Redesigning the Balanced Scorecard Model: An African Perspective

by

James Kamwachale Khomba

Submitted in fulfilment of the requirements for the degree

Doctor of Philosophy
( Financial Management Sciences)

in the
Faculty of Economic and Management Sciences
at the
University of Pretoria
Pretoria
South Africa

Study Leader: Professor F.N.S. Vermaak
Co-study Leader: Professor D.G. Gouws

May 2011

© University of Pretoria
DEDICATION

I dedicate this Ph.D. thesis to
my late father, Bambo Kamwachale Khomba
and to
my late mother, Mayi Anamayesa Soko,
who supported me tirelessly even long before I was born.

If I am able to see further than others,
it’s because I have always been climbing on shoulders of these two giants.

May their dear souls rest in eternal peace

Amen
ACKNOWLEDGEMENTS

This product is a culmination of the efforts of various people who have made a tremendous contribution to the completion of this study in their various capacities.

I am heavily indebted to both my study leader, Professor F.N.S. Vermaak, and my co-study leader, Professor D.G. Gouws, who worked with me tirelessly during the entire period of this study. I will always treasure their expert knowledge and selfless professional guidance, encouragement and support over the whole period of this strategic project.

Next, my gratitude goes to my family, who supported me fully throughout the study period. During this period, my wife and children missed my material support and physical presence. Their priceless sacrifice, spiritual and moral support are of great significance in my concluding this long-term project.

I would also like to thank my employer, the University of Malawi, for sponsoring this multi-million Kwacha Ph.D. research project, and also the University of Pretoria, for providing an environment conducive to my studies.

To many others, I am duly indebted – thank you very much for your various inputs into this project.

SIYABONGA KAKHULU.
DECLARATION

I, James Kamwachale Khomba, declare that my thesis, *Redesigning the Balanced Scorecard model: An African perspective*, which I hereby submit for the degree Doctor of Philosophy (Financial Management Sciences) at the University of Pretoria is my own work and has not been previously submitted by me for a degree at this or any other tertiary institution, and that all sources that I have used or quoted herein have been indicated and acknowledged by means of a complete reference system.

_____________________________   _______________________
James Kamwachale Khomba                   Date
The Kaplan and Norton’s (1992) Balanced Scorecard model was designed for Western countries that operate within a capitalist system. African countries differ from Western developed countries in respect of aspects such as their infrastructure, markets and customers, sources of capital, government interventions, literacy levels, and socio-cultural frameworks. Thus, the original Balanced Scorecard model cannot be reconciled fully with an African environment that is more humanist, community-based and socialist in nature. Hence, the study set out to establish whether or not a different understanding or new perspectives on the Balanced Scorecard model were needed and could be conceptualised and developed specifically for organisations in Africa.

A structured questionnaire was used for the primary data collection. Exploratory factor analysis and correlation analysis, using SPSS Version 16.0, were employed to identify the four significantly intercorrelated perspectives of the African Balanced Scorecard model which is proposed in this study: (1) the relationships and culture perspective, which looks at an organisation’s continued stakeholder dialogue and relationships; (2) the stakeholder perspective, which looks at the recognition of contributions by individual stakeholders; (3) the value creation perspective, which considers maximum economy, efficiency and effectiveness when creating organisational wealth, and (4) the corporate conscience (resource allocation) perspective, which looks at the equitable allocation of organisational wealth to all stakeholders, especially those that are usually disregarded, such as local communities and the natural environment.

The results of the study will facilitate the review and design of better corporate planning and performance measurement systems, the review and design of government and industrial policies and regulations, management consultancies, and will promote and facilitate change in accounting and auditing principles and
practices. The study is subject to some limitations, particularly a lack of larger geographic coverage (as only Southern Africa was covered), the limited availability of information from some participants, and the need for further validation of the cause-and-effect relationships between the four perspectives of the proposed African Balanced Scorecard model.

**Key words:** Africa, allocation, Balanced Scorecard, business ethics, corporate governance, corporate performance, corporate social responsibility, Malawi, South Africa, sustainability, triple bottom line, Ubuntu
## BRIEF TABLE OF CONTENTS

1. CHAPTER ONE: INTRODUCTION .............................................................. 1

2. CHAPTER TWO: CORPORATE PERFORMANCE AND FINANCIAL MEASURES ............................................................................ 25

3. CHAPTER THREE: PERSPECTIVES SURROUNDING THE BALANCED SCORECARD (BSC) MODEL ................................................ 77

4. CHAPTER FOUR: THE AFRICAN UBUNTU PHILOSOPHY .............. 126

5. CHAPTER FIVE: SUSTAINABILITY SCORECARDS AND THE TRIPLE BOTTOM LINE REPORTING ................................................ 165

6. CHAPTER SIX: BUSINESS ETHICS AND CORPORATE GOVERNANCE ......................................................................................... 200

7. CHAPTER SEVEN: RESEARCH DESIGN AND METHODOLOGY .... 238

8. CHAPTER EIGHT: RESULTS AND ANALYSIS OF RESEARCH FINDINGS .......................................................................................... 283

9. CHAPTER NINE: DEVELOPMENT OF THE AFRICAN BALANCED SCORECARD (ABSC) MODEL ..................................................... 366

10. CHAPTER TEN: SUMMARY, CONCLUSION AND RECOMMENDATIONS .......................................................................................... 393

   LIST OF REFERENCES ............................................................................ 423

   APPENDICES ........................................................................................... 462
DETAILED TABLE OF CONTENTS

DEDICATION ............................................................................................................... i

