

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

We believe that in the long run, the special contribution to the world by Africa will be in the field of human relationships. The great powers of the world may have done wonders in giving the world an industrial and military look, but the great gift still has to come from Africa – giving the world a more human face.

(Steve Biko, in Coetzee & Roux, 1998:30).

9.1 INTRODUCTION

Chapter Nine follows on from the previous chapters. The chapter details the activities that were carried out during the process of redesigning the Balanced Scorecard model and that resulted in the development of the new African Balanced Scorecard model. The redesigning process activities include the univariate analysis, the bivariate analysis and the factor analysis discussed in Chapter Eight.

The details of the new perspectives in the model, comprising the relationships and culture, stakeholder, value creation, and corporate conscience perspectives, are discussed in this chapter. The chapter also details the bidirectional interrelationships between the four perspectives and provides templates for performance measures for corporate activities under each perspective. Finally, the African Balanced Scorecard model and the generic Balanced Scorecard model are compared in terms of their perspectives, functionality and validity.

9.2 DEVELOPMENT PROCESS OF THE NEW AFRICAN BALANCED SCORECARD MODEL

The African Balanced Scorecard model is a result of the analyses of primary data, collected as discussed in the results and analysis of findings chapter (Chapter Eight). The model development process followed the roadmap summarised in Figure 27, overleaf. The development process roadmap shows how the 52 questionnaire statements (variables) were analysed to culminate in the four perspectives of the African Balanced Scorecard model. The relationships between the activities in the development process are depicted by arrows (continuous arrows indicate direct relationships, while dotted arrows indicate implied relationships or activity feedback systems).

The following section discusses in detail the activities that were involved in the process of developing the new African Balanced Scorecard model.

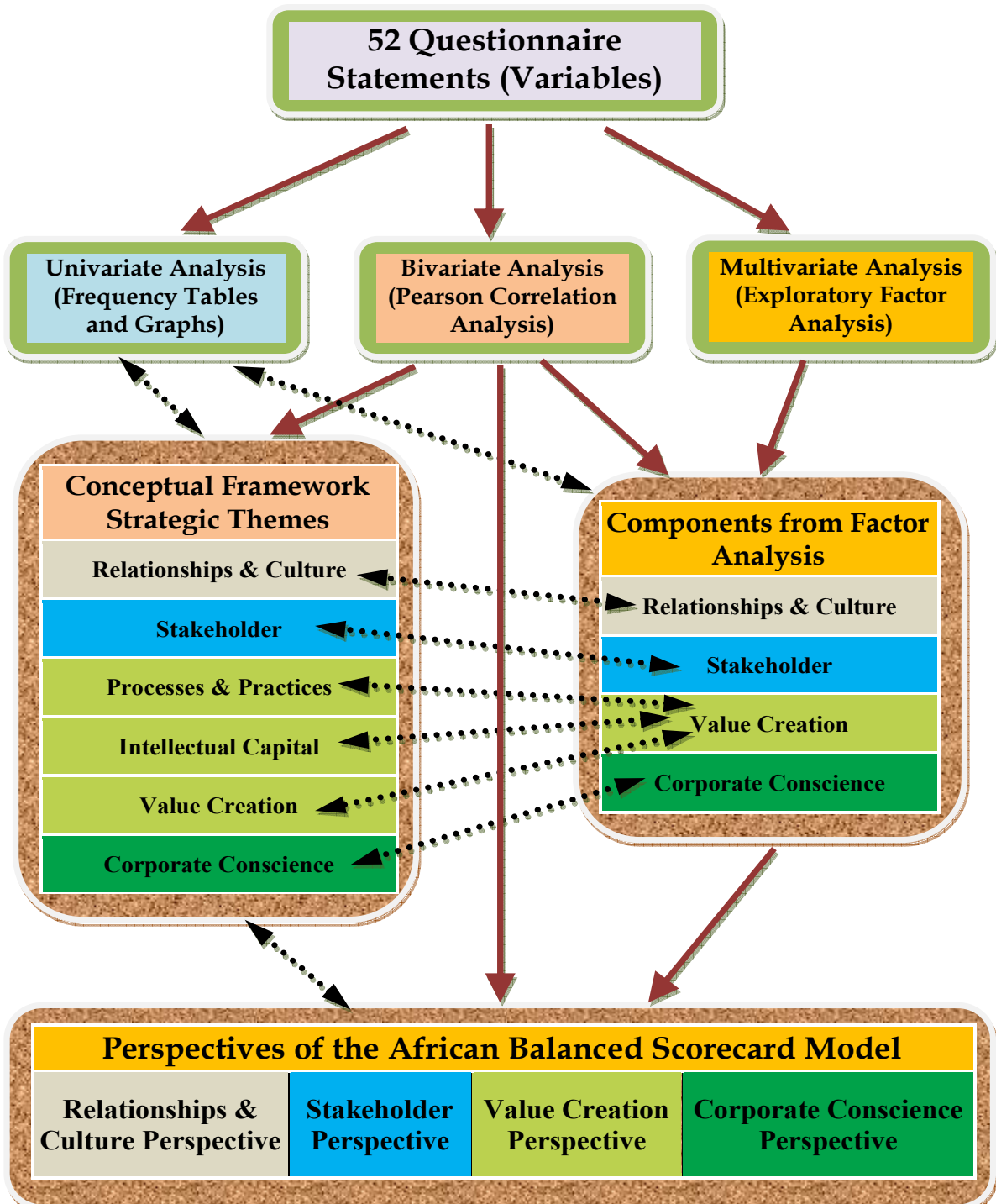
9.2.1 Phase 1: Univariate analysis

The first phase was the detailed analysis of individual questionnaire statements in order to assess respondents' level of agreement on each statement. The univariate analysis of statements also addressed the first research question. There were varied responses to each statement, as discussed in Chapter Eight.

