Instituto Universitário de Lisboa

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A Value-Based Corporate Leadership in the Areas of Conflict between Profit Maximization and Business Ethics

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A Dissertation presented in partial fulfillment of the Requirements for the Degree of PhD in Management
Specialization in Strategy and Entrepreneurship

July 2016

ISCTE IUL
Instituto Universitário de Lisboa

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List of abbreviations

BioH	BioHealthy
BRICS	Brazil, Russia, India, China, South Africa
BSC	Balanced Scorecard
CEO	Chief Executive Officer
CFROI	Cash Flow Return on Investment
ConTraL	Law on Control and Transparency
CSR	Corporate Social Responsibility
CTR	Click-Through-Rate
CVA	Cash Value Added
eg	exempli gratia/for example
EMAS	Environmental Management and Audit System
etc.	et cetera
EU	European Union
EVA	Economic Value Added
f.	following page
FCF	Free Cash Flow
ff.	following pages
FIFO	First In First Out
GC	Global Compact
GRI	Global Reporting Initiative

HR	Human Resources
HVDS	Holistic Value Driver Scorecard
IAS	International Accounting Standards
ie	id est /that is
ISO	International Standardization Organization
LIFO	Last In First Out
MASA	Market Adapted Shareholder Value Approach
M&A	Merger & Acquisition
MVA	Market Value Added
NGO	Non-Governmental Organization
NOPAT	Net Operating Profit and Taxes
OECD	Organization for Economic Cooperation and Development
p.	page
R&D	Research and Development
ROE	Return on Equity
SA8000	Social Accountability 8000
SEC	Security Exchange Commission
SV	Shareholder Value
SVA	Shareholder Value Added
TCF	Total Cash Flow
UN	United Nations

USGAAP	United Governments Generally Accepted Accounting Principles
USP	Unique Selling Proposition
Vol.	Volume
vs.	versus
WACC	Weighted Average Cost of Capital
WBCSD	World Business Council for Sustainable Development
WWF	World Wildlife Fund

Abstract

A corporate leadership aims at maximizing profits in order to secure long-term existence. The concept of a value-based corporate leadership includes a concept of increasing value, which refers to the enhancement of shareholder value. Leadership behavior and value-based leadership is primarily based on the profit interests of a firm's shareholders. Investments in the firm are mainly focused on increasing shareholder value.

This monistic focus on maximizing profits contrasts with economic ethical guidelines, which evolves in the context of sustainable responsibility and business ethics, since these two concepts diverge due to their different objectives.

To practice ethics in the capital market, it requires renunciation and long-term rethinking. Economize cost-effectively and gaining profits is the first objective of any firm. However, it is an inherent ambivalence of a mutual condition of the economy and morale, which is reflected in the market economy and in the economic middle class. Nowadays, more and more firms get involved with regard to social responsibility and corporate leadership. Monetary and material donations for public facilities are provided, volunteering or free services are offered. This self-evident, social engagement is receiving increased appeal and hearing in public. As a result, firms not only demonstrate their social responsibility, but at the same time improve their image. But is this sufficient to withstand a value-based corporate leadership in the areas of conflict between profit maximization and business ethics?

A value-based corporate leadership has to succeed in connecting the responsibility of the firm and its entrepreneurial and ethical perspectives, so that it serves in a supportive way and pursues a common goal. This attitude is justified in arguing that firms are not only necessarily dependent on operating profitably, but also on gaining social acceptance, which legitimize its economic actions. A successful corporate leadership has to go hand in hand with the concepts of profit maximization and the moral commitment of a firm. Moral commitment strengthens the foundation of legitimacy of entrepreneurial actions. The later presented Holistic Value Driver Scorecard is the main content of this work and the author´s contribution to science. The aim of this work is to provide firms a managerial tool to improve their business processes and detect value drivers as well as destroyers.

Key words:

Balanced Scorecard, Sustainability, Management, Leadership, Profit Maximization, Business Ethics, Stakeholder and Shareholder Management, Shareholder Value, Corporate Social Responsibility, Environmental Awareness.

1 Introduction

1.1 Problem Definition

Due to the determining factors of capital and financial markets, the market orientation of firms increased significantly over the last ten years. Conventional, accounting-oriented evaluation criteria are no longer sufficient for a holistic value orientation. Leadership and control systems need to be adapted to today's market requirements. The interests of investors must be obeyed, without neglecting the interests of other stakeholders. Value orientation requires more transparency and flexibility, which ensures sustainable growth.

Bribery scandals at Siemens, price-fixing at the ThyssenKrupp AG, abuses of power and loss of confidence in banks, tax evasion into foreign countries - in today's economy, negative headlines about firms and their profit-seeking, unethical decisions are increasing.

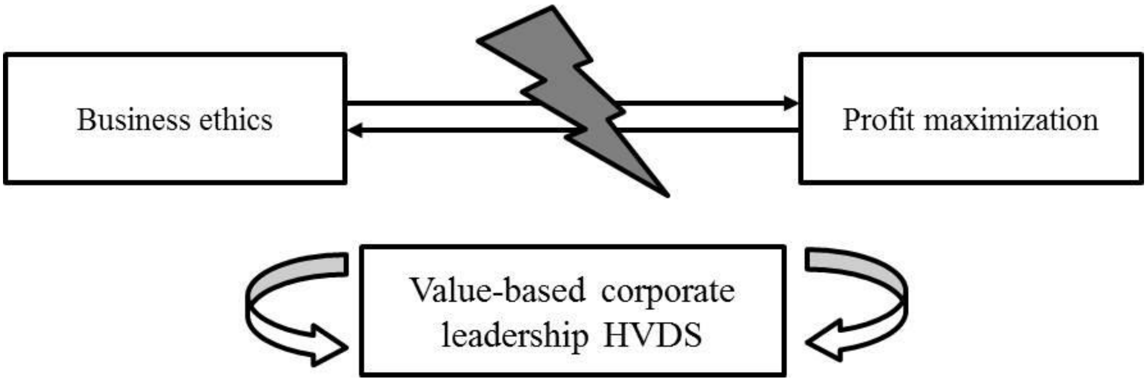
The rapidly growing globalization and dynamization of capital markets allow quick profits. This happens at the expense of weaker stakeholders. To save production costs, firms migrate to Eastern Europe and Asia. While from a business perspective costs are saved, it is to the disadvantage of the local workforce. Workforce is rationalized and production locations are closed. Only a few employees profit of retraining or takeover measures.

The quality in the production of goods in Eastern European or Asian countries often does not meet the expectations of the western industry.

The competition for the scarce resource of capital and dwindling non-renewable resources is being fought hard, partly at the expense of the environment, society and government. This leads to stress-factors for the environment up to the point of irreversible damage, loss of confidence in society and tax losses for the government.

The primary business objective is to generate profits that will secure and maximize a firm´s value in the long-term. A firm that makes profit in the market can use it for the preservation of liquidity, investments and cost recovery. Firms should not have the quick generating of profits in mind, but rather long-term profit maximization. There is a gap which should be filled with the application of an easy adaptable scorecard, bringing together profits and social responsibility in a harmonic and holistic way. This is defined as the research gap and purpose of the underlying research.

Figure 1: Objective of the work, resource: own representation



1.2 Research objective

The research objective of this work is to present an applicable solution proposal for the harmonization of conflicts that can arise between the concepts of profit maximization and business ethics.

The objective is to show how and where tensions arise. This research study will point out the monistic alignment of business objectives, scarce resources, the externalization of costs and the loss of confidence.

The identification of these areas of conflict enables the determination of stakeholders. Based on these the six dimensions of the Holistic Value Driver Scorecard (HVDS) is presented. Using this representation, a catalogue of measures, including a performance measurement system, is presented as a proposal and managerial application. The aim is to respond separately to each of the six dimensions. Focus lies on the measurement and applicability of each level. Every firm is associated with a particular industry, operating in a particular local area, region or country, with different corporate cultures, goals, visions, strategies and decisions. The difficulty in working out the HVDS is to treat all six dimensions in a way that none gets neglected. The purpose is to find a balance and right of existence for all of the six dimensions. The composition of the HVDS has to be applicable, so that it can be applied to a wide range of diverse firms in different sizes, no matter the industry or market they operate in.

Many firms and consultants use their own models and metrics to meet a value-based corporate leadership. Often, however, problems appear regarding the comparability and feasibility in practice. With regard to the increasing competitive pressure, every firm has to be able to quickly, easily and accurately compare with others on the market at any time. Only by doing so an accurate picture of where the firm itself is located within the competition can be made. The HVDS offers an easy-to-use scorecard, with which internal as well as external comparisons can be made, value drivers and destructors can be identified and its market position can be shown.

The HVDS therefore represents a consistent further development of the Balanced Scorecard in the context of a value-based corporate leadership. This includes focusing the entire firm on a long-term, sustainable value orientation. Thereby, the HVDS is to serve as a flexible instrument for value orientation.

1.3 Research design and methodology

The underlying research study was driven mainly by using case studies, articles and established theories and models from the existing literature. The methodology in the literature review section of this work follows the definition of terminology of corporate leadership, value orientation, profit maximization, which will be considered separately by the definition of profit and maximization of profits, as well as business ethics. Each term is separately defined and distinguished. The conceptions of these three terms are built and interfused in meaning. Differences to other related concepts will be depicted. Furthermore, the importance of these concepts for this work at hand is highlighted.

In chapter three possible areas of conflict are identified. Four possible areas of conflict are shown. There are far more areas of conflict, but it would go beyond the scope of this research study. Also because of their relevance, reference is made to four current areas of conflict from the perspective of the author.

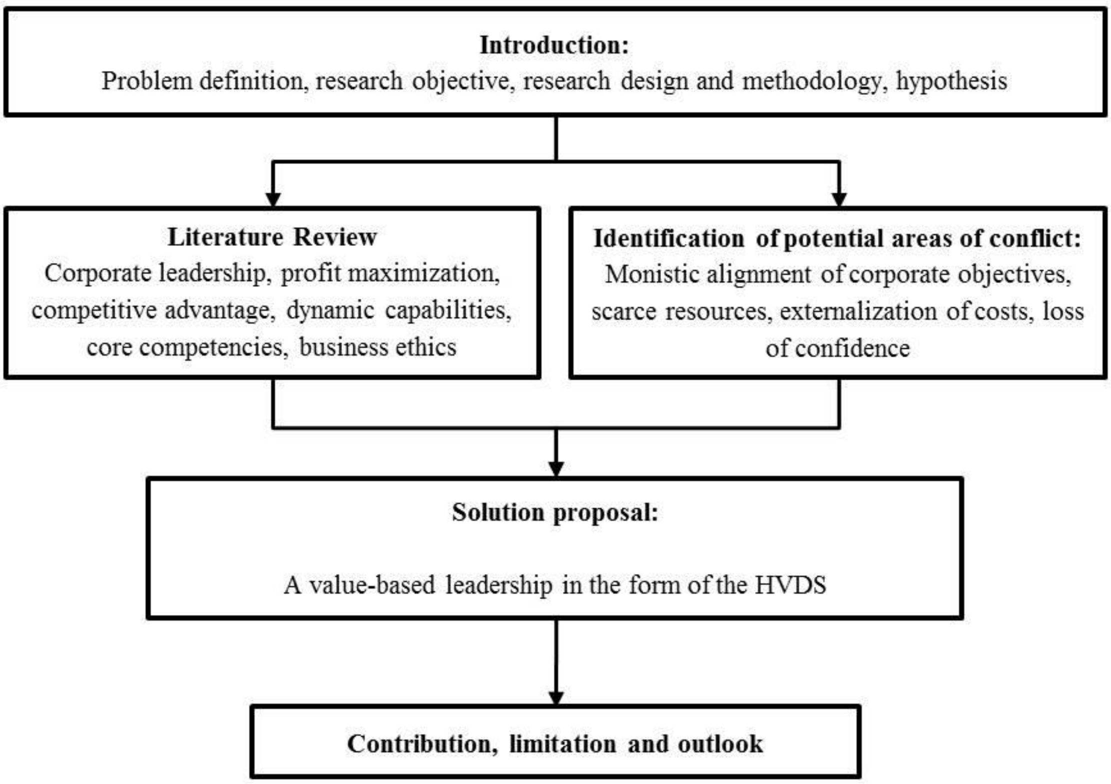
Chapter four presents the core and research proposition of the work, the presentation of HVDS. The success factors of a value-based corporate leadership are demonstrated, as there is the corporate philosophy and the understanding of values and processes.

The presentation of the six dimensions of the HVDS, on the basis of the Balanced Scorecard, is accomplished with an action plan and a performance measurement system. This enables the application of concrete actions, priorities and behaviors for every dimension. The corresponding figures allow measurement and comparability within a firm, in different business areas, as well as outside the firm or with regard to a competitor.

Particular emphasis is placed on the needs and interests of stakeholders. Each stakeholder group of the HVDS is to be perceived. The implementation of the HVDS should go beyond the formal and tangible objectives of a firm and can be considered as part of the corporate mission.

Finally, the results, a brief conclusion, further recommendations, limitations and critical annotations of this research study are mentioned.

Figure 2: Research design, resource: own representation



1.4 Research proposition

Nowadays, corporate leadership has to struggle between profit maximization and business ethics. On the one side there are the shareholders, owners and investors who want to receive profits and returns on their investment. On the other side there are all the other stakeholders (employees, customers, environment, communities, government), who might be affected by excessive profit maximization (disproportionate use of resources, pollution) and who also want to receive a form of compensation. The higher the profits the shareholders try to achieve, the more productive and effective a firm has to be. This mostly does not go in line with business ethics or sustainable management. See the massive corruption scandals in firms like Siemens and Enron. Corporate leadership needs to find a balance between greedy profit maximization and a sustainable, ethical management of all resources, capital, environmental and human. In the author´s opinion, the Balanced Scorecard is a good start as a measurement tool for corporate leadership, but it is not sufficient enough to balance and compensate possible areas of conflict between profit maximization and business ethics (Oermann 2015, p. 17 and 25, and Holzmann, 2015, p. 8-11). The Balanced Scorecard ‘provides managers with the instrumentation they need to navigate the future competitive success’ (Kaplan & Norton 1996, p. 2). Furthermore, the Balanced Scorecard ‘translates an organization´s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system.’ But the Balanced Scorecard puts its focus almost solely onto financial objectives and the performance drivers behind these objectives. It measures the performance across four balanced perspectives, which are financial, customers, internal business processes, and learning and growth. In the author´s opinion, a sustainability and social responsibility perspective is missing in order to complete a holistic framework regarding a corporate leadership. The proposition therefore is the presentation of the HVDS-model, which enables a corporate leadership to operate on a more holistic and sustainable view. The HVDS is an improved development of the Balanced Scorecard. The four dimensions of the Balanced Scorecard are enlarged into six dimensions, as well as the alteration of the existing four dimensions into six complementary perspectives. Corporate leadership is in urgent need of an enlargement of the scorecard into six dimensions, taking a holistic view, namely the perspectives customers, employees, finances, externals, environment and corporate values. By doing so, the HVDS covers all business areas and implements longevity, business ethics and sustainability with the help of financial ratios to make success and failure measurable.

2 Literature Review

2.1 A value-based corporate leadership

The concept of a value-based corporate leadership is defined under the concept of corporate leadership and under the concept of value orientation.

2.1.1 Corporate leadership

The firm is universally understood as ‘an entrepreneur-led business entity’ or a ‘hoard of the entrepreneurial activity of the owner’, according to Macharzina and Wolf (2008, p. 15). Furthermore, according to Mueller (2013, p. 7) the firm is defined as a ‘commercially oriented, autonomous institution in a market-based system.’ Ownership and right of disposal, however, are to be considered separately in most firms. The firm is regarded as a value-generating unit, which conducts to the transformation of input into output variables. Firms are used to cover external demand. The assignment of external demand coverage can only satisfactorily be obeyed when the transformation of input into output is followed by transactions in the form of market relations. This is considered as the main purpose of any organization (Mueller 2013, p. 15).

Every business requires leadership. Schulze and Bergius (2014, p. 14ff) describe leadership as a purposeful, direct and indirect influence on behavior of other persons within institutionalized social systems, to enforce and achieve individual or collective goals. First and foremost are the persons acting, which is the management board. Each leading figure has its own unique style of leadership, its own individual characteristics, strengths, weaknesses and personality. Thereby, a leader is an individual person within a hierarchical organization, ‘which has its own area of responsibility and is authorized to issue to a group of people within this organization’, according to Eberhardt and Haunhorst (2015, p. 27). The leadership of a firm usually consists of one or more persons who are responsible for the fate, strategies, actions and decisions of a firm. Thereby, the task to combine the ‘three elementary factors of work, equipment and materials to a productive unit’, which is stated by Neu (2005, p. 23), falls to the entrepreneur as the supreme corporate body. The personality of the leader plays a major role. Characteristics like being respectful and responsible, team-minded and able to cooperate, motivating and charismatic make a good leader, says Hutzschenreuter (2009, p. 59). A position in leadership immediately means to always be a role model for employees (Borkowski 2011, p. 8-9).

There are many models, theories and perspectives regarding the concept of corporate leadership (Müller 2013, p. 2). However, firms as institutions can only be defined through their functions. These functions include the tasks of planning, organization, surveillance, decision-making, responsibility and representation. Corporate leadership gives the task to set the firm objectives and the means which are needed to achieve these goals. Thus, corporate leadership has more duties that must be obliged to. In addition, corporate leadership has to run activities such as the firm policy, coordination of operational business units, the prevention and elimination of operational process disturbances and the personnel policy. One of the most important tasks of corporate leadership is the decision-making process and the communication of those to the employees. A demarcation cannot yet take place, because each employee takes his decisions regarding his own situation. The decision process itself comes into play when internal or external influences occur, such as strikes regarding salary increases, revenue decreases, production errors or an increased employee turnover. Features of leadership decisions are 'the ones that are made for the existence and the future of the firm', according to Müller (2013, p. 2).

Regarding the concept of corporate leadership, a normative and operational corporate leadership has to be explained. A normative corporate leadership includes fundamental objectives as well as objectives regarding its strategy. From this derives the strategic corporate leadership, which is long-term-minded and is to build, maintain and develop the potentials for success. The operational corporate leadership is about activities regarding processes such as procurement, logistics, inventory management, personnel management, controlling, and marketing.

To delineate the concept of corporate leadership more clearly, the term management is to be listed here, which is very close to leadership, but contains differences in the responsible persons and their fields of activity. Citing Müller (2013, p. 12), the term management includes 'all people that deal with dispositive tasks.' Another distinction has to be made between top management, middle management and lower management. The top management equates to the concept of corporate leadership with dispositive tasks, the middle and lower management is responsible for the various functional areas of business management units with dispositive, operational and executive tasks (Müller 2013, p. 12). The difference of the term corporate leadership is made clear, because corporate leadership affects only the level of leading, not the guidance and execution levels. In the Anglo-American area the concept of management is largely used undifferentiated down to the level of a foreman, whereas in the German language very clear roles and characteristics are defined regarding the concept of corporate leadership (Müller 2013, p. 12).

According to Steinmann and Schreyögg, management is ‘a system of control tasks that must be rendered in the performance and assurance in work-sharing systems’ (2000, p. 12). A more open definition provides McNamara. For McNamara (2013, p. 45), management is the ‘most creative of all the arts, because its medium is human talent itself and the art of using talents properly.’ According to Baumgartner and Biedermann (2015, p. 71ff), the terms corporate leadership, management, firm policy and administration are to be considered as equivalent.

Corporate leadership involves primarily objectives and strategies of the firm. Strategies can often be formulated quickly, but there may appear difficulties regarding their implementation. An example: A firm has set itself the objective of a short-term revenue growth of seven per cent in a developing country in one year. During this period, however, it comes to political upheavals, customers are confused and the goods are not sold as forecasted. Now the corporate leadership comes to the point of a conflict management. This means: must the strategy be applied in order to still achieve the targeted seven per cent? Or is it necessary to operate in other markets? It comes back to the initial state that corporate leadership is responsible for ensuring that the ‘productive factors of the firm are to be coordinated for the purpose of optimal performance and creating the best possible combination of factors’ (Macharzina 2003, p. 11).

With the growing complexity and dynamism of global markets, the challenges for corporate leadership grow immensely. Products and services are more and more individualized manufactured and offered globally, markets are partially saturated, production systems are to function as flexible as possible, networking through the Internet requires a fast response ability, cultural differences must be understood and smoothened and there are more and more influences from politics and other stakeholders (Müller 2013, p. 7). Corporate leadership is confronted with all these issues every day and must make the best decision for the firm. One of the most important decisions is to act in the interest of the owners and to generate profits. Corporate leadership has to see ‘the big picture’. Leaders must satisfy stakeholders, owners, employees, customers, suppliers, society and government. The environment of a firm includes not only market and industry conditions, but also political, economic, socio-cultural, technological, environmental and a legal framework (Müller 2013, p. 7).

The traditional view of corporate leadership includes an 'interest-monistic fundamental concept', which is looking at the shareholders as the sole decision-makers (Macharzina & Wolf 2008, p. 11). Nowadays, this monistic orientation has been developed towards a pluralistic orientation in the course of creating value. Not only the shareholders are paramount in decision-making, but also the customers, employees, suppliers, society and government. The firm is seen as a 'coalition', in which the various stakeholders pursue their goals (Macharzina & Wolf 2008, p. 12).

In the course of their duties, corporate leadership has to consistently expedite the environmental orientation. An adaption to environmental developments is necessary. The business environment constantly changes and influences business decisions, while at the same time the firm affects its environment with its decisions.

In terms of a value-based corporate leadership, the concepts of corporate governance should be listed here. In a strict sense, corporate governance means the concurrent relationship between corporate leadership and shareholders. Corporate governance is seen as an 'instrument of investors that will guarantee to make a fair return on the capital employed' (Gary 2009, p. 6). In his view, the interests of shareholders are considered primarily and enforced against corporate leadership. In a broader sense, corporate governance means the interests of other stakeholders. Since it does not always come to a harmonious agreement between shareholders and other stakeholders, the concept of corporate governance can be seen as 'a tool for conflict resolution' (Hoshi 2001, p. 6). To the definition of Hoshi (2001, p. 6), following can be added: 'Those aspects address the agency problems between (i) shareholder and managers, (ii) creditors and managers, (iii) workers and managers, (iv) suppliers and customers, and (v) government and firms.'

According to Bartholmes (2001, p. 1), corporate governance is a 'performance-based determining factor that influences directly or indirectly the leadership decisions of a firm and thus the success of the firm.' Corporate governance includes all 'rights, duties and responsibilities of the institutions, shareholders, employees and other stakeholders' (Bartholmes 2001, p. 1).

In 2001, the German Corporate Governance Code (DCGC) was launched by representatives from the industry, unions and science (Macharzina & Wolf 2008, p. 143). The contents of the Code include a transparent regulatory framework, 'that relies very heavily on corporate responsibility and self-control in the sense of a strict best practice orientation' (Macharzina & Wolf 2008, p. 143, see also Government Commission about the German Corporate Governance Code). Regarding liability, the code can be divided into three categories: The 'must-rules' which are defined by law, the 'target-recommendations', which have a law-complementary character, and the 'should / can-suggestions', which represent proactive ideas for good corporate leadership.' Regarding the success of the DCGC, a positive relationship with respect to the firm's success can only partially be confirmed, according to Bartl (2014, p. 34, 42) argues, that 'the previously existing gap for the German language discussion of a comprehensive and systematic analysis of the function and operation of the DCGC under conceptual and empirical account of the interaction of the actors involved can only be stated at this time, but not be resolved satisfactorily.' Previous empirical studies such as those by von Werder (2005a) or Bassen et al. (2006) only consider results based on questionnaires to the DCGC-compliance.

One of the central concerns of the corporate governance debate is the principal-agent theory. A conflict exists between principal (shareholders) and agent (corporate leadership), that arises from information asymmetry. The decisions of a firm cannot be controlled adequately by its shareholders (hidden action). The shareholder has advanced knowledge on specific information due to transaction costs (hidden information), which can be negatively used by the firm towards its shareholders due to different interests between firm and shareholders. The incentive, control and information systems must ensure that the firm can achieve its objectives (Delbrück 2006, p. 6).

Summing up, the concept of corporate leadership can be understood primarily as a function that is similar to a management function, but not quite identical. The concept of corporate leadership also includes an institutional function. The institution of a corporate leadership affects all persons involved in a senior position in the firm. The essential feature of the concept of corporate leadership is its 'goal-directedness of action' (Schweitzer 2001, p. 1). The decisions of a corporate leadership are characterized by typical constitutive characteristics such as a high monetary value, intangible values, high binding effects and irreversibility (Junginger 2005, p. 50). In addition, corporate leadership should always be exercised under the requirements of a moral justification.

In this research study, the definition of Macharzina and Wolf (2003, p. 45) is followed, which identifies 'corporate leadership as the sum of all those actions of the responsible actors, which involve the design and coordination of the corporate-environment-interaction in the context of the value-added process and affect this fundamentally.'

2.1.2 Value orientation

Value orientation means making all business decisions according to their impact on the firm's value. The firm is managed in the interests of its shareholders, which is understood as the Shareholder Value Concept (Coenenberg and Salfeld 2015, p. 88). This means that corporate leadership has to act and decide in accordance with its shareholders. The objective includes the increase of the shareholder value, i.e. the firm's total value.

The value orientation was born out of the shortcomings of conventional accounting (Berger 2009, p. 4). Due to an insufficient focus on the future, a lack of differentiation of risks between the business units, an insufficient picture of the real firm values, an unsatisfactory representation of the capital requirements and the limited consideration of the development of stock markets, the need for a more optimized control concept grew. The orientation of such a control concept should be directed primarily at the firm's values and at the needs of the enterprise as a whole (Berger 2009, p. 5). The objectives of a firm are primarily to create value in terms of profits.

The value orientation focuses, as the term suggests, on the values of a firm. The values of each firm may vary depending on the industry affiliation, products, employees, capital structure, and location of the business or its size. In an industrial enterprise the value is in its fixed assets, as compared to a trading firm, where it is in current assets. Values can be qualified personnel, a secret recipe, a convenient access to sources of raw materials, a unique process technology or a favorable taxation.

In 1986 Alfred Rappaport (1998) made a significant contribution to explaining the concept of value orientation with the publication of 'Creating Shareholder Value.' Rappaport explains the concept of a value-based corporate leadership as the link between corporate growth and shareholder value. By 'linking strategic planning with cash flow projection, a long-term growth is to be ensured (Junginger 2005, p. 55).

According to Schierbeck and Lister (2002, p. 11), value orientation is based on three characteristics: profitability, growth and risk. This simply means that all decisions in the firm have to be subjected to those of profitability, that all actions must obey those of the firm's growth and that the risk factor must be taken into account. The risk is also considered as optimization parameters for both variables profitability and growth.

If the three above mentioned factors are broken down further, it comes clear that the value orientation is nothing more than cost-cutting measures, cost control, security and the development of competitive advantages, a customer orientation, and a performance-based incentive system for employees and a satisfactory personnel policy (Junginger 2005, p. 59).

Conventional, profit-oriented considerations do not reflect the value orientation in a satisfactory way. Accounting measurements neglect the profit and return expectations of shareholders, as these are not included in the profit and loss accounts. An accounting profit does not necessarily meet yield demands of shareholders. Consequently, the orientation on the return expectations of shareholders is essential, if a value orientation is to be enforced. The value of the shareholders equals the intrinsic value of the firm, whose ability is to generate long-term cash flows (Copeland, Koller & Murrin 2002, p. 89).

Important in the implementation of a successful value orientation is the identification of parameters which have a direct or indirect impact on the firm's values. These parameters are commonly referred to as value drivers that act as financial and operational control variables (Junginger 2005, p. 62). The primary value drivers are, according to Rappaport, the duration of value growth, revenue growth, operating profit margin, income tax rate, investment in fixed and current assets and the cost of capital. The primary value drivers can also be viewed as strategic value drivers, such as customer orientation, product quality, innovation, or the leader of the firm (Waltermann 2009, p. 22). Rappaport depicted the relationships between the value drivers in a so-called Shareholder Value Network (Rappaport 1986, p. 76). The operating value drivers include strategic and operational management, investment and financing. To act in terms of a value orientation, quantitative measures have to be settled for all value drivers in order to make success measurable (Junginger 2005, p. 63).

However, it has to come to a profound understanding of a value-based culture in the organization of the firm to successfully implement value orientation. Performance measurements alone are not sufficient. Copeland, Koller and Murrin (2002, p. 125) identify six areas in which the value orientation must take place: standards and objectives, portfolio management, organization and culture, the exact definition of value drivers, the control of performance of all business units and the management of staff performance. This means that, starting from the corporate leadership, the determination of objectives, a mission statement and the operationalization of value-based, quantitative targets is in the foreground. Hereby, benchmarking, market requirements and industry behavior play a major role. The portfolio management exclusively deals with the focus on core competencies of the firm. With regard to the organization and culture of a firm´s decision-making power, opinions, values and leadership styles must be critical scrutinized by a value orientation. What contributes to the value of a firm? Which behavior induces value orientation? Value drivers must be identified which account for the quantitative performance variables of a firm. The business units must be operated in a way that all follow the strategic objectives and contribute to the increasing of the firm's value. This is done through a meaningful link to the value drivers. Regarding the employee's performance, an adequate incentive system is to be designed to contribute to a value orientation. Not only monetary incentives are important for the employee, but also career opportunities, the personal development and the creation of a culture of values. If these six areas are connected, a holistic value orientation has been successfully implemented in the firm (Sagmeister 2016, p. 71-73).

The characteristics of a value orientation are at the focus regarding the objective variables, such as the cash flow that cannot be easily manipulated due to its relative simple calculation. Another focus lies on capital appreciation. The capital appreciation presents the discounted cash flows in a dynamic investment calculation in order to achieve an assessment of investments. This includes a long-term aspect, because the capital value depends on future payments and is not calculated in one period. Discounting future cash flows of the time value of money and the opportunity costs of capital employed is taken into account (Endres 2007, p. 35). Finally, shareholders expect a satisfactory return on capital.

However, value orientation, based on the above mentioned descriptions, almost exclusively aligns on shareholders and their expectations, and represents a monistic approach. It is to note critically to what extent other stakeholders such as customers, employees, suppliers, government and society are taken into account.

2.2 Profit maximization

The definition and delimitation of the concept of profit maximization lead to problems due to various definitions (Jung 2006, p. 36). Jung states that 'different income concepts imply different action alternatives to maximize profits. The entrepreneur as an individual, who does not have all information available and therefore must orientate on auxiliary variables (e.g. increase in sales), only can determine later whether the decisions were appropriate to achieve the goal of profit maximization, and the decision narrowing by subjective constraints.'

Profit maximization is, in addition to decision-making, insufficient as being the only key objective of entrepreneurial actions, since these cannot be quantified and the decisions of the corporate leadership are influenced by multiple objectives. In addition, ethical and social aspects of profit maximization are largely disregarded. There is the risk of personal profit seeking by the management board.

The definition of profit maximization is defined under the terminology of profit and under the terminology of maximization of profits.

2.2.1 Profit

Profit is the margin between revenues and costs. Firms make sales on the market, with which they have to cover their costs and make profit at the same time. Thus, one of the objectives of any firm is to generate profits in order to secure its existence and to be able to operate successfully. Costs such as wages, salaries, materials, rent and lease must be paid. The firm must be able to maintain its liquidity and solvency in order to operate in the market. The profit of a firm is expressed in its profitability. Profitability is an indicator that is used to detect the financial profit (Weber 2001, p. 12-23). Usually, profitability is measured by capital employed and the ratio of a success indicator to another code, which is responsible for the profit (Weber 2001, p. 12-23). Profit is distinguished between accounting, taxes and financial profit.

Firms try to strive for the highest possible profits to not be replaced by a more profitable competitor. However, caution is required here because a quick profit can inflict lasting damage on the firm. Firms planning short-term and perform cost savings to increase profits lose in the long-term. Moreover, most firms do not possess all necessary information. Instead of focusing continually on the profit, executives should rather keep their sales and exact market share in mind. The objective should not be the maximization of profits, but the optimum capacity utilization while minimizing the costs.

But nevertheless, the generating of profits must be prosecuted as the main corporate objective along with decision-making. Without profit a firm cannot exist (Jung 2006, p. 35). Profits must be earned in order to ensure the existence of a firm, to maintain its liquidity and to be able to make investments (Gutenberg 1983, p. 464).

2.2.2 Maximization of profits

If a firm wants to maximize profits, value drivers and value destroyers must be identified at first. Which business areas, products, or values of the firm result in profits and which in losses? Where can costs be reasonable saved to maximize profits? How much asset turnover and how profitable the capital employed yield interest in the firm?

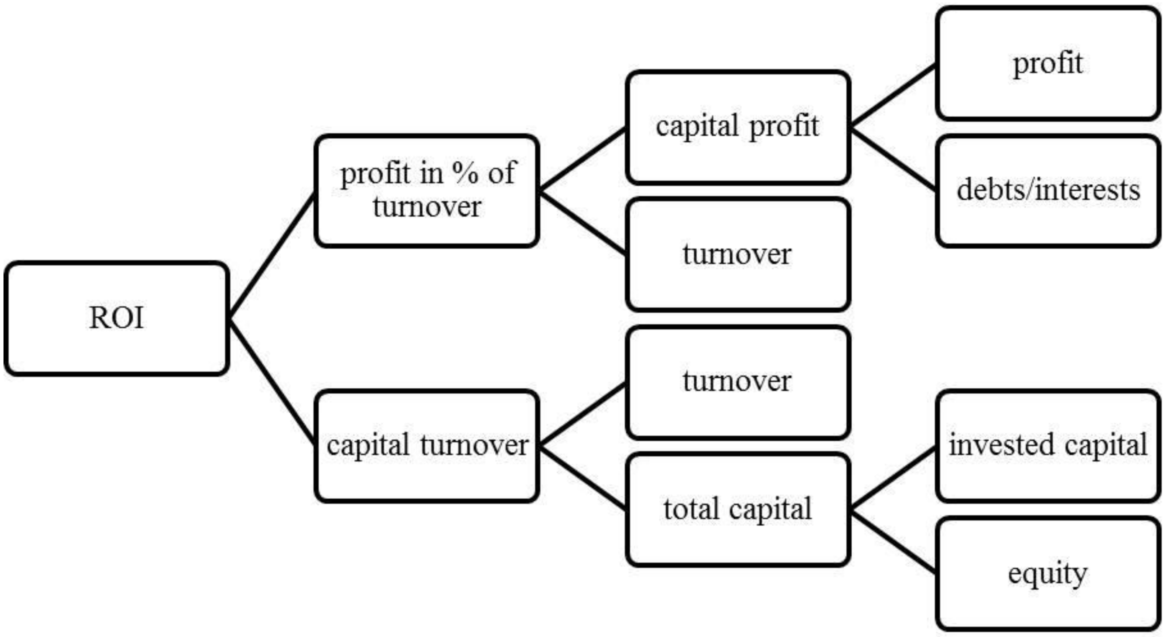
There are various evaluation approaches, methods and tools to analyze whether a firm conducts its business profitable, i.e. manages its resources optimal. In many areas indicators are used which can be derived from the annual financial statement to make profitability visible. Either they are directly readable, e.g. sales or net income, or can be determined by simple calculation steps such as the return on sales or the ratio of equity to debt (Hofbauer and Müller, 2014, p. 23-26). Based on that a so-called performance measurement system can be constructed, which leads to a key performance indicator. A popular and often used key performance indicator is the Return on Investment (ROI).

