

THE IMPACT OF THE BALANCED SCORECARD ON MANAGERIAL DECISION MAKING

Mini-dissertation by

WEIHAN SUN

Submitted in partial fulfilment of the requirements for the degree

Magister Commercii in Financial Management

in the
Faculty of Economic- and Management Sciences
at the
University of Pretoria


Supervisor:

Dr. E. du Toit

July 2013

DECLARATION OF ORIGINALITY

1. I understand what plagiarism entails and am aware of the University's policy in this regard.
2. I declare that this assignment is my own, original work. That all sources used / quoted have been indicated and acknowledged by means of a complete reference system.
3. I did not copy and paste any information directly from an electronic source (e.g., a web page, electronic journal article or CD ROM) into this document.
4. I did not make use of another student's previous work and submitted it as my own.
5. This mini-dissertation was not previously submitted for a degree at another university.

Signature: 

Date: 23rd July 2013

ABSTRACT

The purpose of this study is to determine whether the Balanced Scorecard provides guidance to managerial decision making in Company M.

The impetus for this study came from the observations within Company M which is in the process of completing a restructuring programme. Several areas have already completed the transition. Performance measurement has become a crucial factor under the new structure and managers are making use of the Balanced Scorecard to evaluate performance, this begs the question: “ Does the Balanced Scorecard provide effective guidance to managerial decision making? “

To facilitate an objective and effective analysis of the proposed research an extensive literature review was conducted. The Balanced Scorecard is defined, the evolution of the Balanced Scorecard was observed and the preference for the uses of the Balanced Scorecard was examined in detail. This should provide a fair overview of the functionality of the Balanced Scorecard and the intended purpose it was designed to fulfil.

However the literature review does not look at any specific company in detail therefore in order to investigate further from the findings of the literature review an empirical study was conducted.

The research method used in the research design was a case study; the results were both structured and quantitative. The case study is purely focused on the management and operating activities of a single company (Company M). Therefore the results of the practical research should not be associated with any other company. From a theoretical perspective, the research was conducted in the form of a desktop analysis of literature content ranging from: case studies, existing research papers and published articles. For the empirical study a survey was used to gather information by the distribution and completion of a questionnaire to individuals at all levels of management within the company.

The population size was small and consisted of only managerial staff within the target company. The actual size of the sample was determined by the statistical relevance of the number selected. The data acquired from the survey is processed into graphical illustrations which are then interpreted and a conclusion was drawn.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank Dr E. Du Toit for her continuous involvement in guiding me towards the completion of this dissertation. She dedicated a large amount of her time to assist me with both the administration of the dissertation process as well as the professional academic support that was needed.

Furthermore I would also like to extend my thanks to Mrs R. Owens for her timely and accurate statistical assistance for the empirical study, Ms E. Marx for her diligent editing and Mr A. Wagenaar for proofreading the material.

LIST OF ABBREVIATIONS

Balanced Scorecard	BSC
Executive	Exec
Head of Department	HOD
Human Resources	HR
United Kingdom	UK
United States	US

TABLE OF CONTENTS

DECLARATION OF ORIGINALITY	i
ABSTRACT	ii
ACKNOWLEDGE	iv
LIST OF ABBREVIATIONS	v
TABLE OF CONTENTS	vi
LIST OF TABLES	x
CHAPTER 1	1
Introduction and Background	1
1.1 Background	1
1.2 Problem Statement	5
1.3 Purpose Statement	5
1.4 Research Question	6
1.5 Research Objectives	6
1.6 Importance and Benefits of the Proposed Study	6
1.7 Delimitations	7
1.8 Assumptions	8
1.9 Definition of Key Terms	8
1.10 Outline of Chapters	10
1.11 Summary	10
CHAPTER 2	12
Research Methodology	12
2.1 Introduction	12
2.2 Research Paradigm / Philosophy	12
2.3 Research Design	13
2.4 Research Approach	14
2.5 Research Method	14

2.5.1	Population Size and Target Samples	15
2.5.2	Sampling Method.....	16
2.6	Research Analysis and Pre-Testing	17
2.7	Assessing and Demonstrating the Quality and Rigour of the Proposed Research Design.....	17
2.8	Research Ethics	18
2.8	Summary.....	19
CHAPTER 3		20
History of the Balanced Scorecard and the Basic Theory Behind Its Use		20
3.1	Introduction	20
3.2	History of the Balanced Scorecard.....	20
3.2.1	Basic Concepts of the Balanced Scorecard.....	20
3.3	The Balanced Scorecard and Its Four Perspectives	21
3.3.1	The Customer Perspective	22
3.3.2	The Internal Process Perspective.....	23
3.3.3	The Learning and Growth Perspective	25
3.3.4	Financial Perspective	26
3.4	Criticisms of the Balanced Scorecard	28
3.4.1	Challenge One.....	29
3.4.2	Challenge Two.....	30
3.4.3	Challenge Three	31
3.5	Summary.....	33
CHAPTER 4		34
The Practical Use of the Balanced Scorecard.....		34
4.1	Introduction	34
4.2	The Practical Use of the Balanced Scorecard – Results from Existing Research.....	34
4.3	Who participated and what was their knowledge level of the BSC?	35

4.3.1	Reported role of users of the Balanced Scorecard?	36
4.3.2	What is the Balanced Scorecard used for?.....	37
4.3.3	Business Reporting Frequency.....	37
4.3.4	Who designed the Balanced Scorecard?.....	38
4.4	Summary of Theoretical Findings.....	39
CHAPTER 5.....		41
EMPIRICAL FINDINGS.....		41
5.1	Introduction	41
5.2	Survey Investigation.....	41
5.3	Empirical Results by Question	43
5.3.1	The reported role of the respondents	43
5.3.2	The number of years that individuals have held their current role and their previous engagement with the Balanced Scorecard.....	45
5.3.3	How knowledgeable are these individuals about the Balanced Scorecard?	46
5.3.4	How was the Balanced Scorecard designed	47
5.3.5	How is the Balanced Scorecard used in “Company M”?	48
5.3.6	What is the business reporting frequency at Company M?.....	50
5.3.7	How valuable is the Balanced Scorecard perceived to be in the departments of the respondents?	51
5.3.8	Impact of the Balanced Scorecard on decision making	53
5.3.9	Who is responsible for managing your Balanced Scorecard?	55
5.3.10	How important are the different perspectives in the Balanced Scorecard for Company M?	55
5.4	Summary.....	56
CHAPTER 6.....		57
CONCLUSIONS AND RECOMMENDATIONS		57
6.1	Introduction	57

6.2 Recommendations	58
REFERENCES.....	60
APPENDIX A: Cover letter for survey.....	67
APPENDIX B: Survey Template.....	69

LIST OF TABLES

Chapter 1

TABLE A:	THE TOP 10 MANAGEMENT TOOLS BETWEEN THE PERIODS 2008-2010	4
TABLE B:	DEFINITION OF KEY TERMS	9

Chapter 3

TABLE C:	THE FOUR PERSPECTIVES OF THE BALANCED SCORECARD	27
----------	---	----

Chapter 4

TABLE D:	KNOWLEDGE LEVEL OF RESPONDENTS	35
TABLE E:	EXPERIENCE LEVEL OF RESPONDENTS	36
TABLE F:	USES OF THE BALANCED SCORECARD	37
TABLE G:	BUSINESS REPORTING FREQUENCY.....	38
TABLE H:	DESIGNING THE BALANCED SCORECARD.....	39

Chapter 5

TABLE I:	SURVEY INVESTIGATION:.....	41
TABLE J:	KNOWLEDGE LEVEL PER MANAGERIAL RANK	47
TABLE K:	HOW VALUABLE IS THE BSC PERCEIVED TO BE AS COMPARED TO THE KNOWLEDGE DEPTH OF THESE INDIVIDUALS	52
TABLE L:	WHO IS RESPONSIBLE FOR MANAGING YOUR BALANCED SCORECARD?	55
TABLE M:	HOW IMPORTANT ARE THE DIFFERENT PERSPECTIVES IN THE BALANCED SCORECARD FOR COMPANY M?	56

LIST OF FIGURES

Chapter 3

FIGURE A: BALANCE SCORECARD AS A PERFORMANCE MEASURE.....	22
FIGURE B: CAUSE AND EFFECT FLOW OF THE BALANCED SCORECARD.....	30

Chapter 5

FIGURE C: THE REPORTED ROLE OF RESPONDENTS	44
FIGURE D: THE NUMBER OF YEARS THESE INDIVIDUALS HELD THEIR MANAGERIAL POSITION AND IF THESE MANAGERS HAVE PREVIOUSLY UTILISED THE BALANCED SCORECARD	45
FIGURE E: INDIVIDUAL KNOWLEDGE ABOUT THE BALANCED SCORECARD	46
FIGURE F: WHO DESIGNED THE BALANCED SCORECARD AND WHO MANAGES THE BALANCED SCORECARD?.....	47
FIGURE G: HOW IS THE BALANCED SCORECARD USED IN “COMPANY M”?	48
FIGURE H: WHAT IS THE BUSINESS REPORTING FREQUENCY AT COMPANY M?.....	51
FIGURE I: HOW VALUABLE IS THE BALANCED SCORECARD PERCEIVED TO BE IN YOUR DEPARTMENT?	52
FIGURE J: IMPACT OF THE BALANCED SCORECARD ON DAY-TO-DAY DECISION MAKING .	53
FIGURE K: IMPACT OF THE BALANCED SCORECARD ON LONG-TERM DECISION MAKING ..	54

CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1 Background

“An ounce of performance is worth pounds of promises.”

Mae West

Since man started entering into transactions, men and women across the world promised to deliver goods and services but most of the time failed to do so. The cause of this discrepancy is often referred to as over-promise and under-deliver (Covey, 2008:2). The reason why so many people under-deliver even when technology is at a focal point in today's age is the fact that many workers fail to conduct performance management evaluation. The absence of performance evaluation management leads to a lack of accountability; regardless of promises made. There are no consequences for the promise makers to follow through on delivery if they know their performance will not be measured.

The short quote from Mae West speaks volumes in today's business environment. The reality of today is that anyone in a professional environment has been fooled at least once by empty promises that ultimately led to a lack of delivery. People respond to incentives in today's working environment, big bonuses and rewards create substantial incentives to drive individuals to overpromise and under-deliver (Levitt & Dubner, 2005). The problem with this is not only the lack of delivery, but more importantly the lack of corrective action such as training and performance appraisals that should follow after a failed endeavour. Failure to take corrective action on activities that are likely caused by bad performance measures, leads to poor decision making (Bond, Goldstein & Prescott, 2009).

During the 1980s, analysts argued the viability of financial measures as the only form of organisational performance. Chakravarthy (1986) argues that traditional profitability measures assesses only past performances and that long-term strategic performance require forward-looking measures. According to Eccles (1991), argued

that figures generated from accounting systems fail to support investments in customer centricity, technological development and internal structural design. In 1990, Dr Robert Kaplan of the Harvard University in the United States (US) raised the concern that financial measures alone provide the least amount of insight into an organisation's potential to deliver continuous growth. Kaplan sought out Dr David Norton, a well-known management accountant, to conduct a research study in order to determine the best practices in performance measurements by major US corporations.

In 1992 Kaplan and Norton published "The Balanced Scorecard – Measures that drive performance". This research paper described how a Balanced Scorecard (BSC) can assess the activities of both tangible and intangible assets of an organisation (Kaplan & Norton, 1992:70).

Current performance measurements, based on internal financial data are described as obsolete and unresponsive to the activity of an organisation (Kaplan & Norton, 1992:74). The intent behind the BSC was to move organisations away from only using financially bias(ed) measurements to a more holistic approach that integrates four perspectives of an organisation's success: customers, quality and quantity of internal operations, financial monitoring and learning and growth. The BSC framework has evolved over time from a multi-perspective performance measurement system to a complex strategic management and control system (Kaplan & Norton, 2006).

Over the past 20 years there has been a revolution of performance measurement techniques and frameworks, The Balanced Scorecard can be considered to be one of the most popular, Weller (2006) reports that more than 700 US organisations have active users of the BSC framework. An active user is defined as a company that uses financial and non-financial measures to manage progress on strategy and performance.

The first book by Kaplan and Norton (1996a) has been translated into more than 18 languages (Cardemil-Katunarcic & Shadbolt, 2006). The BSC concept has received

much praise (Porter, 1996) and a great deal of usage in the private, public, and non-profit sectors.

However not all academics and professionals accept the BSC. During the last 15 years there have been numerous criticisms on the BSC framework (Neely *et al.*, 2006). Many of the earlier criticisms of the BSC focus on the causal link between the four perspectives (Norreklit, 2000:65). Kaplan and Norton (1992, 1996a, 1996b & 2006) argue that the four perspectives are interlinked and provided an example where a training program developed to improve employee skills (learning and growth perspective), will result in improved customer service (internal process perspective) and therefore yield higher customer satisfaction.

