FINANCIAL AND SOCIAL SUSTAINABILITY: SOME DETERMINANTS AND THEIR IMPACTS ON PERFORMANCE

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ABSTRACT

The purpose of this paper is to investigate the determinants of financial and social performance that help firms to identify factors in their sustainable development. Data for this study were collected using a survey questionnaire mailed to 800 American and Canadian companies in November 2008. Useable responses were gathered from 64 manufacturing firms until February 2009. In a changing environment, strategy plays an important role in both financial and social performance, and firms need to adjust their strategies to consider changes in their environment. This research recommends that firms adopt flexible strategies that would allow for the continuous integration of changes in their external environment into their strategic objectives to achieve sustainable social, environmental, and financial performance. Though not significant, this research provides empirical evidence of which determinants have an impact on the performance of the company and also provides directions that would help improve performance—social, environmental and financial.

INTRODUCTION

Achieving a sustainable level of performance requires firms to seek long-term financial success on the basis of respecting their obligations towards society and the environment. Success is also affected by their strategies and operations in market and non-market environments (Barron, 2000). Recent global events provide evidence that powerful activist groups and media coverage in societies can make non-market strategies even more important (Orlitzky, Schmidt, & Rynes, 2003). Prior studies provide evidence, which is not conclusive, as to the relationship between a corporation's social performance and its financial performance (Jones & Wicks, 1999; McWilliams & Siegel, 2001; Husted, 2000). Instrumental stakeholder theory (Clarkson 1995; Donaldson & Preston, 1995; Mitchell & Agle, 1997) suggests a positive relationship between corporate social performance and financial performance. By balancing the appeals of multiple stakeholders, managers can increase the efficiency of adaptation to external demands (Orlitzky, Schmidt, & Rynes, 2003), and this would, it is argued, lead to better financial performance.

The balanced scorecard (BSC) approach is designed to enable managers to measure, evaluate, and guide business activities as well as to enhance their problem-solving and decision-making capabilities by examining cross-functional relationships (Kaplan & Norton, 2001, 2004). The BSC approach further allows for the evaluation of managerial activities from the viewpoints of both tangible and intangible financial and non-financial aspects. The BSC, in its turn, allows for

the appraisal of customer, employee, supplies and other stakeholder satisfaction by considering feedback (Chen, Yang, Chen, Chen, & Chen, 2010; Hu, Yang & Islam, 2010; Islam, Yang, & Mia, 2012). Liyanage and Kumar (2003) used the BSC approach for the monitoring of managerial effects on business operations and performance.

The current study attempts to respond to questions by organizations and society on how financial and social sustainability are intertwined. In addition to addressing the current status on the above issue, in this study, the researchers attempt to shed some light on the situations prevailing in the surveyed companies in North America.

The remainder of the paper is organized as follows. The next section is devoted to literature review and hypotheses development, followed by method, results, conclusion, limitations, and future research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

A business exists within an environment, namely, an environment (e.g., competitors, economic and social system, legal and political, environmental and others) consisting of the actions of other players who are external to the business. Competitors' actions attempt to gain an advantage over others by differentiating their product and service. The sustainability of the company's strengths and advantages depends on the relative advantage gained over competing companies. There are other environmental considerations, such as economic (the allocation of scare resources), social (the fabric of ideas, attitudes, and behavior patterns that are involved in human relationships—in particular, businesses are influenced by consumer attitudes and behaviors), political/legal (the rules and frameworks within which a business operates), environmental (the natural system in which life takes place, and companies have become increasingly aware of the relationship between economic activities, i.e., offering goods and services, and the effects that this has on the environmental system), and others. In the interaction with their environments, companies try to maintain a sustainable performance level.

Sustainable competitive advantage is a business strategy that drives long-term corporate growth and profitability by mandating the inclusion of environmental and social issues in the business model. It enables the generation of a maximum increase in company, consumer, and employee value by embracing opportunities and managing risks derived from environmental and social developments. According to a recent study in the *Ivey Business Journal*, a business model must combine and continually maintain four elements to achieve a sustainable competitive advantage. In the context of long-term growth and development for organizations, the elements are critical. The four elements are sustainable competitive advantage development, corporate social responsibility (CSR), stakeholders, and corporate accountability, which combined together may ensure sustainable business practices and performance, including financial.

