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An Interactive Sustainability Management Approach to Implement CSR Initiatives

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Abstract

Facing pressure from institutional investors and other stakeholders an increasing number of executives are investing in Corporate Social Responsibility (CSR) initiatives to improve the environmental and social performance of their companies. The paper argues that unique CSR implementation challenges impede the successful implementation of CSR initiatives when employing existing strategy implementation tools, specifically, the balanced scorecard and levers of control. To enable executives to overcome the CSR initiative implementation challenges and maximise the benefit from their firm's CSR initiatives, the paper proposes a set of interactive CSR initiative implementation steps to complement the balanced scorecard and levers of control--the Interactive Sustainability Management (ISM) approach. By encouraging manager and employee input, discussion, reflection, and learning about how to improve the corporation's environmental and social performance the new implementation approach helps to overcome the challenges faced by the balanced scorecard and levers of control when implementing CSR initiatives.

Keywords: Balanced Scorecard; Corporate Social Responsibility; Environment; Levers of Control; Society

1. Introduction

Implementing corporate social responsibility (CSR) initiatives is a form of self-regulation intended to improve the well-being of society and the environmental (Sheeny, 2014). Today, phenomena, such as severe weather events due to climate change, loss of biodiversity, water scarcity, social unrest, and economic inequity, have triggered a multitude of

pressing issues demanding corporate attention (Alvarez et al., 2020; Ratnatunga and D'Souza, 2019; Sharma, 2020). In response to the pressure to address the environmental and social challenges faced by the planet and its people, many executives are implementing CSR initiatives (Battilana et al., 2022; Kaplan, 2020).

Improving CSR performance involves successfully implementing initiatives to reduce the negative environmental and social impacts caused by companies beyond what is required by law (Crouch, 2006; Sheehan et al., 2023; McWilliams, Seigel & Wright, 2006). Many CSR initiatives involve accepting lower corporate profitability in the short term for better corporate financial, environmental, and social performance in the longer term (Battilana et al., 2022; Chen, Hung & Wang, 2018; Kaplan, 2020; Lee & Hageman, 2018). Some examples of CSR initiatives that reduce short-term profitability include purchasing hydro or wind power instead of using fossil fuels, investing in diversity, equity, and inclusion initiatives, monitoring the supply chain for labour abuse, paying employees living wages instead of the mandated minimum wages, and energy retrofits in buildings.

To date, implementation of many company-led CSR initiatives have not made material progress on the critical environmental and social issues affecting the planet and its people (Jain et al., 2020; Serafeim, 2020; Sheehan et al., 2023). For example, corporations that have publicly committed to improving their CSR performance, such as those that signed the Business Roundtable Statement of Purpose in 2019, are struggling to live up to their pledges (Sheehan et al., 2023). A study of corporate environmental and social violations found that 118 of the 200+ Business Roundtable Statement of Purpose signatories had more environmental and social regulatory violations than peers who were not Business Roundtable Statement of Purpose signatories (Raghunandan & Rajgopal, in press). More recently, BP and Shell both rolled back their pledges to reduce carbon emissions by 2030; favouring higher shareholder returns over improving their CSR performance (Limb, 2023).

This paper argues that poor firm-level CSR performance partly stems from using strategy implementation tools that are not well-suited for the implementation of CSR improvement initiatives. In the sections that follow, the paper identifies the CSR implementation challenges that confound existing strategy implementation tools. Next, the shortcomings of the two most popular strategy implementation tools, Kaplan and Norton's (2001a, b) balanced scorecard (BSC) and Simons (1995) levers

of control, when implementing CSR initiatives are described. While the BSC and levers of control are important tools to employ to implement CSR initiatives, we argue they will not ensure the CSR initiatives maximise the firm's environmental and social performance.

To address the shortcomings of the BSC and levers of control, the paper outlines a new CSR strategy implementation approach to augment these two strategy implementation tools, the Interactive Sustainability Management approach. The Interactive Sustainability Management approach asks managers to translate the corporation's CSR objectives for their direct reports, and then discuss how their direct reports can best reach these, where employees, managers and executives have input as to which employee tasks need to be introduced and which need to be revised. In this way, we argue the firms can maximise their positive impact on the environment and society as well as amplifying the positive recognition the firm receives from institutional investors and stakeholders. The discussion in this section of the paper then illustrates how the approach helps to implement CSR initiatives and enumerates its benefits.

