

**INTEGRATING STRATEGY AND CORPORATE COMMUNITY INVOLVEMENT IN A
BALANCED SCORECARD**

RESULTS FROM ACTION RESEARCH AT MERCK THAILAND LTD.

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Abstract

Increasingly large multinational corporations (MNCs) recognize the positive effects of Corporate Social Responsibility (CSR) on customers, employees, and talents. However, Small and Medium-sized Enterprises (SMEs) or local units of MNCs may not have the same spectrum of responsibilities, due to minor operations, with less scope, and fewer social and environmental issues. In these cases, we argue that a strategy which integrates Corporate Community Involvement (CCI) can be strong alternative to the broader concept of CSR. Still, to really make CCI accepted as a strategic approach amongst executives and employees, we argue that CCI should be integrated into strategic tools like the balanced scorecard. We thus develop a generic model for a Community-enabled Balanced Scorecard (CeBSC). Then, we apply this model in an actions research project in a subsidiary of a large chemical and pharmaceutical MNC. The paper ends with a discussion and conclusion.

Key words

Corporate Community Involvement; Corporate Citizenship; BSC; Sustainability Balanced Scorecard; Responsible Leadership, Responsibility Leadership Systems

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Introduction

There are innumerable examples of irresponsible leadership accountable for the break-down of firms and markets. The former described, for example, by the break-down of Enron or the moral crisis at Shell in regards to the sinking of Brand Spar. The latter maybe best documented with the challenge of climate change as well as the global financial crisis. At the same time we are being in the middle of a transition from a shareholder-centered view to a stakeholder-centered view of the firm. Firms are increasingly hold responsible for regarding not only the interests of the shareholder but also to stakeholders and the natural environment. The concepts of stakeholder management and Corporate Social Responsibility (CSR) are increasingly important to operate successfully. So, some firms use CSR as a leverage to drive reputation, and successfully operate in the war for talents (Bhattacharya, Sen & Korschun, 2008).

However, large CSR initiatives are usually driven from headquarters of Multinational Corporations (MNCs). Local units and, more generally, Small and Medium-sized Enterprises (SMEs) often do not have the same leverages for CSR. For example a local unit which does not have production will not have to deal with large portions of issues in the domain of safety, health and environment (SHE). Also, local units usually do not have an influence on product strategies, such as sustainability innovation. To engage in CSR these organizations can focus on the local employees and local the communities. In regards to employees all kind of traditional instruments from the area of human resource management apply, such as working conditions, work-life-balance, work climate, compensation, and pension schemes, which, however, will not be the focus of this paper. Thus, to engage in CSR, local units often focus on the subset of Corporate Community Involvement (CCI), which includes monetary, in-kind, or in-time contributions to the local communities (Smith, 1994).

The strategic relevance of CCI in regards to employees, customers and others stakeholders was intensively researched (Hess, Rogovsky & Dunfee, 2002; PLF, 1999; Porter & Kramer, 2002; Tuffrey, 1995, 1998). Consequently, CCI should be integrated into strategy tools as a building block of an institutional infrastructure for responsibility (Waddock, 2006) such as Responsibility Leadership Systems (RLSs) (Hansen, 2008; Hansen & Reichwald, 2008). Still, to date, CCI mostly remains absent from such tools. Scorecard extensions so far focus on social and environmental issues related to core business (Epstein & Wisner, 2001b) or only address CCI anecdotally (Schaltegger & Dyllick 2002).

Accordingly, this paper addresses the following research questions: How can strategic CCI be integrated into a strategy implementation tool like the BSC and how look the required strategic goals and metrics?

The structure of this paper is as follows: First, we review the literature in regards to the strategic relevance of CCI. Second, we develop a BSC model which integrates CCI. Third, we present empirical action research at a local subsidiary of a large MNC in the chemical and pharmaceutical industry. We finally discuss the findings and finish this work with a brief conclusion.

Strategic relevance of Corporate Community Involvement

The notion of Corporate Community Involvement (CCI) (Burke et al., 1986; Epstein & Roy, 2003: 18; Hamil, 1999) is a subset of CSR and is equivalent with the limited view of corporate citizenship (Matten, Crane & Chapple, 2003). CCI became first popular in the US and the UK (Blumberg & Scheubel, 2007: 16). According to Burke et al. (Burke et al., 1986: 126), Levi Strauss & Co pioneered this concept in the early 1970s. In the UK, the Action Resource Centre published already in 1989 a review of community involvement programs of

leading UK companies. Depending on the purpose of the initiative, the company's resources help the community to improve their health, social or educational infrastructure and thus enriched the community life (Graff, 2004: 12). Some argue that CCI was in part "a response to the retreat of state-funded social programs" (Hamil, 1999) which occurred in the US and UK in the 1980s due to economic crisis.

