UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

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

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.

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

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

ABSTRACT

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

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

BRIEF TABLE OF CONTENTS

DETAILED TABLE OF CONTENTS

LIST OF ACRONYMS

ACRONYM	**FULL MEANING**
3BL	Triple bottom line
ABSC	African Balanced Scorecard
AIDS	Acquired immune deficiency syndrome
BBC	British Broadcasting Corporation
BCS	Balanced Scorecard
BEE	Black Economic Empowerment
CCBE	Clarkson Centre for Business Ethics
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COMESA	Common Market for Eastern and Southern Africa
CRM	Customer relationship management
FAO	Food and Agricultural Organization of the United Nations
FTSE	Financial Times Stock Exchange
GRI	Global Reporting Initiative
HIV	Human immunodeficiency virus
HRM	Human resource management
ILO	International Labour Organization
IMF	International Monetary Fund
ISO	International Organization for Standardization
JIT	Just-in-time
JSE	Johannesburg Stock Exchange
MBA	Master of Business Administration
MDGs	Millennium Development Goals
MGDS	Malawi Growth and Development Strategy
MSE	Malawi Stock Exchange

ACRONYM	FULL MEANING
NGO	Non-governmental organisation
SADC	Southern Africa Development Community
SCM	Supply chain management
SMEs	Small-and-medium enterprises
SPSS	Statistical package for social sciences
TQM	Total quality management
UK	United Kingdom
USA	United States of America

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, FInn, 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 **S**trengths and **W**eaknesses through the internal audit analysis, as well as external **O**pportunities and **T**hreats 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, whist **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

LIST OF TABLES

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.

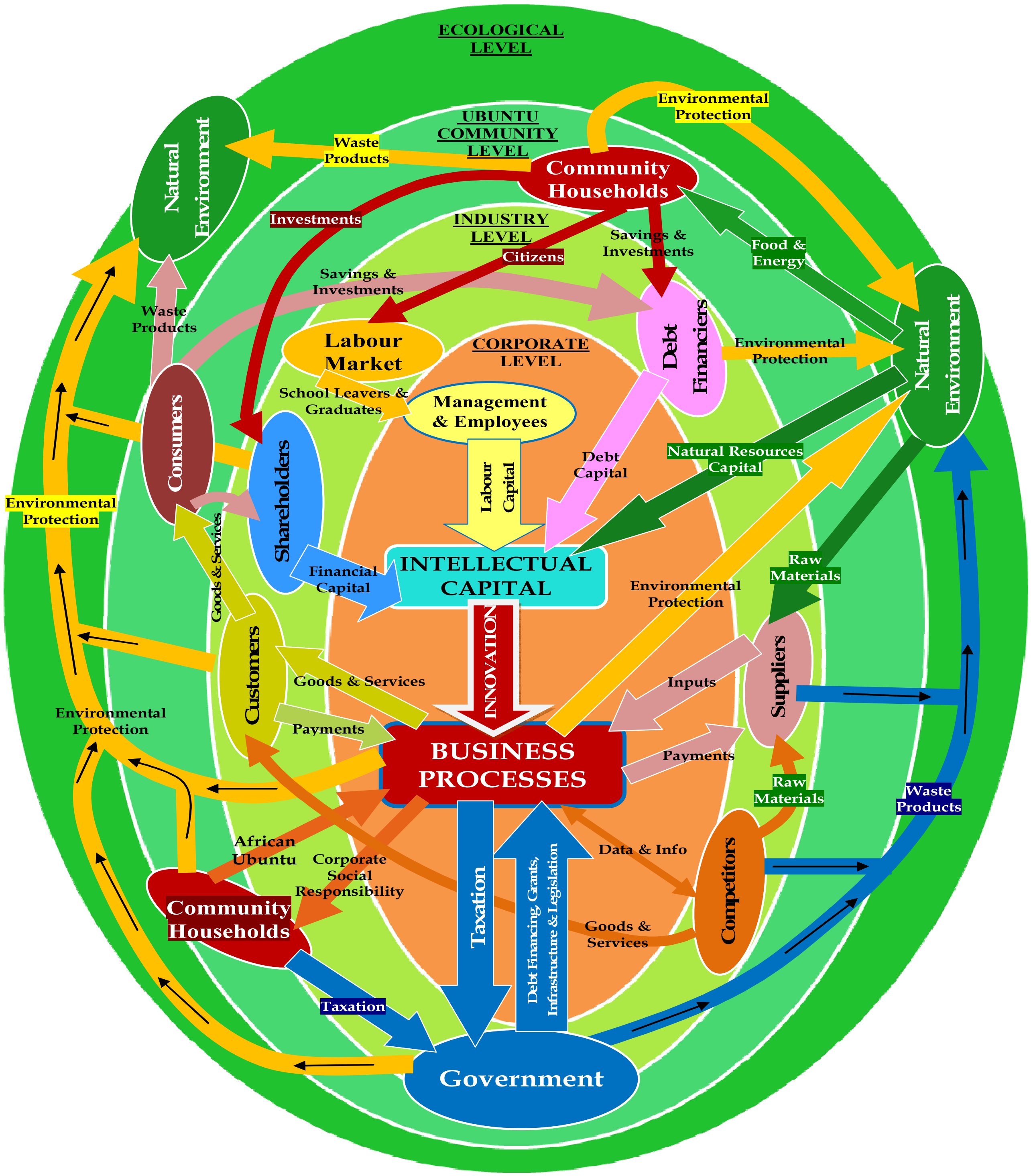
1.4 A CONCEPTUAL FRAMEWORK OF STAKEHOLDER RELATIONSHIPS AND NETWORKS

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

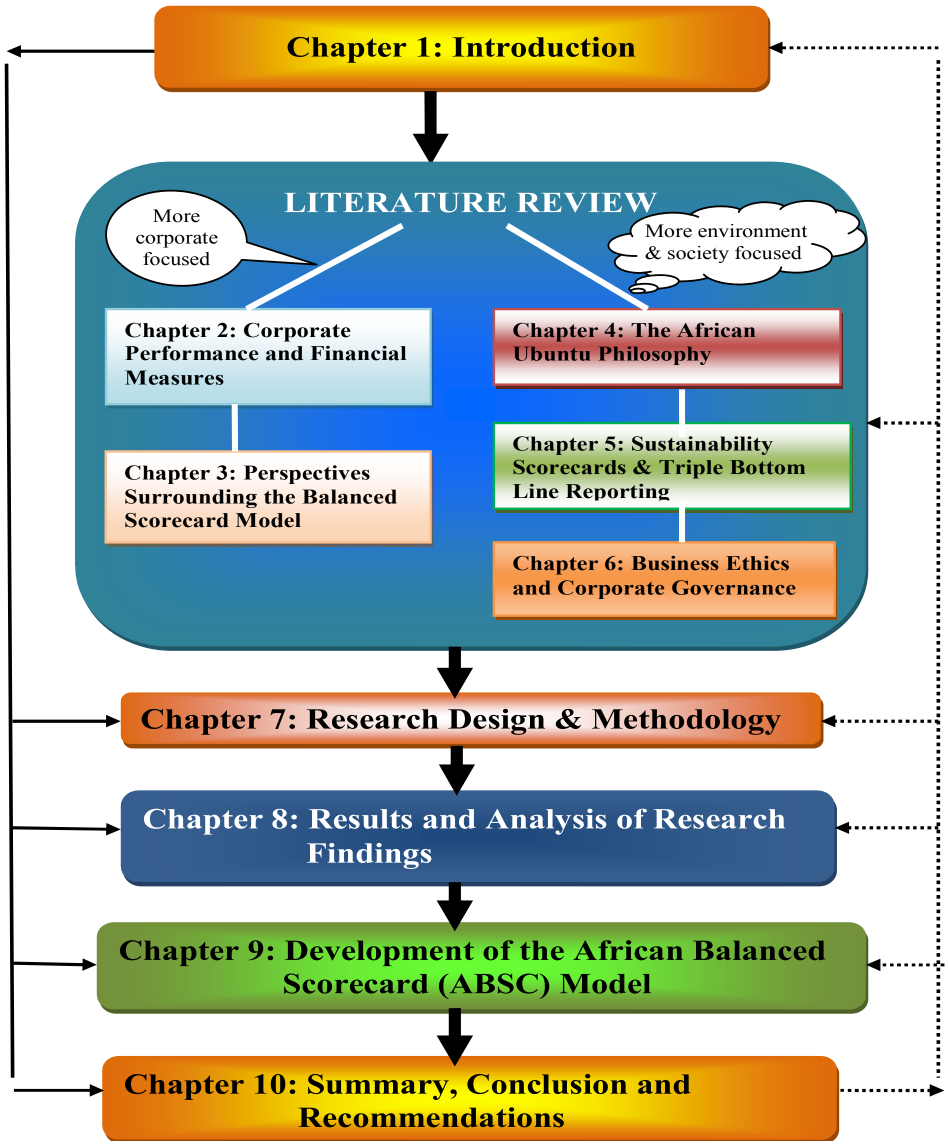
There are ten chapters in this thesis.

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.

CHAPTER TWO: CORPORATE PERFORMANCE AND FINANCIAL MEASURES

> It is fundamentally the confusion between effectiveness and efficiency that stands between doing the right things and doing things right. There is surely nothing quite so useless as doing with great efficiency what should not be done at all.
>
> (Drucker, 2006:3).

2.1 INTRODUCTION

The existence of relationships between an organisation and its stakeholders and relationships between the stakeholders themselves are attracting a lot of interest amongst academics, researchers and business practitioners. Stakeholders come from within or outside the organisation. Internal stakeholders that come from within the organisation include management and employees. External stakeholders that come from outside the organisational boundaries (environment) include shareholders, government, debt providers, customers, suppliers, competitors, the natural environment (ecological systems) and the community (David, 2005; Laudon & Laudon, 2006; Rossouw, 2010e).

An organisation is always in constant interaction with these stakeholders, all of whom have various interests in the performance of the organisation. For example, shareholders would be interested in the profitability of the business, whereas debt providers would want to assess the liquidity of the organisation. To meet different stakeholder interests, corporations set up systems to measure their performance and report such measurements accordingly.

Chapter Two reviews relevant literature on corporate performance measurement systems and traditional financial measures. The chapter discusses the significance and practical use of performance measurement systems.

Furthermore, there is an analysis of the challenges that the performance measurement systems currently face.

Finally, the chapter reviews in detail traditional financial measurement systems in respect of their background, their significance and practical use to organisations, and finally the limitations of their application in a modern, changing environment.

2.2 CORPORATE PERFORMANCE

In order to meet the expectations of different stakeholders, senior managers continuously strive to improve the performance of their organisations. Generally, organisational improvement processes follow a continuous circle of three major processes, namely corporate planning, strategy implementation (execution) and performance measurement or evaluation (David, 2005:5-6). The corporate planning phase involves setting goals and objectives that are congruent with the corporate vision, mission and value statements of the organisation. Goals and strategies are formulated after a careful and critical analysis of the organisation's internal strengths and weaknesses and also of the organisation's external opportunities and threats, conducted through a SWOT analysis, which is also sometimes referred to as corporate analysis. After the corporate analysis, strategies are formulated as a means to achieve the goals that have been set; and that is followed by the implementation of the corporate plans.

The implementation phase involves translating plans into action (David, 2005:5-6). To put it differently, implementation is the part of the process where strategies are executed.

Finally, corporate performance is measured to assess whether or not the goals and objectives that were set in the planning phase have been achieved in the implementation phase. A suitable feedback control system enables managers to use the information provided by performance measurement systems to plan further actions to ensure the continuous improvement of the organisation.

The researcher's personal observations suggest that performance-based systems usually follow specific prescriptions that are intended to satisfy the needs of primary stakeholders such as shareholders, customers, suppliers and government. In the process, such performance-based systems often alienate other stakeholders, such as the general society, local communities and the ecological systems. In the current study, such prescribed performance-based systems are referred to as **mechanistic** performance systems, as they are guided by procedures and policies.

Examples of mechanistic systems would be traditional financial measures that are targeted at meeting the needs of different stakeholders. The production of financial information is governed by prescriptions set out in the International Financial Reporting Standards (IFRS), developed by the International Accounting Standards Board (IASB), a board that sets the accounting and financial guidelines for the purposes of objective financial reporting using a system that is internationally acceptable. The prescribed financial reporting standards also facilitate comparability of performance between different corporations, usually from the same industry (Iatridis, 2010:193-204). Corporate performance is compared using ratio analysis, as discussed below. However, the use of financial measures is fraught with many limitations, including their focus on short-termism, which is problematic where management makes short-term decisions that are accomplished at the expense of the long-term sustainability of an organisation.

The Balanced Scorecard model was developed to overcome some of the limitations of financial measurement systems, which are prone to abuse by executive managers. Apart from combining both financial and non-financial measures, the Balanced Scorecard model is conceptualised on the maxim of the *maximisation of shareholders value* (Kaplan & Norton, 1992:171-179). The Balanced Scorecard model is governed by the set prescriptions and procedures that an organisation has to follow in order to "maximise" a shareholder's wealth.

Hence, the model has been classified under the mechanistic performance measurement systems in this study (see Chapter Three).

Other business models have also emerged and evolved, including the stakeholder model. The stakeholder model proposes that organisations must adhere to a stakeholder-centred approach which sees all stakeholders as critical components of organisational operations and performance (Atkinson, 2006; Ferreira & Otley, 2009; Freeman, 1994). There are no prescribed rules underlying the use of these models; and such systems are flexible, as they focus on accommodating social and environmental dimensions which are usually overlooked by many corporations. When a stakeholder-centred approach is used, corporate performance is measured in terms of the involvement of all the stakeholders concerned (see also Chapters 4, 5 and 6).