2. CSR Initiative Implementation Challenges

2.1 CSR Initiatives Are Difficult to Identify and Measure

Corporate impacts on critical environmental and social issues, such as climate change, air pollution, water security, resource depletion, systemic discrimination, inequality, and poverty, are ambiguous and complex (Lozano, 2012; Searcy, 2012). CSR issues are also dynamic phenomena, meaning they present a moving target (Zeisel, 2020). These characteristics makes it difficult for executives to determine linkages between social and environmental causes and the impact of the firm's CSR initiatives. The result is many executives struggle to identify which CSR initiatives will be most effective (Klettner, Clarke & Boersma, 2014; Mio, Venturelli & Leopizzi, 2015; Pryshlakivsky & Searcy, 2017; Sharma, 2000).

Most CSR issues have long time horizons, meaning it may take corporations several years before they can credibly demonstrate to their stakeholders that they have made a positive impact (Dyllick & Muff, 2016; Wang et al., 2016). Further, it may be difficult to identify metrics and measurement methods that stakeholders agree track the progress of the corporations' CSR initiatives (Maas, Schaltegger & Crutzen, 2016; Pryshlakivsky & Searcy, 2017; Wang et al., 2016). Evidence of the lack of credible corporate social and environmental performance measures is demonstrated in two ways: 1) Studies that reveal the low correlations

between different ESG rating agencies, such as Sustainalytics, MSCI ESG Research, Moody's, and Bloomberg, for the same firm (Charlin, Cifuentes & Alfaro, 2022). 2) And studies that find that "environmental and social reports are largely deficient in qualitative aspects of completeness, accuracy, transparency and relevance" (Tilt et al., 2018, p. 51). The complex, ambiguous, and dynamic nature of CSR issues means it is challenging to identify effective CSR initiatives to pursue and to measure progress of firm's CSR initiatives on its' CSR objectives; all of which act as significant barriers for executives to successfully implement CSR initiatives.

2.2 CSR Policies and Implementation Processes Are Not Easy to Integrate

Most CSR objectives are not easily integrated into companies' current set of business processes and company policies (Laasch & Conoway, 2015). To successfully enact CSR objectives executives must significantly revise their existing profit-maximising processes and policies or develop new processes and policies that enable CSR activities (Shevchenko, Levesque & Pagell, 2016).

To reduce employee resistance and identify a richer set of ideas when implementing new CSR initiatives, it is advisable to solicit input from employees prior to integrating the new CSR activities into employees' formal job descriptions. Direct employee involvement in identifying organization's CSR initiatives mitigates the challenge of identifying what CSR initiatives should be implemented. Employees possess the tacit knowledge of how their daily tasks should be adapted to meet corporate environmental and social objectives (Asif et al., 2013). For these reasons, actively involving employees in aligning their work tasks to the corporation's CSR objectives improves the quality of the CSR initiatives selected for implementation as well as employee support for the CSR initiatives (Renwick, Redman & Maguire, 2013). In conclusion, the challenge for companies to adopt a broad consultative approach to identify CSR issues and revise relevant policies presents a barrier to successful implementation of CSR initiatives.

2.3 The Conflict Between Financial and CSR Performance and An Employee Bias to Prioritise Financial Performance

Employees' beliefs impact how they allocate their time and resources to improve the firm's financial, environmental, and social performance (Lueg & Radlach, 2016; Merriman et al., 2016; Pryshlakivsky & Searcy, 2017; Srirejeki, 2023). One specific belief that influences employees' CSR efforts is their belief in the need to maximise shareholder returns (Klettner, et al., 2014; Pryshlakivsky & Searcy, 2017; Serafeim, 2014). Employees who believe that the corporations' primary objective is to maximise shareholder returns may be biased to invest resources in initiatives that increase corporate financial returns over CSR initiatives that decrease financial returns (Bhattacharya & Polman, 2017). External pressure from financial markets to maximise short-term financial returns may enhance this tendency and lead some employees to hesitate to propose or implement what they view as costly CSR initiatives (Klettner, et al., 2014; Pryshlakivsky & Searcy, 2017; Serafeim, 2014) despite evidence that such initiatives will help attain the firm's CSR objectives. For example, a study found that when business professionals were asked to evaluate managers' performance, they were biased towards rewarding financial performance, even when informed that the CEO supported CSR (Bento, Mertins & White, 2017). Another study found that participants favored initiatives that had financial benefits over those that only improved CSR performance (Merriman et al., 2016).