A large set of instruments exists for corporations to address CCI, including sponsoring and donations, cause-related marketing, establishment of a foundation, partnership with NGOs, corporate volunteering, and corporate community roundtables (Habisch, 2003; Habisch & Wegner, 2004; Seitanidi & Ryan, 2007: 247). The NGO partner is of increasing importance (Austin, 2006; Seitanidi & Ryan, 2007: 254) and can take the form of a strategic alliance (Smith, 1994: 107, 111). Whilst there is a tension between centralization and decentralization of such programs in MNCs (Epstein, 2008: 87), there is a clear indication that a mixed "bottom-up, top-down" model will be best choice, i.e. local units plan and manage their own programs, whilst there is a regular involvement of the headquarters (PLF, 1999: 38).

Moore (1995) found different approaches in regards to the choice of beneficiaries of CCI. They either support the local communities in which the firm operates; are related to the core business; are peripheral to core business; or are chosen by the employees interests. Also combinations of these were identified. Lately, some researchers promote a more strategic approach, in the sense, of a greater alignment to the core competencies of the firm (Bruch & Walter, 2005; Porter & Kramer, 2002), then also called corporate social initiatives (Hess, Rogovsky & Dunfee, 2002). They argue that this can make the involvement more beneficial for both the firm and the community. It is argued that besides others, this leads to a greater potential for business development in the communities. For the same reason, this perspective on CCI is also criticized for being too instrumental (Hamil, 1999). Smith (1994: 105), more

generally sees the core of strategic CCI in “social problem solving [...] by funding long-term initiatives”, in other words, “a real commitment to the community” (Hess, Rogovsky & Dunfee, 2002: 113).

Generally speaking, CCI can lead to competitive advantage (Porter & Kramer, 2002). It drives corporate reputation (Hess, Rogovsky & Dunfee, 2002: 113). Media coverage further increases brand recognition (Graff, 2004: 15). In regards to *employees*, knowledge on CCI activities can lead to identification with the employer (Bhattacharya, Sen & Korschun, 2008: 40). CCI also affects employee pride in the company (though less than quality of products and working atmosphere) (Tuffrey, 2003: 14). CCI can also improve employee moral (Porter & Kramer, 2002: 57). Furthermore, it strongly increases advocacy, i.e. recommendation of the employer to others (Tuffrey, 2003: 15) and thus impacts talent attraction. *Customers* are also affected. Here, CCI can lead to better name recognition among customers (Smith, 1994: 105). Social and environmental attributes can be used for product diversification (Ballhaus, 2007). This may make customers feel better for they have the sentiment of supporting the companies’ contributions to society (Habisch, 2003). This ultimately leads to a strong customer-company (C-C) identification (Bhattacharya & Sen, 2003, 2004) which drives word of mouth, loyalty, and purchase, and can sometimes lead to willingness for paying a price premium (ibid.). Especially new market segments like for example ethical consumers (Rauch, Kirig & Wenzel, 2007; Schäfer et al., 2006: 77) value such engagement. As mentioned above, in certain approaches, CCI can also be a means for business development (Hess, Rogovsky & Dunfee, 2002: 114). Ultimately, CCI eventually results in higher productivity and profitability (Tuffrey, 2003: 10).

Active Involvement of Employees, Customers, and other Stakeholders

Whilst, for example, corporate donations may only have reputational effects in the long-term, the CCI instruments that actively involve stakeholders into the CCI initiatives can further, and often quicker, strengthen the ties between the firm and its stakeholders. Tuffrey (2003: 16) differentiates accordingly into “knowing” about CCI and “involvement” in CCI. Whereby we focus on employees and customers, this also refers to other stakeholders, like business partners (Smith, 1994: 111), suppliers and opinion leaders (Hess, Rogovsky & Dunfee, 2002: 113).

In regards to *employees*, Koch (1977: 10) already called decades ago for an involvement of employees in CCI. Bhattacharya (2008: 42) stresses the importance of “employee proximity” to CSR-related activities, and proposes *corporate volunteering programs* as a valid means. This also accounts for related instruments which actively involve employees, like education liaisons, development assignments, mentoring (Tuffrey, 1998: 6) and also for other CCI instruments, like for example “corporate community roundtables”. Especially through the active involvement, CCI can develop positive effects on the internal organization (de Gilder, Schuyt & Breedijk, 2005: 151) and on the corporate culture (Blumberg & Scheubel, 2007: 15–21). Tuffrey (1995; 1998; 2003) studied related business effects for more than a decade and found that volunteering can lead to better work-life-balance, reduced absenteeism, increased commitment to the organization, and to increased staff retention (Tuffrey, 2003). Overall this leads to higher identification with the employer (Blumberg & Scheubel, 2007: 15–21). Other studies acknowledge these trends (PLF, 1999: 2).

