# CHAPTER ONE: INTRODUCTION

> For African organisations and companies, the challenges of social and political innovation far exceed technical challenges. We must harness the social experience and innovation of the African people and align them with successful management techniques from the West or the East.
>
> (Mbigi & Maree, 2005:vi).

## 1.1 BACKGROUND

The Kaplan and Norton Balanced Scorecard model (hereinafter referred to as "the Balanced Scorecard model"), which is a corporate planning and performance measurement system, is applied in industry worldwide. Industry's experiences regarding the use of the model in different parts of the world have been diverse. In the West, especially in North America and in Continental Europe, the model has been associated with several success stories (Bloom, 2008; Duren, 2010; Kohnen, 2008; Niven, 2008; Paladino & Williams, 2008). However, in some cases, including ones reported from Africa, the Balanced Scorecard model has registered numerous failures (DeBusk & Crabtree, 2006; Kenny, 2003; Schneiderman, 1999). These clustered observations imply that such experiences may not be a mere coincidence. One of the explanations for the success or failure of the Balanced Scorecard model may lie in corporate managers' ability or inability to comprehend and use the concepts that underpin the model, including its socio-cultural dimensions.

Several studies reveal that there is a need for management models to synchronise with societal dimensions in corporate planning and performance measurement systems. To a large extent, management tools tend to be consistent with the local beliefs and ideologies in the society of origin (Binedell, 1994; Bourguignon, Malleret & Norreklit, 2004; Gichure, 2006; McFarlin, Coster & Mogale-Pretorius, 1999). Thus, locally developed management models may be

aligned with the specific beliefs of the local society in question. By implication, then, when a model is transposed and used in another setting, the socio-cultural assumptions of the management model that is transferred from one place to another may be more or less coherent with the ideologies of the society in the new setting.

Similarly, when Western philosophical theories and systems are transferred to an African society, there are likely to be serious socio-cultural mismatches. This implies that such theories and systems may ultimately not succeed in providing useful or lasting solutions to the local business challenges faced by an organisation based in Africa. The current Balanced Scorecard model is no exception to such unsuccessful business applications of Western models in Africa. There is a possibility that divergent socio-cultural practices in the Western and African environments may have contributed to the success or failure of the Balanced Scorecard model in these two different settings.

Conceptually, the Balanced Scorecard model is founded on and designed for Western countries that operate within a capitalist system. Under capitalism, the maximisation of shareholders' wealth is considered the sole reason for the existence of any private corporation (Bourguignon *et al.*, 2004; Voelpel, Leibold & Eckhoff, 2006). The shareholder maxim disregards other stakeholders who have a direct influence on and contribute to the success of a corporation. Capitalist management approaches are by nature individualist and mechanistic, in that they over-emphasise the prime importance of shareholders, thereby sidelining other critical stakeholders, such as the community, and the natural environment (with its ecological requirements).

Socially and demographically, African economies differ from Western economies in many respects, including infrastructure, literacy levels, markets and customers, sources of capital and capital structures, government interventions, and the socio-cultural underpinnings of such economies. For instance, whilst Western society is characterised by individualism and capitalism (Bourguignon *et al.,*

2004), the African environment is socio-culturally different in that it is community-based, humanist and socialist (Broodryk, 2005; Mbigi & Maree, 2005).

In an African environment, the economy's socio-cultural underpinnings are critical; and the African Umunthu or Ubuntu (humanness) philosophies are omnipresent on the continent (hereinafter, the word "Ubuntu" is used). Therefore, the Ubuntu socio-cultural dimensions should be considered critical in determining the performance of any organisation based in Africa (Mbigi & Maree, 2005). The socio-cultural diversity premised on the use of Western performance measurement systems could still pose many challenges to and in an organisation based in Africa. Moreover, many African organisations continue to focus on and use traditional financial measures.

## 1.2 USE OF FINANCIAL MEASUREMENT SYSTEMS

Generally, most African organisations still use financial management systems to assess their corporate performance. It is a statutory requirement for all registered companies to produce annual audited financial statements that can be accessed by different stakeholders, including the shareholders, as is clear from examples such as Malawi's Companies Act (Malawi Government, 1986) and the South African Companies Act, No. 61 of 1973 (South Africa, 1973). This statutory requirement also applies to companies that are registered and capitalised on the local stock exchanges, as set out, for example, in Malawi's Capital Market Development Act (Malawi Government, 1990) and the South African Stock Exchange Control Act, No. 1 of 1985 (South Africa, 1985).

