental and social standards of many developing and emerging countries but to actively help ensure that international human rights and environmental standards are observed and enshrined in law in each country. This also relates to the supply chains.
3. The third thesis calls on companies to engage in active advocacy to the State for an improvement in environmental standards and human rights.

Companies are at the interface between these responsibilities and must attempt to position themselves in global society while remaining competitive.

Integrated sustainability management using the Balanced Scorecard

From the point of view of environmental management research and practice, a focus on sustainability and strategy is becoming increasingly significant because the environmental management systems are largely geared to detailed regulations at operational level. From an operational sustainability management perspective, modern strategic management systems such as the Balanced Scorecard are ideal for incorporating the strategy aspect into corporate environmental and sustainability management. Together with a downstream operational project management system, it is possible to implement a comprehensive and holistic management system and/or a comprehensive control system.

Instead of viewing individual aspects in isolation, an integral view of the economic, environmental and social dimensions of sustainability should be taken (triple bottom line) and integrated into operational decisions and actions. It is a great challenge for companies to consider the three dimensions in an integrated and balanced way as part of a management concept. An integrated system that goes beyond a normal ERP system is essential to avoid the formation of parallel management systems within the same company, to reduce interface problems and to minimise the ensuing co-ordination and harmonisation costs.

The Balanced Scorecard is particularly suitable as a management system because the environmental and social aspects that are relevant to sustainability are frequently of high quality and often impact on companies via non-market mechanisms. Both financial and non-financial factors, and hence also the environmental and social aspects, can be taken into account in the Balanced Scorecard. Furthermore, environmental and social aspects can be aligned to the strategy implementation and hence the long-term success of the company via cause-effect chains.

However, the use of the traditional Balance Scorecard in the implementation of sustainability strategies requires a corresponding conceptual modification of the traditional Balanced Scorecard. Structural openness and multi-dimensionality mean that there are different ways for this to be carried out.

Unsere Software basiert auf folgenden Konzepten, u.a.:

Balanced Scorecard (D. Norton, R. Kaplan, HBS)
Enterprise Project Portfolio Management (R. Bayney)
Multi-Criteria Decision Analysis (E. Triantaphyllou)
Stochastische / deterministische Simulation (u.a. Monte Carlo)
Projektmanagementstandards (PRINCE2, PMBOK, ICB, Scrum)
Soft Factors im Projektmanagement (A. Huber et.al.)
Sustainable Development (G.H. Brundtland, WCED)
International Accounting Standards (IFRS, IAS)
Risiko- und Chancenmanagement (ISO 31000)
Getting Things Done (D. Allen)
Capability Maturity Model Integration (SEI)
Compliance (Sarbanes-Oxley-Act)
IT Governance (COBIT)
Szenariotechnik (H. Kahn)

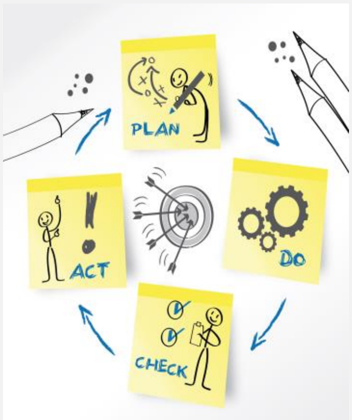


Figure: These topics are integrated into the myPARM software.

From the point of view of multilingual software, this includes the following functionalities:

The myPARM RFS Strategy Model

Strategy Map, BSC, KPI, Targets, Cause-Effect Relationships, Initiatives, Aligning Multiple Organisational Units, Governance, Risk & Compliance, Portfolio Optimisation, Scoring by Weighted Strategic Criteria, Simulation, Early Warning Alarm System, Lessons Learned, Collaboration, Duty Management etc.

The myPARM PM Project Model

Idea generation, Programs, Products, Projects, WBS, GANTT, Budgeting, Resource Allocation, Stakeholders, Logs, Risk Management, Deming Cycle, Workflow Engine, Time & Material, Earned Value Analysis, Invoicing, Project Accounting, Enterprise Content Management, Form & Report Development etc.

myPARM Premium Integrated Framework™

The purpose of projects is to implement strategies. So far, so good. However what is the situation with regard to linking strategy and project work in companies? The development of the vision, mission and strategy is the preserve of the management, who are often far removed from the implementation and who consider project management as a method not to be their "cup of tea" because it is simply about defining and meeting schedules.

