From the Classic Balanced Scorecard to the Sustainable Balanced Scorecard: Towards Strategic Management Control Focused on CSR

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Abstract:

Organizational performance can no longer be reduced to a mere economic indicator. In response to evolving societal expectations, increasing regulatory pressure, and mounting environmental challenges, management practices have undergone a profound transformation. Strategic management control, historically focused on cost containment and financial performance, has shifted significantly by integrating Corporate Social Responsibility (CSR) and ESG (Environmental, Social, Governance) criteria. This article examines the evolution of the traditional Balanced Scorecard model toward a more sustainable version, highlighting the transition from shareholder-centric value creation to a shared value approach that considers all stakeholders. This shift underscores the strategic management control function as a key lever for sustainable governance, ensuring long-term organizational resilience, legitimacy, and competitiveness. The study offers a theoretical reflection on this transformation of strategic management control, while opening avenues for future research into its practical implementation across various sectors and organizational contexts. In doing so, it deepens our understanding of the challenges associated with sustainable corporate performance and the adaptation of firms to new economic and societal realities.

Introduction

In a world increasingly shaped by globalization, heightened competition, and growing environmental and social concerns, companies must rethink how they manage and steer their activities. Today, performance can no longer be confined to economic or financial metrics alone. It must also encompass non-financial criteria such as corporate social responsibility (CSR) and sustainability. The expectations of various stakeholders including shareholders, employees, customers, regulators, and local communities demand a redefinition of governance and control mechanisms.

Historically, management control focused primarily on cost containment and budget monitoring. However, it has evolved toward a more strategic approach, aiming to align the company's long-term vision with its day-to-day operations. Within this framework, the Balanced Scorecard, developed by Kaplan and Norton in the 1990s, has become a key tool for strategic management. Yet, in light of today's challenges, it has been adapted to incorporate sustainability indicators, notably ESG (Environmental, Social, and Governance) criteria. This shift marks a significant evolution: from a model centered on shareholder value creation to one that seeks to generate value for all stakeholders.

This raises a critical question: how does the transition from the traditional Balanced Scorecard to a sustainable Balanced Scorecard reshape the role of strategic management control and facilitate the integration of CSR into overall performance management?

1. Literature Review

Management control is a foundational domain in organizational management, aimed at ensuring alignment between a company's strategic objectives and its operational actions. Since its inception, it has evolved to address economic, social, and technological challenges, adapting to growing demands for transparency, performance, and accountability. This literature review examines the main theories and practices of management control, analyzing its role in resource optimization, decision-making, and performance monitoring across all organizational levels.

It also highlights the integration of new dimensions such as Corporate Social Responsibility (CSR) and ESG (Environmental, Social, and Governance) criteria into control practices, which now seek to reconcile economic performance with social and environmental impact. The objective is to provide a comprehensive overview of recent developments in management control by exploring its tools, methods, and influence on strategic business management.

1.1 Management Control (SMC)

According to Anthony (1965), management control is a process through which managers ensure that resources are used effectively and efficiently to achieve organizational objectives. In contrast, Bouquin (2008) extends this perspective to the strategic domain by associating it with "performance management." Strategic management control (SMC) goes beyond budget monitoring to include tools for measuring strategic performance, such as the Balanced Scorecard, which links decisions, actions, and outcomes within a framework of sustainable value creation.

In this sense, SMC encompasses all mechanisms that ensure the strategy implemented by the organization aligns with its long-term objectives. It provides a structured framework that not only tracks financial and operational results but also anticipates deviations, identifies risks, and enables the implementation of appropriate corrective actions. By mobilizing both quantitative and qualitative indicators, SMC offers a comprehensive view of performance, bridging strategy and day-to-day operations. This approach fosters coordination across the organization's various functions, enhances internal communication, and helps align individual and collective behaviors with strategic priorities. By integrating departmental objectives into a shared framework, SMC enables all stakeholders to work toward a common goal, thereby strengthening organizational effectiveness.