Employees appear to understand that if their firm implements CSR initiatives, such as paying employees higher wages than legally mandated (i.e., being socially responsible), decreasing pollution emissions beyond what is required by legislation (i.e., being environmentally responsible), and passing on profitable investment opportunities that cause environmental damage, they will be at a competitive disadvantage to rivals that focus only on maximising short-term profits and shareholder returns (Serafeim, 2014).

Managers [1] beliefs and actions are influenced by strategy implementation systems that are typically employed to maximise corporate

[1] We use the terms, "employee," "manager" and "executive" throughout the paper with a view that there is a hierarchy of levels in the corporate workforce with executives at the top, managers in the middle, and

profitability. For example, if the firm only rewards financial performance, then managers and employees may be reluctant to implement CSR initiatives that will negatively impact their bonuses (Henri & Journeault, 2010), or the bonuses of their superiors (Bento et al., 2017). As one oil and gas executive explained, "[W]ithout compensation incentive beyond short-term business objectives and P&L numbers, there is no incentive to do anything on sustainability" (Cueller et al., 2022: 6-7).

Further, while it is common to justify implementing CSR initiatives using a business case, this practice may unwittingly exacerbate employees' bias to maximise financial performance (Bansal & Song, 2017; Kaplan, 2020). Employees may be unwilling to invest in CSR initiatives beyond what is legally required, as the implicit message is that the corporation is only implementing CSR initiatives to increase shareholder returns, and thus managers may feel pressured to conform to this economic logic (Bansal & Song, 2017). For this reason, some argue that employees' bias to maximise shareholder returns is one of the biggest challenges to improving long-term corporate sustainability (Hilliard, 2013; Sheehan et al., 2023).

The balanced scorecard and levers of control are employed to improve the firm's financial performance. These strategy implementation tools enhance firm profitability by aligning the tasks that firm's employees perform with the tasks the employees need to perform to execute the firm's profit-seeking strategy (Kaplan & Norton, 2001a, b; Simons, 1994, 1995). The next sections highlight aspects of Kaplan and Norton's (2001a, b) balanced scorecard (BSC) and Simons (1995) levers of control.

3. Using the BSC to Implement CSR Initiatives

Leveraging the power of measurement to monitor and improve an entity's performance, the balanced scorecard is one of the most applied strategy implementation tools (Bento et al., 2017; Laing, 2018). By clearly communicating expectations and assigning accountability the BSC motivates employees to complete the tasks that lead to successfully maximising corporate profitability (Kaplan and Norton, 2001a). When employees' actions fall short of their performance targets, subsequent

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employees at the bottom. We recognize that this is highly contextual within an organization.

discussions between managers and their direct reports encourages reflection, learning and improvement (Kaplan and Norton, 2001a, b).

By increasing the communication of and accountability to the firms' CSR objectives, corporations that attempt to implement CSR initiatives using the BSC have experienced mixed success (Agostino & Arnaboldi, 2012; Bento et al., 2017; Figge et. al., 2002; Journeault, 2016). For example, Novo Nordisk successfully integrated CSR initiatives into their operations after its' executives pushed the corporate BSC down to the business units, and then to the level of individual employees (Morsing & Oswald, 2009). Employees then met with their managers to set targets and review their progress on a biannual basis, which helped drive employee reflection, learning and change at Novo Nordisk. Similarly, ENEL, a large Italian utility firm, benefited from using a BSC to implement its CSR strategy. It created individual-level CSR key performance indicators that helped guide employees' CSR activities, and even led to the creation of new CSR processes (Yuan, Bao & Verbeke, 2011).