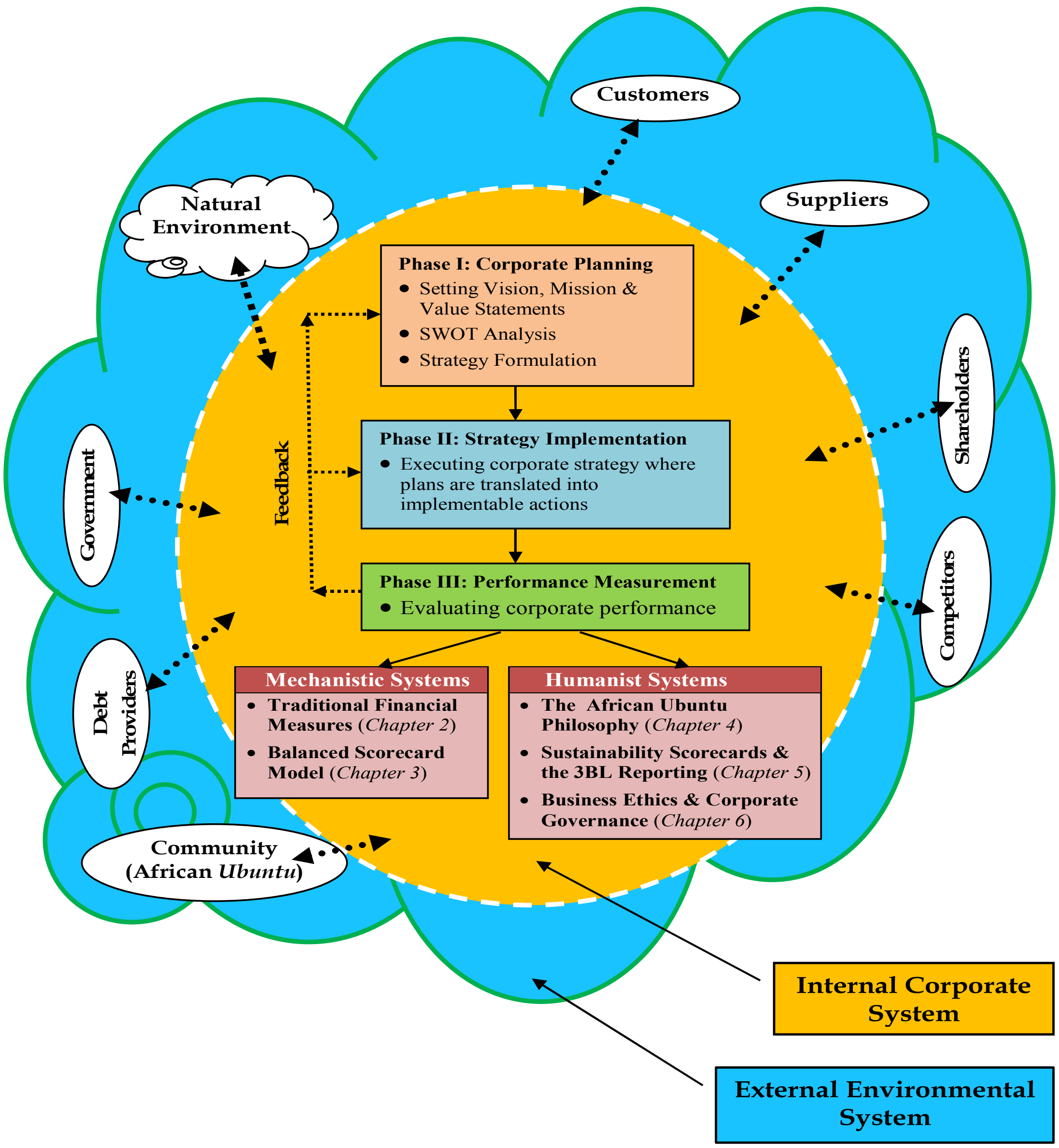
Chenhall (2005:395) discusses some attributes, strengths and the coherence of performance measurement systems. Business executives should consider the multiplicity of stakeholders by focusing on relevant measures such as efficiency, effectiveness and equity. Still, performance measurement systems should capture financial and non-financial outcomes whilst providing vertical links between strategy and operations, and horizontal links across the value chain of an organisation. Finally, performance measurement systems should provide information on how an organisation relates to its external stakeholders and its ability to accommodate them.

In the current study, the scenarios where the systems are integrated with external stakeholders, especially society, are collectively classified under the **humanist** performance systems, as they involve a consideration of human elements. In the same humanist dimension, practitioners have recently become more receptive to the notion of the necessity to incorporate business ethics, corporate governance and corporate conscience parameters into modern organisational reporting systems (Rossouw, 2010a:78-80). Within the organisational sphere, issues of business ethics and corporate conscience are now becoming more pronounced and more critical than in the past.

2.3 THE CORPORATE PERFORMANCE FRAMEWORK

The corporate performance framework is based on a stakeholder-centred approach to corporate performance systems, as summarised in Figure 3, below.

Figure 3: Corporate performance framework



Source: Own observation

The corporate performance framework summarises organisational interactions with different stakeholders from the external environment. The framework also highlights three components of corporate performance, namely corporate planning, strategy implementation and performance measurement, as discussed above.

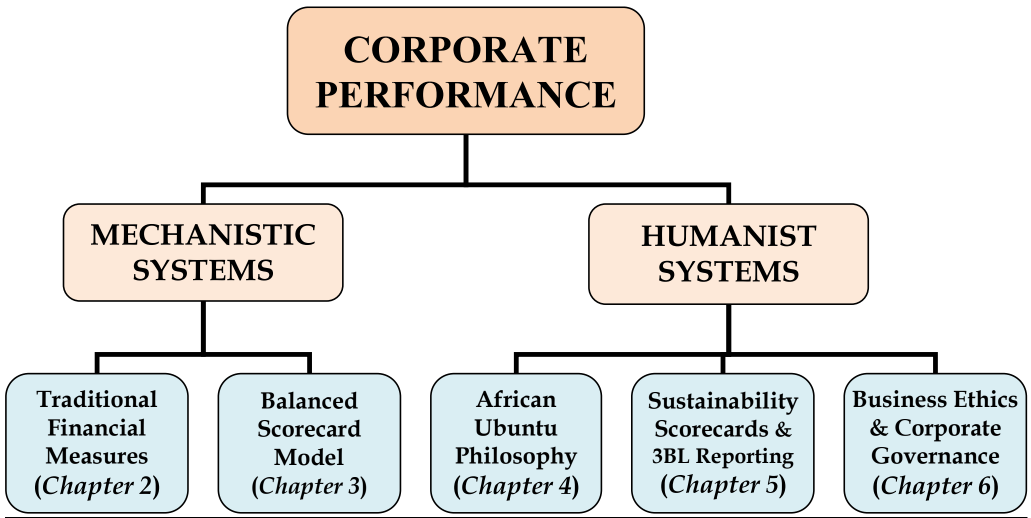
Finally, for there to be an effective continuous improvement system on corporate performance, an effective feedback control system is needed (Flamholtz, Das & Tsui;1985:46-47; Otley, 1994:289-299; 1999:365-368). Such an effective control system, expectations and actual performance are compared and such comparisons serve as a basis for determining proper responses to operating results (Drury & McWatters, 1998:32-33). Information on the performance measurement has to be fed back into organisational management systems for further management actions. Where there are significant variances between the planned targets and the actual results, managers should institute appropriate adjustments to the planning and implementation processes that form part of the performance system. The feedback control system with its linkages is shown as dotted lines in the corporate performance framework in Figure 3, above.

With regard to performance measurement, the framework recognises two measurement systems relating to corporate performance: mechanistic and humanist measurement systems. For the purposes of this study, traditional financial measures (see the discussion below) and the Balanced Scorecard model (Chapter Three) fall into the mechanistic measurement systems category. The humanist systems include the African Ubuntu philosophy (see Chapter Four), the triple bottom line and sustainability balanced scorecards (Chapter Five) and matters relating to business ethics and corporate governance (Chapter Six).

In summary, a total of five chapters (Chapters Two to Six) are earmarked for the review and analysis of the literature on corporate performance systems, as indicated above. A diagrammatic presentation of the literature review is shown in

Figure 4, below. From here on, the highlighted area (green) amongst the five corporate performance systems indicates a chapter reviewing the relevant literature.

Figure 4: Literature review outline on corporate performance systems



Source: Own observation

2.4 CORPORATE PLANNING IN A CHANGING ENVIRONMENT

The business environment is constantly changing; and executive managers are increasingly exposed to new challenges in organisational operations. The operating environment has become ever more volatile as modern economies have emerged (David, 2005; Laudon & Laudon, 2006). Hence, modern industries cannot afford to be static and mechanistic, as there are constant rapid technological changes; there has been a shift to more knowledge-work based management systems; there is currently an increased emphasis on corporate citizenship in respect of social responsibility and corporate conscience issues; and industries have to address the problems of environmental degradation and global warming challenges.

The business environment has become highly challenging with the emergence of global economies, in which companies have to compete in both the local and the global marketplace. Adherence to international standards, including issues on product quality, has become a prerequisite for competitiveness. Consequently, organisations have begun to redesign their business processes in order to become global and competitive (Laudon & Laudon, 2006:501-502; Porter, 2008:85-92). In the current business environment, globalisation is a determining factor in the running of business operations. Globalisation explains the growing need for corporations to take advantage of improved information systems and enter into the global competition in the international marketplace (Drury & McWatters, 1998:36) – managers need to realise that globalisation is not an option, but a way to ensure strategic survival.

Because of the volatility of the corporate environment, corporate planning has become a determining factor in organisational survival in many arenas. As a result of increasing competitive pressure arising from the globalisation of industrial activities and markets, organisations have a duty to reorient their visions, missions, corporate objectives, strategies, operations, business processes and procedures in order for them to remain competitive in the local and global marketplaces (Porter, 2008).

Corporate planning involves setting goals and objectives that an organisation wants to accomplish. These plans are drawn up in line with the stipulated vision, mission, and value statements that form the guiding principles for how an organisation wants to engage in future activities. Good plans must be achievable and implementable in order to improve the overall performance of an organisation.

2.5 IMPLEMENTING CORPORATE STRATEGIES

The execution of a corporate strategic process involves the translation of plans into action. Organisations get inputs from their environment in the form of financial capital from shareholders, debt capital from financiers, labour capital from the local community and labour markets, and natural resources capital from the natural environment. Through their internal business processes, organisations process and transform these inputs into finished or semi-finished goods and services. During the implementation process, organisations are supposed to use their resources in the most economic, efficient and effective manner.

The efficiency and effectiveness of modern organisational knowledge-creation processes depend partly on the local circumstances that dictate how information is created and disseminated within an organisation. Feedback and information dissemination systems have become essential sources of input into management decisions (Elg 2007:226). The value of information systems has become so pronounced that managers have now started investing massively in new information technologies, in the hope that such investments will help managers to run their corporations more effectively and efficiently for better performance.

Modern business practices also dictate that companies have to be ethical in their undertakings. For instance, manufacturing companies have an ethical duty to protect the environment against degradation and pollution (Rossouw, 2010b:20-25). Once goods and services are produced, they are given back to the environment through customers and consumers for final consumption, thereby completing the ecosystem as shown in the conceptual framework of stakeholder relationships and networks (see Figure 1).

The above analysis reveals that business activities and processes are complex because they reflect the interconnectedness and interdependence of many stakeholders with different interests in the organisation. Thus, there is a lot of interaction between an organisation and such stakeholders. The performance status of an organisation that is reflected through the measurement systems would likewise determine how attractive an organisation is in the eyes of these stakeholders.

2.6 PERFORMANCE MEASUREMENT SYSTEMS

The basis of corporate performance is managers' ability to compare actual results to the plans that were originally drawn up to address the strategic vision, mission, and value statements of an organisation. After developing plans in the course of the budgeting process, managers can compare actual results against the set targets to measure performance with regard to various activities and the overall organisation.

The planning and comparisons are done on the basis of the stipulated variables that form part of the planning process. Therefore, performance measurement systems have become critical sources of input for the management policies and decisions of various organisations. Within a corporate performance framework, the feedback control system provides a valuable platform for the continuous improvement processes of organisations.

Generally speaking, organisational systems and functions have always been associated with performance measurement systems (Neely *et al*., 1995:80-116). The most notable areas of such organisational systems and functions include strategic management, financial management, total quality management, organisational behaviour, human resources management, budgeting and budgetary control systems, standard costing and variance analysis, activity-based costing, and production and operations management systems.

2.7 SIGNIFICANCE AND PRACTICAL USE OF PERFORMANCE MEASURES

The importance of performance measures for organisations has been widely researched and is emphasised by both business practitioners and academic scholars. This section reviews literature on the significance of performance measures for an organisation.

2.7.1 Performance measures facilitate the identification of critical areas for special attention

The use of performance measures facilitates the identification of areas that are critical for organisational operations and the ultimate survival of organisations. Through variance analysis and gap analysis, performance measures serve the purpose of monitoring performance, by identifying areas that need special attention and then enhancing motivation, improving communications and strengthening accountability amongst employees and managers (Bourne, Franco & Wilkes, 2003; Busi & Bititci 2006; Mackay, 2005). Therefore, performance measures constitute a set of key success factors that enhance the effectiveness of and efficiencies in an organisation. Generally, performance measures enhance effective communication systems and employee behaviour, and boost morale.

2.7.2 Performance measures instil positive employee behaviour

Good performance measures contribute towards improved behaviour by the people who are affected. Because measurements affect future results, the proponents of performance measurement systems argue that the use of well-designed performance measures create possibilities for business managers and employees to gain knowledge about what is going on in their establishments (Elg, 2007:226; Fitzgerald & Collins 2006:40-47; Otley, 1999:380-381). The knowledge that is gained through effective communication systems maintains sanity amongst the managers and employees of an organisation. Performance measures direct the current and future behaviours of individual managers and employees (Flamholtz *et al.,* 1985:85).