Employee volunteering also drives *skill and competency development* (Blumberg & Scheubel, 2007: 15–21; de Gilder, Schuyt & Breedijk, 2005; PLF, 1999: 2; Schwalbach et al., 2008; Tuffrey, 1995: 26; Wild, 1993). Tuffrey (1995: 26, 27) finds that CCI can contribute to

the development of three categories of competencies, namely personal effectiveness, management effectiveness, and business effectiveness. Whereby the most obvious changes in skills happens in the category of personal effectiveness, including communication and listening skills, influencing skills, and collaboration skills (Tuffrey, 1998: 6). Other researchers found comparable empirical evidence for that volunteering can build personal skills, interpersonal skills, project skills, and leadership skills (PLF & BCCCC, 2005: 15). Based on this understanding, corporate volunteering is also regarded as formal personnel development (Pinter, 2006; PLF, 1999: 2) or formal leadership development (Hansen, 2008; Hills & Mahmud, 2007: 23; Hirsch & Horowitz, 2006; Pless & Schneider, 2006).

An active involvement of *customers* can also take different forms. First, through the use of cause-related marketing introduced earlier as one of the CCI instruments. These are corporate campaigns in which customers, by buying a certain product, can (or have to) donate a certain portion of the price to a social issue selected by the company (Seitanidi & Ryan, 2007: 253). By choosing to support the social marketing campaign the customer becomes actively engaged. Second, corporate volunteering schemes can be extended to admit customers (or other stakeholders). This is especially important, because customers are generally wary of the sincerity of companies' CCI activities (Bhattacharya & Sen, 2004: 15). By actively working in the CCI programs of the firm, customers can get a proper insight into nature of the programs and the C-C identification is further strengthened.

To summarize, when following a true community involvement, we argue that CCI leads to business-related effects particularly on employees and customers. This effect can be increased when employees or customers are actively involved, i.e. when they participate in CCI through volunteering or related CCI instruments. The same could potentially refer to other stakeholders but is out of scope of this paper.

A Generic Model for a Community-enabled Balanced Scorecard

The Balanced Scorecard as defined by Kaplan and Norton (1996; 2001) is a well understood tool to describe strategies in the organization and to measure performance in regard to these strategies. The BSC was originally introduced as a tool on the business unit level (Kaplan & Norton, 1996), but for SMEs it may also serve on the corporate level (Figge et al., 2002: 277). It was originally defined by the authors with four dimensions, namely 'Finance', 'Customer', 'Internal Processes' and 'Learning and Growth'. Kaplan and Norton already indicate that, depending on the company's strategy, the BSC may be extended with an additional dimension (Kaplan & Norton, 1996: 33). Furthermore, with its "balanced" approach, it is an ideal tool to integrate social and environmental criteria. Thus, scholars developed extended scorecard models under the names of Social and Environmental Scorecard (Epstein & Wisner, 2001a, 2001b), Sustainability Balanced Scorecard (Figge et al., 2001, 2002; Schaltegger & Dyllick 2002; SIGMA, 2003; Wagner & Schaltegger, 2006) and Integrity Scorecard (Bieker & Waxenberger, 2002). Here, I will generally refer to such scorecard developments as Sustainability Balanced Scorecard (SBSC). Whilst scorecard systems have its challenges (Möslein, 2005: 185) and are not always successful (Bieker, 2005: 192,260), overall case studies research revealed the maturity of the SBSC concept (Schaltegger & Dyllick 2002). Still, there is a gap in literature regarding the integration of CCI in a scorecard.

Design Criteria for A Community-enabled Balanced Scorecard

In the following we briefly review the major design criteria and success factors for a scorecard extension. Thereby, an existing BSC eases the process (Bieker et al., 2002: 345–348) and is assumed here. Figge et al. (2002) distinguishes *three potential approaches to integrate social and environmental aspects into a BSC*. First, social and environmental

aspects can be integrated into the *existing scorecard perspectives* (finance, customer, internal processes, learning and growth). Second, these aspects can be part of an *additional “non-market” perspective*. Third, a *special scorecard dedicated to social and environmental aspects* can be derived from the BSC system.