The ROI by DuPont was developed from the idea that not ‘the profit is the best measure of quantifying the success of the firm’, but the ‘result per inserted unit of capital, whose maximization should be the firm's goal’, which means the return on the capital employed is of interest (Breitfeld 2001, p. 2). The DuPont system is not based on profit maximization, but on the maximization of the return on investments.

However, there are also critical points to be mentioned here. The ROI lacks a correlation to the performance of a firm in the capital market. There are considerable margins of discretion in the preparation of financial statements and it is strongly oriented to the past. But despite its criticism, the ROI is a relatively simple calculation method, consisting of a few key figures with high significance. The advantages of the ROI include clarity, transparency, arbitrarily extensions and further subdivisions. Not only is a fiscal assessment carried out, but also an evaluation of the operational performance. Disadvantages include that not yet activated innovations and R&D-development costs are not reflected in the calculation and therefore the firm is in danger to seek to maximize profits in the short-term (Colsmann 2015, p. 38-40). Colsmann refers to following regarding the ROI: ‘Significance of the ROI: By multiplying the sales profitability and asset turnover one gets the return on invested capital. On the one hand the costs and benefits structure is focused, on the other hand the capital structure. Starting from the basic formula, operational efficiency (using the return on sales) and asset structure (by asset turnover) can be evaluated immediately. The great influence of the capital turnover on the return on capital employed is visible, effects of changes in inventory, production and fixed costs changes are illustrated. The advantages of the ROI metrics system are that the profitability target is placed at the center of attention. Relationships are directly and causally seen.’

If a firm reaches to maximize its profits, the ROI can point out where to promote an improvement in the capital turnover or to achieve an increase in return on capital (Preißler 2008, p. 51). Dependencies and interactions can be detected quickly and leverage to maximize the profits is made visible (Wenger 2009, p. 4). The ROI is a value-based approach. By the mathematical resolution of the central command variable, ROI is a methodical formula of the relevant factors regarding the firm's results (Kurzich 2008, p. 23).

Figure 3: ROI according to DuPont, resource: DuPont 2010



An easy-to-use, meaningful performance measurement system like the DuPont system is an integral part of corporate leadership, as it facilitates decision-making, identifies alternatives and includes essential information. The ROI by DuPont shows the most important financial ratios like sales, capital and profit and can be continuously deconstructed into logical components, until a desired level of detail is reached for evaluating the profitability (Bork 2007, p. 6-7).

As initially defined, profit can be represented as revenues minus the costs. The firm wanting to maximize its profits should focus on revenue growth and cost reduction. By the systematic use of cost-cutting measures and revenue increases in the operating business, by a strategic focus on core competencies, by the establishment of shareholder-friendly and confidence-building measures in terms of long-term shareholders, the firm can maximize its profits on a long-term view (Schierenbeck & Lister 2002, p. 77-78). Optimal profit can be achieved if the current value of the firm is quantifiable and realistically representable through appropriate assessment procedures and if appreciation potentials can be identified. For example, through the development of new distribution channels, innovative production methods, savings in materials management or by entering new markets, profits and growth can be increased.

A firm must seek profit maximization, so that all stakeholders benefit from the success and the investment can flow back into the firm. Not only are employments to be provided and a harmonious working environment to be ensured, but also the preservation of the above mentioned must be strived. This can only be guaranteed as long as the firm generates profits in the long run (Jung 2006, p. 33-36).

Further considerations related to the maximization of profits include the survival in the market under competitive pressure. This also means that firms must operate efficiently in order to compete successfully in the market. Profit maximization requires a thoughtful cost minimization. Sales and costs and thus the profit depend on the production volume. Naturally, the profit increases when the production quantity can be produced at lower costs. The conditions under which firms can minimize their costs and which necessary conditions must be created for that has to be considered (Jung 2006, p. 37-38).

2.3 Competitive advantage, dynamic capabilities and core competencies

2.3.1 Competitive advantage

Barney (1991, p. 99-120) is generally acknowledged as the first scholar to develop the theoretical tool explanatory of the resource-based view (RBV), according to Newbert (2008, p. 38). ‘Understanding sources of sustained competitive advantage has become a major area of research in strategic management.’ Barney proposes four empirical indicators of the firm’s potential to generate sustained competitive advantage, as there is value, rareness, imitability and substitutability. Porter (1980, 1985) focused on opportunities and threats, other researchers as Hofer and Schendel (1978) on strengths and weaknesses. Barney defines key terms and examines the role of ‘idiosyncratic, immobile firm resources in creating sustained competitive advantages.’ These key concepts include a firm’s resources, competitive advantages and sustained competitive advantages. Barney comes to the conclusion that ‘managers are limited in their ability to manipulate the attributes and characteristics of their firms.’ Exactly this limitation makes some enterprises’ resources imperfectly imitable, and therefore become a sustained competitive advantage. Barney states, that a sustained competitive advantage depends much on the resource endowments controlled by a firm.

Peteraf (1993, p. 179-191) examined the underlying economics of the resource-based view of competitive advantages, presenting four conditions which underlie sustained competitive advantage. These four conditions include superior resources, ex post limits to competition, imperfect resource mobility, and ex ante limits to competition. Within the field of strategic management, firms are considered as being ‘fundamentally heterogeneous, in terms of their resources and internal capabilities.’ Firms with distinctive and superior resources build competitive advantages. The question Peteraf is examining is how firms can sustain their competitive advantages. He comes to the conclusion that four conditions must be met in order to sustain ‘above-normal returns.’ ‘Resource heterogeneity creates Ricardian or monopoly rents. Ex post limits to competition precedent the rents from being competed away. Imperfect factor mobility ensures that valuable factors remain within the firm and that the rents are shared. Ex ante limits to competition keep costs from offsetting the rents.’ Peteraf then developed a respective model showing his results concerning the cornerstones of competitive advantage. Peteraf and Barney (2003) also suggest that a firm is deemed to have competitive advantage when it creates more economic value than its marginal competitor. Contrasting with VRIN (VRIN stands for valuable, rare, inimitable and non-substitutable), Peteraf and Barney (2003) suggest that competitive advantages result from the existence of critical resources in a superior way. The higher use of these resources is aligned to a new approach that responds to concerns over how resources are transformed into competitive advantage. VRIN resources, if managed by unskilled people, leads to inability to evaluate their usefulness and/or benefits or to make appropriate use of them and will provide no benefit to the firm (Katkalo et al. 2010).

According to Bridoux (2000, p. 1), firm performance has been of central interest in strategy research for a long time. Why do firms differ, how is their organizational behavior, how do they choose their strategies and how are they managed (Porter, 1991). Strategy researchers concentrated on sources of sustainable competitive advantage and how it has shifted from industry to firm specific issues (Spanos and Lioukas, 2001). Wernerfelt (1984), Rumelt (1984) and Barney (1986), initiated the resource-based view (RBV) in the 80s and since then is has become one of the ‘dominant contemporary approaches to the analysis of sustained competitive advantage.’ One of the main foundations of RBV is that firms compete on the basis of their resources and capabilities (Peteraf and Bergen, 2003). This ‘inward-looking approach’ has confirmed to be equally significant and suitable for the analysis of many strategic matters (Foss and Knudsen, 2003), amid which the circumstances for sustained competitive advantage and diversification.

Collis and Montgomery (2008, p. 140-150) examine the factors which give a firm a competitive edge. They come up with 'strategically valuable resources, which enable the firm to perform activities better or more cheaply than rivals.' Those resources can be seen as physical assets, intangible assets or capabilities. The strategically valuable resources are then characterized: they need to be difficult to imitate, they need a slow depreciation, the firm needs to control their value and not their employees, suppliers or customers, and they should not be easily substituted. Last, those resources are superior to similar resources of the firm's closest competitor.

Teece, Pisano and Shuen (1997, p. 509-533) argue following: 'The dynamic capabilities framework analyzes the sources and methods of wealth creation and capture by private enterprises operating in environments of rapid technological change.' Competitive advantages are seen as 'distinctive processes shaped by the firm's specific asset positions and the evolution paths it has adopted or inherited.' Competitive advantage depends on the stability of the market demand, the ease of replicability and imitability. By the identification of new opportunities and organizing them effectively and efficiently, private wealth creation is achieved as well as long-term success and sustainability.

2.3.2 Dynamic capabilities and core competencies

In order to sustain superior firm performance, an enterprise needs 'rapid and open innovation, globally dispersed sources of invention and manufacturing capability', states Teece (2009, p. 3). The so-called dynamic capabilities enable businesses to 'create, deploy and protect the intangible assets that support superior long-run business performance.' Dynamic capabilities are defined as 'distinct skills, processes, procedures, organizational structures, decision rules, and disciplines.' Sustainable advantage requires more than just the ownership of difficult-to-replicate assets, so to speak of knowledge. Firms with strong dynamic capabilities are strongly entrepreneurial. Business enterprises consist of idiosyncratic and 'difficult-to-trade assets and competencies, which are the resources of a firm', according to Teece (2009, p.4). Extensive literature on dynamic capabilities can be found in Teece, Pisano and Shuen (1990, 1997) and in Helfat et al. (2007).

Prahalad (1993, p. 36, 6, 40) says that 'dramatic growth will take place when we focus on the organization – with technology a part – rather than on technology alone.' Prahalad looks at the scorecard of firms (quality, cycle time, cost, growth, new business creation) and states that it has been 'less than satisfactory.' Therefore, a 'need for a new approach in terms of evaluating the value added' is of utmost urgency in order to stay competitive. Prahalad looks at the Management Scorecard and detected that there was a shift and even a loss in the intellectual leadership, especially in the automotive sector, from Western firms to Asian firms. Why was that? He found answers in a reflection of the scorecard: the Management Scorecard suggests that explanations for this loss have to concentrate 'not on the differences in the starting resource positions, but on the differences in the ability of managers of firms to leverage corporate resources.' This implies that a corporate leadership in terms of sustainability needs to rethink if the orientation to management and exploitation of technology and market opportunities is appropriate enough. Is there a distinctly different underlying logic to profitable growth and of what consists this logic? Prahalad also suggests what top management should do in order to alter their alignment from cost-cutting to opportunity management and focus on growth.

In order to have potential to create sustainable competitive advantage, a resource must be rare, valuable, inimitable and non-substitutable. Organizations need to transform tacit knowledge into explicit. According to Petersen and Schaltegger (2015, p. 192) an entrepreneur seeks to find possibilities and impossibilities.

2.4 Ethics

Increasing environmental destruction, nuclear power plant accidents, natural disasters, impoverishment of the population of the Third World countries, corruption and ethical scandals created over the past decades a change in the public awareness regarding business ethics (Nach Fukushima 2013). Firms are exposed to an ever-increasing pressure emanating from the stakeholders of a firm. Likewise the ever-growing individualization and the rising needs of each individual get more and more into the focus of social interests (Brause 1994, p. 15).

In economic terms, this altered consciousness is expressed in the increased demand for meaningful results and objectives of a firm. Firms must make it their mission to reshape their everyday practice in a way that ethical standards are met and benefit sustainably (Heidlbrink & Hirsch 2008, p. 198-221).

2.4.1 Business ethics

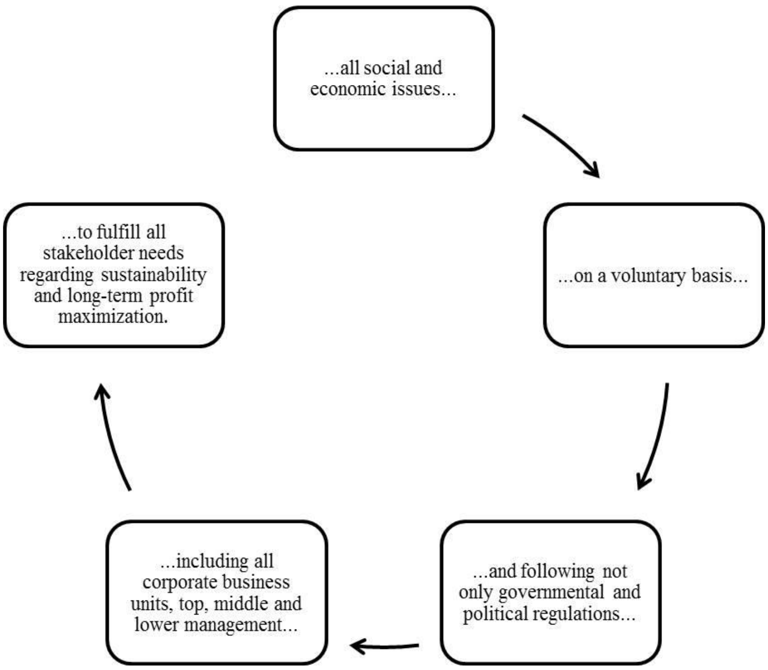
Due to the globalization of almost all businesses and organizations and the alignment of international value-added chains by global firms, the controversy between the concepts of profit maximization and business ethics is more than ever on the rise (Bausch et al. 2000, p. 156). Economic crime is rising and no longer considered as a 'minor offense' but as an 'interdisciplinary phenomenon', which is done due to the pressure to succeed economically (Peemöller & Hofmann 2005, p. 20). Peemöller and Hofmann argue that 'the shareholder value philosophy plays a major role, as the cause of many economic crimes are the regular market declines in the core business, profit setbacks and price declines, and the adjustment of current numbers to the expectations and hopes of the investors.' The concept of sustainable long-term success is only implementable if the firm can satisfy the needs of all stakeholders inasmuch as no party feels disadvantaged. Any decision taken by the firm also embraces all shareholders (Bowie 1999, p. 90). A long-term, ethical corporate planning generally means that the firm carries out a cross-sectorial strategic planning for a period of five years or more with quantitative and qualitative objectives. A sustainable, ethical corporate leadership implies that the created values are also for the benefit of future generations (Jähnichen 2008, p. 100-108).

Business ethics include an independent research field, which identifies differences between 'right and wrong behavior' in the firms in terms of their economic activities (Dausend 2008, p. 17). Another definition, according to Pradel (2011, p. 5), describes business ethics as a 'service community, consisting of the corporate management and the employees, which was brought together by a common objective. It is identifiable to the outside and is responsible for its actions as a unit, while the firm acts as carrier of collective responsibility.' Steinmann and Löhr (1991, p. 10) define business ethics as an all-encompassing 'dialogic communication with stakeholders, with reasonable or justifiable material and procedural norms, that are bindingly put in force by an enterprise for the purpose of self-commitment to limit the conflict-related effects of the profit principle during the control of specific corporate activities.'

According to Mantel and Ochs (2015, p. 46), 'economic and business ethics is the application of ethics in the field of economy.' Business ethics has to do with ethical questions of good and right actions and attitudes as well as morally desired state in the economic subsystem. In answering these questions, the interpretation zones between ethics and other disciplines (especially economics) and between the economy and other subsystems (especially politics and law) must be observed.

Business ethics include:

Figure 4: Business ethics, resource: own representation



Hauptman, Pertele and Schilcher (2004, p. 9) divide applied ethics into sections of bioethics (medical, environmental and animal ethics), scientific, technical, professional and business ethics. They make a distinction between economic and business ethics. Business ethics differ from economic ethics insofar that the business ethics establishes moral standards and ethical frameworks for economic, social and financial policy. Business ethics operate on the macro level. Business ethics, however, are part of economic ethics. According to Hauptmann, Pertele and Schilcher (2004, p. 9) 'it presents itself as a scientific doctrine of those ideal norms, that are instructed to a peacemaking use of the entrepreneurial freedom of action in the market economy.' Business ethics reaches from the interactions between business, politics and society and deduced value judgments of business members and their implementation in the business practice' (Kreikebaum 1996, p. 21).

Following contains a listing of requirements and instruments a corporate leadership should use in order to successfully implement business-related ethics within the organization:

Figure 5: Requirements and instruments for business ethics, resource: own representation

← Business ethics →

← Profit Maximization →

Requirements:

1. Economical pre-calculations and incentive considerations
2. Understanding of an organization's culture and structure
3. Authorization of responsible persons
4. Control mechanisms

Instruments:

1. Project initiatives: ethical audits, ethical chartas, ethical networks, ethical seminars, ethical standards
2. Implementation of guidelines and norms: Global Reporting Initiative, Sustainability Reporting Guidelines, Global Compact
3. Triple Bottom Line: people, planet, profit
4. Constructive stakeholder-management: legitimization of demands: customers, suppliers, environment, employees
5. Human resources and recruitment: incentive packages, social benefits, in-house kindergarden, leisure time, home office, salary, work environment, employee participation, pension funds, retirement arrangement, holiday pay, coverage in case of sickness and drop-outs, usage of public transportation, flexible working hours, parental leave, health advancements, on-the-job trainings, fair working conditions
6. Focus: social harmony and market economy
7. Reduction of hierarchical levels: transparency, flexibility, flow of communication
8. Cooperation between research and practice
9. Innovations: sustainable and long-term
10. Compliance with environmental standards: air and water pollution, use of resources, transfer to renewable energies
11. Avoidance of child labor, corruption, fiscal fraud, economic scandals, respect for human rights
12. Use of regional work force
13. Customer: demand-oriented, offer of seasonal products, transparent communication and information policy
14. Certification procedures of ethical standards
15. Latitude in terms of tolerance

According to Göbel (2006, p. 54), both ethics and economics have to do with 'human actions and the underlying decisions.' Business ethics is always determined by dualism, 'self-interest and the common good, morality and economy, ethics and economics, egoism and altruism', states Homann (2003, p. 181). These ambivalent concepts must be brought into a relationship, in which both can benefit from each other. 'Responsibility can only be seen in a dialogue today', conferring to Steinmann and Löhr (1994, p. 1). According to Steinmann and Löhr (1994, p. 106) 'business ethics is a (scientific) theory of those ideal standards which are to guide to a peace-making use of the entrepreneurial freedom of actions in the market economy.' Furthermore, 'ethics is necessary on the one hand, and on the other hand, it is a scarce resource that cannot be specifically increased' (Steinmann & Löhr, 1995, p. 30).

Business ethics is defined as the combination of economics and ethics (Göbel 2006, p. 2-10). The concept of business ethics is an attempt to offer solutions and preventive measures regarding conflicts. It is to emphasize preference structures as needs and interests. In addition, the concept of business ethics calls that the needs of the various stakeholders are not only to be satisfied by the consumption of products and services, but also should produce a direct link to productive work (Hesse 1988, p. 131-135). Business ethics constitute a normative orientation in non-economic terms. In order to relate to practice, business ethics must be able to bridge from theory to practice by making the non-economic interpretations available for all people involved (Brink 2000, p. 46). According to Homann and Lütge (2004, p. 83) 'also in competitions firms possess room for maneuver, which they can use for moral actions.' Löhr (1991, p. 121) termed business ethics as a 'live practical call to order.'

Business ethics is also an analysis of the conditions of human existence and is intended to connect economics, politics and ethics to a harmonious coexistence. Ethical economics are heavily aligned to a synthesis of economic and ethical theory and refers to a comprehensive understanding, explanation and judgment of human action and its coordination (Koslowski 1988, p. 46). Business ethics deal with questions about the economic system, the personal behavior of economic operators and their pursuit of profit, consumerism and selfishness as well as the issues property, competition, environmental policy, environmental protection, Third World problems and the relationship between business and government institutions (Brink 2000, p. 46).

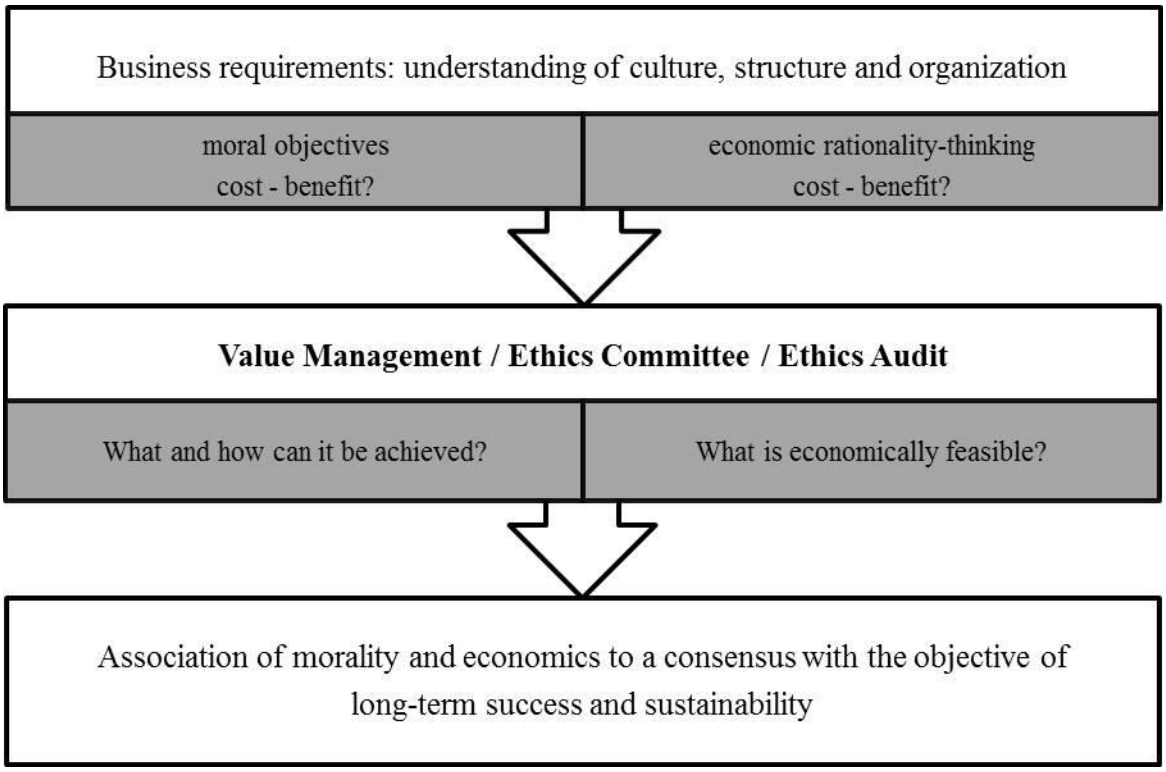
Business ethics is, according to Ulrich (2002, p. 175), often defined as a 'life-serving market economy,' which aligns 'the market forces with ethic-political requirements on vital aspects and, where necessary, limits them.' Three 'vital political viewpoints' are to be distinguished: the 'subjective rights of all economic citizens', which equals the public goods that begins with the individual and ends with the general public, the 'individual economic calculations that are incorporated into the financial reporting standards, and the 'limited edge standards by the market and / or competition' (Ulrich 2002, p. 177). The subjective rights for economic citizens include adequate participation in the economic process and the fair distribution of the results. The financial reporting standards 'support the design of incentive and non-incentive structures in the market' in which all costs arising from private economies are 'to internalize into the calculations of the economic agents' (Ulrich 2002, p. 178). With these costs, the economic, social and environmental costs are meant. The edge standards serve to show boundaries to the market, especially in the areas where there are no legal regulations.

The conditions that require an ethical behavior include adequate civil rights that guarantee any individual a general claim on the requirements for economic self-assertion. Then there is the aspect of ethics, that general access to resources and basic services must be guaranteed to all, without leaving these behind in a way that future generations cannot have a sustained benefit of it (Frenzel 2007, p. 51).

If ethical criteria are implemented in the business, these criteria should have a credibility that makes them compelling and understandable for the business environment. Management sometimes only focuses on satisfying stakeholder interests. The ethical criteria should be noticeable to the environment and add a surplus as well as exceed the purely strategic reasons. The debate about credibility should be judged by the extent to which a contribution to the achievement of sustainable, long-term development and growth can be made on part of the firm (Hoffmann et al. 1997, p. 278-281).

Ethical criteria must be 'plausible, acceptable and reasonable, transparent and clear-cut' for all contractors (Hesse 1988, p. 131-135). The firm must commit itself to an impartial, objective and consistent implementation of ethical criteria. Trying to interpret the reality of the market economy on the basis of ethical criteria means to take over responsibility (Hesse 1988, p. 137). Business ethics refer not only to problem areas such as business morals, environmental protection, wastefulness, consumption, artificial needs, quantity, exploitation, manipulation, centralization, dominance of technology, mass production, expansion and anti-trust and monopoly laws, but also coping with conflicts of interest and voluntary commitment. In contrast to that stand paradigms such as quality, creativity, flexibility, long-term harmony, appropriate technology, human moderation, and internalization of social costs, identity shaping and the search for a meaningful benefit. The concept of business ethics intends to propose a solution that tries to bring these opposites into harmony. To deal with this complex task the management is faced with the challenge to set up a policy in a rational and human understanding (Brink & Schumann 2011, p. 317). Behind this view is the idea that corporate leadership has to change and go through an educational process. The executive level is busy with daily business operations, strategic alignments and administrative activities. Consequently, corporate leadership has to go through a transformation that allows the change of business ethics and implement them into daily life. The use of political, economic and social means occurs no longer under anthropocentric perspectives in the practice of ecological materialism. The intended eco-stability and a minimum of ‘impact’, that means non-human impact, is crucial. One explanation for this change in awareness of business ethics can be found in the rights of future generations. The economic existence of a firm is only considered successful if corporate leadership is doing their actions utmost voluntarily and above legal requirements to resolve the contradiction between economic and environmental as well as social demands of the firm. A firm should not only record profits, but also contribute to a satisfactory outcome for the welfare of society, government and the environment (Matuszek 2015, p. 123-127).

Figure 6: Realization of business ethics actions, resource: own representation



2.4.2 Responsible stakeholders and their objectives

Responsible stakeholders in terms of business ethics embrace all economic stakeholders of a firm. Every person who comes into contact with the firm, like suppliers, employees, customers, creditors, the government or society, has a legitimate claim to the firm and is responsible for its behavior.

The stakeholder concept considers all stakeholders as a coalition 'which can only perform a service when all stakeholders have contributed to their part' (Wellner 2001, p. 127). The challenge for a firm is to satisfy all demands of all different stakeholders. But this can only succeed if the stakeholders and their interests are identified. The latitude of action for a firm becomes smaller as soon as the claims are difficult to predict or identify. This can have a negative impact on the firm's success. Stakeholders, who can exercise most power over the firm, must be perceived most sensitively. The strategic leadership must set value generators in consultation with the stakeholders in order to ensure a successful identification and exploitation of potential success factors (Wellner 2001, p. 127).

2.4.2.1 Internal stakeholders

2.4.2.1.1 Shareholders

The shareholder is a legal and/or natural person who has acquired shares in corporations / firms through the purchase of shares on the stock exchange market. The rights of a shareholder include profit participation in the form of dividend distributions, depending on the level of profits and investments. Depending on his participation, he exercises his rights by taking influence on the firm policy and enforces his needs without having a direct influence. This can only be done by the supervisory board, which in turn is elected by the shareholders at the annual general meeting. Another right of the shareholder is the attendance of the annual general meeting of the firm (Friesl 2008, p. 50).

One of the main objectives of shareholders is the maximization of corporate values, i.e. the increase in the market value of the equity, measured by its market capitalization (Rappaport 1986). The shareholder wants to 'achieve his stock return based on market value increases and dividends distributions, which compensate for its assumed yield risks' (Schuster 1997, p. 256).

The shareholder as the owner of a firm is one of the most responsible persons. Especially when it comes to the controversial subject of business ethics, many external persons criticize the interests of shareholders. The shareholder has the duty to take an ethical attitude towards the firm (corporate leadership, employees, and unions) and towards the business environment as well (customers, suppliers, government and society). But what comprises an ethical attitude? The objectives of shareholders should be formulated and pursued sensitively in terms of its social capacity. Also in the center of attention, is the 'relevance of shareholder objectives for the fiscal policy, taking into account the objectives of other stakeholders' (Schuster 1997, p. 257). Relevant is what is of use for the firm and the long-term, sustainable growth. The sub-objectives of other stakeholders include a transparent communication and information sharing for all stakeholders, a fair remuneration of the employees, a mutually satisfactory supplier policy, a business strategy that focuses on customers and their needs and critically questions the benefits for consumers, careful production and manufacturing processes, the consideration of governmental guidelines and policies, and an open communication with the society. The shareholders should take their duty not only to pursue its own interests, but also the ones of the entire business environment. The accusation of interest monism is to be prevented by not only putting the maximization of shareholder equity in the foreground, but also by pursuing a balanced strategy that will meet all stakeholders´ needs.

A comprehensive reform package was adopted in Germany in 1998 with the aim of securing and strengthening the financial sector of Germany. The ‘Law on Control and Transparency in Business Sectors (ConTraL)’ includes an ‘internationalization of the German corporate constitution, self-organization and flexibility, as well as a preventive crisis management’ (Macharzina 2008, p. 139). The main regulations consist of strengthening the monitoring role of the Supervisory Board and the General Meeting, improving cooperations between the Auditor and Supervisory Board, removal of voting rights differentiation, limiting the influence of banks, implementing a risk management and an early education system.

Important is that this law extends the duty of the executive board to inform the shareholders. Thus, the shareholder should be informed about the decisions of the executive board and can react accordingly. This provides more transparency and communication in terms of a value-based corporate leadership. However, the measures of the ConTraL are not strong enough, because many components of this law, such as the early warning system, were already established in various firms.

Each firm must seek its shareholders as investors on the market. This includes a transparent information policy for the investor and good investor relations for potential investors (Mensch 2008, p. 237). Investor Relations include areas of communication regarding the investors, which are associated with voluntary information about the current situation (e.g. quarterly reports), with forecasts and plans as well as improved annual financial information.

The term shareholder value refers to the focus of the fiscal policy on the financial interests of shareholders (Hörter 2010, p. 126). The shareholder value, standing for the maximization of a firm’s equity, is considered as a target variable of any firm in most of the stock-listed firms. But especially shareholders often come under criticism by the public, since, as a jointly responsibility of the firm, they could put their interests over those of other stakeholders, and are only interested in short-term results (Wall & Schröder 2009, p. 8). Especially the representatives of the employees, unions and the public criticize the capitalistic tunnel vision (Schuster 1997, p. 256).

According to Wall & Schröder (2009, p. 6) as well as Rappaport (1986), the shareholder perspective postulation is to increase the firm's value, which will be sought at the same time as one of the top corporate objectives. Friedman (1962, p. 133) shares a similar view to that of Rappaport: 'There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it ... engages in open and free competition, without deception and fraud.' Criticisms on this monistic orientation are expressed by Bartlett, Ghoshal and Mintzberg (1998, p. 24; 1994, p. 55): The pure focus on shareholder value violates the 'legitimate interests of other stakeholders,' and causes 'a focus on short-term earnings, rather than on long-term success.' Further, it sets 'latent under-investment incentives' and reinforces 'the selfish behavior of the manager'. But it can be said that an intentional orientation towards the shareholder value is useful regarding decision-making. By an effective decision-making and the increased awareness of efficiency, the productivity of a management can be increased (Rappaport 1986, p. 134; Kohl 2001, p. 74). Further aspects include the improved market position of firms, optimizing and increasing the transparency and verifiability of business-related actions of individual periods, as well as ensuring a long-term oriented, sustainable business strategy.

Shareholder value can also be used as a monitoring tool. Profits and maximizing shareholder value are not the ultimate objectives of firms, but can also serve as 'an instrumental objective' (Koslowski 1999, p. 6). Shareholder value is the means for ensuring that all members of the firm perform according to their contractual contributions in an optimal way' (Koslowski 1999, p. 6). It is in the interest of the group of shareholders that the firms' profit and the increase of the value of the firm shares are seen as the most important goals. Thus, the shareholder value is only 'a criterion for the success of the firm,' not its sole purpose. The purpose of any enterprise is and remains the production of optimal goods under the condition that the objectives of the payment of fair wages, reasonable dividends and the payment of reasonable prices to suppliers, are simultaneously met. The claims of the shareholders, among other claims, serve to achieve these objectives.

2.4.2.1.2 Employees

An essential part of the firm is its employee (Wellner 2001, p. 133). The claim of the employee is an income in order to earn a living, which includes security of employment, and a satisfactory incentive system. The incentive system not only conduces for the satisfaction of material needs, but also of intangible needs such as recognition, self-esteem, motivation, work ethics and responsibility. If these parameters are not satisfactorily met, the employee can neither satisfy the objectives of the firm nor meet the demands of customers or of shareholders.

Nowadays, the employee is considered as an important and critical success factor in terms of competition (Schein 1978, p. 189). This view can be shared in many ways, since the employee is a ‘requirement for the successful implementation and execution of business strategies’ (Fargel 2005, p. 1). Employees are the promotional ‘power to generate new strategies’ (Widmaier 1991, p. 103). Due to the increasing dynamism of global markets there is a continuous process of ‘rethinking and adapting.’ However, to consider the employee as the only source of strategic success factors and competitive advantages would be insufficient. The firm not only has to acquire motivated and qualified employees, but also deploy them at appropriate places (Schein 1978, p. 189).

The claims of the employee include a preferably good match between the job requirements of a position and their individual performance. The employee may be employed as a ‘value generating’ tool according to his ability in the firm (Kaiser-Seelaib 2001, p. 21). However, in practice ‘long working hours, lack of motivation and commitment, alienation from work, internal termination and not least an increased tendency of searching for a new job by the employee’ appears (Brinkmann & Stapf 2005, p. 11). The phenomenon of internal termination often represents the negative result of a lengthy and complex process which underlies negative experiences in the working life and business area of an employee.