Perceptions about which corporate decisions will be affected by performance measures are critical to individuals and departments charged with using performance measurement systems. Performance measurement systems look at behavioural aspects and attach relative priority to values such as efficiency, equity and service quality, among other attributes (DeBusk, Killough & Brown, 2009:19-20; Otley, 1994:289-299, 1999:380-381). Performance measurement attracts so much attention because of the positive organisational outcomes that are achieved when such systems are effectively adhered to.

Once proper systems are instituted and followed in detail, organisations are bound to realise their strategic vision, mission and goals (De Waal, 2010:79). Therefore, monitoring behavioural aspects linked to people that affect corporate performance should be an ongoing process if a continuous improvement of processes and activities is to be achieved. Organisations usually compare their internal business processes and practices with those of the best in the industry through benchmarking systems.

2.7.3 Good performance measures enhance benchmarking systems

The deployment of useful measurement systems enhances benchmarking, where senior executives set the best standards within an identified industry. Without the ability to understand and measure performance, benchmarking efforts aimed at deploying the best operational practices cannot bear the desired fruit – enhanced corporate value (Gomes, Yasin & Lisboa, 2004:523-524). To be competitive, an organisation needs to apply performance measurement systems successfully to gain insight into and make judgements about the organisation itself. Executive managers measure value-for-money activities for better corporate performance. Through benchmarking, organisations strive to improve continuously upon productivity in general and product quality in particular.

2.7.4 Performance measures enable improvements in quality and productivity

Performance measures play an important role in improving quality and productivity in organisational systems and products (Neely, 1999). Quality control entails a greater use of non-financial measures than financial ones. Such non-financial measures include measures of intellectual capital and managerial competencies. When they have incorporated non-financial measures, many organisations have become to realise the importance of the attributes assessed by such measures of value creation for products and services. So, for example, some studies show that there is a direct positive correlation between the learning capability of managers and overall corporate performance (Prieto & Revilla, 2006:178-181; Vergauwen, Roberts & Vandemaele, 2009:239). The learning capability of managers has an indirect influence on financial performance through its significant effect on non-financial performance. Thus the learning process is a foundation for the improvement of overall corporate performance in all sectors.

In the public sector, performance measurement, with its promise of improving economic efficiency, helps to create an impression of a modern public administration by incorporating management elements from the private sector into coherent systems in order to improve efficiency and meet productivity challenges (Greiling, 2006:460-463). Performance measurement also helps public service providers to prove the legitimacy of their actions to political decision-makers and actors, who are often convinced that more market elements will lead to a better public service.

Past and present practices indicate that performance measurement is a management tool and that using it is a managerial responsibility. It is a quality management system, and should also form part of a learning organisation. In a learning process, performance measurement focused on future viewpoints include a driver towards good corporate governance, transparency and accountability as success factors that allow performance audit and assess organisational competency/capability (Phusavat *et al.*, 2009:660). Moreover, performance measurement systems need an organisation to face the challenge of staff empowerment and of enhancing the way in which top administrators and executives view their members of staff. Since information becomes available from such systems, staff should be trusted and empowered to identify problems and initiate improvement interventions where necessary.

Generally, the literature review indicates that performance measures can play a pivotal role in improving the performance of organisations (Neely & Najjar, 2006:101-102). The areas that make it necessary for organisations to focus on performance measurement systems are the changing nature of work structures, increasing competition locally and internationally, specific improvements and innovative initiatives, national and international quality standards and awards, changing external demands, the power of information technology, and changing organisational roles.

The basic premise that underpins the use of performance measures is the desire of organisations to institute corrective measures and thus achieve continuous improvement in their operations that then translate into better overall corporate performance. However, the use of performance measurement systems is highly challenging.

2.8 CHALLENGES AND LIMITATIONS OF PERFORMANCE MEASURES

Although performance measures may make positive contributions towards organisational operations, their implementation is rife with challenges. These challenges are discussed below.

2.8.1 Performance measures are based on a single organisation model

Usually, performance measures are used to appraise an individual organisation. This creates problems in the more collaborative modern business environment, where corporations work together as partners. It is relatively easy to assess whether a single corporation is measuring its performance in terms of its processes and its level of customer orientation well, and whether that performance is good or bad, but it is much more difficult to assess these matters, for example, at a supply chain level, where several organisations are involved (Cagnazzo, Taticchi & Brun, 2010:163).

Within an organisation, multidisciplinary perspectives can contribute to a more comprehensive understanding of performance measurement issues. In modern commerce, trans-organisational processes (which are encouraged) should be planned, implemented and evaluated via performance measurement systems. Busi and Bititci's (2006:7) study indicates that there is a need for organisations to go beyond their organisational boundaries in designing and using measurement systems that are consistent with modern collaborative commerce frameworks. Technologically-oriented organisations have to start using collaborative performance measurement systems in which customers, suppliers and business partners, including competitors, have to be linked to one another and work collaboratively for sustainable competitive advantage.

Furthermore, performance measurement systems face considerable challenges within the collaborative commerce environment where organisations form inter-organisational relationships. Performance measurement systems for extended enterprises are usually only partial, because performance measurement processes and practices used within firms are largely incompatible with the central characteristics of extended enterprises (Lehtinen & Ahola, 2010:181). The implication of these findings is that there is a need for common ground between performance measures when such measures are used to assess the performance of extended collaborative enterprises. Therefore, a deeper analysis of performance measurement systems is needed in order to understand the extent to which they could support performance measurement at the collaborative commerce level.

2.8.2 Performance measures are usually based on existing organisational structures

The development of performance measurement systems is usually based on existing organisational structures with business processes that are already in place rather than on a desired model for a future business process structure (Krause, 2003:5). The main problem of such an approach is that the existing organisational structure is a result of how things have been done in the past or how an organisation is conducting its current businesses. The approach may ultimately inhibit change which could promote future development. By contrast, the development of a model for a future organisational structure would focus on how best an organisation should work in order to achieve its goals.

2.8.3 Insufficient attention is given to performance measurement systems

In the corporate world, performance measurement still remains a serious challenge to many organisations and their managers. For instance, the identification of the appropriate measures to improve operating corporate performance is one of the central problems that persist in many organisations (Hammer, 2007:18-29). Executive managers are still unsure of what the best techniques to measure corporate performance are, but the choice of an appropriate performance measurement system can be the foundation of the success of an organisation. Moreover, some senior executives pay too little or no attention to the measurement systems used in their organisations. It is apparent from the above discussion that a performance measurement system’s design and the use of proper measures to track and improve operating performance could be one of the most difficult problems that modern organisations encounter.

Studies have also revealed that the most common mistakes that managers make include the adoption of measures that are too stringent or set benchmarks that are too high and are therefore not achievable, focusing too much on organisational boundaries and hence neglecting business partners, and adopting only one point of view regarding performance measures, in the process neglecting those measures that affect the customer (DeBusk *et al*., 2009; Hammer, 2007). Some managers are also poorly prepared and they lack a proper understanding of measurement significance. They may focus their attention on trivial and insignificant elements, or neglect human behaviour, which is very complex and not mechanistic. Indeed, some managers completely ignore the impact and value of performance measurement systems.

The problems raised above regarding the use of performance measurement systems highlight the need for managers to take such systems seriously and to exert the utmost care when selecting performance measurement systems for their organisations. A suitable focus on performance measurement systems should enable managers to interpret such measurement systems better to achieve corporate improvement.

2.8.4 The multiplicity of performance measures leads to interpretation problems

There is also a growing concern in performance measurement that measuring performance itself is not enough. Measurement has to lead to insight; and insight should result in action at different levels – the level of an individual employee, the departmental level and the level of the entire corporation (Paladino, 2007a:42, 2007b:38-39, 2007c:43-44). Performance measurement should be an inclusive process that accommodates routine measurements of programme inputs, outputs, immediate outcomes, or end outcomes (Newcomer, 1997).

The entire information system, from data collection, data processing up to information dissemination, should be scrutinised where performance measurement systems are involved. Managers have to be particularly cautious in interpreting the information gathered via a performance measurement system, because viewing performance measurements as objective and as giving indisputable facts about reality might lead to an overreliance on what may be de-contextualised information (Elg, 2007:226). Therefore, performance measurement systems must be used reflectively in order to get the best possible results.

In performance measurement, it is important to identify two key indicators: the intended use of the performance data, and the value priorities of those stakeholders who choose what to measure (Brown 2000; 2007; Olve, Roy & Wetter, 1999). The performance data should be synthesised and can then be used to support a variety of management decisions. Therefore it is advisable in designing and implementing tools for corporate performance measurement that systems be kept as simple as possible (Schulz & Heigh, 2009:1047-8), as the simplicity of performance measures can enhance the integration of the needs of all stakeholders into simple and user-friendly systems.

The objectives in setting performance measurement systems are varied, especially in the public sector. Usually, the power relationships between public sector stakeholders dictate the use of a particular aspect of performance measures within a public sector organisation (Modell, 2001:437-464). A specific aspect of performance measurement may thus be used by managers to seek legitimacy to satisfy a coercive stakeholder rather than to deliver organisational long-term objectives. Within the public sector framework, managers often behave differently from managers in the private sector when implementing performance measurement systems. For instance, when they face a coercive central government, local managers have been known to attempt to diffuse central government's performance targets into their local operations although government's targets are not consistent with their internal organisational objectives. In order to ensure stability and satisfy stakeholders such as government, local managers may act proactively to decouple the financial performance targets required by central government from the objectives of other local stakeholders.

Performance measures may also have an impact on the behaviour of executive managers and employees in the public sector. The managers' conforming behaviour (De Waal, 2010:79-95; DiMaggio & Powell, 1983:147-160) may be due to the fact that their survival depends largely on their ability to fulfil mandatory requirements imposed by the financial support from central government rather than on any improvement of the corporate performance of the institution or department. There could also be implementation problems in the context of the corporate social responsibility of the public sector.

An empirical study by Chang (2007:101-117) indicates that the Performance Assessment Framework (PAF) was used by local health authorities in the United Kingdom primarily to seek legitimacy rather than to ensure rational performance improvements. Central government used the Performance Assessment Framework to make the performance of the National Health Services (NHS) visible to the public; so that the public would receive the message that central government had attempted to deliver government mandates. The study also reveals that the local health authority managers incorporated the imposed performance indicators into their local performance measurement practice. They did this in order to seek the approval of the central government. The use of the Performance Assessment Framework was symbolic and a matter of form, and had little impact on improving aspects of performance that were actually valued by local managers in the National Health Services.

A similar study was conducted in the United States, where a government system was used in an attempt to apply a multi-dimensional performance measurement system for accountability purposes (Cavalluzzo & Ittner, 2004:265). The study's findings reveal that externally-mandated performance measurement was implemented purely to meet legal requirements, which makes it likely that the exercise was just symbolic, with little influence on the internal operations of the organisations concerned. These findings suggest that legitimacy in itself is not enough in the implementation of performance measurement systems. The performance measures must go hand in hand with a change in the mindset of those who implement them and are affected by them in order for the measures to be successful.

In Kenya, there has been noticeable progress towards the inculcation of the notion of corporate social responsibility. However, there are evidently still some obstacles to the implementation of performance-oriented civil service reforms (Marwa & Zairi, 2009). The Kenyan civil service reforms have not revolved around performance measurements that could lead to rewarding good performance and realigning resources to support the desired changes while simultaneously stimulating competition amongst public entities to support superior public service delivery.

These observations indicate that all sectors, and especially the public sector, lack vigilance and a strong sense of direction in respect of corporate performance measurement systems. Behaviourally speaking, managers use their subjective judgements when using and interpreting corporate performance measures. Even worse, many of the measures remain mere formalities and are not intended to improve the internal processes and activities of an organisation.

2.8.5 Performance measures incline towards subjectivity rather than objectivity

Prowse and Prowse (2009:75) have shown that there is lack of theoretical development in performance measurement systems, in that most of them are influenced by subjectivity and bias in judgement. The implications of this observation is that there a need for a more critical evaluation of interpersonal skills for measurement systems to develop into useful corporate performance systems. For example, the use and design of performance pay systems in public and private services linked to the measurement systems that are used have not always enhanced corporate performance. When they are poorly designed and implemented, performance measurement systems can reduce staff motivation.

The above study implies that designing corporate performance systems requires a more psychological approach to analysis and a more critical application of measurement techniques. Given the complexity of corporate activities, performance measures are supposed to provide managers with objective and accurate information to use in their decision-making processes.

2.8.6 There are often data accuracy problems with performance measures

The biggest challenges in corporate performance systems are related to data accuracy and to the fact that the current set of performance indicators may not be geared towards future corporate performance (Ittner, 2008:269-270; Van der Laan, Brito & Vergunst, 2009:22). This problem is more prevalent in emergency-oriented projects. The understanding of the measurement context is important because different intangible issues matter in different projects.

The literature review indicates that there might also be a practical challenge in the use of performance management systems, particularly from a point of view of an organisation funding the project, in that a measurement system and its information may not be available or that the system may be inadequate. Problems of data accuracy would affect the quality of management decisions, as information (the processed data) is the direct input into management decision-making processes. This problem would be more pronounced when financial measures are used for decision-making purposes by external stakeholders, including analysts.

2.8.7 Most performance measures are financially driven

Most performance measures focus on the maxim that all organisations should strive primarily to **maximise shareholders' wealth**, without considering the attributes and needs of other stakeholders. The financially driven approach usually brings about motivational problems amongst the stakeholders (other than the shareholders) who are directly connected with the organisational operations (Otley, 1999:375-376). Such motivational problems include "short-termism", where too much focus is put on the achievement of immediate financial gains at the expense of long-term business sustainability. Some studies indicate that in a knowledge worker environment or in non-profit organisations, superior performance depends largely on an individual's perception of benefits (Krause, 2003:5).

The studies cited above indicate that the perceived benefits of an organisation's operations should go beyond financial benefits, although it is obvious that organisational financial health is a prerequisite for corporate sustainability. Organisations can use new models such as stakeholder theory to realign their measurement systems to meet the new challenges they face.