9.2.2 Phase 2: Bivariate analysis of variables within each strategic theme

The second phase involved bivariate analysis, where variables under each strategic theme were subjected to Pearson correlation analysis. As discussed in Chapter Eight, there are moderate correlations between variables within each theme of the conceptual framework. Furthermore, most correlations between variables are significant at a 95% confidence level (0.05 level of significance, $p < 0.05$) and also at a 99% confidence level (0.01 level of significance, $p < 0.01$), which is "good" news, according to Field (2009).

Figure 27: A roadmap towards the African Balanced Scorecard model



Source: Own observation

9.2.3 Phase 3: Bivariate analysis of six strategic themes

The third phase of the development process involved the bivariate analysis of the six strategic themes of the conceptual framework. As discussed in the results and analysis of research findings in Chapter Eight, all correlations are significant at a 99% confidence level (a 0.01 level of significance, $p < 0.01$). Moreover, all correlations found in this analysis are moderate, which is “good” news, according to Field (2009).

9.2.4 Phase 4: Multivariate analysis (factor analysis)

The fourth phase involved the rotation of the 52 variables to extract the components that best describe the regrouping of the questionnaire themes. Factor analysis was used, deploying the promax rotation with Kaiser normalisation method. As discussed in the results and analysis of findings in Chapter Eight, four components were extracted from the rotation of the 52 variables, clearly showing variables’ loadings (Appendix M).

9.2.5 Phase 5: Nomenclature of the extracted four components

The nomenclature of the components depended on the attributes of the variables loaded on each component compared with the original classification of the variables under the themes of the conceptual framework, as can be seen in the analysis in Appendix N. The final activity was naming the four components that best represented the elements, namely the relationships and culture, stakeholder, value creation, and corporate conscience elements (see Figure 26, on, p. 364).

9.2.6 Phase 6: Bivariate analysis of the four extracted components

The sixth phase of the process of developing the African Balanced Scorecard model involved bivariate analysis of the four components that were identified

during the fourth phase. All four components were subjected to Pearson correlation analysis to evaluate the strength of their interrelationship. The analysis indicates that all the correlations are significant at a 99% confidence level (a 0.01 level of significance, $p < 0.01$) and that all the intercorrelations are moderate, which is also “good” news, according to Field (2009).

9.2.7 Phase 7: The African Balanced Scorecard model

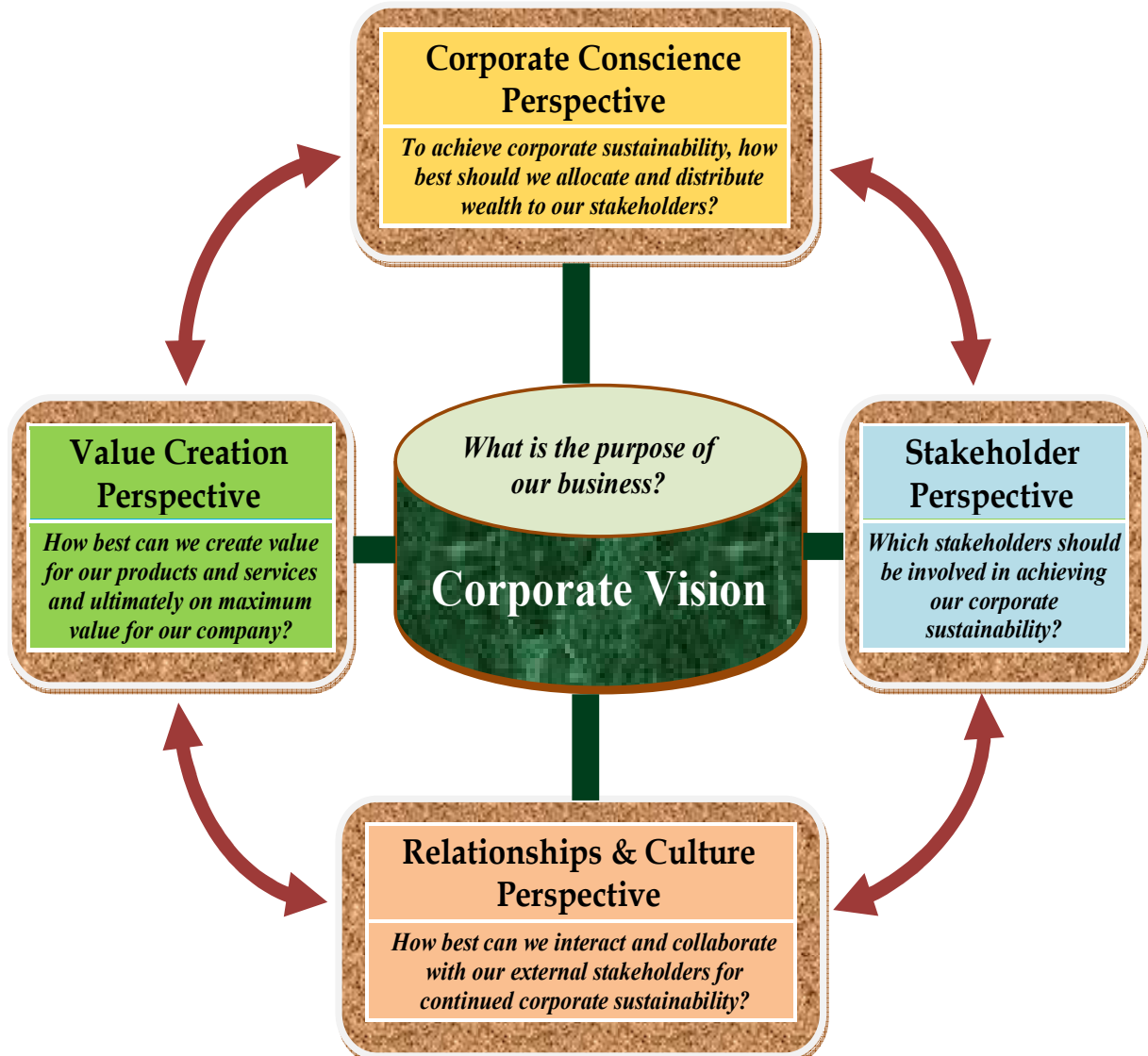
Based on the significant intercorrelations of the four components as discussed in Phase Six, above, the development process and identification of the four perspectives on the new African Balanced Scorecard model were concluded. The nomenclature of the new model’s perspectives corresponds with that of the four components. Thus, the four perspectives of the African Balanced Scorecard model are, first, **relationships and culture**; second, **stakeholders**; third, **value creation**; and fourth, **corporate conscience (allocation)** perspectives as shown in Figure 28, overleaf.