Other challenges refer to the choice of specific measures to report (Eagleson & Waldersee, 2000) as well as the reason behind cluster-grouping all measures into four perspectives. Kaplan and Norton (1992) dismiss this criticism by stating that some organisations may need more than four perspectives or that the perspectives must be named differently and modified to meet the needs of the organisation or industry. One of the most recent criticisms against the BSC is that it is too simplistic and not really balanced (Pickard, 2006).

Despite both widespread acceptance and criticism of the Balanced Scorecard, it can still be regarded as one of the most widely-used management tools. This is illustrated in table one.

Table A: The top 10 management tools between the periods 2008-2010

Ranking	2008	2010
1	Benchmarking	Benchmarking
2	Strategic Planning	Strategic Planning
3	Mission and Vision Statements	Mission and Vision Statements
4	Customer Relationship Modelling	Customer Relationship Modelling
5	Outsourcing	Outsourcing
6	Balanced Scorecard	Balanced Scorecard
7	Customer Segmentation	Core Competencies
8	Business Process Reengineering	Change Management Programs
9	Core Competencies	Strategic Alliances
10	Mergers and Acquisitions	Customer Segmentation

Source: (Bain & Company, 2010)

Table A illustrates trend changes between 2008 and 2010. The top six management tools remained unchanged. However, there are significant changes in the remaining four management tools. It is quite clear, post the global economic meltdown of 2007/8, that companies are focusing more on core business. The absence of Mergers and Acquisitions in the list for 2010, demonstrates the effect of the global economic crisis and the decrease in interest of inorganic growth and the safer play on core business development where capital outlay is substantially lower.

Although the BSC remained sixth it is still regarded as one of the most valued measures. According to Bain & Company (2010) performance management is now regarded as a top priority in many companies, especially in companies that are on the road to recovery. The trend is shifting from companies in developed economies to companies in emerging markets. Iwanicki & Titherington (2011) believe most developed market trends take an approximate three to five years to appear in emerging markets in depth should the market chooses such a path.

1.2 Problem Statement

The BSC was created as an approach to translate strategy into deliverable actions and to assess the activities of both the tangible and intangible assets of a particular company (Kaplan & Norton, 1992, 1996a & 2004). There is little empirical evidence that suggests the balanced scorecard will guarantee improved performance. According to Weller (2006), companies that make a decision to use the BSC make that decision based either on management's previous experience or by taking a risk without understanding the performance impact that this management tool had on other companies.

This study proposes to make use of a review of existing literature to analyse the impact that the BSC has had on managerial decision making within companies. Pragmatic survey research will be conducted amongst managers in a South African company. The findings from the survey will be compared to existing research from other countries. This will potentially yield trend shifts that are likely to occur in the transition from developed economies to emerging economies.

1.3 Purpose Statement

It is stated that the BSC translates an organisation's mission and vision into a comprehensive set of performance measures, which provides the framework for strategic measurement and management (Kaplan & Norton, 1996c & 2001). **The purpose of this research study is to determine the impact that the BSC has on managerial decision making and also whether a preference exists for the use of the BSC amongst managers in a South African company.** The study will focus primarily on the use of the BSC in the financial service industry and the impact this framework has on managers in their long-term as well as day-to-day activities.

1.4 Research Question

After two decades of BSC evolution with many successful and, undoubtedly, unsuccessful implementations in various companies, it is important to understand the impact this framework has on the performance of a company. Decision-making should be based on existing performance in order to set realistic targets and manage discrepancies more efficiently. Therefore the research question can be stated as:

Does the balance scorecard impact on managerial decision making?

1.5 Research Objectives

To answer the research question, the following objectives will be targeted in the research:

- To analyse the history behind the BSC and how it can influence decision making.
 - This involves identifying the impact of the BSC on decision making from existing research.
- To conduct a pragmatic research on the impact of the BSC on managerial decision making in an existing company in South Africa.
 - This involves in comparing the findings from survey results with existing research.

1.6 Importance and Benefits of the Proposed Study

This study is significant because there is an industry trend in the financial services sector that focuses on improving performance in the South African market. After the global economic meltdown of 2008, many countries are on the way to recovery. As the biggest economy in Africa (Mundi, 2013) it is essential for companies in South Africa to take charge and set a reputable example for other African countries. This is especially true in companies which have a strategic intention to expand into other African countries. Good performance is a primary driver for organisational success;

therefore it is important to understand how performances should be measured and how decisions are made because of chosen performance measures.

The research study is be split in two parts: part a) is an evaluation of existing research; and part b) consists of a survey questionnaire distributed to managers within a South African company in the financial services industry. The findings from the existing research will be compared to the survey results in order to provide a more justified conclusion to the proposed research question.

1.7 Delimitations

The proposed study will primarily focus on surveying a selected group of working professionals ranging from management consultants to executives. The aim of the survey is to extract evidence whether managers:

- a. actively use the BSC;
- b. have acquired at least an intermediate understanding of the BSC; and
- c. have a preference for the BSC, which contributes significantly to their decision making.

There is a lack of existing research on the Balanced Scorecard in South Africa; therefore there will be a constant reference to authors from the United Kingdom and the United States. This is due to the invested interests from authors in these regions on the chosen topic and thus presents this research with a vast amount of information to analyse.

The geographical range of the study will focus on a company in the Johannesburg Central Business District. This company have been in operation for more than 180 years, and is still regarded today as one of the top performing companies in the industry. The company hosts a wealth of experienced managerial staff from various backgrounds. This ensures that the participants of the survey are experienced and have sufficient management experience and skills.

Due to the nature of the research, a controlled volume of data is collected and a reasonable amount of face-to-face time with respondents is invested.

The literature review aims to provide an understanding of what a BSC is, how the BSC is used and the theoretical argument is presented on how it impacts managerial decision making (based on previous research).

1.8 Assumptions

There are three assumptions being made in the study and they are described below:

The first assumption in this study is that respondents of the survey have some form of professional knowledge on the BSC and they have used one during the period they served in management.

The second assumption is that the surveys will be answered with integrity by the respondents.

The third assumption is that respondents will return the surveys within a reasonable time so that analysis can be performed on the data within time.

1.9 Definition of Key Terms

The key construct of this research is the Balanced Scorecard and the four perspectives as they translate into strategy implementation and the action of an organisation. It is assumed that finance professionals understand the basic terms (e.g. mission and vision, strategy, targets).

Table B: Definition of Key Terms

Table B contains a brief yet informative definition of these terms. The description of the BSC concept will be provided in the literature review.

Term	Definition
Deliverable	A deliverable is an adjective, describes something that can delivered, such as product or service. (Kaplan & Norton, 2001).
Mission	The mission is a statement that communicates values and beliefs to the employees and other stakeholders. (Kaplan & Norton, 2001)
Organisational performance	An analysis of a company's performance as compared to goals and objectives. (Eccles, 1991)
Sarbanes Oxley	The Sarbanes Oxley Act of 2002 is mandatory, ALL organisations, large and small, MUST comply (www.soxlaw.com)
Strategy	Strategy is the determination of the basic long-term goals and objectives of an organisation and the acceptance of action and allocation of resources needed to meet the goals (Christensen <i>et al.</i> , 2008)
Targets	Targets describe a level of achievement that require the commitment of a total organisation and require linkages to goals and initiatives to make the achievement possible for all people in an organisation (Kaplan & Norton, 2001).
Vision	The vision provides a picture of the future that clarifies the direction of an organisation and helps individuals understand why and how they should support an organisation (Kaplan & Norton. 2001)

1.10 Outline of Chapters

Chapter 1 Introduction and background

The introduction, background and the purpose of the study is laid out in this chapter.

Chapter 2 Research Methodology

This chapter outlines the methods used to conduct the empirical research, the design of the research and how the research objectives will be achieved.

Chapter 3 History of the Balanced Scorecard and the basic concepts

This is the first section of the literature review and covers the history, concepts and criticisms of the BSC.

Chapter 4 The practical use of the Balanced Scorecard

This is the second section of the literature review and provides an overview of existing research on the practical use of the Balanced Scorecard.

Chapter 5 Analysis of Results

The results acquired from the survey questionnaire are discussed.

Chapter 6 Conclusion and Recommendations

Recommendations and conclusions of the study are summarised in this chapter.

1.11 Summary

It is difficult to imagine any organisation that does not prioritise performance measurement. Bad time management and a lack of qualified personnel resulted in poor judgement and questionable strategic decisions.

However, organisations that do conduct performance evaluation generally tend to measure only financial performance. According to Ittner & Larcker (2000) financial data have various limitations if it is the sole measure of an organisation's performance. Choosing performance measures has become a challenge. Performance measurement systems have a key role to play in the development of strategy, by evaluating the achievement of organisational objectives and rewarding employees. (Ittner & Larcker, 2000).

The purpose of this study is to assess the influence of the Balanced Scorecard on managerial decision making by comparing existing research results to findings from a practical survey research.

CHAPTER 2

RESEARCH METHODOLOGY

2.1 Introduction

The goal of this research study is to answer the stated research question: Does the balance scorecard positively influence managerial decision making? The research question explores the structure and uses of the performance measure in a South African company (forthwith known as Company M). The nature of the research question requires a large amount of field time engagement with the chosen company, a task that is best achieved using a combination of the case study method and surveying (Yin, 1997). A case study approach is an ideal methodology when a holistic, in-depth investigation in a particular company is needed (Feagin, Orum & Sjoberg, 1991).

2.2 Research Paradigm / Philosophy

The research aims to measure the frequency of BSC use and how the scorecard is generally utilised specifically in Company M. Once these metrics are established can it be used to assess the amount of impact the BSC has on managerial decision-making? The theoretical research relied on the findings from the annual survey conducted by 2GC. The empirical research will be investigated by means of a survey questionnaire. The questionnaire is given to the respondents by hand and completed under supervision.

The questionnaire, attached as Appendix A, contain primarily multiple choice questions with a ranking given to certain options. The questionnaire consisted of 13 questions.

In this chapter, the research design, approach and methods of data collection is discussed. The empirical results are presented in Chapter four.

2.3 Research Design

Research is defined as the systematic process of analysing, collecting and interpreting information (data) in order to increase an individual's understanding of a specific phenomenon (Leedy & Ormond, 2005). The research question is the axis around which a whole research project revolves. The research design should address the research problem.

Tustin, Lighthelm, Martins and Van Wyk (2005:82) stated the following: "A research design is the plan that must be followed to realise the research objective, and it represent the core of the study that provides specific methods and processes for collecting and analysing the required information. A research design is created based on the research purpose, the research questions and the data collection methods that are to be used. This study incorporates the methods prescribed by the descriptive research approach, which can be defined as follows:

Descriptive research studies are constructed to answer the "what?", "when?", "where?", "who?" and "how?" questions. The research methods used are both structured and quantitative. Face-to-face interviews, intercept surveys and on-line qualitative surveys are the common approaches for this type of research (Tustin *et al.*, 2005:84).

In this study, a supervised survey questionnaire was used to gather information. The information is then collected and analysed by a statistician. The next step is to use the results from the survey to build a case where the survey results are compared to the findings from the literature review. The questions within the questionnaire are structured in a way to clearly determine the "who?", "what?", "where?", "when?" and "how?" that are required by a descriptive research study. Therefore the research design complies with the above requirements and can be classified as a descriptive research design, using a survey approach.

2.4 Research Approach

Post the setting of the research objective, the next step is to decide the questions that need to be included in the questionnaire to satisfy the objective. The questions can be categorised into three groups:

- Generic questions about the respondents: These questions are designed to gather the working and managing experience of the respondents (i.e. questions relating to the duration of service within the current management role can be asked, the longer the duration the more experienced the respondent).
- Secondary questions: These questions speak to the knowledge-level of the respondents with regards to the topic of this research study (i.e. questions relating to how well the respondent knows the BSC, are asked and respondents that answer the question as “extremely knowledgeable” are expected to complete the questionnaire with ease).
- Primary questions: These are questions designed to specifically address the research objective. (i.e. if the objective is to find out how much impact the BSC has on managerial decision-making a good question is to ask whether the respondent use the BSC for long-term performance analysis?).

All three types of questions are used in this study.

2.5 Research Method

This section provides an overview of the investigation method used in this study. It begins by identifying the population size and the suitable targets. Next the sampling method is discussed with the process of engagement laid out. The next section discusses the research analysis and pre-testing.

2.5.1 Population Size and Target Samples

The first step in the survey is to clearly define the population and the sample. Tustin *et al.* (2005:96) defines a population as the group from which the sample will be taken and a sample as the subset of a population (Tustin *et al.*, 2005:337). Two sampling approaches exist, the probability approach and the non-probability approach. The probability sampling method is used when sample elements are selected by chance and the chance is known for each element selected. When using non-probability sampling, the chances of selecting elements from the population in the sample are known and rely on the researcher's discretion (Tustin *et al.*, 2005:344).

The population size in this study is 30 individuals in management positions. At a sample size of 30, the shape of the distribution of sample correlation coefficients is virtually identical to that of a normal distribution, yielding a 95% confidence level (Lowry, 2009:3). The chosen 30 individuals comprise of Executives, Senior Managers and Heads of Departments. The company selected to accommodate this sample population is a short-term insurance company in the South African insurance industry. The company for which the respondents work has been operational for over 180 years. In order to maintain anonymity, the company is referred to as "Company M" throughout the study.