ACKNOWLEDGEMENTS ............................................................................................ ii

DECLARATION .......................................................................................................... iii

ABSTRACT ................................................................................................................ iv

LIST OF ACRONYMS ............................................................................................... xx

LIST OF DEFINITIONS ............................................................................................ xxii

LIST OF FIGURES ...................................................................................................... xxvii

LIST OF TABLES ....................................................................................................... xxix

1  CHAPTER ONE: INTRODUCTION ......................................................................... 1
   1.1 BACKGROUND ................................................................................................. 1
   1.2 USE OF FINANCIAL MEASUREMENT SYSTEMS ....................................... 3
   1.3 THE BALANCED SCORECARD MODEL .................................................. 5
   1.4 A CONCEPTUAL FRAMEWORK OF STAKEHOLDER RELATIONSHIPS AND NETWORKS .......................................................... 7
   1.5 RESEARCH PROBLEM STATEMENT .................................................... 9
   1.6 RESEARCH OBJECTIVES ......................................................................... 10
      1.6.1 Primary research objective ............................................................ 10
      1.6.2 Secondary research objectives ..................................................... 10
   1.7 RESEARCH QUESTIONS ........................................................................... 11
      1.7.1 Research Question 1 ................................................................. 11
      1.7.2 Research Question 2 ................................................................. 12
      1.7.3 Research Question 3 ................................................................. 13
      1.7.4 Research Question 4 ................................................................. 13
   1.8 DATA GEOGRAPHIC COVERAGE FOR PRIMARY RESEARCH ................... 14
1.9 RESEARCH ANALYSIS AND RESULTS ................................................. 14

1.10 RESEARCH SIGNIFICANCE AND IMPACT ..................................... 16

1.10.1 Review and redesign of best corporate planning and performance measurement systems .............................................. 16

1.10.2 Review and redesign of government and industrial policies and regulations ................................................................. 16

1.10.3 Catalyst for further debate amongst academics and captains of industry .............................................................. 17

1.10.4 Development of management consultancies ....................... 17

1.10.5 A change in the accounting and auditing profession............ 17

1.11 RESEARCH LIMITATIONS ............................................................... 17

1.11.1 Limited geographic coverage ............................................... 17

1.11.2 Limited information availability ........................................... 18

1.11.3 A need for further research on causal relationships ............. 18

1.12 RECOMMENDATIONS FOR FURTHER RESEARCH ..................... 18

1.13 OUTLINE OF THE THESIS .............................................................. 19

1.13.1 Chapter One: Introduction ................................................... 20

1.13.2 Chapter Two: Corporate performance and financial measures ............................................................................................... 21

1.13.3 Chapter Three: Perspectives surrounding the Balanced Scorecard model ................................................................. 21

1.13.4 Chapter Four: The African Ubuntu philosophy ..................... 22

1.13.5 Chapter Five: Sustainability scorecards and the triple bottom line reporting ................................................................. 22

1.13.6 Chapter Six: Business ethics and corporate governance ................................................................................................. 22

1.13.7 Chapter Seven: Research design and methodology .......... 23

1.13.8 Chapter Eight: Results and analysis of research findings ......................................................................................... 23

1.13.9 Chapter Nine: Development of the African Balanced Scorecard (ABSC) model ................................................................. 23

1.13.10 Chapter Ten: Summary, conclusion and recommendations ....................................................................................... 24

1.14 CONCLUSION .................................................................................. 24
## CHAPTER TWO: CORPORATE PERFORMANCE AND FINANCIAL MEASURES

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>INTRODUCTION</td>
<td>25</td>
</tr>
<tr>
<td>2.2</td>
<td>CORPORATE PERFORMANCE</td>
<td>26</td>
</tr>
<tr>
<td>2.3</td>
<td>THE CORPORATE PERFORMANCE FRAMEWORK</td>
<td>29</td>
</tr>
<tr>
<td>2.4</td>
<td>CORPORATE PLANNING IN A CHANGING ENVIRONMENT</td>
<td>31</td>
</tr>
<tr>
<td>2.5</td>
<td>IMPLEMENTING CORPORATE STRATEGIES</td>
<td>33</td>
</tr>
<tr>
<td>2.6</td>
<td>PERFORMANCE MEASUREMENT SYSTEMS</td>
<td>34</td>
</tr>
<tr>
<td>2.7</td>
<td>SIGNIFICANCE AND PRACTICAL USE OF PERFORMANCE MEASURES</td>
<td>35</td>
</tr>
<tr>
<td>2.7.1</td>
<td>Performance measures facilitate the identification of critical areas for special attention</td>
<td>35</td>
</tr>
<tr>
<td>2.7.2</td>
<td>Performance measures instil positive employee behaviour</td>
<td>35</td>
</tr>
<tr>
<td>2.7.3</td>
<td>Good performance measures enhance benchmarking systems</td>
<td>36</td>
</tr>
<tr>
<td>2.7.4</td>
<td>Performance measures enable improvements in quality and productivity</td>
<td>37</td>
</tr>
<tr>
<td>2.8</td>
<td>CHALLENGES AND LIMITATIONS OF PERFORMANCE MEASURES</td>
<td>38</td>
</tr>
<tr>
<td>2.8.1</td>
<td>Performance measures are based on a single organisation model</td>
<td>38</td>
</tr>
<tr>
<td>2.8.2</td>
<td>Performance measures are usually based on existing organisational structures</td>
<td>40</td>
</tr>
<tr>
<td>2.8.3</td>
<td>Insufficient attention is given to performance measurement systems</td>
<td>40</td>
</tr>
<tr>
<td>2.8.4</td>
<td>The multiplicity of performance measures leads to interpretation problems</td>
<td>41</td>
</tr>
<tr>
<td>2.8.5</td>
<td>Performance measures incline towards subjectivity rather than objectivity</td>
<td>44</td>
</tr>
<tr>
<td>2.8.6</td>
<td>There are often data accuracy problems with performance measures</td>
<td>45</td>
</tr>
<tr>
<td>2.8.7</td>
<td>Most performance measures are financially driven</td>
<td>45</td>
</tr>
<tr>
<td>2.8.8</td>
<td>There is a need to redesign performance measurement systems</td>
<td>46</td>
</tr>
<tr>
<td>2.8.9</td>
<td>There is some confusion between performance measures as sources of control versus sources of flexibility</td>
<td>46</td>
</tr>
</tbody>
</table>
There are difficulties in measuring intangibles

