The Influence of Sustainability Performance Management Practices on Organisational Performance

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Abstract

This paper investigates the key sustainability performance management factors used by Australian Companies and their association with organisational performance. The study found that there were seven key factors related to sustainability performance - environmental practices, new product innovation, customer acquisition and retention, information systems capability, employee welfare and community engagement, operational profitability, and organisational profitability. In relation to organisational performance, the combination of factors relating to environmental practices, new product innovation, customer acquisition and retention, and information systems capability would appear to generate sales of new products. The factors of environmental practices, information systems capability, and employee welfare and community engagement appear to have considerable influence on environmental budget allocations. Furthermore, the factors of customer acquisition and retention, employee welfare and community engagement, and organisational profitability would appear to be important in maintaining customer satisfaction, whilst information systems capability together with employee welfare and community engagement also appeared to be important in maintaining employee satisfaction.

JEL classification code: M41,M48

Keywords: Performance measurement systems, balanced scorecard, organisational performance

Introduction

Considerable research has been devoted to the balanced scorecard (BSC), which suggests that organisational performance parameters should include a balance of financial and non-financial performance measures (Kaplan and Norton 1993; 1996, 2006; Forker & Vickery, 1996; Rangone, 1996). This means that financial outcomes and input/output ratios should be balanced against measures of business growth, and innovation and growth (Ford & Schellenberg, 1982; Kaplan and Norton, 1992; Mapes & New, 1997; Gopalakrishnan, 2000). Moreover, contemporary research in management accounting suggests that organisational sustainability is a critical success factor and accordingly it is in an organisation's best economic interest to have a strong relationship with its stakeholders. This suggestion is based on the premise that stakeholders are individuals (or groups), who can affect or be affected by successful attainment of an organisation's objectives (Freeman, 1984). Atkinson, et al (1997, p. 503) conceptualised organisations as "a nexus of interrelated contracts among its five stakeholder groups". Appendix 1 details the contribution and interests of shareholders, customers, the community (society), employees and suppliers (including creditors) that have been identified by Atkinson et al (1997) as organisations' stakeholders. For example, shareholders and suppliers will benefit from sound economic health, which will provide customers continuous access to products and services (including after sales service) and employees with job security. The community as a stakeholder group will benefit from the creation of employment, sponsorship, and community/social leadership.

The aim of this study is to provide empirical support for the ongoing debate that the multidimensional performance management approach (MPM) can improve the management of diverse stakeholders' interests in an organisation. Concurrently, the study will examine how the Balanced Scorecard (BSC) philosophy, and its four management processes, can improve the management of diverse stakeholders' interests in an organisation, thereby, enhancing its corporate sustainability. This project aims to provide empirical evidence for the promotion and implementation of a sustainable management system for corporations using a Sustainability Balanced Scorecard (SBSC), as suggested by Figge et. al. (2002). One of the significant contributions from this study is to link sustainability management with business strategy through the management of stakeholders' interests.

The remainder of this paper is organised as follows: The next section provides justification for and significance of the research. This is followed by a review of the literature regarding performance management research in Australia. This is followed by the research questions relevant for this study. The research method is then presented in the methodology section. Finally the results are presented followed by the conclusions, limitations and suggestions for further research.