2.8.8 There is a need to redesign performance measurement systems

A way to redesign and implement organisational management systems is required to reflect and resolve up behavioural concerns. Specific references in performance measurement systems which enhance learning are critical, but require a lot of information gathering before any management decisions are made (Otley, 1999:365-368). Organisations that participate in making strategic decisions can deploy the required research to enhance the results of their performance. Because information remains an integral part of the input needed in any decision-making process, managers tend to adjust their behaviour on the basis of how much information they have. The information that they collect and can use affects them now and in the future, and what information they collect depends on how performance is measured.

2.8.9 There is some confusion between performance measures as sources of control versus sources of flexibility

Within the finance literature, performance measurement has evolved from a component of the planning and control cycle relying on financial information to an independent process used as a signalling and learning device for strategic purposes, based on multiple non-financial measures. Therefore, the use of performance measurement systems should be a means of increasing organisational flexibility, as opposed to control (Henri, 2004:114-115; Neely & Najjar, 2006:100).

The dynamic use of performance measurement systems can have an impact on organisational operations by facilitating management decisions; and changed behaviours yield organisational change, innovation and organisational learning. Within the performance measurement systems, a holistic view tends to be more actionable, timely, long-term oriented as it reflects cross-functional processes. It can therefore be argued that such flexibility rather than control would improve corporate performance. The problems associated with confusion between control and flexibility would be even more challenging when managers are dealing with intangible assets such as intellectual capital.

2.8.10 There are difficulties in measuring intangibles

The business environment has changed tremendously in that many activities and operations now represent intangibles. There are many potentially relevant intangible factors, such as knowledge and information. It has been observed that formulating and using performance measures in such undertakings as research and development projects is not simple (Vuolle, Lonnqvist & Van der Meer, 2009:30-31). One of the challenges that organisations face is that many performance measures are fairly undeveloped and there is not much experience of applying them in practice (Ittner, 2008:269-270). However, some performance measures contain surrogate indicators that may provide hints about the status of intangibles, for example, information technology investments or the percentage of time that staff members spend in direct contact with customers. Table 1, overleaf, summarises the significance and limitations of the use of corporate performance measures in current business applications.

Table 1: Significance and limitations of performance measures

Significance of performance measures
1. Performance measures facilitate identification of critical areas for special attention
2. Performance measures instil positive employee behaviour
3. Performance measures facilitate enhancement of benchmarking systems
4. Performance measures enhance quality and productivity improvements

Limitations of performance measures
1. Performance measures are based on a single organisation model
2. Performance measures are usually based on exiting organisational structures
3. There is insufficient attention given to performance measurement systems
4. The multiplicity of performance measures leads to interpretation problems
5. Performance measures incline towards subjectivity rather than objectivity
6. There are often data accuracy problems with performance measures
7. Most of performance measures are financially driven
8. There is a need to redesign performance measurement systems
9. There is some confusion between performance measures as sources of control versus sources of flexibility
10. There are difficulties in measuring intangibles

Source: Own observation

The literature analysis on corporate performance measures has highlighted some important points about the use of performance measures in general, especially the fact that performance measurement systems have to be designed and implemented with an understanding of the general uses and limitations of performance measures, as summarised in Table 1. More should be done to develop performance measures that enable all stakeholders to assess organisational performance status for the purposes of making various management decisions. As has been outlined under the limitations of performance measures, corporate performance assessment has traditionally hinged on financial measures. Thus, it is necessary to review and analyse recent literature to assess whether or not the various financial measures are still relevant in a modern organisational context.

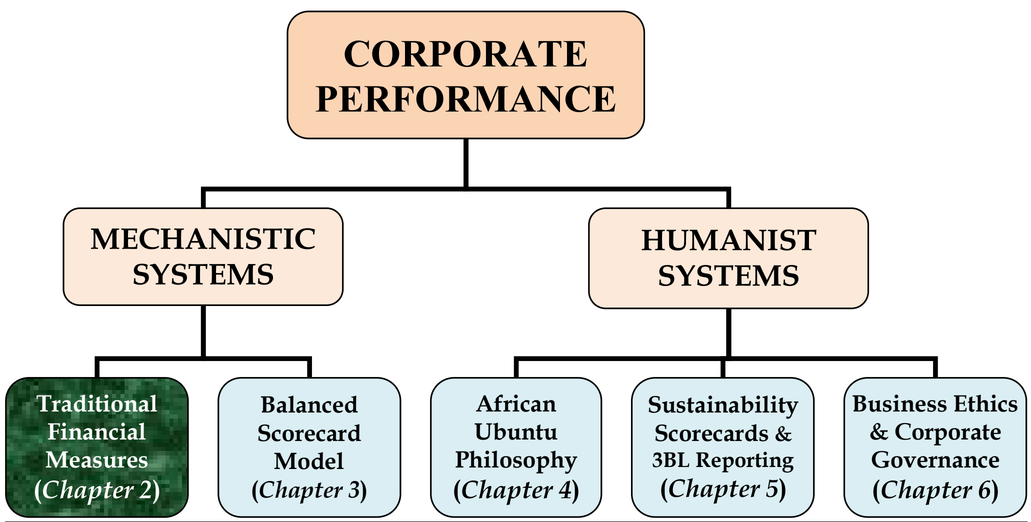
2.9 FINANCIAL MEASURES

2.9.1 Introduction

Traditionally, corporate performance has been assessed on the basis of financial measurement systems with the focus on the maximisation of shareholders' wealth as the ultimate goal of corporations (McNamee, 1993). Corporate performance has been assessed mainly in terms of the degree of an entity's achievement of its overall financial goals and the quality of its financial performance relative to the needs of different stakeholders, including competitors.

Traditional financial measures are the first corporate performance systems to be analysed in this study, as highlighted in Figure 5, below.

Figure 5: Corporate performance and the traditional financial measure



Source: Own observation

This section presents a detailed literature analysis on traditional financial measurement systems. The literature review includes background on financial measures, the significance and practical use of financial measures, and the limitations of the use of financial measures in the modern business environment.

2.9.2 Background on financial measures

Through interaction with different stakeholders, organisations facilitate value creation by using financial performance measures. Financial measures enhance effective planning through budgetary processes and control over corporate operations that are achieved through measurement systems (Mackay, 2005). The first financial measures were developed centuries ago, when businesspeople had to use financial measures to run their businesses.

There has been an evolution in financial measurement systems as a result of modern organisational structures. By the 20th century, the amount of industrialisation and the mechanisation of systems was commensurate with the industrial evolution that followed on from the industrial revolution of the 19th century (Mackay, 2005:8). It was acknowledged that bureaucracy was a form of organisation that displayed mechanistic concepts of precision, regularity, reliability and efficiency achieved through the division of tasks and rules. Bureaucratic systems encouraged the use of financial performance measures, as these were seen as the only standard units in which corporate performance could be measured. Monetary units represented a common denominator for all business transactions.

Corporate performance has been represented by the financial statements that are produced in annual or interim reports as required by statute for some time. The financial statements come in the form of profit and loss accounts for the profit-making companies or income and expenditure statements for non-profit-making organisations, the balance sheet and cash flow statements.

However, financial measures are past-oriented, as they are largely extracted from financial statements that are produced to reflect the historical performance of an organisation. Historical financial performance aims at establishing a baseline of corporate performance upon which an organisation can aspire to build to improve its strategic direction.

2.10 SIGNIFICANCE AND PRACTICAL USE OF FINANCIAL MEASURES

Financial measures have assisted management and other stakeholders to assess organisational performance for decades. The practical significance of financial measurement systems is analysed below.

2.10.1 Financial measures form a basis for internal corporate performance measurement

It is clear from the comments above that the traditional financial measures have frequently been used to measure the overall performance of an organisation. To ascertain the relative and comparative status of corporate performance in economic and financial terms, business managers use financial indicators, largely financial ratios. Derived from the financial statements, financial measures provide a basis for comparison of the internal operations of an organisation for evaluating corporate performance. For instance, suppliers and customers are usually assessed based on the historical analysis of their transactions to extrapolate the future financial position.

Financial measures provide information on corporate performance for small, medium, and large organisations. For example, Ding, Zhang and Zhang (2008:297-318) performed a study using five financial measures, namely the revenue per employee, the revenue per unit of cost, the net profit per employee, the return on assets, and the market-to-book value ratios to assess differences in the corporate performance of family-owned versus state-owned companies in China after controlling other organisational characteristics such as size, company leverage, sales volatility, company age, innovation and marketing. The study established that family-owned enterprises achieved significantly better performance than state-owned corporations.

The audited financial statements for both private and public institutions provide the most reliable sources of information for various decision-makers. For instance, investors use financial information to make investment decisions. The most credible source of corporate performance amongst investors is still primarily financial performance measures, rather than non-financial measurement systems (Schwarzkopf, 2007:18-33). Companies still remain focused on traditional financial measures, despite the increasing need for them to engage in a more balanced approach which combines financial and non-financial measures of corporate performance (Chia, Goh & Hum, 2009:618).

Through the use of financial information, shareholders analyse corporate performance in the investment appraisals of their portfolios. A low proportion of investors use auditors' reports and notes to the financial statements, although such sources are more focused than the reported figures in corporate reports (Schwarzkopf, 2007). Schwarzkopf (2007) demonstrates that financial measurement systems play a pivotal role in facilitating management decision-making. However, financial reporting professionals may need to promote the use of valuable financial information sources such as the notes appended to financial statements. The extra financial information would provide better information to different stakeholders who constantly transact with an organisation, allowing them to make more informed decisions.

2.10.2 Financial measures provide a common denominator for business transactions

Financial figures represent a common denominator and are a pillar for any business transaction. Arguably, the accounting and financial statements are the language of every business (Weaver & Weston, 2008). Financial corporate analysis that is based on the use of financial performance measures provides an acceptable basis for decision-making and data source in the business environment.

However, the pool of external stakeholders, which traditionally includes shareholders and creditors, is becoming broader, implying that more financial information is needed for each stakeholder. The pool of such varied interested parties now includes employees and management, shareholders, customers, suppliers, government, business partners, regulatory bodies, social and environmental partners, competitors, and the community, as shown in the conceptual framework in Figure 1.

Different stakeholders use financial figures for different purposes. For instance, shareholders would be interested in assessing the profitability levels of the company for dividends; customers would focus on the product quality and pricing issues; creditors may be interested in the liquidity and continuity of business; and government would use financial figures for taxation purposes. Although they meet varied needs, financial measures provide a common platform for all stakeholders.

2.10.3 Financial measures are used as a tool to give strategic direction

Based on the common denominator dimension, financial measures provide a relative or comparative basis for comparing the performance of different organisations, usually within the same industry. Financial information thus provides a basis for measuring the performance of organisations within the same industry (Wong & Wong, 2008:28). Financial ratios, for instance, form the foundation on which organisations can benchmark themselves in terms of their overall performance as compared to that of other players from the same industry.

Furthermore, senior managers use quantitative data to analyse organisations' financial strengths and weaknesses (Abraham, 2006:212). Such analyses help business executives to identify anomalies and focus attention on issues of organisational significance. Performance measurement systems rely on the financial ratios that are computed from the reported financial figures. The most common ratios used during such an assessment include those that gauge the profitability, liquidity, activity and financial leverage of an organisation.

In the corporate world, financial ratios are usually used by managers and analysts as tools for mapping corporate performance trends. Through extrapolation, performance trends can be used as predictors of an organisation's future performance. Usually, creditors such as banks and other financial institutions use past financial information to assess the strategic direction of a client before any lending arrangements are concluded. Moreover, the financial stability of corporations, which can be deduced from an analysis of financial statements, is critical to the banking sector, as well as national and international institutions. As a result, banks and insurance companies use large scale financial indicators for assessing the financial stability of their clients (Mascela & Tomas, 2009:68-76), such as return on equity, solvency and capital accuracy indicators. Within financial institutions, the use of financial indictors is more pronounced when there are fears of credit crunch repercussions, where companies are focused more on stability and the long-term sustainability of their businesses than just on short-term profitability.

It should also be noted that financial ratios are by their very nature inter-related, in that one ratio has a direct impact on the other ratios. The section below presents an analysis of such relationships among financial ratios.

a) Profitability ratios

Profitability ratios measure in relative terms how much a corporation is realising as a net of revenues and costs. Gross profit margin, net profit margin, return on capital employed (ROCE) and earnings per share (EPS) are examples of profitability ratios frequently used in business (Gitman, 2010:56-59). All four ratios are interconnected.

Profitability ratios are the most commonly used ratios in the world of financial information provided through financial statements. For example, in the British food and drinks industry, profitability analyses are frequently applied – the profitability of supplying individual customers is computed by over 50% of the industry (Abdel-Kader & Luther, 2006:350-352).

In manufacturing industries, managers are more concerned with the operating assets and liabilities than with generating operating profits (Pandya & Boyd, 1995:208). This stresses the importance of the return on capital employed as a corporate performance measurement tool.

Profitability is the premise or reason for the existence of any business. The ultimate aim of any company is to generate profits or realise cost savings (Drucker, 1985:40). Thus profit serves as a measure which points towards the net effectiveness and soundness of any business. The net bottom line shows the premium that covers the costs of staying in business and ensures that capital will be available in future. The higher the profitability ratios, the greater the sustainability of an organisation, and the more stakeholders, especially investors, are attracted by the company activities. It follows that when profitability ratios are high, the company may also enjoy high cash flows, due to a continued increase in sales and cash inflows from investors (Mills & Yamamura, 1998:53-59). Ultimately, high cash inflows may culminate in commensurate high liquidity ratios being realised.

b) Liquidity ratios

Liquidity ratios relate to an organisation's capabilities and its ability to meet its maturing short-term debt obligations. Liquidity ratios take into consideration the current assets or cash flows and relate these to the organisation's liabilities and expenses to reflect its capabilities to honour any financial commitments (Correia *et al.*, 2003:512; Gitman, 2010:50).