As we argue that CCI is an integral part of business strategy, the third option (deriving a separate scorecard) is inappropriate. In regards to the remaining two options we need to better understand the nature of the non-market perspective. According to Hahn et al (2002: 58) this perspective is required, when strategically relevant, environmental or social aspects take effect in the non-market context of the firm, or, as Gminder et al. (2002; 2002) put it, when these aspects regard stakeholders who are not contractual partners of the firm. As the primary aim of CCI is social problem solving in communities, these activities are clearly located in the non-market context. We will refer to this perspective as Community Perspective (CP) in the following. At the same time, the business related goals of CCI directly relate to existing perspectives of “Learning and growth” and “Customer” and are causally connected. Now, it depends on the organization whether business goals of CCI remain in the non-market perspective, or are included into the related perspectives already existing. These resulting two options for a “Community-enabled Balanced Scorecard” (CeBSC) are depicted in the following Figure 1. Thereby, we followed Figge et al.’s (2002) suggestion to embed the existing four perspectives in the non-market perspective, i.e. the Community Perspective.

Insert Figure 1 about here

Community-enabled Balanced Scorecard and Related Performance Metrics

Primarily, scorecards are tools to communicate and implement strategies. These strategies then require adequate metrics. Accordingly, Schaltegger and Wagner (2006) separate between the proper sustainability scorecard and sustainability accounting. The former includes the strategy formulation whereas the latter includes the linked metrics to evaluate sustainability performance.

CSR and CCI metrics can be *input*, *output*, or *impact* measures (AMA, 2007: 35; Epstein, 2008: 168; LBG, 2004; Olsthoorn, Wehrmeyer & Wagner, 2001: 461; PLF, 1999: 27–32).¹ Thereby, the timeframe for measures taking effect increases from inputs to impact (LBG, 2007: 11). Especially for strategic CCI it is important to apply output and impact measures in two dimension: First, to legitimize the CCI activity, it requires a measurement of the effects on the community. Second, to proof the strategic relevance for the firm, effects on employees and customers (and potentially other stakeholders) need to be evaluated.

In regards to the community, input-oriented metrics include contributions of in-cash, in-kind, and in-time, as well as management costs (ibid.). The community activity may lead to additional inputs from third parties such as government or NGOs (BITC, 2003: 9). This “leverage” is regarded as a first measure on the output level (LBG, 2004). Beyond this, the list of potential metrics for outputs and impacts is virtually unlimited (cf. BITC, 2003; Epstein, 2008; UN, 2007). For example, in a educational community activity, the corporate inputs of volunteer educators, lead to the output of X unemployed community members trained and to Y job applications, which may finally lead to the impact of Z employed persons and the related savings of social welfare (LBG, 2007: 10). As the example shows the output

¹ Sometimes „process measures“ are additionally defined Epstein, 2008: 168; PLF, 1999: 27–32.

and impact metrics heavily depend on the specific community activity and are thus beyond the scope of this paper.

Metrics regarding the *business benefits* of the community involvement are more straightforward than the previous ones. Outputs and impacts already resonate with the scorecard logic, which requires the definition of cause-and-effect chain from community goals to the financial scorecard perspective. In our initial discussion on the strategic relevance of CCI (cf. p. 3) we already identified employees and customers as the core targets for generating benefits through a process of *identification*. We also discussed the importance of active participation of these groups in order to further strengthen identification. In this sense, metrics which reflect inputs for the community (e.g. volunteering time; customer donations from cause-related marketing), become measures for *participation* in regards to business benefits. Output metrics can include skill improvement (if participation-level is high), employee identification and satisfaction, and also customer identification. Ultimately, impact metrics include employee absenteeism and retention rates (PLF, 1999: 30), sales increases and new business development. An overview of indicators is given in Table 1.

 Insert Table 1 about here

In regards to how CCI metrics are elevated, literature suggests firm-internal and external evaluation processes. Internal evaluation processes can include *performance indicators* and *perception measures* (EFQM, 2003: 15). For example an employee or customer survey can elevate the perception of CCI on these groups. Employee skill gains can be elevated by using self-assessment questionnaires (Tuffrey, 1998: 3). External evaluation include *benchmarking*, *social screening services and rating systems*, as well as *accreditation processes* (WBCSD,

1999: 17f). For example, a company may use CCI-relevant results from the Dow Jones Sustainability Index (DJSI) (SAM & PwC, 2008) or similar ratings as internal metric.

Method

This paper is based on the methodology of action research (Greenwood & Levin 2007; Herr & Anderson, 2005; Reason & Bradbury 2008). Often early works of Kurt Lewin (1946) are referenced as the first application in social sciences (Herr & Anderson, 2005: 11). Action research has the dual purpose of an advancement of knowledge whilst simultaneously achieving practical transformation (Reason & Bradbury, 2008). The researcher is actively involved in changes in the context being researched (Huxham & Vangen, 2003: 386). He may act as expert or consultant and works on an issue in which the organization and the researcher have a genuine interest for exploration. The objective of action research is the development and testing of tools and models and to dwell on emergent theories through the participation of company members (ibid.: 392f).