FINANCIAL MEASURES

Introduction

Background on financial measures

Financial measures form a basis for internal corporate performance measurement

Financial measures provide a common denominator for business transactions

Financial measures are used as a tool to give strategic direction

Financial measures are used in product life cycle and portfolio analyses

Financial measures form a basis for economic and financial feasibility studies on projects

Financial measures provide a basis for reward and motivational systems

Financial measures are lagging indicators with a past orientation

Financial measures exclude strategic non-financial measures

Financial measures tend to focus on the short term rather than the long term approaches

Financial measures do not consider the transformation of economies

Financial measures are mismatched with contemporary business systems

Many financial measures are based on a single performance measure

Financial measurement systems are faced with ethical reporting and corporate governance challenges

Financial measures distort product costing

CONCLUSION
3  CHAPTER THREE: PERSPECTIVES SURROUNDING THE BALANCED SCORECARD (BSC) MODEL .............................................................................................................. 77

3.1  INTRODUCTION ........................................................................................................... 77

3.2  BACKGROUND ON THE BALANCED SCORECARD ........................................... 78

3.3  ASSUMPTIONS OF THE BALANCED SCORECARD MODEL ............... 80

3.3.1 Assumption 1: The Balanced Scorecard model complements financial measures ................................................................. 80

3.3.2 Assumption 2: The Balanced Scorecard model is conceptualised on four business perspectives ................................... 81

3.3.3 Assumption 3: The Balanced Scorecard model’s perspectives are linked to time horizons ........................................... 91

3.3.4 Assumption 4: The Balanced Scorecard model suggests cause-and-effect relationships within perspectives ......................................................... 93

3.3.5 Assumption 5: The Balanced Scorecard model can be used as a strategic management tool .......................................... 95

3.3.6 Assumption 6: The Balanced Scorecard model works in a top-down, hierarchical manner ........................................... 98

3.4  SIGNIFICANCE OF THE BALANCED SCORECARD APPROACH ................................................................. 99

3.4.1 The Balanced Scorecard model is used as a strategic management tool ............................................................................... 100

3.4.2 The Balanced Scorecard model is used as a means of setting organisational priorities ........................................... 101

3.4.3 The Balanced Scorecard model is used as a motivational tool ................................................................................... 103

3.4.4 The Balanced Scorecard adopts a holistic approach ........ 104

3.4.5 The Balanced Scorecard model is the basis for the budgeting and budgetary process ........................................... 105

3.4.6 The Balanced Scorecard model forms a foundation for sound external financial reporting systems ........................................... 107

3.4.7 The Balanced Scorecard model provides a means of organisational communication ........................................... 107

3.5  LIMITATIONS OF THE BALANCED SCORECARD ........................................... 108

3.5.1 The Balanced Scorecard model is overly simplified .......... 109

3.5.2 The Balanced Scorecard model has conceptual limitations as a strategic management tool ........................................... 109

3.5.3 Strategy execution using the Balanced Scorecard model is still problematic ................................................................. 111
3.5.4 The validity of the four perspectives of the Balanced Scorecard model has not been proven ........................................ 112
3.5.5 The Balanced Scorecard model has registered high failure rates.................................................................................. 113
3.5.6 The Balanced Scorecard model and its long-term cost-effectiveness are in question .................................................. 114
3.5.7 Assumptions about the unidirectional linearity of the Balanced Scorecard model perspectives may be erroneous .............................................................. 114
3.5.8 There are no time lags between the cause-and-effect relationships of Balanced Scorecard model perspectives .......... 116
3.5.9 The maximisation of shareholders’ wealth is overgeneralised in the Balanced Scorecard model ......................... 117
3.5.10 The Balanced Scorecard model focuses on an individual organisation and ignores modern collaborative commerce .............................................................. 118
3.5.11 Over-emphasis on the four perspectives of the Balanced Scorecard model ................................................................. 119
3.5.12 The Balanced Scorecard model does not employ a multi-stakeholder-centred approach ......................................... 120
3.5.13 The Balanced Scorecard model de-emphasises the significance of socio-cultural frameworks for organisational survival .................................................. 121

3.6 CONCLUSION ........................................................................................................ 123

4 CHAPTER FOUR: THE AFRICAN UBUNTU PHILOSOPHY ...................... 126

4.1 INTRODUCTION ................................................................................................. 126
4.2 UNDERSTANDING THE AFRICAN UBUNTU PHILOSOPHY ............. 127
4.3 SIGNIFICANCE OF THE AFRICAN UBUNTU PHILOSOPHY FOR CORPORATE PERFORMANCE ................................................. 130