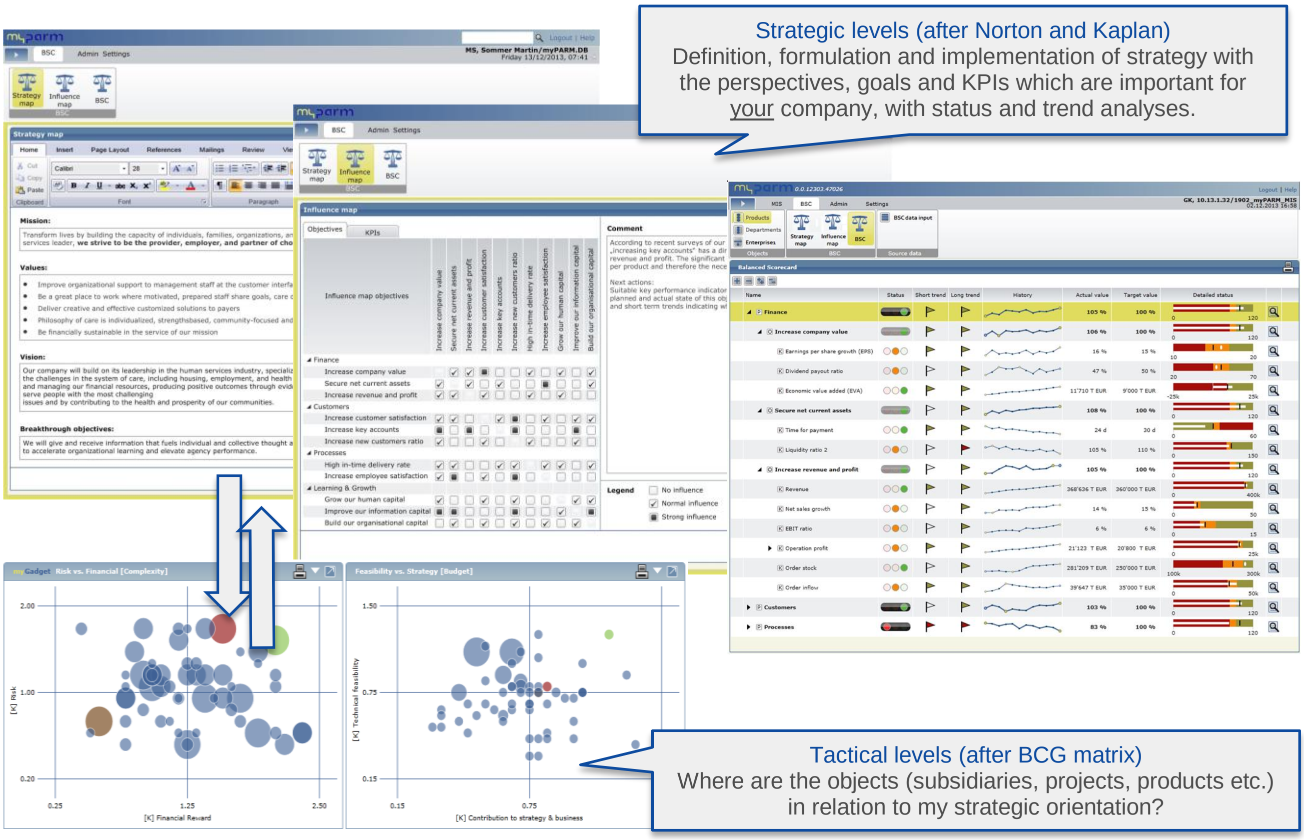
myPARM closes the yawning gap between strategists and project managers or between management at the strategic level and management of projects.

Implementation by parm ltd.

"Reform starts at the top. Change must be a top-down process" [Hermann Simon].

The Sustainability Balanced Scorecard's contribution to the individual enterprise is crucial to success. Ultimately the tool must manage to show the opportunities, reduced risks and benefits to the company that it brings.

parm ltd. will offer the consulting partner the software and will support the partner and clients in the implementation phase.



Final remark

The issue of the "Sustainable Balanced Scorecard" is just ONE example of many - it can be expanded to other specific issues in the myPARM philosophy.

Further information

If you have any questions, contact Mr Eduard Pfister, who will be happy to answer them personally.
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