Another claim of the employee is, according to Fargel (2005, p. 38), ‘a certain degree of social agreement between the incumbent and the social environment.’ This refers mainly to the values of each individual employee. The more a responsible, considerate and creative employee can identify itself in an innovative, dynamic, and responsible environment, the more comfortable he will feel. Not only technical skills but also personal characteristics play a supporting role (Scholz 2000, p. 332). Values such as responsibility, respect, teamwork, creativity, reasoning ability, bargaining strength, resilience and motivation are of great importance for the firm. In terms of a value-based, ethical corporate leadership the employee should show a ‘work-related motivation’ (Fargel 2005, p. 64). Motivation is linked to the satisfaction of individual needs. These needs in turn are influenced by individual value systems and attitudes. The needs, values and motives of the employee are regarded as ‘work-related personality traits’, which are variously expressed, depending on the situation, according to Fargel (2005, p. 64). An important role plays the Pyramid of Needs by Maslow (2008, p. 99-101). Maslow distinguishes five classes of motives, which explains the structure and dynamics of human drives. Maslow found out that people jump from one level to another if the lower is partially satisfied (75%). The following stages are distinguished from bottom to top: physiological needs, safety needs, social needs, esteem and self-realization. The importance and still current applicability of Maslow's theory is reflected in the continued presence and reception in the form of practical publications (Fargel 2005, p. 68).

Another important component of satisfaction of needs are Herzberg’s findings of hygiene and motivation factors that found its expression in his two-factor theory (Pleier 2008, p. 74). Herzberg believes that man is driven by hygiene factors (deficit motives) and motivators (growth motives), (Pleier 2008, p. 74). Among the hygiene factors are work environment, leadership style, payment, and security of employment. Among the motivators is freedom to develop, responsibility, recognition, and growth. Hygiene factors according to Herzberg only avoid dissatisfaction but cannot at the same time contribute to satisfaction. Whereas the motivators are the factors that can lead to increased satisfaction of the employee. The employee feels welcomed, respected, recognized and is leading a responsible job in an interesting environment. These factors are also considered as the intrinsic motivation for an employee.

The employee takes a key role regarding ethical responsibility within the relevant stakeholders of a firm. The ‘behavior is at the discretion of individuals, which is not directly or explicitly rewarded by formal reward systems’ (Hertel et al. 2000, p. 123).

One of the firm’s objectives is to encourage and motivate employees as well as to identify its skills to use them in a way that they are compliant with the corporate goals. This also includes business ethics. But how do you get the employee to behave according to ethical standards? First of all, the employee must be informed enough about and best of all to be involved in all operational relationships and decision-making. In a transparent manner his business ethics and his ability to contribute in the overall success of the firm should be made clear to the employee

(Faust 2002, p. 181). The employee should not feel as an ‘aggrieved party’ of corporate decisions, but as a ‘contributor.’ An open communication climate creates trust and a ‘participatory self-development’ (Faust 2002, p. 181). Are these foundations in place, an ethical development within the organization can be implemented, which will be accepted and internalized by the employees. Only then the employee can create a responsible and ethical attitude. The employee should be sufficiently convinced of why such an attitude is desirable for the firm and for him. The employee should develop an individual sense of wrongdoing that can be helpful in situations of conflicts or taking a difficult decision (Müller 2010, p. 29).

The employee should take a proper and human attitude towards third parties. Based on the corporate objectives, the employee must justify his actions, behaviors and decisions. The employee goes through a permanent process of development, which is to bring him to reflect his contribution critically. If the employee is motivated enough and can identify himself with the firm's objectives, he will be working favorably for the firm in excess off its current commission-based activities, whether in public, in dealing with colleagues or simply in the careful use of the firm resources (Götzelmann 2010, p. 7). Important parameters for the employee are the information policy, the communication process and the recognition. The information policy informs the employees of all important processes in the firm and thus leads to ‘joint knowledge.’ The joint knowledge in turn causes a ‘thinking along’ that contributes to ‘acting along’ and thus to business success (Oppermann-Weber 2012, p. 52). It should be paid attention that the ‘right information should be delivered in an appropriate format and in an appropriate way to the right and appropriate time, to the right receiver, to influence the actions there’ (Oppermann-Weber 2012, p. 55). In terms of the communication process, it is primarily a matter of what is currently wanted to be achieved and that the information must be understood by the employee. Open communication means that everyone must act responsible for oneself. Communication is used as a leadership tool to provide guidance and to agree on targets, to delegate, to monitor and evaluate performance and to give feedback. The employee must be encouraged and be given enough latitude to develop his personal skills.

Taking into account individual values and attitudes of the employees, the claims of the stakeholder group employees can be satisfied and thus contribute to an ethical and responsible attitude towards the firm (Fargel 2005, p. 69).

2.4.2.1.3 Management board

The management board is at the top of a firm and operates as the first organ responsible for decisions. Accordingly, it must take over responsibility in the business environment, since management has the task to meet all needs and interests of relevant stakeholders. Especially the workforce is mostly influenced by leadership behavior. A lax leadership style pulls through the entire firm. If there is a tighter, more results-oriented leadership style, the workforce will react accordingly. ‘Firms are characterized by the behavior of individuals’ (Neus 2009, p. 153). The corporate leadership is therefore marked by the personal and professional characteristics and behavior of its leaders. How does the leadership respond to problem situations? How is the crisis management handled? Which character traits appear in extreme situations? Who can be easily carried away with abuse of power and who is more likely to hold against corruption attempts? When power, influence and money come into play, the temptation to act only in one’s own interest is major. The own behavior is often legitimized by the behavior of superiors (What the boss does, I can do as well).

The design of incentives for the management board plays a major role. How do you motivate them in such a way that they act ethically and responsibly in the interests of its shareholders and all other stakeholders? There must be an adequate remuneration that pays the corporate leadership satisfyingly and animates to have the long-term growth in mind. There must be no ‘distinct patronage’, advantage taking must not arise, insider trading should be considered as illegal and false accounting should be avoided (Neus 2009, p. 178-179).

To face unethical behavior, it is recommended to advise corporate leadership to external control mechanisms, which restrict the ‘freedom of a corporate leadership’ (Neus 2009, p. 179). This is the financial market itself, because capital is provided only when corresponding revenues are generated. The market holds a control function via competitive pressure. Because if one does not economize productively and considers cost-savings, the firm will be displaced by its competition. The labor market also exerts a control function for corporate leadership. A performance-based remuneration of the corporate leadership can lead to a certain harmonization of interests between board and shareholders. Stock option plans would be a solution to this. This performance-related remuneration, however, must be justified and transparent for the workforce. The corporate leadership must be aware that it becomes a role model with its function as a leader and that the remuneration is viewed very sensitively from the perspective of the employees. The excessive salaries of many CEOs and top executives of major German banks encountered harsh criticism in the public and workforce.

The management board must, as a responsible stakeholder, strive a ‘dialogic communication with the parties concerned’ to limit ‘the conflicts which can occur while controlling specific business activities’ (Steinmann & Löhr 1988, p. 310). Taking a responsible attitude means to follow self-imposed restrictions in the prosecution of one´s own goals. This restriction should be binding, according to Steinmann and Löhr (1988, p. 310). Steinmann and Löhr (1988, p. 308) also suggest striving for ‘an unbiased, non-coercive and non-persuasive communication’ that should be taken by all stakeholders. It is always a balancing of objectives. What is more important for the firm and what comes first? Business ethics or profit maximization? Without profit, the firm may not be able to invest in ethical standards and measures such as flexible working time or resource-efficient production. An external commission, which promotes and monitors the ethical practices within the firm, is helpful in this case. Such an ethics committee should be allowed, in addition to the board, to participate in the decisions to the extent as ‘the acceptance is achieved to regard them as participators in the decision-making process’ (Steinmann & Löhr 1988, p. 308-310).

Firms consist of individuals who make their decisions according to their character and personality and show different behaviors. Meckling and Jensen (1983, p. 10) said that ‘the enterprise cannot be social (or otherwise) responsible.´ Responsibility is a normative construction that is only relevant for people. An enterprise cannot be considered more responsible than a pile of coal. For this reason, the responsibility of the corporate leadership in terms of business ethics is addressed to the relevant persons who hold the function of a corporate leadership.

Much attention in the German literature was drawn by Ulrich´s approach of the ‘Integrative Business Ethics” (1998, p. 11 and p. 95). ‘Integrative Business Ethics” is a ‘philosophical rational ethics of economics, whose subject is the orientation in political-economic thinking.’ Through the development of ethically sound principles for the actions of executives and firms, an integration of action-guiding principles of economy and ethics should be brought together.

Each responsible person must decide individually how far the degree of enforcement of morally acceptable solutions can be implemented in the firm. The leadership is demanded a special measure of ethical behavior, since it rules on other peoples´ money. Practices on business ethics, on the part of the corporate leadership, must be considered as a standard of conduct by each individual.

The needs of the management board are not unlike to those of the employees. The needs of the top level of the firm are similar to the ones of the employees, namely the earning for a living, security of employment, a good working environment, recognition and self-esteem. The better the fulfillment of the requirements is satisfied, the less there will be abuse, fraud and corruption, as well as an avoidance of a principal-agent-conflict between shareholders and the management board (Wellner 2001, p. 133).

One of the most challenging tasks for corporate leadership is self-monitoring. Where a lack of control functions is prevailed, it is easy to enforce private interests, because this is the nature of man. Where a lot of power exists, there is always the danger of lack of transparency, infringement of bills, mismanagement and the concealment of corporate failures (Wellner 2001, p. 133). A functional control instrument must in advance keep those responsible from putting private over business interests. It needs to identify undesirable developments at an early stage. An adequate 'incentive and sanction system can help to stimulate a corporate objective compliant behavior and reward accordingly and to prevent conflictive behavior or to sanction ex post" (Drumm 2008, p. 553; Berthel & Becker 2007, p. 445). This can be an incentive system that is composed of tangible (performance and performance-based compensation, legal and social benefits) and intangible (recognition, praise, honors, advanced decision-making powers, remuneration and promotion opportunities, and flexibility of working hours) components and leads to an objective-compliant firm performance.

2.4.2.2 External stakeholders

The importance of external stakeholders depends mainly on their impact on the firm (Steinmann & Hasselberg 1988, p. 1312). The possibilities of influence differ depending on the objectives and entitlement or proof of claim and the discrepancy within the corporate objectives (Wellner 2001, p. 154). It is to investigate to what extent the business linkages with stakeholders go and how substitutable they are. Therefore, three key criteria exist: influence, substitutability and legitimacy of their claims.

The claims are often subject to certain life cycles, which can be divided into the stages of interest, realization and control before they get conscious (Dyllick 1989, p. 231). The following sections show the external stakeholders, their needs, objectives and tasks.

2.4.2.2.1 Consumers

The term consumer includes all ‘potential purchaser or consumer which both include the current buyers as well as not-yet and no-more buyers’, according to Meisel-Dokun (2011, p. 16; Herstatt 1991, p. 7). These are individuals or groups that use products in their operations to either cover their own needs or to create more products. In today’s modern business environment the consumer is viewed as a strategic competitive weapon. The customer as a consumer primarily provides the sales, revenues and cash flow needed to survive. A firm should focus its efforts on the interests of the consumer in order to be successful in the market. The consumer is not only a market participant but also a ‘market-determinant and the one who decides if the price, quality, service or other offers are liked or not’ (Ritzon, 2015, p. 17-21).

The firm, which considers the consumer most likely as a ‘problem solver, partner, critical person, co-creator and big innovator’ meets a value-based leadership best (Pfaff 2006, p. 13). It is necessary to examine the consumer regarding to his desires, interests and needs. The firm’s objective is to permanently bind loyal consumers to the firm. A qualified and individualized customer handling ensures competitive advantage. It is not primarily about new, innovative ideas, products and services, but also about considering the consumer as a major part of the organization. If a new product does not bring a benefit to the consumer he has no interest in it.

The claims of the consumer are primarily based on a justified price-performance setting. The customer expects a satisfactory product or service, a transparent information policy as well as an all-encompassing perception and satisfaction of his needs (Pfaff 2006, p. 15). The consumer constantly compares with competitors: Who is cheaper? What tastes better? What is more modern? What is more liked? What is more beneficial? He puts his benefits always in association with the corresponding costs, meaning the price.

A useful tool to identify the needs of the consumer and for binding him long-term to the firm is a successful Customer Relationship Management (CRM). CRM helps the firm to distinguish itself from competitors by an extraordinary customer orientation (Helmke et al. 2008, p. 5). The term CRM is both in science and corporate practice brought in line with the terminology of customer loyalty and relationship marketing (Kleinaltenkamp et al. 2011, p. 1). The term customer loyalty determines the relationship between a supplier and a customer (Link 2001, p. 2). According to Peter (1997, p. 2), the term is characterized as a market average diverging number of transactions that took place between the consumer and the firm. The concept of relationship marketing is aligned to 'the goal of customer loyalty rather than customer acquisition' (Rogall 2000, p. 5). Concerning relationship marketing, the events after the purchase are far more important than those before and during the purchase (Rogall 2000, p. 5). It is tried to establish and keep a long-term relationship with the customer. In contrast to the traditional marketing not the price, but the value or the utility of the service for the customer is in the focus. A major role plays the information technology, because it collects all customer data and processes them into meaningful information about the customer and its needs. Thus, CRM can be defined as an 'information technology-based manufacturing, maintenance and utilization of customer relationships' (Link 2001, p. 5).

According to Rapp (2005, p. 11), the 'systematic management of customer relationships within the firm receives the highest priority.' In order to gain a sustainable competitive advantage, it is essential to operate CRM for long-term positioning goals. Rapp (2005, p. 12) says, the following questions have to be answered: 'How valuable is a customer relationship? How long is it profitable? How to make good use of their potential? And how to build different customer relationship models that are financially verifiable and offer long-term profitability?' The overall effort on the value orientation of a firm is aligned with the customer. Human resources postulate the customer orientation as a guiding element and heritage. The controlling and finance department align business models on customer value or achieve cost reductions based on customer profitability. To ensure a value-based corporate leadership, a strong customer relationship is an important and strategic advantage. The orientation on customers, its satisfaction and the binding of the consumer to the firm have long become economically important factors. In order to identify the relevant target group, tailoring a respective marketing plan is of vital importance.

In the focus of a value orientation with respect to the consumer is the promise of performance and surplus for the customer. A surplus for the consumer is created when its specific demands have been met (Reichwald et al. 2009, p. 7). It is spoken of a consumer surplus when a high range and a depth of integration of the used components is achieved. The consumer needs are defined as an individually felt need regarding personal preferences (Meisel-Dokun 2001, p. 22).

The personal preferences are subject to an individual assessment order. The consumer need is understood as ‘a feeling of deficiency respectively as the concretized need of the customer, with the aspiration to eliminate this deficiency’ (Meisel-Dokun 2001, p. 22). A distinction is made between three different customer needs: the current, the latent and the future need (Trommsdorff & Steinhoff 2007, p. 255). Current consumer needs are already aware to the consumer. The latent needs exist already, but the consumers are not yet aware of. The future needs do not exist yet, but will occur in the future (Meisel-Dokun 2011, p. 23). According to Lackner (2010, p. 7), a need exists out of the ‘feeling of deficiency.’ He distinguishes between basic, secondary and additional needs that can be satisfied with basic, secondary and additional services provided by the suppliers.

Summing up, the needs of the external stakeholder group consumer become ‘the maxim and guide for the forward-looking management’ (Rapp 2005, p. 12). The objective is to put the consumer in the focus of any economic consideration and to make its clients measurable for the firm in terms of a monetary value (Rapp 2005, p. 12). This is accomplished with the help of tools such as CRM, data warehousing and other supporting technologies. The firm needs to identify consumer needs and satisfy them accordingly and better than the competitor (Lackner 2010, p. 7).

2.4.2.2.2 Suppliers

The supplier is defined as the person who supplies the purchaser with goods or services. The supplier is part of the procurement management, which consists of purchasing and materials logistics (Pittner 2005, p. 5). The frequently used term supplier management in the literature includes ‘the design, control and development of supplier portfolios and supplier relationships of a firm’ (Wagner 2001, p. 11). However, up to now there is no general concept of a supplier management from which a clear definition could be taken. Rather, the tasks of the supplier management are described. These functions include supplier selection, supplier strategy, supplier evaluation, and supplier development (Pittner 2005, p. 5). In the literature, a distinction is made between the operational and strategic supplier management. The operational supplier management includes a regularly scheduled supplier evaluation. Thus, the performance of the supplier is made transparent in order to implement corrective measures quickly. The strategic supplier management is often entitled as Supplier Relationship Management (SRM) (Pittner 2005, p. 179). According to Pittner (2005, p. 6), the ‘Supplier Relationship Management includes ensuring the construction, maintenance and utility of the potentials on the procurement markets, meaning cost, quality, time and agility.‘

To distinguish the term further, the supplier management can be defined as a ‘subset of the procurement and supply chain management’ (Hofbauer et al. 2012, p. 23).

The task of the supplier is to be able to provide the firm ‘with materials, knowledge and power in the right quality and quantity, today and in the future’ (Corsten & Wagner 1999, p. 10). The firm’s task involves the payment and the ensuring of on-time delivery, a safe transport and the careful use of goods.

A flagship example of a value-based corporate leadership in relation to an effective supplier management is the automobile manufacturer Audi. Audi currently runs a sophisticated and efficiently operating just-in-time delivery system with its suppliers. It is necessary to differentiate from the competition in order to gain competitive advantages. The supplier must be integrated in a well-functioning supplier-purchaser-relationship. External potentials for success such as the expertise of the supplier, should be recognized, developed, integrated and made permanently available for the firm, according to Hofbauer et al. (2012, p. 23). At Audi, this is expressed in a long-term cooperation and specific know-how about the supplier. A joint coordination of the complex delivery of components is one of the key success factors at Audi. Audi also maintains its suppliers, because these relationships became a critical resource of a competitive advantage. Suppliers must be carefully selected, evaluated and developed because ‘the progressive reduction of the added value let the dependence on the supplier base grow and every firm should abet its suppliers to secure the own deliverability and risk reduction’ (Hofbauer et al. 2012, p. 32).

2.4.2.2.3 Government

The government stands for a political association of a confederation, cantons and/or municipalities (Messi & Pifko 2012, p. 18). According to Wellner (2001, p. 143), the primary objectives of a democratic government and society are ‘the economic welfare and ensuring of the governmental power under the condition of governmental and institutional independence.’ The economic well-being comes from economic and socio-political motivation. Equitable income distribution, equal treatment and a balance of power are part of the economic welfare. However, the economic welfare is perceived differently, depending on individual life situations and factors. Welfare is only qualitatively measurable. At this point, the stakeholder government comes into contact with business ethics, which should echo in the 'contemplation and consideration of various stakeholders' (Wellner 2001, p. 143).

The government seeks a 'stable growth, stability and a balanced budget' (Wellner 2001, p. 144). The government as an external stakeholder of an enterprise 'forms by means over the powers (legislative, executive and judicial) the economic conditions ... and thus has a large potential impact' (Gärtner 2009, p. 50). The government rules out sanctions, reduces or allows resources and is responsible for security and legal order. In addition, the government is also responsible for the creation and securement of jobs (Messi & Pifko 2012, p. 19). It collects taxes and duties. The government exercises its authority 'generally as part of its overall objectives and the social, democratic and free basic order' with regard to the general welfare, according to Wellner (2001, p. 143.).

The firm must recognize the authority of the government since it can exercise enormous influence through laws, regulations and rules (Wellner 2001, p. 50). The government can protect the domestic economy from foreign competition by protective tariffs, subsidies and incentives. According to Carroll and Buchholtz (2006, p. 341-342), a 'clash of ethical systems' exists continuously between the government and firms. The different value perceptions between government and firms cause permanent tensions and disputes (Frerichs 2006, p. 5). On the one hand, the government tries to influence the firms on the basis of regulations in form of industrial policy, tax laws, privatization and deregulation measures, while on the other hand the firms are trying to limit the governmental influence as much as possible (Frerichs, 2006, p. 5). The government derives its revenue mainly from the taxation of organizations and individuals (Wellner 2001, p. 143). The objective is to build an 'optimal control system with performance incentives for business and budget constraints for the government' (Zimmermann 2016, p. 113-115). However, this often leads to complications, since the tax is often perceived as too high and unfair. Here lies the key of the governmental stakeholder management, because 'the close cooperation of the claim for economic development and ensuring the standards and income' leads to tensions (Wellner 2001, p. 143). For firms, the weighting of these aforementioned claims play an essential role, according to Schachtschneider (2006, p. 94 and p. 105).

Changes such as government elections, economic or social crises can have a massive impact on the competitiveness of firms. The government also occurs as a consumer of goods and services, competitor and provider of the social system. The objectives between government and businesses are to promote viable industrial and economic policies, ‘which deals with specific economic-political measures and their institutional requirements, creates a framework of action and structure politically engaged on the basis of subsidy in the economic life’ (Frerichs, 2006, p. 6).

The government is an external stakeholder group responsible for a functioning economic system, which enables the firms and all stakeholders an existence, which creates the necessary purchasing power to remain competitive and which provides a legal framework for all participators. It is in the interest of the government to ensure long-term valorization of organizations, as this secures the government its income in form of taxes. Thus, the claims of the government coincide with those of the firms, the long-term profit maximization. The only problem is the ‘balance between ideology and voter support on the one side and rationality and economic development on the other side’ (Wellner 2001, p. 144).

2.4.2.2.4 Outside creditors

According to Töpfer the outside creditor appears in the form of banks, lending institutions, foreign investors, consortium of banks or institutional investors (2007, p. 162). The outside creditor provides primarily financing, i.e. the ‘seizure of financial resources’, also called the raising capital (Töpfer 2007, p. 163). He provides funds to agreed interests and amortization payments, which have a due date independent of the firm’s situation (Göbel 2002, p. 274). The claims of the outside creditors in the form of interest receivables are satisfied by the return they earn from their investment (Bösch 2003, p. 7). The enforcement of interests is made by a contract negotiation. The demands of outside creditors are necessarily to be obeyed, because these protrude those of the shareholders. The creditor protection is a legal standard to ensure pecuniary claim in the occurrence of a liquidity crisis or bankruptcy. The outside creditors have the right of disposal of the claim and an ordinary right of termination (Göbel 2002, p. 275).

Corresponding to the principles of proper accounting related to the external reporting, the principle of caution is to be followed (Göbel 2002, p. 274). Not yet realized revenues are not to be included in the balance sheet, unrealized losses, however, can already be recognized as an expense. During the evaluation of assets of two possible valuations (such as market price or cost), the lower is to be elected (Eisele 2002, p. 488). The provisions for the protection of creditors promote a silent self-financing, where funds can be used in times of recession in order to maintain solvency. Further strengthening of the claims of the outside creditors are the numerous disclosure obligations (Göbel 2002, p. 274).

There is often disagreement between the demands of outside creditors and those of the firm, which can be reflected in a typical principal-agent-problem. The outside creditor as the principal and the firm as the agent do not necessarily follow the same objectives. There will be conflicts of interests due to external effects (governmental increase of taxes or interest, economic crises) and information asymmetries (Göbel 2002, p. 274). The information available to the firm as a debtor about ‘economic situation, intentions and activities are regularly better than that of the creditor’ (Göbel 2002, p. 275). Often, the creditor acts without decision-making competencies regarding investment and financial decisions (Drukarczyk 2008, p. 284). The creditor is often unable to fully assess the acts of the debtor, because it simply lacks essential market information. This leads to the conclusion that the outside creditor is committed to a significant risk (Bösch 2003, p. 7).

The claims of the outside creditors are to be managed carefully, because through their investment made available he helps the firm to secure liquidity, to bridge financial shortfalls and/or contribute to the success of the firm. For this reason the debt has to be serviced prior to the equity. The firm has to inform the outside creditor sufficiently about business developments which affect his capital.

2.4.2.2.5 Society

According to Schubert and Klein (2011, p. 27), the term society is defined as a ‘collective term for different forms of cohabit communities of people whose relationship to each other’s is determined by norms, conventions and laws, and as such result in a social structure (social arrangement).’

The term society is distinct from that of a community. A community is defined by a ‘purpose and benefit-oriented justification of cohabitation’ and by a ‘greater closeness and connectedness of human’ (Schubert & Klein 2011, p. 27). Society is delineated as the total of all people who live together in a political, economic or social form. A society is characterized by similarities such as language, rules and norms, behavior and structural features.

The demands of a society meet in many ways that of firms, economically, technically, socially and environmentally (Perrin 2010, p. 50). Through the activities of a firm, society is touched partially, directly, indirectly, consciously or unconsciously regarding corporate developments and decisions.

The interests of society are primarily to be found in the numerous points of contact between the firm and society (Wellner 2001, p. 144). The primary objective of the society is equal to the objective of the government, meaning the protection of the general welfare, whereby the society interprets the satisfaction of the welfare claims more individualistic. For this reason, the definition of this stakeholder group is designed to be more difficult, 'because it is even more heterogeneous' (Wellner 2001, p. 144). The influence and the power potential of the firm can here be introduced as a demarcation point, as these two things are not present in the proportions as in the government (Forstmoster 1996, p. 110). Especially for multinational firms, large discrepancies can occur between corporate interests and the host country in which the firm operates (Schachtschneider 1999, p. 427).

The firm can meet the demands of the society and provide a positive image through voluntary contributions to social life, donations, social and cultural engagement, ecological orientation or by the construction of public facilities such as sports halls, schools and preparatory and day-care institutions for children (Wellner 2001, p. 145). Especially environmentalism is to be mentioned here since the preservation of this is perceived very sensitively by society. Environmentalism is also a part of the general welfare and can be changed by the 'weighting within respective scarcity of resources' (Wellner 2001, p. 145). The firm relies on its resources. Often the protection of the environment is not subject to unitary regulations and bills. It is up to the firms whether they comply with this and thus meet the welfare needs of society. Thereby the firm does not only ensure its existence but also a good reputation in society, according to Palass (1999, p. 142-143).

The stakeholder group society is a complex and difficult to be deferred stakeholder. It consists partly of customers, suppliers and other externals. Society partly provides the human capital the firm is dependent on. Therefore, it seems reasonable to establish a connection between a society- and environmentally-oriented economic activity and a value orientation, according to Wellner (2001, p. 145). A firm that enjoys a positive reputation in society is regionally considered as a solid employer and sensitively responds to the needs of the public. By doing so, it is more attractive than a firm that has a bad eco-political and public image and is not involved in social welfare. Important for the firm is an authentic and transparent publicity, which supplies the society with all important information.

2.5 Acknowledgements to related performance, growth, control and strategy models

In this part of the underlying research, the author would like to acknowledge earlier research models and theories related to performance, growth, control and strategy models.

2.5.1 Acknowledgements for Kaplan and Norton

The origins of the publication of ‘The Balanced Scorecard’ by Kaplan and Norton can be traced back to the early 1990s (Kaplan & Norton, 1996, p. vii). The motivation of their study came from a performance-measurement approach, which relied on financial accounting measures. This soon became obsolete, because the researchers were finding out that solely financial figures are ‘hindering organization´s abilities to create future economic value.’ While the researchers then developed the Balanced Scorecard, they acknowledged and referred to financial control systems of General Motors, General Electric, Matsushita, the DuPont system, and the ROCE as well as the TQM-approach. Each of these financial control systems has proved unsatisfying outcomes. Each system competes for time, energy and resources and offers the ‘promise of breakthrough performance and enhanced value creation for many.’ But many of these systems have yielded disappointing results. Often fragmented, those systems cannot be linked to the firm´s strategy nor achieve specific financial and economic results. The Balanced Scorecard has been developed upon these conclusions.

2.5.2 Acknowledgements for other researchers

Steven Finlay (2014, p. 21-38) shows an analytical method, in which predictive analytics, data mining and big data are key topics for firms who want to leverage the increasing amounts of data. This in-depth analysis provides a compact understanding of predictive analytics, and how it should be applied to improve business decision-making and operational efficiency. This includes how to avoid the pitfalls and risks of introducing predictive analytics to a business area for the first time. It also covers legal, ethical and cultural issues that need to be considered, and a contextual road map for developing solutions that deliver real benefits to firms.

Max Baker (2014), lecturer in Accounting at the University of Sydney Business School, accomplished research which explored corporate social responsibility practices including active participation. Also Angel Barajas (2014), Associate Professor of Financial Management at the Department of Accountancy and Finance at the University of Vigo in Spain and Noah P. Barsky (2014), Professor at the Villanova University School of Business USA. Their research includes performance measurement, business planning, risk assessment and contemporary financial reporting issues. Barsky delivers best practice guidelines in the field of accounting and finances as an analyst, auditor and business consultant. His models are widely used in large corporations and multinational firms.

Roger Strange and Gregory Jackson (2008) researched about corporate governance in combination with international business. Their studies shows associations with corporate governance, growth, performance and possible areas of conflict which can be modified, altered and improved according to the specific requirements of a firm´s operational field.

Walter Beats and Erna Oldenboom (2009) published their research studies concerning growth, social entrepreneurship and sustainable performance. Their study findings are similar to the ones of Johanna Mair and Ignasi Marti (2005, p. 3-21). Latter argue, that ‘social entrepreneurship, as a practice and a field for scholarly investigation provides a unique opportunity to challenge, question, and rethink concepts and assumptions from different fields of management and business research.’ They regard social entrepreneurship as a process which catalyzes social change and addresses or changes essential social needs in such way that it does not dominate direct financial benefits for entrepreneurs. It is rather seen as differing from other forms of entrepreneurship in a higher priority setting, giving importance to promote social value and development versus capturing economic value. During the last years, a number of successful business entrepreneurs have dedicated substantial resources to supporting social entrepreneurship. Amongst them is Jeff Skoll, co-founder of eBay, and Jeff Bezos, founder of Amazon. They both donated money to create foundations in order to establish a research center for social entrepreneurship.

Petra Nix and Jean Jinghai Chen researched about the fundamentals of corporate governance (2013, p. 12-24). The subject of corporate governance is of enormous practical importance when it comes about sustainability and business ethics. Even in advanced market economies, a great deal of disagreement can be found about how well or how bad governance mechanisms are working. Easterbrook and Fischel (1991) as well as Jensen (1989) did extensive research about the US corporate governance system, finding out that this system is ‘deeply flawed and that a major move from the current corporate form to much more highly leveraged organizations is in order.' They further argue that Germany, the UK and Japan have 'some of the best corporate governance systems in the world, and the differences between them are probably small relative to their differences from other countries.' In less developed countries, corporate governance mechanisms are almost nonexistent. For example in Russia, the weakness of corporate governance systems leads to 'substantial diversion of assets by managers of many privatized firms, and the virtual nonexistence of external capital supply to firms' (Boycko, Shleider & Vishny 1995). Corporate governance mechanisms are economic and legal institutions that can be changed over political processes.

Andrew Smart and James Creelman (2013) researched about the integration of risk frameworks and standards regarding the BSC and RBV. Since growing regulatory environment, higher business complexity and an increased importance on accountability have led firms to follow a wide range of governance, risk and compliance initiatives, those authors looked closely on how these parameters can be linked to the model of the BSC. Their findings state that governance, risk and compliance processes via control, definition, enforcement, and monitoring have the ability to coordinate and integrate these initiatives with the help of the BSC. Governance takes the role of oversight and supervision and is the process by which firms manage and mitigate business risks. Risk management allows a firm to assess all significant business and regulatory risks and controls and monitor mitigation actions in a structured method. Compliance confirms that a firm has the process and internal controls to meet the necessities enacted by governmental bodies, regulators, industry mandates or internal policies.

Zahiral Hoque (2011) discussed in his research about the measuring of performance in governments and NPOs and which role the BSC takes in these organizations. Similar to his research are the findings of Pankaj Mathani (2011). He looked at the BSC and the integration of intangible assets and value drivers for competitive advantages.

Peter Horváth and Lutz Kaufmann (1998, p. 39ff) discussed in their research about the BSC as an instrument for applying strategies in firms. They especially looked at the integration of the BSC to other models like the DuPont system, the Shareholder Value concept, the Economic Value Added by Stern Stewart, the Economic Profit by McKinsey, the Added Value by the London Business School, and the Cash Value Added by the Boston Consulting Group.

A similar model to the Holistic Value Driver Scorecard has been developed by Andreas Walter (1988). He established a model which looked at the value drivers behind the BSC and how they can be more easily detected and enforced. His model is the EFQM-model, European Foundation for Quality Management. He accomplished his research with the help and input of the Robert Bosch GmbH and the Volkswagen AG.

Klaus Peter Franz (2012) presented a model which detects value creation within the BSC. His findings deal to a great amount with a value management and value driver analysis.

3 Identification of potential areas of conflict

The classical areas of conflict between the concepts of profit maximization and business ethics primarily relate to the interest monism of the shareholders and the needs of other stakeholders. Firms face the challenge of bringing similarities and differences into harmony. Similarities include the areas of synergy effects, standardization, quality assurance and centralization, whereas the differences are in the areas of initiative, individuality, regionalism and flexibility. A value-based corporate leadership means to identify new commonalities and the least common denominator on the basis of potential values. A value-based corporate leadership is to function as a model process for the firm, which is not inconsistent with the objectives of entrepreneurial actions and the strategic alignment (Böhnisch et al. 2008, p. 5). This raises the question to which extent a merging of the concepts of profit maximization and ethical, sustainable behavior can be found and lead to success.

For the identification of potential areas of conflict between the two concepts, it is necessary to agree to the ethical principles with the profit-oriented objectives of a firm in a way that both concepts benefit from each other and do not exclude themselves (Pape 1999, p. 34-35).

Business ethics should be useful for the maximization of profits and, where possible, optimize, and vice versa. The shareholders, who act rationally in their own interest, as well as the competition-oriented and organized firms, stand often in the way of ethical guidelines. The conflict can only be resolved if ‘an action that leads to the mutual benefit of all members of society’ is found (Suchanek 2004, p. 6-7). This is only possible if ‘consensual institutions’ are established which identify and define the two concepts, their objectives and requirements (Suchanek 2004, p. 7).

The firm as a separate body and decision-maker can make its contribution by investing in all ethical relevant assets such as human capital, corporate culture, integrity, and the institutional capital of the society and its investments flowing back into the firm as a value creation (Suchanek 2004, p. 7-8). Over the time, these investments become assets and increase the firm’s value and thereby build a bridge between the concepts of profit and ethics. The task of value orientation is to influence decision-makers and strategies.

In this chapter, possible areas of conflict that can occur between the two concepts are described briefly. This is to be understood exemplarily. For reasons of length only four areas of conflict will be discussed.