We conducted the project together with Merck Thailand Ltd., a subsidiary of the global chemical and pharmaceutical company Merck KGaA, Germany. The project started in autumn 2007 with initial interviews with the managing director, CSR manager, communication manager, HR Manager, and the HR development manager. Main topic was the elevation of Merck Thailand's status quo in CSR and its general corporate strategy, as well as the definition of the scope of the project. Subsequently, one of the researchers joined the local organization for about four months in order to collaborate closely. The main instrument of interaction was meetings and discussions as listed in the following Table 2.

Insert Table 2 about here

Findings

Merck Thailand Ltd.'s CSR Strategy

As introduced above, Merck Thailand Ltd. is a local subsidiary of the German company Merck KGaA². Merck KGaA is a chemical and pharmaceutical company with about 32.000 employees operating in over 61 countries worldwide (Merck KGaA, 2008). It is publicly listed in the DAX stock index, i.e. it is one of the 30 largest public enterprises in Germany.

The subsidiary, Merck Thailand Ltd., is a sales and marketing organization selling to the local Thai market. Since its foundation 1991, it achieved about ten percent yearly sales growth (Landau, Polomski & Schramm, 2005: 681). In 2008, Merck Thailand had about 200 employees. In the following we will refer to Merck Thailand simply as “Merck”, whereby “Merck Group” will reference to the headquarter.

Merck strives to position itself as a “caring company”. It thus follows a “Four-Stakeholder Approach” addressing customers, employees, Thai society, and shareholders. Its mission statements reads as follows:

“We will be the first in customers' minds to provide outstanding customer care through innovations created by talented, satisfied employees, while positively contributing to Thai society.” (Merck Thailand, 2008: 6)

² The author wants to clarify that except in the United States of America, “Merck” is used worldwide by Merck KGaA, Darmstadt. Merck KGaA uses the name “EMD” in the United States of America, where the rights of the name Merck are hold by another, unrelated company.

In alignment with its vision and strategy, the company embraces CSR. It publishes a local CSR report since five consecutive years. It has a track in CCI of about eight years. It regards CSR as an integral part of corporate strategy. Merck also adopted a local CSR branding strategy (Landau, Polomski & Schramm, 2005; Landau & Woisetschläger, in press). Furthermore, it is a role model in local Thai business, which is illustrated by participation in national business initiatives as well as governmental programs. Its achievements are recognized by various researchers (Hansen, 2008; Kaufmann, Ehrgott & Reimann, 2008: 11). Overall, Merck Thailand took a leadership role in CSR in the entire Merck group (Landau & Woisetschläger, in press).

A large portion of social and environmental challenges do not affect Merck Thailand, as it is a pure sales and marketing organization. Thus, in order to address the societal part in its strategy, Merck concentrates, besides others, on the betterment of local communities. Since 2002, Merck engaged in a high-level cooperation with Raks Thai Foundation, which supports disadvantaged communities in Thailand. Raks Thai is a local arm of the global non-governmental organization CARE International (Merck Thailand, 2008: 24).

CCI at Merck involves two categories of programs. First, together with the non-profit partner Raks Thai, Merck maintains three long-term CCI programs in different regions throughout Thailand. Primary contribution to these activities is via donations. Second, the company maintains an Employee and Customer Volunteering Program (ECVP) which is a platform for various short-term activities. Further details are presented in Table 3.

Insert Table 3 about here

The Gap in the Leadership Instrument

Merck's strategic planning process was straight-forward. The strategy, formulated through vision and mission statements, was supported by a BSC system and resulted in the successful operational activities. However, further analysis showed a gap between the four-stakeholder strategy (customers, employees, society, shareholder) and the BSC system. Whilst employees, customers, and shareholders were equally represented, the society stakeholder remained absent in the scorecard. This did not mean that Merck neglected contribution to the society, much the contrary, and as presented above, Merck Thailand maintained a large bundle of CCI programs. However, the BSC did not represent this. This situation had some drawback. First, CCI activities were initially strongly driven by the managing director - the leadership team internalized only slowly the strategic impact of these. Second, due to the softness and intangibility of the issue, it bore the risk of cancelation in the case of worsened business context or managerial succession. To accelerate this process as well as to make this shift towards four stakeholder management sustain in the future, the managing director decided to update the scorecard system accordingly:

“This [the SBSC implementation] should give an internal boost in the understanding of business and society linkages. [...] When integrated in the BSC, it will show that we, on the highest level, take this [contribution to the society] serious. Then it is not a one-off, but permanent.” (Interview L1, §168)

Due to the existing (explicit) strategy and BSC system a straight-forward implementation could be expected. In the following sub-chapters, we explain the development of a local adaptation of a Merck CeBSC. First, we present the scorecard design choices and second, we present the developed metrics for the CeBSC.