It has also been argued that multi-perspective performance measurement systems designed and adopted by corporations (for example, the balanced scorecard) that also include non-financial

measurements play a role in financial performance (Bedford, Brown, Malmi, &Sivabalan, 2008; Malmi, 2001; Ittner, Larcker, &Randall, 2003; Hoque & James, 2000).

It has been documented by Gadenne, Mia, Sands, Winata, and Hooi (2012) that sustainability takes the form of multi-faceted obligations of corporations that go beyond stockholders-management responsibility (Goodpaster, 2001) and that recognition of that responsibility will have an impact on overall corporate sustainability (Greenwood, 2001). Tsoutsoura (2004), Bakker et al. (2005), Fischer and Swaczyn (2013), Orlitzky et al. (2011) recently documented that there is a positive relationship and interaction between CSR and corporate financial performance. Elfenheim and McManus (2010) found that charity-linked products appear to sell at a premium, raising the sales revenue, helping to achieve economic objectives, and favouring potential sales growth. Similar results have been documented in studies by Orliztsky, Schnidft, and Rynes (2003) and Lev et al. (2010). Interestingly, Mia and Al-Mamun (2011) documented that corporate social disclosure is not significantly associated with leverage and profitability but associated with size. However, there is a dearth of research available that shows how stakeholders' interests push corporate sustainability performance (Neely, Adams, & Kennerley, 2002). Organizations need to transform their objectives into practice in each area of performance and identify measurement indicators to achieve sustainability (Gadenne, Mia, Sands, Winata, & Hooi, 2012). Therefore, this study recognizes the results of previous studies on sustainability (for example, Ferreira, Keswani, Miguel & Ramos, 2012; Burritt, Hahn & Schaltegger, 2002) as well as balanced scorecard perspectives (Kaplan & Norton, 1992) that underscore the magnitude of corporate social responsibility.

Finding a balance between financial success and the firm's environmental and social responsibilities is a difficult task in a market that is fixated on the firm's reported earnings (Degeorge, Patel, & Zeckhauser, 1999; Wassmer et al. 2012). Epstein, Buhovac and Yuthas (2010) present a corporate sustainability model that integrates the firm's inputs and processes, leading to the firm's achieving its sustainable goals in terms of social, environmental, and financial performance. In this study, we examine a part of this model that draws the relation between the firm's external environment, its strategy, and its outcomes in terms of achieving a sustainable level of performance. Epstein, Buhovac and Yuthas (2010) suggest that the external environment is a determinant of the firm's strategy that embodies the external variables and guides the firm's output towards a sustainable performance level. A business exists within an environment (e.g., competitors, economic and social system, legal and political, environmental, and others) consisting of the actions of players who are external to the business. Competitors' actions attempt to gain an advantage over each other by differentiating their products and services. Therefore, developing a strategy that integrates the different parameters of the firm's external environment and reflects the firm's sustainability objectives is fundamental to achieving these objectives. Our research question examines how the firm's strategy would embody the dynamic and continuously changing external environment in order to achieve the firm's objectives of a sustainable performance. Our results show that firms in our sample use highly planned strategies in response to a changing environment. This strategy affects both financial and social performance negatively. Thus, we recommend using emergent strategy in their current environment, which is dynamic and evolving.

While operating in and around environments, companies respect environmental and social efficiency as well as the absolute level of environmental and social resource consumption that might measure the effectiveness of the company operations in this area. Therefore, a sustainable performance level, it may be argued, is a simultaneously attributable economic, environmental, and social aspect, where the companies through their operations boost financial and social performance in a sustainable way. Sustainable performance level depends on the value created (company creates extra value while ensuring that every environmental and social impact is constant in total) whenever benefits exceed costs. One approach to measuring corporate sustainable performance considers external costs caused by environmental and social damage or focuses on the ratio between value creation and resource consumption.