The broadest view of an organisation's liquidity is captured in the current ratio. The acid test (quick) ratio and cash ratio are examples of liquidity ratios. The higher the liquidity ratio, the better the organisation is prepared to meet its debt obligations (Pearce II, 2007: 253-270). The implication of this fact is that, as the organisation's profitability meets or exceeds organisational maturity heights, liquidity ratios improve until the company meets or exceeds its peak performance of activity levels.

c) Activity ratios

Activity ratios measure the productivity levels of a company. A company is able to sustain its operations through the earning power of its asset base. The stronger the asset base, the higher the productivity within the company processes. Activity ratios measure how effectively an organisation manages its resources. Consequently, activity ratios are useful, as they guide the future investments of organisations. Activity ratios include total asset turnover, fixed asset turnover, debtors' turnover, and average collection period (Correia *et al.*, 2003:513-514; Gitman, 2010:51-53).

Managers prefer to venture into investments that support future profitability. Only productive assets that generate relatively high levels of net sales of invested assets are considered worth venturing into (Jablonsky & Barksky, 2001). When the asset base is increased faster through such investments than the assets would increase sales revenues, activity ratios deteriorate. When the organisation gains a competitive advantage and establishes its position in the industry, it is more efficient and effective, generates more sales, and activity ratios are bound to improve to the highest levels. Just like other ratios, the activity ratios facilitate assessment of the strategic direction of an organisation. The nature and levels of business activities would determine the levels at which these activities are financed, whether through equity or debt (financial leverage).

d) Financial leverage ratios

Finally, financial leverage ratios measure the structure of a company's liabilities and equity and assets to indicate the degree to which the company relies on debt to finance its activities (Correia *et al.*, 2003:515; Gitman, 2010:54-55). When profitability levels decline, the company's leverage position becomes less favourable, as managers are forced to take on more debt in order for the company to remain competitive and sustainable (Pearce II, 2007). Consequently, excessive debt dilutes shareholders' equity.

Financial managers use debt/equity ratios as a basis for various management decisions. The composition of debt/equity, referred to as the capital structure, has a direct influence on corporate performance (Modigliani & Miller, 1958:261-297). Debt/equity ratios shape the capital structures of individual organisations, as well as of industries. Financial leverage ratios have also been used to determine and predict the expected performance of organisations (Abor, 2005; Berger & Bonaccorsi di Patti, 2006; Esperance, Ana & Mohamed, 2003; Hall, Hutchinson & Michaelas, 2004).

Thus, for example, most microfinance institutions in Ghana employ high financial leverage in their corporate planning and measurement systems. One study indicates that they finance their day-to-day operations with long-term debt, as opposed to the commensurate short-term debts (Kyereboah-Coleman, 2007:68). With long-term borrowing, the financial institutions are able to reach out to more clients, do more business, enjoy economies of scale and realise better performance than institutions that are not highly leveraged. The Ghanaian financial institutions are able to aggressively exploit long-term debts to finance short-term operational activities for their long-term corporate sustainability.

The above analysis indicates that management decisions about the use of debt and equity composition must be balanced in such a way that the bottom line and corporate sustainability are both maximised. Debt should be used in the hope of higher returns, balanced against the increased consequences that an organisation faces when it is unable to honour interest payments or maturing obligations. Used in a rational way, an analysis of financial ratios would provide a solid foundation for extrapolating the strategic direction of an organisation, such as the assessment of a strategic position and its effect on business development.

2.10.4 Financial measures are used in product life cycle and portfolio analyses

Financial measures also signal corporate status in respect of whether an organisation is in the growth, maturity, decline or turnaround phases. In other words, a business as a portfolio can be analysed through the use of financial measures to determine whether the corporation can be categorised as a problem child, star, cash cow or dog, in terms of the Boston Consulting Group (BCG) matrix (Walker, 1984:65-66).

More specifically, financial ratios are useful to managers and other stakeholders because they enable a better understanding of whether corporations are doing well or are in the decline phase, or indeed whether corporations are achieving any recovery or turnaround (Pearce II, 2007: 253-270). The literature indicates that through critical financial analysis, corporate managers who are equipped with financial information run their organisations better than those who do not have that financial information. Financial measures also serve as a management tool to extrapolate strategic programmes, including the feasibility of future projects.

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

Financial information is used as a tool for examining the different strategic thrusts of organisations. Before any project is embarked upon, financial managers carry out economic and financial feasibilities, based on the provision of financial information. There are currently computer models that generate several alternative courses of action upon which business managers can base their decisions (Laudon & Laudon, 2006). After several alternatives have been generated and analysed, the best option is then chosen for implementation. The profiling of financial measures with the implementation processes is included as a way of determining factors relevant to the overall corporate performance.

However, the provision of financial projections may be difficult for capital budgeting decisions involving large organisations, such as a multinational company that performs complex activities with a range of intra- and inter-organisational coordination issues (Miller & O'Leary in Chua, 2007:488-489) and operates in a complex set of environments.

Financial information, as facilitated by modern information technologies, has become very valuable, as it enables managers to measure the consequences of a particular strategic and tactical option proactively. Financial measures provide actionable feedback for the immediate improvement of organisational operations as well. Through effective feedback control systems, financial information provides a platform for effective communication to management and employees.

2.10.6 Financial measures provide a basis for reward and motivational systems

Based on corporate performance, the reward systems of different organisations usually hinge on the use of financial measures. Staff promotions, bonuses and other reward systems have been made more effective through the use of financial measurement systems (McNamee, 1993). Corporate financial performance can be measured in terms of the degree of achievement on the overall financial goals and quality of a company's financial performance relative to that of the competition.

The above literature review indicates that corporate strategies depend on the traditional performance measurement systems that an organisation uses. However, the fact still remains that traditional financial measures are lagging as they are based on past performance. Therefore, financial measures cannot conclusively foretell, with accuracy, the future performance of individual organisations. The usefulness of financial measures in isolation in the modern business environment is therefore questionable, as financial measures are limited in many dimensions.

2.11 LIMITATIONS OF FINANCIAL MEASUREMENT SYSTEMS

Although the use of financial measures as a basis for assessing corporate performance is well established, there is much debate about their authentic usefulness in a modern business environment. The following section reviews literature on the limitations of the use of financial measurement systems.

2.11.1 Financial measures are lagging indicators with a past orientation

The financial measurement systems are based on historical data; hence they are lagging indicators. Traditional financial measures focus on the past, as they inform the users about where an organisation has been. It has been observed that the lagging effect provides information that often comes too late to prevent disappointing results (Ghalayini & Noble, 1996:77-78; Niven, 2006:iv-xii). Thus, traditional financial measures provide data that are outdated. Financial measures are a result of past decisions that are not necessarily related to future corporate strategy. Financial indicators thus lack the capability to foretell the future performance of an organisation with reasonable accuracy or certainty.

Regardless of the validity of the forecasting technique that may be used, usually financial ratios and ratings are not indicative of future performance, as they continue to reflect the historical performance of organisations (Russel, 2006:85-89). Because of the historical nature of financial measures, an over-reliance on financial measures may foster false confidence among naive managers and even among existing and potential investors. Furthermore, the provision of historical financial information may mislead other stakeholders, such as creditors, customers and business partners. Because of this historical orientation, institutions have started using non-financial measures to complement financial measures.

2.11.2 Financial measures exclude strategic non-financial measures

Although non-financial performance measures seem to have no intrinsic value for other stakeholders, they can still be used as leading indicators of future corporate performance that is not contained in the traditional financial accounting measures. In marketing systems, for instance, a fruitful stream of research has identified a strong positive link between customer satisfaction, market share and profitability (Bryant, Jones & Widener, 2004:128-129). As leading indicators, such non-financial measures play an important role in contributing towards positive corporate performance.

Non-financial indicators such as customer satisfaction would determine corporate sustainability. When customers are satisfied with products and services, organisations are able to retain these satisfied customers, which ultimately also brings more customers into the business (Kaplan & Norton, 1996b). Continuing with this trend, the customer base increases, which in turn results in more frequent sales and bigger volumes of products and services that are purchased. The ultimate organisational goal of wealth maximisation can be achieved through the realisation of huge profits that come through big volumes of sales from satisfied customers. Therefore, information on the measurement of customer satisfaction is vital in highlighting the significance of non-financial measures that enable organisations to create a sustainable competitive advantage.

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

Performance measurement systems affect the behaviour of people inside and outside an organisation (DeBusk *et al.,* 2009:19-20; Otley, 1999:380-381). The performance of a manager or a department or indeed the entire organisation is usually assessed using a known set of parameters such as profitability levels, which are measured in the form of return on capital employed.

For argument’s sake, as the plant and machinery book value continues to depreciate, the total capital base (denominator) diminishes. Eventually a low denominator would boost profitability ratios. Consequently, senior executives may be tempted to avoid investing in strategic state-of-the-art but expensive assets which could significantly increase the book value on plant and machinery and would ultimately diminish profitability indices. For manufacturing companies, it is even possible that managers can deliberately hold back inventories in order to reduce cost of sales and hence report high gross and net profit margins at the end of the accounting period.

The use of financial measures can be a recipe for corporate “short-termism”, sacrificing long-term competitive advantage and sustainability. Traditional financial measures tend to rely excessively on cost information and other financial data, which are short-term in nature. Little or no attention is given to strategic value-creation activities that could generate future growth for an organisation (Jusoh, Ibrahim & Zainuddin, 2008:119). Usually, such strategic activities tend to be intangible, for example, the accumulation of intellectual capital.

By focusing solely on financial measures, business managers may avoid investing in strategically critical expenditures such as human resources training, organisational restructuring and business process re-engineering (PBR), research and development (R&D) and marketing surveys, in order to improve the company’s profitability levels in the short term (Kaplan & Norton, 2008c:28; Soltani & Wilkinson, 2010:365). Such actions are aimed at gaining short-term financial gains and the commensurate rewards at the expense of the long-term viability of an organisation. Such short-term approaches would sacrifice the long-term realisation of the organisational objectives of sustainably maximising shareholders’ wealth.

The prevailing belief is that if individual employees and companies pursue their self-interest at the expense of the overall organisational vision and goals, corporate performance outcomes are suboptimal (Colby & Rubin, 2005; Liker, 2004). When self-interest is pursued for short-term economic benefits, the dark side of such an approach is eventually manifested, as in the Enron Corporation insolvency and other corporate scandals, leading to extreme distrust in the morality of corporate executives, even in large and reputable corporations (Newman, 2007:97). The long-term organisational sacrifice can lead to millions of people being retrenched as a result of an economic downturn that is signalled by the demise of the companies concerned.

Thus, "short-termism" would be exacerbated by limiting critical value-adding expenditures such as marketing, training, research and development, and the promotion of activities that have a long-term impact on internal business processes and ultimately on volumes of sales; hence on overall corporate performance (Kaplan & Norton, 2008c). An overemphasis on achieving and maintaining short-term financial results can cause companies to overinvest in short-term ventures and under-invest in long-term value creation. Such myopic approaches can have disastrous consequences for the organisation, as it then fails to cope with the future challenges. The emphasis on a short-term approach only cannot be financially sustainable in the longer term, as the recent global credit crunch has demonstrated.

The global experience of the effects of a large-scale credit crunch is a good example of short-termism within financial institutions, especially in developed economies. Through the credit systems, financial institutions gave massive and unrated credit and loans to their clients in the hope of short-term massive profitability (BBC, 2008; Budworth, 2010). The reports of massive profitability netted equally massive bonuses for senior executives in these institutions, which led to the creation of more credit. Ultimately, the heavily indebted clients could no longer service their huge loans, with the result that a credit crunch arose where lending institutions became too conscious to give out more loans. Lack of credit (credit crunch or credit squeeze) affected both local and global economies.

It is worrying that in 2001, most senior managers in organisations still ranked short-term financial measures fifth, after four non-financial measures, in perceived importance (Ittner & Larcker, 2001:373). These non-financial measures are customer relations, operational performance, product and service quality, and employee relations. Innovation and community relations also received relatively high importance scores.

Some studies have focused on how managers should comprehend value creation. Organisational value is created from within by means of the identification, measurement and management of the drivers of long-term shareholder benefits. In terms of corporate financial analysis, corporate reporting systems that look at earnings neither reflect corporate long-term sustainability nor give a complete picture of corporate financial health (Boerner, 2006:53). The famous earnings per share ratio is not an accurate measure of long-term sustainable performance or growth.

Furthermore, senior managers have to recognise that traditional financial accounting measures, such as return on capital employed and earnings per share, can give misleading signals which may undermine continuous improvement and innovation activities to meet the demands of today's competitive environment (Boerner, 2006:53). Modern financial analysts are sometimes unable to reason beyond the short-term approach adopted in many financial measurement systems that act as beacons of corporate performance.

The above discussion demonstrates that it is important that information as to whether an organisation is making any progress in its long-term strategy is made available within its reporting framework. Such vital information should be effectively communicated, so that it is more easily understood by different stakeholders, who may use it in their decision-making processes. As observed in the literature review, corporate performance measurement systems affect the behaviour of management and employees; and such behaviours can lead to an overemphasis on achieving and maintaining short-term financial results to the detriment of long-term corporate sustainability. When focusing on long-term issues, cognisance should also be taken of the transformation of economies within the corporate world.

2.11.4 Financial measures do not consider the transformation of economies

Over the years, organisations have evolved to transcend ancient agrarian economies to become part of industrial and manufacturing economies, and eventually of modern knowledge-based economies (Laudon & Laudon, 2006; Wheatley, 2000). The first transformation occurred during the industrial revolution, when economies moved from being purely agrarian to a manufacturing base. Industrial economies emerged with the industrial revolution in the late 18^{th} and early 19^{th} centuries. With the advent of the use of modern information systems and information technology, economies evolved further to become knowledge-based (Drucker, 1992:95; 1999:79-80)

Most people today are working in sales, education, telecommunications, health care, banks, insurance companies, law firms, accounting and auditing firms, and they provide business services such as copying, computer software/hardware systems and deliveries (Cotora, 2007; Tan, Plowman & Hancock, 2007; Voelpel *et al.,* 2006; Wheatley 2000). Operationally, the new business age, which is widely referred to as an “information age”, has shifted the emphasis from a mechanistic and bureaucratic economy with tangible assets to knowledge-based organisational systems with many intangible assets.