3.1 Monistic alignment of corporate objectives

The primary financial objective of any enterprise should represent the focus on business value. Decisions need, from the financial perspective as well as in the context of individual target framework, especially regarding the social and environmental objectives, to be made in the way that they work towards a business value enhancement. The internal cash flow potential should be reflected externally in an increased market price. A required value culture must be carried out, lived and spread by the entire organization.

In many cases, firms have to justify their decisions in front of society. They are charged to act only in terms of profit maximization and in accordance with the interests of shareholders (Metten 2010, p. 168). This unilateral objective tracking of the interest monism neglects the interests of other stakeholders. The formal and material objectives of a firm will be critically analyzed in terms of a monistic objective conception and potentially occurring areas of conflict will be described briefly.

3.1.1 Formal objectives

In the organizational theory, a distinction between formal and tangible objectives is made. They differ in the representation of their aspired final state. The final state of a formal target is described implicitly by the property that it cannot be increased further in terms of the aspired objective, such as profit maximization or cost reduction. Whereas the aspired final state of a tangible objective can be explicitly represented by means of illustrative properties (Laux & Liermann 2005, p. 35).

The formal and tangible objectives of a firm are closely linked, wherein the formal objectives adopt a ‘superior position to the tangible objectives’ (Jung 2006, p. 29). ‘The formulation of a tangible objective itself presents a decision problem, whose solution needs orientation on a superior formal objective’ (Jung 2006, p. 35). ‘The selection of an alternative course of action for the relevant formal objective depends on the intended tangible objective’ (Jung 2006, p. 35). An example: Is the tangible objective to produce a given amount of a product, so is the formal objective cost reduction or higher earnings.

Formal objectives are usually of monetary nature such as profit maximization, cost reduction, revenue, yield, maintenance of liquidity and risk. In this research study, the formal objectives of profitability, sales growth and productivity are examined in terms of their monistic characteristics.

3.1.1.1 Profitability

According to Heno, profitability is defined ‘as the yield of the capital invested in the firm or the operating revenue’ (2006, p. 8). In other words, the profitability reflects the success of the firm in proportion to the capital employed, according to Berger (2009, p. 10). The indicator profitability gains a greater informational value compared to absolute performance numbers as it establishes a reference to success-causing factors such as capital, asset and revenue variables. Busse von Colbe defines profitability as ‘the quotient(s) of income and any other important firm variable such as equity, debt, total capital or revenue’ (Busse von Colbe & Laßmann 1991, p. 9). Profitability ratios primarily serve as a retrospective audit for the use of scarce resources, here capital. Scarce is understood in terms of expensive, since capital acquisitions are expensive due to their interest. Future developments in the firm's success cannot be determined fully on the basis of profitability.

Most criticism regarding profitability is that it is a pure financial measure and largely neglects customers, employees, suppliers or other stakeholder needs. The sole objective of profitability is the optimal use of resources. Although a positive indicator of profitability shows a cost-covering and even profitable use of resources, it can largely disregard other interests. What is about environmental impact, employee satisfaction, customer needs which are inferior to continuous change, or supplier relationships? What is the firm's profit used for, after all primary claims such as wages, salaries, taxes, etc. are met? Although the profitability indicates whether the firm conducts its business profitable and whether it can operate economically on the market in the future, it does not indicate to which extent the safeguarding of the future exists. Therefore, the use of profitability as a measure of value orientation is inadequate. Profitability is a past-oriented measure and does not allow predictions about the future.

Profitability is a financial measure that satisfies the interests of the firm (shareholders, management board and by extension those of employees) in the first place. As a measure of the earning power of a firm profitability is essential, but must be complemented by other indicators that take into account the interests of other stakeholders. Profitability hosts a one-sided approach in terms of a value-based corporate control. But it has to be mentioned that without profitable economic activity, the firm cannot exist at the market, create jobs, employ suppliers and pay taxes. Furthermore, it is to examine how the success-creating factors of a profitability calculation are composed. Value drivers such as turnover or the composition of the capital structure are important financial indicators.

3.1.1.2 Sales growth

According to Schierenbeck and Lister (2002, p. 124), sales growth is defined as 'the prices rated sale of operational economic assets in the business areas of the enterprise.' Mathematically it can be represented by the multiplication of quantity and price.

The growth in sales is, according to Rappaport, an operational value driver (Rappaport 1986, p. 14). This value driver is affected by operational decisions in the area of the product and service program (Golle 2010, p. 54). The sales growth in turn affects equity requirements, because the higher the turnover, the more equity can be generated, according to Schierenbeck and Lister (2002, p. 127). The firm value is composed of the return on investment and of its growth capacity (Copeland et al. 2002, p. 109).

Economic bottlenecks and crises usually have their origin in the lack of sales and turnover. The cash flow stagnates or decreases, which means that capital is missing in the firm (Löscher 2010, p. 9). For this reason, the measure sales growth is of great importance for the firm. Stability, improvement of turnover, sales and also the increase of market share must be followed.

The measure sales growth is only a financial indicator and has a primary focus on customer needs. Satisfied customers ensure turnover and are responsible for turnover growth. As with profitability, the needs of other stakeholders are largely excluded. To push turnover, the stakeholder customer comes too much into focus. Focusing solely on sales growth and generating a larger market share is not sufficient for a value orientation.

3.1.1.3 Productivity

Productivity is an economic indicator and refers to the ratio of input to output. The yield of the operational factors of production is assessed. Preißler lists economic efficiency under the generic term productivity indicators, but that resembles not the same as the measure of productivity. He distinguishes between a technical and a value-based economic efficiency. He says that technical economic efficiency signifies productivity (Preißler 2008, p. 147). With these given tools a maximum performance is desired. With this definition, the principle of rationality of business economics is accommodated. Firms must act rationally in order to survive in the market.

Another definition is provided by Nerdinger, Blickle and Schaper: ‘Productivity is the sum of effectiveness, which stands for the degree of achievement of the objectives defined by the organization and efficiency, which is the ratio of the achieved result units to the extent of inserted organizational resources’ (2011, p. 256).

Employee productivity is often used in practice. On the one hand, the measure of employee productivity is a good performance and behavior assessment. On the other hand, it makes little sense to make an activity-outcome related definition of job performance, if a concrete individual performance of an employee cannot be proved or properly assessed (Nerdinger et al. 2011, p. 256). ‘The work result is always the result of the interaction of individual work behavior with the organizations internal and external structural and situational circumstances’, says Nerdinger et al. (2011, p. 256). Productivity depends not only on individual work behavior, but also on the individual settings of the working environment and the tools (machines), the timely and complete availability of work-related information, the clarity of the objectives and the legwork of other organizational members.

‘Productivity determines the standard of living and prosperity of a country’, says Stähler (2001, p. 171). For firms, the same statement is true. A firm's success depends on how successful the firm generates added value from the used factors of production. The productivity index is a measure of value creation in the firm, but due to the above mentioned allocation problems it does not justify a holistic value orientation.

3.1.2 Tangible objectives

Tangible objectives are among the top objectives of any firm and include the concrete actions in relation to the provision of services as well as to type, quantity, location, quality and time. Jung defines tangible objectives as ‘those operational objectives that can be achieved through effective exercise of the individual functions of a firm within the financial and economic goods turnover process’ (2006, p. 29).

There is a distinction between tangible objectives under performance objectives (turnover volume, market share, etc.), objectives of a social or ecological nature (work environment, environmental protection, etc.), leadership and organizational objectives (task sharing, leadership styles) and the objectives of financial nature (liquidity, optimal capital structure), see Jung (2006, p. 29). Social objectives, human objectives and environmental objectives describe the desired behavior towards internal and external stakeholders, which are employees, suppliers, customers, government, and the public. Since this dimension is not directly necessary for the economic survival of a firm nor generates immediate success, it is often regarded as secondary. Some components, however, are also defined by laws, such as the regulation of working hours or the compliance of environmental protection regulations.

In this research study, the tangible objectives product quality, delivery time and environmental compatibility will be discussed in more detail.

3.1.2.1 Product quality

The quality assurance and quality improvement stand for, in terms of a value-based corporate leadership, core competencies (Ortlieb 1993, p. 7). In particular, with regard to product quality, nowadays this is not only regarded as a purely technical problem, but represents a 'comprehensive, multi-dimensional and integrated leadership approach', says Ortlieb (1993, p. 7). In literature, there are numerous publications referring to quality. However, the publications are purely of normative nature and describe what 'should be and how it should be done (best practice)', according to Wächter and Vedder (2001, p. 116). The problem lies in the implementation and perception of customer needs. Customers are placing an increasing emphasis on high quality of products and their production, states Neumann (2008, p. 5). Quality is a comprehensive parameter and is usually 'spontaneous connected with a good product' (Neumann 2008, p. 14). Quality is the extent to which an inherent, immanent set of characteristics satisfies requirements. Quality is the conformity of the current state with the desired targeted outcome. If a product possesses the desired quality or not, it is ultimately decided by the customer, because quality always depends on specific perceptions of the beholder. In this case it is the customer that has to be satisfied (Neumann 2008, p. 15). A distinction is made between the objective quality, by the help of tests conducted by Stiftung Warentest, and the subjective quality, which means the individually perceived quality. It does not much for the firm to get a 'very good' as a result by Stiftung Warentest. This evaluation serves as a first indicator for the customer. Much more important is that the customer has to take notice of that and also reward it. ‘Customer satisfaction is the perception of the customer in the degree to which the customer's requirements have been met’ (Neumann 2008, p. 15). The problem lies in the ‘quality phenomenon itself’, because of its great complexity, the concept and understanding of quality is difficult to grasp, states Ortlieb (1993, p. 7). Quality is generally used with the synonym 'goodness' and is connected with the conception of a product, which meets particularly high demands (Ortlieb 1993, p. 7). Consistent quality may not always be perceived equally, because every customer has different needs. To capture and cover them all would be a challenging task and goes beyond the scope of this research study.

Another area of conflict is the high costs related to ensure a high product quality. Product quality has a ‘’significant impact on the profit and loss situation of a firm’ (Schmidt & Tautenhahn 1995, p. 33). The quality is defined as the totality of features with respect to their suitability to meet quality requirements. To meet this, all costs associated must be counted in. This includes not only the production costs but also rework, after-sales service and additional tests (Schmidt & Tautenhahn 1995, p. 33 and 35). Quality costs include prevention costs, appraisal costs, and failure costs.

As part of a value orientation, it is to weigh to which extent product quality can be improved under the consideration of the cost structure. Measures for quality improvements are always desirable under the condition of costs. The customer is at the center, because he decides whether he is satisfied with the quality of the product and whether it fits his needs or not (Robyr 2006, p. 41). Regarding product quality in the course of globalization, it is also important to pursue necessary standardizations, which are only awarded by certified testing and inspection institutions. The area of conflict between the costs of quality assurance and enhancement as well as the customer's perception forces firms to remain adaptable, highly flexible and viable (Pittermann 1998, p. 1). Due to the increasing complexity, dynamics, competition intensity and increasing customer demands, firms are increasingly exposed to tough practical tests. Those are additionally increased by appropriate constraints such as price, time and service (Pittermann 1998, p. 1). Due to an increase in product diversity while at the same time reducing the product life cycle and innovation cycles, the quality requirements are more and more difficult to maintain. The problem is flanked by a raising awareness of the environment regarding sustainability and a ‘reinforced occurring post-materialistic value system of employees’ (Pittermann 1998, p. 1).

3.1.2.2 Delivery time

Another tangible objective of a firm is the delivery time. Due to the worldwide globalization of markets, increasing environmental dynamics, sophisticated customer behavior, high innovation dynamics and the increasing complexity and market networking, delivery time becomes a critical success factor with regard to the production, states Reichwald (1992, p. 5). Delivery time, also called time to market, is a key competitive factor today. Production is ‘the core of the firm’s turnover process and thus an essential carrier of the value creation’ (Steven 2007, p. 1). The economic production and process structure earns increasing importance, according to Schönheit (1996, p. 34).

Referring to Schneider (2000, p. 294), the performance process of a firm depends largely on the ability of how rapidly a firm can develop, manufacture and sell its products. The consumer demand determines the production volume, but the competition is forcing the critical factor time. Who is not able to provide the market with its products faster than the competition is displaced rapidly. The coordination of all logistic systems along the value creation chain are of great importance, since ‘significant costs are associated with the flow of goods’, says Schneider (2000, p. 299). To economize successfully in the long-term and to lead a firm strategically, it requires precise coordination of logistical capacities regarding storage, handling, transport and distribution (Schneider 2000, p. 230). These include a fast-working R&D department, a production designed according the Lean Production principles, which is supported by a simultaneous Just-in-time-delivery and a supply chain system as well as an efficient storage system and responsive distribution channels. Starting with the capacity planning, the firm must attach importance to harmonize resourcing and use capacities optimally to avoid idle time and over-production, which is accompanied with high storage costs (Schneider 2000, p. 301). The entire operational process must be planned close to the market, i.e. geared to the needs of the customer, referring to Rode (1991, p. 1). Meanwhile, there are numerous computer-aided production planning tools such as the production planning and controlling (PPC). Today almost all industries control their production planning based on PPC and thus can procure, produce and deliver consumer-controlled, says Kernler (1993, p. 5).

How critical the delivery time is in terms of a value-based corporate leadership and the associated areas of conflict shows an example from the automotive industry. In 2011 it took Audi five months to deliver an individually tailored car. It took Suzuki six months, BMW even ten months and more (‘Auf den BMW X3 müssen Käufer elf Monate warten’ 2011). This can either be a positive indicator of high demand and capacity utilization and thus a good profit situation, or reflect unwanted interruptions in the production chain (‘Das lange Warten auf den Neuwagen’ 2011). This has an adverse impact on the automotive market. The buyer must expect long delivery and waiting time and may possibly switch to competitors who provide faster. After two years Audi and BMW managed to reduce their delivery times to less than three months through a flexible production system. The longer delivery time takes, the more ‘rigid operates a business in its production system and its sales forecasts are more imprecise’ (‘Autobranche: Wartezeiten kürzer den je’ 2012). However, short waiting times in the automotive industry suggest that the auto industry boom declines and demand is stagnating. Fast delivery times are beneficial for the customer, but in this case not optimal for the turnover of the firm (‘Autobranche: Wartezeiten kürzer den je’ 2012).

A fast and responsive delivery time is crucial, because the end user does not want to be confronted with long waiting times. But a quick delivery time includes a flexible, efficient production control as a prerequisite and a well-developed distribution network. This in turn is associated with high costs, which must be considered by the firms. The flexibility regarding production and supply plays a major role. ‘Flexibility allows close-to-the-market concepts and creates competitive advantages for the consideration of special needs’ (Reichwald 1992, p. 24).

3.1.2.3 Environmental compatibility

Historically, mankind has not detected until late which damages are consequential of its decisions in terms of environmental degradation (Constanza et al. 2001, p. 1). Damage limitation rather than avoidance is practiced, which is correspondingly more expensive. Environmental compatibility gained increased importance in recent years. Starting point is the fact that our environment and ecosystem is severely stressed and many resources are finite. The shortage of resources naturally calls for conflicts. Declining resources are becoming increasingly expensive (Endres 2007, p. 1-2). With the ongoing industrialization, the ‘functional dependence standing on humans, animals and plants and their habitats fell markedly out of balance’, states Molitor (1999, p. 44). The consumer is aware of the environmental compatibility, the production of products and their transport routes. Environmental protection becomes an important firm objective and leadership task. Environmental compatibility describes all activities that are specified within the framework of an environmental management system. The environmental policy, its objectives, responsibilities and implementation areas mean environmental planning, control, and enhancement. This is associated with considerable costs and must be carried by the firm.

An effective environmental management system saves costs in the long-term. Such a system helps the firm to save energy, to switch to cheaper energy sources, to optimize successfully savings, to thoughtfully select and transport raw materials, to reduce noise pollution, to initiate more efficient production systems and to avoid environmentally damaging accidents.

Environmental compatibility includes an environmentally friendly economization and stands for an ethical challenge which forces the firm to transform its concept of economization (Brauner 2016, p. 14-24). Although this transformation is already in process through the World Economic Forum, which took place in Rio de Janeiro and in Davos in 1992, the overall result is still not satisfactory. In order to operate environmentally friendly, problems should not be postponed into the future. The economy must be converted into a circular economy, similar to a recycling cycle. It should not just be enough to combat the symptoms. According to Dürr and Gottwald (1995, p. 14), it does not require improved incinerators, controlled landfills or safe nuclear waste storage, but rather a waste prevention economy and recycling technologies. Environmentally friendly products need to be designed sustainable for the future, in which they consume little fossil fuels, cause little waste and emit little or close to harmless emissions.

It is difficult to operate on an optimal level to allocate resources most efficiently. Firms on the one side strive to maximize profits. Consumers on the other side strive to maximize the products´ utility. It comes to a classic prisoner's dilemma (Brandes et al. 1997, p. 23-24). Every decision has an impact on the welfare of others.

Against the background of a value orientation is the need to think holistically, says Gorsler (1991, p. 4). This requires a holistic mindset, which is not fixed on individual relationships, or linear and mono-causal thinking. A value orientation should rather recognize that all artificially created individual systems, such as factories, power plants, transport networks, are subsystems of the biosphere and need to be linked to natural and social systems in order to support cooperative associations between ecology and economy and to integrate waste and emissions in closed circuits (Constanza et al. 2001, p. 5). The interests of society and 'thereby particular environmental conditions and a form that derives a long-term vision' appeals and ensures the existence of any firm, referring to Gorsler (1991, p. 16).

Environmental compatibility is, in terms of a value-based corporate leadership, quite a serious area of conflict. The products and their production must be produced and distributed under modern, resource-saving methods. This in turn is connected with increased costs. New, innovative and environmentally friendly production facilities have to be built, conventional methods must be replaced by energy-efficient methods, alternative distribution channels must be found, and the packaging material must be replaced by recyclable ones. Initial investments are high, but they amortize relatively quickly and help the organization not only to produce environmentally friendly products that are increasingly well received by the customers, but also contribute to its competitiveness.

3.2 Handling of scarce resources

Referring to Thalhammer (2008, p. 2), firms compete with each other about the scarce and expensive resources employee, capital and raw materials. Who has a better access to raw materials or who can acquire and retain skilled professionals more successfully holds a competitive advantage against competition. Firms must be supplied with the necessary resources at the right time to ensure the operational process (Thalhammer 2008, p. 17).

Facing constant changes, conditions, daily struggles to raise capital and confronting higher prices for resources, especially for commodities such as petroleum and natural gasoline, firms need to keep their competitiveness (Drzymala 2006, p. 5). By using a balanced resource management, which includes an optimal allocation of resources, the firms are able to achieve a balance between the supply of scarce resources and the efficient use of them.

3.2.1 The resource employees

The employee is considered as one of the most important resources in a firm. Employees are touted as the key success factors of firms (Leopold 2002, p. 24). The importance and performance of the employee increases progressively and is traded in the form of a so-called knowledge management as one of the key business challenges. A lot of firms emphasize their ‘brains.’ With their skills, knowledge and experience, employees are of great value for the firm, according to Achouri (2011, p. 129-131).

The Human Resource Department holds a special strategic importance because recruitment is expected to contribute significantly to the firm's objectives. The employee and his skills are the potential from which growth and competitiveness arise (Cornelius 2002, p. 15 and 27).

But between daily business in practice, theory, and public statements lies a discrepancy, according to Kobi (2012, p. 16, 59 and 153). ‘Many managers do not really feel responsible for their employees.’ Leadership responsibilities are not taken seriously enough by responsible persons. This in turn leads to demotivation and the neglect of human capital.

One of the most significant areas of conflict which can arise between profit maximization and business ethics is the resource human capital. Due to the increasing social responsibility, demographic changes, the lack of qualified personnel, the emigration and fluctuations in demand on the labor and consumer markets, firms face new challenges (Leopold & Harris 2009, p. 6-14). Firms must face personnel shortages and bind employees permanently, because by the resignations of qualified key personnel, the firm may be at risk to loose knowledge. The personnel management must fill key positions with the right employees. Wrongly appointed positions or an insufficient qualified employee cannot support the firm's objective, state Werkmann-Karcher and Rietiker (n.d., p. 8, 26 and 52). It requires continuous motivation of employees, since only engaged workers contribute to productivity. Investments in human recruitment are necessary, according to Kobi (2012, p. 16). But investments require capital, and in times of a crisis costs are more likely to be reduced and personnel is rationalized.

There exists a close relationship between the economic success of a firm and the resource employee. ‘The employees are not only the main cost factor, they are also the main performance, growth, and image factor,’ says Kobi (2012, p. 17). The balancing of cost and performance is one of the most critical issues related to the areas of conflict between profit maximization and business ethics. It is about permanently binding employees with interesting remuneration systems that are not only of monetary nature. The employee should be able to identify himself with the firm and its objectives in order to contribute to the firm’s overall success.

3.2.2 The resource capital

The term capital can be defined macro-economically and micro-economically. Macro-economically, it is a factor of production such as labor, land and equipment (Jung 2006, p. 717). Capital is understood as part of the production system, which is necessary for the production of goods and services and is attributable to the assets of a firm. Micro-economically and also in financial theory, capital is an ‘abstract monetary sum’ which is ‘caused by injection of financial means’ (Jung 2006, p. 717). Capital is also mentioned in the balance sheet. A distinction is made between equity, debt and capital required for the business, depending on the legal form of the firm, the duration of the bond and the entitlement to profits. Capital in a private limited firm, foundation or share capital in a corporation, capital stock of a limited firm, or shares in cooperatives is called equity (Brede 2004, p. 44 and 197). Equity, meaning liabilities, risk capital or liable capital, does not face external creditor claims and is attributable to the assets of the business owner. Debt, also called loan capital, is provided to the firm by third parties usually in the form of loans or bonds and thus represents the firm's debits (Jung 2006, p. 717). In contrast to equity, debt preserves its legal independence. A distinction is made between long- and short-term debts. The capital employed is used to achieve the current operation purpose, see Töpfer (2007, p. 225 and 1018). Capital is converted into firm's assets during the production process, consisting of tangible and intangible goods. Capital and assets are always equally presented in monetary units (Jung 2006, p. 718).

Every firm needs capital to start its business, to ensure the operational performance, or to increase capital. ‘Is a capital requirement given, it must be tried to meet these requirements’ (Jung 2006, p. 718).

Capital is claimed to withstand competitive pressure, to drive innovation, to promote growth, to make acquisitions, to find and retain qualified professionals and to meet the demands of the shareholders after the profit distribution (‘Engpässe durch Kapitalstärkung auflösen’ 2011, p. 4).

It is competed internationally about the expensive good capital (Schuster 1996, p. 678). It is not only solicited for capital as funding, but also in its role as a market deepening factor, according to Schuster (1996, p. 678). With this Schuster is referring to a larger trading volume, which helps the market to achieve more stability, increasing the expertise and the ‘desired employment effects of the labor market policy.’ The stabilization of the capital markets is of great importance, since an increased turnover leads to a higher added value.

The procurement and generating of capital represents one of the most challenging tasks for a firm. Capital is regarded as the most common shortage. Future technologies and expansion investments require capital, but also ethical measures such as corporate giving, corporate spending and fundraisers need capital (Gitman & McDaniel 2008, p. 37). But which division needs capital most urgently will depend on the prevailing economic conditions, the level of employment, the innovation power, and the external environmental influences. Corporate leadership needs to plan with the scarce and expensive resource capital into the future to economize sustainable on the market, referring to Moritz (2009, p. 8 and 38).

Since capital is a finite resource, it needs optimal allocation and trust between entrepreneurs and investors in the capital market. Regarding allocation, following questions need to be answered: Which business areas need expansive investments? How much should the amount of this year's marketing budget be? How much is the dividend paid to shareholders in the upcoming year? Where are innovations to be made in order to maintain a competitive advantage? How much should flow into the area of Corporate Social Responsibility? What ethical measures should be implemented? The struggle for capital and the difficult decision-making following upon financial shortages is seen as an area of conflict between the concepts of profit maximization and business ethics.

With regard to a value-based corporate leadership, a relatively high capital requirement is demanded. Without capital no revenues or growth potential for the future, investments and innovation can be used. By sufficient capital, the firm can increase equity to counter shortages or to provide sufficient capital to satisfy loan repayments. The preservation of liquidity is one of the primary objectives of any firm. Capital is also needed to enforce important ethical policies that are necessary with respect to sustainability and the implementation of business ethics. Sufficient capital also protects from specific risks. The debt capacity increases and the implementation of major investment projects can be focused on.

Investors expect a stable position from the firm in the competitive environment, a positive and steadily growing cash flow and a significant growth potential. The firm in turn expects income and corporate value enhancement, a predictability of the cash flows, a protection from hostile takeovers and the liability from investors, says Schuster (1996, p. 680-685).

The resource capital must be used wisely as to keep the firm liquid, innovative and profitable on the market. Ethical measures must not suffer, because these also lead to a positive public image and add to productivity. This in turn includes decreasing sickness and absenteeism quota, less fluctuation, an improved reputation, and an optimal use of non-renewable energy sources. Corporate leadership has to find an optimal allocation of financial resources.

3.2.3 The resource environment

Environment is defined on two different levels. Once on the anthropocentric level, 'solely based on the well-being of the people, and on the other level on the eco-centric, that does not understand the people as the center, but as part of the ecological structure', (Hattenberger 1993, p. 23). This helps to see the dependence and interaction of humans with the environment and vice versa. Man needs the environment, like there is soil, water, air, animals, and plants, because it is the basis of any life. The environment in turn needs man in terms of environmental and species protection. 'The environmental awareness in Germany acts almost worldwide as a role model for sustainable development which builds essential backgrounds for a sustainable economization and for the introduction of environmental management systems in firms', states Engelfried (2011, p. 7 and 12). There exists an increasing environmental sensitivity and concern. The increased environmental scandals such as leaking oil tanks, increasing CO2 emissions, electromagnetic pollution, problematic waste management, rising energy prices, nuclear power plant accidents, polluted waters, declining fossil resources, new technologies such as Fracking, have awakened the society (Schulze 2009, p. 1-3). This forces firms more than ever to establish a sustainable, strategic and thoughtful environmental management, according to Dykchoff (2000, p. 33).

Firms are confronted with the challenge to face 'given external conditions such as resource limitations, a limited absorption capacity of the environment, legal regulations, global competition, but also social requirements' (Fuchtel 2008, p. 3-6). An environmentally-oriented corporate leadership is therefore a must for all firms. An efficient environmental policy does not only include a risk awareness, but also 'innovative thinking and competitiveness' (Fuchtel 2008, p. 3).

One of the most significant problems in the areas of conflict between profit maximization and business ethics related to the resource environment is in the finiteness of environmental resources such as oil, gas, coal, water, and air. The less it is available, the more expensive is the procurement of it. Another concern is the measurability of an environmentally-oriented corporate leadership. Management needs to be able to document improvements, successes and setbacks (Lange et al. 2001, p. 216). Although figures for a so-called environmental reporting exist, based on the Balanced Scorecard conception, it is still difficult to make comparisons or to find common indicators for a wide range of firms.

Referring to Brüggemeier and Engels (2005, p. 356), the differing assumptions and environmental awarenesses lead to communication problems. The responsibility for environmental protection concerns all organizations (Frankenberger 1998, p. 35).

The protection of the environment got constitutional status by the Article 20a of the GG in Germany in 1994 (Article 20a of the Basic Law of the Federal Republic of Germany): 'The government protects in the responsibility for future generations the natural foundations of life and animals in the context of a constitutional system through legislation and in accordance with law and justice by the executive and judiciary.' The government as a stakeholder must take the obligation to protect the resource environment through regulations. However, environmental regulations adhere an economic and environmental inefficiency because eco-political measurements cannot be fully enforced at the lowest cost. Environmental regulations enforced by the government for firms are unfairly distributed from the viewpoint of firms. There is no precise demarcation made between small, medium and large organizations. In addition, regulations have low motivation stimulus for firms (Hattenberger 1993, p. 1-3).

The challenge for firms is to identify where resources can be saved or substituted by renewable resources. The different business divisions must be aligned to environmental corporate objectives such as the reduction of CO2-emissions or the saving of electricity, paper and water. The strategic environmental policy of firms also has to be aligned to a so-called 'eco-controlling', according to Hattenberger (1993, p. 33). The operational environmental policy must implement environmental friendly systems and processes and identify relevant areas, 'particularly through the establishment and development of ecological potentials for success.' For each area like power supply, water consumption, oil and gas consumption, or paper usage, a detailed set of measures has to be concretized. The objective should be a corporate environmental protection, which results in sustainable success and benefit for all stakeholders. Summing up, the problems that can arise in the areas of conflict between profit maximization and business ethics related to the scarce resource environment can be listed as following:

- Resource limitations in the field of fossil fuels → more expensive raw materials
- High development costs for renewable energy → difficult regarding prediction accuracy of innovation costs
- Difficulty of measurability and comparability → there are no homogeneous indicators to compare business units or firms

- Inconsistent views of environmental awareness → different engagements
- Responsibility and volunteering → different engagements according to individual characters and motivations
- Environmental regulations enforced by the government → are often perceived as coercive and met reluctantly

Schulze (2009, p. 3) states, that a sustainable, value-based and environmentally oriented corporate leadership relies on cross-functional instruments that can be controlled across all levels. Through an efficient environmental policy, the supply of environmental friendly products and transparent production processes, a value-based corporate leadership strives successfully for long-lasting market success, say Pietsch and von Lang (2007, p. 11).

The central point regarding the tension between business ethics and profit maximization is the 'efficiency and fair distribution' (Korff 2009, p. 582). Man draws its resources from nature, and the economy is used to determine the values of the assets, referring to Korff (2009, p. 582). The resources serve as the basis of life and to the increase of well-being. 'Our services include clean air and water, the thoughtful use of raw materials, saving energy, the protection of natural habitat, ensuring biodiversity and the reduction of waste, see Korff (2009, p. 582). To meet a value orientation with respect to the resource environment, it needs an efficiency criterion. This says that use should only be made where the benefits exceed the costs. 'To evaluate the different effects on people, justice criteria should be used' (Korff 2009, p. 582-583).

3.3 Externalization of costs

Since the environment is considered as a public, discretionary good, it is available to all people without restriction and free of charge, says Cansier (1993, p. 13). According to Bartmann (1996, p. 1), a firm has no incentive to deal with it sparingly, because it is difficult to assess prices for the use of the environment. The usage of natural resources like water and air can still be used in many countries without restrictions. This leads to so-called externalities. Costs incur that cannot be charged to the initiator (Bleischwitz & Budzinski 2006, p. 7).

An externality means 'that the utility or profit situation of an individual depends without mediation by the market mechanism, or an activity that is controlled by another individual', according to Endres (2007, p. 18). Externalities occur if by actions of an economic subject A, for example a chemical plant at the headwaters of a river, the production or utility function of another economic subject B, a fishing firm in the lower reaches of a river, is negatively affected (Beckenbach 1991, p. 113). Another example would be the dust emission of a firm. The firm pushes off dust during the production of its goods, which spreads on the surrounding community and must be endorsed by them, without having a benefit or being compensated for it accordingly. The concept of the internalization of external effects is defined as the ‘charging of external costs onto the initiator’ (Beckenbach 1991, p. 19). This is called internalizing the initiator. In the example mentioned above it means that the firm which pushes off dust should include all related costs in its allocation decisions, also the external costs, in this case the social costs, that are attributed to the municipality. Thus, the corporate and social rationality is balanced and the market equilibrium is restored.

According to Bartmann (1996, p. 36), external effects represent a ‘non-market disadvantage, or respectively advantage, of third parties.’ With third parties households, producers, future generations, the public, or taxpayers are meant. In the theory of externalities, a distinction between external consumption and production effects is made, says Cansier (1993, p. 24-25). Concerning the environment, it is often related to the case of negative external production effects. The damage done to the environment is viewed as negative externalities caused by private production or consumption, but which do not take private calculations into account, see Bartmann (1996, p. 36).

Referring to Beinhocker (2007, p. 51), the problem consists of the use of public discretionary goods. Following characteristics distinguish public goods: The exclusion principle states that no person shall be excluded from the consumption of these goods. A so-called non-rivalry is on hand, meaning the consumption of free goods by one person should not affect the use of the good by another person. There should be indivisibility (Beinhocker 2007, p. 45). That concludes that the consumer is not willing to reveal his true preferences for the free good, since this is not accompanied by a price. This is also called a free-rider position or freeloading. Thus price claims are not feasible, meaning that the external effects are too high, or the internal effects are too low to provide an incentive for private providers. In this case, the public sector must step in.

Another problem is the allocation of free goods. An efficient allocation of factors means that no waste of limited resources is caused. ‘Only the goods wanted by the citizen should be offered’ (Cansier 1993, p. 25). The macroeconomic goods provision should form the ‘relative urgency rating of the goods by the public on the demand side and on the supply side, it is the relative cost of production' (Cansier 1993, p. 25-26). Scarce but at the same time relatively freely available resources must be allocated such that for all a maximum welfare effect sets in and free resources are not wasted.

3.3.1 Externalization into the future

Externalization into the future is the technical term for the shift of costs to a later time ('Drei Formen der Externalisierung von Umweltkosten' 1991). There are costs for stressing the environment, which are neglected by the payers and moved to later or to other generations in the future. Measures are taken accordingly, so that the incurring costs must not be paid until years later. Products are produced whose recycling costs are carried into the future. An example would be the use of pesticides. To detect pesticides in groundwater, it requires 20 years. To generate greater yields per hectare and to save costs for environmental friendly plant protection measures, the cheaper option of pesticides deployment is chosen. The costs of cleaning up the groundwater are externalized into the future ('Drei Formen der Externalisierung von Umweltkosten' 1991). This creates an imbalance (Beinhocker 2007, p. 123 and 134).

Another illustrative example is the much-discussed greenhouse effect. The climate change is 'probably the most important environmental issue of our time', according to Bardt et al. (2012, p. 44-47). The market is currently unable to assess the ecological damage related to the greenhouse effect. This represents incalculable consequential costs, referring to Beckenbach (1991, p. 45). The international environmental policy, which made the limitation of carbon dioxide emissions its main task, should pull those emissions into account while determining the upper limit of each country, which have accumulated since the beginning of the industrial revolution. This is accomplished either through mandatory standards or by the assessment of taxes if exceeding the norms. While there is a worldwide growing consensus about the avoidance of the greenhouse gases, there is at the same time a great uncertainty regarding the physical dimensions of the greenhouse effect (Beckenbach 1991, p. 46).