Tang, Hull and Rothenberg (2012) and Yang, Colvin and Wong, (2013) studies show that firm profits are shaped by how firms engage in CSR from a context-focused approach i.e., when the firms adopt a CSR engagement strategy. Another study (Cheng, Ioannou, & Serafeim (2014) shows that firms with CSR performs better in terms of lower capital constraints. It has also been documented that the CSR having been adopted as a strategy, CSR works as moderator for increasing the impact on performance (Kemper, Schilke, Reimann, Wang, & Brettel, 2013). Yang, Colvin and Wong (2013) study also shows that CSR components are not fixed rather it depends on institutional conditions, organization specific factors, different cultural values, national wealth, and importantly, public sensitivity towards social and environmental concern.

Strategy is a broad and sometimes opaque term; therefore, there are many definitions for a firm's strategy. According to Miles, Snow and Meyer (1978) firms could be classified by their defender, prospector, or analyzer strategies. Meanwhile, Porter (1980) distinguishes between firms based on their cost leadership, differentiation, or focus strategies. Mintzberg (1978) develops a general framework that contains these definitions. He differentiates between a planned strategy, which is a premeditated and fixed strategy that goes from formulation to realization, and an emergent strategy, which is a flexible strategy that adapts to the day-to-day operational changes and ends up building the firm's strategy. In this research study, we examine which type of strategy would better accommodate the continuous changes in the firm's external environment so as to derive the firm's sustainable performance. We hypothesize that an emergent strategy is more suitable for a firm that operates in a dynamic environment, since it will evolve according to the changes in the external environment and will enable the firm to achieve a more sustainable performance. Studies show that the BSC approach has emerged as a tool to evaluate company operations in a desired area. In this research, we apply the BSC approach to explore the financial and social sustainability of companies. The model is presented in Figure 1.

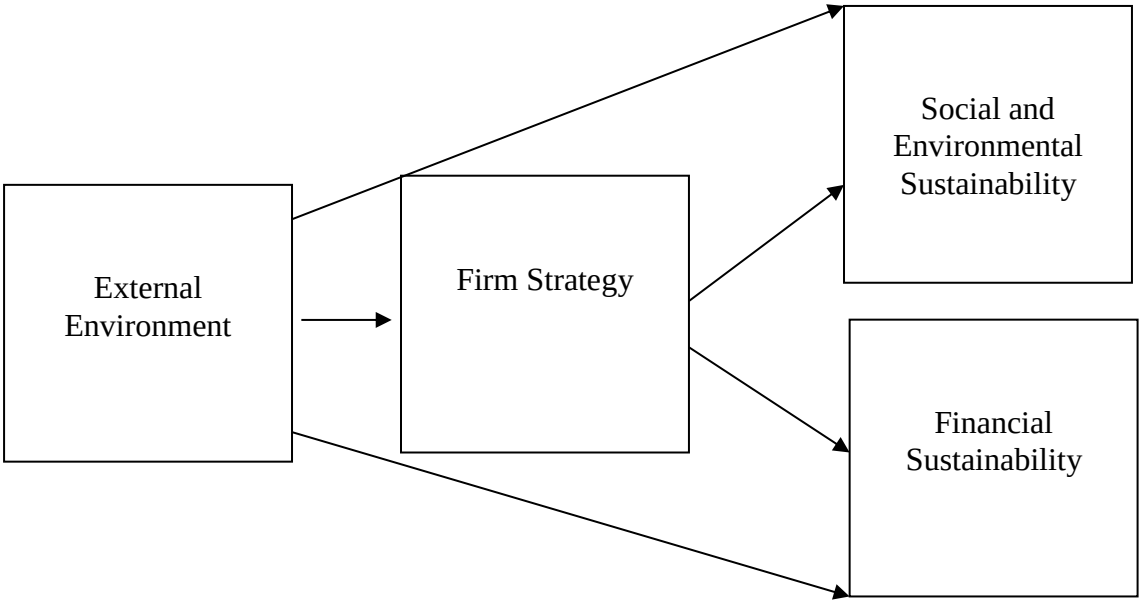

FIGURE 1: FINANCIAL AND SOCIAL SUSTAINABILITY ROUTE

Based on this foundation, we hypothesize as follows:

H1: In a dynamic external environment, an emergent strategy is more suitable in helping a firm to achieve a more sustainable performance level.