Moreover, SMC plays a key role in an organization's learning and adaptive capacity. It allows managers to draw lessons from past results, innovate in processes, and reinforce resilience in the face of economic, social, and technological changes. By analyzing performance and identifying trends, companies can adjust their strategies and operations to better respond to future challenges.

Thus, SMC is not merely a control tool; it is a true strategic lever that supports the sustainability, competitiveness, and long-term value creation of the firm. By integrating diverse dimensions of performance, organizations can navigate effectively in a complex and ever-changing environment while meeting stakeholder expectations. This holistic approach is essential for building resilient and sustainable organizations capable of thriving over the long term.

1.2 Corporate Social Responsibility (CSR)

The concept of Corporate Social Responsibility (CSR) is not truly new, as the first reflections on the subject began in the early 1930s. It was Bowen who ushered the concept into the modern era of management with the publication of his 1953 book Social Responsibilities of the Businessman, which marked the advent of CSR as a managerial concern.

In his work, Bowen (1953) analyzed the factors that led to the emergence of CSR by asking the question: *"Why do today's businessmen feel concerned about their social responsibilities?"* The answers he provided were: *"Because they were forced to feel more concerned"; "Because they were persuaded of the need to feel more concerned"; and "Because the separation between ownership and control created conditions favorable to the consideration of these responsibilities."* Bowen thus offered one of the first formal definitions of the concept. CSR subsequently became a research theme that gave rise to a new academic field namely, the *"Business and Society"* stream, which focuses on the relationship between business and its societal environment.

Many scholars have contributed to this field (e.g., Carroll A. B., 1979, 1991, 1999; Wood D. J., 1991; Aupperle K. E. et al., 1985). Early research in this area debated whether companies had responsibilities beyond profit-making. The conceptual framework of CSR remains widely discussed and debated, oscillating between two major paradigms: the liberal framework, championed by Friedman (1970), who argued that "the only responsibility of business is to increase its profits while abiding by the rules of fair competition," and the academic framework of the American "Business and Society" school, which posits that companies also bear ethical and philanthropic responsibilities.

Situated between these two perspectives is the managerial approach, which advocates for the integration of CSR into the strategic management of the firm, alongside its financial and economic activities. In this regard, management control stands at the crossroads between strategic vision and operational execution (Anthony, 1965), and is directly concerned with CSR and sustainability issues, particularly through the use of measurement tools that enhance performance monitoring and control (Bouquin, 2010). The classical assumptions of management control have been challenged to respond to changes in business and its environment. It has evolved from a verification function to a steering function, where value creation, once oriented solely toward shareholders, is now redefined as stakeholder value creation where each party involved in the company's activities receives a share of the value generated.

According to the European Commission (2011), CSR is defined as "the voluntary integration by companies of social and environmental concerns into their business operations and their interactions with stakeholders." Carroll (1991) proposed a pyramidal model distinguishing economic, legal, ethical, and philanthropic responsibilities. Elkington (1997), for his part, popularized the concept of the triple bottom line, which expands performance to three dimensions: economic, social, and environmental. CSR thus becomes a strategic lever that enables companies to enhance their legitimacy and overall performance, particularly in environments where stakeholders demand greater transparency and sustainable commitment.

1.3 sustainable management

Sustainable management control represents an innovative approach that integrates sustainability issues into corporate management and strategy mechanisms. Rather than focusing solely on economic and financial performance, this method broadens the scope of analysis to include environmental, social, and governance (ESG) dimensions. This means that companies no longer aim only for short-term profitability but seek to create long-term shared value.

Kaplan (2020) highlights the evolution of the Balanced Scorecard (BSC), which was originally designed to balance financial and non-financial indicators. Today, it is being transformed into a "sustainable" version that explicitly incorporates sustainability objectives. This evolution enables organizations to better align their financial performance with their social and environmental impact, thereby accounting for their influence on all stakeholders.

Sustainable management control is also rooted in stakeholder theory, developed by Freeman (1984), which emphasizes the importance of reconciling the interests of various actors shareholders, employees, customers, suppliers, local communities, and civil society. As such, corporate performance is no longer limited to satisfying investors but also includes contributions to sustainable development.