Justification for and significance of the research

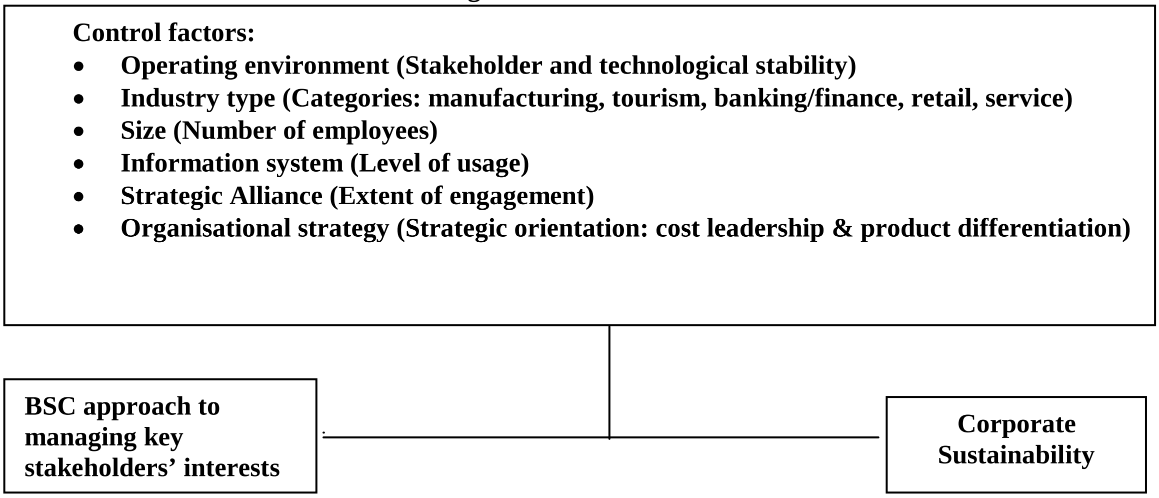
Although stakeholder groups have different requirements/interests as detailed in Appendix 1, Atkinson et al (1997) suggest that these groups need to co-exist within a set of reciprocal relationships to aid in the successful achievement of organisations' objectives, which in turn aids its corporate sustainability. In exchange for each group's contribution to this corporate sustainability, each group expects (or requires) a return for its cooperation. These expectations require organisations to achieve the goals while honouring corporate social responsibilities and being accountable for the goals achieving activities. That is, each organisation's operations include being fair and just in their treatment of stakeholders, honouring their moral duty to have respect for human rights, and balancing economic growth with environmental protection and social equity to meet the needs of present and future generations (Wilson, 2003). The requirements of each stakeholder group represent the group's interests that need to be managed by organisations. Furthermore, there is a socially accepted modern trend towards more corporate social and environmentally responsible (CSR) practices, and organisations that implement these practices are most likely to be more highly regarded in today's society. However, there is a paucity of studies on managing key stakeholders' interests that drive corporate performance achieving sustainability within the BSC philosophy. The proposed study focuses on this issue.

This study seeks to make three significant contributions. First, it will be a seminal study in Australia to provide empirical evidence for the promotion and implementation of a sustainable management system for corporations using the Balanced Scorecard called the Sustainability Balanced Scorecard (SBSC), as suggested by Figge et.al. (2002). One of the significant contributions from this study is to link sustainability management with business strategy through the management of stakeholders' interests. We consider that the above extension of the BSC philosophy and processes will be a significant contribution to an understanding of its real world application in fostering corporate sustainability.

Second, there is potential for collaboration with the Sustainable Asset Management (SAM) Group which is the global leader specialising in sustainability investments. More importantly, the research team has the opportunity to utilise SAM's extensive databases of corporate sustainability values around the world.

Third, the study seeks to develop a more extensive model of corporate sustainability. According to Wilson (2003), four established concepts underpinning the idea of corporate sustainability are: sustainable development, corporate social responsibility, stakeholder theory, and corporate accountability theory. These four established concepts extend far beyond the traditional financial parameters, and consequently further research is warranted to identify more appropriate corporate sustainability performance measures. Figure 1 presents the proposed model of the study.

Figure 1: **The Model**



Literature review

Wilson (2003) suggests four established concepts that may be used to underpin the concept of corporate sustainability; sustainable development, corporate social responsibility (CSR), stakeholder theory, and corporate accountability theory. Considering the interest, rights and needs of different stakeholders of a business is a better way of inculcating socially responsible behaviour among organisations (Dawkins & Lewis, 2003; Maignan & Ferrell, 2004; Ruf, Muralidhar, Brown, Janney, & Paul, 2001).