Organisations use financial performance indicators to assess their corporate performance status. Because financial reporting is a statutory requirement, an analysis of their annual reports indicates that corporations listed on various stock exchanges rely heavily on financial measures to assess their corporate performance. Financial measurement indicators such as profitability figures, return on investment (ROI), profitability margins and indices, and earnings per

share (EPS) form important bases for assessing managerial competencies, departmental achievements and the overall performance of corporations from all sectors of the economy.

The use of financial measures as part of a corporate performance measurement system is prevalent in the private sector, but it is common even in the public sector and in non-governmental organisations (NGOs), although these institutions are largely non-profit-making. The public sector and NGOs mainly focus on social obligations and natural environmental protection, more than the profit-making corporations from the private sector do. Traditionally, the assessment of the corporate performance of most African organisations that include the public sector has been based on the financial achievements of the individual entities. The use of traditional financial measures cascades mechanistically from the top levels of an organisation to the lower levels.

At the departmental and employee levels, the general trend is that employee performance measurement is based on financial measures that are linked to a particular manager's area of responsibility. For instance, staff reward systems are largely based on financial performance by individuals, or departments over which they have direct control within an organisation (Drury, 1996; Horngren & Foster, 1991).

Although their primary intention is to enhance people's motivation to promote higher productivity, in many cases such financial performance-based measurement systems can elicit negative behaviours by the employees concerned. When too much emphasis is placed on financial-based performance systems, employees may be tempted to engage in activities that promise the realisation of short-term rewards, at the expense of long-term corporate sustainability (Niven, 2006; Punniyamoorthy & Murali, 2008; Sandhu, Baxter & Emsley, 2008). This scenario applies even at the senior management level, where financial managers and chief executives may sacrifice long-term projects

in order to achieve selfish short-term gains (Kaplan & Norton, 2004a; Smith, 2005).

There have been cases of window dressing financial information, where business executives concealed the true picture of their organisation's performance by manipulating financial figures in order to portray a better picture to various stakeholders of the company (Newman, 2007; Rossouw, 2010e). Through such window dressing, senior executives mislead stakeholders, especially shareholders (both existing and potential shareholders), about the performance and status of a company. In the long run, non-disclosure of a company's true financial status can lead to corporate failure. Instances of sudden bankruptcy of such giant companies such as Enron and other corporate scandals have led to extreme distrust of the morality of some corporate executives. Lately, many corporate scandals have arisen from malpractices of this nature by senior executives who, ultimately, behaved in ways that undermine the intended purpose of financial measures.

## 1.3    THE BALANCED SCORECARD MODEL

In frustration with the problems associated with the use of financial measures in isolation, Kaplan and Norton (1992) developed the Balanced Scorecard model. In addition to maintaining financial measures as one perspective, the Balanced Scorecard model adds three more non-financial perspectives. Thus, the four perspectives on the model are the financial, customer, internal business processes, and innovation (learning and growth) perspectives. The model posits that there should be a balanced presentation by senior managers of both financial and non-financial measures, lagging and leading indicators, and the short-term and long-term approaches of the entity for an organisation to succeed.

However, the main challenge with the application of the Balanced Scorecard model in Africa is that the four perspectives are likely to give different messages to the users of the model. As noted above, such management tools could be

more congruent with the local briefs and ideologies of the Western society where they originated (Bourguignon *et al.,* 2004:109) than with the local beliefs and ideologies of a different setting in which these tools may be applied. Thus, when the Balanced Scorecard model is transferred from the West to Africa, the socio-cultural assumptions of the model may not be sufficiently consistent with the ideologies of African societies. The four perspectives may not be representative of an African socio-cultural framework founded on the community-based Ubuntu philosophy. In its current form, the Balanced Scorecard model thus has a limited application within an African framework. It is this lack of synchronisation between African socio-cultural frameworks and the current Balanced Scorecard model perspectives that necessitated the process of redesigning the model followed in this study to make the model a corporate planning and performance measurement tool that can be used effectively in Africa.