To implement this approach, companies increasingly rely on international normative frameworks that structure the measurement and communication of non-financial performance. Initiatives such as the Global Reporting Initiative (GRI), which offers a reporting framework focused on ESG impacts; the Sustainability Accounting Standards Board (SASB), which develops sector-specific standards; and the European Corporate Sustainability Reporting Directive (CSRD), which mandates sustainability reporting for many companies starting in 2024, all contribute to standardizing practices. These frameworks enhance transparency and facilitate performance comparability across companies and sectors.

In sum, sustainable management control is a genuine lever for strategic transformation. It forges a link between strategy, social responsibility, and overall performance. By providing a structured framework for action, it promotes organizational resilience, strengthens social legitimacy, and constitutes a competitive advantage in a world where expectations regarding sustainability continue to rise.

2. Materials and Methods

This research adopts a conceptual comparative approach. It does not rely on empirical fieldwork but aims to theoretically analyze performance management tools in order to assess their capacity to integrate Corporate Social Responsibility (CSR) and ESG (Environmental, Social, Governance) indicators. This approach is justified by the intention to compare two widely recognized models in the management control literature: the traditional Balanced Scorecard (Kaplan & Norton, 1992) and the sustainable Balanced Scorecard/ESG Scorecard (Kaplan, 2020; GRI; CSRD).

The methodology draws on the foundational work of Kaplan and Norton (1992, 1996) on the Balanced Scorecard, as well as research on CSR and overall performance (Carroll, 1991; Elkington, 1997), and recent contributions on sustainable management control and ESG integration (Kaplan, 2020; Gond, 2022; CSRD, 2023).

This approach enables the identification of the dimensions and indicators of the traditional BSC (financial, customer, internal processes, learning and growth) and the mapping of adaptations introduced in the sustainable BSC/ESG Scorecards (environmental, social, governance, financial). It also allows for the development of a comparative table highlighting similarities, differences, and complementarities, and ultimately facilitates the interpretation of gaps to demonstrate how CSR transforms strategic management.

The comparison between the traditional BSC and its sustainable version—often referred to as the Sustainability Balanced Scorecard (SBSC)—sheds light on the evolution of management control in response to contemporary challenges. While the traditional BSC focuses primarily on economic value creation and internal performance, the SBSC broadens this perspective to incorporate environmental, social, and societal dimensions. This paradigm shift reflects a transition from a short-term financial results orientation to a more holistic vision centered on sustainability and shared value creation.

This comparison has a dual scope. On the practical level, it highlights the evolution of management tools used by companies in response to regulatory, societal, and environmental pressures. On the theoretical level, it enriches the literature by illustrating how CSR is progressively integrated into traditional strategic management control frameworks.

3. Analysis and discussion of the results

The traditional model developed by Kaplan and Norton primarily focuses on shareholder value creation. It is based on a balanced articulation of four key dimensions: financial, customer, internal processes, and learning and innovation. The objective was to move beyond a purely accounting and financial view of performance, while remaining centered on economic growth and profitability.

In contrast, the sustainable version significantly broadens the scope of analysis. It incorporates Environmental, Social, and Governance (ESG) criteria, allowing the performance management system to include indicators related to environmental protection, employee rights, business ethics, and relationships with local communities. This evolution represents a true paradigm shift: performance is no longer measured solely in terms of economic value creation, but also in terms of societal and sustainable value creation, taking into account the expectations of both internal and external stakeholders—such as employees, customers, suppliers, local authorities, responsible investors, and NGOs.

This conceptual transition illustrates the shift from a shareholder value logic to a stakeholder value logic. It expands the role of management control, not only as a tool for measurement and monitoring, but also as a strategic alignment lever that fosters the integration of Corporate Social Responsibility (CSR) into managerial practices.

In summary, this comparison highlights that the sustainable Balanced Scorecard is not merely an extension of the traditional model with a few "green" or social indicators. Rather, it fundamentally restructures the very conception of performance, embedding it within a long-term sustainability perspective and a shared value creation logic. This approach enhances management control by transforming it into a true driver of change toward more responsible and sustainable practices.