Due to the absence of an affected stakeholder in the present, there is no incentive for avoidance. The cost-benefit equation is not accompanied with costs, because the good environment is discretionary. The impact for the future is difficult to predict. Many pollutants along with their complex interactions and their impact on the environment may only occur more frequently and be recognized in the future. There are more incentives for a firm, especially unlimited access for emission and disposal issues, to externalize their costs into the future. Air and water are still being polluted, overexploitation of non-renewable resources is operated, plant and animal species are displaced from their natural habitats and refuge areas. The future generation is burdened with consequential charges (Bartmann 1996, p. 96). In addition, science has little evidence in relation to the preferences of future generations. Even with the assignment of a monetary value with respect to incalculable consequential costs, science is struggling about this issue, states Beckenbach (1991, p. 47).

3.3.2 Externalization to the taxpayer

The externalization to the taxpayer means that a product is manufactured in a way so that monitoring and consequential costs will not be charged to the initiator, but to the taxpayer and the general public ('Drei Formen der Externalisierung von Umweltkosten' 1991). An example would be the production of products which, when used, must be disposed of as toxic and hazardous. The manufacturer, in this case the initiator and the buyer, can usually not prove disposal options. Therefore, the taxpayer must cover these costs in the form of increased tax charges (Bleischwitz & Budzinski 2006, p. 17). Would the cost of disposing be anticipated in the purchase price, the product would be more expensive and possibly non-profitable. For this reason, the intervention of the government using regulatory measures and pricing of public goods is essential to prevent market failure, see Bleischwitz and Budzinski (2006, p. 27). The charging for the use of public goods is done according to the principle of common burden and to the polluter-pays-principle. The principle of common burden states that the public bears the costs. The polluter-pays-principle states that the person who caused the damage bears the costs and does not leave it to the general public, in this case the taxpayers.

Especially in terms of environmental concerns action is on high demand. The allocation of free environmental goods fails, just because they are discretionary and free for consumers. It lacks the rights of use (Beinhocker 2007, p. 435). The government must intervene and deal with the question of how and to what extent the supply of public goods to the population should take place (Bartmann 1996, p. 45-46).

3.3.3 Externalization into foreign countries

Concerning the externalization into foreign countries, products are manufactured in a way so that the monitoring and consequential costs incur in another country ('Drei Formen der Externalisierung von Umweltkosten' 1991). For example agricultural foods for the forage industry of German cows are grown in third world countries, but which are provided with extreme loads (pesticides, fertilizers, etc.). This leads to monocultures, unusable soil, the extinction of species diversity in the flora and ultimately to unusable terrain. The costs are to be covered by the affected country.

The externalization of costs, whether into the future or into foreign countries, is a complex areas of conflict. Is a firm aiming at value orientation, it should comply obligatory with environmental codes of conduct and beyond that make compensation schemes on the basis of regulatory requirements. In order to not let it come to environmental damages, there are possibilities in the frame of environmental planning instruments to enhance environmental awareness and to be perceived by the public as an environmentally oriented, sustainable firm. This includes regional planning, mining, settlement, transport and waste recycling. By using a corresponding consumer policy, a transparent information system, environmental marketing, reports of eco-balances, authentic product information and eco-audits, firms can inform consumers hand in hand with the government, referring to Bartmann (1996, p. 199).

3.4 Loss of confidence and the according consequences

Due to the increasing economic and environmental scandals during the last decades, the public confidence in governments and organizations has been affected. It is about the abuse of power, bribery, nepotism, falsification of balance sheets, inconceivably large salaries, severance payments, and environmental destruction.

3.4.1 Management excesses

Managers, hedgefund and investment bankers are sometimes called 'the locusts', caused by their capitalistic excesses ('Eine Ära der Exzesse' 2010). One example is the trial of former Vivendi CEO Jean-Marie Messier in France in 2010 ('Messier räumt 'Exzesse' und 'Arroganz' ein', 2010). Messier is still regarded as the 'epitome of excesses.' Messier is indicted for giving false information to financial markets of causing price manipulations and embezzlement.

Partially with risky acquisitions and wrongly taken decisions he brought the firm to the edge of insolvency. He also deceived the shareholders of the firm Vivendi.

Due to this and other incidents in recent years, top managers of many business enterprises have been criticized increasingly to receive excessive salaries and compensations, and would only pursue their own interests at the expense of others.

‘We have to put a stop to the rip-off caused by top managers,’ says the Swiss entrepreneur Thomas Minder, which acts as the initiator of a referendum in Switzerland (‘Das Ende der Gehaltsexzesse naht’ 2013). Salaries should be limited in order to realize justice concepts. Banks shall be regulated and bonus payments limited to a reasonable amount. Many managers have bowed to the public pressure and voluntarily reduced their salaries, also to restore the trust and credibility in the public. Also in Germany the compensation system for managers is observed more closely. According to Friedl (‘Selbst härteste Regelungen verhindern Exzesse nicht’ 2013), it does not make more sense to create ‘stringent legal regulations for manager remuneration’ than to create transparency.

In today's fast-paced business environment, the belief still remains ‘that a larger dimension can provide a decisive advantage in the competitive struggle’ (Götz & Seifert 2000, p. 10). This has the consequence that managers, due to the requirements of the shareholders, always have to generate larger profits. Often, their salaries and bonuses are linked to the profits generated by the firm's success. This in turn motivates the managers to focus on their own profit. ‘Hardly a term from the world of economy might have excited so much public attention in the last decade as the ‘shareholder value’, characterized by Rappaport in 1980s (Korff 2009, p. 433). The corporate policy of a firm is clearly focused on maximizing shareholder value, according to Korff (2009, p. 433). As a result, the manager gets into a conflict. On the one hand he can and has to generate profits in order to secure the firm's existence and to satisfy the shareholders. On the other hand he also has to protect his own existence as well as the ones of his employees. He gets into a classic responsibility dilemma. ‘The main task of the entrepreneur towards the firm, the employees, shareholders, suppliers and other stakeholders is that he proves himself in the social compulsory market economy, that means secures the existence of his firm and the dependent jobs’ (Götz & Seifert 2000, p. 119). They also say ‘as the corporate responsibility aims towards the employees, social security, a fair wage, and the granting of rights should be guaranteed. The responsibility towards government and society lies in public relations and in the involvement of the environment. The entrepreneur must provide a better understanding of economic relationships and decisions and safeguard the interests of the local community.

The result of management excesses is massive losses of trust and credibility in the public and among the employees of the firm. The manager does not meet his responsibilities sufficiently. In everyday operations, the manager is exposed to 'numerous tensions that can very often be diminished or resolved by decisions' (Kirchhoff 1978, p. 265). Where decisions must be made, there should also exist alternatives. The powers and responsibilities are either too limited or too little controlled. The manager must be aware what his decision-making means for the overall business environment.

3.4.2 Balance sheet manipulations

Managers are under pressure to succeed and must comply with the objectives of the shareholders. Therefore, it is not far to manipulate a balance sheet. Balance sheet manipulations occur when the annual financial statement and management report is depicted positive to achieve the objectives more rapidly. Proceeding from the top management, it is often operated manipulative in order to represent the firm economically better. In 2010 and 2011, the CEO Willi Balz of Windreich is said to have reported receivables and revenues in the millions, but which was not based on businesses or on businesses with a significantly lower value ('Verdacht auf Bilanzmanipulation: Razzia bei Windparkentwickler Windreich' 2013). There were no cash flows linked to the revenues. This not only represents a significant risk to the reputation and assets of a firm, it also carries an unpredictable financial risk in itself ('Bilanzskandale: Ansichten eines Wirtschaftsprüfers' 2013). Other accounting scandals have been published concerning Enron, WorldCom and the Bank of Berlin.

The fault is not only caused by top management, but also by the auditors, which are to examine the financial statements regarding its accuracy. Many auditors are working with sloppy accounting practices, while they should be 'independent, relentless, always on the trail of 'figure doctors' and 'balance tricksters' ('Bilanzskandale: Ansichten eines Wirtschaftsprüfers' 2013). The dilemma is that many external auditors at the same time also offer their services as consultants to firms, which in turn are rewarded with lucrative consulting assignments. There is no separation of auditing and consulting. A downright price competition prevails among the auditors, which in turn no longer allows appropriate testing.

According to Paulson (former U.S. Treasury Secretary), ‘the financial industry works best when it is spared from government interference’ (Häring 2010, p. 13). His opinion is based on economic theories: ‘According to the theory of efficient financial markets, the competition between providers of financial services, bonds and investors provides that the prices in the financial markets correspond to their true value at any time and that financial resources are channeled to their best used forms. The markets tend towards a stable equilibrium and reflect all available information about the future.’

The view that competition will limit or even eliminate the power of the financial giants is contrary to the conventional wisdom, which says money is power, says Häring (2010, p. 13). Many managers fall into another dilemma, namely the one of the abuse of power.

To prevent balance sheet manipulations, it is to appeal to the responsibility of the top management, its managers and their personality. The top management has to consider another component in their decisions alongside motivation, freedom and success: that of ‘overall responsible thinking’ (Lachmann & Haupt 1991, p. 37). As part of a value orientation, the ‘managers of tomorrow’ have to have ‘knowledge, skills and character’ and form this into a unit, according to Lachmann and Haupt (1991, p. 37). A balance between distribution of power, control and responsibility is to be prepared, especially when it comes to create a proper and truthful reporting, says Zsolnai (2002, p. 3). If this is not followed, more and more investors lose confidence in the accounting department, which in turn drops stock prices and risks the corporate existence (‘Bilanzskandale in China reißen nicht ab’ 2011).

3.4.3 Corruption

‘Corruption is the abuse of entrusted power for private gain or advantage’, says the definition of the organization Transparency International (‘Korruption: Hintergrund: Korruption hemmt Entwicklung’ 2013).

In the world's list of detected corruption by Transparency International, Germany was ranked 14 of 180 countries surveyed (‘Weltrangliste der Korruption’ 2009). While this shows that in Germany corruption is perceived and fought, it is nonetheless practiced in the economy as well as in politics. In Germany the dimensions of the Siemens scandal related to bribery in 2006 were immense. So far, this cost the firm more than 2.5 billion Euros. ‘Battered egos, destroyed careers, a billion-punishment’ – ‘hypocrisy and hubris’ were everyday practice. The business success was achieved with short-term illegal means. Investigators found about 4300 illegal payments and 330 dubious projects (‘Korruption: Die Siemens-Affäre – eine Bilanz’ 2010).

But also abroad there are known cases of corruption such as the U.S. gas firm Enron that caused the biggest corruption and fraud scandal of the U.S. economic history in 2002 so far (‘Enron: Dummheit ist kein Verbrechen’ 2006). The collapse of the organization destroyed thousands of jobs and tens of billions in investor capital.

Corruption leads to disastrous consequences for society, whether economic, social or political (‘Korruption: Hintergrund: Korruption hemmt Entwicklung’ 2013). Public funds and resources are being diverted and used for other purposes. Government legitimacy is undermined. Reform processes are complicated and legal uncertainty is increased. In the private sector investors are deterred and competition distorted. Above all are the increased costs associated with corruption. Corruption is often used in developing and emerging countries in order to reach large, profit-promising projects because there are little stable democratic political conditions. Corruption hinders development and contributes to poverty in these countries (‘Korruption: Hintergrund: Korruption hemmt Entwicklung’ 2013). Mainly non-skilled, poor workers, women and children have to suffer from the effects. Moreover, it undermines the effectiveness and efficiency of development cooperations.

In the case of Siemens and Enron the consequences are still being felt today. Enron was the model firm in the U.S. in the 90s and did everything possible to maximize shareholder value (‘Der Fall Enron’ 2002), p. 13). Due to the economic scandal that also included accounting fraud, 4,500 employees were laid off immediately and investors lost 60 billion Dollars. The occupational pensions of employees no longer exist, it came to a stock loss on the stock exchange market, which destroyed the whole trust not only of the financial sector, but also of the society (‘Enron: Dummheit ist kein Verbrechen’ 2006).

Also the processing of the corruption scandal at Siemens cost the firm enormous capital and human resources and extended over many years (‘Siemens: Die Korruptionsaffäre: Das ist wie bei der Mafia’ 2011). Ultimately, this cost the organization huge amounts in fines, additional taxes and fees for auditors and lawyers. But at the same time this was a turning point in Germany, because the organization itself has learned from its mistakes and set new standards worldwide in terms of corruption. Today, Siemens is, regarding to combat corruption, the German flagship firm, according to the Süddeutsche Zeitung (‘Siemens: Die Korruptionsaffäre: Das ist wie bei der Mafia' 2011). It applies the principle of 'zero tolerance.' The organization committed itself to a transparent and clean business practice.

3.4.4 Environmental impacts

The market economy considers natural resources as free goods, according to Hattenberger (1993, p. 9). Air, water and waste provide no economic value for the firm. As long as the natural resources are available in unlimited quantities, they will be used extensively. According to Pernthaler, 'environmental damages are externalized and do not appear in the operational cost accounting' (1992, p. 98).

An example in the German economy is the recycling firm Envio, which surpassed one of the largest environmental scandals. Envio has poisoned his staff and the residents in the Dortmund area with the cancer-causing toxin PCB for years. 'Because of high greed the disposal firm Envio is said to have waived basic precautions in the removal of highly toxic chemicals' ('PCB-Skandal in Dortmund: Envio-Manager vor Gericht' 2013). Many employees suffered severe poisoning and are still fighting with health problems.

Worldwide, firms try to cover up chemical spills, drinking water gets contaminated, and oil pipelines are inadequately maintained. The smog in many cities such as Beijing, Hong Kong, Los Angeles and Mexico City is continuously increasing ('Luftverschmutzung: Atemlos in Peking' 2013). To save costs and maximize profits, many firms resort to unfair means to economize profitable, to operate cost-effective and stay competitive. But the pollution has already affected the overall well-being.

In Germany, the issue of environmental pollution is still not taken seriously enough ('Umweltschutz: Deutsche Firmen pfeifen auf Klimaziele' 2011). The efforts which have been made so far regarding climate changes are by far not sufficient to meet the climate objectives of the Federal Government. The environmental impact should be a very serious topic, since for investors it 'became an important criterion for investment decisions' ('Umweltschutz: Deutsche Firmen pfeifen auf Klimaziele' 2011).

The consequences of pollution and environmental impacts are difficult to be calculated as cost factors. The monetary measurability of long-term consequences and the loss of trust by the public in the government and economy can hardly be measured. One of the main problems lies in the longevity. According to Böcher and Töller (2012, p. 93), 'environmental objectives are sometimes difficult to enforce', because 'environmental political measures require the long-term necessary position of points' and may not 'be put off.'

In terms of a value-based corporate leadership, a thoughtful and rational environmental policy should be implemented in terms of profitability for the firm and the welfare of the society. Firms face the challenge of balancing the costs of environmental pollution, without affecting the profits or trust of the business environment. They need to invest in long-term and sustainable products with new and sustainable production processes and technologies. Thereby, they do not disregard the needs of other stakeholders, states Aden (2012, p. 27-30).

4 Solution proposal for the harmonization of the areas of conflict: Holistic Value Driver Scorecard

This chapter presents the core of the underlying research study. It contains the history, development, evolution and necessity of the Holistic Value Driver Scorecard, in short the HVDS. As discussed in chapter three, there is a necessity to respond to the various potential areas of conflict. In order to avoid the monistic alignment of corporate objectives, to thoughtful handle scarce resources and to avoid the externalization of costs, the HVDS serves as a model to face these areas of conflict.

First the success factors of a value-based corporate leadership are outlined, which include the corporate philosophy that gives any firm a meaning and a raison d'être, as well as the norms and mindsets of a firm, which can lead to success. The understanding of values includes values such as trust, credibility and the assumption of responsibility. Without these values, the firm cannot act trustworthy on the market. Also the various processes taking place in a firm contribute significantly to the firm's overall success. Innovations provide competitive advantages, an efficient quality management helps to enforce customer satisfaction, risk management calculates and assesses risks, the ideas and knowledge management as well as the continuous improvement process builds the cornerstone of a successful value orientation of a firm. Following this, the six dimensions of the HVDS as well as an associated action plan and performance measurement system is demonstrated. Finally, the conclusion, limitations and critical remarks are presented.

4.1 Evolution of the Balanced Scorecard

The Balanced Scorecard (BSC) has evolved from modest metrics and performance reporting into a strategic planning and management system. It is no longer a passive reporting document which demonstrates depictions. It has altered into a context that not only delivers performance measurement tools but also helps experts recognize cavities and delivers constant improvement programs. It allows senior management to accurately execute their strategic objectives.

Kaplan and Norton fulfilled extensive research and documentation regarding the framework of the BSC in the early 1990’s. In Kaplan and Norton’s research, the four steps required to design the BSC concept are following:

1. Translating the vision into operational objectives.
2. Communicating the vision and connecting it to specific performance.
3. Business planning.
4. Feedback and learning, correcting the strategy consequently.

The design of the BSC is about the identification and documentation of constant improvement. This should highlight areas where performance diverges from expectations. Organizations can be invigorated to emphasize their devotion on these areas, and trigger improved performance and the realization of strategic objectives.

4.1.1 History and Development

A significant characteristic of the BSC is its evolving nature, since it ran through a permanent transformation process ever since its very first model (Kaplan & Norton 1992, pp. 71-79). The earliest concept of the BSC ‘comprised simple tables broken into four sections’ (Kaplan & Norton 1993, p. 134-142), namely the perspectives financial, customer, internal business processes and learning and growth. Quite a number of authors presented alternative suggestions regarding these perspectives, either by additional or fewer perspectives. The BSC model has been transformed within the last two decades from a ‘simple performance measurement tool to a more comprehensive strategic performance management system’ (Kaplan & Norton, 1996). Kaplan and Norton introduced the BSC to a wider audience in the year 1992. The model was presented back then as a performance measurement tool, ‘used to capture besides the financial measures the value-creating activities from an organization´s intangible assets’ (Kaplan & Norton, 1992). Only a year later they presented their first article with a reference about the linking between performance metrics and strategy (Kaplan & Norton, 1993). By the year 1996, the BSC was regarded as a strategic performance management system, creating the foundation of an assembling context for ‘strategic processes, resource allocation, budgeting and planning, goal setting and employee learning’ (Kaplan & Norton, 1996). Within the same year they published their first book followed on that topic, including instructions about the implementation of the model (Kaplan & Norton, 1996). The move towards a more strategic practice of the BSC was established in a new article, published in the year 2000, and following this, a second book (Kaplan & Norton, 2001), had been presented. By then the BSC model had been seen as an encompassing strategic management and control system. The evolution from the management accounting school to the strategy management school has been completed by the concentration on two mechanisms of the BSC context that supports its strategic character: the Strategy Map and the Office of Strategic Management (Kaplan and Norton, 2004, 2005). A new chapter in the evolution of the BSC has been the focus on its integration role, aligning strategy with operations (Kaplan and Norton, 2008). The BSC then had been presented as a ‘key organizational enabler of strategy execution, which in itself is presented as an organizational capability.’ Since the year 2011 the emphasis is nowadays on an even closer integration with other organizational systems and capabilities, such as the enterprise risk management.

Following the BSC evolution path as delineated in the work of Kaplan and Norton is one approach of looking and analyzing the BSC evolution. From its inauguration as a performance measurement tool, the BSC underwent numerous deviations and not all of them were the contribution of US-based authors. Highly regarded researchers, consultants and practitioners brought their contribution through expertise and knowledge for its continuous development and better use in the evolving organizations and society.

4.1.2 Implementation areas

The implementation areas of the BSC are numerous ones. First of all, it is a concept for the transformation of a firm´s corporate strategy. The BSC starts with the vision and strategy of a firm and is defined based onto critical key performance factors. Key figures are built following an objective and a performance potential in the critical areas of a firm. According to that the BSC is a management system derived from its vision and strategy and reflects the most important aspects of a firm (Witthaker 2003, p. 3-10). The concept of the BSC enhances the strategic planning and implementation process through a bundle of measures of all business units. The BSC serves as a common basis for a conjoint acceptance of the objectives of a firm and an easy understanding of the strategy. The four perspectives are implemented in areas where the most important stakeholders are located: the financial perspective addresses the shareholders (how do the shareholders consider the firm?), the customer perspective (how do our customers consider the firm?), the processes perspective (in which processes do we have to perform better in order to be more successful?) and the learning and growth perspective (how do we strengthen our ability to change and improve?), according to Witthaker (2003, p. 24-34).

The steps of implementing the BSC are easily explained. First a vision has to be identified, and following that, a strategy needs to be articulated. With the definition of a strategy, objectives are identified. In a next step the perspectives and their critical key performance indicators are set. The firm needs to ask itself which objectives for each perspective it wants to achieve. Following this performance measures need to be defined, in order to make the results measurable. For the evaluation of the scorecard the firm needs to be sure that the right measurement tools are applied. Based on that an action plan can be articulated. Finally, it has to be decided to whom the results of the BSC should be reported. One of the key success factors in implementing the BSC successfully is to involve all of the firm´s employees from the very first step on (Hannabarger et al. 2011, p. 1-11).

As an old-fashioned practice, accountants have been thought to produce performance reports via a variance analysis. This is seen as a methodical method to compare data from current to budgeted costs and revenues during the production stage of any given project. However, there may be some firms that still use variance analysis today, but many have changed their practices and resorted to using BSCs to generate performance reports. The BSC in managerial accounting has been used mainly for financial measures. It also sets operational processes on customer value, process improvement accomplishments and other internal processes that lead to business growth and development. Kaplan and Norton consider the BSC as a possibly decent concept in applying strategic management to identify the factors that should be measured to correctly align business objectives within the organization (Blokdijk 2008, p. 12). According to Blokdijk (2008, p. 13), the BSC is ‘just the right ingredient to improve managerial accounting practices.’

Managing a firm is not only a mere collection of data, indicators and key figures. With the help of innovative information technologies, firms have access to a lot of information, but often important information is hidden. Firms nowadays are simply overloaded with information. With all the information obtained, firms need to filter relevant data in order to interpret the information correctly and to use it appropriately (Biazzo & Garengo 2012, p. 1). Data needs to be transformed into meaningful and relevant information.

The BSC can be implemented in all business units, regions, branches, and also applied for all kinds of firms and enterprises with different products and services. According to Keyes (2005, p. 103), the BSC can be drilled down a cascade of implementation areas, ranging from a simple business BSC down to using it as an IT measurement system. Basically all market-oriented firms with a corporate leadership are possible implementation areas for the BSC.

4.2 Necessity of an improvement of the Balanced Scorecard

In this chapter the author of the underlying research study proposes the HVDS as an efficient management tool for a value-based corporate leadership and the necessity of an enlargement and improvement of the BSC.

4.2.1 Identification of the research gap

As already mentioned in chapter one, the author identified a research gap in the existing literature. The BSC by Kaplan and Norton is a sufficient management tool for identifying key performance indicators and for monitoring success, but there are also shortages in terms of sustainability, social responsibility and business ethics (Clayton & Radcliffe 1996, p. 42). Kaplan and Norton (2001) focus on four perspectives in the BSC. With this view, the focus lies very much onto financial figures. Enterprises, organizations and firms worldwide are in need for a sustainable, holistic, social responsible and ethical management style. Resources as capital and non-renewable energies are limited, productive and skillful human capital is hard to discover and keep. New customer needs arise and need to be satisfied. Image and reputation of any firm is getting more and more important for society. Stakeholders want to know how products are being produced, under which working conditions, in which countries, and what do the firms in order to protect the environment. Not only monetary and financial aspects are of interest. The trend of the last 20 years goes more into the direction of longevity and sustainability. What kind of products and packaging can be recycled? How do we protect our nature in order that the following generation does not have limitations? Nowadays, sustainability crosses the economy through social and environmental consequences caused by economic activities of firms (Weiss & Kolberg 2003). Sustainability involves all aspects, including ecology, society, culture, and health. Bringing a firm towards a sustainable attitude is always a social challenge which entails national and international laws, individual as well as common lifestyles and ethical consumerism. Sustainability is on the rise. Economic sectors focus on permacultures, green buildings, sustainable agriculture, work practices and new technologies like green technology, hybrid motors, renewable energies and fusion power (Blewitt 2012, p. 1). The same takes place with social responsibility. Any organization needs to think and act in social responsible terms in order to survive competition, to keep good employers and to stay an attractive employer. In terms of business ethics the entire business world is in need for strict guidelines regarding sustainability and ethics. Where there is a lot of money and power, there is also the temptation for abuse and greed for more profits. Scandals like bugging, fiscal fraud, bribing, corruption, forbidden surveillance of employees and deception are often met. But firms need to have a business model in which they operate within certain regulations which eliminate in the very first beginning the above mentioned factors by itself.

Sustainable development is the product of many processes, views, values, actions and perspectives which to be fully appreciated require a readiness to listen to others, respect differences, suspend established opinions, and see with others eyes while allowing other voices to resonate and be heard (Blewitt 2012, p. 1-2). But despite the growing popularity of sustainability, social responsibility and business ethics, the possibility that human society achieves environmental, social and economic sustainability and longevity has been and will be difficult, due to factors like the climate change, overconsumption, environmental degradation, abuse of resources and society´s pursuit of indefinite economic growth.

4.2.2 Proposal of the Holistic Value Driver Scorecard

The HVDS enlarges the BSC into six perspectives (in this work called dimensions), in order to create a holistic management tool, embracing all relevant perspectives for a value-based corporate leadership. The six dimensions Customers, Employees, Finances, Externals, Environment and Corporate Values offer a powerful yet responsible and thoughtful tool for a holistic management for any firm. The HVDS model can be adjusted to any firm, small or large, any organization, multinational corporations and even governments in any country. Regarding a managerial suggestion, this is what makes the HVDS widely applicable and easy to understand and implement. Each dimension itself provides a holistic focus onto the main value drivers of a firm. Results can be made visible and measurable with the help of adequate key financial ratios. By using key financial ratios, results can be communicated, decisions made and actions be taken in order to sustain, change or improve performance. With the help of feedback platforms, each employee knows exactly where his responsibilities are and which steps need to be taken in order to successfully implement the HVDS model and where value drivers are located. Each of the perspectives also include a learning and growth dimension as well as internal business processes, referring to Kaplan & Norton.

The main reasons for the global environmental crisis, air and water pollution and global warming are the large-scale industrialization, the fast-growing population and the economic growth (Blewitt 2012, p. 5-6). The Brundtland-Report 'Our Common Future' in 1987 defined sustainable development as 'a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' Each firm needs to focus on sustainability aspects and invest in sustainable products, processes, services and materials. The HVDS offers a tool to ensure a sustainable corporate development by implementing, measuring, and monitoring sustainable economic growth. This in turn helps reduce debts, uncertainty and fosters a good corporate governance.

Regarding the Customer Perspective, it is of utmost importance to attract customers, fulfill their needs, keep them loyal and satisfy them (McNealy 1994). 'The customer is the most important part of the production line. Without someone to purchase our product, we might as well shut down the whole plant' (McNealy 1994, p. 1). For a proposal for the HVDS, it is necessary to understand that the management needs to continually focus on its target customers, as they deliver the necessary cash flow.

Regarding the Employee Perspective, employee satisfaction is closely linked with market share, revenue and profitability (Allen & Wilburn 2002, p. 2). Corporate sustainable profitability is first reached via employee satisfaction. Employee satisfaction is a degree of how content workers are with their jobs and their working environment. Keeping morale high can be of remarkable benefit for any firm, as content workers are more likely to be more productive, have a lower absence ratio, and stay loyal to the firm. Numerous experts consider that one of the preeminent ways to maintain satisfaction is to make workers feel like part of the team. Holding office events, such as Christmas parties or group gatherings can help build close ties between employees. Many firms also participate in team-building retreats that are designed to strengthen the working relationships in a non-work related setting.

Referring to the Finances Perspective, a corporate leadership needs to identify the value drivers behind the financial performance of the firm. What makes the firm successful in terms of sales volume, earnings, and cash flow? How is the firm taxed and what do the shareholders expect? According to Rappaport (1999, p. 171), business value depends on seven financial value drivers, namely sales growth, operating profit margin, incremental fixed capital investment, incremental working capital investment, tax rate, cost of capital and value growth duration. This research study considers five of these seven value drivers. Rappaport says, that 'these drivers are critical in determining the value of any business.' With the focus on the above mentioned value drivers, a corporate leadership should have the necessary tools at hand in order to operate sustainable and to detect the most important value drivers behind a firm´s operations. By doing so, a corporate leadership can focus on those activities that maximize value and eliminate expensive resources which are not creating enough value. The proposal for the HVDS regarding the Finances Perspective helps managers to identify key drivers for a sustainable business performance.

The External Perspective focuses onto the involvement of all external stakeholders as there are competitors, markets, governments, the surrounding environment and suppliers. The HVDS proposes an all-embracing, holistic stakeholder management view. Business and society have created ‘a number of economic, social, ethical and environmental challenges’ (Carroll & Buchholtz 2014, p. 2). The External Perspective encounters these challenges by putting up control barriers for ethical violations. Furthermore, the External Perspective focuses on building up trust amongst all stakeholders and assigning responsibilities. The capitalistic system has a huge effect onto society. The HVDS offers solutions for daily business issues like corporate governance, ethical conducts, executive compensation, recruitment of appropriate personnel, avoiding illegal actions and decisions, appropriate government involvement to reach a win-win consensus, a healthy work environment and regulations in order to avoid international corruption (Carroll & Buchholtz 2014, p. 6). The HVDS also provides a stable framework in terms of a socioeconomic system. ‘What managers must do to be considered ethical and what responsibilities firms have to consumers, employees, shareholders and communities in an age of economic uncertainty and globalization’ (Carroll & Buchholtz 2014, p. 6).

The Environment Perspective addresses a sustainable environmental management and ethical audits. This includes sustainability reports, eco-reports and global reporting initiatives. ‘The purpose of an environmental regulation is to adequately protect the environment for man’, according to Mackenthun (1999, p. 4). Due to the fact that our resources are not infinite, a corporate leadership needs to think about the sustainable handling of them. Regulations need to be set up in order to adjust for changing circumstances. Ethical audits can be conducted via persons outside or inside the firm or by an official government unit. An audit addresses quality assurances, ethical as well as environmental protection compliances and violation regulations. An environmental management deals with policies and actions, which should result in ecological sustainability (Thomas 1995, p. 3). Considering an environmental management, a corporate leadership has also to bear in mind that it is closely connected to social and physical changes and to ‘the values held by the community’ (Thomas 1995, p. 3). The HVDS proposes environmental perspectives, which take into account environmental audits and monitoring. This proposal helps to achieve a sustainable development. According to Wilson and Bryant (1997, p.6), an environmental management is ‘a process that tends to emphasize the application of science to specific environmental problems, usually under the auspices of the government.’

Referring to the Perspective of Corporate Values, a corporate leadership in terms of business ethics, sustainability and corporate social responsibility needs to understand that the ‘business environment has changed drastically and dramatically over the past century, and now contains challenges that could not even be dreamed of a hundred years ago (Pohlmann & Gardiner 2000, p. 3). The HVDS proposal encounters these challenges with the focus onto corporate values like image, communication skills, USPs and innovative capacity. In these corporate values lies a lot of potential to grow and add value to the overall success for a firm. A value driven management has also to do with a firm´s philosophy. A value-driven management process therefore provides a framework for external and organizational cultural values, for individual employee values as well as customer values.

4.3 Derivation of the HVDS

4.3.1 Success factors of a value-based corporate leadership

What exactly influences the success of a firm? Which factors must be present in order to let the firm economize value-based and be successful? What defines the success factors of a firm? Success factors are core competencies, according to Prahalad and Hamel (1993, p. 11). The identification of success factors can be done on a basis of three criteria: A success factor first opens potential access to a wider range of markets. Second, a success factor must be perceived by the customer. And third, a success factor has to be difficult to be imitated by competition. If these three criteria are met, the firm possesses a clear competitive advantage.

4.3.1.1 Corporate philosophy

The corporate philosophy is an integral part of any corporate leadership and includes a long-term strategic orientation, according to Neu (1998, p. 18, 24, 27 and 32). Culture, mission statements and understanding of values derive from it. The main components of a corporate philosophy include value orientation, norms and mindsets as well as principles and attitudes of a firm. Schertler (1993, p. 14-21) states, that the image of firm´s philosophy consists of the three components as there is society, corporate mission and the business idea itself. This reveals that the philosophy of a firm significantly influences its social responsibility towards its environment and employees. Corporate philosophy adds to a value-based corporate leadership as it generates a common, identifiable corporate culture by including the mission statement, which should be accepted and lived by the entire firm and serves as an orientation-basis and by transporting a positive image outwards as inwards, following Rahn (2008, p. 164-167).

Rahn (2008, p. 164-167) also shows that by responsibility, respect, integration and team spirit a philosophy and corporate culture is established in the firm, which in turn is supported by its employees.

4.3.1.2 Value orientation of a firm

The value orientation asks for the 'reason why' of a firm. Why does the firm exist on the market and which benefits does it offer and what right to exist has it, asks Thierfelder (2001, p. 331-339). Every firm should be able to demonstrate a purpose and a right for existence. The employees identify with the firm, its mission statement, its values and culture. The mission statement provides a basic orientation for the sense and purpose of the enterprise, according to Rahn (2008, p. 164-167). Through the mission statement, the guiding idea of a firm is clarified, the strategy is set, the leadership responsibility is formed, the employees are bound to the firm, and a sense of orientation is given to the firm. The value orientation influences perceptions, judgments and behaviors of all stakeholders of the firm, demonstrates Veser (1994, p. 1). The reason-why provides an important starting point for the integration within and for differentiation outside a firm. Thus, the value orientation and its formulation support corporate objectives by their influence in their thinking, decisions and actions by all stakeholders.

Taylor (2005, p. 5-11) tells that for the employee a mission statement is decisive, because its influence extends over his entire actions. Only if the employee sees a reason behind his commitment, he behaves compliant to the corporate objectives, according to Zerr and Fischer (2010, p. 11-12). People are naturally willing to accept sacrifices and leave needs dissatisfied to some degree, when they fulfill a meaningful task. The employee feels committed towards the firm to do his best and to act loyal. The core of a value orientation is also to be found in the corporate culture. Generally speaking, an 'enterprise historically developed and widely shares basic assumptions, values and norms of the firm' (Zerr & Fischer 2010, p. 11-12). The reason why a firm shall give the environment an orientation is important. What does the firm do? Which benefits do the products and services provide for society? (Thierfelder 2001, p. 34-40).