The reasons for choosing the target population are as follows:

- The respondents work in the same company as the surveyor;
- The respondents are easily approachable;
- The surveyor has prior knowledge of individual's capabilities and thus will only select individuals who has some insight into the topic of this research study; and
- The surveyor has the opportunity to ensure that questionnaires are completed fully by supervising the respondents as they complete the questionnaires.

2.5.2 Sampling Method

The sampling method consists of distributing a survey questionnaire to the target respondents. The respondents individually complete the questionnaire under the supervision of the surveyor. The survey consists of a few specific questions designed with intention to be compared against the findings from the 2GC surveys in the literature review.

During the first contact with the respondents it will be stressed that the survey be completed outside their personal working hours as to not conflict with employer interests.

It will be advised to respondents should they take part in the data collection process that the information provided should be factual in any specific areas where an opinionated statement is required and that they provide it with utmost integrity.

Finally any data that is seen as falsified or misleading will be screened out of the data analysis and will play no further part in the research study.

The following is a list of advantages for this particular survey sampling method:

- The surveys are relatively inexpensive;
- Surveys can be administered from remote locations using email;
- Surveys may consist of many questions about a given topic, giving considerable flexibility to the analysis;
- Standardised questions make measurement more precise by enforcing uniform definitions upon the participants; and
- Standardization ensures that surveys collected from departments within the same company can be interpreted comparatively;

2.6 Research Analysis and Pre-Testing

A pilot round of surveys will be sent to $\pm 4-5$ individuals. Any questions that are not clear can then be adjusted and the remaining surveys distributed to the full population.

Data analysis consists of 8 steps:

- Collections of surveys;
- First-degree separation of surveys, this includes voiding of incomplete surveys;
- Second-degree separation of surveys, includes separating surveys into the different levels of management;
- Input the data from surveys into the specific ranges in Excel;
- Verify the data with a statistical expert;
- Compile various charts indicating the percentage of answers for specific questions;
- Compare the findings to that of existing research mentioned in the literature review; and;
- Conclude the findings and answer the research questions from the information gathered.

2.7 Assessing and Demonstrating the Quality and Rigor of the Proposed Research Design

The research requires the collection of data by means of surveys distributed to working individuals. The positions of the chosen respondents are managers in a respected company. The potential respondents must each have working experience in at least one of the following areas:

- Human Resources;
- General Management;
- Financial Management;
- Marketing;
- Core Business (i.e. Underwriting is the core for Insurance Businesses).

These areas within a business focus on any of the four perspectives of a BSC and therefore qualify in responding to the survey for data collection. Falsified/ unrealistic figures may play a role in the responses received, and this could cause potential problems for the research. However to limit the impact of such factors, all surveys will be authenticated and go through a screening process before it is deemed usable for the research.

In order to authenticate the data provided, more than one employee is given the survey to complete without the knowledge that his/her colleague is completing the same survey. This will form part of a screening process where farfetched/ falsified data will be screened out, and further deemed as void for the use of the research.

Data will also be in some areas of the survey compared to that of industry standards to further authenticate the values that may be unrealistic.

2.8 Research Ethics

The empirical study requires the collection of data and the method in which data is collected necessitates the involvement of private individuals. Firstly, all survey respondents are kindly requested to participate in the study and therefore complete the survey under voluntary circumstances. Should any respondent feel uncomfortable and experience any difficulties with answering the questions, he/she may opt to withdraw from participating without negative consequences. Secondly no respondent receive any form of compensation for completing the survey. Thirdly, an informed consent form is attached to the questionnaire. This ensures that respondents know from the start the purpose of the survey and that it will be anonymous. Respondents must know that they have the right to withhold any personal information, be it names and contact details. Should respondents choose to provide personal information as a means of a reference for the information that have provided; their details will be treated with absolute confidentiality. The informed consent form also stipulates that the data from the survey will be used for academic purposes only.

2.9 Summary

This chapter provided an overview of the research methods. It started by explaining the appropriateness of the research method. It then discusses the development of the survey process which includes the type of questions to be asked, the investigation method, and the pre-testing of the survey. The next section discusses the data collected and this data is verified by a statistician. The survey results are used to build a case and compared to the findings from the literature review. The next chapter will discuss the literature by evaluating previous research studies related to the topic.

CHAPTER 3

HISTORY OF THE BALANCED SCORECARD AND THE BASIC THEORY BEHIND ITS USE

3.1 Introduction

One of the goals of this study is to document the evolution of the BSC framework, since its origin as a performance measurement tool to what it is today, namely a strategic management and control system. This chapter reviews the literature to investigate whether the BSC has had and still has any influence on managerial decision making. Firstly, the historic context of the BSC and its four perspectives are reviewed and secondly, the criticisms of the BSC are discussed.

3.2 History of the Balanced Scorecard

The concept work of the BSC was developed in the 1980's and 1990's by academics and practitioners in various fields, such as financial and performance measurement and management accounting. The name given to this tool was first introduced by Kaplan and Norton in 1992 (Kaplan & Norton, 1992).

The BSC is not new, however. In the early 1900's, a practice called *tableau de nord* contained most of the concepts that we see in the BSC. According to Epstein and Manzoni (1997:30), *tableau de nord* was a measurement system introduced by process engineers that integrated strategy with both financial and non-financial measurement.

3.2.1 Basic Concepts of the Balanced Scorecard

The BSC facilitated the creation, expansion and population for a number of terms and concepts that are used in literature today, which relate to management and strategy studies. Organisations today have a scorecard for nearly all of their functions. Amongst others, one get an IT Scorecard, an HR Scorecard and a Stakeholders Scorecard. However not all of these Scorecards can be called Balanced Scorecards.

The BSC refers to a variety of performance measures sets that are designed to be used to manage and control the strategy of a company. The BSC of an organisation needs to be established with the development of the organisational vision and strategy. It is meant to ensure constant tracking of performance within the organisation on measures that represent progress in the execution of the developed strategy.

3.3 The Balanced Scorecard and Its Four Perspectives

The purpose of the BSC is to achieve an organisation's strategic objectives by creating a balance between financial and non-financial performance metrics (Haywood, 2001:9). Historically, managers only preferred the use of financial measures such as revenue growth, profitability, cash flow and return on equity to analyse their organisation's performance.

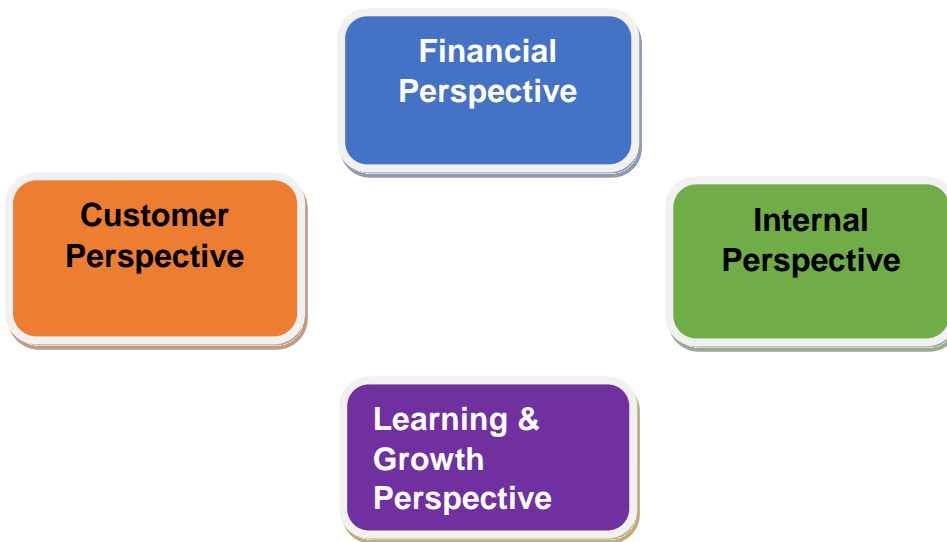
One of the reasons for an emphasis on financial metrics is that financial measures embody the long-term objective of companies. Another reason is that decision makers such as managers can easily calculate and reconcile the financial data generated from accounting systems. According to McKenzie and Shilling (1998), analysts also rely heavily on financial data to form stock recommendations and auditors make use of financial data to conduct internal output assessment (Rosman *et al.*, 1999).

However, there are many downsides to using financial data alone. Financial measures do not capture the value that is generated from intangible assets, also known as the competitive advantage of an organisation (Kaplan & Norton, 2001). Financial measures reflect only the past. However, the past provide little guidance as to how a company should implement its strategy to achieve a specific future and fail to illustrate how successful managers are in meeting their goals. Moreover, according to Haywood (2001), poor financial performance often stem from the "real" problems in core business. In industries environments where competition is fierce and technology is unavoidable, financial measures are not enough.

The BSC claim that, by incorporating non-financial measures into strategic planning and short-term operations, the deficiencies in financial data are made up for. The most common non-financial perspectives that are used in a BSC are customer perspective, internal business processes and learning and growth measures.

Figure A: Balance Scorecard as a performance measure

The following figure provides a graphical illustration of the BSC and its four perspectives.



Source: Adapted from Kaplan and Norton (2001)

3.3.1 The Customer Perspective

The customer perspective illustrates how well the company serves its customers and how it aims to acquire new customers.

An organisation's executive must answer three questions when developing a customer perspective for a BSC. The first question is simply "Who is the company's customers?" A company's customers are generally defined as those with an interest of acquiring a product or service from the company (Niven, 2005). According to Chan (2007), a customer segmentation exercise is useful to identify an organisation's customer(s) as well as the most profitable customer(s).

After identifying who the customers are the second question is: “What do those customers expect from the company?” Whether they are buying food, clothes or insurance, every consumer has expectations that must be satisfied. These expectations are important if a company is hoping for repeat business (Niven, 2005:2). Understanding what motivates people to purchase items, be it quality, price, the ease of purchase or various other possibilities, goes a long way towards generating positive experiences and establishing a sound relationship with each and every purchase. By knowing what the customer expectations are provides a logical predictor of future consumption expenditure (Niven, 2005:3).

The third question to ask when creating the customer’s perspective section of a BSC is: “What is our value proposition in serving our customers?” This refers to how an organisation proposes to provide value to their customers (Anderson, Narus & van Rossum, 2006:2-3).

3.3.2 The Internal Process Perspective

By serving customers, an organisation must act accordingly and operate with procedures that are compliance-orientated, production systems that are efficient and schedules that are on-time (Vorkurka & Fliedner, 1995: 38). These aspects are dealt with in the Internal Processes Perspective of the BSC.

Both the customer perspective and the financial perspective typically focus on the “what?” of strategy (Niven, 2006:1), therefore referring to what it is an organisation ultimately aim to achieve in the pursuit of a strategy. Looking at the internal process perspective, the view changes from the “what?” to the “how?” of value creation and achieving strategy. The purpose of the internal process perspective is to describe specifically how an organisation will achieve the customer-value proposition articulated in the customer perspective and, ultimately, how a company will enhance revenue and increase efficiency (Kaplan & Norton, 2004:43; Niven, 2006).

In order to minimise the practically infinite number of potential measures for the internal process perspective to a more manageable number, most companies rely on a concept which identifies four ‘sets’ of processes, all of which are relevant to

businesses that has a desire to succeed (Niven, 2005, 2006). The four “sets” are as follows:

- **Customer Management:** As the title suggests, this set focuses on processes relating to the company’s management of customers, and includes obtaining a company’s target customer group, constantly communicating an organisation’s value proposition in hopes of converting browsing shoppers to paying customers (Wang & Hughes, 2013).
- **Innovation:** In today’s business environment no company can afford to remain still, should they hope to thrive in a world fuelled by innovation and new technology (Anthony, Christensen & Roth, 2004:23, 128). Therefore, this set focuses on the development of new products and services designed to meet the constant demand by your customer base.
- **Operational Management:** the simplest of the four sets of processes, this process relate to the day to day operations of the company, this includes producing and delivering a product or service to market (Gupta, Verma & Victorino, 2009). (I.e. underwriting is a key core process employed at most insurance companies).
- **Regulatory and Social:** this set involves the processes necessary for companies to remain compliant with regulatory guidelines set by third parties, such as Sarbanes-Oxley reporting (US) to ensure the integrity of firms in financial reporting (soxlaw.com). This set also provides an organisation with the opportunity of being a caring corporate citizen; contributing to worthy causes and providing a voice in the community through the exercise of corporate social investments.

After identifying and measuring these sets of processes, the efficiency and effectiveness of a company’s internal processes are enhanced. This results in satisfied and loyal customers and thus generates value for shareholders (Kaplan & Norton, 2004:43; Niven, 2006).

3.3.3 The Learning and Growth Perspective

If a company wishes to exceed customer expectations, it must execute nearly flawless processes. To generate value for financial stakeholders a company needs a solid foundation from which to operate. To accomplish both of these, a company needs the strong foundation that can only be provided by the people within the company.