Building a Community-enabled Balanced Scorecard for Merck Thailand

In accordance with theory (cf. p. 3) prior brand research at Merck concluded that its customers appreciate Merck's community involvement. Latest brand research in early 2008

revealed that CCI is the top brand driver even before product quality. At the same time the employee survey of previous years indicated that CCI has an effect on employee engagement. Accordingly, Merck decided to follow the CeBSC design in regards to the suggested goals (the labels were slightly adopted in order to represent the firm's terminology, which resulted in "Social Contribution", "High Employee Involvement in CSR" and "High Customer Involvement in CSR"). Merck also followed the suggestion of an additional community perspective and supported the fact that the community perspective frames the existing four perspectives (Merck uses the label "social perspective"). In regards to the two design choices (cf. p. 8), Merck decided to keep all community-related goals together in the community perspective, in order to prevent the isolation of the "social contribution". Merck's final CeBSC is presented in Figure 2.

Insert Figure 2 about here

Development of Metrics for the CeBSC

In the next step we address the development of adequate metrics to track the three strategic community goals. We describe the community contribution goals first and then proceed to the business goals.

The development of the community contribution requires to recall the different community programs deployed by Merck. This includes programs in partnership with the local NGO Raks Thai on the one hand and the volunteering programs on the other hand. Whilst, Merck strived to use metrics on the highest possible level (impacts), this could not be achieved in all cases. The LBG model (2007: 11) suggests a measuring period of one year for input, up to two years for output, and up to ten years for output assessment. Accordingly, impact metrics

were only possible in the project with the longest duration (P1). The other projects (P2, P3) could only be assessed on output level. The community contribution metrics of all three partnership programs are assessed by the NGO partner. In regards to the employee and customer volunteering activities, assessment was only achieved on the input level and remains in the responsibility of the firm. A more detailed overview of the metrics is given in Table 4

Overview of Metrics for the Community Contribution Goal.

 Insert Table 4 about here

The community-related business goals (customer & employee engagement) call for a second set of indicators, which we defined earlier (cf. Table 1) on a participation, output, and impact level. As the logic of the scorecard already suggests a causal link between employee and customer perspectives towards the financial perspective, we did not investigate indicators on the impact level. On the output level, Merck regarded CCI-related identification of employees and customers as the best performance driver. Both perception measures were already part of existing customer and employee surveys, as mentioned above. On the participation level, we used indicators for employee and customer participation in volunteering activities as indicator. Furthermore customer donations for the programs in partnership with the NGO are a measure for customer participation.

Discussion

The action research at Merck Thailand showed that CCI can be practiced as vital element of corporate strategy. It also showed that in contrast to the common debate over “rhetoric vs. reality”, CCI can indeed be integrated into core the strategy system of the organization - here

the BSC system. Whilst CCI had already been part of Merck's corporate strategy before, the further development of the BSC towards a CeBSC aimed at setting a sign of seriousness and ultimately aims at better management attention from the entire leadership team.

Other research also reveals challenges with the BSC concept. Möslein (2005: 185) for example cites an executive saying that the BSC was like "harry potter". Some systems were canceled due to its complexity (Zingales & Hockerts, 2002: 165). Some of the social and environmental scorecard concepts remained unimplemented (Bieker, 2005: 192,260). Under this perspective, the successful implementation of the CeBSC at Merck Thailand is especially noteworthy.

We argued that the business effects of CCI are especially strong (i.e. qualify for scorecard integration), when stakeholders are actively involved. The Merck example showed that this can be taken very serious, not only for the employees, but also for customers. In opening and strongly promoting the volunteering programs for customers, in combination with the cause-related marketing campaign, a very strong customer-company identification could be built.

The implementation details revealed that metrics for measuring CCI – both community and business benefits – can be applied. More important, we showed that it is possible to find feasible CCI-metrics beyond the input-level. As business organizations usually do not have the right expertise to judge social and environmental progress in communities, the NGO partner revealed to be especially valuable. Another insight is closely related: corporate tools, such as the BSC, usually apply a short-term logic (quarterly, semi-annually, or yearly). However, to address community progress seriously longer-term metrics are necessary. At Merck, the metrics in responsibility of the NGO partner Raks Thai are scheduled with a two-year frequency. This shows that short and long-term views can be integrated.