Many organisations are now including additional dimensions relating to social and environment-related performance within their external financial reporting [e.g., Triple Bottom Line (TBL)] that may now be captured within the final perspective of a SBSC. These CSR dimensions are in addition to the four perspectives of the BSC. Therefore, organisational sustainability encompasses different stakeholder's facets, including economic sustainability, customer loyalty, supplier satisfaction, environmental sustainability, community acceptance, and employee morale. Stakeholder theory is one of the most important theories underpinning CSR.

Stakeholder theory

"Stakeholder theory" was a term used by Ansoff (1969) to explain the underlying principles of an organisation's major objective that focused on balancing the conflicting demands of various stakeholders of the organisation. Freeman (1984) defines "stakeholder" as any group or individual who can affect or is affected by organisation's objectives and identified two types of stakeholders. Owners, shareholders, employers, customers and suppliers represent the first (Primary) stakeholders-type. Key secondary stakeholders-type consist of communities, governments and activists who raise issues, associated with corporate behaviour and practices.

When addressing many facets of CSR, Walton (1967) stated that top managers should give priority to maintain an intimate Business-Society relationship. Ullman (1985) developed a conceptual model of corporate social responsibility activities and concluded that stakeholder theory provides an appropriate justification for incorporating strategic decision into studies relating to CSR activities. Wood (1991) argued that management should do the right thing and incorporate ethics into their strategic goals. Therefore stakeholder theory suggests that organisations will maximise profit as they broaden their objectives to include other stakeholders' goals. This motivation might be correlated with the organisation's survival, economic wellbeing, competitive advantage, trust and loyalty (Mitchell et al., 1997).

It is necessary for organisations to identify and address the needs, social problems, demand and interest of their various stakeholder groups to receive their continued goodwill and support (Griffin, 2002; Maignan, 2001; Peterson, 2004). Consequently, this identification provides a signal to the company on whether their CSR activities may potentially be a good marketing instrument to the company and to avoid stakeholder boycott (Maignan & Ferrell, 2001; Peterson, 2004; Dawkins & Lewis, 2003; Orlitzky et al., 2003).

Also, the effectiveness of an organisation's CSR program needs to be evaluated on an ongoing basis and be based on stakeholder analysis. Past research reported that positive perceptions of CSR increased resources from stakeholders, and was found to be an important factor of corporate effectiveness (Singhapakdi, Vitell, Rallapalli, & Kraft, 1996). Organisations committing themselves to CSR activities can achieve long-term benefits through brand enhancement, goodwill, differentiation, increased employees' motivation, higher profitability and quality workforce retention (CSR Europe, 2001; Lantos, 2002; Maignan & Ferrell, 2004).

Research examining socially responsible or irresponsible business practices remains scarce (Maignan & Ferrell, 2004). In particular, investigations have been limited in terms of the stakeholder categories considered (customers, managers, and employees) (Maignan, 2001; Maignan & Ferrell, 2004). Traditionally, customers form their opinion of an organisation based on product quality, financial performance and value for money (Dawkins & Lewis, 2003). More recently, factors most commonly mentioned as influencing customers' opinions of organisations relate to corporate social responsibility (e.g. treatment of employees, community involvement, environmental and ethical issues) (Al-Khater & Naser, 2003; Dawkins & Lewis, 2003). Some studies found a positive relationship between an organisation's CSR actions and customer loyalty (Maignan, Tomas, & Hult, 1999). Other studies have also demonstrated that consumers are willing to patronise organisations committed to CSR related activities such as environmental friendly practices, philanthropic contributions, good ethical behaviours, community commitment and employees' good treatments (Al-Khater & Naser, 2003; Creyer & Ross, 1997; Dawkins & Lewis, 2003; Dean, 2004; Maignan & Ferrell, 2004; Mason, 2000).