The identification of the new perspectives in the African Balanced Scorecard model addresses the primary objective of this study, which was

To establish whether or not there is a need for a different perspective on or understanding of the generic Balanced Scorecard model that is to be conceptualised, developed and adapted specifically for organisations based in Africa. Based on the study findings, the new African Balanced Scorecard (ABSC) model incorporating African perspectives would be developed.

The study has established the different perspectives for the new African Balanced Scorecard model, which are indeed different from those of the generic Balanced Scorecard model.

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



Source: Own observation

As is discussed below, under the comparison of the generic Balanced Scorecard model and the African Balanced Scorecard model (see Section 9.3, below), the new perspectives are more inclusive and community-based (they reflect a stakeholder-centred approach rather than an exclusive shareholder-centred

approach). The African Balanced Scorecard model is also more humanist and socialist (in its allocation and distribution of wealth under the corporate conscience perspective) than the perspectives of the Balanced Scorecard model (which focuses on shareholder wealth maximisation under the financial perspective). Thus, the African Balanced Scorecard model finally addresses the research problem statement of this study:

The generic Balanced Scorecard model, which is conceptualised for a predominantly capitalist Western society, is not fully reconcilable with an African environment that is more humanist, community-based and socialist.

The research findings and analyses confirm that the generic Balanced Scorecard model is not fully reconcilable with an African management framework, and therefore different perspectives befitting the African framework have been prescribed in the African Balanced Scorecard model.

9.3 PERSPECTIVES IN THE AFRICAN BALANCED SCORECARD MODEL

This section discusses the four perspectives in the African Balanced Scorecard model.

9.3.1 The relationships and culture perspective

The relationships and culture perspective focuses on activities that facilitate continued dialogue between an organisation and its stakeholders. Both the literature (Capra & Pauli, 1995; Stead & Stead, 2004) and the research findings from this study indicate that recognition of the interconnectedness and interdependence of stakeholders is critical to the long-term survival of an organisation. Pressure on one stakeholder can cause distress or sub-optimality of the entire organisational system. Relationships refer to those with employees, suppliers, debt providers, competitors, the community, regulatory bodies and the

natural environment, which are often disregarded by corporations. Open communication systems and continued stakeholder dialogue and management systems portray good relationships and trust between an organisation and its internal and external stakeholders, as demonstrated by Szwajkowski (2000).

The relationships and culture perspective also recognises the significance of sustainability reporting systems. To maintain a continuous stakeholder dialogue, open communication needs to be enhanced, so that all stakeholders are aware of the operations and performance of an organisation. Therefore, an organisation should disclose the status of its performance in corporate reports that should summarise all the critical areas. Using the triple bottom line reporting system, an organisation should report on its economic and financial activities, as well as on the social and environmental elements. This emphasis is also recognised by the King III Report, which urges companies to disclose economic, social and environmental information in their corporate reports (Institute of Directors in Southern Africa, 2009:109).

The relationships and culture perspective also highlights the importance of maintaining sound cultural practices within the organisation. Culture can be defined as organisational values, norms or philosophies that govern the behaviour of people for organisational improvements (Flamholtz, 2001:271; Flamholtz, 2005:86; Gregory *et al.*, 2009:674-675). Studies indicate that culture determines the success of an organisation, as it influences corporate performance in terms of the financial bottom line (Flamholtz, 2005:64; Otley, 2003:323).

The perspective identifies four levels of culture. The first is that of an individual in the way a person relates with other individuals, including the stakeholders. Secondly, the team culture is also critical for organisational team building and overall team working spirit. The third level is that of the entire organisation, in terms of the corporate vision, mission, and value statements, which direct the way a company focuses on its activities. Organisational culture has also been

influential in determining corporate performance in terms of the financial bottom line (Flamholtz, 2005).

The fourth level of culture would constitute the Ubuntu community culture where an organisation should not isolate itself from the community activities. This is also important in an African framework, as its society is community-based. A company will be accepted as a member of the Ubuntu community when it is perceived by the community to be “one of them”. Studies reveal that knowledge about local culture promotes marketing through customer satisfaction (Koster, 1996:99; Nussbaum, 2003; Skinner & Mersham, 2008:251). The findings of this study also confirm this proposition.

An overwhelming majority of 70.2% of the survey respondents agreed that knowledge about the Ubuntu culture is a key element in marketing and promotional activities. Furthermore, the study shows that a total of 74.6% believe that such Ubuntu knowledge is foundational to the improvement of overall corporate performance. These observations are significant and relevant, especially for multinational companies that are not aware of the humanist and socialist nature of an African society. Within an African framework, personal contacts have more appeal than remote-controlled contacts that may work better in Western societies.

Under the Ubuntu community culture, an organisation is likely to succeed if it is fused with the local practices and governing principles guided by the Ubuntu philosophy. These socio-cultural considerations would include employee welfare issues (as employees are directly linked to their communities, which believe in caring and sharing), leadership styles under the Ubuntu philosophy, consensus decision-making systems, extended family systems, medium to effective communication systems and participatory management systems.

In summary, the three main interrelated elements of the relationships and culture perspective of the African Balanced Scorecard model are relationships, corporate reporting systems, and culture, as summarised in Figure 29, on p. 380.

9.3.2 The stakeholder perspective

The stakeholder perspective focuses on the recognition of contributions that individual stakeholders make to the value creation activities of an organisation. Contributions by stakeholders come in many different forms, as discussed in detail in Chapter Six. For instance, shareholders provide financial capital; debtors provide loans to companies; customers offer money in exchange for goods or services; employees provide labour; government provides business infrastructure, business financing and legislation; competitors provide data or information for benchmarking and continuous product improvement; the local community provides labour and final consumers; and the natural environment and suppliers provide raw materials and inputs for production.