People are the most important factor in the determining a business's success (Walker & MacDonald, 2001:365). Recent estimates suggest that more than 80 percent of value created in modern organisations is created by "intangible assets". This is encompassed in the knowledge and talents of people who are aligned to a company's overall strategy (Niven, 2006).

The learning and growth perspective has three key areas of focus when creating objectives and measures.

- **Human resources:** This is a domain where a company's employees are ensured to have the skills and knowledge they need in order to excel. Niven (2006) states that "in a competitive business environment it is vital that all employed staff possess skills that are aligned to the company strategy and allow the business to outperform its competitors."
- **Information resource:** It is extremely hard to imagine any industry in the world where technology has not had a dramatic impact over the last number of years. This is called "disruptive" technology and it has revolutionized the way we produce, market, acquire and make use of everything from household items to entertainment devices (Christensen, Johnson & Horn, 2008). In today's economy, information resources serve as the raw materials that drive the conversion of data into information and elevating the growth of individual businesses. The information resource section of the Learning and Growth perspective measures a company's ability to provide the means necessary for your team to execute the strategy that is in place. Therefore, it is essential for companies in today's

business environment to turn information into knowledge as efficiently as possible; this will create the leverage for success.

- **Organisational capital:** organisational capital represents the “hearts and brains” of a company’s people and tracks the businesses ability to evolve and grow as an organisation, ensuring short-term successes and long term achievable.

3.3.4 Financial Perspective

Organisations that are committed to success should be fully committed to their customers and the intent to achieve their vision and fulfil their mission. However, most customer servicing companies today are for profit companies and they have to answer to shareholders who require a return on investment, managers must ensure that the focus is placed on the customers – whether through new products, exceptional service, or an industry-leading technological infrastructure or all three of these initiatives which must lead to improved financial results (Niven, 2006).

It is only by performing well in financial terms that a company has the means to invest in the company’s people, processes, and technology to continue serving the organisation’s customers effectively and efficiently. The financial perspective of the BSC analyses the financial success from the perspective of the shareholders of the company, as well as giving the tools to track the successes over time (McGregor, 2003:4-5).

The financial perspective is typically populated with goals and objectives relating to increased revenue growth. This is generally accomplished by providing more products and services to customers or creating new products and services to engage the untapped market (Niven, 2006). This maximises productivity; decreases costs and utilizes the assets that are available under the organisation’s control as efficiently as possible.

Some companies choose to focus on either revenue growth or productivity enhancements. Therefore, if the focus is placed on one area, the other option is relegated to obscurity. Companies do this at their own peril. In today’s highly

competitive business environment all businesses must balance these competing demands, constantly on the lookout for new sales opportunities while simultaneously decreasing costs and enhancing value for customers. Only then will the business generate value for shareholders to satisfy their demands, and allow further capital injections from the shareholders into the business for the development of new initiatives to achieve their vision and strategy. Table 3.3.4 provides a brief illustration of the four perspectives:

Table C: The Four Perspectives of the Balanced Scorecard

Table C provides a brief description of the four perspectives of the BSC, highlighting the key areas of focus within each perspective.

Customer Perspective	How do customers see the business?	<ul style="list-style-type: none"> • Customer partnership • New Products • Preferred supplier • Responsive supply 	<ul style="list-style-type: none"> • Number of co-operative efforts • Percent of sales from new products • Share of key account's purchases • On-time delivery
Internal Process	What must the business excel at?	<ul style="list-style-type: none"> • Design productivity • Manufacturing excellence • New product introduction • Technological capabilities 	<ul style="list-style-type: none"> • Efficiency measures • Unit cost, production time, call back time. • Actual v.s Planned introduction schedule • Comparison against competitor capabilities

Learning and growth	Can the business continue to improve & create value?	<ul style="list-style-type: none"> • Manufacturing learning • Product focus • Technology leadership • Time to market 	<ul style="list-style-type: none"> • Process time to maturity • Percent of products that contributes to majority of sales • Time taken to develop the next initiative • Time taken to introduce new products into the market, compared to competitors
Financial Perspective	How does the business look to shareholders?	<ul style="list-style-type: none"> • Decrease costs • Increase market growth • Increase Sales revenue • Increase return on invested capital 	<ul style="list-style-type: none"> • Average cost per unit • Company's market share • Growth rate in sales figures • Return on investment

Source: Adapted from Kaplan & Norton (1992)

3.4 Criticisms of the Balanced Scorecard

The following section looks at some of the criticisms facing the BSC, according to academics and practitioners. There have been few criticisms about the BSC over the years (Hostettler, Mooraj & Oyon, 1999) and even less published material. However, one individual has combined the views of various critics and have been extremely vocal on her views. Barr (2009a, 2009b, 2010) laid out three key challenges which are addressed in the following sections.

3.4.1 Challenge One

The Balanced Scorecard is hard to cascade meaningfully.

The problem lies with the limitations of the four perspectives within the BSC framework, each department or team has the same perspectives as the corporate scorecard (Barr, 2009a). As a practical example: If reductions in injury from the work place are in the corporate scorecard, every department within the company has injury reduction in their scorecard, even in departments where injury risk is non-existent.

This is not true cause-effect thinking, and it leaves most managers and employees cynical about having to be measured according to things that do not really matter to them, and does not really focus on their specialised and unique contribution to the corporate vision.

When a company's focus is on maintaining the four perspectives in everyone's scorecard to align to the corporate scorecard, the attention moves away from where it needs to be, namely focusing on the performance results as well as the process improvements that may have the most significant contributions to corporate strategy (Spitzer, 2007: 75). What happens instead is the creation of a collection of additional scorecards where managers can combine the metrics from the various scorecards across the departmental tier, and end up with overall values for the corporate scorecard (Barr, 2009a).

In order to apply true cause-effect thinking, structures must be eliminated (Barr, 2009a). Open exploration and analysis of how the performance of a part of the company truly impact on the performance of the whole company must be investigated. According to Barr the four perspectives of the BSC do not encourage the open exploration and analysis.

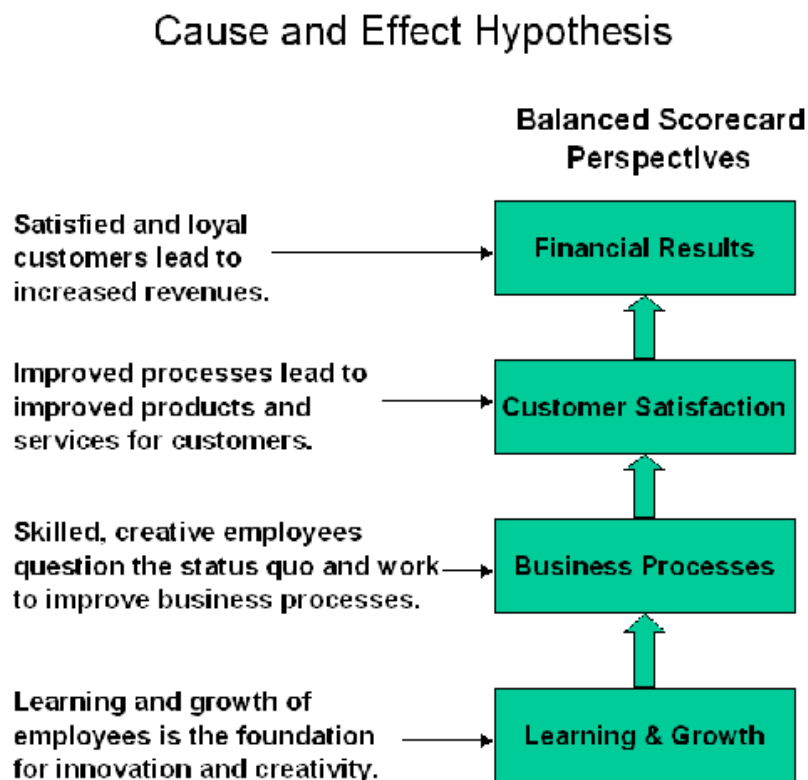
3.4.2 Challenge Two

The perspectives of the Balanced Scorecard are too limiting.

The four key perspectives that form the structure of the BSC are Customer, Internal Business Processes, Learning and Growth and Financial. These four perspectives work in a cause-effect flow. Figure B illustrates the cause and effect flow of the BSC.

Figure B: Cause and effect flow of the Balanced Scorecard

The following figure graphically illustrates the cause and effect flow of the BSC.



Source: Adapted from Kaplan & Norton (1996c)

The idea is that managers design the company's strategy across these perspectives, and measures are assigned to each perspective in order to align to the designed strategy.

The question that Barr (2009b) asks is whether the four perspectives as they were developed more than 15 years ago still apply today. In today's economic environment social responsibility, environmental responsibility and systems thinking are driving much of business thinking about the things that matter to manage a company's success (Hamel, 2012), the problem is that most managers that adopt a BSC approach feel that a company's strategy can fit into the BSC's four perspectives. This is because the structure of the BSC gives managers the idea that the four perspectives cover all of the company's dependents (Barr, 2009b).

3.4.3 Challenge Three

The Balanced Scorecard is not a measurement methodology.

The BSC is rather a strategy design methodology than a performance measurement methodology. The reason is that a performance measurement methodology ought to be more than a balanced and cause-effect-linked strategy (Barr, 2010).

A performance measurement methodology has to assist managers to design and implement and use performance measures in order to:

- a) identify meaningful measures, which are crucial, especially when strategies seem at first to be immeasurable. There are various Balanced Scorecards that are filled with measures that actually can be excluded;
- b) analyse and report measures in a way that the story of the actual performance can be observed;
- c) engage people to measure performance willingly and honestly, and as easily as possible; and
- d) validate and interpret the quantitative information acquired from performance measures, so that decisions are based on patterns and trends, not intuitive reactions to individual points of data.

The Balanced Scorecard does nothing to help managers with these challenges. Therefore, the scorecard is not a performance measurement methodology but rather is a strategy-design methodology (Barr, 2010).

However, the three challenges that Barr (2009a, 2009b, 2010) identified may be redundant in the sense that similar concerns was brought forward by the founder of the BSC as early as 2003 (De Waal, 2003:4).

In an interview that was conducted by De Waal (2003), he asked Kaplan “Which of the BSC issues would you like to see researched in the near future?” Kaplan’s response was:

“There are several research topics of interest. First of all, target setting: how do you set stretch targets for the indicators in the BSC and how do you get people to not only participate in setting the targets but also to get these people striving to achieve these targets? Secondly, the cause-and-effect relationships in the BSC should be tested further. Finally, we need to be more analytical and empiric research on how alignments of people and organisational resources create performance breakthroughs: how does measurement create value through communication and coordination, not just through evaluation and control?”

Looking at Kaplan’s response and taking into account when the interview was conducted, the creators were well aware of the issues facing their design. Therefore Barr’s criticisms on the BSC were in fact a repeat of issues that have already been addressed.

In a more recent article Kaplan and Norton (2006) describe the BSC as a performance measurement tool that should be flexible and easily adaptable to fit into any organisation with ease. They further stressed that individuals that fail to adjust the scorecard causes the limitations within the four perspectives of the BSC, and that the intent behind the design of the BSC was never a rigid sole performance measure of any organisation. It was that, the scorecard defeats the purpose of providing a holistic view of performance.

3.5 Summary

This chapter gave a brief overview of the perspectives of the BSC concept. The purpose of each perspective – customer, internal process, financial and learning and growth was discussed individually. The literature also explored the challenges facing the BSC. The next chapter will discuss the practical uses of the BSC.

CHAPTER 4

THE PRACTICAL USE OF THE BALANCED SCORECARD

4.1 Introduction

In this section existing research on the BSC, related to decision strategies, are analysed in detail and existing research on the uses of the BSC will be explored.

4.2 The Practical Use of the Balanced Scorecard – Results from Existing Research

According to research conducted by Kershoff & Thompson (2003), South Africa has one of the most advanced financial sectors within emerging market economies and the development of that is in many aspects on par with those of industrialised countries. Still, performance is not measured as regularly as it should which results in inconsistencies.

Current financial surveys conducted in the UK have been helpful in assessing the performance levels in the relevant sectors that was surveyed. Financial practices in the UK serve as a learning platform for countries from emerging markets and South Africa is no different (Kershoff & Thompson). One aspect of this study would be to compare the results of an annual survey on the BSC in the UK with that conducted here.

2GC Active Management is a specialist management consultancy with expertise in strategic performance management and alignment. The company is based in the United Kingdom and have provided performance measuring services since 1999. 2GC Active Management has conducted an annual survey on the uses of the Balanced Scorecard across organisations in the United Kingdom (UK). The reason for the survey is to establish what kind of organisations uses Balanced Scorecards, what they use it for, and how useful it is in practice. The survey results will provide key insight on the usage trends of the BSC and will be frequently referred in this section.

This section will look at some of the key questions and answers within surveys that were conducted by 2GC between the periods 2010 and 2012. (These findings will be compared to the results of the practical research later on.)

4.3 Who participated and what was their knowledge level of the BSC?

Well-informed managers, in corporate or staff roles participated in the study. This assisted the organisation conducting the survey to have confidence in the quality of the responses.