There is evidence that some customers not only prefer to purchase products from and invest in shares of those organisations caring for the environment and maintaining good citizenship behaviour but also are ready to sanction socially irresponsible organisations by boycotting their services and products (Classon & Dahlstrom, 2006; Maignan & Ferrell, 2004; Sen et al., 2001). For example, Maignan (2001) reported that customers in both France and Germany are more likely to incorporate society's well-being in their shopping decisions. That is, they are more willing to buy the products of socially responsible companies, at a higher price or at a less convenient location, than purchase from companies with a poor social responsibility reputation (Maignan, 2001).

The key moderators of consumers' responses to CSR as mentioned by Sen and Bhattachary (2001) are the company-specific factors, such as the CSR issues a company chooses to focus on and the quality of its products, and the individual-specific factors, such as consumers' personal support of the CSR issues and their general beliefs about CSR. Social identity theory argues that the perceived identity of a group affects a member's self-esteem (Smith et al., 2001). Smith et al. (2001) reported that members may improve their self-esteem by identifying with a successful group. Similarly, many studies argue that employees will be proud to identify with work companies that have a good reputation, and consequently their attitudes will be positively influenced by their association with an esteemed work company (Maignan, 2001; Peterson, 2004).

Some research suggests that organisations engaging in socially responsible activities may be viewed as attractive employers which can attract a large number of quality employees

(Turban & Greening, 1997; Maignan et al. (1999); Greening & Turban, 2000; Maignan & Ferrell, 2001). Dawkins and Lewis (2003) found that employees demonstrated a considerable increased propensity to speak highly of their organisations to outside stakeholders when employees were aware of their organisations' involvement in corporate responsibility activities.

Ramasamy and Ting (2004) conducted a comparative study about employees' perception of CSR awareness levels in local organisations operating in Singapore and Malaysia. The findings show no significant differences in CSR awareness between the two countries is detected when they controlled for organisation size and industry sector. The positive relationship between ethical climate and employees' work attitudes is viewed as to treating them in an unfair and unethical manner, which provides support for organisational justice theory (Peterson, 2004). Most studies confirmed that managers have a positive attitude and willingness for implementation of CSR practices (e.g., Ahmad and Rahim, 2002; Gupta & Saxena, 2006). Managers also have been found to believe that CSR helped to enhance corporate reputation and corporate brand positioning, attract and retain high-calibre employees, as well as improve long-run profitability and community quality of life (e.g., Ahmad, 2006).

Managers must decide whether to adopt or ignore their CSR when reaching their decisions. Steiner and Steiner (2005) suggested managers should consider some general principles of corporate social responsibility. Where companies are economic institutions run for profit purposes, corporations' greatest responsibility is to provide economic benefits. They therefore should be judged primarily on economic criteria and cannot be expected to meet purely social goals without financial incentives. However, organisations must incur short-run costs to correct social problems that threaten long-term sustainability. Managers should try to meet the legitimate needs of stakeholders. The primary responsibilities of the managers are to three groups: customers, shareholders, and employees, with communities and governments also recognised but given less emphasis. As the multiple demands of stakeholders sometimes conflict, each organisation must set appropriate strategic goals and priorities. Organisations should try to internalise external costs, or costs of production borne by society, and have a duty to correct the negative social effects they cause (e.g., dumping toxic material into a stream creates costs such as human and animals). Nevertheless , an organisation's ability to deliver its social responsibility will vary depending upon its characteristics (such as size, type of industry, marketing techniques, and locations) and will be influenced by stakeholders' demands and managers' values.

Stakeholders impose demands on organisations and bestow societal legitimacy if organisations meet these demands; or face negative consequences such as decreased shareholder value through lawsuits, protests, and boycotts (Ruf et al., 2001). The stakeholder approach to CSR takes into account the multi-fiduciary obligations of corporations by recognising that their responsibilities go beyond the shareholder-management relationship (Goodpaster, 2001). Accordingly, the extent to which management recognise their responsibility for meeting and satisfying the needs and demands of their different stakeholders' interests will have direct effects on their overall corporate sustainability (Greenwood, 2001).