4.3.1 The community is more important than an individual under the Ubuntu philosophy ...................................................... 130
4.3.2 Positive behaviour is related to the Ubuntu philosophy .... 131
4.3.3 Synergies and competitive advantages arise under the Ubuntu philosophy ................................................................. 133
4.3.4 African culture and leadership styles can be founded on the Ubuntu philosophy framework .............................................. 135
4.3.5 African Ubuntu collectivism cultivates a team spirit towards work .............................................................................. 137
4.3.6 Ubuntu philosophy involves recognising an employee’s socio-cultural values within an African context .......................... 138
4.3.7 Respect is shown to one’s elders under the Ubuntu philosophy ................................................................................. 142
4.3.8 Respect for the community and corporate social responsibility are part of the African Ubuntu philosophy .... 142
4.3.9 Good corporate governance is made possible under the African Ubuntu philosophy ........................................... 145

4.4 CHALLENGES IN APPLYING THE UBUNTU PHILOSOPHY ...... 147
4.4.1 The African Ubuntu philosophy is based on unrecorded practice ........................................................... 147
4.4.2 There is insufficient information dissemination and sensitisation about the Ubuntu philosophy ...................... 148
4.4.3 The Ubuntu philosophy is negatively associated with some obsolete African traditional rituals, customs and practices ............................................................................ 149
4.4.4 The African Ubuntu philosophy is challenged by the proliferation of foreign ideologies ................................. 150

4.5 CASES ILLUSTRATING THE AFRICANISATION OF CORPORATE MANAGEMENT SYSTEMS ........................................... 152

4.6 CONTRIBUTIONS OF THE UBUNTU PHILOSOPHY TO THE CORPORATE WORLD ................................................................. 157
4.6.1 Promotion of the Ubuntu philosophy management systems ............................................................................. 157
4.6.2 Utilisation of African social capital ................................................................................................................ 159
4.6.3 Effective communication and public relations ................................................................................. 160
4.6.4 Global transformation based on the African Ubuntu philosophy ......................................................................... 161

4.7 CONCLUSION ................................................................................ 163

5 CHAPTER FIVE: SUSTAINABILITY SCORECARDS AND THE TRIPLE BOTTOM LINE REPORTING ...................................................... 165
5.1 INTRODUCTION ............................................................................. 165
5.2 CORPORATE SUSTAINABILITY ..................................................... 167
5.2.1 Overview on corporate sustainability ......................................... 167
5.2.2 Principles relating to ecosystems and sustainability .......... 168
5.2.3 Application of ecosystems and sustainability principles ..... 169
5.2.4 The stakeholder-centred approach within corporate sustainability programmes ........................................... 173
7.8.3 The practices and processes strategic theme ....................... 262
7.8.4 The intellectual capital strategic theme............................. 262
7.8.5 The value creation strategic theme.................................... 263
7.8.6 The corporate conscience strategic theme........................ 263

7.9 PROFILE OF RESPONDENTS....................................................... 264

7.10 SAMPLING DESIGN AND SAMPLING METHODS ......................... 265
7.10.1 Geographic coverage of primary research......................... 266
7.10.2 Population and sampling frame ....................................... 266
7.10.3 Sample size and sample adequacy ................................... 267

7.11 DATA COLLECTION PROCEDURES ........................................... 268

7.12 DATA ANALYSIS..................................................................... 269
7.12.1 Descriptive statistics ....................................................... 270
7.12.2 Univariate analysis (frequency tables and graphs) .......... 270
7.12.3 Bivariate analysis (correlation analysis) ......................... 271
7.12.4 Multivariate analysis (exploratory factor analysis)......... 275

7.13 DATA VALIDITY AND DATA RELIABILITY ............................... 277
7.13.1 Data validity ................................................................. 277
7.13.2 Data reliability ............................................................. 279

7.14 ETHICAL CONSIDERATIONS.................................................. 281

7.15 CONCLUSION ...................................................................... 282

8 CHAPTER EIGHT: RESULTS AND ANALYSIS OF RESEARCH FINDINGS ........................................................................................................ 283

8.1 INTRODUCTION...................................................................... 283

8.2 DEMOGRAPHICS OF THE PARTICIPANTS .............................. 284
8.2.1 Country of participating organisations.............................. 284
8.2.2 Use of the Balanced Scorecard model ............................... 285
8.2.3 Rating of the usefulness of the Balanced Scorecard model .......................................................... 286
8.2.4 Management level of respondents .................................. 287
8.2.5 Work experience of respondents ..................................... 289
8.2.6 Industry of participating organisations ............................ 290
8.2.7 Number of employees ..................................................... 290
8.2.8 Organisational stakeholders ............................................ 291
8.3 UNIVARIATE ANALYSIS OF QUESTIONNAIRE STATEMENTS

8.3.1 The relationships and culture strategic theme ........................................ 295
8.3.2 The stakeholder strategic theme ................................................................. 306
8.3.3 The processes and practices strategic theme ........................................ 312
8.3.4 The intellectual capital strategic theme ............................................. 319
8.3.5 The value creation strategic theme .................................................. 324
8.3.6 The corporate conscience strategic theme ........................................ 329
8.3.7 Summary of the univariate analysis ...................................................... 338

8.4 BIVARIATE ANALYSIS (CORRELATION ANALYSIS) OF VARIABLES

8.4.1 The relationships and culture strategic theme ........................................ 340
8.4.2 The stakeholder strategic theme ................................................................. 342
8.4.3 The processes and practices theme strategic theme ............................... 344
8.4.4 The intellectual capital strategic theme ............................................. 345
8.4.5 The value creation strategic theme .................................................. 347
8.4.6 The corporate conscience strategic theme ........................................ 348
8.4.7 The six strategic themes of the conceptual framework .......................... 350