Thus, we predict a negative relation between planned strategy and the instability of the environment. The more unstable the environment, the less use of planned strategy should be observed and vice versa. Then, we test the effect of strategy on firm financial and social performance. If the emergent strategy fits the firm's unstable environment, we expect to see a negative relation between planned strategy and performance.

H2: There is a negative relation between planned strategy and financial performance in an unstable environment

H3: There is a negative relation between planned strategy and social performance in an unstable environment

METHODOLOGY

This study is based on the data from a survey developed by Islam and Tadros (2012). The survey questionnaire was sent to individuals in management teams in 800 American and Canadian companies by mail in November 2008, and it was followed up with phone calls two weeks after the mailing date. Finally, responses were gathered from 64 manufacturing firms who confirmed using the BSC (we received a total of 91 responses, giving us a response rate of 11.4%) in February 2009.

Table 1 shows the characteristics of the respondents in terms of their age and the size of the company. Sixty percent of the respondents are male, and forty percent are female. They have a mean age of 50, which lies between 31 and 60. Tables 2 and 3 show the distribution of our sample, based on size. Annual sales and number of employees are considered as measures of the size of the companies in our sample. The mean annual sales of respondent firms (for those who answered this part, 61 firms) are 4.3, which, based on the defined categories, corresponds to $100 million or more. The mean number of employees is 3.09, corresponding to 300 to 400 employees. Table 4 shows the positions of the respondents in the firms. Thirty-one are members of the top management team, six are from the accounting department, 23 are "others," and four respondents did not indicate their positions.

TABLE 1: RESPONDENT'S CHARACTERISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
SALES	61	1	6	4.30	1.321
EMPLOYEE	55	1	6	3.09	1.482
AGE	38	31	60	50.32	8.457

Sample selection

TABLE 2: SIZE (ANNUAL SALE)

Sales	Frequency	Valid Percent	Cumulative Percent
Less than $ 100,000	3	4.9	4.9
$100,000 to $499,999	6	9.8	14.8
$500,000 to $999,999	3	4.9	19.7
$ 1 million or more	14	23.0	42.6
$100 million or more	28	45.9	88.5
$500million or more	7	11.5	100.0
Total	61	100.0	

TABLE 3: SIZE (NUMBER OF EMPLOYEES)

	Frequency	Valid Percent	Cumulative Percent
Less than 100 employees	12	21.8	21.8
100 to 200 employees	4	7.3	29.1
200 to 300 employees	18	32.7	61.8
300 to 400 employees	14	25.5	87.3
400 to 500 employees	2	3.6	90.9
500 employees or more	5	9.1	100.0
Total	55	100.0	

TABLE 4: RESPONDENTS' POSITION

position	Top Management Team	Accounting	Others	Blank	Total
Number	31	6	23	4	64

Definition of Variables

Table 5 shows the measures that we use to proxy for different variables used in our study.

TABLE 5: QUESTIONS

Strategy

	Strongly Disagree						Strongly Agree
1. My Organization's strategic priorities is carefully planned and well understood before any significant competitive actions are taken.	1	2	3	4	5	6	7
2. Formal strategic plans serve as the basis for our competitive actions.	1	2	3	4	5	6	7
3. Competitive strategy for my Organization typically results from a formal business planning process (i.e., the formal plan precedes the action).	1	2	3	4	5	6	7

Environment

1. How intense is each of the following for your organization?

	Negligibly intense						Extremely intense
Raw materials and components purchase negotiations	1	2	3	4	5	6	7

2. During the past 5 years, the legal and/ or political compliance requirements for product or service provision by your organization have:

Remained about the same	1	2	3	4	5	6	7 Have proliferated greatly

3. How stable is the technological environment facing your organization?

	Very stable (changing slowly)						Very dynamic (changing rapidly)
(i) Product technology (made or used)	1	2	3	4	5	6	7
(ii) Manufacturing technology (to make products or to provide services)	1	2	3	4	5	6	7

4. During the past 5 years, the tastes and preferences of your customers have become:

Much easier to predict	1	2	3	4	5	6	7 Much harder to predict

5. The expected life cycle of the products in your industry is:

Very stable (changing slowly)	1	2	3	4	5	6	7 Very dynamic (changing rapidly)