The Balanced Scorecard model was conceptualised and designed for use in capitalist economies (Bourguignon *et al.,* 2004; Voelpel *et al.*, 2006). The model focuses more on the maximisation of shareholders' value through maximum profitability than on the optimisation of other stakeholders' values. The model's overemphasis on the maximisation of shareholders' wealth in terms of an entity's long-term financial profitability is not congruent with the African socio-cultural environment and its values.  The African environment is characterised by a socio-cultural framework which is humanist, community-based and socialist (Broodryk, 2005; Mangaliso, 2001; Mbigi & Maree, 2005). Based on the African Ubuntu philosophy, African societies consider the community to be paramount and require that members of that community work together as a team. Therefore, under the Ubuntu philosophy, different stakeholders would be regarded as members belonging to one community, an organisation.

The above analysis and observations suggest that the inclusion of more stakeholders, other than just shareholders, including the local community framework, into the Balanced Scorecard model would be helpful in effective

corporate planning and performance measurement systems in an African setting – hence the need to redesign the current model to accommodate Africa's socio-cultural ideologies.

## 1.4 A CONCEPTUAL FRAMEWORK OF STAKEHOLDER RELATIONSHIPS AND NETWORKS

In order to understand the African environment better, a conceptual framework of stakeholder relationships and networks was developed, as depicted in Figure 1, overleaf.

Any business comprises complex activities involving different constituents that are linked to take the entity towards organisational success. The conceptual framework in Figure 1 recognises the interconnectedness of and relationships between corporate activities and those of other stakeholders, and the relationships between and interdependence of the stakeholders themselves. The conceptual framework also depicts organisational interactions and stakeholder relationships at different layers of systems.  There are four systems layers in the conceptual framework, namely the corporate level, the industry level, the Ubuntu level or community, and the ecological (natural environmental) level. On a daily basis, and in a very complex way, different stakeholders interact with an organisation for different business transactions.

In the African framework, government – which provides business financing, infrastructure and legislation – is also recognised as a critical stakeholder. Other stakeholders include customers and final consumers, suppliers (who provide production inputs), competitors for information, and the local community (who supply labour and are often the final consumers). The wastes from production and consumption are given back to the natural environment to complete the ecosystem.

**Figure 1: A conceptual framework of stakeholder relationships and networks**



| System Level ► | Corporate | Industry | Ubuntu Community | Ecological |
|---|---|---|---|---|
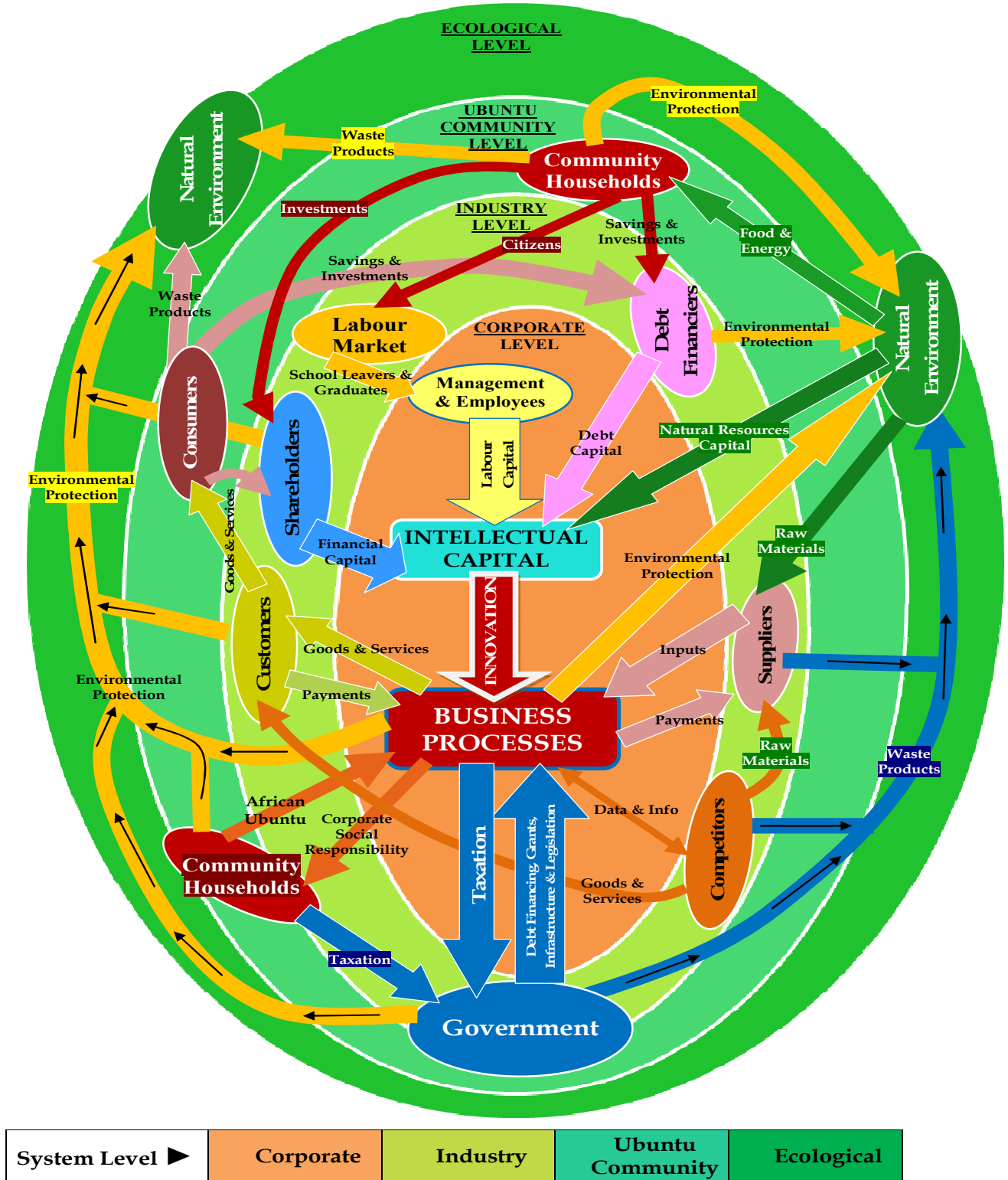
Source: Own observation