The research is *limited in several dimensions*. First, even as the analyzed subsidiary belongs to a large MNC, the organization rather belongs to the group of SMEs. It remains to be proven that the same approach is applicable in the headquarter of a MNC. Second, Merck has a track in community involvement together with the NGO partner of about a decade and has adjusted its strategy accordingly - already several years back. The scorecard adjustment only seemed to be something like a missing link. However, it remains unclear if the CeBSC approach would be applicable in case of non-existing CCI strategy. Third, the long-term effects of the enhanced scorecard system are unknown, and would require further longitudinal research. Fourth, CCI programs, as well as the project underlying the present paper, were driven with high priority by the managing director of the firm. This transformational top-leadership seems to be key for success. However, more research is needed to better understand how such leadership develops. A promising research stream may be “responsible leadership” (Maak & Pless, 2006).

Conclusion

We started this paper with the argument that CCI contributes to business goals by building stronger identification especially for the two stakeholders groups employees and customers. We showed that this effect is further strengthened through active participation in community involvement. Together, this can heighten CCI to a strategic level. We then presented a generic model for a community-enabled BSC with diverse design options. The application in form of an action research project at Merck Thailand led to the insight that it can make good business sense to make CCI part of strategy systems like the BSC.

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Tables and Figures

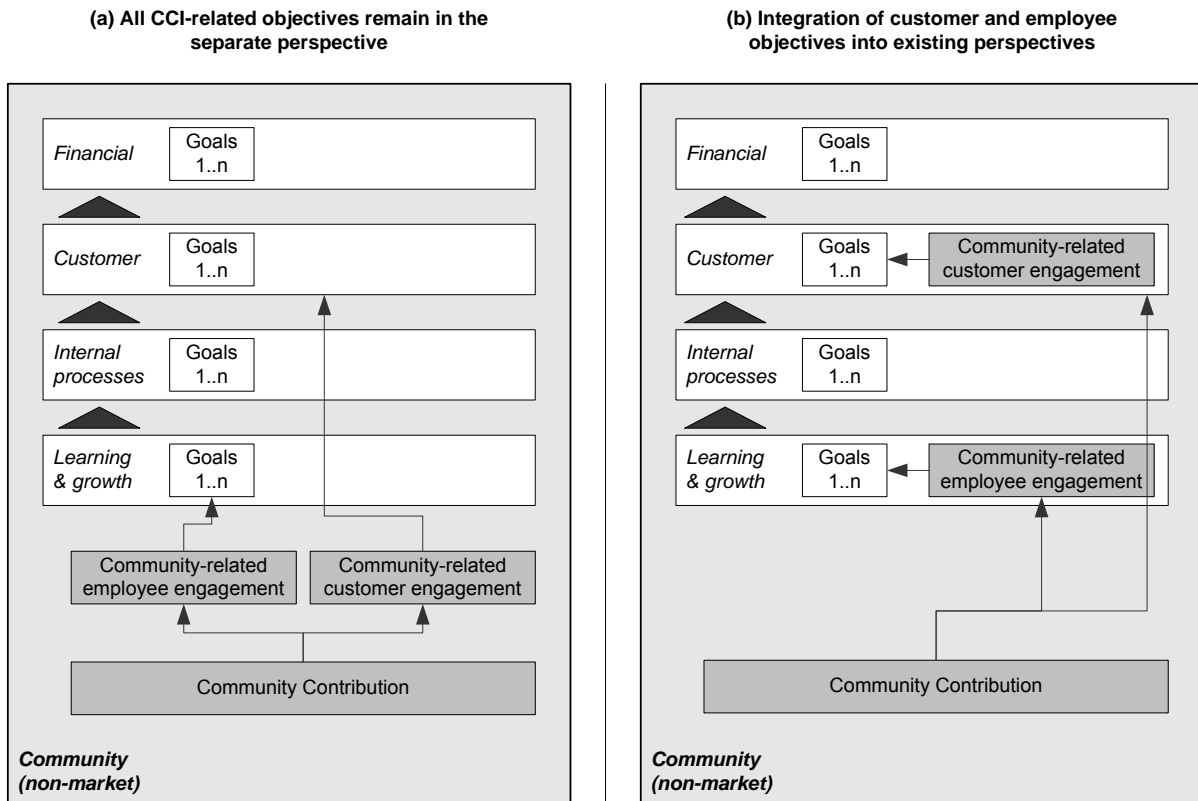


Figure 1 Two Generic Strategy Maps Representing Options for the Development of a Community-enabled Balanced Scorecard

Type of indicator	Business benefits	
	Employees	Customers
Participation (=inputs to community)	# employee volunteers	\$ customer donations from cause-related marketing # customer volunteers
Outputs	% increase in identification & satisfaction % increase in skills (in case of participation)	% increase in identification
Impacts	% increase retention, advocacy % reduced absenteeism	% increase in sales + new business development