The main task of a value orientation is to portray a 'raison-d'etre', according to Zürn (1989, p. 14). 'That must be met, and may well exist in the service of a work, in the operation for a common, entrepreneurial objective.' The employees as well as any other stakeholders in the firm shall make their respective commitment through their individual performance, says Zürn (1989, p. 149).

4.3.1.3 Norms and mindsets

Corporate philosophy also includes specific norms and mindsets that exist in a firm. Each firm works on different norms. By norms corporate values of a firm are understood, that are mostly reflected in a Code of Conduct. Corporations such as Adidas or sports clubs like the FC Bayern München committed to a Code of Conduct. This includes pursuing certain compliance rules such as honesty, sincerity and justice (Unterstützung im Fall Uli Hoeneß, 2013). With a Code of Conduct a 'voluntary self-regulation' is meant, which has the 'obligation of each individual' in certain situations as objectives (Anderhofstadt 2013, p. 2). The ethical norms are thereby assigned with an objective indifference before all rational considerations, according to Anderhofstadt (2013, p. 2-3). Norms are usually written down in a Code of Conduct and are thereby legitimized. Corporate values range from human dignity, freedom, integrity (Hemel 2007, p. 26), utility, goodness, omission of bad deeds, and honesty up to respect. They can be expanded arbitrarily (Anderhofstadt 2013, p. 2-3). This part of the research study deals closer with the ethical norms of

- Justice
- Fairness
- Loyalty
- Honesty.

From these norms the associated mindsets can be derived. This opinion is also shared by Rohac (2009, p.2-4).

Justice not only means compliance with the law, but also includes a moral meaning and is differently interpreted and perceived by each individual. How is justice characterized in everyday work? Are all employees fairly compensated? Does the consumer receive a fair price-performance ratio? Are projects distributed fairly? Justice and fairness are closely connected with the righteousness of a person (Höffe 2004, p. 9). An objective justice is the fundamental concept of human desire. Justice, according to Höffe (2004, p. 11), is to prevent arbitrariness in the course of a value-based corporate leadership and should create space for impartiality. Especially concerning the incidents of corruption, tax fraud and bribery scandals, the value of justice is more important than ever.

Loyalty includes a responsible attitude between firm, employee and stakeholders. The firm has to take responsibility towards its employees, as well as the employee is to act responsibly towards the firm, states Conrad (2010, p. 115). Firms and employees depend on a 'mutual cooperation' in order to jointly achieve the corporate objectives (Conrad 2010, p. 115). If the employee does not act loyal, for example he uses benefits privately or can be bribed easily, it harms the firm sustainably and has an immediate negative effect on the firm-employee relationship. The employee wants to be treated loyal. He provides the firm with his workforce and commitment for years and contributes to the value added. He expects compensation in the form of a fair remuneration, recognition and an existence for living.

With honesty, the sincerity, transparency and reliability of an individual is meant, according to Ansorge (2008, p. 17). An honest man lives without shame and decency. He respects other people's property, is reliable in financial matters, and is without 'lie and adjustment' (Ansorge 2008, p. 17-18). An honest employee is sincere, transparent and acts in line with the corporate philosophy. Behind honest deeds are always a special attitude and certain mindsets. Honesty, however, means more than just not to lie, not to steal, or not to cheat. It comprises at all levels situations about which a person must account in front of his confession and beliefs, in front of his family, and in front of his employer and himself. In all his thinking, acting and speaking, honesty is expressed by the acceptance of responsibility. Only an honest employee is trustworthy and credible.

A corporate culture including corporate values, norms and mindsets as there is justice, fairness, loyalty and honesty may well be seen as an important success factor, states Rohac (2009, p. 16). Orientation and security are not only created by external structures, but rather by the 'commonly shared norms and values that meet a regulatory function and at the same time specify an objective direction' (Rohac 2009, p. 16).

4.3.1.4 Understanding of values

The understanding of values are to be categorized in the 'field of soft factors', according to Eggers et al. (2011, p. 18). Values in a broader sense take a higher priority in the basic attitude of every person. Among other things, they also affect the 'emergence of norms' and thereby form the framework for action. Values form a so-called reference system and have a 'trend-setting character' (Eggers et al. 2011, p. 18). Especially against the background of economic crises, core values have immensely grown. Core values are values such as social responsibility, respect and fairness in dealing with other humans, as well as transparency and integrity, states Zerres (2005, p. 12). In the context of a value-based corporate leadership, reference is made to the values of trust, credibility and responsibility.

4.3.1.5 Trust and credibility

Franz Kafka said: 'All law is meaningless if there is no trust!' (Kafka 1883 – 1924). Trust and credibility for firms have suffered significantly over the last five years due to the global economic crisis and other economic scandals. The loss of trust between politicians and the public is increasing ('Vertrauensverlust: Politiker schieben Verantwortung auf Journalisten ab' 2010). The success factor trust and credibility is invaluable for a firm. On the part of the public, by confidence the firm presents a positive image and is perceived as a trustworthy institution. Employees identify themselves better with the firm. Trust and credibility are listed together in this section because credibility evokes from trust ('Vertrauensverlust: Politiker schieben Verantwortung auf Journalisten ab' 2010).

According to Hubig and Siemoneit (2007, p. 1), 'trust is often regarded as a central construct that should form the basis for long-term relationships of a firm with its communication partners.' It is essential to understand what trust is, how it arises and how it can be strengthened.

The lack of trust and credibility can be found in almost all areas as there is in politics, society, in the future, in new technologies, in the economy and in expert knowledge. According to Beck, we live in a ‘risk society’ in which we are not exactly aware of the ‘dangers, their origin, extent and probability’ (1996, p. 1-4). Ignorance and uncertainty define our everyday life. Trust seems to be the ‘only way of an adequate handling of risks ... and inserts a calculation basis there’, according to Hubig and Siemoneit (2007, p. 172). In order to establish confidence, post-modern, value-based firms have explored ‘soft factors’, ‘intangibles’ and ‘goodwill.’ Huber et al. (2011, p. 30-39) says that soft factors reflect in communication skills such as team and conflict management and mediation. Soft factors are considered as key skills, in addition to technical skills, and create a significant standing regarding emotional intelligence. Intangibles cannot be procured by the market due to their non-tangibility. They rather have to be ‘created’ in a firm (Becker 2005, p. 11). Intangible assets can be trademarks, a secret recipe, patents, copyrights as well as brand recognition. According to Becker, identifiable, intangible items of a property are listed as intangible assets in accordance with IFRS-accounting standards (Becker 2005, p. 25). An immaterial asset is a clearly identifiable, non-monetary and intangible asset whose use is required for the production or supply of products. But the terminology also extends to a firm's internal understanding of values, which includes values such as trust and credibility. Goodwill designates the ‘firm value’ and is referred to as an ‘abstract construction’, which ‘is needed to bridge the gap between capitalized and asset value’ (Brand 2012, p. 6 and Wöhe 2008, p. 874). Gathering these three concepts of soft factors, intangibles and goodwill together, a trust-building construction can be created for a firm. These three concepts represent values that are necessary to build and maintain trust in a firm.

But why is trust and credibility so important at this point in terms of a value-based corporate leadership? Because trust is one of the intangible values of a corporate culture and can evolve into a success factor. Trust primarily serves for the welfare of people. Credibility serves for solidifying business decisions with authenticity. Only someone who acts credible is authentic, and only those who are authentic and genuine, faith is given to. According to Frey (2011, p. 9), trust is the ‘base currency on which any form of economic relationship’ should be grounded upon. Economic success is closely related to the ‘quality of the trust basis’ (Frey 2011, p. 9). To build trust in a firm means to deal responsible with entrusted employees, resources and money. Often it is not easy to meet the demands of trust and credibility. Due to the fast-pacing daily business life, trust and credibility quickly degenerates into a mere lip service. But ‘words and deeds must not diverge’ (Frey 2011, p. 10).

Within the organization, trust-building and trust-sustaining skills should be demanded. Nölke (2009, p. 10) states, that trust creates a positive impact and minimizes anxiety, defensiveness and makes complex tasks and decisions easier. Without trust, the firm is not credible and limited in its scope for action (Nölke 2009, p. 13). When firms are restructured, departments rationalized, rebuilt or reassembled, when workers are laid off or reemployed, when strategic realignments must be made, the firm must be able to hold on to values to which it can give trust and rely upon. Trust and credibility gives a firm support and orientation, integrity and a 'social resource', as Nölke says (2009, p. 14). Trust and credibility are one of the most important resources that become a significant 'competitive advantage over other nations and firms' (Geramanis 2002, p. 1-5).

4.3.1.6 Responsibility

Enderle (1993, p. 42) assumes, that responsibility means to face the consequences for actions undertaken. Ethics combined with responsibility means that one has to pay for the predictable consequences of his actions.

The assumption of responsibility is often equated with moral attitude. Morality is defined as 'the existing rating habits of people who relate substantially to human interaction', according to Homann et al. (1997, p. 130). Moral answers the question: What should we do if we do not want to arouse the dislike of our fellow human beings? From morality a 'claim to universal validity' is required (Homann et al. 1997, p. 130). It is about values and norms that are considered universally valid. According to the economic theory of Adam Smith, man should 'in his actions and striving never lose sight of his own advantage,' but at the same time he should 'follow his inner judge and apply certain moral rules', that promote the 'peaceful coexistence and a favorable social climate in the market mechanism' (Bendixen 2005, p. 213-214). Bendixen goes in his remarks so far that he explains the term economizing as an 'action or behavior –model` (1991, p. 35). Behavioral science gives answers to the question of how to decide, plan and act upon critical situations.

Economic activity is divided into components, according to Schanz (1988, p. 92). Concerning the motivational structure of the agent (objectives), the perception of responsibility is defined as an obligation and authorization for the performance of a task. The autonomous action plays a major role because the person responsible acts at its own discretion, according to Hauser (2003, p. 2). Responsibility is a circumstance in which someone enters, and for which he must render on account, says Burkert (2012, p. 26). The person responsible has to answer his actions before an instance happens (Kindler 2010, p. 11). According to Höffer (1997, p. 19), the concept of responsibility can be divided into three different areas:

1. Primary responsibilities: The primary responsibility includes the task responsibility, social basic responsibility and legal responsibility.
2. Religious responsibility: The religious responsibility includes one`s responsibility in front of God.
3. Self-responsibility: With self-responsibility, the responsibility of man to himself is meant. Man aligns itself to a model, be it a certain attitude, a professional ideal, or a particular view of life.

In terms of the success factors of a value-based corporate leadership, responsibility is referred to a social responsibility, and as in the list above as a primary responsibility. Social responsibility is defined as the responsibility of a firm ‘for the consequences of its decisions and activities on society and the environment’ (Kleinfeld 2011, p. 5). It is based on a transparent and ethical behavior that will contribute to the sustainable development and take into account the interests of all stakeholders. The respective laws are to be observed and certain standards of behavior to be paid attention to. The entire firm is to be affected by the associated values and norms of behavior as part of a lived practice, according to Kleinfeld (2011, p. 5). Burkert (2012, p. 38) mentions, that social responsibility goes far beyond a mere commitment to charity and law compliance.

With the increasing globalization and the rapid development of science and technology, also the power and the nature of man have changed. This requires a careful handling of ethical attitudes and responsibility towards society, nature, science, firms, customers, and the environment. Trust in capital markets is one of the central economic concerns of our time. Through balance sheet manipulations and corporate scandals, the trust of society in firms has suffered worldwide, argue Gazdar et al. (2006, p. 3). ‘The right of existence of a firm can be found basically in its essential contribution to the welfare of society’ (Gazdar et al. 2006, p. 4). Is the firm value increased at the expense of society, this will lead to a loss of its legitimacy and credibility. Against this background, the urgency concerning social responsibilities of firms towards society and other stakeholders is made clearer (Kindler 2010, p. 34). How can firms align their actions, decisions and business processes in order that a surplus for all stakeholders is created?

Responsibility should be seen as part of an investment and as a tool for corporate management. The objective is to achieve sustainable success and a win-win situation for society and firms. To establish a value-based corporate leadership, the interests of stakeholders must be identified and systematically involved in the corporate strategy. Not only should a legal framework be met, but also an incentive for voluntary commitment. Responsibility comes with a transparent communication policy. Bodenstein (2009, p. 3-10) examined how and in which areas does a firm act responsible. This must be made visible to all stakeholders.

Firms that are perceived as responsible automatically have an authentic credibility which represents the firm's image positively and successfully impacts on its success. According to the CEO and co-owner of H&M Persson, the firm operates socially responsible and sustainable (‘Konsum ist etwas Gutes’ 2013). As the first firm in Bangladesh, H&M has signed a fire protection agreement, which many have joined so far. More than 500,000 textile workers have been trained in fire and security measures, which are also part of the code of conduct at H&M. H&M released the names of 800 suppliers and for the first time ever presented transparency.

Responsibility must be adjusted according to the respective interests and actors. The responsibility of a union lies in the guaranty and security of a workplace and a fair salary. Whereas an environmental organization focuses more on ecological aspects, say Heidlbrink and Hirsch (2008, p. 69-70). Many activities can be observed in terms of responsibility. Be it social or cultural sponsorship, public awareness campaigns in schools, donations to charities, release for employees for social or environmental activities fair-trade products or a resource-efficient production processes. All these activities contribute to the confidence of the society in a firm (Heidlbrink & Hirsch 2008, p. 69-70).

4.3.1.7 Processes

A process is an ‘operation or procedure, in which matter, energy or information is transformed or transported’, according to Erdmann (2000, p. 21). The characteristics of processes include an input variable, which initiates the process, the various transport and transformation steps, which characterize the current process, and the output variable, which reflects the result. A process is a self-contained, organizational process, which consists of logically interrelated activities and is used for the fulfillment of specific parameters, says Erdmann (2000, p. 22).

According to Jochem et al. (2010, p. 3), every firm wants to continuously improve and structure its operational processes to avoid possible losses and costs. To remain competitive, processes must be constantly renewed and improved. Regardless of the size of a firm, the industry or strategic direction, the tough market and competition conditions require an effective and efficient process management (Füemann & Dammasch 2008, p. 1).

Processes are essential to the success factors of a value-based corporate leadership. 'If the processes of all departments concerned run without error and under controlled conditions, quality can be guaranteed', argue Füemann and Dammasch (2008, p. 1). Quality runs through the entire organization, from the manufacturing process up to distribution and is 'reflected in all activities of the firm' (Füemann & Dammasch, 2008, p. 1). The importance of business processes will continue to rise, because 'pure growth' is not enough to economize value-based, say Fabig and Haasper (2011, p. 7).

A well-functioning process management includes:

- Standardization
- Harmonization
- Integration
- Measurement and control
- Optimization of all processes (Fabig & Haasper 2011, p. 20).

Are these steps passed through, processes can be structured so that they contribute to the overall success. From the perspective of the author five processes are depicted in this part of the research study, which are among the success factors of a value orientation.

These include:

- Innovativeness
- Quality management
- Risk management
- Management of ideas and knowledge
- Continuous improvement process.

4.3.1.8 Innovativeness

Due to growing competition, the rapid development of technologies, shortened product life cycles and the increasing globalization, firms are looking for differentiation possibilities in order to operate successfully and sustainable in the market. Since the beginning of the 16th Century, the idea of progress is one of the central principles of Western societies (Wahren 2004, p. 10). The art of discovery and the advancement in knowledge is one of the most outstanding success factors regarding processes. According to a study by McKinsey, innovative firms are 'much more efficient and develop higher revenues and capital returns' (Wahren 2004, p. 9). McKinsey reports on effectiveness and efficiency of innovative activities of electronic firms. A total of 102 firms were interviewed, including 40 German firms.

Firms like Apple and Google are one of the most innovative firms today and stay deservedly, due to their ingenuity and innovativeness, very successful in the market. Innovation as optimizing the use of available resources is one of the most value-adding success factors today.

But what is innovation? 'Innovation is a phenomenon with many faces', says Moritz (2009, p. 1). A basic criterion for the definition of innovation is novelty. The term innovation derives from Latin (inovatio) and is translated as follows: novelty, renewal, and new introduction. Raabe (2012, p. 1) even goes so far in his definition of innovation, that he considers innovation as 'the development, introduction and application of new ideas, processes, products or practices that benefit individuals or groups, or entire organization' (2012, p. 1). The precursor to innovation is invention (Wagner 2007, p. 4).

Wagner (2007, p. 1) also argues, that the meaning and origin of an innovation always depends on the field in which the innovation is realized. An innovation in space travel is not to be seen as the same as an innovation in the fashion industry. The creation of an innovation is always dependent on its field of application. Innovations arise from already existing products and services and are reinterpreted or put into a different context (Wahren 2004, p. 11). It is regarded as an innovation as soon as it provides a better benefit and is more valuable for the customer.

According to Wagner (2007, p. 4), the 'key to sustainable corporate development lies in the strategic renewal through innovation.' Of central importance in terms of innovation as well as innovativeness is always the man who stands behind it, says Wahren (2004, p. 2). The employee must be motivated to contribute his knowledge and skills in successful innovation processes.

Following Foster (2006, p. 13), if there is not sufficient innovativeness in a firm, it may inevitably fall in a permanent threat through innovative competitors. If it remains with old-fashioned products, it will be forced off the market by competition. Consequently, a firm must be innovative for the reason of self-protection and go along with the permanent, technological paradigm shift. A firm needs to provide necessary resources for innovation to remain competitive and economize value-based.

Innovations are sometimes difficult to amortize. That is why it requires an efficient research and development department that researches the market and target groups and develops products with benefits for customers. But rising development costs affect the innovativeness and productivity of a firm negatively, says Serhan (2010, p. 13-23). Innovation requires a profound change in the firm, because the associated costs must be carefully planned.

Nevertheless, the process of innovativeness is an indispensable part of elementary factors regarding a successful, value-based corporate leadership.

4.3.1.9 Quality management

Firms today have to face many challenges to help maintaining their competitiveness (Liesegang & Pischon 1999, p. 1). Peterander and Speck (1999, p. 20) argue, that especially in today's fast-moving times, where almost every day new product developments and innovations enter the market, quality is more than ever demanded. Due to the increasing dynamisms of technological developments, a shortened product life cycle and significantly reduced development times the quality factor becomes an essential success factor and can lead to a decisive competitive advantage, according to Liesegang and Pischon (1999, p. 1). In times of financial constraints and the increasing problems of fiscal and economic policy concerns, firms must operate based upon a market-oriented quality management. According to Schmitt and Pfeifer, quality management is the basis for a successful value-based corporate leadership (2010, p. 1-3). Quality endures when the price is long forgotten. Quality is a ‘product or service coupled immutable variable’ (Schmitt & Pfeifer 2010, p. 3). The quality management system covers according to DIN EN ISO 8402 ‘all activities of the overall management within the framework of a QM-system, the quality policy, objectives and responsibilities, as well as realizing them by means such as quality planning, quality control, quality assurance / QM-documentation and quality improvement’, according to Reinhart et al. (1996, p. 12).

In the context of a value-based corporate leadership, quality management is one of the most important success factors, because the ultimate objective of quality management is customer satisfaction. And with satisfied customers, the firm generates steady cash flows and thus long-term profits (Schmitt & Pfeifer 2010, p. 13). A well-functioning quality management includes healthy financial reserves, a modern equipment, a high level of motorization, and training of employees and their qualifications as well as a powerful infrastructure, according to Reinhart et al. (1996, p. 41). Not a short-term increase in revenues is on the focus, but rather a long-term corporate strategy and a stable policy, seeking an increase in productivity.

Based on a successful quality management, the employees and their skills can be used more effectively. Liesegang and Pischon (1999, p. 390) argue, that people, processes and information can be optimized by integration.

The customer is also a key factor in terms of a quality management. Due to increasingly higher quality expectations, the firm must be constantly on alert to meet these in order to satisfy the customers and to ensure their loyalty to the firm and guarantee the cash flow. This is one way in which the firm can set up a sustainable business performance.

How important the quality management is in terms of a value orientation, shows following. Despite the fact that the costs are high, customer orientation is becoming increasingly important and competitiveness is a daily challenge (Mehdorn & Töpfer 1996, p. 1). ‘The will to change and to consciously and consistently redesign quality in firms has to be engaged’ (Mehdorn & Töpfer 1996, p. 1-2). But an improvement in quality leads to increased costs in the short term. If the firm strives to provide cost savings, it is often at the expense of quality. A value orientation is only successful if it is designed to operate in the long run. Through continuous improvements in quality, the firm gains an increased customer satisfaction and loyalty and, consequently, in the long-term achieves simpler processes and structures, faster procedures and cost advantages.

Mehdorn and Töpfer (1996, p. 33) argue, that in an competition-based economy ‘results determine the management behavior.’ An effective quality management has remarkably proven its effectiveness in many firms and contributed sustainably to the firm's success. For example the Kaizen concept from Japan can be successfully applied to many Western firms.

Especially in Japan the economic success of firms happened due to their competitiveness, according to Prahalad and Hamel (1993, p. 10). Functional improvements, additional product features as well as a significant time-to-market-focus gave Japanese firms a big lead (Prahalad & Hamel 1993, p. 9 and 10). ‘Western managers today are almost run over by the pace at which their Japanese rivals open up new markets, launch new products and improve them further. Canon gave us the copier, Honda emerged from the motorcycle to car manufacturers, Sony brought the 8-mm camcorder, Yamaha the electronic piano’ (Prahalad & Hamel 1993, p. 9-10).

To achieve customer satisfaction, product and service quality need not to be developed product-oriented as well as market-oriented. This includes the involvement of the entire workforce in order to achieve effective changes in thinking and acting. An understanding of the quality management needs to be established in the workforce, to facilitate the exchange of knowledge and experiences in order to enable the employees to identify with the firm's objectives. A successful quality management is a key success factor regarding value orientation, because quality has an impact on products, human capital and customers, according to Oprean and Kifor (2008, p. 21). An organization is the more competitive as the quality of its products improves. Its industrial activity becomes more efficient, the staff becomes better trained and more involved in the working process, the commercial and financial activities are carried out in time while assuring and continuing competitiveness. This represents the basic target for any management pattern (Oprean & Kifor 2008, p. 21).

4.3.1.10 Risk management

The term risk is often defined with the ‘potential harm or the potential loss of an asset’ (Oprean & Kifor 2008, p. 21). However, no profits are compared. Götze, Henselmann and Mikus (2001, p. 5) define risk as ‘a risk of loss or damage’, which is caused by ‘failure of performance, which is due to not to be influenced or anticipated events.’ The entrepreneurial decision-making is always combined with risk. Risk represents ‘the danger of a wrong decision with the result of damage’, according to Mag (1995, p. 480).

Risks can be of different nature. Significant risk potentials involve political risks. The political risk in Germany is relatively low, but unstable political conditions and other regulations must be expected in other countries with lower political stability (Schmitz & Wehrheim 2006, p. 50). Legal risks are also to be considered, in particular when it comes to contract designs. The design and commitment of long-term contracts are meant as well as the dependence on approval procedures, requirements, legal prohibitions, restrictions (see the tobacco advertising ban) and the rights of use of intangible assets (Schmitz & Wehrheim 2006, p.50). A comprehensive environmental analysis regarding the potential occurring risks in the field of politics, economy, law and society can bring risks in a regulatory framework in order to be able to derive a future scenario (Schmitz & Wehrheim 2006, p. 53). Especially through the ongoing globalization, the increasing digitization and networking of the population as well as the partially unstable political and economic conditions in emerging markets, the risk management gains a lot consideration (Schmitz & Wehrheim 2006, p. 54).

Originally, the risk management stirred from the U.S. insurance industry, 'which refers to the protection of a firm's assets against unexpected disturbances' (Götze & Henselmann 2001, p. 10). By expanding security and preventive measures the loss prevention develops as well. This concept is to be understood as today's modern risk management. The task of an effective risk management is to 'safeguard against negative changes in the framework of entrepreneurial activities as well as the acquisition and influencing of risk causes and effects' (Götze & Henselmann 2001, p. 10).

The need for an operational risk management is given and does not require explanation due to the daily reports of corporate bankruptcies, natural disasters and economic crises, according to Wolke (2008, p. 1). It is in the natural sense of any firm to avoid risks 'that could threaten the existence of the firm' (Gleißner 2011, p. 1). However, entrepreneurial activity without risk is not possible, 'since the alignment of a firm does not require a localized operation, but future developments, which can be justified internally and externally, need to find consideration in decision-making' (Schmitz & Wehrheim 2006, p. 15). The financial and economic crisis in 2008 has indicated how important the 'capability of a firm in quantifying and managing risks' is (Gleißner 2011, p. 1). To optimize the planning predictability, a 'holistic risk-based corporate leadership approach must be established', according to Gleißner (2011, p. 1-2). Due to the changed legal situations such as the lending practices of banks on the basis of Basel II and Basel III, more rigorous examination of corporate risks are required (Gleißner 2011, p. 1). Also the enacted ConTraG in 1998, which was introduced in German commercial law, serves as an early warning system for firms. The Law on Control and Transparency in Business (ConTraG) is a law designed to improve the corporate governance of German firms and the flow of information between firm and firm owners. The risk management system includes an early warning system so that jeopardizing developments can be detected early (BGBl 1998, p. 787).

An effective risk management can be considered as a success factor, because it can detect risky indicators early through ‘observations in the extended firm environment’ and thus allows a ‘forerun for the introduction of measures’, says Müller (2007, p. 3).

According to Gleißner (2011, p. 2), the importance of a risk management increases additionally by the ‘concept of a value-based management.’ These include the equity required to cover potential losses and the costs of capital, i.e. the expected return. Capital must be set aside for potential financial constraints.

The advantage of an effective risk management is the ‘transparency of the risk situation’ as well as the ‘early education and crisis prevention’ as well as cost reductions (Gleißner 2011, p. 4). Risk management can provide a valuable contribution to a value-based corporate leadership. Due to the predictability and controllability, the yield level can be better predicted and a stable cash flow development decreases the likelihood of having to resort to external sources of financing. A desired, constant value development is in the interest of equity and debt creditors, which in turn can be reflected in a good rating and favorable financing conditions. A risk management can significantly reduce the probability of bankruptcy, which is also in the interest of employees, customers and suppliers, to build a long-term relationship with them (Gleißner 2011, p. 3).

Gleißner (2011, p. 5) also argues, to successfully implement risk management in a firm, the focus on risk analysis, an assessment of the overall risk scale and a holistic integration in the planning and controlling stage as well as a non-bureaucratic organization is necessary.

4.3.1.11 Management of ideas and knowledge

The management of ideas and knowledge is the intelligent use and optimal allocation of internal knowledge resources, according to Probst et al. (1999, p. 6). Knowledge management is seen as an ongoing process that is constantly expanding and receives new impulses. An effective knowledge management is a key challenge for a firm if it wants to expand its competitive position. Knowledge management has its ‘future ahead of it’, according to Probst et al. (1991, p. 17). Knowledge is the only resource that multiplies by use. The management of ideas and knowledge emerges as one of the key success factors of a firm.

Many successful firms such as SAP, Apple, BMW, Goretex or Microsoft built their successes on knowledge management and intensity. For example, products nowadays are in a position to identify risks at an early stage, or to automatically adapt to changing environmental conditions, to gather information and to prepare them benefiting more to the consumer, or textiles that change their features depending on temperature and humidity (Probst et al. 1991, p. 25).

Osterloh and Wübker (1999, p. 5) take into account, that due to the increased demands on firms, like the increasing competition, globalization, and rapid technological changes, the knowledge management presents great opportunities. By the transmission, generation and targeted use of qualified expertise, firms gain power and an efficiency enhancement. Knowledge cannot be bought and sold like a production item, so it requires special motivation and triggering, 'to acquire and share knowledge' (Osterloh & Wübker 1999, p. 53).

4.3.1.12 Continuous improvement process

The continuous improvement process, CIP in short, comes from Japan where it is used by the term Kaizen. CIP is meant as a 'holistic management approach for controlling and designing the improvement processes in organizations' (Schober 2009, p. 16). This instrument for improvement is used to optimize processes without introducing additional uncertainty factors. CIP is not like other management methods subject to a directional norm. The norm, which has been proven best in practice next to CIP, is the ISO 9000. The norm ISO 9000 is an internationally recognized procedure (Kamiske & Brauer 2008, p. 303).

CIP is a philosophy that should involve the entire firm, so that the creativity of each individual can be used and improved. Human man is placed at the center, which provides the firm its full potential to solve problems and encounter challenges (Schober 2009, p. 16).

The objectives of a CIP-approach all align to the value orientation. Brunner (2008, p. 41) argues, that by a continuous improvement in small steps, in which the employee is included in the decision making process and at the same time strengthens its personal responsibility, not only the quality, time and cost is optimized, but the entire value-adding activities are placed in the foreground (Brunner 2008, p. 41). Through CIP-approach not only the productivity and quality is increased, but also the working methods and administrative procedures will be improved, which in turn contribute to an increase in employee attendance and flexibility, according to Schober (2009, p. 17). Costs are dropped, wastage is significantly reduced and development, throughput and delivery times are significantly diminished, resulting in an increased customer satisfaction. A CIP-approach is only viable if it starts from the corporate governance and is supported by all employees, says Schober (2009, p. 19).

Continuous improvement should not be regarded as a method, but rather as a 'process-and problem-oriented mindset and behavior' (Brunner 2008, p. 41). The CIP-approach is constantly striving to look for the causes of a problem. It is to be considered as a part of the corporate philosophy, which has the ambition to pursue a permanent improvement. All employees are to be involved in the improvement process. Objectives including outcome measures are agreed upon, associated processes are defined and controlled by process variables. Kamiske and Brauer (2008, p. 304) say, that the CIP-approach contributes to a continuous and sustainable value creation.

4.4 Representation of the six dimensions of the HVDS and action plan with a performance measurement system

The core of this research study is a scorecard, called the Holistic Value Driver Scorecard (HVDS). The HVDS provides a holistic approach that enables an efficient and effective control of values in a firm. The HVDS focuses on a resource- and market-based view. This enables the strategic management the adaptation of corporate objectives to satisfy customer needs, to meet a compatibility of external claims (government, environment, society, suppliers), as well as the internal claims (employees, shareholders, management board). It also helps to identify value drivers like turnover, profit, cash flow, and corporate values, as well as an efficient allocation of the resources capital and human capital. Each of the six dimensions are also measured under the concepts of learning and growth as well as internal business processes. Thereby, the needs of all stakeholders are taken into account and the increase of the firm's value is aimed at, based on the corporate vision. The HVDS serves to compensate shortcomings of conventional, short-term profit orientated ratios and to optimize value drivers (Knorren 1998, p. 10-14).

A performance measurement system in the form of a scorecard regarding the measurability of a sustainable value orientation is presented below.

Figure 7: Areas of the HVDS, resource: own representation

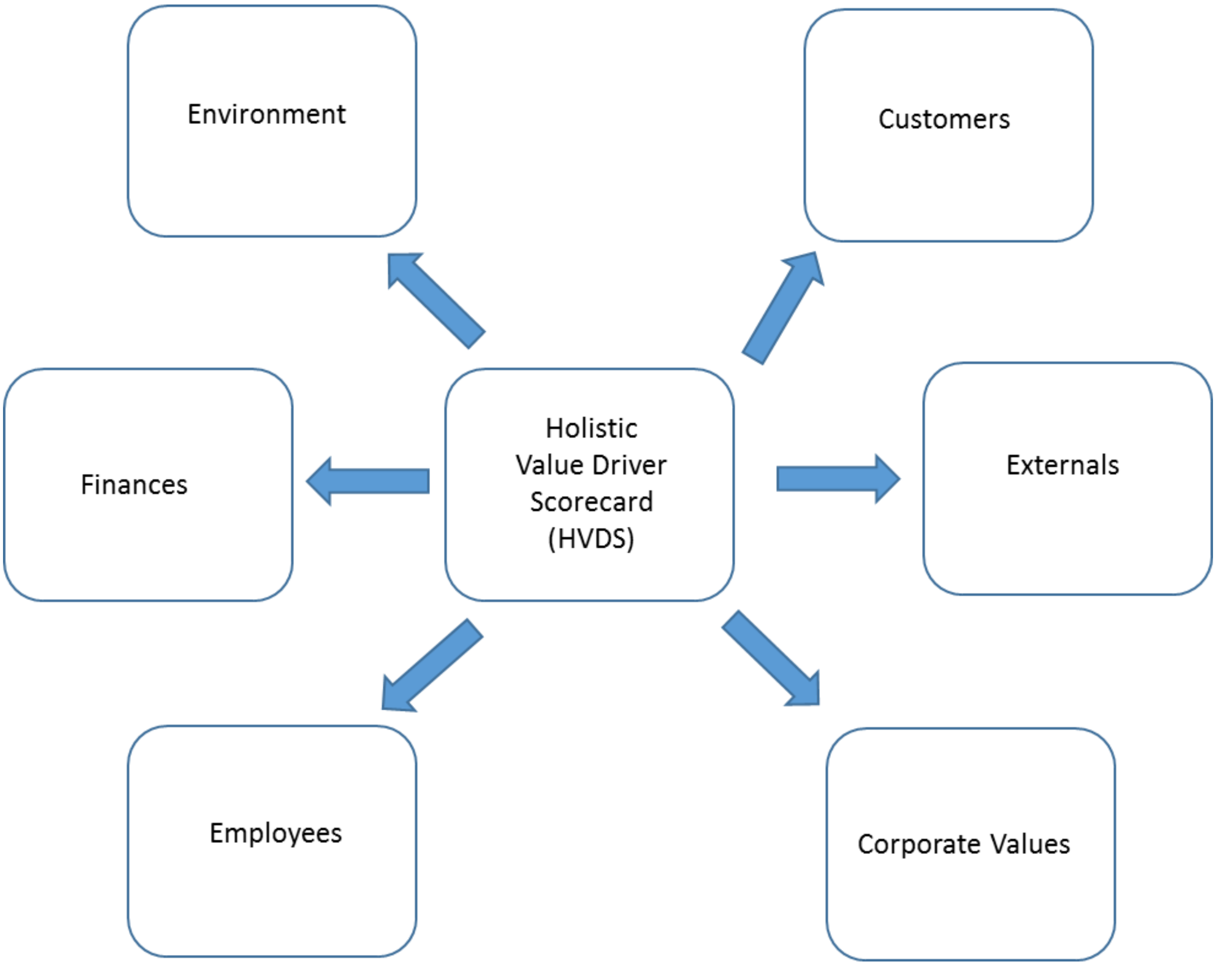


Figure 7 shows the internal and external dimensions of a firm and how a value orientation can be implemented and controlled. These embrace the dimensions Customers, Externals, Corporate Values, Environment, Finances and Employees. The HVDS connects all areas and brings them into a harmonious balance.