Furthermore, the framework recognises four sources of capital: financial capital acquired from shareholders; debt capital sourced from debt financiers; human resource capital derived from the labour force; and natural resources capital taken from the natural environment. These four capital sources are integrated through intellectual capital for the creation of maximum organisational wealth for long-term corporate sustainability.

The relationships among different stakeholders can be grouped into six themes, representing identifiable areas that strategically affect corporate planning and performance measurement in an African context. The first theme is the culture and relationships strategic theme, which relates to stakeholder relationships and continued dialogue. The second is the stakeholder strategic theme, which refers to recognition of the contributions from different stakeholders to corporate success. The third is the processes and practices strategic theme, which is connected to the achievement of maximum economy, efficiency and effectiveness. The fourth is the intellectual capital strategic theme, which is related to the linking of all other sources of capital to achieve best operations and value. The fifth is the value creation strategic theme, which refers to the recognition of activities that are instrumental in the overall value creation of an organisation. The sixth is the corporate conscience strategic theme, which relates to the equitable allocation and distribution of organisational wealth to different stakeholders. Thus, this study is founded on these six strategic themes.

## 1.5     RESEARCH PROBLEM STATEMENT

The research problem takes cognisance of disparities between the Western and African environments in terms of economic provisions, perceptions and socio-cultural values. The generic Balanced Scorecard model was designed for Western countries that operate in a capitalist system. Africa differs from such Western countries with regard to dimensions such as its infrastructure, markets and customers, sources of capital, government interventions, literacy levels, and socio-cultural frameworks.

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

## 1.6 RESEARCH OBJECTIVES

Based on the research problem statement and guided by the conceptual framework, the study aims to accomplish the research objectives set out below.

### 1.6.1 Primary research objective

The primary objective of the study is 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. On the basis of the study findings, the new African Balanced Scorecard (ABSC) model incorporating African perspectives would be developed.

### 1.6.2 Secondary research objectives

In order to achieve the primary objective of redesigning the current Balanced Scorecard model for organisations based in Africa, the study focuses on specific secondary research objectives that support the accomplishment of the primary objective. The secondary research objectives of the study are the following:

a) To review related literature on corporate planning and performance measurement systems in order to gain more insight into and knowledge on the topic. The related literature includes studies on corporate measurement systems, the use of traditional financial measures, the Balanced Scorecard model, socio-cultural systems and the African Ubuntu philosophy, sustainability scorecards and the triple bottom line (3BL) reporting systems, business ethics and corporate governance;

b) To assess and validate the extent of agreement by survey participants on individual statements in the structured survey questionnaire;

c) To assess and validate the strength of the relationships between the variables in each strategic theme of the conceptual framework;

d) To assess and validate the strength of the interrelationships of the six strategic themes of the conceptual framework;

e) To establish the principal components (perspectives) of the new African Balanced Scorecard model, and finally to redesign the Balanced Scorecard model to accommodate African perspectives, based on the statistical empirical evidence.