The financial models of the future will need to reflect contemporary organisational thinking. Whereas 20^{th} century financial accounting systems reflected “top-down” control and the influence of tangible assets such as premises, buildings and machines, 21^{st} century financial systems need to consider more intangible assets, such as employee knowledge, information and core business competencies (Drucker, 1999; Mackay, 2005).

The traditional financial performance measures worked well for the industrial era, when much of the emphasis was on the performance of tangible elements. But now, financial measures have outlived their absolute usefulness with the skills and competencies that organisations are trying to master in the modern global economy (Chenhall, 2005; Drucker, 2002a; Kaplan & Norton, 2008a).

Executive managers may be tempted to overinvest in short-term ventures and underinvest in long-term value creation in order to save on expenditures. In many cases, the underinvestment is in the intangible and intellectual assets that generate future growth and competitive advantage for the organisation. Moreover, the pressure to increase short-term financial performance can cause companies to reduce their spending on intangibles such as new product development, customer care and satisfaction programmes, process improvements, human resources development, information technology, databases, and systems related to market development. Ignoring such strategic investments in intangible assets could be suicidal for an organisation in the long run (Kaplan & Norton, 2008c).

Most corporate financial reporting systems thus tend to neglect intangibles which are very important organisational resources, such as time, reputation or goodwill, human resources and information. For instance, it has been established that human capital that comes in the form of intellectual capital has a major impact on the profitability and performance of organisations (Drucker, 1999; 2002a; 2002b; Kamath, 2008), but, despite its significance for corporate performance, intellectual capital is not reflected or even mentioned in most financial statements reports.

Studies indicate that human capital, which consists of three elements (the economic value of individuals - first kind; the economic value of groups or teams - second kind and the economic value of total human capital or organisational culture -third kind) influence the financial bottom line (Flamholtz, 2001:272-273, 2005:88-90). More specifically, culture, which is a part of the human capital of the third kind, is a significant component of overall organisational success (Flamholtz & Kannan-Karasimhan, 2005:63). Organisational culture acts as a bridge between a corporation and its stakeholders and thus facilitates organisational relationships with the stakeholders. Ultimately, organisational culture and relationships encompassing cultural elements with internal and external stakeholders influence corporate performance in terms of the bottom line. The relationships and culture are a strategic element that is also recognised in the conceptual framework of this study.

Organisational survival is largely based on the knowledge of workers. The traditional financial measures fail to measure the performance and value of people, who make up the bulk of the value of knowledge-based organisations, which constitute the greatest part of the labour force (Laudon & Laudon, 2006; Tarantino, 2005). Any human-intensive service organisation requires unique knowledge, unlike a machine-intensive organisation (Cotora, 2007; Drucker, 1999; Gerstner, 2003). The more advanced a company is in the development of human capital and its measures, the higher the corporate performance (Gates & Langevin, 2010).

Organisational effectiveness is a stronger predictor of strategic decision-making process dimensions than of financial and business performance (Elbamnna & Naguib, 2009). Therefore, the learning capability of managers should be considered a basis for the organisational capabilities required to efficiently and effectively accomplish organisational processes, products and overall value creation.

A greater emphasis on measures that include intangibles would improve management decisions and thereby improve corporate performance. For example, positive cash flows and operating profits could be a result of managerial actions, such as upgrading employee skills or implementing programmes to improve customer satisfaction (Ittner & Larcker, 2001:370). Such managerial actions and decisions can lead directly to higher operating profits, or they can lead indirectly to higher operating profits through their impact on other areas of operations.

Modern smart organisations are searching for ways to incorporate intangibles into their performance measurement systems (Ittner & Larcker, 2001:370). These measures include elements such as quality management, customer retention, intellectual capital, organisational competitiveness, research and development and innovation – ideally, all these and more should be included in regular organisational performance evaluation.

2.11.5 Financial measures are mismatched with contemporary business systems

With a major shift from the industrial economy towards an economy that is now predominantly characterised by intangible assets, such as information, knowledge and innovative capability, the traditional financial measurements do not cover critical off-the-balance-sheet items (Bible, Kerr & Zanini, 2006:18). Such factors would include the skills and competencies of human resources, the motivation of employees, customer satisfaction, supplier relationship management systems, innovative product development, databases and information technologies, efficient and responsive operating business processes, innovations in products and services, customer loyalty and relationships; and political, regulatory and social approvals.

It is also contended that financial measures are rarely integrated with one another or aligned to the organisational vision, strategies and processes, and that financial measures are often poorly defined by organisational managers (Abraham, 2006; Neely, 1998). The traditional financial measures which organisations still use do not fit in well with the new business environment and current competitive realities (Busi & Bititci, 2006).

Because modern organisations are so often defined in terms of the type of products and services they market, market leaders have traditionally focused their innovation strategies on providing better products and services than the competition (Pohle & Chapman, 2006: 34-40). A good example is the IBM Corporation, which was traditionally associated with mainframe computers, but later transformed itself into an innovative company through the introduction of more portable and powerful computers within its product lines.

Technological advances and globalisation are presenting new opportunities and threats as well. Senior managers can use their SWOT analyses to review their organisational models in order for them to create sustainable competitive advantage and differentiation in their marketplaces (Pohle & Chapman, 2006:34; Porter, 2008:80; Voelpel *et al*, 2006:43). Organisations generate goals and formulate strategies that are aimed at dealing with local and global challenges that surface in the form of external opportunities and threats. Such information is not available from the financial statements produced by companies.

Lately, there has been rapid growth in innovative values, both in the products and in the services offered, and ways of conducting business are changing. Several technological innovations, such as the advent of the internet, enterprise systems including customer relationship management systems (CRM), supply chain management (SCM) systems and knowledge management systems have changed the way modern organisations have to be run (Laudon & Laudon, 2006). Electronic innovations, which include e-business and e-commerce, have globally transformed the business processes of modern organisations.

Currently, some organisations are demolishing physical brick-and-mortar settings and are instead replacing them with digital systems (Laudon & Laudon, 2006). Geographically, organisations have been transported into a global village where organisations are able to partner one another and transact globally. Modern organisations, especially multinationals, are also constantly undergoing dynamic and unpredictable socio-cultural transformations to meet the demands of their respective markets.

The literature reviewed above demonstrates that organisations should adopt more holistic performance measurement systems, rather than focus exclusively on traditional financial measurement systems based on single measures.

2.11.6 Many financial measures are based on a single performance measure

The fundamentals of organisational systems have changed considerably in that they are more complex and have become multidimensional. Practically, traditional performance financial measurement systems fail to measure and monitor multiple dimensions of performance by concentrating almost exclusively on financial measures (Kocakular & Austill, 2007:72; Laitinen, 2004:22-23; Rich, 2007:9-11; Thomas, 2007:41-42).

Scholars and business practitioners have been challenged in coming up with the best and most effective way of measuring corporate performance. As Tinker (1985:81) observes, financial measures or accounting practices should provide a means of resolving social conflict, a device for appraising the terms of exchange between social constituencies, and an institutional mechanism for arbitrating, evaluating, and adjusting social choices. Therefore, to understand the character of social disciplines such as financial accounting, they should be contextualised in the social circumstances that gave rise to them (Gouws, 1996:113-129). What is important in this argument is how a society is organised to produce what is necessary for its stakeholders and how the wealth that is created is shared or distributed to the participants in that value creation.

Apart from information on an organisation's financial performance, which tends to satisfy shareholders, there are multiple performance measures that have to be taken on board. Organisations have a duty to satisfy stakeholders other than just shareholders, such as customers, employees, creditors, government and the community, to ensure the organisations' long-term sustainability. When employee and customer variables are incorporated, allowing corporate performance to be viewed more holistically, many financial measures tend to become less important (Kocakular & Austill, 2007).

In addition, Gouws (1996) observes that accounting practices are based on a Western orientation that is generally capitalist and cannot be fully understood within an African framework. A good financial measurement system should take cognisance of the interconnectedness of functioning constituents and should note that financial measures should assess the interdependence of different stakeholders to create a working entity where each stakeholder can get a sense of participation because each is aware of the social goals and objectives of the organisation, as well as of other stakeholders and their goals and objectives.

Furthermore, modern organisations manage by dealing with increasing levels of business complexity, mobility and uncertainty about the future endeavours. Because of the high level of volatility, modern organisations are operating amidst a great deal of risk and uncertainty (Busi & Bititci, 2006; Neely & Najjar, 2006; Voelpel *et al*., 2006). The ability to manage knowledge-based intellectual capital is critical in modern organisational settings (Drucker, 1999; Kamath, 2008). Apart from managing intellectual capital, socio-cultural aspects are also vital in modern corporate settings.

Furthermore, studies show that there is no correlation or only a small but positive correlation between corporate social performance and corporate financial performance (Aras, Aybars & Kutlu, 2010:229; Peloza, 2009:1518). This suggests that there is also little guidance on how managers should measure the financial impact of their corporate social responsibility strategies. Commonly used performance measures such as share price or any other financial measures such as return on capital employed are affected by many variables within and outside an organisation. Thus, traditional financial measures would not provide the necessary level of detail for managers to establish an optimal level of corporate social responsibility investment.

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

As financial measures are largely dependent on financial statements, there is an excessive focus on certain components, such as earnings per share, by some corporate stakeholders, such as shareholders or potential investors of business. Such a focus could create an incentive to senior executives to misstate and windowdress these components for short-term gains (Du Plessis & Prinsloo*,* 2010:159). To eliminate such potential malpractices by senior management, the King III Report on governance for South Africa recommends that corporate reporting should be integrated across all areas of corporate performance. The reporting should also include economic, social and environmental issues (Institute of Directors in Southern Africa, 2009:109).

This challenge has a direct bearing on financial reporting systems, as well as on the accounting profession, as the Trueblood Report of the American Institute of Certified Public Accountants notes. The Trueblood Report recognises that the objective of financial statements is to report on those activities of the enterprise that affect society which can be determined or measured and which are important to the role of the enterprise in its social environment (American Institute of Certified Public Accountants, 1973 in Wold, Tearney & Dodd, 1974). It is expected that the accounting profession will have to extend its scope of services to include socio-ethical and environmental accounting issues, apart from the traditional financial accounting measures (Rossouw*,* 2010c:166). It is therefore not surprising that the accounting profession has taken a leading role in developing the triple bottom-line accounting and reporting systems.

2.11.8 Financial measures distort product costing

Finally, the financial measures are not in themselves adequate to portray a sound and good costing of a product or service. Distortion in costing also distorts product pricing, which may place an organisation in a very awkward position in terms of its competitiveness within the industry. Traditional financial performance measurement systems have led to the distortion of product costing through the failure to provide adequate information for control and the absence of long-term performance measures that are linked to corporate vision and strategies (Johnson & Kaplan, 1987:1-4). The financial information that is generated for external stakeholders is inadequate and insufficient for the purposes of internal management use.

In general, the above analysis of the limitations of financial measures reveals that financial measures are lagging and backward looking, as they focus on activities that have already been completed only and are unable to reflect contemporary value-creation for the organisation in future. These insights should serve to caution managers as to the extent to which they can use the available financial information, which has nothing to do with future projects.

As noted above, the traditional financial performance measures worked well during the industrial era, but they have now outlived their relevance for modern business applications. For example, financial measures are out of step with the skills and competencies that organisations are trying to master in the current turbulent business environment.

Ittner and Larcker (2001:349) summarise the limitations of financial performance measures as being related to the fact that they are lagging, too historical and backward looking, lack predictive ability to explain future corporate performance, encourage short-term rewards and also influence management behaviour to perform sub-optimally, are not actionable, and fail to give timely signals required for continuous improvement. Financial statements provide information that is too aggregated and summarised to guide any meaningful managerial action.

The above analysis also demonstrates that financial measures tend to ignore cross-functional processes and focus only on functional or departmental operations, whilst giving inadequate guidance on how to evaluate intangible assets, which is contrary to modern knowledge-based systems (Ittner, 2008:261-

272). Thus financial measures lack the organisational focus and robustness needed for internal management and control (Atkinson, 2006:1453-5). Hence, the use of financial measures only may not address many of the challenges that modern organisations face.

The above literature review on and analysis of the significance and limitations of financial measures as a means of assessing corporate performance are summarised in Table 2, below.

Table 2: Significance and limitations of financial measures

Significance of financial measures
1. Financial measures form a basis for internal corporate performance measurement
2. Financial measures provide a common denominator for business transactions
3. Financial measures are used as a tool to give strategic direction
4. Financial measures are used in product life cycle and portfolio analyses
5. Financial measures form a basis for economic and financial feasibility studies on projects
6. Financial measures provide a basis for reward and motivational systems

Limitations of financial measures
1. Financial measures are lagging indicators with a past orientation
2. Financial measures exclude strategic non-financial measures
3. Financial measures tend to focus on the short term rather than the long term approaches
4. Financial measures do not consider transformation of economies
5. Financial measure are mismatched with contemporary business systems
6. Many financial measures are based on a single performance measure
7. Financial measurement systems are faced with ethical reporting and corporate governance challenges
8. Financial measures distort product costing

Source: Own observation

The above analysis has disclosed a number of important issues regarding the significance and shortcomings of financial measures as a basis for corporate performance assessment. The recognition that modern organisations are experiencing rapid technological changes with the emergence of collaborative commerce and enterprise systems is critical: purely financial measures are of little significance in estimating future corporate performance.