Therefore, the recognition and balancing of stakeholder interests is critical for corporate success, as each stakeholder has a genuine stake in the business activities (Drucker, 1993:80; Ferreira & Otley, 2009:277; Du Plessis & Prinsloo, 2010:135-138). A company would be able to maintain and improve its sustainability if the scores of different stakeholder activities are properly planned, implemented and monitored. The African Balanced Scorecard model is intended to balance the interests of stakeholders with regard to their contributions to organisational activities on the one hand, and with the wealth allocated and distributed to them in return for their contributions on the other.

It is also based on the stakeholder perspective that it is equitable for corporate wealth to flow to those who create it, based on all forms of contributions and not just the initial input of financial capital provided (Stovall *et al.*, 2004:224). The study findings indicate that 74.4% of the responding organisations recognise the interdependence of efforts and rewards among their stakeholders and that 69.7%

of respondents make sure that all stakeholders receive sufficient benefits to ensure continued collaboration with their organisations. The stakeholder perspective is consistent with the team solidarity and sharing phenomena under the Ubuntu philosophy (the sharing element is also discussed under the corporate conscience perspective).

Therefore, establishing stakeholder scores would enable organisations to plan, implement and monitor their activities, without giving undue priority to a single stakeholder (doing so is likely to frustrate other stakeholders and could consequently threaten the entire business's sustainability endeavours). The stakeholder perspective gives a more balanced and holistic approach than is the case with other management models, such as the generic Balanced Scorecard model. A template list of stakeholders, which can be amended according to organisational preferences, is shown under the stakeholder perspective of the African Balanced Scorecard model (see Figure 29, on p. 380).

9.3.3 The value creation perspective

The value creation perspective recognises critical elements of the creation of maximum value (wealth) for an organisation. It is the aim of every company to engage in operations that add value to products and services for ultimate corporate sustainability (Moeller, 2009; Zhang *et al.*, 2010). The value creation perspective is responsible for the transformation of inputs from different stakeholders into valuable products and services for final consumption.

Value creation activities include business processes and practices in terms of economy, efficiency and effectiveness (the 3Es). Traditionally, these 3Es are considered determining factors of value addition on products and services and ultimately overall corporate performance (Neely *et al.*, 1995:80-85). To achieve best performance, all 3Es must be individually used to the maximum. To achieve best performance, all internal business functions have to be integrated into one system. For example, business processes from the sales and marketing function

must be integrated with processes from the production and manufacturing, finance, human resources, purchasing, accounting and finance, and computerised information systems (CIS) functions.

Value adding processes and practices also include the deployment of new techniques such as the TQM systems, just-in-time systems, and electronic commerce. In addition, computerised systems (Laudon & Laudon, 2006), such as automated database and filing systems, and data transmission systems, have been proven to add value towards increased efficiencies and effectiveness, as well as to reduce costs (achievement of economy).

E-commerce has significantly reduced transaction costs (Laudon & Laudon, 2006), while at the same time it has increased the geographic coverage of business transactions (reachness) and the transmission of information details about the company, products or services (richness), more than the traditional mailing, fax and telephone transmission systems. Other collaborative commerce practices that also add value include the supply chain management systems, customer relationship management systems, and the general electronic business.

Another critical element under the value creation perspective is intellectual capital. The intellectual capital links all sources of capital classified as financial, debt, natural resources and labour. Thus, intellectual capital should be valued, as it is a strategic asset of an organisation (Ghosh & Wu, 2007:229-231; Kong, 2008:728). Intellectual capital is classified as the primary source of value creation and the other traditional factors of production such as land, capital and labour become secondary, for they can be obtained quite easily, provided there is specialised knowledge (Drucker, 1992:95). Thus, intellectual capital contributes directly to organisational value creation.

However, whilst a majority of 77.3% of the survey respondents indicated that they invest heavily in supporting employee knowledge, only 50.1% agreed and

32.6% “Somehow agreed” that intellectual capital is their main source of profitability. The study results imply that there is little focus on the scoring of interrelationships between intellectual capital activities and overall corporate performance within many organisational measurement systems in Africa. The new African Balanced Scorecard model has earmarked intellectual capital as an important facet of value creation for a company. Therefore, the main elements of the value creation perspective are business processes and practices, and intellectual capital, as summarised in Figure 29.

9.3.4 The corporate conscience perspective

The corporate conscience perspective represents the allocation side of the African Balanced Scorecard model, where the organisational wealth created is equitably allocated and distributed to those constituents that were directly or indirectly involved in the value creation processes. The current business practices focus on the allocation of wealth to shareholders only, whilst disregarding other equally important stakeholders, such as the community and the natural environment.

The corporate conscience perspective conforms with *The Theory of Moral Sentiments* by Smith (1790, III.I.46), where, in terms of his original sympathy principle of passion, he indicated that sympathy allows one to build a sense of morality. It is through sharing and reciprocity that a society flourishes and is happy. The sympathy principle represents the instinct from which higher virtues or moral sentiments grow (Stovall *et al.*, 2004). Thus, every corporation has a moral obligation to share the value it has created or resources to different stakeholders in an equitable and ethical manner (Carroll, 1979; Morgan *et al.*, 2009; Rasche & Esser, 2006:263-265).

Contributions towards corporate social responsibility in local communities and the protection and enhancement of the natural environment are clear cases where organisations can show their corporate citizenship and corporate conscience. It

can also be argued that even just the provision of information to the society or consumers about the possible health hazards posed by a company's products would be considered part of that corporate conscience and citizenship. For instance, the "smoking causes cancer" campaign which is championed by cigarette-making companies to inform the public about the possible negative consequences of smoking is considered a positive moral token to society, which provides final consumers for company products and services.