Table D: Knowledge level of respondents

Table D illustrates the knowledge levels of the respondents

	2010	2011	2012
Participants that declared they were “very” knowledgeable concerning the BSC	>50%	>50%	>50%
Participants that declared they were “extremely” knowledgeable concerning the BSC	±30%	±30%	±29%

The purpose of this question was to determine whether respondents were familiar with the BSC and also captured a level of familiarity. In the results of the latest research between the periods of 2010-2012, more than 50% of respondents claimed to be “very” knowledgeable about the BSC. Furthermore approximately 30% respondents stated they are “extremely” knowledgeable. This is sufficient in justifying the experience level of these respondents.

4.3.1 Reported role of users of the Balanced Scorecard?

The reported role of users of the BSC is related to the level of management experience of the respondents.

Table E: Experience level of respondents

The following table illustrates the management levels of the respondents.

	2010	2011	2012
Executive & Board Level Management	36%	42%	40%
Group/ Business Unit Level Management	33%	26%	16%
Regional Department Manager	16%	17%	22%
Functional Managers	15%	15%	22%
Percentage of people who works in the head office of their organisation?	>66%	>66%	±60%

The majority of BSC users are at top-level management. This is no surprise, as top level managers are most likely to be involved in analysing performance and developing future strategies based on the results analysed.

However, what is of concern in the results is the decrease in the number of respondents working in a head office environment. This has led to the decrease in BSC usage at business-unit level and an increase in departmental and functional managers.

4.3.2 What is the Balanced Scorecard used for?

The table below explores the various uses of the Balanced Scorecard within a company.

Table F: Uses of the Balanced Scorecard

	2010	2011	2012
Strategic Management	34%	34%	29%
Business Reporting	29%	35%	31%
Operational Management	20%	17%	23%
Goals & Incentives	17%	14%	17%

The primary roles of Balanced Scorecard are to provide guidance to strategic management for informed decision making and proper reporting of results. The BSC also drives organisational performance by influencing behaviours and decisions of managers and individuals as well as the way they are appraised (Cobbald & Lawrie, 2002:4).

4.3.3 Business Reporting Frequency

In Table G one can observe the business reporting frequency in the companies in which the research was done.

Table G: Business Reporting Frequency

	2010	2011	2012
Monthly	43%	43%	31%
Quarterly	30%	36%	25%
Bi-Annually	13%	11%	18%
Annually	13%	11%	25%

The study found that majority of the Balanced Scorecards that were considered in the survey is reported on a monthly or quarterly basis. The Balanced Scorecards that are reported bi-annually or annually were used exclusively for purposes of incentive payments. Two-thirds reported that there were clear consequences for poor performance against BSC metrics and targets (Barney 2010).

4.3.4 Who designed the Balanced Scorecard?

Table H illustrates who in the business was responsible for designing the Balanced Scorecard:

Table H: Designing the Balanced Scorecard

	2010	2011	2012
Management Team Itself	56%	44%	42%
Others in Company	27%	19%	31%
Consultants	14%	29%	17%
Performance Team	3%	8%	11%

Occurrences of the management team designing the BSC of a company is on the decrease. (Cobbold & Lawrie, 2002) Having it designed by others in the organisation gives lower level management increased insight into performance management and strategic thinking (Cobbold & Lawrie, 2002).

The surveys showed that the BSC is a useful management tool. The BSC directly influences managers' decisions and behaviours. The surveys also indicated the spread of uses of the BSC. There is a trend change as to who uses the scorecard, what it is used for and who has taken over the responsibility of designing the company scorecard (Cobbold & Lawrie, 2002). The BSC has seen a transition from a performance measurement tool to a strategy management and control system (Barney 2010).

Overall, the surveys conducted by 2GC Active Management showed the BSC remains an important and effective management tool, but the value relies on sponsorship by senior management.

4.4 Summary of Theoretical Findings

This section explored the history behind the BSC. An in-depth study of the four perspectives of the BSC provides an understanding of the potential of the BSC as performance measurement tool for analysts, auditors and managers. The use of the

BSC is not only on a day-to-day operational level but as a base for strategic decision making as well.

The literature also explored Barr's (2009a, 2009b, 2010) criticisms on the use of the BSC for performance measurement. After careful analysis of the three challenges Barr mentioned, an interview with Kaplan (co-founder of the modern-day BSC) showed that Barr's comments are outdated and the challenges she addressed has already been considered long before by Kaplan himself. These views have also been supported by another strategy visionary Davies (2012), who addressed the concerns as non-critical issues and should not cause any negative impact in decision.

This section concludes that there is much that has been said about the BSC framework. Many successes have been experienced by individuals and organisations and have been documented. The original thinking that initiated the formation of the BSC framework is based on the study of performance measurement best practices by Kaplan and Norton (1992, 1996a, 1996b, 2001, 2004, 2006).

Kaplan and Norton considers there to be a cause-and-effect relationship between the four most commonly used perspectives (customer satisfaction, internal business process, learning and growth and financial performance), but the criticism from other academics of causality lacks the relevant evidence that supports this claim.

The evolution of the BSC started from a performance measurement instrument to a strategic management framework that incorporates control systems that align it to company strategy. There are continued criticisms and support for the framework, but to review all claims stretches beyond the scope of this research paper. It is reassuring from a neutral perspective to see that the creators of the BSC take an active interest in the criticism and provide counter arguments to the concerns raised. The 2GC survey results show a positive review of the BSC and managers who participated in the survey actively utilised the concept to assist in decision-making.

CHAPTER 5

EMPIRICAL FINDINGS

5.1 Introduction

The results of the empirical study were presented and analysed in this chapter. It addresses the impact of the BSC in an existing company in South Africa (Company M). The following research findings were taken from a total of thirty-seven questionnaires that was distributed within “Company M” (see 2.5.1). Thirty of the questionnaires that were collected could be used as they were completed and full and no anomalies could be observed.

5.2 Survey Investigation

The following section will look at the survey investigation that was conducted on behalf of the practical research.

Table I: Survey Investigation

Objectives and descriptions

Sub-objectives	Questions that answer the sub-objectives	Description
Determining the experience level of the individual targets	1-4,	<ul style="list-style-type: none"> • Identifying the role of these individuals • How many years these individuals have held their current role • The individual's previous

		experience in working with the BSC
Comparing the experience levels	1-2, 7, 9	<ul style="list-style-type: none"> Looking at who designed the scorecard and who actively manages the scorecard for/on behalf of the respondent's department. <p>This will reflect on which areas of business has existing capabilities and which areas need improvements.</p> <ul style="list-style-type: none"> How valuable is the BSC perceived to be How is the BSC used within the company
What is the frequency at which the BSC is used?	8	<ul style="list-style-type: none"> Understanding the business reporting frequency Identifying different patterns in business reporting between the various departments.
Impact of the BSC on	5, 10, 11	<ul style="list-style-type: none"> The impact of the BSC on

decision making.		day-to-day decisions <ul style="list-style-type: none"> • The impact of the BSC on long-term decisions
The importance of the BSC to the target individuals	1, 9, 12, 13	<ul style="list-style-type: none"> • Attempt to understand the value of the BSC with reference to each department • How important are the various perspectives of the BSC to the relevant departments within the business

This table summarised the sub-objectives of the survey investigation, and each objective is linked to the relevant investigative question that was asked in the survey questionnaire.

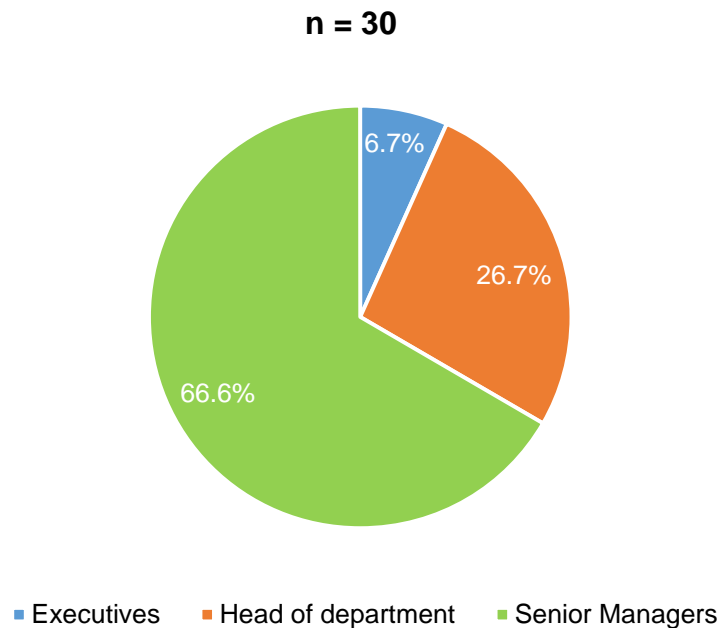
5.3 Empirical Results by Question

This section will look at the questions related to each of the sub-objectives listed in Table H.

5.3.1 The reported role of the respondents

The following figure illustrates who responded to the survey questionnaire and what are their reported roles within Company M.

Figure C: The reported role of respondents



The process of engaging with working individuals to conduct research work was a difficult one. The barrier identified in the process is time. This is a probable cause for the lack of research on topics relating to individuals in an active working environment.

From the research questionnaires collected, the respondents consisted of the following:

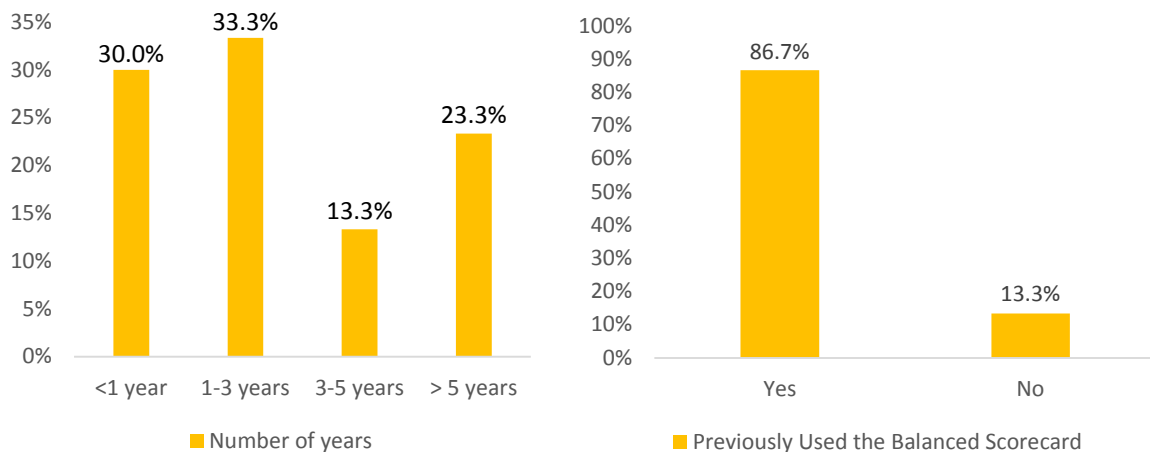
- Executives (6.67%)
- Head of Department (26.67%)
- Senior Managers (66.67%)

In section 4.3.1 of the literature findings, it was stated that well informed managers and corporate staff were surveyed due to the quality of responses they provided. The respondents of this survey consisted of Executives, Head of Department and Senior Managers. This should provide the confidence required in the quality of the responses.

5.3.2 The number of years that individuals have held their current role and their previous engagement with the Balanced Scorecard

The number of years a particular individual have held their current role is important, it speaks to the experience level of the individual in management. However, for the purpose of this research it would be beneficial to combine previous working experience with the BSC with the number of years in managerial service.

Figure D: The number of years these individuals held their managerial position and if these managers have previously utilised the Balanced Scorecard



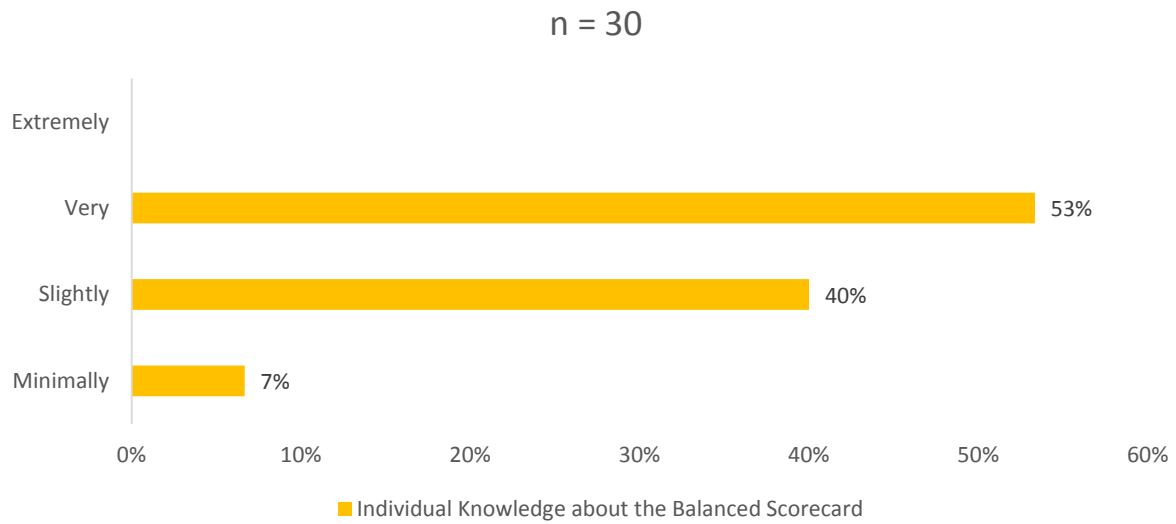
From the data gathered it is clear that 30% of the managers employed are fairly new to their roles (less than one year in the role). However this may not have affected their experience level on the BSC, as 86.75% of the respondents have previously used the framework in their former roles within and outside the current organisation.