The new model incorporates African perspectives in corporate planning and measurement systems. In the final analysis, different recommendations including areas for further research and practice are highlighted.

## 1.7    RESEARCH QUESTIONS

The research questions have been formulated to address the research problem and research objectives as discussed above. There are four principal research questions to be answered in this study. These are presented below.

### 1.7.1    Research Question 1

*To what extent do organisations agree with each statement on the strategic themes of the conceptual framework?*

Each statement on the six strategic themes was validated to assess the level of participants' agreement. The participants' responses address contemporary management systems and guide the development of the new African Balanced Scorecard model for organisations based in Africa.

### 1.7.2 Research Question 2

***What is the strength of relationships between variables of individual strategic themes of the conceptual framework?***

In order to validate and compare the survey results, a theory (referred to as a hypothesis) was formed on each strategic theme of the conceptual framework. In this study, the hypothesis statements for the six strategic themes are the following:

*Hypothesis 1 ($H_1$): The relationships between variables within the relationships and culture strategic theme are significantly correlated.*

*Hypothesis 2 ($H_2$): The relationships between variables within the stakeholder strategic theme are significantly correlated.*

*Hypothesis 3 ($H_3$): The relationships between variables within the processes and practices strategic theme are significantly correlated.*

*Hypothesis 4 ($H_4$): The relationships between variables within the intellectual capital strategic theme are significantly correlated.*

*Hypothesis 5 ($H_5$): The relationships of variables within the value creation strategic theme are significantly correlated.*

*Hypothesis 6 ($H_6$): The relationships between variables within the corporate conscience strategic theme are significantly correlated.*

After the analysis of the above hypotheses, the third research question had to be addressed through further analyses.

### 1.7.3 Research Question 3

*What is the strength of relationships between the six strategic themes of the conceptual framework?*

To address this question empirically, a hypothesis statement that describes such a relationship within the six strategic themes had to be formulated:

*Hypothesis 7 ($H_7$): The interrelationships between the six strategic themes of the conceptual framework are significantly correlated.*

When $H_7$ was analysed and, combined with the results of the analyses to answer Research Question 1, Research Question 3 was also resolved.

### 1.7.4 Research Question 4

*What are the foundational elements of the new African Balanced Scorecard model?*

Critical considerations regarding the pillars of the new African Balanced Scorecard model emanated from the empirical analysis of the research findings. The four principal components were extracted through the multivariate analysis that was conducted using factor analysis.

To address the fourth research question empirically, it was necessary to formulate a hypothesis statement that describes the interrelationships of the extracted four components on the African Balanced Scorecard model:

*Hypothesis 8 ($H_8$): The interrelationships between the four components cum perspectives of the new African Balanced Scorecard model are significantly correlated.*

The computed means of the four extracted components were subjected to Pearson correlation analysis to validate $H_8$ above. The statistical data analysis on $H_8$ provided evidence in support of the four extracted components as the new perspectives of the African Balanced Scorecard model.

## 1.8     DATA GEOGRAPHIC COVERAGE FOR PRIMARY RESEARCH

Most of the study was conducted in the Southern African Development Community (SADC) region. The thesis is based on study findings resulting from research that was conducted through the primary data collection, covering mainly Malawi and South Africa, supplemented by some data from other African countries, obtained through their diplomatic missions in Malawi or South Africa.

The primary research was supported by secondary data obtained from the University of Pretoria, the University of Malawi, government publications, various Chambers of Commerce from the Southern African Development Community, the Common Market for the Eastern and Southern Africa (COMESA), the African Development Bank (ADB), the World Bank/International Monetary Fund (IMF), other African countries, international fora, including conferences, and the Internet.

## 1.9     RESEARCH ANALYSIS AND RESULTS

As the literature review and statistical analyses of the primary data showed, the empirical study results confirm the need to establish new perspectives on the current Balanced Scorecard model for organisations based in Africa. The survey's primary data were subjected to statistical analyses using the Statistical Package for Social Sciences (SPSS) Version 16.0. The statistical analyses included univariate analysis, bivariate (correlation) analysis and multivariate analysis through exploratory factor analysis.