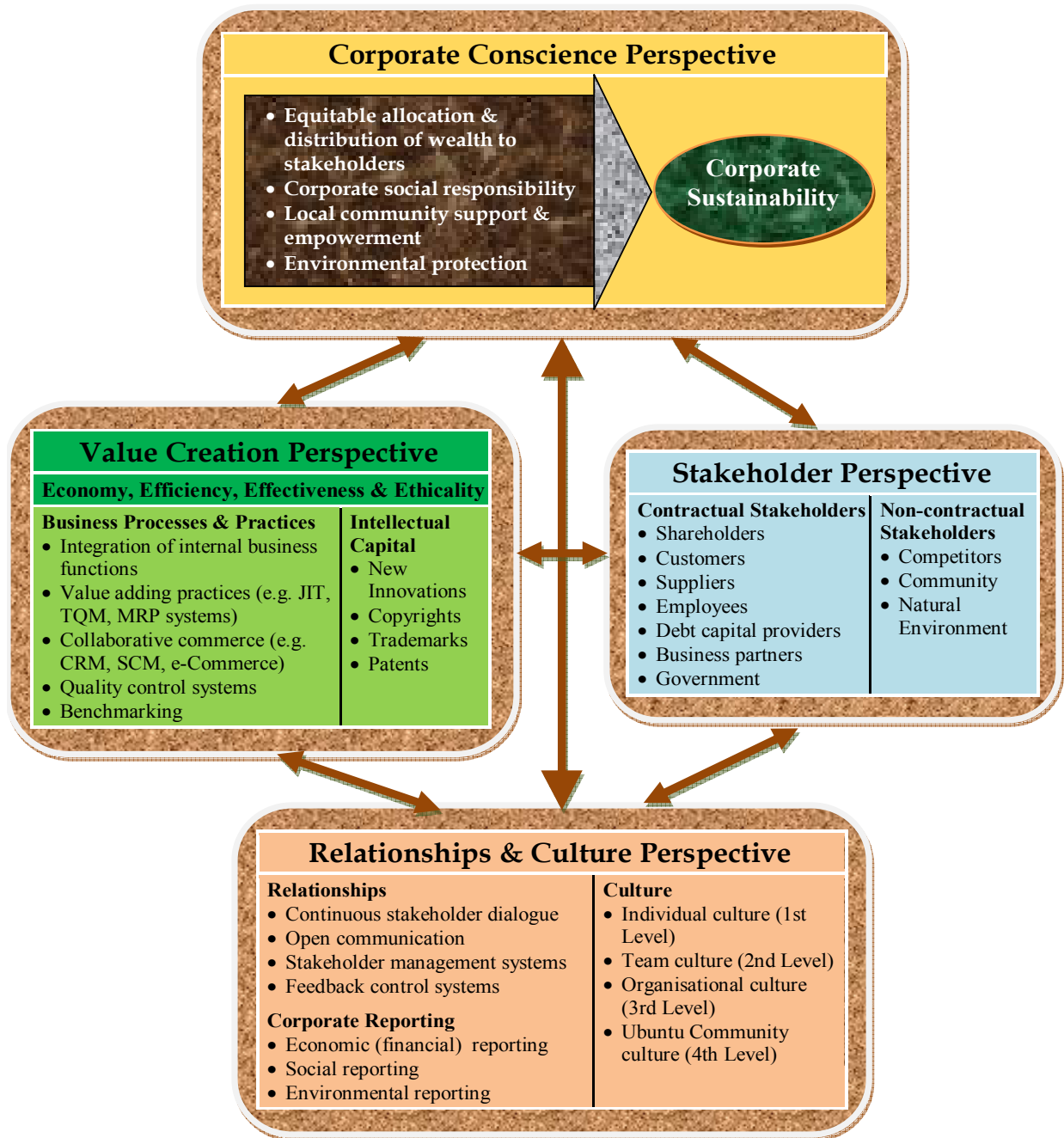
To be in line with the Ubuntu philosophy of sharing and caring (Lutz, 2009; Mbigi & Maree, 2005) and also with universal modern thinking about business ethics (Newbert, 2003; West, 2009), the African Balanced Scorecard model advocates that equitable wealth allocation is critical in fostering healthy interrelationships and interdependence between an organisation and its stakeholders. Therefore, there must be a deliberate scoring system that measures how much organisational wealth is shared amongst all stakeholders, especially the ones that are usually disregarded by many organisations. Based on the research findings, such often ignored stakeholders include the community and the natural environment.

The research findings established that 52.2% of the respondents agree and 31.0% "Somehow agree" that their organisational wealth is allocated to each stakeholder, based on the shareholders' relative contributions towards overall corporate performance. The implication of the research findings is that there is a need for more emphasis on the allocation aspect, as many organisations are still not complying with the African way of doing business.

The King III Report's recommendation (Institute of Directors in Southern Africa, 2009) that reporting on all the three areas regarding corporate performance (the economic, social and environmental elements) will facilitate the sensitisation process regarding the values and virtues of resource allocation for corporate sustainability. Not only does the corporate conscience perspective balance the equitable resource allocation of an organisation, but it also ensures that the

wealth created is properly accounted for in a transparent manner through corporate reporting systems.

Figure 29: Relationships of the four perspectives in the African Balanced Scorecard model



Source: Own observation

9.3.5 Summary of the perspectives in the African Balanced Scorecard model

As noted throughout the discussion of the study's statistical analyses, as well as in the discussion about each perspective, the four perspectives are interrelated and interdependent, in that any change to an element in one perspective automatically affects the other perspectives, which ultimately affects the overall corporate performance. The network of such interrelationships of perspectives in the African Balanced Scorecard model is depicted in Figure 29. However, pointing out the interrelationships of perspectives does not imply causality, as inferences regarding the cause-and-effect relationships on the four perspectives fall beyond the scope of this study.

As has also been observed by Gouws (1996:113-129), the current financial measures and other performance measurement systems are based on a Western orientation that is generally capitalist and cannot be fully used in the African framework. A good financial measurement system should take cognisance of the interconnectedness of functioning constituents. The financial measures should assess the interdependence of different stakeholders to create a working entity where each stakeholder has a sense of participation, because the stakeholder is aware of the social goals and objectives of the organisation, as well as those of other stakeholders.