It is also important to note the question addressed the number of years an individual has held their current managerial position; there will be individuals who were previously managers in a different department changing roles. Therefore it was beneficial to compare it to previous experience working with the BSC.

5.3.3 How knowledgeable are these individuals about the Balanced Scorecard?

This section explores the individual knowledge of the BSC for each respondent, and will be compared to the literature findings from 4.3

Figure E: Individual knowledge about the Balanced Scorecard



From the 30 individuals surveyed, 53% of the individuals surveyed stated they are very knowledgeable about with the BSC with 40% percentage stating they are slightly knowledgeable about the BSC.

In section 4.3 of the literature research, more than fifty percent of respondents stated they are very knowledgeable about the BSC, and approximately 30% of the respondents stated they were extremely knowledgeable about the BSC. However the empirical research yields a different outcome, more than 50% of the respondents stated they were very familiar with the BSC and no respondent was able to state they have extremely intensive knowledge on the BSC.

In order to truly understand the knowledge level of the respondents the following table illustrates the knowledge on the BSC each level of management possesses.

Table J: Knowledge level per managerial rank

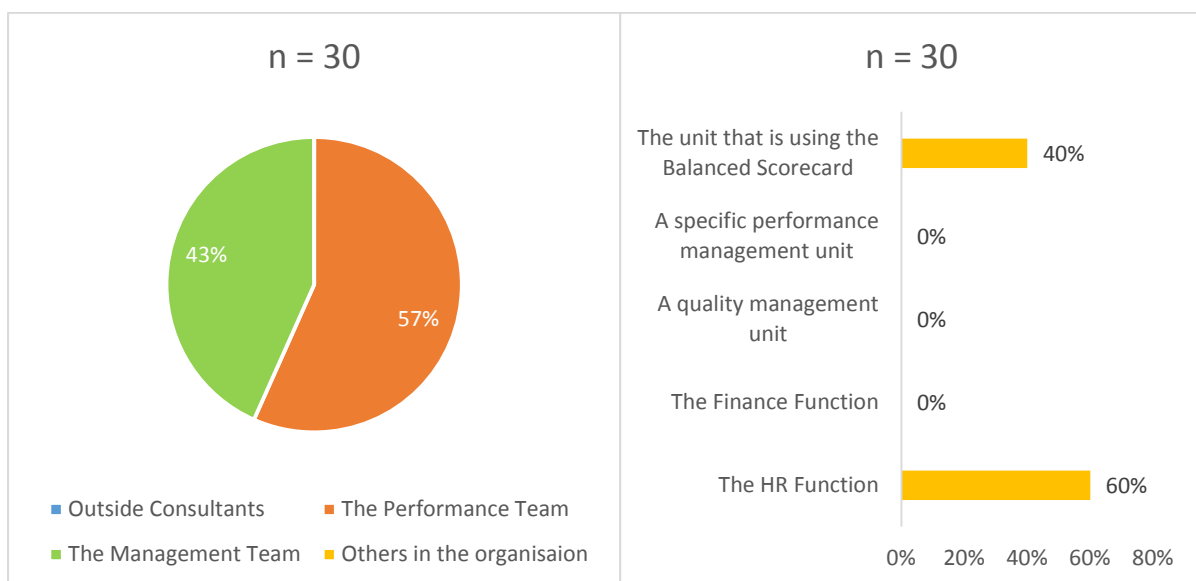
Knowledge Level	Exec	HOD	Senior Staff
Minimally or Slightly	0%	25%	60%
Very or Extremely	100%	75%	40%

Both executives (2/2) stated they are very familiar with the BSC and 75% of the heads of department (6/8) stated they were also very familiar with the BSC. It is important for top level managers to be familiar with this framework as the implementation of a BSC framework usually requires the approval of top level management.

5.3.4 How was the Balanced Scorecard designed

The following Figure F illustrates who designed the BSC and who actively manages the BSC.

Figure F: Who designed the Balanced Scorecard and who manages the Balanced Scorecard?



The results indicate two business units are clear winners with regards to the responsibility of designing the BSC namely: The Performance Team (57%) and The Management Team (43%). The high response rate for the performance team is mainly due to the company completing an organisational redesign where performance management is on top of everyone’s mind.

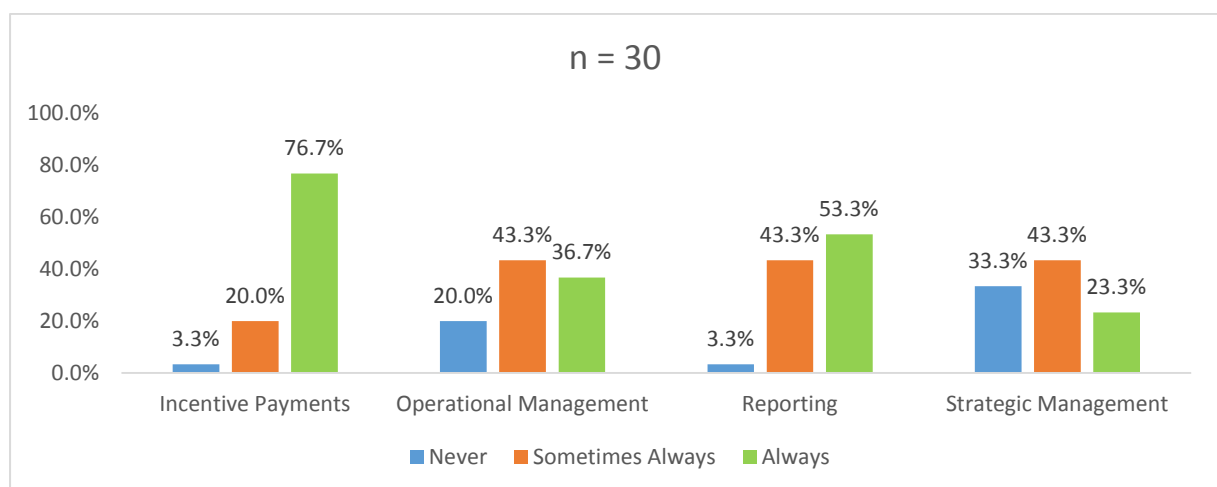
Currently the performance management team is run by the human resources department and therefore the HR function manages a significant portion (60%) of the BSC of “Company M”.

In section 4.3.4 of the literature research, the latest figures (2012) indicates that 42% of Balanced Scorecards are designed by the management team, however this is a decline of 14% (56% in 2010) over a two year period. The performance team only accounted for an 11% contribution to designing the BSC. It seems Company M is over reliant on the performance team to design the BSC (57%).

5.3.5 How is the Balanced Scorecard used in “Company M”?

This section explores the various uses of the BSC within Company M, and the frequency at which the BSC is used for each purpose.

Figure G: How is the Balanced Scorecard used in “Company M”?



The respondents had four categories for answering this question, namely:

- Incentive Payments – Rewards based on Balanced Scorecard Results
- Operational Management – Day-to-day performance reporting
- Reporting – For assessing the performance of units and projects
- Strategic Management – Organisational change and development reporting

Each category has three options the respondents must choose from:

- Never
- Sometimes
- Always

The respondents provided the following responses:

Incentive payments: 76.7% said the BSC is always used in determining how incentive payments are calculated. 20% said they sometimes use the Balance Scorecard for incentive payments.

Operational Management: 43.3% said they sometimes use the BSC for operational management, 36.7% said they sometimes use the BSC for operational management and the remaining 20% said they never use the BSC for operational management. This is a good indication that different departments use the BSC for different reasons and operational management is not a primary areas of use.

Reporting: 53.3% of the respondents stated they always used the BSC results in reporting, whilst 43.4% of the respondents stated they sometimes used the BSC methods in reporting. Some respondents indicated the use of the BSC results in reports are dependent on the reporting theme (i.e. Quarterly Business Reviews will more than likely include results from the BSC, whereas a summary of the past week's strategic steering committee may not).

Strategic Management: 43.4% responded they sometimes used the BSC for strategic management, although 33.3% challenged their views and stated they never used the BSC for strategic management. In addition respondents stated the, although a very useful framework is not relatively the preferred choice for strategic management. This may be due to a number of reasons such as:

- The lack of a BSC expert for each department
- The time required in order to implement an accurate BSC exercise
- The BSC should be used for target setting only

In section 4.3.3 of the literature research, business reporting is the most preferred use of the BSC and goals and incentives is the least preferred. The empirical study shows that incentive payments was the most preferred use of the BSC in Company M with 76.7% of respondents indicating they always used the BSC for incentive payments. Strategic management is the least preferred with 33.3% of respondents indicating they never use the BSC for strategic management. The designing of the BSC has significant impact on the uses of the BSC. In Company M due to the over reliance on the performance team in designing the BSC, the preferential use of the management tool is for incentive payments which not surprisingly managed by the performance team.

5.3.6 What is the business reporting frequency at Company M?

This section looks at the business reporting frequency at Company M and discusses the relationship between what the BSC is used for and the frequency at which the BSC is used.

Figure H: What is the business reporting frequency at Company M?

N = 30	Frequency	Percent
Monthly	17	56.67%
Quarterly	12	40.00%
Bi-Annually	1	3.33%
Annually	0	0.00%

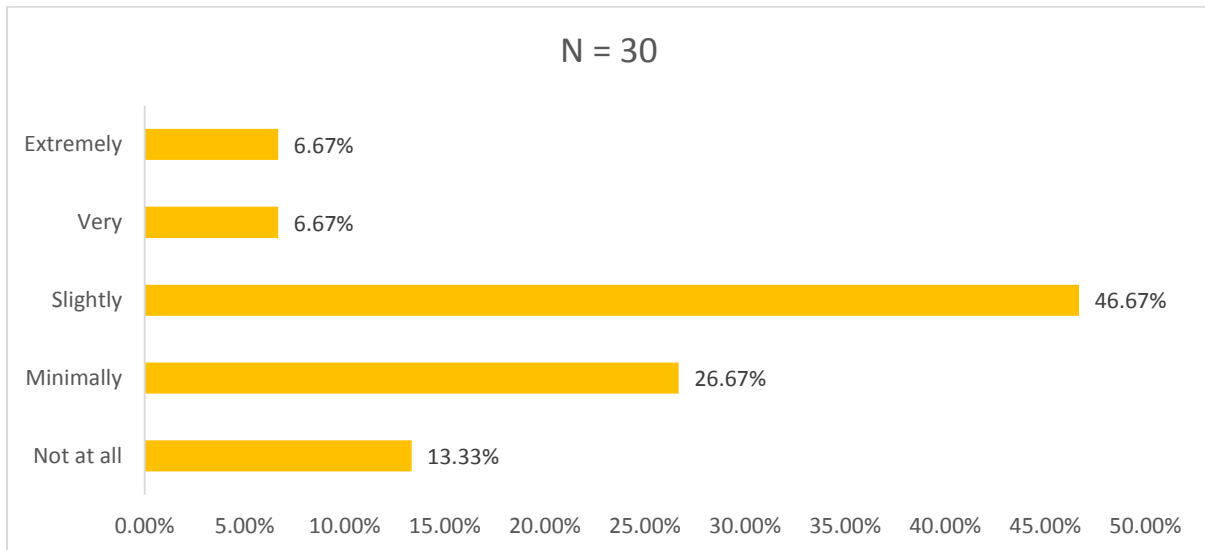
56.67% of respondents stated they draft business reports every month with 40% stating they do it quarterly. Reporting frequency is important as 53.3% of respondents stated they always use the BSC for reporting and 43.4% indicated they sometimes use the BSC for reporting purposes. This is a good indication the BSC is frequently used in Company M.

Looking back at the literature research section 4.3.4 on average monthly and quarterly reporting combined totalled to 56% (2012), in Company M however this figure reached 96.67% with majority of managers stating they conducted formal business reporting on a monthly basis.

5.3.7 How valuable is the Balanced Scorecard perceived to be in the departments of the respondents?

This section will look at how valuable the BSC perceived to be by the respondents of Company M? This question was specific for Company M.

Figure I: How valuable is the Balanced Scorecard perceived to be in your department?



Perception is very valuable for an organisation; a positive perception of the BSC framework will create more opportunity for the BSC to be implemented in a department. However looking at the data, the responses are not positive at all 46.67% stated they perceived the BSC to be slightly important and 26.67% indicated they view the BSC as minimally important in their respective departments.