We argue that a BSC may be appropriate to implement CSR initiatives if executives can identify which CSR initiatives to implement and the appropriate type and number of metrics to measure the success of the firm's CSR initiatives. While identifying environmental measures is typically straightforward (e.g., the amount of carbon emitted by the firm), the measurement of corporate environmental impact is not. For example, many firms are struggling to reliably measure their Scope 3 carbon emissions (Loh, 2022). Identifying social measures is more challenging as it involves meeting with key stakeholders to define their expectations and coming to agreement on the appropriate measurement methods and measures (Asif et al., 2013). Given this shortcoming, the first reason the BSC is ill-suited for CSR initiative implementation is that it is essential that firms develop a sufficient number of environmental and social that adequately measure the corporations' impact on the environment and their stakeholders (Arjaliès & Mundy, 2013; Pryshlakivsky & Searcy, 2017).

The second reason that the BSC is ill-suited for CSR initiative implementation is that it is common to link employee incentives to the achievement of corporate BSC objectives; a tactic that increases employee motivation to achieve their BSC objectives (Kaplan & Norton, 2001a). While linking employee rewards to profitability is logical in profit maximizing firms, it is not advisable to use financial incentives to reward superior employee CSR performance due to the concerns with ill-defined CSR measures or the reliability of CSR measures (Mio et al., 2015). Given

this, using financial incentives to motivate employee CSR initiative implementation is likely to have mixed success. Additionally, reward systems that focus on financial objectives may divert employee attention away from their CSR objectives or crowd out their intrinsic motivation to implement CSR initiatives (Arjaliès & Mundy, 2013; Crutzen, Zvezdov, and Schaltegger, 2017; Sharma, 2000). When implementing CSR initiatives, it is better to assess employee CSR performance using a qualitative evaluation of the employees' achievement of pre-set objectives and then reward superior CSR performance using non-financial incentives, such as training, time off, preferred parking (Renwick et al., 2013), and/or providing more managerial responsibility or promotions (Masanet-Llodra, 2006).

A shortage of established, quantifiable, reliable social and environmental measures to track the performance of a company's CSR initiatives, as well as lack of experience with employee CSR incentives means that is not advisable to solely employ a BSC to implement its CSR initiatives. However, the BSC has many desirable aspects as a strategy implementation tool due to its structure, emphasis on cause-and-effect linkages between activities and outcomes, as well as its success in communicating strategy across the firm. For this reason, we recommend that the shortcomings encountered when using the BSC to implement CSR initiatives can be overcome by complementing the BSC with another strategy implementation aid—the Interactive Sustainability Management (ISM) approach, introduced below. The ISM approach can be employed to overcome the CSR implementation challenges when used in conjunction with popular strategy implementation systems. The next section discusses the use of Simons (1995) levers of control to implement CSR initiatives.

4. Using the Levers of Control to Implement CSR Initiatives

Simons (1995) introduced a management control framework comprised of four reinforcing, linked components each focusing on a facet critical for strategy implementation that he termed the levers of control: (1) Belief systems influence employee behavior by inculcating corporate values, vision and mission into employees, (2) Diagnostic systems facilitate the communication of the firm's strategy to employees and uses measures to hold employees accountable to achieve the strategy, (3) Boundary systems guide employee behaviour by defining limits that dictate the scope of employee actions, and (4) Interactive systems surveille the firm's external environment and respond to changes by inducing real-time corrections to ensure ongoing alignment between strategy and action.

Even though Simons' framework originated in a pre-CSR era and was introduced to successfully implement profit-seeking corporate strategies, Simons' levers can be extended to help implement CSR initiatives (Wijethilake, 2017). For example, studies confirm that the Simons (1995) belief lever improves employee buy in to the firm's CSR vision and strategy (Crutzen et al., 2017; Eccles, Perkins & Serafeim, 2012; Jollands Akroyd & Sawabe, 2015). For example, employees of Home Depot, Nissan and P&G stated they were unwilling to pursue higher economic returns at the expense of lower firm CSR performance due to their personal belief in the corporation's purpose to improve sustainability (Epstein, Buhovac & Yuthas, 2015).