4.4.1 Customer perspective

Customers: The dimension Customers includes the entire focus on customers and their needs. This includes all markets and customer segmentations. In this dimension, the HVDS is to bind the customer to the firm and to respond to his needs accordingly. The focus on the customer as a key factor in a holistic value orientation should not be neglected, according to Jung (2010, p.

579 and 628). The customer is the foundation of a long-term and sustainable value creation and generates cash flow by sales, revenues and turnover.

4.4.1.1 Focusing on the target group

The focus on the target group can be made measurable based on the indicators of customer satisfaction, customer structure and customer loyalty.

4.4.1.1.1 Customer satisfaction

The customer and his needs, his desires and his benefits is the center of the marketing of products and services. The demand for a customer-oriented corporate approach regarding operational success factors is increasingly becoming important. Customer satisfaction is often considered as an indicator of the success of a firm and serves as a benchmark. A relationship between customer satisfaction and a successful economic performance is given. With the help of customer satisfaction, firms can raise their loyalty and increase the customer lifetime value. By doing so, it is possible to ensure the success of a firm sustainably. The firm must be able to provide the expected performance for the customer. Via customer surveys, questionnaires, etc, the firm can figure out how satisfied the customer is and in which areas improvement is needed. Important areas include customer service, after-sales service, prompt handling of complaints and the personal approach to the customer.

4.4.1.1.2 Customer structure

Market research assists in the creation of a customer structure. Accordingly, the firm can segment the market based on a customer structure analysis and align the marketing customer-oriented. For example, the needs in a rural area differ from needs in an urban area. In a rural area, the demographic structure includes older people who put more emphasis on commodities rather than on consumer goods. The use of media behavior also differs. Older people use less smart phones and social platforms than younger people. Marketing instruments here must be used rather through TV, radio and print than the Internet.

4.4.1.1.3 Customer loyalty

The aim is to obtain a customer base, which is permanently tied to the firm. Supporting instruments include bonus points, programs for regular shopping, an adequate pricing policy, premiums, gifts, birthday reminders, discounts, customer magazines, newsletters, couponing, extras such as preferential treatment, shorter waiting times for orders, promotional games, discounted rates, application of a club membership, and bonuses or free airline miles cards. The customer relationship management is helpful in terms of maintaining customer loyalty. The customer identifies with the offered products and services. A good example delivers Apple. Apple has managed to acquire and keep a substantial customer base through targeted marketing, trend scouting and focus on the benefits of the products. Apple made its products more user-friendly with an appealing lifestyle-desing and therefore achieved great interest. Cross-selling is another helpful tool. An Apple customer, who buys an iPhone, is most likely to buy an iBook, iPad or iPod as well.

4.4.1.2 Financial ratios

4.4.1.2.1 Financial ratio for customer satisfaction

Customer satisfaction can be measured on the basis of surveys and statistical inquiries. This can be done via the Internet, direct targeting of promoters in front of a shop, via polls by the GfK (largest firm in Germany for consumer research and statistical analyses and databases) or by sending postal or digital questionnaires. Databases are needed which contain information about customers (Hollensen 2010, p. 15, 407 and 425). These can either be bought from external suppliers or collected by the own firm. Regarding customer satisfaction, the accessibility of a product, the service provided and the speed, responsiveness and handling of a complaint is important.

Financial ratio for the assessment of customer satisfaction:

Number of complaints on product A / total number of complaints * 100

4.4.1.2.2 Financial ratio for customer structure

The customer structure can be created by using a customer structural analysis. In this analysis, both the demographic and geographical structures are levied, including the shopping habits and media behavior. How often does the customer buy online, or which media attracts him most.

Information is provided by consumer panels. Market research and segmentation is also a helpful instrument.

Following a financial ratio for customer structure is shown. Here an exemplary ratio is shown which can be adapted or changed as required:

Clients between 30 and 50 years in the middle Franconian region / total number of customers in the Federal Republic of Germany * 100

4.4.1.2.3 Financial ratio for customer loyalty

Customer loyalty refers to the number of regular customers who revisit and buy products regularly. To bind a customer on the long-term and sustainably to the firm, the firm may award bonus and award programs for regular shopping visits or operate an adequate price policy for regular customers. In addition, premiums, gifts, birthday reminders, discounts, customer magazines, newsletters, couponing, preferential treatment, shorter waiting times for orders, promotional games, discounted rates, application of club memberships, and bonuses like free airline miles cards are helpful.

Financial ratio for customer loyalty:

Repurchase rate customer A during period X

4.4.2 Employee perspective

Employees: Employees are the locomotives of any firm. Without skilled, well-trained, experienced and motivated employees, no organization can exist. They form the basis for sustainable success. The dimension employees include the human resource management, recruiting and incentive systems (Leopold & Harris 2009, p. 112, 146 and 336). Firms must select their employees carefully and reward them according to their performance.

4.4.2.1 Ensuring employee satisfaction

A high level of employee satisfaction can be a decisive return factor. Productivity and quality is enhanced by satisfied employees and can be used optimally. Satisfied employees provide less fluctuation and thus reduce costs. Collegial bonds and social contacts help the employees to feel comfortable at the workplace. For example office parties, open days, Christmas parties, birthday greetings, Meet & Greet-meetings, and regular team meetings are helpful tools. Personal development opportunities, coaching, the enablement of creativity, assessments of responsibility, family involvement, respect and tolerance for family situations and mutual support in teams are supportive instruments regarding employee satisfaction. The enablement and respect for individual initiatives, acceptance of different opinions, the organizational integration of individuals, an open and transparent communication, flat hierarchies and freedom of decision-making contribute significantly to employee satisfaction. Also the design of the workplace helps. A friendly, welcoming workplace with sufficient space, light, daylight, windows and individual design options offer a relaxed working atmosphere. Ensuring the preservation of a friendly and welcoming workplace is one of the largest guarantees of employee satisfaction.

4.4.2.1.1 Absence ratio

To lower absence ratios, firms can offer leisure facilities, healthy and balanced canteen food, physical activity opportunities during the lunch break, sufficient vacation days and a work-life-balance program. Should an employee exhibit absenteeism for an extended period of time, a return-conversation would be needed. In this conversation reasons why it came to absenteeism and solutions for a lower absenteeism rate can be worked out jointly.

4.4.2.1.2 Productivity

Productivity in relation to the employee can be increased by every individual who is motivated and provide his full capabilities for the firm. Profit sharing programs, provisions and bonuses provide an incentive for more productivity.

4.4.2.1.3 Employee turnover

Recruitment, hiring and firing costs are high. It is important to keep the employee turnover rate low to ensure stability and continuity in the firm. The objectives of a firm should focus on long-term relationships with its employees in order to benefit from their expertise and experience.

4.4.2.1.4 Salary

A distinction is made between material and non-material incentives. The monetary incentives consist of the salary, profit sharing programs, social benefits and other bonuses. Performance must be compensated accordingly, not only to reward employees, but also to bestow recognition and respect their commitment. Other monetary incentives are employee shares, silent participations in the firm or equity investments. Non-material incentives should also be a significant part of the salary. Concerning profit sharing it must be considered that this can also lead to a short-term oriented success. In order to bind employees to the firm, long-term reward systems must be implemented. Incentives regarding the salary would be a firm car, the private use of business travel collected air miles, or assistance with child care.

4.4.2.2 Financial ratios

The employee is regarded as one of the most important assets in a firm. It records crucial to the productivity, performance and growth of a firm. By its employees, a firm increases its turnovers, profits and the shareholder value.

4.4.2.2.1 Financial ratio for employee satisfaction and absence ratio

A high level of employee satisfaction can be a decisive return factor. The productivity and quality is enhanced by satisfied employees and optimally used. Satisfied employees provide less fluctuation and thus reduce costs (Leopold & Harris 2009, p. 224-225, 473-501).

Financial ratio for employee satisfaction:

Number of complaints department X / total number of complaints * 100

Financial ratio for absenteeism:

Number of absent/sick employees / total number of employees * 100

4.4.2.2.2 Financial ratio for productivity

Regarding a corporate leadership, the productivity is one of the most essential performance indicators. It shows how efficient the processes are run through (input-throughput-output). The productivity factors can be categorized in employee, machinery, labor and material productivity factors (Hollensen 2010, p. 381).

Financial ratio for productivity:

Output quantity / input quantity per employee

4.4.2.2.3 Financial ratio for employee turnover

Fluctuation indicates how many recruitments and resignations have occurred during a fiscal period.

Financial ratio for employee turnover:

Number of employee-driven resignations / average workforce of employees

4.4.2.2.4 Financial ratio for salary

The salary depends on the firm size, the profitability of the firm, industry, region, nationality, age and personal skills as well as special qualifications (Neus 2009, p. 234-235).

Financial ratio for the salary level:

Industry Benchmark

4.4.3 Finances perspective

Finances: The field of finances includes the sales volume, earnings, tax rate, shareholders, cash flow and the claim of outside creditors. Earnings and sales volume ratios are indicators of success (Neus 2009, p. 289). The shareholders provide equity, without which the firm cannot be established or conducted. The tax rate can act as a value driver in the firm, depending on how high/low it is. The claims of the outside creditors are by all means be satisfied.

4.4.3.1 Identification of value drivers

4.4.3.1.1 Sales volume

Many markets are regarded as over-saturated and highly competitive. By an improved marketing concept, sales channels and the development of new markets as well as the assessment of an increased market share, a turnover surge can be achieved. Sales volume can be augmented by expanding the assortment of goods, by cross-selling, the sale of accessories and various additional services, price increases, services and additional benefits, by expansion to national and international markets, and by strategic alliances with competitors.

4.4.3.1.2 Earnings

Earnings can be increased through cost reductions and savings. For example, if the personnel, material or manufacturing costs can be reduced, it immediately reflects on the profit. Corporate leadership can find out in which areas personnel can be reduced, where capacities are unnecessary or unused and how production can work with less material used.

4.4.3.1.3 Tax rate

Taxes can be saved in the areas of trade-taxes, in using sustainable and energy-saving production facilities as well as using modern constructions. This includes heating and the power supply for new buildings, which is subsidized by the government. It can also be reduced by the choice of the production location. But here the firm needs to be aware to not move all the production and administration to low-cost countries, because this in turn leaves home countries with less productivity and raises the unemployment rate.

4.4.3.1.4 Shareholder

Shareholder value can be increased by the use of many instruments. This can be achieved through innovation capabilities, or the focus on core competencies and value-creating processes. It is important to define the right mix and focus, because every firm has different core competencies and value-adding potentials.

4.4.3.1.5 Cash flow

The operating levels to increase cash flow are the internal financial resources of a firm. The long-term turnover growth, along with a cost reduction and an optimally balanced inventory management, an efficient debtor management and a consistent creditor leadership is meant (Cash Flow steigern 2012). The cash flow is one of the most significant financial factors showing how healthy a firm is and on how much liquidity they can operate.

4.4.3.1.6 Outside creditors

In the long-term a firm can only grow through self-generated performances and cash flows. The growth rate depends on the investment plans of a firm. This in turn depends on the amount of dividends and the return on equity. The creditworthiness signifies about the amount of interest on borrowed capital. The better the creditworthiness, the lower the interest rate. From the effective cost of debt, the interest rate must be removed, because it is tax-deductible. This in turn reduces the tax rate. With an increasing debt ratio the risk of bankruptcy increases. Liquidity and yield expectations are threatened by increased debt. This limits the firm to make further investments, which in turn negatively affect the performance and may cause trust and reputation losses (Das optimale Verhältnis von Fremdkapital zu Eigenkapital 2012). This can be countered by arranging a balanced distribution of the total capital. For example the leverage effect can help to maintain a healthy balance of the financing structure. Leverage effect means the dependence of the return on equity on the debt. A positive leverage effect means that the overall profitability of capital is higher than the interest on debt. A negative leverage signifies the overall profitability of capital is lower than the interest on debt. This leads to a rising debt ratio (Leverage-Effekt 2012).

4.4.3.2 Financial ratios

4.4.3.2.1 Profit ratios

Profit ratios show a clear result-correlation. The objective is to generate profits in order to increase the assets, to make investments, to cover interest rates and to contribute to the overall corporate growth.

Popular profit ratios are as follows:

Profit-turnover ratio: ordinary operating income / turnover * 100
Return on total assets: profit / total assets * 100

4.4.3.2.2 Cost of capital ratio

The cost of capital ratio, also called the interest rate, is the costs which incur in a firm by raising debts and equity capital to make investments.

A financial ratio presenting the weighted average cost of capital is as follows:

Weighted average cost of capital: debt costs * (1t) * debt ratio + equity cost * equity ratio

4.4.3.2.3 Free cash flow ratio

The free cash flow (FCF) is the freely disposable amount which is available to shareholders and which is used for due debt repayments. The FCF is an indicator for banks, showing the financing capacity of a firm (Neus 2009, p. 347).

Financial ratio for the FCF:

FCF = operating CF + CF from investments

4.4.3.2.4 Total revenue ratio

The total revenue ratio indicates how turnover has changed in comparison to another fiscal year.

The financial ratio for the total revenue is presented as follows:

Turnover year X compared to turnover year Y (turnover = sales price * quantity sold)

4.4.4 External perspective

Externals: The external perspective includes competition, market, government, environment and suppliers. Competition is important due to significant market shares and turnover losses. The market must be constantly monitored by market analyses in order to not miss new developments and trends and to continually adapt to new market conditions (Olfert & Rahn 2008, p. 258-259). Regarding the government, the firm must act legally and comply with relevant regulations and obey to tax levies. The environment includes the societal and social as well as the ecological environment. The needs of the public and the society must be considered separately. Environmental protection, environmental compliance and the sparing use of resources are the basic requirements for a value orientation. The firm should have a good relationship with its suppliers in order to ensure smooth processes and deliveries (Neus 2009, p. 7, 80 and 136).

4.4.4.1 Involving of the external stakeholders

4.4.4.1.1 Competition

In order to gain a competitive advantage, the firm must be able to build long-term profit potentials. Competition can be defined in two fundamental questions: How well does the firm understand its closest competitor? And how innovative are the competitor´s products?

4.4.4.1.2 Market

The market is regarded as one of the most important variables for corporate control. It guarantees turnover and sales. The firm must be able to enter new markets and exploit market niches. The market share is an important strategic indicator of the own market power and the one of the competitor. Benchmarking is a useful tool to see where the firm is positioned in comparison to competitors and where there is a need for action regarding its optimization.

Market exploitation: To promote market exploitation the firm can conduct intensive advertising through print, social media, online media, TV, radio, cinema or a combination of old and new media, as well as pursue direct sales and organize customer events. A market structure analysis is useful to structure the market systematically according to customers, demographics and needs in order to sell the products accordingly.

Market penetration: Existing markets are to be penetrated with existing and new products. This can be enforced through product innovations, product improvements, optimized distribution channels including shorter transport routes, fewer middlemen and lower costs, or in cooperation with locally based firms.

Market volume: To increase the market volume, turnover must be increased. This can be achieved by the acquisition of new customers, the launch of product innovations, conquering market niches, and/or the exploitation of new markets, as there are the BRICS-countries or the Next Eleven.

4.4.4.1.3 Government

The choice of location of a firm is an important strategic instrument as it is taxed accordingly. In low-wage countries such as Eastern Europe, Asia and South America, fewer commercial and income taxes are accumulated, but the quality of the product and its production must be ensured.

There are so-called ‘tax havens’, but they must be treated with caution, because the firm must also pay attention to a skilled workforce, a functioning and well-developed infrastructure, as well as political and legal foundations. One of the objectives of a value-based corporate leadership includes tax savings. A professional and skillful accountant and auditor is essential.

4.4.4.1.4 Environment

Raw materials: Raw materials are finite products and have to be used sparingly. Be it the paper consumption in administration, where it is better to convert to digital technology instead of postal and email traffic, the power consumption, here it is better to use energy saving light bulbs, turn off of machines, switch off of PC and other electronic devices at night. Furthermore, the use of firm cars should go along with a switch to electric cars, hybrid or hydrogen drives, no use SUVs, no proprietary aircrafts/helicopters, better switch to scheduled air transportation, or an installment of water consumption with an optimized sanitation, according to Corsten & Roth (2012, p. 72-74). Resource efficiency is used as a key strategy and a core competency.

Waste consumption: Waste must be reduced and disposed orderly. Regarding production, focus should be set on the packaging of the products. Recyclable materials such as paper and glass should be used. Also in the construction of new buildings, ecological, sustainable construction should be considered. A circular economy (recycling) contributes to the conservation of resources (Vorbach 2000, p. 55). An institutionalized environmental management system consists of following opportunities and benefits: Competitive advantages, greater acceptance in the society, creating incentive mechanisms, increased potentials for process optimizations and cost reductions in energy, water, and waste.

Energy consumption: Energy consumption in terms of oil, gas, water, electricity, air, thermal, nuclear and solar power must be reduced. The transition from nuclear to renewable energy sources such as solar energy, hydropower and wind energy must be promoted. The environmental policy decides on priorities of environmental use and environmental protection, and thus about the principles of causation, prevention and cooperation as well as the allocation of costs and responsibilities, according to Kramer et al. (2003, p. 215).

- Hydropower: Use of water wheels to generate energy.
- Wind energy: use of wind turbines, windmills and wind turbines to generate electricity.

- Solar energy: construction of photovoltaic systems and solar thermal systems (the sun offers an inexhaustible energy potential).
- Bioenergy: construction of biogas plants (bacterial decomposition of organic materials under the exclusion of light and oxygen releases energy) and cogeneration plants.
- Geothermal energy: utilization of geothermal energy by geothermal probes and drillings.
- Wood: Wood is a renewable resource and a part of the renewable biomass, according to Stoltenberg & Funke (1996, p. 47).
- Strategic environmental controlling involves the connection of environmental objectives with economic objectives, a close connection to the corporate accounting system, a temporal integration of planning and control and an increased acceptance among employees.

4.4.4.1.5 Suppliers

Just-in-Time-Delivery: Production parts and manufacturing materials must be delivered synchronized and just-in-time in order to run smooth production processes. The JIT delivery system is essential. Suppliers are to be committed sustainably to the firm to keep the fluctuation as low as possible and to ensure a constant quality. Confidence and reliability must be present on both sides in order to run the processes smoothly. Incorrect deliveries must be followed upon quickly in order to fall back on replacements or a back-up supplier who can step in at short notice and without causing great expenses.

4.4.4.2 Financial ratios

4.4.4.2.1 Relative market share

The market share depicts the own size in the total market. The relative market share represents one of the most important variables concerning corporate control. The relative market share means the market share of the strategic business unit, which is divided by the market share of the strongest competitor of this business unit. It outlines the economic positioning of a firm compared to its competitors. Corporate leadership gets an insight into market relations. The higher the market share, the more efficient economies of scale can be performed. A higher market share also means a higher level of brand awareness among customers (Neubert 2011, p. 560).

Financial ratio for the relative market share is as follows:

Own market share / market share of the strongest competitor * 100

4.4.4.2.2 Market exploitation, market penetration, market volume

The market exploitation indicates how customers consume a product. The market exploitation follows a targeted and structured utilization, exploitation, and consequently, the optimization of the potential returns on the market. Market exploitation is based upon customer segmentation (Neubert 2011, p. 34, 59 and 279).

Financial ratio for the assessment of market exploitation is presented as:

Sales / turnover potential / market potential * 100

The market penetration follows the exploitation of market potential based on existing products in existing markets.

Financial ratio for the assessment of market penetration is presented as:

Sales / turnover volume / sales / turnover potential * 100

The market volume describes the amount of currently achieved turnovers. This means that the market volume corresponds to the total of all sales made in the market which are related to a product.

Financial ratio for the market volume is as follows:

Turnover during forecasted period X based on product A

4.4.4.2.3 Tax rate

The tax rate is an important criterion for the choice of location of a firm. To put it simple one can say the lower the tax, the higher the profits. The tax rate applies to the determination of the cost of debt, because tax effects in respect to interest on debt is taken into account.

A financial ratio for the tax rate is:

Taxes / earnings before tax (EBT) * 100

This figure describes the relation of income taxes to pre-tax profits, but it is only feasible for national comparisons among firms.

4.4.4.2.4 Usage of raw materials, waste and energy consumption

Raw materials include all unprocessed raw materials that contribute to the final product during the production process.

Financial ratio for the assessment of the use of raw materials is as follows:

kg /t of packaging material per product (t = production quantity)

Waste is defined as a movable asset that needs to get taken care of and cannot be used by the end-consumer. Waste consumption indicates how much waste is consumed per product. It includes waste of any kind which comes from households or production processes such as construction and demolition activities, contaminated sites, renovations, etc. (Field & Keller 2010, p. 20, 36 and 290).

Financial ratio for the assessment of waste consumption is presented as follows:

kg/t of waste per product during a period

Energy includes everything needed to set something in motion. This includes all renewable and non-renewable fossil fuels such as oil, gas, water, electricity, air, thermal, hydrogen, nuclear power, wind energy, solar energy, bioenergy, geothermal, and wood.

Financial ratio for the assessment of energy consumption is presented as follows:

kWh/t per product (or per warehouse, per production, or per office room)

4.4.4.2.5 Just-in-Time-Delivery

The just-in-time delivery is the timely delivery of products needed for the production of end-products. The stocks and material requirements and the lead times are to be reduced.

Figure for the assessment of a just-in-time delivery is as follows:

Delivery reliability of suppliers to all deliveries

4.4.5 Environmental perspective

Environment: The perspective of the environment includes sustainability reports, eco-reports and global reporting initiatives. Sustainability reports are used for a transparent communication with the business environment and to improve the image, brand recognition and reputation. The raw material use, which is listed in the eco-reports, offers many opportunities to conserve resources and to economize on cost reduction. It is primarily about changing to alternative power sources and sustainable energy supplies.

4.4.5.1 Sustainable environmental management and ethical audit

4.4.5.1.1 Sustainability reports

In a sustainability report, the firm can demonstrate which measures have been implemented in terms of sustainable and ecological, economic and social issues. In ecology, it could be a sustainable development or a process which emits fewer pollutants. This includes the development of new drive technologies such as hybrid engines, hydrogen-power, and electric drive engines. In economics, it could be sustainable employee retention through loyalty programs for long-term employees, extra vacation, profit-sharing or awards for a job assignment. Regarding social issues, the firm can invest a part of its profits in social projects, such as the construction of new schools, kindergardens, donations to charity or open days to allow the society an insight into the firm. A continuing self-control and external audits should support the sustainability reports. The objective is to strive for a balance between economy, environment and society by the firm, complying with all claims of the stakeholders. A sustainability report serves to establish a connection between the firm and its stakeholders, providing transparent information about the core issues of sustainability. In the foreground stands commitment, an open dialogue with the stakeholders, the anchoring of sustainability in the core business, embracing pollutant-emissions, use of resources, supplier selection, diversity management, working conditions, as well as a positive evaluation by independent analysts and institutions.

A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively. A sustainability report is the key platform for communicating sustainability performance and impacts. Furthermore, sustainability reporting can be considered as synonymous with other terms for non-financial reporting; triple bottom line reporting, corporate social responsibility reporting, and more. It is also an intrinsic element of integrated reporting; a more recent development that combines the analysis of financial and non-financial performance. It is nowadays a mandatory and integrated reporting tool and mostly the reports are normed according to ISO standards.

4.4.5.1.2 Eco-reports

Sincere environmental reports on the current situation of the environment in which the firm operates increases the confidence of investors as well as customers, according to Peemöller and Zwingel (1995, p. 126). Environmental audits are about testing the functional areas relating to environmental protection, the examination of individual aspects as water, soil, and air, organic product life cycles and energy supplies. It also includes a thoughtful waste management and a comprehensive examination of all environmental concerns. These aspects have an effect on the research and development department as well as on the material procurement, storage, transportation, production, marketing, and sales and administration. The firm should provide information about pollutants, materials used, the country of origin, production techniques and processes, energy consumption, waste accumulation, raw materials, energy and water consumption, argues Peemöller (2005, p. 49). Ecology-oriented controlling objectives include the supply of transparent information and decision-oriented data processing. The core task is to provide information about material and energy flows.

4.4.5.1.3 Global reporting initiative

The objective of a global reporting initiative (GRI) is to make the sustainability reporting standard a best practice. To pursue a responsibility transparency as well as a market-, customer- and environmentally-conscious oriented, sustainable leadership, compliance has to be demonstrated and practiced. Services should be made measurable and published. The firm policy is to be made available to the general public in order to ensure its understanding and acceptance.

4.4.5.2 Financial ratios

4.4.5.2.1 Financial ratio for sustainability reports

Sustainability reports comprise a sophisticated environmental management system, which includes an environmental friendly development, continuous self-controls and external audits. The aim is to reduce waste, including all sorts of emissions, to avoid environmentally harmful substances and to switch to renewable energy. It has to be taken into account that not only the published number of sustainability reports is valuable for a successful corporate leadership. It also has to be looked at results of the implementation of such reports.

Financial ratio for the assessment of sustainability reports is as follows:

ISO standards (for example 14001) and/or sustainability reports

4.4.5.2.2 Number of eco-reports

Eco-reports are environmental reports containing information about the current situation of the environment. Often the term eco-balance is used. The objective is to inform stakeholders and the public about the environmental inputs and outputs of a product, the energy consumption and the firm's environmental work. It contains figures about pollutant emissions, volumina of waste, raw material, energy and water consumption as well as noise-causing factors. Addressees of the reports are all stakeholders of a firm.

A measure for the assessment of eco-reports is the number of environment-related publications per quarter.

4.4.5.2.3 Financial ratio for global reporting initiatives

A GRI basically contains the same as sustainability and eco-reports. A GRI serves as a reporting guideline that represents principles and indicators that should be used by firms to make their economic, environmental and social performances measureable. The objective is the continuous improvement and application of the guidelines.

A financial ratio for a GRI report is the implemented and used guidelines of a GRI code of practice per year.

4.4.6 Perspective of corporate values

Corporate Values: The values of a firm also embrace USPs (unique selling propositions), image, communication, as well as the innovation capacity. The skills and the management style of a firm are often greatly influenced by different cultures, languages and customs of its employees and the board of management. It is important to address the individual and specialized nature of a firm and its organization. The image of a firm is often responsible for its success, recognition and reputation. USPs are key success factors, as to say a competitive advantage and strategic success position of a firm. USPs are the feature which distinguishes successful and sustainable firms from each other. These include core competencies that are perceived by the customer, which are difficult to copy, and for which the customer is willing to pay a certain price. USPs are the foundation for sustainable, long-term, above-average corporate success. A USP can be taken as a control variable in terms of strategic leadership.

4.4.6.1 Corporate values

4.4.6.1.1 USPs

A unique feature is a feature that highlights the firm assets and creates market shares, strong customer relationships and turnover. A unique feature must represent a benefit that functions as a stand-alone characteristic to the customer. Every successful business has a very specific USP. It can be only used as an example at this point. For example, the USP for Apple is its advanced, user-friendly technology and design. For Coca-Cola it is its secret recipe, and for Mercedes it is its outstanding quality for the manufacturing of automobiles.

4.4.6.1.2 Image

Image is a subjective overall impression, which the public has about a firm. Image is an indicator of how recognizable a firm is by the public and what kind of reputation it enjoys. It affects and controls the purchase and choice behavior of customers and reflects emotional associations. A good image has the advantage that customers can identify with the firm and its corporate philosophy. By doing so, they are committed to the firm and a strong relationship is built up. The outward appearance of a firm is of significant importance. If a firm possesses a positive image in comparison to its competitors, many advantages follow up. Customers are more willing to purchase the product at a higher price compared to competition. Further recommendations will be carried through to potential customers, which is more effective than any advertising. This is called word-of-mouth-advertising as seen as the most authentic form of marketing. Also employees will be more motivated and identify greatly with the firm they work for. Summing up the arguments above, a positive image leads to loyalty, a higher turnover and gross margin and to lower costs.

4.4.6.1.3 Communication

Internal as well as external communication must be open, transparent, authentic and understandable. The firm can assign a picture of self-perception and external perception to obtain a realistic assessment, and to enhance improvements. Through regular employee and customer surveys and journalistic polls, a good corporate communication system has to be maintained.

4.4.6.1.4 Innovation capacity

Successful innovation represents a competitive advantage. A technological advantage as Apple had it for years was not simply imitated. It often takes years to close the gap to the market leader. These are significant years in which the market leader binds customers and can charge higher prices and enlarge its market share.

4.4.6.2 Financial ratios

4.4.6.2.1 Absolute market share and profit margin

From a customer´s perspective, the USP must represent a unique customer benefit, which he cannot find anywhere else. A unique feature should have a new, not yet existing product feature, a very good service concept, an outstanding quality, a long endurance, environmental friendly materials, a user-friendly operating concept as well as a good price-performance-ratio. The customer is interested in pricing, service, design and image, which also represent a status symbol. The firm must recognize the requirements of the target customer to offer a product which covers these requirements. With a USP, turnover can be enhanced and thereby the market share increases. A good example of an excellent unique feature is Apple. Apple ensures attention as it stands out from the crowd through lifestyle products with the typical, unmistakable apple brand design. Apple has managed to change a familiar product like the mobile phone into a new usage. This is optimizing the range of usage and handling options. The combination of familiar and innovative features connected to exclusiveness with a high price was seen as an innovation. Competitors like HTC and Samsung followed Apple closely. Apple gained large market shares by offering music through their own online music market iTunes. The user can use his mobile phone not just for making calls but also for listening to music, for using the Internet, Emails and many other possibilities.

A measure for USP represents the absolute market share or the profit margin:

Absolute market share: own market share / market volume * 100

Profit margin: Ratio between profit and turnover:

Profit/turnover * 100

4.4.6.2.2 Public relations and investor relations

Public relations: Public relations are characterized by three key elements that lead to success: Appreciating the customer and the environment, delivering authenticity, meaning the contents which are to be published must be authentic and understandable, and integrity, with which the values of a firm such as responsibility, incorruptibility, honesty and justice stand for. The tasks of a well-functioning public relations department include the communication of corporate objectives and actions regarding products and services, the publication of press releases, and communicating with the media as print, radio, TV, cinema, and online media channels. Public relations include any type of public relations and communications work that is done by a firm to form and maintain relationships with the public and manage conflictions. It ensures understanding, legitimacy and confidence-building steps for a firm.

Financial ratio for the assessment of PR (these numbers have to been put into relation with the overall costs):

Costs per PR-effort (this can be an event for a product launch or an advertising campaign).

Investor relations: The communication with the capital market is important for stock-listed firms. A transparent reporting standard is mandatory and essential. The firm has not only to report according to the relevant accounting standards as for example the USGAAP, IFRS, or the German HGB, but also has to be based on capital market regulations. Corporate governance plays an important role. The supervisory board must provide, as a supreme authority, compliance with the law and order, following the guidelines and compliance rules with codes and declarations of intent. Here the mission statement is carried outward. Investor relations refer to the relationship management and communication between a listed firm and its shareholders. The objective is to make information and strategy transparent, to improve the firm's image and maintain a good relation with the investors/owners of a firm (Olfert & Rahn 2008, p. 154 and 368).

Financial ratio for the assessment of investor relations (these numbers have to been put into relation with the overall costs):

Communication management costs (how many press releases were issued in the first quarter) (Neus 2009, p. 392)

4.4.6.2.3 Patent applications, research and development

Patents: A patent protects primarily against imitators. In the technology industry, a patent would ensure a competitive advantage and contribute to the long-term profitability of a firm. With the phasing out of nuclear power in Germany, research and development offers numerous opportunities to explore the field of renewable energy and to apply for a patent after a successful breakthrough for example in the wind energy, hydro power, and solar energy sector. An enormous growth potential is created, which is not only supported by the government, but which is also welcomed by the general public after the nuclear accident in Japan in 2011. A patent is an intellectual property right for an invention, a product or a process. Without the consent of the patentee, the patent cannot be used.

Research and development: A firm must constantly and continuously evolve, bring innovative products to the market, accelerate and improve services and invent new, resource-saving production and processing methods. A sufficient budget must be made available for the R & D department. Especially in the automotive industry, the R & D department is necessary in order to be operate successful in the market. Alternative drive technologies, pollutant emissions and recyclable materials are important research fields nowadays. The term research and development refers to the acquisition of new knowledge and ideas that contribute to the success of a firm. It not only stands for basic research and technology, but also for constant product and process developments as well as continuous improvements (Olfert & Rahn 2008, p. 200).

Financial ratio for patents is as follows:

Number of patents issued per year connected to the respective turnover they generate after its market launch

Financial ratio for the R & D department is as follows:

R & D budget available per year / successful innovations

All the above listed financial ratios are exemplary and can be altered accordingly to specific requirements and necessities of a firm and its objectives.

4.5. Managerial Application of the HVDS – results

The author applied the HVDS onto the firm "BioHealthy", an organization which operates in the Pharmaceutical Industry in the indication fields of cough, respiratory and pain relief market. BioHealthy has over 1.600 employees worldwide with subsidiaries in Europe, Eastern Europe, Central Asia, Asia and Latin America. It runs a turnover of 250 Mio EUR with a ROI of 15%. BioHealthy is market leader in Germany, Russia and Ukraine concerning phytomedicine.