Table K: How valuable is the BSC perceived to be as compared to the knowledge depth of these individuals

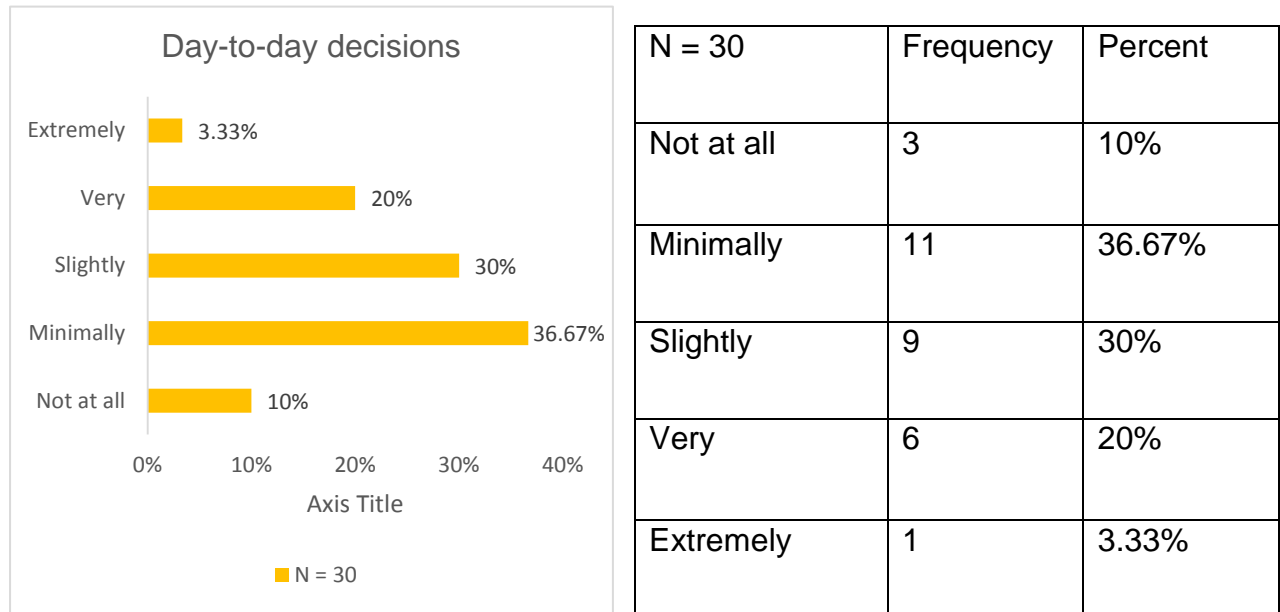
Knowledge	Not at all	Minimally & Slightly	Very & Extremely
Minimally & Slightly	7.14%	85.71%	7.14%
Very & Extremely	18.75%	62.5%	18.75%

85.71% of the respondents who are minimally and slightly knowledgeable about the Balanced Scorecards indicated they perceive the framework to be minimally and slightly valuable. The area of concern is with the respondents who are very and extremely knowledgeable about the BSC framework, a 62.6% of these individuals also indicated they perceived the BSC to be minimally and slightly valuable.

5.3.8 Impact of the Balanced Scorecard on decision making

This section discusses the impact of the BSC on short-term (Figure J) and long-term (Figure K) decision making.

Figure J: Impact of the Balanced Scorecard on day-to-day decision making

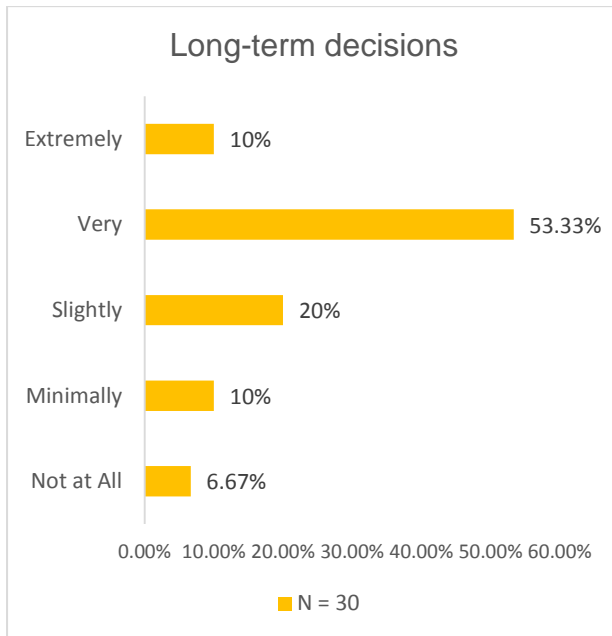


The data suggests the BSC framework has more impact on long term decisions than day-to-day decisions. This is an expected outcome from the respondents, 36.67% stated they believe the BSC to have a minimal impact on day-to-day decision making, with 30% indicating they feel the BSC framework has a slight impact on day-to-day decisions. Additionally some respondents indicated although they believe the BSC as an effective framework it is not the first concept to assist them in day-to-day decisions.

Day-to-day decision making requires concepts that are easy and quick to execute and the BSC in the eyes of these managers does not satisfy these conditions, this is due to the fact the BSC requires time to provide the most accurate measures and ensuring accuracy takes time.

Therefore the BSC framework’s impact on day-to-day decisions is minimal and not as effective.

Figure K: Impact of the Balanced Scorecard on long-term decision making



N = 30	Frequency	Percent
Not at all	2	6.67%
Minimally	3	10%
Slightly	6	20%
Very	16	53.33%
Extremely	3	10%

Respondents provided a very positive response for long-term decision making, 53.33% stated they believe the BSC has a very strong impact on long-term decision making.

Respondents believe the four perspectives of the BSC really provide a holistic overview of the company’s performance and therefore provides the required indicators to make long term decisions.

5.3.9 Who is responsible for managing your Balanced Scorecard?

This section explores the areas within Company M that actively manages the BSC.

Table L: Who is responsible for managing your Balanced Scorecard?

N = 30	Frequency	Percent
The unit that is using the BSC	12	40%
The HR Function	18	60%

The data illustrates only two business units were selected by the respondents namely:

The unit that is currently using the BSC concept as well as the HR Function. Again the outcome is expected, in 5.3.5 Incentive Payments and Reporting were the two most popular uses of the BSC framework in Company M, currently the HR function oversees incentive payments and all other departments that utilises the BSC manages their own scorecard.

5.3.10 How important are the different perspectives in the Balanced Scorecard for Company M?

Table L explores the importance of the four perspectives in Company M, each perspective is ranked individually as very important, little importance and not important at all.

Table M: How important are the different perspectives in the Balanced Scorecard for Company M?

N = 30 each perspective	Very	Little	Not at all
Customer Perspective	100%		
Internal Perspective	60%	36.67%	3.33%
Learning & Growth Perspective	40%	60%	
Financial Perspective	50%	36.67%	13.33%

The data suggests Company M is a very customer centric business, 100% of the respondents surveyed selected the measures from the customer perspective as the most important factor from the BSC framework. The internal perspective was the second most important measure with the financial, learning and growth perspective following picking up the rear in importance.

5.4 Summary

This chapter discussed the empirical findings of the study, sections 5.3.1, 5.3.3-5.3.6 were compared against literature findings chapter four, whilst the remaining questions that were designed specifically for Company M were explored in detail. Several issues and dissimilarities were discovered from the comparison and will be addressed in the next chapter.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The main objective of this study was to determine the level of impact the BSC has on managerial decision making. Two methods of study were used in this research paper namely a literature review which consisted of a theoretical analysis of existing research conducted on the Balanced Scorecard. The study starts with an introduction of the Balanced Scorecard, followed by the research methodology.

The research design and methodology was discussed thoroughly, a survey was constructed and approved for distribution.

The history and the basic concepts of the BSC were discussed as the first part of the literature review. This was to familiarise readers who are not familiar with the BSC framework. Analysis of existing research was done by looking at how the BSC framework is applied in Europe. The focus rested mainly in the findings of the annual 2GC survey. The conclusion from the theoretical analysis yielded a positive perception of the Balanced Scorecard. The 2GC results showed the BSC as a preferred tool for managers to measure performance and make decisions based on their findings from the implementation of the BSC.

The findings from the survey that was distributed displayed a distinct difference in the point of view between the empirical findings and the theoretical analysis. The respondents of the survey were mostly knowledgeable about the BSC and have actively used the BSC in the past. However the respondents do not regard the BSC framework as very valuable within the organisation and respondents would not recommend the framework to assist in day-to-day decision making.

Furthermore, in company M the BSC is primarily used for two functions, namely:

- Incentive payment calculations
- Business reporting

This limits the full functionality of the BSC framework, as the concept requires an organisation to utilise all the functions contained in the BSC. One barrier to the use of the BSC in Company M is time. Respondents stated that a BSC initiative is extremely time-consuming, as the concept requires the most accurate measures in order to conclude any decisions that may be made. Another reason for the negative response may result from the particular corporate culture in company M. There has been speculation that some departments operate in silos. This can cause a breakdown in the inter-dependency of the BSC as the concept requires inter-departmental collaboration.

To conclude the findings of this research, Company M is not an organisation that is ready for a fully functional Balanced Scorecard, most respondents did not perceive the framework as valuable and until this point of view is changed the Balanced Scorecard is not a suitable concept to assist managers in decision making, the over reliance on the performance team to design the BSC provides a problematic limitation.

6.2 Recommendations

The Balanced Scorecard framework is in theory by far the most effective concept in assisting managers with decision making. However the theory applied to practice is really limiting, it is strongly recommended that expert training is provided before any implementation of the Balanced Scorecard in any area of the organisation. It is also recommended that further studies should be conducted not limiting to Company M, the case study approach provided some key issues that should be explored across many companies in order to formulate a wider perspective. A wider research initiative is required, this will determine as to whether the issues addressed in this study is only applicable to Company M or does it have a wider impact in the South

African financial services sector as a whole. Therefore more companies should be investigated at least of a similar level of detail.

In addition with reference to the additional information provided by respondents of the survey questionnaire it is recommended that culturally the Balanced Scorecard need to be accepted by all managers at every level of company M. Company M should revisit their design of the Balanced Scorecard and incorporate more departmental heads in this exercise, currently the design is left to the human resources department and the unit that is currently using the Balanced Scorecard.

REFERENCES

Anderson, J.C, Narus, J.A., & Rossum, W. 2006. *Customer Value Propositions in Business Markets*. [Online] Available: <http://hbr.org/2006/03/customer-value-propositions-in-business-markets/ar/1?conversationId=1732483>. [Accessed: 30 March 2013].

Anthony, S.D, Christensen, C.M., & Roth, E.A. 2004. *Seeing What's Next*. [Online] Available:http://www.vedpuriswar.org/book_review/Seeing%20What%20is%20Nex_.pdf [Accessed: 30 January 2013].

Barney, W. 2010. *Balanced Scorecard Usage Survey 2010*. [Online] Available: <http://2gc.eu/files/resources/2GC-BSCSurvey101006Screen.pdf> [Accessed: 14 February 2013]

Bain & Company, 2010. *Top 10 Management Tools*. [Online] Available: http://www.bain.com/management_tools/BainTopTenTools/default.asp [Accessed: 27 January 2013]

Barney, W. 2011. *Balanced Scorecard Usage Survey 2011*. [Online] Available: <http://2gc.eu/files/resources/2GC-BSCSurvey110926Screen.pdf>. [Accessed: 14 February 2013]

Barney, W. 2012. *Balanced Scorecard Usage Survey 2012*. [Online] Available: <http://2gc.eu/files/surveys/2GC%202012%20Balanced%20Scorecard%20Survey%20Summary%20Output%20121114.pdf>. [Accessed: 14 February 2013]

Barr, S. 2009a. *The First of Three Things I don't like about the Balanced Scorecard*. [Online] Available: <http://www.staceybarr.com/measure-up/35-the-first-of-three-things-i-dont-like-about-the-balanced-scorecard/>. [Accessed: 14 February 2013].

Barr, S. 2009b. *The Second of Three Things I Don't Like About The Balanced Scorecard (the perspectives are too limiting)*. [Online] Available:

<http://www.staceybarr.com/measure-up/36-the-second-of-three-things-i-dont-like-about-the-balanced-scorecard/>. [Accessed: 16 February 2013].

Barr, S. 2010. *The Third of Three Things I Don't Like About The Balanced Scorecard (It's not a measurement methodology)*. [Online] Available: <http://www.staceybarr.com/measure-up/37-the-third-of-three-things-i-dont-like-about-the-balanced-scorecard/>. [Accessed: 10 March 2013].

Bond, P. Goldstein, I. & Prescott, E.S. (2009). Market-Based Corrective Actions. *The Review of Financial Studies*. 23 (2), 781-820. [Online] Available: <http://www.tc.umn.edu/~apbond/research/rfs2010.pdf>. [Accessed: 8 March 2013]

Cardemil Katunaric, G., & Shadbolt, NM. 2006. The Balanced Scorecard as a spontaneous framework in a horticultural hybrid co-operative under strategic change: A case study in the New Zealand kiwifruit industry. *16th Annual International Food and Agribusiness Management Association Forum and Symposium*. 1-12. [Conference Paper in Published Proceedings] Massey Authors: Shadbolt, N.