Exploratory factor analysis with the principal component extraction method was employed. Using SPSS, survey variables were subjected to promax rotation with

the Kaiser normalisation technique. Oblique rotation using the promax method was chosen, based on the understanding that the 52 variables are interrelated and may correlate with one another, as recommended by Field (2009:651-655). Exploratory factor analysis was used to establish the factorability of the variables on the research instrument. The four components that loaded best were extracted from these factor rotations.

By using the statistical means of scales, Pearson correlation analysis was conducted to assess the general strength of the relationships of the four extracted components that ultimately represented new perspectives on the African Balanced Scorecard model. From the Pearson correlation analysis, at a 1% level of significance (two-tailed), all four components were significantly correlated with each other – the highest correlation coefficient was $r=0.781$ and the lowest correlation coefficient was $r=0.349$. Thus, the Pearson correlation coefficients ($0.349 \leq r \geq 0.781$) indicate that there is a moderate correlation amongst the four components, which is good news, according to Field (2009). A moderate correlation implies that the factors measure different constructs that are related to one another. By contrast, a very low correlation would be symptomatic of factors measuring different unrelated constructs, whilst very high correlations would indicate that the factors measure the same construct; hence the factors may not be different (Flamholtz & Kannan-Narasimhan, 2005).

The above statistical analysis identified the four perspectives of the new African Balanced Scorecard model. First, the **relationships and culture** perspective recognises the need for organisations to uphold continued stakeholder dialogue and relationships. Second, the **stakeholder** perspective recognises contributions made by different stakeholders towards organisational activities and ultimate corporate success. Third, the **value creation** perspective focuses on business processes and practices, including recognition of the intellectual capital, that create maximum wealth for the company. Fourth, the **corporate conscience** (**resource allocation**) perspective recognises that companies have an ethical

obligation to allocate and distribute wealth equitably to all stakeholders that are involved in the wealth creation process, especially those that are usually disregarded, such as the community and the natural environment.

## 1.10    RESEARCH SIGNIFICANCE AND IMPACT

In this section, the contributions that are expected as a result of the research findings are discussed. It is envisaged that the study results will have a significant impact, especially within the practising industries and academia. The study results are likely to arouse debate amongst academics and business practitioners. The areas listed below constitute the critical areas where the study is likely to have the greatest impact.

### 1.10.1    Review and redesign of best corporate planning and performance measurement systems

The identification of the new perspectives and the development of the African Balanced Scorecard model will necessitate a revision of business practices and processes that are linked to corporate planning and performance measurement systems. Therefore, it is anticipated that the research results will assist African industries to review and redesign, where necessary, their performance planning and measurement systems for them to excel in their activities.

### 1.10.2    Review and redesign of government and industrial policies and regulations

Once practitioners and academics in Africa have been sensitised to the new Africanised Balance Scorecard model, the model is likely to influence the mindset of practising executives who will later revolutionise the general management and performance measurement systems in Africa. The study is likely to influence even African government systems and the private sector to review and modify their governing industrial approaches, policies and regulations.

### 1.10.3 Catalyst for further debate amongst academics and captains of industry

The African Balanced Scorecard model brings a new dimension to the academic world. There has been a great shift from the maxim of "maximising shareholders wealth" to "maximising organisational wealth for all stakeholders". The introduction of the allocation side under the corporate conscience perspective which is not reflected in the Balanced Scorecard model is also of considerable significance. It is anticipated that this study will bring about academic debate amongst university professors, researchers and the student community regarding the issues that have emerged from the research findings and the recommendations of this study.

### 1.10.4 Development of management consultancies

As more and more managers will be compelled to change their mindset to explore this new African Balanced Scorecard model, both the private and the public sectors are likely to engage different consultants to realign their systems with the new concepts in the model.

### 1.10.5 A change in the accounting and auditing profession

More specifically, the African Balanced Scorecard model introduces new ideas about the way the created organisational value should be allocated to different contributors of that wealth. This aspect demands a change in the current financial accounting and auditing reporting systems.

## 1.11 RESEARCH LIMITATIONS

Several constraints dictated the way the study was conducted and the production of the final thesis. The research was subject to the limitations discussed below.