Environment:

- POSITIVE: ecological cultivation of plants (no use of chemicals, only natural resources), low disposal of waste, energy and water, emissions, Green Building Certification, Annual Sustainability Report published 1/year with key indicators, all buildings run on renewable energy (sun, wind)

- NEGATIVE: high costs of maintaining ecological standards, producing areas in Romania, Bulgaria, Moldawia difficult to control in terms of ecological standards, quality of raw materials is not always the same due to different cultivation/weather conditions

Customers:

- POSITIVE: 87 % of customer satisfaction (Germany), high customer loyalty, ROI per customer 15%, customer structure: doctors and pharmacies 50/50 %

- NEGATIVE: in case of a stock-out: customer immediately switches to other product, standing in pharmacy and wanting remedy asap → getting back this customer is very difficult

Externals:

- POSITIVE: BioHealthy is seen as benchmark, closest competitors in the field of same indication and same product portfolio are Hexal and Steigerwald; market: BioHealthy is market leader in Germany with a 23% market share in the cough and cold area

- NEGATIVE: government: new regulatory issues, prescription obligation, cartels in the Cannabis sector Europe-wide, parallel imports in Poland, strict compliance guidelines/new government regulations regarding faculty dinner on symposiums/conventions, setting up of a compliance department and maintaining it – very expensive, Muslim countries: Halal, only fish gelatine, stability issues in countries like UAE, BRA for over 25 degrees, import stops in Belorussia, (stop list for imported goods), reregistration of SinoHealth in China (cost and time consuming, head of China had to enter negotiations by means of bribery, suppliers: TOF (company given name, supplier of BioH) has difficulties in storing and packaging products properly and runs through a shortage of workforce momentarily, war in UA-Krim: BioH had to close office and cut down field force, unstable political situation in Russia, unstable political situation in Brazil (change of government, lost lobbyists), key opinion leaders in Kazakhstan distributed bad news all over the country – incredible damage to image and reputation, loss of crucial market share, CaHealth almost had to be taken off the market (40 Mio EUR on risk)

Corporate values:

- POSITIVE: USP: receipt of SinoHealth plus image, branding of SinoHealth is one of the key success factors, brand is more than 115 years old, very well known, stands for quality and effectiveness and immediate remedy

- NEGATIVE: innovation capacity depends on financial resources: research& development of new products take over 10 years, very time- and cost consuming

Employees:

- POSITIVE: low absence ratio (0,2.8 %), high productivity (200.000 batches/year and employee), benchmark salaries (interesting composition of fix and variable part, highest number of paid leave days

(30 instead of 25), bonuses depending on performance, yearly salary increases, staff development programs (Excellence Program – with courses in Harvard), personal coaching, High Potential Program, Mentoring Program)

- NEGATIVE: personnel costs almost 60%, high number of personnel in administration

Finances:

- POSITIVE: 23.4 % growth rate from 2015 to YTD 2016, high return on equity (85%), ROI of 15%

- NEGATIVE: price structure in Russia, Uzbekistan, Ukraine and Kazakhstan, currency compensations in Russia, Uzbekistan, Ukraine

Key findings:

- Loss of market share in Central Asia and Eurasia → external constraints (political situation, currency issues) no longer in the hands of BioHealthy, depends rather on politics and fiscal markets, rethink price structure to hold market share

- Sustainability and ecological handling of production areas need to be optimized in terms of financial resources

- Fear of stock-out: supply chain and production problems need to be fought (switch to 3 shifts instead of 2), enter into negotiation talks with TOF to solve problems mutually

- Compliance guidelines need to be more present in the entire firm → otherwise severe penalty fees!

- Reduce parallel imports by overthinking pricing structures + enforce advertising campaigns

- New product developments in terms of innovation need to be started now, even if it costs a lot, because in 10 years BioHealthy might lose its market leading position

- Chinese market: either enter bribery or out → profit vs ethics! Solution: head of China is Chinese, has not same risk as German executives facing sentences, losing image

Below shown is the matrix model applied to BioHealthy within the managerial application phase:

Environment
Value Drivers
ecological cultivation of plants
low disposal of waste, waste and water
Green Building Certification for Europe
Annual Sustainability Report
all buildings run an renewable energy (wind, sun)
Value Destroyers
high costs of maintaning ecological standards
producing area as in Romania, Bulgaria, Moldawia difficult to control
quality of raw materials
Potential/Learning & Growth
seek balance between costs-benefits
train staff in the production according to BNO standards
different cultivation/wheather conditions demand for different treatment

Customers
Value Drivers
high customer satisfaction and loyalty
high ROI per customer
customer structure: pharmacies and doctors 50/50
Value Destroyers
if stock-out: customer immediately switches to other product/competitor
Potential/Learning & Growth
guarantee just-in-time delivery, optimize production flow and supply chain

Externals
Value Drivers
BNO is benchmark, closest competitor with same indication and portfolio still not reaching our standards
BNO is market leader in Germany and various eastern european countries
BNO possesses very good/solid market share in the cough and cold area in Germany and eastern european countries
Value Destroyers
government brings new regulatory obligations (e.g. prescription for OTC-products)
cartels in the Cannabis sector Europe-wide
parallel imports in Poland, Russia, Latvia, Bulgaria
very strict compliance guidelines regarding symposiums/faculty dinner for key opinion leader
setting up a compliance department (expensive, time-consuming)
muslim countries: Halal-Requirements difficult to meet (fish-gelatine does not have same stability as cow gelatine)
stability problems in Brazil, Mexico, South Africa, Saudi-Arabia, Iran, UAE
import stop in Belarussia
reregistration almost denie by authorities in China to protect local market (also bribery issues)
warehouse suppliers has difficulties in manpower and timely packaging and distributing BNO products
unstable political situation in Ukraine and Russia
unstable political situation in Brazil
distribution of bad word in Kazakhstan by researchers
Potential/Learning & Growth
meet new government requirements, make employees aware of changes
avoid entering in cartel-business

optimize pricing strategies in those countries
meet compliance guidelines, work out a compliance handbook
seek for approprpiate staff
ask for support from local Halal-expert
ensure steady cold chain transportation, buy special transportation container
avoid bribery in any case, re-think of market exit strategy
stock up workforce, make problem to all staff aware, run 3 instead of 2 shifts
take over employees and move them to the headquarter/close down subsidiary
wait for new elections at the moment, seek for local lobbyists
try to contact them and communicate research studies properly, take product from market

Corporate Values
Value Drivers
USP: receipt of SinoHealth unimitable, product has very high quality standards
branding of SinoHealth is one of the key success factors (long heritage, brand more than 115 years old)
extraordinary recognition value over all products
products stand for quality, effectiveness and immediate remedy and run completely on a natural basis
Value Destroyers
innovation capacity depends on financial resources (Chinese reregistration was very cost-consuming)
research&development of new products take almost more than 10 years (very time+cost-consuming)
Potential/Learning & Growth
look for financial resources to keep up innovation capacity
research&development needs to be started within 2017 in order to develop new products

Employees
Value Drivers
low absence ratio
high productivty
high level of satisfaction at work place (surrounding, flexible work hours, canteen runs on biological food)
benchmark salaries (attractive composition of fix and variable part), annual salary increases
bonus payment system depending on individual performance
highest paid leave days (30 - given minimum by government is 25)
staff development programs (BNO Excellence&Harvard Program, personal coaching, High Potential Program, Mentoring)
Value Destroyers
Personnel costs very high
high number of personnel working in the administration sector

Finances
Value Drivers
steady growth rate over the last 12 years (by 6-24 %)
high ROI
strong cash flow due to healthy revenue
high capital contribution from SinoHealth, BroHealth, CaHealth
still high rate of equity capital - no need for financing by banks or investors/outside creditors
high sales volume in the months of flu season
Value Destroyers
high tax rate
price structure of products in Russia, Uzbekistan, Kazakhstan and Ukraine not optimized
currency compensation for Russia, Uzbekistan and Ukraine very high each month
unstable currency rates in Russia, Ukraine, Kazakhstan
Potential/Learning & Growth
optimize price structure considering local purchasing power and competitors pricing
work out an optimized compensation plan related to actual sales each month
set up anchor rates

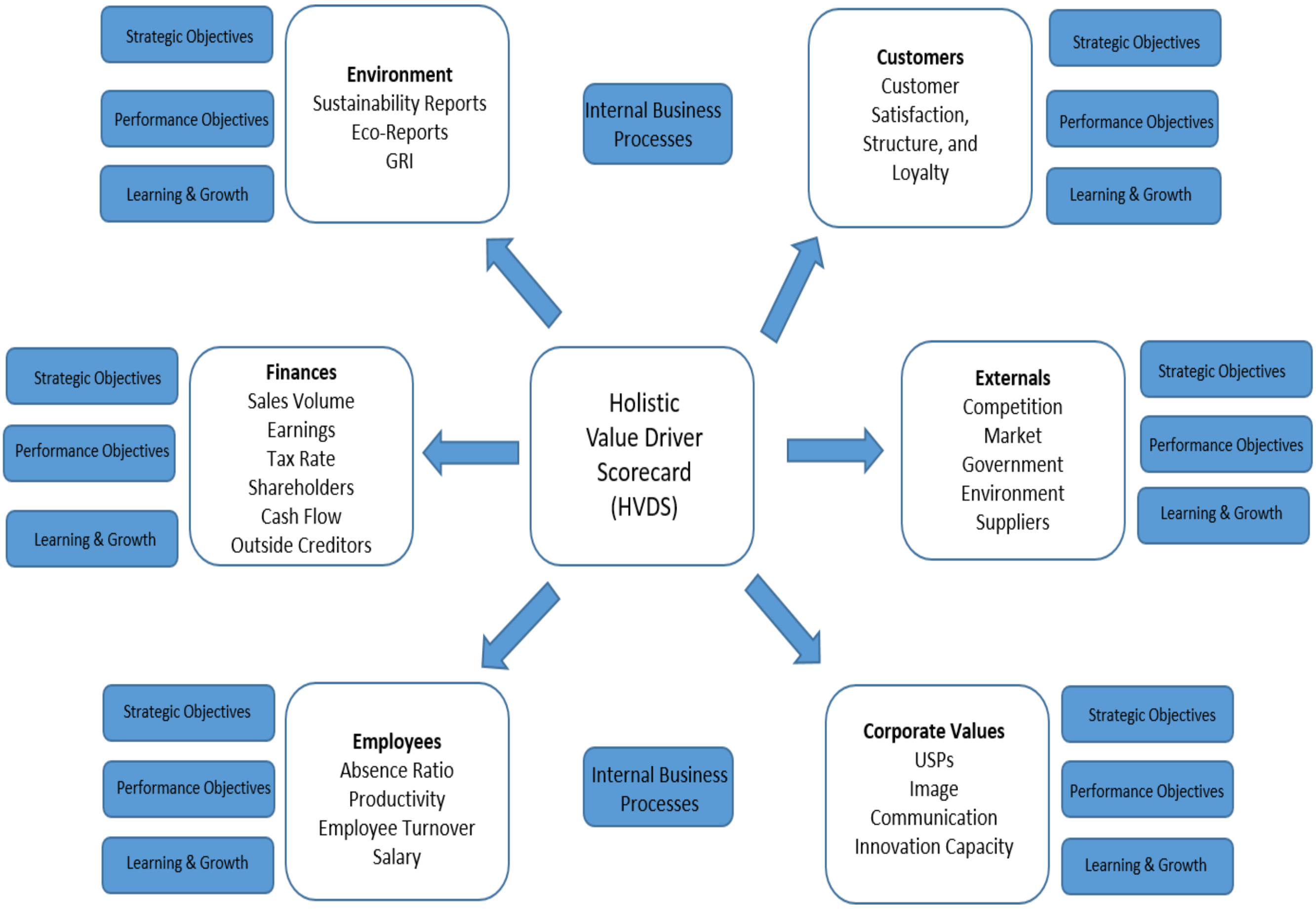
4.6 Reunification, conclusion and critical annotations

For a deeper understanding of a value-based management, the Balanced Scorecard is adapted, optimized and enhanced to the Holistic Value Driver Scorecard. In the opinion of the author, the traditional Balanced Scorecard is very much focused on financial parameters and is based on a Machiavellian view. Moral values and ethical, responsible measurements and instruments are not considered in the BSC. The BSC has an insufficient ethical value orientation. The problems of the BSC appear when it comes about applicability and implementation possibilities. Each firm has a unique corporate culture, structure, organization, and operates in different industries, regions and markets. It has different customer segments and a heterogeneous workforce. To balance all these differences, it primarily needs corporate objectives, which cover, satisfy and deflect all internal and external claims and activities. The guiding principle of increasing a firm's value must not focus solely on short-term financial measures. The firm must develop skills which maximize its resources and input factors and at the same time minimize its costs (Wellner 2001, p. 187).

The HVDS embraces and aims at a holistic value orientation in all relevant dimensions of a firm and sets the focus on value-creating processes instead solely on profits. It contains six dimensions. These dimensions ensure sustainability and longevity in a value-based corporate consensus.

To realize a successful implementation of the HVDS, it requires a precise definition of the vision, a mission statement and the determination of a strategy. The six dimensions are then based upon that. The dimensions are regulated, controlled and made measurable on the basis of their assigned key financial figures. The objectives of a firm are followed upon closely and rigorously. Each stakeholder and his claims are made visible by the figures, and how he can affect, increase and contribute to the firm's values. Within each dimension, the HVDS integrates learning and growth potentials, as it is the same in the BSC. The internal business processes are also an integral part of the HVDS. Thereby, it allows an integration of all strategic, operational, financial, market and resource-oriented, ethical and environmental conscious objectives.

Figure 8: Presentation and implementation of the HVDS, resource: own representation



CONCLUSION regarding the regulation and controlling of the HVDS:

The firm has to put its focus on value generators, which mostly secure the firm´s existence on a sustainable level. The strategic allocation of capital and the use of capacities like employees, resources, and capital require utmost consideration. This stands for the key value drivers of a value-based corporate leadership.

The shareholder value concept as the main component of the maximization of profits should be regarded as a regulatory instrument, but it cannot completely be transformed into successful practice as an idealized form. The concept of the shareholder value may not be considered as a ‘dogma’, but rather has to be supplemented by ‘soft’ factors in order to find a holistic approach that allows and enhances sustainable growth and productivity. This means that the concept of the shareholder value should be permanently subjected to a process of growth, learning and improvement in order to make a correct evaluation by using control and planning instruments.

It also allows a gradual approach to a holistic, all stakeholders comprehending-concept in terms of a value-based corporate leadership, says Brink (2000, p. 141). With regard to a value-based corporate leadership, not only the management style of a firm should be subject to ethical obligations, but the entire firm with all its employees and stakeholders as well. Through moral incentives and sustainable contributions, the management can bring a reward and incentive program into life, which transfers positively to the ethical responsibility of all stakeholders and encourages them to make their contribution (Rauschenberger 2001, p. 15-20).

The shareholder can contribute to a value-based corporate leadership by emphasizing his ethical commitment and by not only claiming his economic and financial rights, but also to call for compliances of moral duty. He should not only represent a good example as a leading figure, but also give an orientation guideline for all stakeholders who want to initiate and improve on ethical progresses. The shareholder should interpret his contribution as an 'ethical minimum obligation in the sense of commitment and do not describe an investment as ethics-free' (Brink 2000, p. 207).

The employee complies with a host of obligations that rely on the relationship with corporate management and the relationships among themselves. Values such as loyalty and reliability as well as the willingness to go all the way of a value-based corporate leadership in line with profit maximization and ethical standards should stand for as guiding principles. The employees do not only make their workforce available to the firm in return for a decent compensation, but also their willingness to act in the interests of the corporate objectives (Treffpunkt Umweltethik 2012).

The customer as a stakeholder of a firm makes his contribution to a value-based corporate leadership by communicating its ethical believes, values and needs and scrutinizing critically the maintenance of ethical standards in the production of goods. Products that were produced under environmental stress or do not meet ethical conceptions and guidelines should be avoided. Products and services that are produced under violation of human rights and immoral working conditions have to be avoided. The power competence and influence of a customer has to be regarded relatively, since the customer suffers from asymmetric information flows and often has no other alternative options (Treffpunkt Umweltethik 2012).

Regarding the stakeholder group of the environment, it is mandatory that they participate in an open and active dialogue and encouragement. In this way, society and public can participate, respond, engage and collaborate with the firm operations. The government must consider its obligation to provide an adequate infrastructure and taxation, incentives for investments and ensure safety and order (Brink 2000, p. 209).

It can be shown that a foundation for a value orientation is provided when each stakeholder holds an ethical responsibility within and for the firm. The differing interests of all stakeholders should be respected and implemented according to a balanced dimension by relevant decision-makers, without neglecting or injuring other interests (Brink 2000, p. 213). A value-based corporate leadership involves the claim to increase the alignment of all activities and processes based onto the economic productive purpose of corporate objectives, which is the long-term maximization of profits. According to Beecker (1996, p. 55), the valorization not only includes a profit maximization, often seen in the increase of shareholder value for listed firms, but also includes the satisfaction of all social claims and interests that go beyond legislative proposal and governmental regulations.

To measure profits in capital markets, theoretical concepts fall short against the criteria of return and risk, because the profit-oriented investor will not consider ethical relevant aspects as crucial. However, there is the risk by non-compliance of return and risk of bringing about an economically problematic decision and misallocation, accompanied with economic consequences. The ethical orientation, which should be seen in the long-term, can be difficult to measure and to be made visible through performance variables. The effort appears to be too high, and the selection criteria and ranking systems are difficult in having a common denominator. The interests of different stakeholders diverge and are in direct competition with other economic interests of the firm. It is necessary to establish a professional financial management system, which is provided with social, environmental and ethical guidelines, and which has a rational, responsible and sustainable focus in mind.

Considering a conflict between profit-orientation and business ethics that can occur, the investor must consider whether the trade-off between the two concepts is still profitable for him or not. Either he decides for a maximum financial performance in compliance with a minimum level of ethical boundary conditions, or he specifies a minimum financial level of performance, with a maximum of social and environmental performance. It is in the responsibility of each single investor, how and how much he wants to contribute to which concept and where he sees his preference and optimal balance. It is important to not lose sight of each concept. The superior concept should not be pursued at the expense of the inferior concept. A trade-off is only profitable, when both concepts derive a benefit from it and are not in competition with each other or increase costs and risks of the other concept or essentially neglect the interests of other stakeholders (Tebroke 2004, p. 130).

A value-based corporate leadership is not about making a surplus of profits, but rather about the long-term continuation of a firm and the life chances of future generations, says Brink (2000, p. 98-202). Economic as well as ethical criteria must be established and made measurable to obtain a holistic view. Surplus should be created if it benefits to the general welfare. Schmeisser et al. (2009, p. 4-5) say, that ethics will only gain full acceptance in a firm if it is justifiable and verifiable, and if their potentials are revealed in terms of a contribution to increasing the overall value of a firm. By a sensitive and transparent use of both concepts it is possible to implement a value orientation that is characterized by long-term and sustainable benefits (Sautter 2004, p. 26-29).

The development of the HVDS in chapter four combines all stakeholder claims. The claims of the stakeholder groups Customers, Employees, Environment, and Externals is brought in line with the profit orientation, in this case financial figures, as well as the ethical responsibility in a holistic approach. Based on the financial ratios, success can be made measurable in all six dimensions. By distributing on six different dimensions, the HVDS manages to successfully implement a balanced and sustainable, on longevity set value orientation in the firm, without neglecting an important component.

Figure 9: Table of the HVDS, resource: own representation

Environment

	Financial ratios	Objectives	Measures
Sustainability Reports	Number of certifications to ISO standards (for example 14001) or number of published sustainability reports	anchor sustainability in core business	implement sophisticated environmental management system, continuous self-controls, external audits
Eco-Reports	number of environment-related publications per quarter.	increase confidence from stakeholders, gain acceptance and license-to-operate	maintain transparent communication about pollutants, country of origina, materials used, production techniques, energy consumption, install ecology-oriented controlling measures
Global Reporting Initiative	implemented and used guidelines of a GRI code of practice per year.	make sustainability reporting standard a best practice	build up compliance guidelines

Finances

	Financial ratios	**Objectives**	**Measures**
Sales Volume	profit-turnover ratio: ordinary operating income / turnover * 100	increase sales	expansion, new business developments, price increases, cost reductions, strategic alliances
Earnings	return on total assets: profit / total assets * 100	effective use of capacities	cost reduction, savings
Tax Rate	local tax rate	keep low tax rate	use of sustainable and energy-saving production facilities, seek for governmental subventions
Shareholders	FCF = operating CF + CF from investments	increase shareholder value	focus on core competencies, innovation capabilities, value-creating processes
Cash Flow	revenues - costs	increase cash flow	long-term turnover growth, cost reduction, optimally balanced inventory and debtormanagement
Outside Creditors	total capital - equity	lower interest rates	maintain good liquidity and yield expectations, maintain healthy balance of capital structure

Employees

	Financial ratios	**Objectives**	**Measures**
Absence Ratio	number of absent/sick employees / total number of employees * 100	lower absenteeism	offer work-life-balance programs, leisure time, health programs
Productivity	output quantity / input quantity per employee	increase overall productivity	profit sharing programs, provisions and bonuses, motivation and incentives
Employee Turnover	number of employee-driven resignations / average workforce of employees	keep low employee turnover	build up long-term, relationships with employees, committment
Salary	industry benchmark	maintain recognition, committment and motivation	offer motivating performance compensations to attract skillful employees

Customers

	Financial ratios	**Objectives**	**Measures**
Customer Satisfaction	number of complaints on product A / total number of complaints * 100	customer at the center of all marketing activities	focus on his desires, needs and benefits
Customer Structure	clients between 30 and 50 years in the middle Franconian region / total number of customers in the Federal Republic of Germany * 100	clear identification of differing needs and habits	adaption of all marketing activities according to segmentation analysis, market research on segmentation
Customer Loyalty	repurchase rate customer A during period X	achieve high number of regular customers	maintenance of regular customer base

Externals

	Financial ratios	**Objectives**	**Measures**
Competition	own market share / market share of the strongest competitor * 100	gain more market share	increase sales, explore new markets
Market	sales / turnover potential / market potential * 100	increase market exploitation, penetration and volume	optimization of returns, increase sales and turnover volume
Government	taxes / earnings before tax (EBT) * 100	keep low tax rate	use of sustainable and energy-saving production facilities, seek for governmental subventions
Environment	kg/t of waste per product during a period	lower usage of raw materials, waste and energy consumption	thoughtful usage, use of modern production facilities and renewable energies and materials
Suppliers	delivery reliability of suppliers to all deliveries	just-in-time-delivery	maintain good relationship and compensation with suppliers, seek qualified suppliers

Corporate Values

	Financial ratios	Objectives	Measures
Unique Selling Propostion	profit/turnover * 100	focus on core competencies, competitive advantages, dynamic capabilities	ensure a unique and recognizable customer benefit (outstanding quality/services/handling)
Image	brand and/or firm recognition rate	build up corporate philosophy, commitment, reputation	be authentic, use word-of-mouth advertising, maintain loyalty
Communication	communication management costs	be open, transparent, understandable, authentic, seek communication with all stakeholders at any time	run regular internal and external surveys and journalistic polls, keep contact will local press
Innovation Cacpacity	number of patents issued per year connected to the respective turnover they generate after its market launch	achieve market leader, create innovative spirit among all employees	invest in R&D department, deliver enough capital for pursuing innovative business ideas and products

5 Contribution, limitation and outlook

The purpose of this research study is to provide a scorecard which helps to overcome areas of conflict between profit maximization and business ethics. The scorecard is given in the form of the HVDS. The HVDS serves as a managerial suggestion and as a contribution to the existing literature. The HVDS should serve as an impetus for the reciprocal condition of the economy and morality, which attempts to bring the market economy and the society and all its stakeholders closer together. Objectives such as value growth, profits, shareholder value, yield interests, corporate social responsibility, corporate governance and social responsibility have been defined, analyzed and scrutinized in this research study. The scorecard results in a harmonious combination of corporate values, environmental concerns, finances, customers, employees and externals to an equitable and balanced measurement instrument that can be customized and modified in every organization. The indicators serve for measurability and value orientation. The HVDS provides a way to design long-term entrepreneurial activities and decisions in order to operate sustainably and successful.

With the worldwide progressing capital market liberalization, a world financial market has emerged, which is not only open in a peripheral concept, but also hardly addresses sociopolitical and economic political issues. Consequently, competition on global financial markets is often a showdown between a few powerful organizations. From the economic and political side the concerns grow that the dangers, posed by rapidly expanding and gradually volatile financial markets, tend to be increasing. With great concern the speculative financial activities are observed, that by now equal ‘casino capitalism.’ In this way, markets become easy targets for speculative transactions, which they hardly can resist.

Regulatory measures cannot be only driven by economic policies, since these are mostly operated nationally and have their responsibility in their home countries. Regulations are too cumbersome and not efficiently enough to compensate for speculation-induced crises. Emerging markets play an increasing role. Most of these countries hold large mineral and fossil resources and reserves of petroleum and natural gas. India produces software products worldwide, China built up an impressive industry and trading sector, many innovations are accomplished there and the low wages make the country attractive for investors. But in these emerging markets it can more easily lead to destructive financial market instability than in developed financial markets, since there is a lack of political diversification and stability. Even small price changes have an immediate effect on the import-export-business and its order volumina. This in turn can affect an order volumina, which causes regionally limitations or global turmoils.

The three latter countries possess immense natural resources which contribute to the capital of the economy, but that capital usually stays in the hands of a few who are not free from corruption and money-laundering. Capital does not flow back sustainably to the country by investing in construction of schools, kindergardens, educational institutions, universities, infrastructure and hospitals, and sustainable projects for the environment. Some of these nations are politically instable, the majority of citizens do not have access to information and many have limited education. Those who have a certain level of education migrate to more sustainable and fast-growing economies such as Brazil, North America or Western Europe. On the long-term, there is little know-how available on which a sustainable, economic growth can be build upon. Essential know-how leaves these countries.

Although the emerging markets are not yet important in terms of volume and size, but among investors they count as highly volatile, promising quick profits. Especially in countries with large natural resources and commodities such as oil and gas, some still unexplored, investors put on their focus. But mostly the acquired assets of a short-term boost do not reach the country. Investors do not reinvest enough in education, research, infrastructure, schools and public facilities.

This raises the question of who feels socially responsible for the current global crisis and what consequences can be drawn from it, according to Maier (2012). The economic crisis in 2008 has revived the debate about the moral foundations of economic activities and decisions. A serious discussion of ethics should lead to conclusions for a responsible economic activity in a globalized world and contribute significantly to its sustainable implementation. The economy should serve the people and be of sustainable, long-term benefit. Schmeiser (2011) says, that this in turn requires an economy whose actors and firms think and act value-based.

The globalization of financial markets is one of the principal challenges of the concept of sustainable responsibility on the part of a firm`s management. Regarding supply and demand, national borders become gradually less important. This has the consequence that the free market will have more impact, that emerging and developing countries and their technical progress as well as the general liberalization will increasingly gain importance and influence ethical demands. The advantage of globalization is partly an increased standard of living, peacekeeping, free development of the individual and its personality and a generally higher level of prosperity worldwide (Brink 2000, p. 345). But globalization also comes with various disadvantages. Refuges of employments to low-wage countries and loss of investors and tax-payers in home countries are one of the negative outcomes of globalization.

The above mentioned financial and economic crisis has revealed the need for a balanced international framework for economic activities. In addition to the discussion of a more appropriate regulation of financial markets, the debate about global ethics must be deepened. The concept of sustainability can serve as a valuable compass (Lachmann 2006, p. 59). The finiteness of natural, human and technical resources forces, given the practical infinity of human wishes and demands, into a careful management of these shortages. The high division of labor and the principle free play of supply and demand in markets have brought a historically unprecedented level of prosperity. This market situation can maintain its performance only with intact competition. Competition is simply not a spontaneous herb, but a plant culture. Under such a care of the market, our economic system has proven itself very well.

Market and competitive economy also face the problem of a dichotomy of income distribution. Economic ethical standards in times of globalization should not only include the self-interest of each individual, but also provide an order in which the public interest is paramount, without neglecting the needs of others.

The increased importance of the shareholder value also corresponds to an increased corporate value, which in turn means that this represents an added value for all stakeholders. With the concept of the stakeholder value, the firm may achieve the optimal but not the maximum profit. With the shareholder value, the question is at whose expense profits will be realized? Is longevity and sustainability secured? It would be interesting to investigate how much the ‘gap’ between the optimal and the maximum value represents. What is the critical margin here? Management incentives to motivate the implementation of a sustainable growth program are crucial. Participation programs that bind the employee and do not seek a short-term payout at the end of the year are to focus on. By doing so, the manager has an incentive for the long-term increase of corporate values, according to Schoenheit (2012).

To do justice regarding a value-based corporate leadership in the areas of conflict between the concepts of profit maximization and business ethics, it requires a holistic approach that tries to bring both concepts in line without impairing stakeholder interests of one or more stakeholder groups severely. A holistic value orientation also requires an ethical awareness of the management, which may launch a new corporate culture and can lead to an increased participation and influence of society on productive capital. Brink (2000, p. 361) says, that an 'ethical idealism and efficient ideality' corresponds to a value orientation in the management and should be integrated into corporate management. The combination of sustainable and efficient concepts towards a holistic, value-based corporate leadership in the form of the HVDS requires a regulative idea that, as a motor and initiator, links not only theory and practice, norms and standards, but also harmoniously puts dichotomies together so that both concepts legwork each other and can be realized approximately. A value-based corporate leadership in the form of the HVDS is to initiate entrepreneurial transformations, which pulls a sustainable progress.

The strategy and vision provide the direction in which a firm must direct all its activities. The entrepreneurial activities consist of a web of interactions, consisting of opportunities, risks and chances as well as the innovation capacity. As a result, a surplus for the firm, for society and the environment must be created. The firm is regarded as a learning institution (Schoenheit 2012). A firm must succeed to ensure credibility of its social commitment, which can be realized if business ethics are implemented in corporate strategies as an inherent principle and if the general public recognizes and supports these efforts (Müller-Christ & Rehm 2010, p. 153-154; Lachmann & Haupt 1991, p. 8). Lachmann starts from the proposition that the government action has an impact on the moral or the ethos of the society and therefore demands to put the governmental framework so that the individual is not ethically overwhelmed, but is encouraged and competent to ethical behavior.

To practice business ethics in the capital market it requires long-term rethinking. It requires not only voluntary contributions, which vary according to sector, region, nation and firm, but 'clear laws and penalties that enforce compliance with the ethics prescribed by the society' (Gerke 2005, p. 19; Lachmann & Brohl 1993, p. 11). Each individual should ask himself, how he deals with his economic activity regarding a good environment. Especially economists are asked to identify interdependencies between the economy and ecology. The source of decisions must always be based on values out of which all other choices and decisions emanate and from which the objectives and strategies are derived. The well-known expression in terms of social responsibility comes from Milton Friedman: 'The social responsibility of business is to increase its profits' (Friedmann 1970). Without money there is neither investment nor contribution to ethical behavior, ethical guidelines or corporate social responsibility. To economize profitably and to gain profits is one of the ultimate objectives of any enterprise. However, there is an inherent ambivalence of a mutual condition of economy and moral, which is reflected in the market economy and in the economic middle class. Nowadays, increasingly more firms are involved in terms of social responsibility and proper corporate leadership. Monetary and material donations are made available for public institutions, voluntary work or free services. This kind of self-understood, social engagement is becoming increasingly popular in public. As a result, the firm does not only demonstrate its social responsibility, but also improves its image in the long-term. But is this sufficient to withstand a value-based corporate leadership in the areas of conflict between profit maximization and business ethics? A firm must not only meet its moral obligations with respect to its customers, employees, suppliers and other stakeholders, but also comply with ecological, environmental, labor and human right standards in a satisfactory degree. This attitude is justified in the argument that firms are necessarily dependent not only on operating profitably, but gaining societal and socially acceptance, which secures their economic actions as legitimate ones. In other words, it is also spoken of a ‘license to operate’ (Heidlbrink & Hirsch 2008, p. 83). A successful corporate management has to go hand in hand with the concepts of profit-orientation and a moral commitment of the firm. A moral commitment strengthens the foundation of legitimacy for any entrepreneurial activity.

To stimulate further research, the author proposes to look more closely to the embeddedness as a nexus between theoretical perspectives for the study of social entrepreneurship. As earlier mentioned, social entrepreneurship integrates an economic and social value creation. While ‘entrepreneurial phenomena primarily aiming at economic development have received at great amount of scholarly attention, entrepreneurship as a process to foster social progress has only recently attracted the interest of researchers’ (Busenitz, West III, Sheperd, Nelson, Chandler & Zacharakis 2003).

Regarding recommendations for further research, the author emphasizes to look at how value exactly is created in a firm, how it can be detected, developed and maintained. Value creation and development are one of the key success factors of any sustainable success in a firm. Researchers should pay attention to the wide range of different values in firms. Also the question of how to deal with intangible assets and their contribution to value creation, growth and performance should be looked at.

Corporate growth has also been one of the keystones of managerial thinking. External growth through mergers and acquisitions has been a favorite tool to contribute to the overall growth, but this was mostly due the stagnation of internal growth. Therefore, future research should pay attention on how internal growth can be accomplished.

Due to the growing anti-globalization movement, issues regarding business ethics and social responsibility are raised which become increasingly important for firms. Societal questions need to be answered. Sustainability and responsibility subjects are also being presented in a growing amount and variety of publications. However, most of these publications ignore the holistic and dynamic framework within which a manager can really attain an overall understanding of and find possible alternatives to the issue of corporate growth. Social responsibility, sustainable development and growth are deeply entangled.

Corporate governance, despite the fact that a lot research has been done about this term, still does not have an adequate determination. In order to incorporate governance in a broader context, future research should emphasize different aspects like shareholder versus stakeholder approach, power and its proper handling, confidence, responsibility, accountability and trust as well as the interests of the firm.

Strategy and risk management should further be researched, given the economic, competitive and other pressures faced in our times. The RBPM approach is considered to meld strategy and risk management into a single, incorporated framework, rectifying the shortcomings of managing both strategy and risk in isolation. Shortcomings include failing to articulate, and therefore manage, the key risks associated with the delivery of specific strategic objectives. This means to not align the firm's appetite for, and exposure to, risk with those objectives. This does not mean that the RBPM approach and its advances made in recent years in formulating and evolving strategy management frameworks and risk management standards and frameworks have been disregarded or discharged. On the contrary, the RBPM framework and methodology were deliberately designed to form on existing strategy and risk management frameworks and best practices, drawing on the best from both. RBPM tugs together into a holistic method the best of leading-edge strategy management practices, most notably the Balanced Scorecard, and Enterprise Risk Management frameworks.

Also performance measurement needs further research. Firms need to develop measures or indicators to assess their performance most accurately. These measures are expected to guide business managers´ decisions. Through such a measurement system, the firm can communicate how it wants its objectives to be transformed into measurable success. The Balanced Scorecard served as a useful instrument to assess organizational effectiveness.

Intangible assets are becoming progressively dynamic to firms, following the global shift from an industrially powered economy towards a knowledge-based one. With the stage set for competition to be largely based on intangibles, these assets become a critical resource for firms keen to build competitive advantage. As firms move towards becoming more knowledge- and information-based, intangible assets will include a significant percentage of the overall value of businesses. The concept of intangible assets is not always well defined (Marr and Chatzkel, 2004). According to Epstein and Mirza (2005), intangible assets are non-financial assets without physical substance, held for use in the production or supply of goods or services or for rental to others, or for administrative purposes, which are identifiable and controlled by the firm as an outcome of past events, and from which future economic benefits are expected to occur.

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