Simons (1995) diagnostic lever is a form of feedback control. It pre-sets performance standards, such as budgets and performance measures, which communicate and measure employees' success in achieving the firm's strategic objectives (Wijethilake, 2017). While Passetti et al. (2014) found that CSR budgeting helped ensure the CSR initiatives were funded and completed, the use of CSR performance measures in a diagnostic control system within the levers of control framework suffers from the same issues as Kaplan and Norton (2001a, b) BSC. It is difficult to identify effective CSR initiatives and then find reliable and agreed upon measures of social and environmental performance for tracking corporations' progress on those initiatives for the diagnostic lever to be fully effective.

Simons (1995) boundary lever declares certain employee activities off-limits using corporate codes of conduct, standard operating procedures, corporate rules, and other policies. Setting aggressive performance targets for employees may pressure employees to succeed at any cost, so executives also need to employ Simons (1995) boundary lever to ensure their employees do not cross any ethical, regulatory, and legal boundaries when implementing the firm's CSR initiatives. To assist in implementing their firm's CSR initiatives some executives revised their firm's codes of conduct to incorporate CSR issues, such as not allowing bribes or violating workers' rights in its supply chains (Crutzen et al., 2017; Yuan et al., 2011). In addition, some firms updated their standard operating procedures to explicitly address CSR issues, such as vendor selection, employee compensation, and hiring practices (Epstein et al., 2015).

Firms operate in CSR contexts that are complex and dynamic, meaning executives need to continually monitor and update their CSR initiatives. To meet this implementation challenge, executives need a tool to sound an alarm when the firms' CSR initiatives require updating to meet evolving

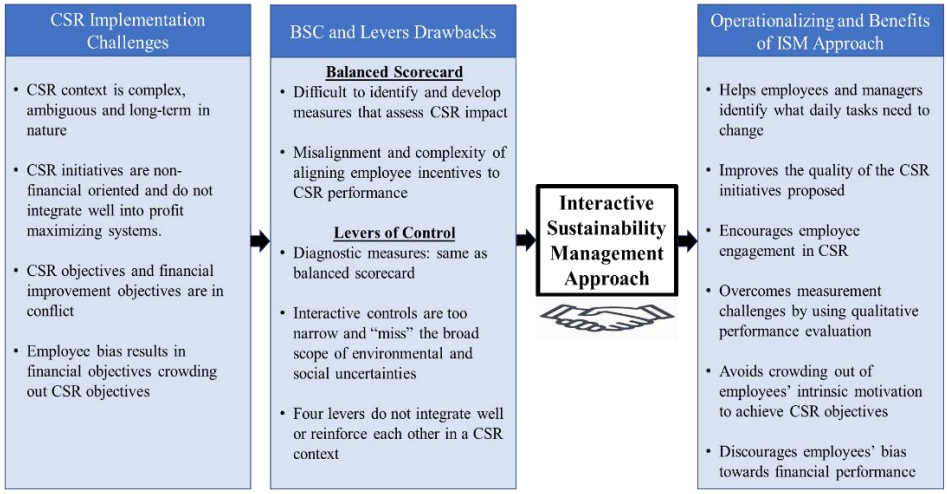
conditions. The interactive control systems lever in Simons' framework is intended to ensure the firm's strategy remains relevant as the firm's external environment changes. It involves executives identifying one or two key corporate level threats to the firm's strategy, regularly meeting with their direct reports to discuss developments of those one or two areas, and then revising the firm's strategy, as necessary. The interactive control system is forward looking as it involves senior executives meeting face-to-face with managers to collect information regarding the ongoing viability of the firm's strategy (Widener, 2007). This type of management control implies double-loop learning (Argyris & Schön, 1978), as it asks executives to question the validity of their firms' initiatives in real time and then update them as needed.