### 1.11.1 Limited geographic coverage

The primary research was conducted mainly in South Africa and Malawi, with some other countries in Southern Africa. The time frame and financing of the

research were not adequate to cater for comprehensive primary studies of all the countries in Africa.

### 1.11.2    Limited information availability

Information was very difficult to obtain, as this kind of information is considered sensitive by many organisations. Many participants did not want to participate on the basis of company policy (see the example of a response from one person who was approached to participate in Appendix P). In Africa, open discussion of issues such as corporate planning and performance measurement systems are usually regarded as taboo. Many African executive managers are not comfortable with disclosing organisational "secrets" to "outsiders", let alone secrets about their corporate issues.

### 1.11.3    A need for further research on causal relationships

The study established various relationships of the four perspectives of the African Balanced Scorecard model. The analysis of these relationships was done using Pearson correlation analysis. Thus, the model represents necessary but not sufficient conditions for proof of the cause-effect relationships of perspectives and their activities, as noted by Field (2009). Although the survey statistics show paths of individual associations of the four perspectives, there has not yet been sufficient longitudinal research employing other experimental techniques, such as multivariate regression analysis, to support these findings.

It is important to take the above study limitations into consideration when using and drawing conclusions from the study results.

### 1.12    RECOMMENDATIONS FOR FURTHER RESEARCH

Within the framework of the study, further researchable areas on the same topic have been recommended which other scholars may wish to study in the immediate future. For instance, there is a need to run similar surveys for other African countries and also East Asian countries that share similar socio-cultural

underpinnings with the African framework. Other avenues that could be pursued include longitudinal research to establish the cause-and-effect relationships amongst the perspectives of the new model.

## 1.13    OUTLINE OF THE THESIS

There are ten chapters in this thesis.

In summary, Chapter One introduces the thesis. Chapters Two to Six provide a detailed review and analysis of the literature on recent studies and practices related to pertinent issues surrounding the redesign of the Balanced Scorecard model. The literature review chapters are constructed as follows: Chapter Two discusses and reviews corporate performance and financial measures; Chapter Three covers perspectives surrounding the current Balanced Scorecard model; Chapter Four analyses Africa's socio-cultural framework under the Ubuntu philosophy; Chapter Five details corporate sustainability issues; and finally, Chapter Six reviews issues related to business ethics, corporate governance, and corporate conscience.

Following on from the literature review, Chapter Seven is dedicated to the research design and methodology; Chapter Eight reports on the study results and analysis of research findings; and Chapter Nine details the development of the new African Balanced Scorecard model. Finally, Chapter Ten concludes and makes recommendations for the study.

The roadmap showing the arrangement of the thesis chapters and their linkages is shown in Figure 2, overleaf.

**Figure 2: A roadmap to the thesis**



Source: Own observation

A more detailed overview of the individual thesis chapters is set out below.

### 1.13.1    Chapter One: Introduction

Chapter One introduces the thesis, clarifying the main research focus. The areas of significance are background on the study in reference to challenges in the use of corporate measurement systems, including the use of financial measures and

the Balanced Scorecard model; the research problem statement, together with the research objectives and the associated research questions and the hypotheses that are addressed through primary and secondary data analyses. The chapter also summarises the research analysis and results, the significance of the research to industry and society, highlights research the limitations of the study and makes some recommendations on areas for potential further study.

### 1.13.2    Chapter Two: Corporate performance and financial measures

In Chapter Two, literature detailing older and more recent studies on general corporate performance measurement systems is reviewed. The literature review is aimed at establishing an understanding of general corporate performance and financial measurement issues. Corporate performance measurement systems that include the traditional use of financial measures as tools for assessing corporate performance are also reviewed. The significance of the use of financial information is discussed in the chapter, bearing in mind the limitations of the use of financial measures, such as a tendency to a short-term orientation instead of a long-term focus. More holistic approaches, such as the Balanced Scorecard model, articulate different strategic issues that could be deployed when assessing corporate performance.

### 1.13.3    Chapter Three: Perspectives surrounding the Balanced Scorecard model

Chapter Three presents a literature review on perspectives surrounding the Balanced Scorecard model. The chapter focuses on the phenomenal contribution towards the measurement of corporate performance made by Kaplan and Norton (1992), who invented the Balanced Scorecard model. The chapter also analyses significant contributions regarding the applicability of the Balanced Scorecard model in assessing corporate performance. Much of the literature reviewed concentrates on recent developments and the limitations of applications of the Balanced Scorecard, including the mismatch of the model with an African framework.