The increase in the stakeholder pool should also serve as a serious challenge to financial measures and financial reporting systems. Financial measures will need to be redesigned so that they show the reality of the current business framework. Issues relating to intangible assets such as intellectual capital, information, knowledge, and the incorporation of corporate citizenship or corporate social responsibility have become more prominent and have to be addressed in corporate reports that are produced annually, semi-annually or quarterly. Different stakeholders would be guided by this kind of information if it is provided for them to make informed decisions about the performance status of an organisation.

2.12 CONCLUSION

In Chapter Two, a detailed review and analysis of the literature on corporate performance and measurement systems and traditional financial measures has been presented. The chapter looked at the significance of performance management systems for organisational improvement and the use of such systems. Challenges surrounding the use of performance management systems in the modern business environment have also been reported upon.

The chapter has also reviewed in detail the traditional financial measurement systems – their background, significance for and practical application in the decision-making process of organisations. Financial measures are important, amongst other things, because they form a basis for performance measurement, are a tool to determine strategic direction, and form a platform for reward and motivational systems.

However, the application of traditional financial measures has serious limitations, especially as the traditional financial measurement systems are out of step with the demands of a modern transformed organisation. Limitations on the use of financial measures include the fact that they are based on historical (lagging) data; they are short-term oriented; they do not consider the transformation of economies; they are based on single performance measures; they focus on tangibles rather than intangibles; and they can also distort product costing.

Based on the value of financial and non-financial performance measures, various business models have been developed. These models have a broader approach, in that they each incorporate both financial non-financial measures. Amongst these models, the Balanced Scorecard model is considered to be most widely applied by many organisations in the world (Bourguignon *et al.*, 2004:107; Kohnen, 2008:76-77; Niven, 2008:x-xii; Paladino & Williams, 2008).

The next chapter reviews the literature on the Balanced Scorecard model and analyses its perspectives. It notes, in particular, the fact that the Balanced Scorecard model takes a more holistic approach than a purely financial-based system, because both financial and non-financial measures are incorporated in the model.

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

> The significance is that if factors used in a strategic management system, such as a BSC, are invalid, managers can focus upon the wrong things and this, in turn, can potentially be damaging to companies.
>
> (Flamholtz, 2003:16).

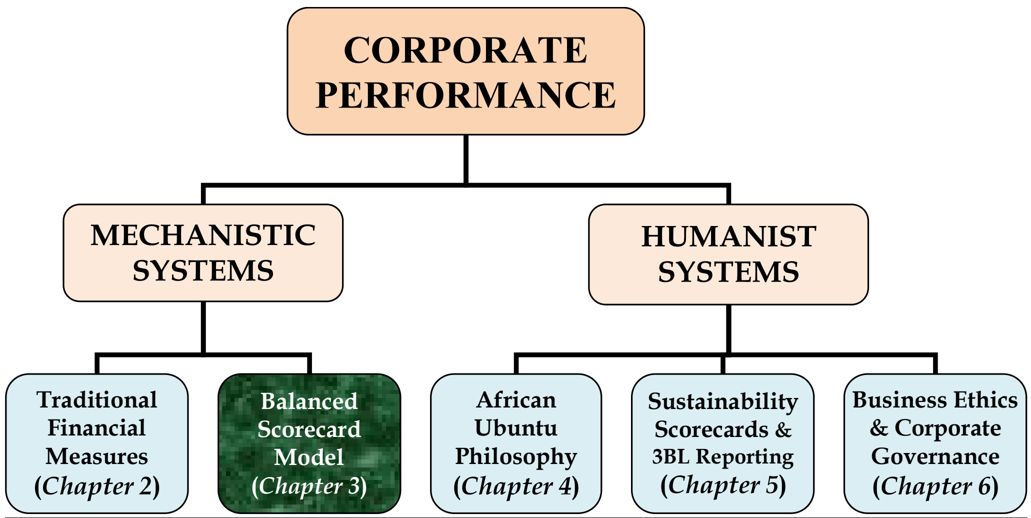
3.1 INTRODUCTION

The Balanced Scorecard model was developed by Kaplan and Norton (1992) to address the problems and limitations of relying solely on financial measures. The model integrates financial and non-financial measures to combat the historical (lagging) nature of most accounting measurement systems, along with their potential for manipulation by senior executives, misdirection and short-termism (Norreklit, Jacobsen & Mitchell, 2008:65). The Balanced Scorecard model was designed to combat over-reliance on purely financial measurement systems in assessing corporate performance.

While it retains the financial perspective, the Balanced Scorecard model also incorporates three more perspectives: the customer, internal business processes, and innovation (learning and growth) perspectives (Kaplan & Norton, 1992, 1996a, 1996b, 1996c). In their later publications, Kaplan and Norton (2001a, 2001b, 2004a, 2004b, 2004c, 2005, 2006, 2008a, 2008b, 2008c) have maintained the same four perspectives in the Balanced Scorecard model. The model has achieved worldwide recognition and acceptance as both a performance measurement framework and a corporate planning tool (Atkinson, 2006; Basu, Little & Millard, 2009; Bigliardi & Bottani, 2010; Bourguignon *et al.*, 2004:107; Chan, 2009; Davis & Albright, 2004; Niven, 2006:xi-xii; Norreklit, 2000:65; Papenhausen & Einstein, 2006).

This chapter reviews literature on perspectives surrounding the Balanced Scorecard model. As outlined in Section 2.2 on performance measurement systems, the Balanced Scorecard model falls under the mechanistic measurement systems of corporate performance. This is highlighted in Figure 6, below.

Figure 6: Corporate performance and the Balanced Scorecard model



Source: Own observation

The analysis includes assumptions governing the conceptualisation and use of the Balanced Scorecard model, the significance and importance of using the Balanced Scorecard model, and finally the current challenges and limitations that constrain the use of the Balanced Scorecard model.

3.2 BACKGROUND ON THE BALANCED SCORECARD

The Balanced Scorecard was developed as an answer to broader concerns about the use of both financial and non-financial measures in performance measurement systems. It has been argued that focusing only on financial measures lead companies to focus on the short-term and potentially leave them ill-prepared for future competitive engagement (Kaplan & Norton, 1992:71; 1996b:21; Mackay, 2005:10).

The Balanced Scorecard approach was developed out of frustration with the traditional use of short-term oriented measurement systems by various organisations. Such financial measurement systems depend exclusively on lagging indicators to report on the outcomes of the past actions of an organisation (Kaplan & Norton 1992:71-72; 1996b:75). These authors argue that the best approach to corporate performance and future sustainability is for organisations to retain financial measures to summarise the results of the actions that they have previously taken and to balance these financial measures with non-financial measures representing performance drivers, the leading indicators for future financial performance (Kaplan & Norton, 1992:71-75). The Balanced Scorecard model was founded on the premise that it is useful to balance financial and non-financial measures.

At that time, it was believed that knowledge-based assets – primarily employees and information technology – were becoming increasingly important for organisational competitive success (Drucker, 1992; Kaplan & Norton 1996b). Nevertheless organisations' primary measurement systems remained the financial accounting systems, which treated investments in employee capabilities, databases, information systems, customer relationships, product quality, responsive processes, and innovative products and services as expenses that accrued to the period in which they were incurred. Financial reporting systems fail to provide a sufficient foundation for measuring and managing the value created by enhancing the capabilities of an organisation's intangible assets.

Kaplan and Norton (2001a:88-90) note that organisational executives and employees tend to pay more attention to what they measure, and that people cannot manage well what they are not measuring. Consequently, when executives' attention and efforts are overly focused on influencing short-term financial measures, it follows that they would not pay sufficient attention to investing in and managing the intangible assets that provide the foundation for future financial success. Without an improved performance measurement system, business executives will not develop and mobilise their intangible assets effectively, and will consequently forfeit major opportunities for future value creation in their organisations.

3.3 ASSUMPTIONS OF THE BALANCED SCORECARD MODEL

A number of assumptions govern the conceptualisation of the Balanced Scorecard model. Users of the Balanced Scorecard model as a strategic planning and performance measurement framework should recognise these foundational assumptions. The following section discusses the assumptions of the Balanced Scorecard model.

3.3.1 Assumption 1: The Balanced Scorecard model complements financial measures

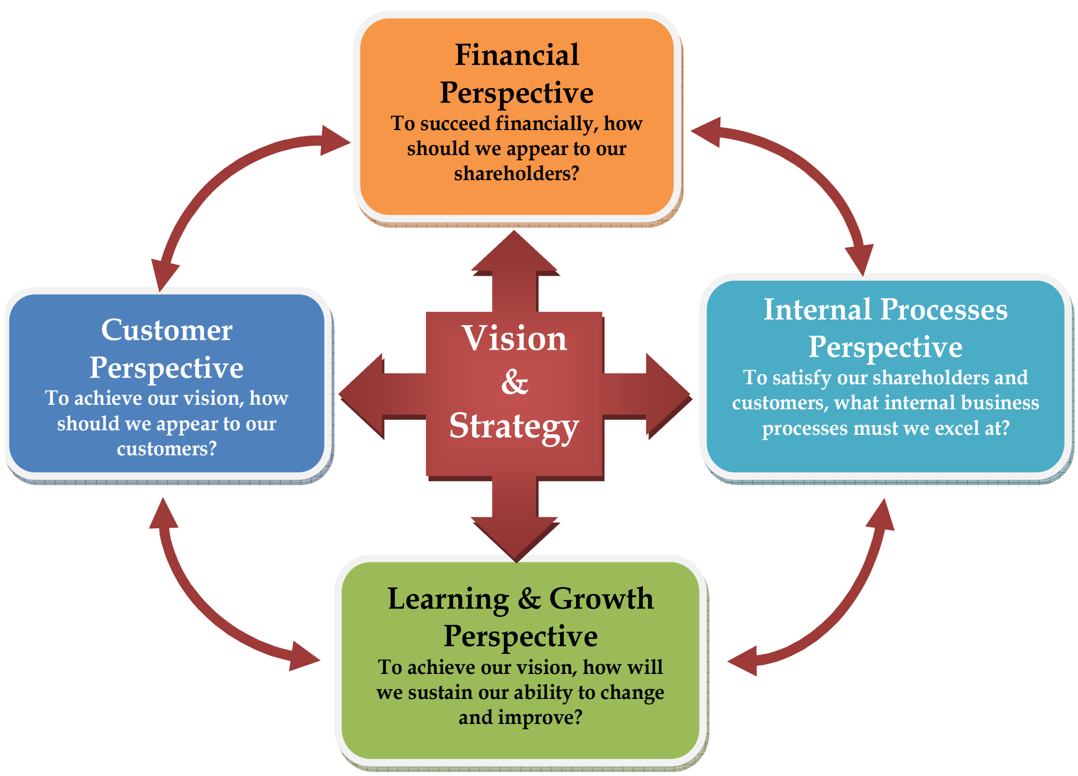
Just like the Michael Porter's five competitive forces model, which advocates the creation and enhancement of competitive advantage by organisations (Porter, 2004; Porter, 2008:78-93), the Balanced Scorecard model supplements financial measures with leading indicators. The model was developed to assist executive managers in focusing their activities on the four critical perspectives that represent a quick but comprehensive view of the entire business system (Kaplan & Norton 1992:71). The Balanced Scorecard model complements traditional financial measures with operational measures that look at customer satisfaction, internal business processes, and the organisation's innovation and improvement activities.

However, Chavan (2009:393-406) adds that the Balanced Scorecard would be balanced in another more meaningful dimension. There should be a balance of goals and accountability and not just a balance of measures of essential areas of the business such as the financial, customer, internal business processes and innovation dimensions, as stipulated in the Balanced Scorecard model.

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

The Balanced Scorecard model allows managers to look at an organisation by focusing on four perspectives that are linked to the corporate vision and strategy for better performance. The Balanced Scorecard model is shown in Figure 7, below.

Figure 7: The Balanced Scorecard model, showing its four perspectives



Source: Adapted from Kaplan and Norton (1996b:9)

In giving information to senior executives from the four different perspectives, the Balanced Scorecard minimises information overload by limiting the number of measures used (Kaplan & Norton 1992:72-73). A description of each perspective represented in the conceptual framework of the Balanced Scorecard model is given below:

a) Financial perspective

The Balanced Scorecard model retains the financial perspective, because financial measures are valuable in summarising the readily measurable economic consequences of actions already taken. Financial measures are an integral part of the Balanced Scorecard model. The financial measures chosen are typically lagging, in that they report past performance. Financial performance measures indicate whether a company's strategy, including its implementation and execution, is contributing to an improvement in the bottom line.

Financial perspectives typically relate to the profitability measures, for example, in terms of operating income and return on investment. Basically, financial strategies are simple: companies can make more money by selling more and/or by spending less (Drucker, 1985; 2007; Kaplan & Norton, 1992). Any new venture by the business, such as customer intimacy, six sigma quality, knowledge management, disruptive technology, just-in-time systems, total quality management (TQM), supply chain management (SCM), and customer relationship management (CRM) systems can create more value for the company, but only if it leads to selling more of the existing and potential products or services and/or spending less on cost structures.

Executive managers can improve an organisation's financial performance through two sources of revenue: growth and productivity (Kaplan & Norton, 1996a). Similarly, organisations can generate profitable revenue growth by deepening relationships with their existing customers. This enables them to sell more of their existing product or service, or additional products and services.

The past performance measures are necessary guides to organisational strategic direction, as lagging indicators also help to determine the execution of future strategy (Zanini, 2003). Financial performance measures can reveal whether the organisation's vision, strategy, implementation and execution have contributed to bottom-line improvement. The financial perspective shows the results of the strategic choices made in the other perspectives.

If they make fundamental improvements in their operations, organisations can achieve better overall corporate performance, which in turn translates into long-term financial stability. Such stability is realised through improvements in efficiency and productivity. Kaplan and Norton (1992:71) argue that the financial figures should ultimately take care of themselves.