We argue that the levers of control have three weaknesses that prevent it from reaching its full potential as an effective CSR implementation tool:

- Simons (1995) diagnostic control lever exhibits the same shortcomings as Kaplan and Norton's BSC with respect to identifying environmental and social initiatives and defining metrics that measure progress of those initiatives.
- Simons (1995) interactive control lever, which is intended to only focus on one or two strategic uncertainties, is too narrow to effectively implement CSR initiatives. Due to the dynamic and complex nature of CSR initiatives, the interactive control lever must simultaneously address a broad range of environmental and social uncertainties as well as the traditional threats to profitability, such as rivals' competitive actions or increasing interest rates, meaning that the lever as originally envisioned in Simons (1995) arguably cannot be applied to successfully implement CSR initiatives.
- Simons' levers of control are intended to mutually reinforce each other meaning weaknesses in any of the levers will impede the effectiveness of the other levers (Arjaliès & Mundy, 2013; Wijethilake, 2017). For example, Simons (1995) belief lever, which encourages employees to buy into the firm's CSR mission and values, is more effective when the firm has a set of measures that clearly communicate the CSR initiatives to be implemented and tracks the progress of the CSR initiative implementation. The fact that the Simons' diagnostic and interactive levers will be ineffective when implementing CSR initiatives unless appropriate CSR oriented beliefs, measures, and boundary systems are also modified weakens the overall usefulness of Simons' levers to improve CSR performance.

Implementing a CSR strategy using popular strategy implementation tools like the BSC (Kaplan and Norton, 2001a) or the levers of control (Simons, 1995) require augmentation to ensure that they are properly aligned to execute the CSR strategy. In response to these drawbacks, we propose a new approach to augment existing strategy tools, such as the BSC or levers of control, that addresses the challenges of identifying CSR initiatives, the paucity of appropriate CSR metrics, and less multi-level interaction in typical management control systems.[2] We call our approach the Interactive Sustainability Management (ISM) approach. Figure 1 summarizes the key CSR implementation challenges, drawbacks of the BSC and levers of control, and illustrates how focusing on interaction through the ISM Approach operationalizes its benefits.

Figure 1. Overcoming CSR Challenges with ISM



Source: Authors

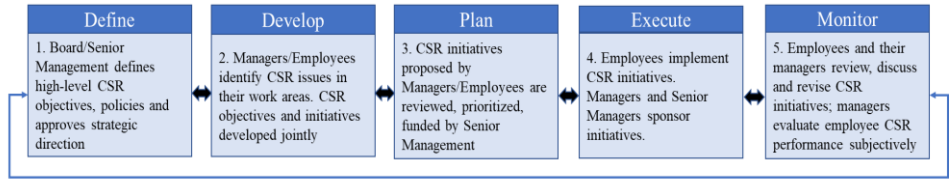
The next section introduces the ISM approach and provides examples of how employee interaction throughout the ISM approach can augment BSC and levers of control, thereby allowing executives to achieve full potential from their firm's CSR initiatives.

[2] In support of our ISM model, which goes beyond just ensuring the alignment of the control elements of performance evaluation, decision rights, and incentives, we would like to acknowledge Sriharan and Tse (2019) insightful editorial regarding the need to augment traditional profit-seeking agency-based control systems with other governance structures to enhance their efficacy.

5. The Interactive Sustainability Management Approach

The Interactive Sustainability Management (ISM) approach comprises five steps (see Figure 2 below and subsequent explanation). The five steps improve CSR implementation by incorporating multi-level interaction to overcome the limitations of existing strategy implementation tools.

Figure 2. Interactive Sustainability Management Steps



Note: The double arrow lines (⇔) signal two important concepts: 1) The process is iterative (based on an ongoing, iterative discussions). 2) During and between each stage of the model, training should be provided as needed.
Source: Authors

Consider a firm contemplating incorporating CSR in its strategy. We envisage this firm will begin at Step 1 and proceed through each of the other steps. The following outlines the steps and provides examples of how the ISM augments levers of control and BSC:

1. **Define.** The board defines the corporation's high-level CSR strategy and objectives. For example, the board may decide that a key CSR objective for the company is to be carbon-neutral by 2030. The board also sets firm level CSR policies to be followed.

   The Define Step de-emphasizes the measurement development obstacle found in BSC processes by focusing the organization on the overarching CSR objectives and policies. In a typical measurement focused BSC, the attention would be on the carbon neutral metric. With the ISM approach, the focus is on guiding the organization to develop CSR initiatives to reduce physical and transitional risks related to climate change. The ISM approach recognizes the challenges of identifying and measuring carbon reduction initiatives and cascading the measure throughout the organization. Additionally, the interaction would de-emphasize the diagnostic control addressing one of the Levers of Control drawbacks.