6. How stable is the social environment (such as conservation, green movement) facing your firm?

Very stable (changing slowly) 1 2 3 4 5 6 7 Very dynamic (changing rapidly)

7. During the past 5 years, the financial constraints surrounding your organization have:

Remained about the same 1 2 3 4 5 6 7 Have proliferated greatly

8. How stable is your organization's relationship with:

		Highly stable						Highly unstable
(i)	Regulatory bodies	1	2	3	4	5	6	7
(ii)	Industry Associations	1	2	3	4	5	6	7

Organization's Performance

With four (**4**) representing the industry average, please indicate **your** Organization's **overall** performance over the past 3 years in the following areas by rating it on a scale below ranging from one (significantly below average) to seven (significantly above average). If any of the following performance indicators is NOT currently used in evaluating your Organization's performance, please indicate by selecting zero (**0**) beside those specific performance indicators.

Social Performance

	Significantly below average						Significantly above average	
1. Decrease in percentage of waste and rework (or error correction)	0	1	2	3	4	5	6	7
2. Workplace relations	0	1	2	3	4	5	6	7
3. Employee training and development	0	1	2	3	4	5	6	7
4. Your company's budget for waste management	0	1	2	3	4	5	6	7

Financial performance

1. Number of successful new products introduced	0	1	2	3	4	5	6	7
2. Time to market (make available to public) new products	0	1	2	3	4	5	6	7
3. Percentage of sales from new products	0	1	2	3	4	5	6	7
4. Profit (surplus) before tax from operations	0	1	2	3	4	5	6	7
5. Development of markets for new or existing products	0	1	2	3	4	5	6	7

FIRM STRATEGY*:* Following Mintzberg (1978), we analyze whether a firm's strategy is planned (deliberate) or emergent. The survey asks the respondents how the strategy has evolved—whether it is pre-planned or whether it has evolved over time.

ENVIRONMENT: We ask the respondents to answer a broad array of questions covering areas such as industry competitiveness, legal environment, technological dynamism, customer taste and preference, product dynamism, social and political environment, financial constraints, and relationship with stakeholders. We think that all these factors make up the environment that a firm has to interact with for business reasons. Our goal was to cover a broad array of internal and external environment factors to capture within this variable.

PERFORMANCE: We use a large number of indicators to proxy for firm performance. We use factor analysis to reduce some of the factors that could be linked together. We ask questions to extract information regarding financial as well as social performance measures within this variable.

For social performance, we ask respondents to answer questions regarding employee training, waste management budget, waste output situation, etc. On the other hand, for financial performance, we ask them questions regarding profit, sales arising from new products, number of successful new products launched, and market share, etc., comparing theirs with the industry average.

Model

We use the model in Figure 1 to test for the role of the firm's strategy in bridging the gap between the firm's inputs and outputs. We also control in our model for any direct effect of the environment on financial and social performance.

The survey questions used to measure each construct are presented in Table 5. We also use factor analysis to choose the factors that explain each variable better. Table 5 shows the questions that we use in our analysis, and Table 6 presents the results of the factor analysis and reliability for each measure.

The results of the factor analysis for strategy presented in Table 6, panel A, show that all three questions load on one factor. Cronbach's Alpha for Strategy is 0.69, which is acceptable. Panel B indicates the factor analysis for the environment. There are three factors, which we keep, because they have eigenvalues greater than 1. The reliability measure is 0.76 for the environment. Panel C identifies results for financial performance with two factors, and the reliability measure equals 0.75. Finally, panel D shows the social performance with one factor, and Cronbach's Alpha equals 0.78.

We proxy for future financial performance using non-financial indicators, since they are good indicators of future performance (Ittner & Larcker, 1998). After the factor analysis, we use the structural equation model to test our model:

Firm strategy = f (Environment),

Financial Performance = f (Firm strategy), and

Social Performance = f (Firm Strategy).

In summary, we consider a firm's strategy to be a function of its surrounding environment (political, legal, social, financial, etc.) and we expect the social and financial performances in turn to be a function of firm's strategy.