Table 1: Comparison between classic and sustainable balanced scorecard

Éléments	**Classica lBalanced Scorecard (Kaplan & Norton, 1992**	**Sustainable Balanced Scorecard (Kaplan, 2020)**
Objective	Alignement de la stratégie et de la performance financière	Steeringoverall performance (economic, social, environmental, governance)
Value creation	For shareholders	For stakeholders
Perspectives	1. Financial 2. Customer 3. Internal processes 4. Learning & innovation	1. Financial 2. Environment (E) 3. Social (S) 4. Governance (G)
Indicators	- ROI, profitability - Customer satisfaction - Production delay - R&D budget	- CO_2 emissions - Accident rates at work - Share of responsible suppliers - Transparency index
Time horizon	Short and medium term	Medium to long term (sustainability, resilience
Management logic	Economic and operational performance	Ntegrated sustainable performance (finance + ESG)
Add value	Productivity, competitiveness, cost control	Reduction of extra-financialrisks, attractiveness, regulatory compliance

Source: prepared by ourselves

The comparative analysis between the traditional Balanced Scorecard (BSC) and its sustainable counterpart often referred to as the Sustainability Balanced Scorecard (SBSC) or ESG Scorecards highlights points of convergence, divergence, and complementarity that enrich our understanding of their contribution to strategic management control.

In both models, the primary objective is strategic alignment between organizational goals and operational actions. Whether in its traditional or sustainable form, the BSC aims to translate vision and strategy into a coherent set of measurable objectives and indicators. Both share a logic of balance between financial and non-financial dimensions, thereby moving beyond a purely accounting-based view of performance. Whether one refers to the traditional perspectives (financial, customer, internal processes, learning) or enhances them with sustainability criteria, the fundamental principle remains that of integrated and multidimensional management.

However, notable differences emerge. The traditional model focuses primarily on economic value creation, whereas the sustainable BSC broadens the scope of performance. It explicitly incorporates environmental, social, and governance (ESG) dimensions, reflecting a desire to align corporate objectives not only with shareholders but also with a broader set of stakeholders, including employees, customers, suppliers, local communities, regulators, and NGOs. This shift introduces a new logic of responsibility and transparency, enhancing companies' ability to account for their overall impacts beyond financial results.

It is important to note that the sustainable BSC does not seek to entirely replace the traditional model. Rather, it represents an extension and enrichment. ESG indicators are added to the traditional dimensions, enabling companies to reconcile economic and societal performance within a framework of shared and sustainable value creation. This complementarity underscores that companies can no longer limit themselves to a short-term financial perspective but must integrate sustainability issues to ensure long-term viability.

This analysis reveals that the transition from the traditional BSC to the sustainable BSC is not a radical break but rather a gradual evolution toward a more inclusive management model. It incorporates the complexity and diversity of contemporary expectations, repositioning strategic management control as a central tool for responsible governance and holistic performance management. This transformation is essential for navigating a world in which social and environmental issues are becoming increasingly prominent.

3.1. Expected Results

The comparative analysis between the traditional Balanced Scorecard and the sustainable Balanced Scorecard often referred to as the SBSC or ESG Scorecards reveals several key findings, both conceptually and practically. The table below summarizes the expected results:

Table 2: Result of the comparative analysis

Expected Result	Scientific explanation
Transformation of the role of strategic management control	The evolutionfromshareholder-orientedsteering to a stakeholder-orientedgovernance model positions management control as a strategicpillar of sustainable value creation. It no longer focusessolely on financialoptimization, but ensuresthatdecisionsintegrate social, environmental and regulatory expectations, reinforcing the organization’s long-termlegitimacy.
Evolution of performance indicators	The transition requiresreplacingtraditionalfinancial and operationalmetricswithstandardized and comparable ESG indicators (GRI, CSRD, ISSB). This developmentenables a multidimensionalevaluation of performance, incorporatingeconomicoutcomes, environmental impact, social equity and governancequality. As a result, firmscanmeasure not onlyprofitability, but alsosustainability and riskexposure.
Strength ening corporatelegitimacy	Management control toolsevolveinto instruments of accountability. By disclosing transparent and audited ESG information, companiesimprove the credibility of theirreporting, reinforcingstakeholder trust—particularlyinvestors, regulators and civil society. This transparencybecomes a source of reputationaladvantage and social legitimacy.
Contribution to organization alsusta in ability	Sustainable management control promotes long-termresilience by integratingsustainabilityintodecision-makingprocesses. It supports responsibleresource allocation, risk anticipation (environmental, social and regulatory) and continuousimprovement. Ultimately, itcontributes to streng theningorganizationaldurability and competitiveness in volatile environments.