2. **Develop.** After the company's CSR strategy and objectives are defined, managers across the firm meet with their employees to review the CSR issues in their work areas and set personal CSR objectives. After this is completed, the employee and manager work collaboratively to develop CSR initiatives to allow employees to reach their agreed upon objectives.

   In the Develop Step the interactive multi-level discussions expose a broader range of environmental and social uncertainties, complementing and strengthening the levers of control interactive lever. For example, traditional interactive systems that collect market and competitor data are expanded to include industry carbon emission data, competitor tactics to reduce carbon emissions, and environmental infractions. If these data sets do not exist, the ISM promotes the development of initiatives to create systems to collect the data, thereby reducing strategic uncertainty. This step also sets the foundation to better address the complexity of incenting through measures, a drawback of the BSC. Participatory discussions early in the process to define objectives will augment and support the incentive process.

3. **Plan.** CSR initiatives jointly developed by employees and their managers are reviewed by an executive committee, approved, and then allocated funding. The executive committee also coordinates CSR initiatives across the corporation and shares CSR best practices across the corporation's business units.

   Communicating initiatives and best practices across various levels of the company mitigates the levers of control integration challenge. For example, creating and communicating initiatives aimed at sourcing from local vendors demonstrates how using the ISM infuses boundary levers to complement the typical cost-focused supply chain measures found in the diagnostic levers.

4. **Execute.** Employees implement the funded CSR initiatives. First, employee teams are assessed for knowledge and competency. Following such assessment, key personnel are provided training, as needed, to allow them to implement the CSR initiatives.

   The Execution Step is important to augment both the BSC and levers of control. CSR is very initiative driven and therefore appropriate training and emphasis on the execution of the initiatives will promote integration of the levers. Initiatives framed as projects are much more manageable from an integrated perspective. Boundary

controls can be set through project scope and belief controls through project engagement and communication plans. Diagnostics controls can be obtained through project milestones and interactive controls realized through project meetings, site visits, pilot demonstrations and research. The Execution Step augments the BSC by setting up the ability to incent, discussed in the Monitor Step, through the execution plans of the initiatives.

5. **Monitor.** Employees meet regularly with their managers, who provide coaching, review their performance, and discuss improvements. Given the complexity of CSR issues and a lack of good CSR measures, managers should evaluate their employees' CSR performance using a qualitative assessment (Sharma, 2000). For example, employees should be subjectively assessed by their manager on their ability to reach their agreed-on CSR objectives. Any incentive provided for superior employee CSR performance should be non-cash based so as not to crowd out employees' intrinsic motivation to improve the corporation's performance.

   The Monitoring Step addresses key incentive challenges of the BSC. For example, a bonus payout aligned to performance targets can be supplemented by time off for achievement of a project team's accomplishment of reducing plant water usage by 10%. Pragmatically, there will be interaction between the steps as each step can cause some revision to a prior step and back.

The next section outlines the potential benefits of employing the proposed CSR strategy implementation approach.

6. Benefits of Adopting the Interactive Sustainability Management Approach

When used together with the balanced scorecard and levers of control, the proposed ISM approach overcomes the unique challenges when implementing CSR initiatives:

- The ISM approach helps employees and managers identify what daily tasks need to change. Employees are the best qualified to identify how they can contribute to the firm's CSR objectives. CSR issues are ambiguous, complex, dynamic, and unique to the firm (Asif et al., 2013; Renwick et al., 2013), so the ISM approach asks managers and employees to discuss and decide together how employees should revise their work tasks to achieve the corporation's CSR objectives.