TABLE 6: FACTOR ANALYSIS

Panel A: Strategy

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.908	63.590	63.590	1.908	63.590	63.590
2	.741	24.684	88.274			
3	.352	11.726	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
K8	.713
K13	.608
K14	.842
K22	.865
K23	.735

Reliability Statistics

Cronbach's Alpha	N of Items
.784	5

Panel B: Environment

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.692	36.917	36.917	3.692	36.917	36.917	3.223	32.229	32.229
2	1.897	18.966	55.884	1.897	18.966	55.884	2.225	22.250	54.479
3	1.345	13.454	69.337	1.345	13.454	69.337	1.486	14.858	69.337
4	.885	8.849	78.186						
5	.612	6.121	84.307						
6	.559	5.589	89.896						
7	.353	3.533	93.429						
8	.271	2.713	96.142						
9	.232	2.321	98.463						
10	.154	1.537	100.000						

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization
Rotation converged in 4 iterations.

Panel C: Financial Performance

Rotated Component Matrix[a]

	Component		
	1	2	3
J1	.611	.089	.209
J8	-.140	-.164	.860
J9	.874	.009	.107
J10	.879	.035	-.106
J12	.578	.221	-.139
J13	.811	.159	.105
J14	.479	.607	.165
J15	.247	.090	.778
J19	.030	.931	-.126
J20	.103	.934	-.025

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Reliability Statistics

Cronbach's Alpha	N of Items
.763	10

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.569	51.372	51.372	2.569	51.372	51.372
2	1.020	20.402	71.774	1.020	20.402	71.774
3	.644	12.872	84.646			
4	.467	9.332	93.978			
5	.301	6.022	100.000			

Extraction Method: Principal Component Analysis.

Panel D: Social Performance

Rotated Component Matrix[a]

	Component	
	1	2
K12	.398	.596
K16	.562	.666
K17	.814	.195
K19	.885	.059
K21	-.066	.908

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Reliability Statistics

Cronbach's Alpha	N of Items
.749	5

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.874	57.485	57.485	2.874	57.485	57.485
2	.751	15.028	72.513			
3	.613	12.268	84.780			
4	.453	9.052	93.833			
5	.308	6.167	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]	
	Component
	1
K8	.713
K13	.608
K14	.842
K22	.865
K23	.735

Reliability Statistics	
Cronbach's Alpha	N of Items
.784	5

Extraction Method: Principal Component Analysis
a. 1 component extracted.

RESULTS

Descriptive statistics

Following Kwok and Sharp (1998), we test the reliability of the different measures using Cronbach Alpha and use the results of the factor analysis to assess the validity of our constructs. The results presented in Table 6 show that we have an acceptable level of internal consistency, with Cronbach Alpha values being between 0.69 and 0.8. The high factor loadings for different variable constructs ensure that the different measures are representing the constructs we want to measure.

The factor analysis for the elements of strategy results in two components: we retain the first component, which explains 63% of the variability in the data. This component loads positively on the elements of a "planned strategy" and negatively on the elements of an "emergent strategy." Similarly, for environment, we pick the first component, which explains 37% of the variability; for the financial performance, component 1 explains 51%, and for social performance, the only component explains 57% of the variability.

Descriptive statistics for our four variables, presented in Table 7, show that firms in our sample operate in a highly unstable environment (mean=4.55). They mainly implement a planned strategy (mean=5.7). Their financial performance and social performance are around the average for their industries. This is in line with our second and third hypotheses. We expect that firms with a planned strategy will perform poorly both on the social and the financial performance fronts. We can observe from the descriptive statistics that the social and financial performance measures are below industry average. So, predominantly planned-strategy followers are on average performing worse than the industry average.

TABLE 7: DESCRIPTIVE STATISTICS

Variable	Mean
Environment	4.55
Strategy	5.7
Financial performance	3.68
Social performance	3.58

Main Results

The results presented in Table 8, for our structural equation model, show that a dynamic and continuously changing external environment leads a firm to adopt a planned strategy, which emphasizes careful formulation of the firm's strategic objectives before moving on to the implementation of these objectives. Table 8 also shows the effect of a firm's measure of social and environmental sustainability on the firm's strategy. The results show that a planned strategy is negatively associated with the firm's achieving its social and sustainability objectives;

however, the results are not significant. Finally, a planned strategy is negatively associated with measures of future financial performance; however, the results are not significant as well.