Table 1 Potential Metrics for Measuring Business Benefits of CCI

Position of participants	Number of meetings / discussions	Average duration (hours)
Managing Director	5	0.5
Department Heads / Division Managers	2	0.8
Middle Management	22	0.9
External: NGO partner	2	1.8
Σ	31	0.9

Table 2 Overview of Discussions and Meetings in the Action Research Project

Category of Programs	Programs and objectives	Inputs
Long-term involvement together with NGO partner	<p><i>P1) Tsunami Relief and Rehabilitation Program:</i></p> <ul style="list-style-type: none"> - Occupational Recovery - Infrastructure rebuilding - Improvement of Disaster Risk Management <p><i>P2) Young Leadership Development Program:</i></p> <ul style="list-style-type: none"> - Increase of livelihood perspectives and reduction of relocation rate - Development of leadership skills with youths <p><i>P3) Community Caring & Action Partnership Program:</i></p> <ul style="list-style-type: none"> - Increase of natural resource management capacities - Development of sustainable livelihoods 	<ul style="list-style-type: none"> - In-cash (corporate donations, customer donations, cause-related marketing) - In-time (pilot development project with management talents)
Short-term activities through volunteering schemes	Large diversity of programs with social and environmental objectives, e.g.: Tree planting events, services for children, elderly, or disabled	<ul style="list-style-type: none"> - In-time - in-kind - in-cash

Table 3 Overview of Merck's CCI Programs (based on Merck Thailand, 2008)

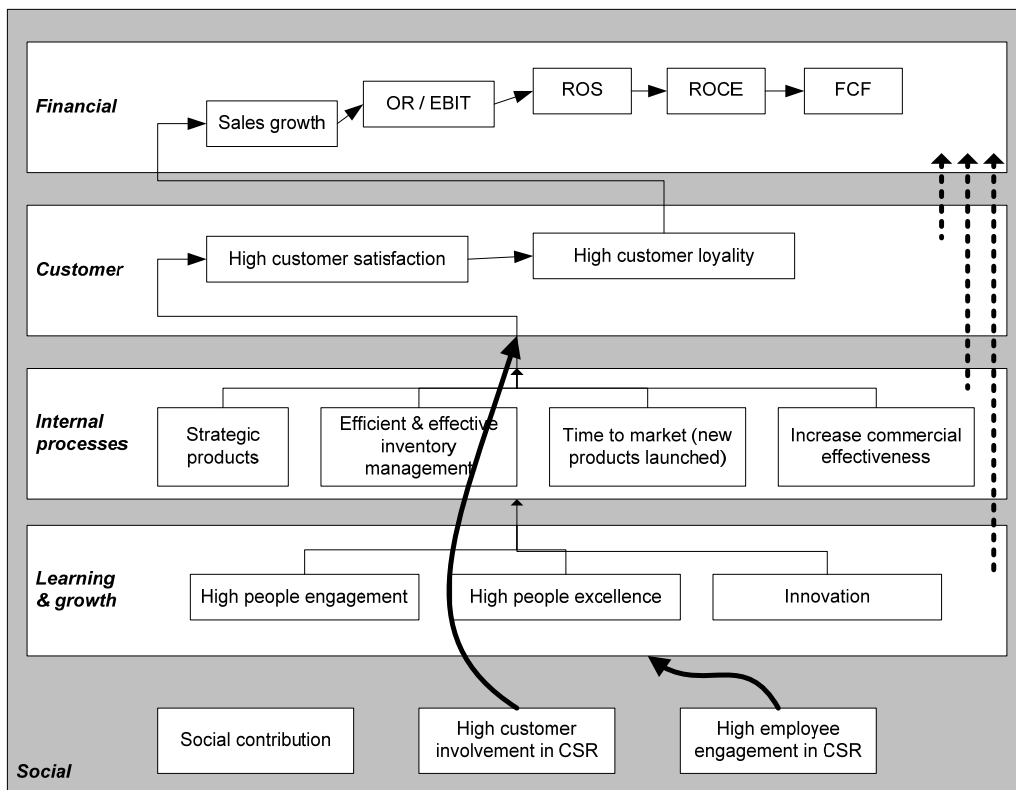


Figure 2 CeBSC for Merck Thailand's Pharmaceutical Division (Strategy Map)

Category of Programs	Metrics	Metric Level	Source
Long-term involvement together with NGO partner	P1:	Impact	NGO partner (bi-annual)
	% of households with increased income		
	% households with increased resilience to livelihood shocks		
	P2:	Output	
	% youth participants demonstrating a life plan		
	% youths developing an alternative income generation activity		
P3:	Input	CSR department (semi-annual)	
\$ income earned by occupational group and its members			
Short-term activities through volunteering schemes	# communities executing forest protection		
	# ECVP activities per half-year		

Table 4 Overview of Metrics for the Community Contribution Goal