### 1.13.4      Chapter Four: The African Ubuntu philosophy

The chapter reviews literature on the African Ubuntu philosophy, which is omnipresent on the continent. The African Ubuntu philosophy is founded on a recognition of the importance of society and the community rather than on the individualist and capitalist systems that govern the conceptualisation of the Balanced Scorecard model. Literature on African management studies is examined in this chapter. The literature review includes studies covering African countries such as Malawi, South Africa, Botswana, Swaziland, Kenya, Eritrea, Tanzania, Mozambique, Ghana, Nigeria, Uganda, Zimbabwe, Zambia and Egypt.

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

Chapter Five details emerging issues concerning natural environmental degradation and sustainability. Apart from being socially responsible, organisations are encouraged to pay attention to long-term environmental issues rather than to concentrate only on the single financial bottom line, possibly at the expense of future generations. The triple bottom line (3BL) concept and other theories, including sustainability balanced scorecard models, are considered in this chapter.

### 1.13.6      Chapter Six: Business ethics and corporate governance

Chapter Six reviews emerging issues about business ethics and corporate governance. Theories that govern the management of modern organisations are discussed. For example, the stakeholder-centred approach to management propounds that, apart from the shareholders, corporations also have other stakeholders that they have to focus their attention on when conducting their business operations. How is the wealth that is created by different stakeholders of the company shared?

In Africa, issues of sharing and respect for the community are paramount. Similarly, organisational resources or value created has to be shared by different

stakeholders in a more equitable and ethical manner than in the past. For example, companies are encouraged to plough back into the local communities, in the form of benevolent funding that could be based on people's rights, morals and a sense of justice of the community.

### 1.13.7    Chapter Seven: Research design and methodology

Chapter Seven details the research design of the study and the methodology used for data collection and data analysis. Largely, primary data, supplemented with secondary data (literature review), were used in this research. The chapter also explains the quantitative survey instrument (a structured questionnaire) that was used for the data collection, the data collection methods and sampling techniques used, the sample target and size, and the data reliability and validity statistics. The data analysis, which employed the descriptive statistics, exploratory factor analysis and Pearson regression analysis using SPSS version 16.0, is also discussed. Summaries of relevant statistics, including the descriptive statistics on the respondents, are reported in this chapter.

### 1.13.8    Chapter Eight: Results and analysis of research findings

Chapter Eight reports on the data analysis in detail and discusses the final results and research findings. The report uses tables, diagrams and graphs, with narrative summaries on each issue that is reported. In this chapter, the analysis of findings addresses the issues raised in the research problem statement, research questions and hypotheses, and research objectives. The study findings form the basis for the development and redesign of the Balanced Scorecard model into a new African Balanced Scorecard model. Furthermore, the research findings are foundational to all recommendations made in the study.

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

This chapter discusses the development of the new African Balanced Scorecard model in detail. This new model addresses continental socio-cultural issues

associated with corporate planning and performance measurement systems. The new African Balanced Scorecard model goes beyond wealth maximisation by introducing the new perspective of corporate conscience (resource allocation). Thus, the new model also balances the inflows and outflows of corporate resources.

### 1.13.10    Chapter Ten: Summary, conclusion and recommendations

The final chapter, Chapter Ten, summarises and concludes the study. Various recommendations derived from the study are also reported in this chapter. It is envisaged that the recommendations will guide captains of industry in both the public and private sectors on the role and impact of the newly developed African Balanced Scorecard model. Finally, based on the research findings and limitations, coupled with follow-up activities, the chapter highlights some areas for potential further research.

### 1.14    CONCLUSION

Chapter One has introduced the study's main research items. Important strategic issues have been highlighted. Areas covered in Chapter One include the background to the study, the research problem statement, research questions and hypotheses, and the research objectives, a summary of the research findings and results, research limitations, and recommendations for further research. Chapter One concludes with an outline of the thesis.

The next chapter analyses in detail the literature on corporate performance and financial measurement systems, as articulated by scholars and practitioners worldwide. The discussion on the importance and limitations of traditional financial measurement systems for corporate performance is particularly relevant to this study.