Research questions

As discussed earlier, this study aims to provide empirical evidence in support for the ongoing debate that the Multidimensional performance management approach (MPM) can improve the management of diverse stakeholders' interests in an organisation, thereby, enhancing its corporate sustainability.

Although several studies have been undertaken in relation to performance management and organisational performance, the nature of these multidimensional performance management systems and their relationship to organisational performance, particularly in the context of Australian companies is not well understood. Therefore this study aims to investigate the following research questions:

1. What are the main sustainability performance management factors for Australian companies?
2. Which of these performance management factors are significantly associated with organisational performance?

Methodology

A mailed questionnaire was administered to Chief Financial Officers (CFOs), Chief Executive Officers (CEOs) and Senior Human Resource (HR) managers of medium and large Australian companies with 100 or more employees as per Business Who's Who of Australia[1]. The organisational characteristic has been used to ensure potential viability of an organisation to practice sustainable development and to possess a sophisticated management control system to facilitate the management of stakeholders' interests.

The sample organisations were selected from industries including manufacturing, retail, financial institutions, services and tourism. The questionnaire was mailed to 1500 companies. CFOs were selected because their role requires them to be involved actively in all operational aspects of organisation thus encompassing the perspectives of a BSC. In comparison, the role of CEOs is more of a general management across the organisation,

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[1] Prior studies have limited the sample to companies with more than 100 employees (e.g., Lau & Eggleton, 2000, Iselin, Mia, & Sands, 2004). Business Who's Who of Australia is a Dunn and Bradstreet Web-based business directory.

quite often focusing on development of long-term mission or vision of the organisation. Finally senior HR managers were included as a means of including key personnel of middle level management.

The data collected was used to make an industry based comparative assessment of corporate sustainability-related achievements. An analysis was undertaken to identify factors for corporate sustainability-related achievements by organisation characteristic, and by industry type, as illustrated in Figure 1. This study encompasses facets of organisational sustainability including economic sustainability, customer loyalty, supplier satisfaction, community acceptance, and employee morale. Our literature review indicates the sustainability parameters (outlined in Appendix 1) that will be used to examine corporate sustainability in terms of the requirements of the five stakeholder groups. As some parameters relate to more than one stakeholder group, these parameters measure the interests of stakeholder groups.

Results

Two hundred and thirty-two responses were received from a total sample size of 1500, representing a response rate of about fifteen per cent. Sixty-six per cent of the questionnaires were completed by the organisation's top management, while the remaining thirty-four percent were completed by the senior middle level managers. Early respondents were compared with late respondents to check the sample representativeness across some of the key attributes of performance management practices (goals) and performance. (The first 174 (75%) questionnaires that were received without any follow-up were considered as early respondents and the remaining 58 (25%) as late respondents.) There were no significant differences noted in these attributes between the early and late respondents. A

Chi-square test was conducted to determine whether there was a difference in the proportion of early and late respondents in terms of organisation size, industry category and the type of performance management program used. The analysis revealed no significant difference in these attributes between the early and late respondents.

The answers to the research questions are presented below:

Research question 1. What are the main sustainability performance management factors for Australian Companies?

To reduce the list of 35 sustainability performance management practices to a more manageable size a factor analysis was conducted. The resulting principal components analysis using varimax rotation yielded the following seven factors (with factors listed in order of eigenvalues and practices within factors listed in order of factor loadings - see Table 1 for the complete list of loadings):

1. Environmental practices—comprising the performance management practices of reducing greenhouse gas emission, carbon trading, investment in pollution-free technology, water conservation, use of quantified environmental targets, use of other environmental management systems, waste management, and disclosure of information (corporate social reporting/triple bottom line).
2. New product innovation —comprising the performance management practices of the introduction of new product or services, emphasis on sales from new products or services, allocation of time to market new products or services, reducing cycle time from order to delivery, and increasing market share.
3. Customer acquisition and retention—comprising the performance management practices of customer retention (the rate at which an organisation retains or maintains ongoing relationships with its customers), customer acquisition (the rate at which an

organisation attracts or wins new customers or business), sales growth, and customer profitability (measures the net profit from a customer, or a segment, after allowing for the unique expenses required to support that customer).