Part two of Table 8 shows that 21% of changes in strategy can be explained by changes in the environment. Changes in strategy are linked to 8% and 2% of financial and social performance, respectively. These results also indicate the low level of the effect of planned strategy on sustainable development.

The final part of Table 8 shows the good fit of our model. The model fits the data well.

TABLE 8: RESULTS OF STRUCTURAL EQUATION MODEL

Hypothesis	Description of path	Path coefficient	Z statistic
H1	Environment → Strategy	0.48	2.66*
H2	Strategy → Financial performance	-0.27	-1.56
H3	Strategy → Social Performance	-0.0057	-0.037

*Significant at 5%

Dependent Variable	R2
Strategy	0.21
Financial Performance	0.083
Social Performance	0.024

Global Goodness of Fit Statistics, Missing Data Case
-2ln(L) for the saturated model = 3787.396
-2ln(L) for the fitted model = 4198.870
Degrees of Freedom = 225
Full Information ML Chi-Square = 411.47 (P = 0.00)
Root Mean Square Error of Approximation (RMSEA) = 0.12
90 Percent Confidence Interval for RMSEA = (0.10 ; 0.14)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.00

CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

Implications for Managers and Decision Makers-Even in changing times, a company will always have to operate in a way to satisfy its stakeholders. Financial performance is a critical component of the standing of a corporation, but corporate social performance is rapidly introducing itself as being an essential criterion on which a company is rated. Despite its spending nature, corporate social performance has been proven to not be inconsistent with stakeholders' wealth maximization. It has been proposed that the relationship between corporate social and financial performances is bidirectional and spontaneous (Orliztsky, Schmidt and Rynes, 2003). This implies that no company can do proper financial reporting without being compliant with social sustainability. Furthermore, as the relationship between corporate social and financial performances is bidirectional, achieving social sustainability can lead to greater financial performances as the social recognition of the company is enhanced. Managers and

decision makers can no longer deny the use of effective social strategy and should keep social sustainability in mind when planning for the future. For example, society now condemns the use of child labor more than ever; many brands who have been using the services of child workers are shunned. Decision makers can no longer choose strategies based on their future financial benefits only; they will have to take into account the social acceptance factors of the market. In order to operationalize and optimize a strategy, managers will have to make efforts to satisfy stakeholders and communities as well. Prime examples of social sustainability affecting company's reputation are the Exxon Mobile oil spill of 2013 and Walmart and the controversy vis-à-vis the minimum wage of their value-adding employees. If operating mishaps such as those are left untended, brand reputation of any company will deteriorate and will cause a decrease in financial performance. Without undertaking socially sustainable efforts, a company now cannot be said to be respecting financial duties towards its stakeholders.

Our results show that adapting a planned strategy in the current unstable environment affects a firm's financial and social performance negatively. We understand that, in response to high levels of instability in their external environment, firms attempt to adopt a planned strategy, which requires careful planning of strategic objectives. However, planned strategies, in contrast to emerging strategies, are rigid strategies that might not respond to changes in the variables constituting the firm's external environment. Therefore, we find that adopting these planned strategies have no positive impact on firms' long-term social, environmental, or financial performance. Therefore, we encourage firms to adopt emergent, flexible strategies that allow for the continuous integration of changes in their external environment into their strategic objectives in order for them to achieve their desirable outcomes of sustainable social, environmental, and financial performance.

One of the limitations is the sample size, which is relatively small; therefore, results cannot be generalized without further study. Data collection during the period 2008–2009 could have created some noise because of the economic depression at that time, and the responses, therefore, were smaller than expected. However, more research must be conducted to confirm the conclusion of the current research.

Future research should be directed towards using different constructs incorporating measures of items such as different performance benchmarking, technological environment, social environment, strategy, firm size, and others.

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Journal of International Business Disciplines

Volume 11, Number 2 November 2016

Published By:
International Academy of Business Disciplines and Frostburg State University

ISSN 1934-1822 WWW.JIBD.ORG