Source: prepared by ourselves

The integration of Corporate Social Responsibility (CSR) and ESG (Environmental, Social, and Governance) indicators is profoundly transforming the role of strategic management control. Initially designed as a tool focused on financial performance and the monitoring of economic objectives, it is evolving into an instrument of governance and legitimacy. Management controllers are no longer limited to producing quantitative data on financial results; they are now also expected to provide reliable non-financial information related to social, environmental, and governance issues. This evolution positions management control as a central actor in the implementation of sustainable strategies, ensuring transparency and accountability toward stakeholders.

The adoption of the sustainable Balanced Scorecard illustrates a paradigm shift in the concept of value creation. While the traditional model primarily aimed to satisfy shareholders, the sustainable version broadens the perspective to encompass all stakeholders, in line with Freeman's (1984) stakeholder theory. Management control thus becomes a vehicle for strategic dialogue and expanded steering, integrating the expectations of employees, customers, investors, regulators, and local communities. This openness enhances the anticipation of risks whether environmental, social, or regulatory stimulates managerial and technological innovation (such as eco-responsible processes and new products), and improves corporate reputation, thereby strengthening employer branding and organizational attractiveness. CSR thus emerges not as a constraint, but as a strategic lever to enhance competitiveness and organizational sustainability.

3.2. Challenges of the Transition to Sustainable Management

However, the transition toward sustainable performance management is not without challenges. Measuring ESG indicators remains complex due to their often intangible or qualitative nature. The lack of full international standardization despite efforts by GRI, SASB, and CSRD limits comparability. Additionally, the costs associated with implementing appropriate information systems, as well as collecting and verifying data, represent a significant constraint for many companies. Finally, organizational resistance persists, with some managers still viewing CSR as a peripheral concern.

Despite these limitations, the literature (Figge et al., 2002; Hansen &Schaltegger, 2016) emphasizes that integrating ESG indicators contributes to organizational resilience and long-term overall performance. The sustainable Balanced Scorecard thus emerges as a key tool for reconciling economic and societal value, redefining organizational performance through a sustainability lens. This approach enables companies to navigate complex environments while responding to the growing expectations of their stakeholders.

Conclusion:

The comparative analysis between the traditional Balanced Scorecard and its sustainable version reveals a significant transformation in the role of strategic management control. No longer limited to a financial monitoring tool, it has become a key governance lever, capable of linking economic objectives with environmental, social, and governance (ESG) imperatives. By integrating ESG indicators, the sustainable Balanced Scorecard enables comprehensive performance management that addresses not only shareholder expectations but also those of all stakeholders.

This evolution marks a true paradigm shift in the conception of organizational performance. Companies are moving from a logic of short-term financial maximization to an approach centered on the creation of shared and sustainable value. This shift enhances their legitimacy, transparency, and resilience in the face of economic, social, and environmental crises.

However, this transition is not without challenges. The standardization of ESG indicators, the reliability of non-financial data, and the costs associated with implementation remain significant obstacles. Despite these limitations, the sustainable Balanced Scorecard stands out as an essential tool to support companies in transitioning toward more responsible business models.

Ultimately, strategic management control is no longer confined to a measurement function it becomes a key actor in sustainable governance. This profound shift in how performance and the role of the firm in society are conceived opens the door to empirical research on the practical application of these models, particularly in specific sectoral and geographical contexts. It represents a promising opportunity to deepen our understanding of this ongoing evolution.

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