- The ISM approach improves the quality of the CSR initiatives proposed. Asking employees to discuss and reflect on their CSR performance with their managers also encourages double-loop learning, which can lead to new and innovative CSR activities (Henri & Journeault, 2010; Sharma & Vredenburg, 1998).
- The ISM approach encourages employee engagement in CSR. Given employees' reluctance to change their work practices (Lewin, 1947), the proposed approach communicates and encourages buy-in at all levels of the corporation to ensure successful implementation of CSR initiatives that involve significant and periodic updates to employees' work tasks.
- The ISM approach overcomes measurement challenges by using qualitative performance evaluation. The lack of robust social and environmental performance measures and measurement methods used to monitor employee CSR activities is addressed by the high level of interactivity which builds trust over time and allows managers to qualitatively evaluate their employees' CSR performance (Drucker, 1954).
- The ISM approach avoids crowding out of employees' intrinsic motivation to achieve CSR objectives. Superior CSR performers are provided non-monetary rewards, rather than monetary rewards to avoid reducing employees' intrinsic motivation to improve the environmental and social impact of their CSR initiatives (Arjaliès & Mundy, 2013; Crutzen et al., 2017; Sharma, 2000).
- The ISM approach discourages employees' bias towards financial performance. Some employees may be biased to achieve their financial objectives over their CSR objectives (Bento et al., 2017; Merriman et al., 2016). Employees' bias toward financial performance is mitigated by discussing and developing CSR initiatives collaboration with their managers and then having these approved by an executive committee.

The primary disadvantage of the ISM approach is the time required for employees and managers to meet, discuss, and decide how best to reach the corporation's CSR objectives effectively and efficiently. We acknowledge the time commitment is extensive but argue that if the ISM approach is properly employed the benefits from successfully implementing the firm's CSR initiatives, including avoiding wasting resources on poor CSR execution, will exceed the additional time invested in using the approach. A potential second disadvantage with the proposed

approach is the success of the ISM approach is highly dependent on managers' and employees' ability to fruitfully conduct discussions between themselves. For this reason, the paper recommends that training be provided to managers and employees prior to using the approach.

7. Conclusion

Implementing profit-maximising initiatives is challenging for corporate executives. Executives implementing CSR initiatives face three unique challenges not faced by firms implementing initiatives solely focused on maximising corporate profitability: First, the environmental and social issues that demand corporate attention, such as reducing climate change and loss of biodiversity, addressing water scarcity, and improving diversity and inclusion, are ambiguous, complex, and dynamic. The lack of understanding of CSR initiatives' causes and effects makes identifying the CSR initiatives that companies should undertake and then measuring progress on them difficult. Second, successfully implementing CSR initiatives requires employees at different levels of the corporation to alter their daily work tasks to achieve congruence with corporate CSR objectives. A poor understanding of cause-and-effect linkages between the firm's CSR initiatives and firm-level CSR performance also poses a significant barrier when redesigning employee work tasks and performing them successfully. Third, there is an inherent conflict between improving the firm's financial performance and its' CSR performance. Corporate employees may have a bias for improving financial returns, meaning that CSR initiatives may not get full attention and commitment from the firm's employees, even after CEOs publicly commit to improving their firms' CSR performance (Bento et al., 2017; Merriman et al., 2016).

To ensure employees understand the CSR challenges and impact on their daily tasks, strategy implementation has to promote employee buy-in for CSR, and encourage ongoing interaction between employees, their managers, and corporate executives. This will enhance the quality of CSR initiatives proposed and alleviate tensions in the control systems due to the absence of CSR measures. It also serves to enable employees to shift their focus from maximizing short term profit to maximizing the firm's overall performance, including its CSR results.

To address the need for a new approach to implement CSR initiatives, the paper develops a five-step approach to augment existing strategy implementation tools, called the Interactive Sustainability Management (ISM) approach to help overcome the CSR execution challenges. The ISM approach directs corporate executives and managers tasked with CSR

strategy implementation to interact with their employees in a sustained manner to address the firm's CSR issues. The ongoing interaction between participants in CSR initiative implementation will result in developing mutual trust and establishing commitment and buy-in to CSR as a core element of corporate strategy. The ongoing collaboration between managers and employees will compensate for the lack of CSR measures to track and reward employee performance. Further, mutual participation will result in a set of effective CSR objectives and initiatives proposed and implemented. This will lead to better and more effective identification of CSR implementation challenges when they arise in the performance of daily work and tasks as well as timely solutions to overcome these issues. In this way, the firm maximises its positive impact on the environment and society as well as amplifies the positive recognition the corporation receives from institutional investors and other stakeholders.

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