4. Information systems capability—comprising the performance management practices of information systems capabilities, on-line information flow systems, use of E-commerce, and improving employee productivity.
5. Employee welfare and community engagement—comprising the performance management practices of expenditure on employee development and training, emphasis on employee health and safety, employee retention, community engagement and sponsorship, attention to product quality, and donations to charitable and community organisations.
6. Operational profitability—comprising the performance management practices of emphasis on cash flow from operations, and focus on operating income or income before tax.
7. Organisational profitability—comprising the performance management practices of emphasis on return on investment (ROI), and focus on economic value added (rate of return minus cost of capital).

Each of these factors had an eigenvalue of greater than 1 and consisted of items that loaded at greater than 0.45 on the factor. Comrey and Lee (1992) suggest that all loadings in excess of 0.45 can be classified as acceptable. The factors collectively explain 65% of the total variance.

Table 1 Rotated Component Matrix

Performance management practice	Component						
	1	2	3	4	5	6	7
reducing greenhouse emissions	.872						
carbon_trading	.809						
invest_pollution_control	.799						
budget_water_cons	.791						
quantify_env_targ	.781						
other_EMS	.747						
budget_4_waste_mngt	.667						
disclose_inf	.466						
new_products		.831					
sales_from_new_prod		.811					
time_to_mrkt		.775					
cycle_time		.551					
Percent_market_share		.506					
customer_retention			.777				
customer_aquisition			.774				
sales_growth			.571				
cust_prof			.560				
I_S_capability				.781			
online_info				.706			
use_of_IT				.629			
emp_prod				.496			
employee_training					.672		
Health_safety					.643		
Employ_REV					.638		
community_engagement					.610		
product_quality					.547		
donations_to_community					.493		
cash_flow_ops						.816	
profit_b4_tax_from_ops						.766	
ROI							.682
EVA							.516

Research question 2. Which of these performance management factors are significantly associated with organisational performance?

When the factors were regressed against the five dependent performance variables (using MANCOVA analysis after controlling for stakeholder stability, technological stability, company size, internet usage, strategic alliances, level of cost reduction strategy, level of product differentiation strategy, and type of industry –all of which were not significantly related to the dependent variables). The following results were obtained (see Table 2):

1. All dependent performance variables were significantly affected by at least one of the performance management factors.
2. Environmental practices were significantly associated with environmental budget allocations and sales from new products.
3. New product innovation was significantly associated with sales from new products.
4. Customer acquisition and retention was significantly associated with sales from new products and customer satisfaction.
5. Information systems capability was significantly associated with employee satisfaction, environmental budget allocations and sales from new products.
6. Employee welfare and community engagement were significantly associated with employee satisfaction, customer satisfaction and environmental budget allocations.
7. Operational profitability was significantly associated with profit before tax from operations.
8. Organisational profitability was significantly associated with customer satisfaction.