8.5 MULTIVARIATE ANALYSIS USING FACTOR ANALYSIS

8.5.1 Codification of the variables under exploratory factor analysis ............... 353
8.5.2 Rotation of the variables using the promax rotation method .................... 353
8.5.3 Interpretation of the rotation results on four components ....................... 356
8.5.4 Intercorrelation of the four extracted components ................................. 360
8.5.5 Complementarity of multivariate, bivariate and univariate analyses ......... 362
8.5.6 The four components as foundational elements for the new African Balanced Scorecard model .................................................. 362

8.6 CONCLUSION

9 CHAPTER NINE: DEVELOPMENT OF THE AFRICAN BALANCED SCORECARD (ABSC) MODEL

9.1 INTRODUCTION ..................................................................................... 366
9.2 DEVELOPMENT PROCESS OF THE NEW AFRICAN BALANCED SCORECARD MODEL .......................................................... 367
  9.2.1 Phase 1: Univariate analysis ................................................................. 367
9.2.2 Phase 2: Bivariate analysis of variables within each strategic theme .......................................................... 367
9.2.3 Phase 3: Bivariate analysis of six strategic themes ........ 369
9.2.4 Phase 4: Multivariate analysis (factor analysis) .......... 369
9.2.5 Phase 5: Nomenclature of the extracted four components ........................................................................... 369
9.2.6 Phase 6: Bivariate analysis of the four extracted components ........................................................................... 369
9.2.7 Phase 7: The African Balanced Scorecard model ......... 370

9.3 PERSPECTIVES IN THE AFRICAN BALANCED SCORECARD MODEL ................................................................. 372
9.3.1 The relationships and culture perspective ..................... 372
9.3.2 The stakeholder perspective ........................................ 375
9.3.3 The value creation perspective ....................................... 376
9.3.4 The corporate conscience perspective ............................ 378
9.3.5 Summary of the perspectives in the African Balanced Scorecard model ......................................................... 381

9.4 USE OF THE AFRICAN BALANCED SCORECARD MODEL AS A STRATEGIC MANAGEMENT TOOL ............................................................ 382

9.5 PERFORMANCE MEASURES BASED ON THE PERSPECTIVES OF THE AFRICAN BALANCED SCORECARD MODEL ................................................................. 383
9.5.1 The relationships and culture perspective ..................... 383
9.5.2 The stakeholder perspective ........................................ 384
9.5.3 The value creation perspective ....................................... 386
9.5.4 The corporate conscience perspective ............................ 387

9.6 THE AFRICAN BALANCED SCORECARD MODEL VERSUS THE GENERIC BALANCED SCORECARD MODEL ................................................................. 388

9.7 CONCLUSION ................................................................................................................................. 392

10 CHAPTER TEN: SUMMARY, CONCLUSION AND RECOMMENDATIONS ........................................................................... 393
10.1 INTRODUCTION ........................................................................................................................................ 393
10.2 RESEARCH SUMMARY .......................................................................................................................... 393
10.2.1 Background ........................................................................................................................................ 394
10.2.2 Research problem statement ............................................................................................................ 396
10.2.3 Primary research objective ............................................................................................................. 396
10.2.4 The conceptual framework ............................................................................................................ 397
10.2.5 Research design and methodology ................................... 398
10.2.6 Secondary research objectives ....................................... 400
10.2.7 Results and analysis of research findings ...................... 404
10.2.8 Summary of the achievement of the research objectives and solution to the research problem statement ................................................................. 410

10.3 CONCLUSIONS .............................................................................. 410

10.4 RECOMMENDATIONS ................................................................... 413
10.4.1 Adoption of the African Balanced Scorecard model ........... 413
10.4.2 Review of general business practices in the commercial sector ................................................................. 414
10.4.3 Review of the financial accounting and auditing principles and practices ................................................................. 415
10.4.4 Review of the academic curriculum in business management courses ................................................................. 415
10.4.5 Replication of the study in other African countries .......... 416
10.4.6 Replication of the study in Asian countries ...................... 416

10.5 SIGNIFICANCE OF THE STUDY ................................................... 417
10.5.1 Review and redesign of best corporate planning and performance measurement systems ......................... 417
10.5.2 Review and redesign of government and industrial policies and regulations ................................................................. 417
10.5.3 Catalyst for further debate amongst academics and captains of industry ................................................................. 418
10.5.4 Development of management consultancies ..................... 418
10.5.5 A change in the accounting and auditing profession .......... 419

10.6 RESEARCH LIMITATIONS ............................................................. 419
10.6.1 Limited geographic coverage ............................................. 419
10.6.2 Limited information availability ........................................... 420
10.6.3 Insufficient validation of causal relationships ................. 420

