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Measuring sustainability in practice: Exploring the inclusion of sustainability into corporate performance systems in Brazilian case studies

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Abstract

Given the challenge of measuring corporate sustainability in practice, the aim of the present exploratory research is to investigate the incorporation of sustainability in corporate performance measurement systems, towards sustainability performance measurement system (SPMS). More specifically, the research seeks to explore the factors that affect the interaction between sustainability indicators regarding their relative priority for decision making and to investigate how firms include sustainability indicators into their corporate performance measurement systems. To address these objectives, cross-sector case studies were conducted in five firms located in Brazil. Data were collected based on semi-structured interviews and triangulated with published reports and internal documents. The results show four performance measurement systems that encompass sustainability indicators: (a) periodic performance measurement system of a specific area/department; (b) individual performance assessment; (c) sustainability reporting; and (d) project assessment. The paper value lies in bringing a structured view of integrating sustainability in a corporate performance measurement system, based on empirical evidence. However, further research is still needed to develop a more integrative and dynamic SPMS encompassing both leading and lagging indicators to better understand the priorities, interactions and tradeoffs between sustainability indicators.

Keywords: Corporate sustainability, Performance measurement system, Sustainability indicators, Tradeoffs, Case study.

1 Introduction

Given the limits of nature (Hardin, 1968; Holling, 1986; Meadows et al., 1972) and the obligation to consider the needs of society (not only those of shareholders) (Marcus et al., 2010), without compromising economic dimension (Elkington, 1997), organizations are driven towards developing a more sustainable way of managing business. Several approaches to corporate sustainability have emerged to help companies face this challenge (Schneider and Meins, 2012; Lee, 2012), particularly performance indices (Dow Jones Sustainability Index, 2008; Global Reporting Initiative – GRI, 2006) and international standards guidelines (Social Accountability – SA 8000; ISO 14000 and 26000). However, these approaches have been criticized as being merely recommendations (Lee, 2012), superficial rather than effective (Figge et al., 2002).

Considering that corporate performance measurement systems (PMSs), indicators and bonuses may affect their actions and decision-making (Hauser and Katz, 1998), any company aiming to be sustainable must develop a PMS that can incorporate sustainability performance measures, in a normatively desirable sustainable scenario (Vergragt and Quist, 2011), creating a series of aligned consequences. Such a system may be useful to provide information for decision makers, to promote organizational learning and to encourage stakeholder engagement (Veleva and Ellenbecker, 2001). However, there is a lack of integration between sustainability performance indicators and strategic performance measurement systems (Briassoulis, 2001, Schneider and Meins, 2012). This integration is critical to incorporate

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