The African Balanced Scorecard model also presents the duality of organisational operations. On the one hand, the African Balanced Scorecard model, just like the generic Balanced Scorecard model, advocates the setting of scorecards and perspectives that are largely designed to reflect the enhancement of maximum value or wealth creation for an organisation. On the other hand, the African Balanced Scorecard model introduces a new dimension of resource allocation that is congruent with corporate conscience regarding the equitable allocation and distribution of wealth to different stakeholders, more especially those that are usually ignored, such as the community and the natural

environment. Any disregard of such critical stakeholders is a recipe for the loss of long-term corporate sustainability.

As noted above, the new corporate conscience perspective also supports the triple bottom line on good corporate governance reporting systems. Complete and more balanced scorecards reflecting the dual approach should assist organisations in realigning themselves and ultimately realising their long-term corporate sustainability objectives.

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

Just like the generic Balanced Scorecard model, the African Balanced Scorecard model should be used as both a corporate planning and a performance measurement system. The model is designed to be used as a strategic management tool in planning and in the performance measurement systems of an organisation. The new four perspectives of the African Balanced Scorecard model link short-term operational control systems to the long-term vision of an organisation. The corporate vision represents a hub that links organisational aspiration to the four perspectives, as is shown in Figure 28 (on p. 371). The corporate vision should then be translated through mission and value statements. A mission statement defines the purpose for the business or its reason for being in existence. Value statements define and elaborate the core areas that the business depends upon for it to create a corporate image or reputation amongst its stakeholders.

The African Balanced Scorecard model takes a leaf out of the generic Balanced Scorecard model's book in respect of its implementation process. Four activities enable the successful implementation of the model. These are classifying and translating the corporate vision and strategy, communicating and linking corporate strategies, planning and target setting, and giving strategic feedback and using learning systems, as recommended by Kaplan and Norton (1996b:77).

The four activities mentioned above should be the model and should form a continuous loop, as shown in Figure 10 (on p. 96). During the implementation process, the main difference between the two models is the provision of performance measures that are used to evaluate performance in the activities in each perspective. The difference in performance measures is dictated by the different perspectives in the two models.

9.5 PERFORMANCE MEASURES BASED ON THE PERSPECTIVES OF THE AFRICAN BALANCED SCORECARD MODEL

As the African Balanced Scorecard model provides a new understanding of the thinking in an African context, the researcher has formulated measures or scorecards that should be used as a template when planning and evaluating the performance of an organisation based in Africa. These templates should be used just as a guideline; and they can be modified to suit individual organisational needs. The next section provides templates for performance measures based on each perspective, most of which are taken from the research results. Some measures have been extracted from other, similar studies.

9.5.1 The relationships and culture perspective

Several activities fall under the relationships and culture perspective of the African Balanced Scorecard model. The measures that resort under this perspective are intended to ensure that the dialogue between an organisation and its stakeholders is maintained. The performance measures are grouped into the economic reporting systems, which are largely financial in nature; social reporting systems, which are both financial and non-financial; environmental reporting systems, which are largely non-financial; stakeholder dialogue and management systems, which are largely non-financial measures; and performance measures on culture, which are both financial and non-financial. Table 44, overleaf, provides a template of the above classification and the performance measures under the relationships and culture perspective.

Table 44: Performance measures relating to the relationships and culture perspective

| | Activity | Performance measure |
|---|-------------------------------------|--|
| 1 | Economic reporting | <ul style="list-style-type: none"> • Profitability • Return on capital employed • Current ratios • Acid test ratios • Market value • Net value of assets |
| 2 | Social reporting | <ul style="list-style-type: none"> • Social economic indicators • Number of local employees • Total number of and amount on educational scholarships • Support on health services • Contribution towards construction of roads and bridges • Benevolent funding to the underprivileged |
| 3 | Environmental reporting | <ul style="list-style-type: none"> • Total material usage (weight, volume, area, length) • Total carbon emission to the environment • Total wastes (weight, volume, area, length) • Number of environmental protection projects • Total number of trees planted by organisation • Total amount of environment related R&D expenses |
| 4 | Stakeholder dialogue and management | <ul style="list-style-type: none"> • Total complaints from each stakeholder • Number of meetings with each stakeholder • Number of correspondences with each stakeholder • Total communication expenses related to stakeholders |
| 5 | Culture | <ul style="list-style-type: none"> • Total training programmes on business management and culture • Total number of employees trained on business management and culture • Total number of cultural activities attended • Total expenses on cultural related activities • Levels of teamwork • Efficiency ratios • Effectiveness ratios |

9.5.2 The stakeholder perspective

The performance measures under the stakeholder perspective focus on contributions by individual stakeholders to organisational well-being and success. Stakeholders include shareholders, debt providers, management and staff, customers, suppliers, government, external auditors, competitors, regulatory bodies, the local community and the natural environment. Contributions by the above individual stakeholders can be assessed using both financial and non-financial measures, as outlined in a template provided in Table 45, overleaf.

Table 45: Performance measures relating to the stakeholder perspective

| | Activity | Performance measure |
|----|-----------------------------------|--|
| 1 | Shareholder contributions | <ul style="list-style-type: none"> • Total capital paid • Total number of shareholders |
| 2 | Management & staff contributions | <ul style="list-style-type: none"> • Total number of employees • Total number of managers • Salaries and wages bill • Productivity ratios • Efficiency ratios • Effectiveness ratios |
| 3 | Customer contributions | <ul style="list-style-type: none"> • Total number of customers • Total number of new customers • Total sales (value, weight, volume, area, length) • Total repurchases • Total number of contracts with customers |
| 4 | Supplier contributions | <ul style="list-style-type: none"> • Total number of suppliers • Total number of new suppliers • Total purchases (value, weight, volume, area, length) |
| 5 | Government contributions | <ul style="list-style-type: none"> • Total contracts with government • Total government grants • Total government debts • Value of business infrastructure |
| 6 | External auditor contributions | <ul style="list-style-type: none"> • Total frauds discovered • Number of complaints from stakeholders • Percentage of new shareholders • Percentage of new debt providers |
| 7 | Competitor contributions | <ul style="list-style-type: none"> • Number of innovations • Total number of new products • Research & development expenses • Productivity ratios • Efficiency ratios • Effectiveness ratios |
| 8 | Regulatory bodies contributions | <ul style="list-style-type: none"> • Level of compliance • Research & development expenses • Productivity ratios • Efficiency ratios • Effectiveness ratios |
| 9 | Community contributions | <ul style="list-style-type: none"> • Total number of local employees • Total number of local final consumers • Total local sales volume/value |
| 10 | Debt provider contributions | <ul style="list-style-type: none"> • Total number of debt providers • Total debt value • Financial leverage ratios |
| 11 | Natural environment contributions | <ul style="list-style-type: none"> • Total usage of raw materials (value, weight, volume, area, length) • Percentage of environmental degradation |