10.7 RECOMMENDATIONS FOR FURTHER RESEARCH ................. 421

LIST OF REFERENCES ............................................................................ 423

APPENDICES ........................................................................................... 462
# LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>ACRONYM</th>
<th>FULL MEANING</th>
</tr>
</thead>
<tbody>
<tr>
<td>3BL</td>
<td>Triple bottom line</td>
</tr>
<tr>
<td>ABSC</td>
<td>African Balanced Scorecard</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired immune deficiency syndrome</td>
</tr>
<tr>
<td>BBC</td>
<td>British Broadcasting Corporation</td>
</tr>
<tr>
<td>BCS</td>
<td>Balanced Scorecard</td>
</tr>
<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
</tr>
<tr>
<td>CCBE</td>
<td>Clarkson Centre for Business Ethics</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer relationship management</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agricultural Organization of the United Nations</td>
</tr>
<tr>
<td>FTSE</td>
<td>Financial Times Stock Exchange</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>HIV</td>
<td>Human immunodeficiency virus</td>
</tr>
<tr>
<td>HRM</td>
<td>Human resource management</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
</tr>
<tr>
<td>JIT</td>
<td>Just-in-time</td>
</tr>
<tr>
<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
</tr>
<tr>
<td>MBA</td>
<td>Master of Business Administration</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MGDS</td>
<td>Malawi Growth and Development Strategy</td>
</tr>
<tr>
<td>MSE</td>
<td>Malawi Stock Exchange</td>
</tr>
<tr>
<td>ACRONYM</td>
<td>FULL MEANING</td>
</tr>
<tr>
<td>---------</td>
<td>--------------</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern Africa Development Community</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply chain management</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small-and-medium enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical package for social sciences</td>
</tr>
<tr>
<td>TQM</td>
<td>Total quality management</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
</tbody>
</table>
LIST OF DEFINITIONS

Activity based costing (ABC): This is an accounting system which focuses on activities as the fundamental cost objects. It uses their cost as building blocks to compile the cost of other cost objects, for example, products or departments (Horngren, Bhimani, Data & Foster, 2002:891).

Balance sheet: This refers to a financial statement that summarises an organisation’s total resources (assets) and indicates how the organisation funds the acquisition of such resources – either through owners’ contributions (capital) or through borrowing from external parties (liability) (Own observation).

Balanced Scorecard (BSC): This refers to a management framework that translates an organisation’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system (Kaplan & Norton, 1996b:2).

Benchmarking: This is the measurement of the quality of a company’s products, services and activities against the best levels of performance for continuous improvement. An organisation can use internal benchmarking information or external benchmarks from competitors or from other organisations with similar processes, products or services (Horngren et al., 2002:525).

Business ethics: This field studies the ethical dimension of economic activity at the systematic, organisational and intra-organisational levels (Rossouw, 2010b:22).

Cash flow statement: This is a kind of financial statement that summarises the cash generated as cash inflows and how that cash is spent as cash outflows (Own observation).

Cash ratio: This is the most restrictive liquidity ratio, as it assumes that only cash and cash equivalents are available to pay off current liabilities. It is calculated as cash and cash equivalent divided by current liabilities (Correia, Flinn, Uliana & Wormald, 2003:517).

COMESA: The acronym stands for “Common Market for Eastern and Southern Africa”, an economic bloc whose current members are the following countries: Burundi, the Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, the Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe (Common Market for Eastern and Southern Africa, 2010).

Corporate conscience: It refers to a practice in business ethics which requires managers to act in accordance with people’s rights, morals and sense of justice (Nakano, 2007:163).
Corporate governance: This is a set of processes, customs, laws and institutions that affect the way a corporation is directed, administered, or controlled through the provision of guidelines and mechanisms to ensure good behaviour to protect the interests of stakeholders (Prozesky, 2010:262).

Corporate social responsibility (CSR), also referred to as corporate citizenship: This is a company's sense of responsibility, as a corporate citizen, towards the local community and the natural environment in which it activities take place and its business survives upon (Caroll, 1999:292).

Culture: For the purposes of this study, the term refers to a set of values, beliefs and norms which govern or influence the behaviour of people in organisations (Flamholtz, 2001:271).

Current ratio: This ratio is calculated as current assets divided by current liabilities. Current assets include cash and marketable securities, bank balances, debtors, stocks/inventories. Current liabilities include creditors, accrued liabilities, short-term debts, and current portion of long-term debts. The quick ratio eliminates stocks from current assets so that the calculation of this ratio becomes assets less stocks, divided by current liabilities (Correia et al., 2003:5-12).

Customer relationship management (CRM): This management information system tracks the way in which a company interacts with its customers and analyses all these interactions to optimise revenues, profitability, customer satisfaction and customer retention (Laudon & Laudon, 2006:60).

Debt/equity ratio: This ratio is a financial leverage measure of the proportion of debt or liabilities as compared to the shareholders’ equity. The bigger the debt, the bigger the ratio, and the bigger the financial leverage (Correia et al., 2003:515).

Eco-efficiency: This refers to a process where business production activities are made to be ecologically efficient through resource reduction, process redesign, recycling, and reuse. Eco-efficiency creates value for the corporation by engaging cost and differentiating competitive advantages (Stead & Stead, 2004:81).

Effectiveness, also referred to as doing things right: This term refers to the relationship between organisational outputs and its goals. Effectiveness is the degree to which an organisation achieves its objectives (Horngren et al., 2002:891).

Efficiency, also referred to as doing right things: An efficient organisation achieves its objectives at the minimum cost or with the minimum consumption of resources. Efficiency is getting the most output from the least amount of inputs in order to minimise resource costs (Horngren et al., 2002:891).

Ethics: An ethical approach focuses on what is good and right in an economic activity by engaging in a moral analysis and assessment of such economic practices and activities (Rossouw, 2010b:20).
**Human capital:** This is the availability of strategic competencies in the form of skills, talent and know-how to perform the activities required by the corporate strategy (Kaplan & Norton, 2004c:13).

**Information capital:** This is the availability of strategic information in the form of knowledge applications and the infrastructure that is needed to support the corporate strategy (Kaplan & Norton, 2004c:13).

