Chapter 1

Management Accounting: The Sustainable Strategy Map and Its Associated Sustainability Balanced Scorecard

Gary Cokins
https://orcid.org/0000-0001-9832-0114
Analytics-Based Performance Management LLC, USA

Sorinel Căpușneanu
https://orcid.org/0000-0003-3799-3993
Titu Maiorescu University, Romania

ABSTRACT

This chapter illustrates some aspects of sustainability balanced scorecard and its implementation within an economic entity in the aluminum industry. The main objectives of this chapter are to present balanced scorecard and integrate the fifth pillar into sustainability balanced scorecard, including some of its considerations and challenges. The authors identify the causes of SBSC appearance and its conceptualevolving treatments, some considerations stemming from the practical experience of specialists, but also some current and future challenges. The focus is on the implementation of the SBSC within an economic entity in the aluminum industry by presenting an original case study. It highlights the steps taken in designing and presenting the SBSC, including the architecture of the strategic sustainability map used to translate the strategic objectives of the entity and the performance indicators. Through the authors’ contribution, a new conceptual-empirical framework is created to consider debate and aspects of sustainability encountered in the business environment around the world.

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INTRODUCTION

Management of sustainable performance is one of the phenomena faced by the current business environment, and in particular, management corporations. The focus of management on profitability remains the main objective of any company, but it must also take into account the sustainability of social, economic and environmental aspects. Under these circumstances, managerial decisions need to be adjusted and strongly substantiated, considering the information required by internal and external stakeholders, including financial reporting. The information requirements of customers and other stakeholders (shareholders, investors, population, various regulatory organisms, etc.) are steadily increasing, and some companies face certain problems in implementing the concept of sustainability and environmental reporting. Due to the differences between performance management systems and their users, it can be considered as a current challenge. A key role in the process of globalization and the fulfillment of sustainability goals is the main actors, the companies. They are responsible for social and environmental issues, but also for creating wealth in an economy by creating new jobs. Environmental issues can become strategic influences on a company’s image, profitability, competitiveness, markets and products and can affect its future in economic survival (Lansiluoto & Jarvenpaa, 2010).

Many of the implemented social and environmental management systems work only at the operating level, not being related to strategic planning and company management. Balanced scorecard presents an ideal solution for integrating environmental and social aspects into a company’s management system, allowing for clarification of visions and strategies by translating them into viable actions. Due to the fact that it provides a feedback on the internal business processes and the external results of the actions, BSC is a continuous improvement tool for achieving strategic performance and results (Johansson and Larson, 2015). The main objectives of this chapter are: (1) the presentation of the Balanced Scorecard evolution and its considerations, (2) the integration, evolution and challenges of the Sustainability Balanced Scorecard, and (3) the implementation of the Sustainability Balanced Scorecard within an economic entity in the aluminum industry.

BACKGROUND

Balanced Scorecard (BSC): Evolution and Some Considerations

Balanced Scorecard philosophy is based on the cause-effect relationship that functions as a strategic management tool with four perspectives: financial, customer, internal processes and learning-growth. Kaplan and Norton (1996) defined the cause-effect relationship as a logical chain transforming intangible assets into corporal value by uniting management and the gap of indicators. All the objectives of each perspective are related to the cause-effect relationship. BSC has emerged in response to the limitations and shortcomings of traditional performance measurement systems due to inconsistency with fixed strategies, data overload and short-term guidelines (Kaplan, 1984; Johnson & Kaplan, 1987; Chandler, 1990; Ittner & Larcker, 1998; Neely, 1999). Specialists have introduced this concept as recognition of age-related challenges, in particular the need to integrate intangible asset measurement into management systems (Kaplan, 2010). In other words, a company’s missions and strategies have been translated into a set of performance indicators, providing a framework for a strategic management and measurement system by interlinking the four perspectives.
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