Table 2. MANCOVA tests of between-subjects effects

Source (Factor)	Dependent variable	Type III sum of squares	df	Mean square	F	Sig.
Corrected Model	Customer satisfaction	196.541	79	2.488	1.609	.008
	Employee satisfaction	250.995	79	3.177	1.640	.006
	Sales from new products	715.867	79	9.062	5.127	.000
	Profit from operations	234.960	79	2.974	1.550	.013
	Environmental budget alloc'n	722.242	79	9.142	5.246	.000
Environmental practices	Customer satisfaction	.249	1	.249	.161	.689
	Employee satisfaction	.151	1	.151	.078	.780
	Sales from new products	10.026	1	10.026	5.673	.019
	Profit from operations	2.326	1	2.326	1.212	.273
	Environmental budget alloc'n	263.999	1	263.999	151.496	.000
New product innovation	Customer satisfaction	1.245	1	1.245	.805	.371
	Employee satisfaction	2.471	1	2.471	1.276	.261
	Sales from new products	180.185	1	180.185	101.951	.000
	Profit from operations	.875	1	.875	.456	.501
	Environmental budget alloc'n	2.605	1	2.605	1.495	.224
Customer acquisition and retention	Customer satisfaction	8.218	1	8.218	5.316	.023
	Employee satisfaction	.276	1	.276	.143	.706
	Sales from new products	29.624	1	29.624	16.762	.000
	Profit from operations	2.582	1	2.582	1.345	.248
	Environmental budget alloc'n	2.400	1	2.400	1.377	.243
Information systems capability	Customer satisfaction	3.774	1	3.774	2.441	.121
	Employee satisfaction	24.051	1	24.051	12.418	.001
	Sales from new products	7.292	1	7.292	4.126	.044
	Profit from operations	1.164	1	1.164	.606	.438
	Environmental budget alloc'n	24.022	1	24.022	13.785	.000

Table 2. MANCOVA tests of between-subjects effects (continued)

Source (Factor)	Dependent variable	Type III sum of squares	df	Mean square	F	Sig.
Employee welfare and community engagement	Customer satisfaction	8.713	1	8.713	5.636	.019
	Employee satisfaction	29.920	1	29.920	15.448	.000
	Sales from new products	.237	1	.237	.134	.715
	Profit from operations	2.995	1	2.995	1.561	.214
	Environmental budget alloc'n	6.817	1	6.817	3.912	.050
Operational profitability	Customer satisfaction	.250	1	.250	.162	.688
	Employee satisfaction	5.894	1	5.894	3.043	.083
	Sales from new products	.033	1	.033	.018	.892
	Profit from operations	19.892	1	19.892	10.364	.002
	Environmental budget alloc'n	.034	1	.034	.020	.889
Organisational profitability	Customer satisfaction	7.011	1	7.011	4.535	.035
	Employee satisfaction	3.749	1	3.749	1.936	.166
	Sales from new products	.004	1	.004	.003	.960
	Profit from operations	4.401	1	4.401	2.293	.132
	Environmental budget alloc'n	.070	1	.070	.040	.842

Discussion

As discussed earlier, studies on the association between performance management factors and organisational performance have produced mixed results. Perhaps these varying outcomes may be attributable to the different types of performance management factors, and the different measures of organisational performance employed across the different studies. In this study, efforts were made to more clearly delineate the different types of performance management factors through factor analysis. This resulted in seven performance management factors - environmental practices, new product innovation, customer acquisition and retention, information systems capability, employee welfare and community engagement, operational profitability, and organisational profitability. These separate factors were then regressed against five separate identifiable dependent variables—customer satisfaction, employee satisfaction, sales from new products, profit from operations, and environmental budget allocation. An appropriate MANCOVA analysis — has been used to control for stakeholder stability, technological stability, company size, internet usage, strategic alliances, level of cost reduction strategy, level of product differentiation strategy, type of industry, and possible correlations among the dependent variables.

The results of this multivariate analysis would suggest that improved overall performance appears to be favourably influenced by a combination of performance management factors. The combination of factors relating to environmental practices, new product innovation, customer acquisition and retention, and information systems capability would appear to generate sales of new products. The factors of environmental practices, information systems capability, and employee welfare and community engagement appear to have considerable influence on environmental budget allocations. Furthermore, the factors of customer acquisition and retention, employee welfare and community engagement, and organisational profitability would appear to be important in maintaining customer satisfaction, whilst information systems capability together with employee welfare and community engagement also appeared to be important in maintaining employee satisfaction.