**Institute of Directors in Southern Africa:** This is the only organisation in Southern Africa that represents directors, professionals, business owners and leaders in their individual capacities. The Institute is the custodian of corporate governance which enhances the development of business owners and directors through educating and improving on governance structures (Linkedin.com, n.d.:n.p.).

**Intellectual capital:** This refers to the collective knowledge of the individuals working in an organisation. This knowledge can be applied to produce wealth, to multiply the output of physical assets, to gain a competitive advantage, and/or to enhance the value of other types of capital (BusinesDictionary.com, n.d.:n.p.).

**Just-in-time (JIT):** This is a scheduling of systems that minimises inventories by having components arrive exactly at the moment they are needed and finished goods shipped as soon as they leave the assembly line of production (Laudon & Laudon, 2006:96).

**Key performance indicators (KPIs):** These are measures or mileage markers that indicate whether procedures are actually working to help an organisation to achieve its goals (Savitz & Weber, 2006:254).

**Millennium Development Goals (MDGs):** These are eight international development goals that all 192 United Nations member states and affiliated international organisations adhere to achieve by the year 2015. The MDGs include reduction of extreme poverty, reduction of child mortality rates, fighting disease and epidemics such as HIV/AIDS, and developing a global partnership for global development (United Nations, n.d:n.p.).

**Organisation capital:** This refers to the availability of organisational culture in the form of awareness and internalisation of the shared mission, vision, and values needed to execute corporate strategy. Organisation capital also includes leadership, alignment and teamwork within an organisation (Kaplan & Norton, 2004c:13).

**Performance measure:** This a measure used to quantify the efficiency and/or effectiveness of an action. Thus, a set of these measures represents a performance measurement system (Neely, Gregory & Platts, 1995:80).

**Performance measurement system:** This refers to a set of measures used to quantify both the efficiency and effectiveness of organisational actions. Hence the level of performance an organisation attains is a function of the efficiency and effectiveness of the actions an organisation undertakes (Neely et al., 1995:80).
Profit and loss account: This a financial statement that shows revenues and their corresponding costs within a given accounting period, usually one year (Own observation).

Research and Development (R&D): This term covers a systematic activity combining both basic and applied research, and aimed at discovering solutions to problems or creating new goods and knowledge. Research and development may result in the ownership of intellectual property such as patents. In accounting for research and development costs, the development costs may be carried forward, but the basic and applied research costs are often written off as they are incurred in the accounting period (BusinessDictionary.com, n.d.:n.p.).

Return on capital employed (ROCE): This is a measure of the return in terms of profitability on every amount invested into the business. The ratio is calculated as the net income divided by the capital employed (Own observation).

SADC: This acronym stands for the Southern African Development Community. Originally known as the Southern African Development Coordination Conference (SADCC), SADC is a socio-economic development forum whose current member countries are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Zambia and Zimbabwe (Southern Africa Development Community, 2010).

Stakeholder: This term refers to any group or individual who can affect or is affected by the achievement of the organisational objective (Freeman, 1994:411).

Supply chain management (SCM): This is the integration of a network of organisations and business processes for procuring materials, transforming these materials into intermediate and finished products and distributing finished products to customers (Laudon & Laudon, 2006:385).

Sustainability: This refers to living and working in ways that do not jeopardise the future of social, economic and natural resources. It requires a focus on future. In business, sustainability means managing human and natural capital just as vigorously as financial capital (Stead & Stead, 2004:111).

Sustainable development: This is development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations (World Commission on Environment and Development, 1987).

SWOT analysis: This is a process where managers identify and critically evaluate organisational internal Strengths and Weaknesses through the internal audit analysis, as well as external Opportunities and Threats through an external audit analysis, also referred to as environmental scanning. SWOT analysis is also called corporate analysis or corporate appraisal (Own observation).
**Total asset turnover:** This figure is calculated as sales divided by total assets. Fixed asset turnover is sales divided by total fixed assets, whilst **debtors’ turnover** is defined as credit sales divided by debtors. The **average collection period** measures the average length of time that it takes to collect from a customer, which is calculated as 365 days divided by debtors’ turnover (Correia et al., 2003:513-514).

**Total quality management (TQM):** This is an approach that sees quality control as a responsibility to be shared by all the people in an organisation (Laudon & Laudon, 2006:505).

**Triple bottom line (3BL):** This is a reporting system that recognises the considerable power that modern organisations wield, as they are accountable not only for their financial or economic single bottom-line performance, but also for their social and environmental performance (Rossouw, 2010e:129).

**Ubuntu/Umunthu:** This Nguni (isiZulu) word means “humanness” or “dignity” or “humanity towards others” and is the basis of African social laws encompassing social values such as sharing, caring, respect and dignity that are omnipresent on the African continent (Binedell, 1995; English, 2002; Moloketi, 2009).
LIST OF FIGURES