9.5.3 The value creation perspective

Performance measures under the value creation perspective focus on activities that are geared towards the creation of organisational wealth through economy, efficiency and effectiveness. The measures are on activities of business processes and practices, social impact of organisational activities, the environmental impact of organisational activities, and intellectual capital. A template of activities and their performance measures relating to the value creation perspective are provided in Table 46, below.

Table 46: Performance measures relating to the value creation perspective

| | Activity | Performance measure |
|---|------------------------------------|---|
| 1 | Business processes and practices | <ul style="list-style-type: none"> • Level of integration of business functions (production & manufacturing, sales & marketing, human resources, purchasing, warehouse, finance, computerised information systems) • Total budget for each function • Total expenses on collaborative commerce (e.g., SCM, CRM, e-business, e-commerce) • Number of new systems on collaborative commerce • Number of new computerises systems • New systems on TQM, JIT, MRPS • Total budget for TQM, JIT, MRPS |
| 2 | Social impact of activities | <ul style="list-style-type: none"> • Social economic indicators • Number of local employees • Total number of educational scholarships • Total amount on educational scholarships • Support on health services • Contribution towards construction of roads and bridges • Benevolent funding to the underprivileged |
| 3 | Environmental impact of activities | <ul style="list-style-type: none"> • Total carbon emission to the environment • Total wastes (weight, volume, area, length) • Number of environmental protection projects • Total number of trees planted by organisation • Total number of environmental projects • Total amount of environmental funds |
| 4 | Intellectual capital | <ul style="list-style-type: none"> • Total number of creative employees • New innovations • Number of copy rights registered • Number of patents • Number of trademarks • Total value of royalties • Total number of franchisees |

9.5.4 The corporate conscience perspective

As noted above, the corporate conscience perspective focuses on the allocation of organisational wealth to different constituents that were involved in the wealth creation process. Such constituents include shareholders, debt providers, management and staff, intellectual capital, customers, suppliers, government, external auditors, competitors, regulatory bodies, the local community and the natural environment. A template of activities and their performance measures relating to the corporate conscience perspective is provided in Table 47, below.

Table 47: Performance measures relating to the corporate conscience perspective

| | Activity | Performance measures |
|---|---|--|
| 1 | Wealth allocation to shareholders | <ul style="list-style-type: none"> • Dividends • Earnings per share |
| 2 | Wealth allocation to management & staff | <ul style="list-style-type: none"> • Competitive salaries and wages • Pension expenses • Number of training programmes • Total training costs • Insurance expenses • Medical expenses • Overall expenditure on employee welfare |
| 3 | Wealth allocation to customers | <ul style="list-style-type: none"> • Competitive prices • High quality products • Research & development expenditure • After sales services • Cost of guarantees on products • Cost of product information dissemination |
| 4 | Wealth allocation to supplier | <ul style="list-style-type: none"> • Fair trading practices • Competitive prices on purchases • Total number of supplier contracts • Legal costs on suppliers |
| 5 | Wealth allocation to government | <ul style="list-style-type: none"> • Taxation • Interest on debts • Legal expenses on government contracts |
| 6 | Wealth allocation to external auditors | <ul style="list-style-type: none"> • Professional fees • Legal expenses on auditors contracts |
| 7 | Wealth allocation to competitors | <ul style="list-style-type: none"> • Costs on business intelligence units • Research & development expenses • Legal expenses on competitor related activities |
| 8 | Wealth allocation to regulatory bodies | <ul style="list-style-type: none"> • Expenses on product compliance • Research & development expenses • Legal expenses on compliance related activities |

| | Activity | Performance measures |
|----|--|--|
| 9 | Wealth allocation to the local community | <ul style="list-style-type: none"> • Total number of local employees • The socio-economic improvements (indicators) • Number of local employees • Total number of educational scholarships • Total amount on educational scholarships • Total funds to support on health services • Contribution towards construction of roads and bridges • Benevolent funding to the underprivileged |
| 10 | Wealth allocation to debt providers | <ul style="list-style-type: none"> • Total number of debt providers • Total debt value • Financial leverage ratios • Interest rates • Total interest paid |
| 11 | Wealth allocation to the natural environment | <ul style="list-style-type: none"> • Number of environmental protection projects • Total expenditure for environmental protection projects • Total number of trees planted by an organisation • Total amount of environment related R&D expenses • Total expenses on information dissemination about environmental protection |

It is important to remember that the list of activities and their performance measures are not exhaustive and should be adapted according to the specific needs of an individual organisation. As can be observed from the above tables, the African Balanced Scorecard model accommodates many critical elements in corporate planning and performance measurement systems which are not provided for in the generic Balanced Scorecard model.

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

The African Balanced Scorecard model and the generic Balanced Scorecard model differ in many respects. The African Balanced Scorecard model focuses on all stakeholders, as opposed to the generic Balanced Scorecard model, which only focuses on shareholders, customers and employees. Thus the African Balanced Scorecard model adopts a stakeholder-centred approach, rather than a shareholder-centred approach, as is the case with the generic Balanced Scorecard model. Therefore, the African Balanced Scorecard model is more

holistic and more balanced, because all the stakeholders are considered in corporate planning and performance measurement systems.

