

3.3: Measuring Corporate Performance

As we discuss capital investments and socially responsible investments, it is appropriate that we discuss how to measure corporate performance. Whereas businesses have traditionally assessed corporate performance through financial measures, there is growing emphasis to adopt a long-range and broader perspective that includes nonfinancial measures. There is much support for adopting more comprehensive strategic corporate performance measurement systems. Research has shown that nonfinancial measures are often the leading indicators that drive lagging financial performance. Frigo (2002). Furthermore, nonfinancial indicators can provide a link between current activities and future financial performance of the firm. Frigo (2002). Indeed, a triple bottom line orientation requires the inclusion of nonfinancial indicators of company performance.

The **balanced scorecard** Kaplan and Norton (1992). is the most popular performance measurement system currently used that incorporates both financial and nonfinancial measures in evaluating overall firm performance. The most recent biennial survey of management tool usage among corporations worldwide shows that 66% of respondents report their company uses the balanced scorecard. Rigby and Bilodeau (2007). The balanced scorecard provides a comprehensive measure of corporate performance.

The balanced scorecard is comprised of four categories of indicators in the areas of innovation, learning and growth, internal business processes, customer value, and financial performance. Organizations select unique indicators within each area that are directly linked to the organization's strategic goals. Indicators often selected include employee training and corporate culture attitudes, internal business processes, customer requirement conformance and satisfaction, and risk assessment and cost-benefit data. As a management system, it helps identify measures to be taken by providing feedback concerning external outcomes related to internal processes. This allows for the alignment of daily business activities with long-term organizational goals and performance.

There has been an effort by some researchers to show how the balanced scorecard can be used for the sustainability-focused organization. Figge, Hahn, Schaltegger, and Wagner (2002); Moller and Schaltegger (2005); Radcliffe (1999). Balanced scorecards that incorporate sustainability considerations are referred to as Sustainability Balanced Scorecards.

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