Figure 1: A conceptual framework of stakeholder relationships and networks ................................................................. 8
Figure 2: A roadmap to the thesis .......................................................................................... 20
Figure 3: Corporate performance framework ........................................................................ 29
Figure 4: Literature review outline on corporate performance systems .................. 31
Figure 5: Corporate performance and the traditional financial measure ........... 49
Figure 6: Corporate performance and the Balanced Scorecard model .......... 78
Figure 7: The Balanced Scorecard model, showing its four perspectives .... 81
Figure 8: Time horizons for the Balanced Scorecard model's perspectives ..... 92
Figure 9: The strategy map represents how an organisation creates value ...... 94
Figure 10: The Balanced Scorecard model as a strategic framework for action ................................................................. 96
Figure 11: Corporate performance and the African Ubuntu philosophy ............ 127
Figure 12: Corporate performance and corporate sustainability ......................... 166
Figure 13: The Sustainability Balanced Scorecard (SBSC) model ............. 187
Figure 14: Corporate performance, business ethics and corporate governance ..................................................................................... 201
Figure 15: Country of participating organisations ................................................. 285
Figure 16: Use of the Balanced Scorecard model ............................................... 286
Figure 17: Rating of the usefulness of the Balanced Scorecard model ........ 287
Figure 18: Management level of respondents ......................................................... 288
Figure 19: Work experience (years) of respondents ............................................ 289
Figure 20: Means of the response ratings of statements under the relationship and culture strategic theme ............................................ 305
Figure 21: Means on response ratings of statements under the stakeholder strategic theme ................................................................. 311
Figure 22: Means on response ratings of statements under the processes and practices strategic theme ................................................................. 318

Figure 23: Means of the response ratings on statements under the intellectual capital strategic theme .......................................................... 324

Figure 24: Means of the response ratings on statements relating to the value creation strategic theme ......................................................... 328

Figure 25: Means of the response ratings on statements relating to the corporate conscience strategic theme ............................................. 337

Figure 26: Statistical components and the corresponding perspectives of the new African Balanced Scorecard model .................................. 364

Figure 27: A roadmap towards the African Balanced Scorecard model ........ 368

Figure 28: The African Balanced Scorecard model showing its four perspectives ......................................................................................... 371

Figure 29: Relationships of the four perspectives in the African Balanced Scorecard model ............................................................................. 380
LIST OF TABLES

Table 1: Significance and limitations of performance measures .......................... 48
Table 2: Significance and limitations of financial measures .............................. 74
Table 3: Significance and limitations of the Balanced Scorecard model ............ 122
Table 4: Derivatives of ‘Ubuntu’ in Bantu languages ...................................... 128
Table 5: Positive attributes and meanings of the African Ubuntu philosophy ........................................................... 132
Table 6: Significance of and challenges in implementing the Ubuntu philosophy ........................................................................... 156
Table 7: Intersection of the Balanced Scorecard model and the Global Reporting Initiative’s economic sustainability indicators .................. 192
Table 8: Intersection of the Balanced Scorecard model and the Global Reporting Initiative’s environmental sustainability indicators ........... 192
Table 9: Intersection of the Balanced Scorecard model and the Global Reporting Initiative’s social sustainability indicators ...................... 193
Table 10: Statements relating to the relationships and culture strategic theme ............................................................................................................. 261
Table 11: Statements relating to the stakeholder strategic theme ...................... 261
Table 12: Statements relating to the practices and processes strategic theme ............................................................................................................. 262
Table 13: Statements relating to the intellectual capital strategic theme .......... 263
Table 14: Statements relating to the value creation strategic theme ............... 263
Table 15: Statements relating to the corporate conscience strategic theme .... 264
Table 16: Country of participating organisations ............................................. 285
Table 17: Use of the Balanced Scorecard model ............................................. 286
Table 18: Rating of the usefulness of the Balanced Scorecard model ........... 287
Table 19: Management level of respondents ................................................. 288
Table 20: Work experience of respondents ...................................................... 289
Table 21: Demographics on industries ............................................................. 290
Table 22: Number of employees ...................................................................... 291
Table 23: Organisational stakeholders ............................................................. 292
Table 24: Stakeholder popularity rankings ....................................................... 294
Table 25: Statistical summary of the univariate analysis on the relationships and culture strategic theme ......................................... 304
Table 26: Statistical summary of univariate analysis on stakeholder strategic theme ................................................................................. 311
Table 27: Statistical summary of univariate analysis on processes and practices strategic theme ................................................................................. 317
Table 28: Statistical summary of the univariate analysis on the intellectual capital strategic theme ........................................................... 323
Table 29: Statistical summary of the univariate analysis on the value creation strategic theme ........................................................... 328
Table 30: Statistical summary of the univariate analysis on the corporate conscience strategic theme ........................................................... 336
Table 31: Pearson correlation analysis for the relationships and culture strategic theme ................................................................................. 341
Table 32: Pearson correlation analysis for the stakeholder strategic theme .... 343
Table 33: Pearson correlation analysis for the processes and practices strategic theme ................................................................................. 344
Table 34: Pearson correlation analysis for the intellectual capital strategic theme ........................................................... 346
Table 35: Pearson correlation analysis for the value creation strategic theme ................................................................................. 347
Table 36: Pearson correlation analysis for the corporate conscience strategic theme ........................................................... 349
Table 37: Pearson correlation analysis for the six strategic themes of the conceptual framework ........................................................... 351
Table 38: Total variance explained by the four components ............................ 356
Table 39: Component 1 (Relationships and culture) ......................................... 357
Table 40: Component 2 (Corporate conscience) .................................................. 358
Table 41: Component 3 (Value creation) .......................................................... 359
Table 42: Component 4 (Stakeholders) ............................................................ 360
Table 43: Pearson correlation analysis for the four components using exploratory factor analysis ................................................................. 361
Table 44: Performance measures relating to the relationships and culture perspective .......................................................... 384
Table 45: Performance measures relating to the stakeholder perspective ...... 385
Table 46: Performance measures relating to the value creation perspective ......................................................................... 386
Table 47: Performance measures relating to the corporate conscience perspective .................................................................. 387
Table 48: The Balanced Scorecard model versus the African Balanced Scorecard model ................................................................. 391
Table 49: Solution to the problem statement and meeting of the research objectives ........................................................................ 411