Based on their focus, the two models also differ in how they define the main objective of any business. In the African Balanced Scorecard model, the purpose of business is **to maximise organisational wealth through corporate sustainability**, whereas in the generic Balanced Scorecard model, the purpose of business is defined as **the maximisation of shareholders' wealth**. The definitions of objectives are founded on the conceptualisation of the models. The African Balanced Scorecard model is conceptualised for an African framework that is people-centred, community-based and socialist, thus an inclusive model. By contrast, the generic Balanced Scorecard model was developed in and for a society where capitalism is dominant and corporations are considered to belong to shareholders only, thus an exclusive model.

Both models have four perspectives, but there is no literature that suggests that the Balanced Scorecard model was conceptualised on the basis of empirical studies. The Balanced Scorecard model perspectives were formulated out of the intuition of the developers (Flamholtz, 2003). By contrast, the African Balanced Scorecard model perspectives have emerged from statistical empirical evidence based on extensive research. At least there is statistical validity regarding the perspectives in the African Balanced Scorecard model.

Moreover, the African Balanced Scorecard model has also introduced dual elements, where there is value/wealth creation on the one hand and wealth allocation and distribution on the other. The duality component makes the African Balanced Scorecard model more complete, more balanced and more dynamic. The stakeholder and wealth allocation (corporate conscience) orientation in the African Balanced Scorecard model brings in a humanist and community-based approach that is consistent with the African Ubuntu philosophy of caring and sharing. The case is different in the individualist and mechanistic generic Balanced Scorecard model, which focuses only on shareholders as financial

capital providers and disregards providers of other sources of capital (the local community as a provider of labour capital and the natural environment as a provider of natural resources capital).

Another difference is that the generic Balanced Scorecard model assumes unidirectional cause-and-effect relationships between perspectives which are aided through the strategy maps. In the generic Balanced Scorecard model, it is assumed that improvements in the learning and growth perspective cause improvements in business processes and later the customer perspectives, and then finally the financial perspectives, in that order and not the other way around (Kaplan & Norton, 2004b). This assumption is purely academic, as this is not the case in reality. For example, improvements in business processes can have an effect on the learning and growth perspective.

To illustrate the above point, when an organisation buys state-of-the-art equipment (an improvement in the business processes perspective), it definitely needs to train its employees (an improvement in learning and growth) for the equipment to be used effectively and productively. According to this argument, the business processes perspective, which is a cause, has a direct effect on the learning and growth perspective. By contrast, the African Balanced Scorecard model's perspectives are based on bi-directional relationships, where both affect each other in many ways. The bivariate analysis in this study (see Table 43, on p. 361) provides empirical evidence regarding the significant bidirectional relationships of the four perspectives of the African Balanced Scorecard model.

Notwithstanding the above differences on the validity of perspectives, the equivalency between the perspectives in the African Balanced Scorecard model and the generic Balanced Scorecard model is as follows: first, the relationships and culture perspective replaces the learning and growth perspective; second, the stakeholder perspective replaces the customer perspective; third, the value creation perspective replaces the business processes perspective; and, fourth, the corporate conscience perspective replaces the financial perspective. By

looking at the perspectives, one discovers that the African Balanced Scorecard model is more holistic and broader than the generic Balanced Scorecard model.

The differences between the African Balanced Scorecard model and the generic Balanced Scorecard model are summarised in Table 48, overleaf.

Table 48: The Balanced Scorecard model versus the African Balanced Scorecard model

| | The Balanced Scorecard (BSC) model | The African Balanced Scorecard (ABSC) model |
|----|--|--|
| 1 | An objective of a firm: <i>Shareholder wealth maximisation</i> | An objective of a firm: <i>Maximisation of organisational wealth (corporate sustainability)</i> |
| 2 | Corporate performance measurement is based on financial profitability status – single bottom line reporting | Corporate performance measurement is based on the financial (economic), social and environmental status – triple bottom line reporting |
| 3 | Has four perspectives comprising financial, customer, business processes, and learning & growth | Has four perspectives comprising corporate conscience, stakeholder, processes & practices, relationships & culture |
| 4 | It is shareholder-centred (exclusive governance approach) | It is stakeholder-centred (inclusive governance approach under the Ubuntu approach) |
| 5 | Focuses on value creation | Focuses on both value creation and equitable (not equal) allocation of resources to stakeholders |
| 6 | It has internal organisational orientation (financial sustainability) | It has a more holistic approach where internal and external orientations are balanced (corporate sustainability) |
| 7 | The model focuses on a single organisation setting | The model focuses on cooperation of multiple stakeholders including business partners through collaborative commerce |
| 8 | Assumes the cause-and-effect relationship of perspectives that are based on intuition | The model has significant interrelationships of four perspectives that are based on empirical statistical evidence |
| 9 | It is a capitalist model that aims at maximising wealth of financial capital owners (shareholders) | It is a humanist & community-based model that aims at maximising organisational wealth for all its members (stakeholders) that is in conformity with the African Ubuntu philosophy |
| 10 | Equivalent perspective a) Financial (profitability) b) Customer c) Business process d) Learning & growth | Equivalent perspective a) Corporate conscience b) Stakeholder c) Value creation d) Relationships & culture |

Source: Own observation

9.7 CONCLUSION

The chapter has discussed details on activities that formed part of the process of developing the new African Balanced Scorecard model. These activities include the detailed univariate analysis, bivariate analysis (correlation analysis), and then multivariate analysis (factor analysis) that extracted the four areas that have now become the perspectives in the new African Balanced Scorecard model.

The chapter has also discussed details of the new perspectives of the model and has shown their bidirectional interrelationships and interdependence. Templates for the performance measures of activities relating to each perspective have also been provided. Finally, Chapter Nine has compared the African Balanced Scorecard model and the generic Balanced Scorecard model, looking at their perspectives in terms of their assumptions, functionality and validity.

The next chapter concludes this thesis. It contains summaries, conclusions and recommendations, including ones on possible further research.