These results make intuitive sense. In order to achieve an improvement in overall performance, it is necessary to concentrate on all aspects of performance management. These aspects include not only focusing on the internal or behavioural aspects (such as information systems capability, employee welfare and community engagement) but also meeting the external stakeholder needs through environmental practices, new product innovation and customer acquisition and retention. Furthermore, these results show that in order to achieve customer satisfaction it is important to concentrate on employee welfare as well as customer acquisition and retention, in addition to organisational profitability. This would indicate that it is just as important to focus on employee retention, involvement and training, health and safety, and community engagement (albeit to a lesser extent), as it is to have a customer focus. The results also highlight the importance of employee recognition and reward systems to encourage greater employee participation.

Conclusions, limitations and suggestions for further research

This study investigated the particular performance management practices implemented by medium and large Australian companies, and which of those performance management practices were associated with organisational performance. The findings show that these practices can be reduced to some key factors including—environmental practices, new product innovation, customer acquisition and retention, information systems capability, employee welfare and community engagement, operational profitability, and organisational profitability. All of these seven factors were found to be associated with improving overall performance. Furthermore, employee and customer involvement, employee retention and training, health and safety, and community engagement appear to also contribute to customer satisfaction; while environmental practices, new product innovation, customer acquisition and retention, and information systems capability were positively associated with sales from new products

However, it must be acknowledged that the sample businesses could only be regarded as representative of medium and large Australian companies in the manufacturing, retail, financial institutions, services and tourism industries. Moreover, the total sample size of 232 businesses may limit the generalisability of these results to a wider population of businesses.

This is particularly important in that the response rate was only 15 per cent, from which it is difficult to make any general inferences about the population, as the performance management practices of the non-respondents are unknown. Therefore further research is required to ascertain whether the same practices are evident across organisations of different sizes and industry groups within a broader sampling frame.

This study was also restricted to particular types of performance management practices. Future research may investigate the perceived importance of other types of performance management practices. An exploratory factor analysis was also undertaken to investigate whether any combinations of these practices were correlated with organisational performance. Future research may extend this study by considering the importance and effectiveness of total integrated ***systems*** of performance management practices to further investigate our preliminary proposition that holistic approach to performance management leads to improvements in organisational effectiveness. The matching of the organisation's business strategic priorities with its sustainability performance management practices may also be further investigated to identify the impact of strategic readiness on organisational performance.

Finally, in this study, organisational performance was operationalised by respondents' self-reported measures of customer satisfaction, employee satisfaction, sales from new products, profit from operations, and environmental budget allocation. Further research may investigate alternative subjective measures of organisational performance such as different benchmarking standards of comparative performance, and different alternative measures such as profit margins and sales growth.

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Appendix 1: Stakeholder Group's Contributions and Interests, *and Organisations' (Corporate) Sustainability Parameters*			
Stakeholder Group	**Contribution**	**Requirements/ Interests**	**Parameters (Measures) of Organisation Performance**
Shareholders/Owners	Capital	Financial rewards that are commensurate with risk taken	Return on asset (ROA), operating income, sales growth
Customers	Purchasing loyalty	Service, quality and value	Number of on-time delivery of orders, number of customer complaints, market share, cycle time from order to delivery, customer response time, warranty repair cost
Society (Community)	Allows (or not actively oppose) organisations' operations	Conformance to laws, good corporate citizenship, social leadership.	Reputation about social justice and equity, level of disclosure of information (corporate social reporting/triple bottom line), level of donations to charitable/ community organisations, community engagement/ sponsorship, extent of scholarships to educational institutions. Level of greenhouse gas emission, extent of water recycling, number of environmentally friendly policy applications
Employees	Effort, skill, motivation, and commitment.	Competitive wages and benefits, job security, work environment that meets expectations, fair and ethical treatment.	Number of 'accident free' days, employee satisfaction, employee quit rate, number of 'production/service provision' errors, number of new product launches, number of new patents, and time to market new product.
Suppliers (Creditor)	Commitment needed to provide the required input component (capital)	Financial rewards that are commensurate with time and risk.	Return on asset (ROA), operating income, sales growth

Source: Adapted from Atkinson et al (1997) Exhibit 11-1, p. 509