Chakravarthy, B.S. 1986. Measuring Strategic Performance. *Strategic Management Journal*. 7(5): 437-458.

Christensen, C. M., Horn, M. B., & Johnson, C. W. 2008. *Disrupting class: how disruptive innovation will change the way the world learns*. New York, McGraw-Hill.

Cobbold, I. & Lawrie, G. 2002. *Classification of Balanced Scorecards based on their intended use*. PMA Conference, Boston, USA May 2002. Pp.1-11.

Covey, S.R. 2008. *Why do most companies over-promise but under-deliver?* [Online] Available: http://www.leadershipresources.my/compass/images/mar2008_fa.pdf [Accessed: 20 December 2012].

Davies, R. 2012. *Balanced Scorecard: Success without the pitfalls*. [Online] Available: <http://www.drrobertdavies.com/balancedscorecardsuccessproblems.php>. [Accessed: 30 January 2013].

De Waal, A.A. 2003. *The Future of the Balanced Scorecard: an interview with Prof Robert S. Kaplan*. *Measuring Business Excellence*, 7(1):30-35.

Levitt, S. D., & Dubner, S. J. 2005. *Freakonomics: a rogue economist explores the hidden side of everything*. New York, William Morrow.

Eagleson, G.K. and Waldersee, R. 2000. Monitoring the strategically important: assessing and improving strategic tracking systems. *Performance Measurement – Past, Present and Future, 2nd International Conference on Performance Measurement, Cambridge, UK. pp. 137-144*. [Conference paper]

Eccles, R.G. 1991. *The Performance Measurement Manifesto*. [Online] Available: <http://hbr.org/1991/01/the-performance-measurement-manifesto/ar/7>. [Accessed: 30 March 2013].

Epstein, M.J., & Manzoni, J.F. 1997. *The balanced scorecard and tableau de bord: Translating strategy into action*. *Management Accounting* August:28-36

Feagin, J.R., Orum, A.M., & Sjoberg, G. 1991. *A Case Study for a case study, Chapel Hill, North County: The University of North Carolina Press*.

Gupta, S. K., Verma, R., & Victorino, L. 2006. Empirical Research Published in *Production and Operations Management* (1992-2005): Trends and Future Research Directions. *Production and Operations Management*, 15(3):432-448.

Hamel, G. 2012. *What matters now: how to win in a world of relentless change, ferocious competition, and unstoppable innovation*. San Francisco, CA, Jossey-Bass.

Hostettler, D, Mooraj, S., & Oyon, D. 1999. The Balanced Scorecard: a Necessary Good or an Unnecessary Evil? *European Management Journal*, 17(5):481-491.

Haywood, M. 2001. *The Balanced Scorecard and decision strategies: What roles do outcome effects, framing biases and explicit weights play in the balancing act?* Ph.D. University of Georgia.

Ittner, C. and Larcker, D. 2000. *Non-financial Performance Measures: What Works and What Doesn't - Knowledge@Wharton*. [Online] Available at: <http://knowledge.wharton.upenn.edu/article.cfm?articleid=279> [Accessed: 28 February 2013].

Iwanicki, G & Titherington, R. 2011 *Maintaining the Growth Advantage*. Investment Insights. [Online] Available at https://www.jpmorgan.com/cm/BlobServer/Portfolio_2011_Maintaining_the_Growth_Advantage.pdf?blobkey=id&blobwhere=1320567054630&blobheader=application/pdf&blobheadername1=Cache-Control&blobheadervalue1=private&blobcol=urldata&blobtable=MungoBlobs [Accessed: 22 March 2013]

Kaplan, R. S., & Norton, D. P. 1992. *The Balanced Scorecard – Measures that drive performance*. Harvard Business Review, 70(1): 71-79.

Kaplan, R. S., & Norton, D. P. 1996a. *The Balanced Scorecard: Translating Strategy into Action*. Boston MA: Harvard Business School Press.

Kaplan, R. S., & Norton, D. P. 1996b. *Using the Balanced Scorecard as a Strategic Management System*. Harvard Business Review, 74(1), 75.

Kaplan, R.S., & Norton, D.P. 1996c. *Linking the Balanced Scorecard to Strategy*. [Online] Available at: <http://hbr.org/product/linking-the-balanced-scorecard-to-strategy/an/CMR073-PDF-ENG>. [Accessed: 30 March 2013].

Kaplan, R. S., & Norton, D. P. 2001. *The Strategy-focused Organisation: How Balanced Scorecard companies thrive in the new business environment*. Boston, MA: Harvard Business School Press.

Kaplan, R. S., & Norton, D. P. 2004. *Strategy Maps: Converting Intangible Assets into Tangible Outcomes*. Boston, MA: Harvard Business School Press.

Kaplan, R. S., & Norton, D. P. 2006. *Alignment: Using the Balanced Scorecard to Create Corporate Synergies*. Boston, MA: Harvard Business School Press.

Kershoff, G., & Thompson, G. 2012. *The Financial Services Index 3rd Quarter 2012*. Ernst & Young. [Online] Available: [http://www.ey.com/Publication/vwLUAssets/Financial_Services_Index_Survey_Q3_2012/\\$FILE/FS%20Index%20Report%203Q12.pdf](http://www.ey.com/Publication/vwLUAssets/Financial_Services_Index_Survey_Q3_2012/$FILE/FS%20Index%20Report%203Q12.pdf). [Accessed: 12 march 2013]

Leedy, P.D., & Ormond, J.E. 2005. *Practical research planning and design. International ed.* Upper Saddle River: NJL Pearson Merrill Prentice-Hall.

Lowry, R. 1999. *Concepts and Applications of Inferential Statistics*. [Online] Available at <http://faculty.vassar.edu/lowry/webtext> [Accessed: 30 March 2013].

McGregor, C. 2003. *Balanced Scorecard Driven Business Process Definition Using XML*. *Centre for Advanced Systems Engineering, University of Western Sydney*. 4-5

McKenzie, F.C. and M.D. Shilling. 1998. *Avoiding performance measurement traps: Ensuring effective incentive design and implementation*. *Compensation & Benefits Review* 30(4):57-65

Mundi, 2013. *South Africa Economy Profile 2013*. index mundi. [Online] Available: http://www.indexmundi.com/south_africa/economy_profile.html [Accessed May 2013]

Neely, A., Micheli, P. & Martinez, V. (2006), *Acting on information. Performance management in the public sector*, Executive briefing, Advanced Institute of

Management Research, [Online] Available: <http://www.aimresearch.org/uploads/file/Publications/EBs/Acting%20on%20information.pdf>. [Accessed: 14 April 2013]

Niven, P. R. 2005. *Balanced scorecard diagnostics maintaining maximum performance*. Hoboken, N.J., Wiley.

Niven, P. R. 2006. *Balanced scorecard step-by-step: maximizing performance and maintaining results*. Hoboken, N.J., Wiley.

Norreklit, H. 2000. *The Balance on the Balanced Scorecard – A critical analysis of some of its assumptions*. *Management Accounting Research*, 11:65-88.

Pickard, J. 2006. Scorecard systems might not be so balanced. *Performance Management*, 5(2):12-21.

Porter, M.E. 1996. *What is Strategy?* [Online] Available: <http://hbr.org/1996/11/what-is-strategy/ar/1>. [Accessed: 30 March 2013].

Rosman, A., Biggs, S., Bible, L. 2007. Successful Audit Workpaper Review Strategies in Electronic Environments. *The Journal of Accounting, Auditing & Finance*, 22 (1):57-83.

Spitzer, D. R. (2007). *Transforming performance measurement rethinking the way we measure and drive organizational success*. New York, American Management Association. [Online] Available at <http://site.ebrary.com/id/10196166>. [Accessed: 20 March 2013].

Tustin, D, Lighthelm, AA, Martins, JH & Van Wyk, H de J (eds). 2005. *Marketing research in practice*. Pretoria: Unisa Press.

Walker, G., & MacDonald, J. R. 2001. Designing and implementing an HR scorecard. *Human Resource Management*. 40(4):365.

Wang, P., & Hughes, A.M. 2013. *How to Manage Customers*. [Online] Available: <http://www.dbmarketing.com/about/paul-wang/>. [Accessed: 19 March 2013].

Weller, P. 2006. *Value of Balanced Scorecard*. Paper presented at Visum Partners meeting based on Hackett Group data base. Atlanta, Ga.

Yin, R. K. 1997. *The Case Study as a Research Method*. [Online] Available: <https://www.ischool.utexas.edu/~ssoy/usesusers/l391d1b.htm>. [Accessed: 20 February 2013].

APPENDIX A: COVER LETTER FOR SURVEY



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Department of Financial Management
Faculty of Economic and Management Sciences
UNIVERSITY OF PRETORIA
20 MARCH 2013
Dear Sir/Madam,

THE IMPACT OF THE BALANCED SCORECARD ON MANAGERIAL DECISION MAKING

I am the supervisor of Weihan Sun, a student in the Department of Financial Management at the University of Pretoria, who is currently conducting research for his Masters degree in Financial Management Sciences.

The Balanced Scorecard is considered to define what management means by “performance” and provide the forms of measure to determine whether management has achieved desired results. Before the Balanced Scorecard existed, companies relied heavily on financial data to interpret performance, the downside of such tactics are overlooking the importance of customer relations, innovative expansion opportunities as well as ethical considerations that may impose regulatory risks.

The purpose of the attached research questionnaire is to investigate the knowledge depth and the pragmatic use of the Balanced Scorecard by managers in a company within the South African financial services industry. The research will be targeting individuals with senior management roles within the company. Your participation in this exercise is highly valued and appreciated.

The responses in the individual questionnaires will be analysed and statistically processes into final results. The information will at all times be treated as confidential and not be made available to any entity. Should personal information be provided they are for verification purposes ONLY as to justify the findings as just and not fabricated by the author.

The attached questionnaire was developed to determine the most prevalent budgeting practices in the South African business community. Your completion of the enclosed questionnaire will be highly valued as your personal input is invaluable.

Should you require any further information, please contact Weihan Sun at:

Cell Phone: (084) 466 5229
Landline: (011) 374 2839
E-mail: weihan.sun@mf.co.za
Postal address: Mutual and Federal Building
75 President Street
Department of Strategy (17th Floor)
Johannesburg, 2000

Thanking you in anticipation for your kind co-operation and assistance with this research project.

Yours sincerely,
Ms Elda du Toit
Lecturer: Department of Financial Management
012 420 3818

APPENDIX B: SURVEY TEMPLATE

Survey Questionnaire

1. What is your current role within your department?

Executive	
Head of Department	
Senior Manager	

2. How many years have you held this position?

<1 year	
1-3 years	
3-5 years	
>5 years	

3. Did you use the Balanced Scorecard in a previous position/ previous place of employment?

1. Yes	2. No
--------	-------

4. How knowledgeable are you about the Balanced Scorecard?

(Please Circle the most applicable)

1. Minimally	2. Slightly	3. Very	4. Extremely
--------------	-------------	---------	--------------

5. Which is the best measure of business performance?

1. Financial Results	2. Balanced Scorecard
----------------------	-----------------------

6. How often does your department use the Balanced Scorecard for the following reasons:

	Never	Sometimes	Always
Incentive Payments – <i>Rewards based on Balanced Scorecard results</i>			
Operational Management – <i>Day-to-day performance reporting</i>			
Reporting – <i>For assessing the performance of units and projects</i>			
Strategic Management – <i>Organisational change and development reporting</i>			

7. Who designed the Balanced Scorecard in your department?

- Outside Consultants
- The Performance Team
- The Management Team
- Others in the Organisation

Please specify:

8. What is the business reporting frequency in your department?

1. Monthly	2. Quarterly	3. Bi-Annually	4. Annually
------------	--------------	----------------	-------------

9. How valuable is the Balanced Scorecard perceived to be in your department?

1. Not at all	2. Minimally	3. Slightly	4. Very	5. Extremely
---------------	--------------	-------------	---------	--------------

10. How much impact does the Balanced Scorecard have on your *day-to-day* departmental decisions?

1. Not at all	2. Minimally	3. Slightly	4. Very	5. Extremely
---------------	--------------	-------------	---------	--------------

11. How much impact does the Balanced Scorecard have on your *long-term* departmental decisions?

1. Not at all	2. Minimally	3. Slightly	4. Very	5. Extremely
---------------	--------------	-------------	---------	--------------

12. Who in your organisation is responsible for maintain/ managing your Balanced Scorecard? (Please select all that is applicable)

The unit that is using the Balanced Scorecard	
A specific performance management unit	
A quality management unit/ function	
The Finance Function	
The HR Function	

13. How important are the different perspectives in the Balanced Scorecard for your department?

The Customer Perspective – <i>Market Share, Customer Lifetime value</i>	Very	Little	Not at all
The Internal Perspective – <i>Timeline, Quality Service</i>			
The Learning and Growth Perspective – <i>Training and Development of Individuals, Knowledge Sharing</i>			
The Financial Perspective – <i>Top and Bottom Line reporting</i>			