This scenario would also be true with public institutions. Financial considerations for public organisations would be measured in terms of how effectively and efficiently they meet the aims of their organisations (Chang, 2007:101-117; Mackay, 2005:13) and those of their constituencies. Financial performance is the result of operational actions; and financial success is the logical consequence of doing the fundamentals well. Financial measures send operational signals about the overall corporate performance of an organisation.

b) Customer perspective

The source of existence of any organisation, whether it is private or public, is the need to serve a certain group of consumers, also referred to as customers. A company's first task is to create and keep a customer (Drucker, 2007:31-32). Thus, corporate executives are always reminded that in any organisational setting, the customer is the king or queen and thus decides any future business (Kotler & Keller, 2006; Smith & Wright, 2004; Zhang, Dixit & Friedmann, 2010).

In the Balanced Scorecard model, Kaplan and Norton (1996a) acknowledge the above scenario by including the customer perspective as one of the key perspectives. As discussed under the financial perspective, a revenue growth strategy requires a specific value proposition in the customer perspective that describes how the organisation will create differentiated and sustainable value to satisfy targeted customer segments.

In the customer perspective, managers need to identify the targeted customer segments in which the organisation or a particular business unit competes and must recognise suitable measures of the business unit's performance for customers in these targeted segments. Once the organisation understands who its targeted customers are, it is able to identify the objectives and measures for the value proposition it intends to offer (Kaplan & Norton, 1992:73-74).

The value proposition defines a company's strategy in respect of the customer by describing the unique mix of product, price, service, relationship and image that the company offers that targeted group of customers. The value proposition should thus communicate what an organisation expects to do for its targeted customers and can do better or differently than its competition in the same market.

Organisational learning with regard to service improvement and customer satisfaction should consider the interplay between the way data are gathered via customer feedback mechanisms and the way strategy is implemented, particularly at a local branch or business unit level (Caemmerer & Wilson, 2010:288-311).

The customer perspective typically includes several common measures of the successful outcomes from well-formulated and implemented corporate strategies that include customer satisfaction, customer retention, customer acquisition, customer profitability, market share and account share. Customer care and satisfaction are increasingly considered a baseline standard of corporate performance and are a possible standard of excellence for any organisation. It is logical that corporations with a bigger share of satisfied and loyal customers profit from increasing repurchase rates (Mihelis *et al.*, 2001), increasing their cross-buying potential, higher price willingness and positive recommendation behaviour, and reducing the tendency for customers to switch.

Customer measures as leading indicators have been found to drive future financial performance. There is a positive association between customer satisfaction measures and the subsequent accounting and financial performance of an organisation (Ittner & Lackner, 1998:32-33). Customer satisfaction measures are thus leading indicators of customer purchase behaviour, accounting and financial performance and the current market value of a company.

Aggregate market studies also indicate that higher customer satisfaction leads to better financial results, as companies are able to sell more products and services, both now and in future (Andreassen, 1994; Hallowell, 1996; Zhang *et al.,* 2010). On this understanding, organisations protect and promote all activities that deal with customers, because customers are the major stakeholders that shape the strategic direction of all organisations, including organisations in the public sector. In the public sector set-up, the customers are usually the citizens of a country.

Modern customers look for products and services that go beyond satisfying the customer and delight them as well (Cheraghi, Dadashzadeh, Venkitachalam, 2010:62-72). In the case of the public sector, generally, citizens want the provision of better services from government in the form of health facilities, education systems, developmental infrastructure, including roads and communication systems, and other utilities such as potable water and electricity. Citizens also require security and safety provisions, and protection of their rights and needs in the form of legislation from government. Just like the natural citizens, organisations (both public and private) form an integral part of the national citizenry as corporate citizens. Organisations in the process also enjoy such provisions from government.

The Balanced Scorecard model requires managers to translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. The combination of performance and service measures how a company's products or services contribute to creating value for its customers. Companies should articulate goals relating to time, quality, performance and service and then translate these goals into specific measures (Kaplan & Norton 1992:73-74; 2001:91-93). Generally, customers' concerns tend to fall into four categories consisting of the time of deliveries, quality of products, performance and services, and cost of products.

The literature review above demonstrates that the customer perspective is a key perspective in the Balanced Scorecard model, as it captures the ability of an organisation to provide quality goods and services in the most effective and efficient manner in terms of production, delivery and overall customer service and satisfaction elements. Many organisations today have a mission and business core values that are focused on the customer perspectives as well. Measuring the performance of an organisation from its customers' perspective would be a priority for any top management. The conceptual framework of this study also takes cognisance of the significance of a customer perspective in adding to the overall success of an organisation and assessing that success.

c) Internal business processes perspective

The internal business processes perspective is primarily an analysis of an organisation's internal processes in terms of how efficiently or effectively operations are conducted. Internal business processes are the mechanisms through which performance expectations are achieved (Kaplan & Norton 1992:74-75; 2001a:93-94). This perspective focuses on the internal business results that lead to financial success and satisfied customer expectations, such as cycle time, quality, employee skills and productivity. Therefore, managers need to focus on all those critical internal operations that enable them to satisfy customer needs. They need to monitor key processes to ensure that outcomes are always satisfactory.

An organisation should manage its internal processes and its development of human, information and organisational capital to deliver the differentiating value proposition of its strategy. Excellent performance in these areas drives strategy (Sim & Koh, 2001). Internal processes accomplish two vital components of an organisation's strategy, as they produce and deliver the value proposition for customers, and improve processes and reduce costs for the productivity component in the financial perspective.

The development of a customer performance measurement system that combines quantitative benchmarking techniques with qualitative analysis in order to produce strategic objectives can simultaneously enhance business process improvement (Tucker & Pitt, 2009:407-422). If they are well reengineered, business processes can add value to products and services and ultimately to the organisation, even in the global marketplace (Porter, 2008:78-93).

To attain leadership in the local and global market, companies should decide on the processes and core competencies that they must excel at and specify measures for each of these. Companies must use their resources effectively and efficiently if they want to compete in the increasingly competitive globalised economy (Kazan, Ozer & Certin, 2006:23-24). The internal factors, including the business processes, must be improved for better operations, cost savings and profitability. Any increase in the quality and the flexibility of business processes increases profitability. This implies that it may be easier for larger corporations than small-and-medium enterprises to improve their financial performance, because large corporations have more resources to re-engineer their internal business processes than would be the case with small-and-medium enterprises.

d) Innovation perspective

The fourth perspective of the Balanced Scorecard model, the innovation perspective, focuses on the way organisations can create value out of the intangible assets that take the form of human capital, which refers to the availability of skills, talent and know-how within an organisation (Kaplan & Norton, 1992:75-77; 2001a:94). The innovation perspective enables an organisation to align its human resources and information technology with the strategic requirements of its internal business processes and customer relationships.

In the context of the Balanced Scorecard model and in terms of its interconnectedness with other perspectives through strategy maps, the innovation perspective forms the foundation of any corporate strategy (Kaplan & Norton, 2001b:94). The innovation perspective initiates the value creation of an organisation, as it promotes and enhances internal business processes aimed at ensuring customer satisfaction, which in turn generate better revenues and ultimately lead to financial profitability. The progression of the Balanced Scorecard model perspectives is reflected in the strategy map set out in Figure 9 on p. 94.

Drucker (2002a:95-96) describes innovation as “the means by which an entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth”. Innovation involves knowing rather than doing. Thus the innovation perspective addresses issues such as the ability of employees, the quality of information systems, and the effects of organisational alignment in supporting the accomplishment of organisational goals.

Several studies indicate that an emphasis on human capital development and measures enhances overall corporate performance (Flamholtz, 2005:88-90; Gates & Langevin, 2010:111-132). It has also been demonstrated that an emphasis on learning and innovation with well-planned integration during the implementation stage of strategies enhances the use of performance measurement systems (Brudan, 2010). Innovation can be promoted by knowledge management strategies such as offering to let staff implement their own ideas (Lorenz & Lundvall, 2010:77-97). However, innovation-based activities can only drive corporate performance and competitiveness when such activities occur concomitantly with actual changes in the market positions and offerings of organisations (Liao & Rice, 2010).

In modern business set-ups, the impact of the vision, mission, values and culture of an organisation occupies a great deal of organisational attention. The concept of an organisation is moving away from the mechanistic creations that flourished in the bureaucratic environment that characterised the industrial revolution (Wheatley, 2000). To be strategically competitive, organisations now have to be fluid, with organic structures; they must be boundaryless and seamless. More specifically, organisations must be learning institutions that acknowledge that people exhibit self-organising capacities. In his article “They’re not employees, they’re people”, Drucker (2002b:71) observes the rapidly changing trends that are altering the way organisations manage their talent. He advises organisations to pay more attention to the human talent or risk losing their competitive edge.

Other studies have also revealed that there is a positive correlation between intangibles and the tangible financial performance of an organisation (Moeller, 2009:224-245). Such a correlation is mainly influenced by strategic relevance and participation within the framework of organisational intangible assets. Intangible resources (Kong, 2008:721-731) include human capital (the availability of skills, talent and know-how required to support the corporate strategy), information capital (the availability of information systems, networks, and infrastructure required), and organisational capital (the organisation's ability to mobilise and sustain the process of change required to execute the corporate strategy).

Customer-based and internal business process measures identify the parameters that an organisation considers most important for its competitive success. Targets for business success have to keep on changing. Intense competition, especially in the global market, requires organisations to make continual improvements to their existing products and processes. Organisations should also have the ability to introduce entirely new processes with expansion capabilities (Porter, 2008:78-93). Thus, organisations that want to survive must continually be able to take on challenging tasks and undertake innovations that will enable them to develop new products and services to meet ever-changing customer tastes.

In the current climate of rapid technological change, it is important for employees to be in a continuous learning mode. Enduring, superior performance requires flexibility and innovation. Organisations have to develop and retain a capable and committed workforce (Becker, Huselid & Ulrich, 2001), because organisations need the different skills and knowledge of suitable and dedicated staff for them to manage resources efficiently and effectively. It is difficult for a company to compete based only on such factors as their product, prices, place (distribution) and promotion strategies, if these can easily be replicated by the competition.

The focus on human capital development means that an organisation can always be a step ahead of its competition. However, despite the rhetoric that emphasises human skills as a valued intangible asset of an organisation and that it is prevalent in line managers (Prowse & Prowse, 2010:66), the critical delivery of human resource management and how they are used and contribute to improving performance has been difficult to evaluate.

Still more, what is particularly significant is that there is a lack of empirical literature on the contribution of human resources management to corporate performance (Prowse & Prowse, 2010:66-77). This problem is compounded by the difficulty of finding suitable measures for this contribution and the limitations of the measures used in most published research and studies. Most scholars and practitioners in this field still over-emphasise measures that reflect relationships between financial performance and productivity.

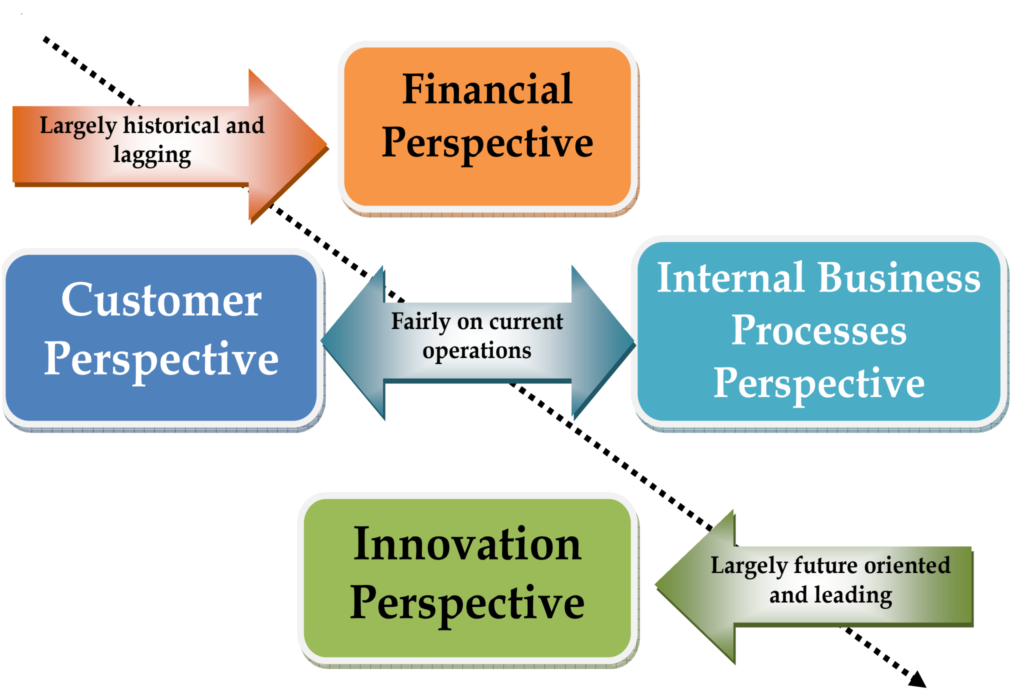
The preceding discussion has focused on the literature on the assumptions of the four perspectives of the Balanced Scorecard model. The model attempts to include some critical areas of business in the form of innovation, internal business processes, customer, and financial perspectives. However, the relatively simplistic conceptualisation of the Balanced Scorecard model can be misleading in some ways, as business systems are often very complex, as reflected in the conceptual framework of this study (Figure 1, on p. 7). There could be other, more critical perspectives that the model should be based upon.

3.3.3 Assumption 3: The Balanced Scorecard model's perspectives are linked to time horizons

The four perspectives of the Balanced Scorecard model are designed to drive both the operational and the strategic activities of the organisation through the use of leading and lagging indicators. The financial perspective tends to concentrate on past performance, and is therefore historical and lagging. By contrast, the innovation perspective tends to dwell on promoting organisational ability to sustain the organisation in future endeavours. Hence, the innovation perspective is leading (Olve, Roy & Watter, 1999).

Finally, the customer and internal business processes perspectives tend to focus on fairly current operations (Olve *et al.,* 1999). For instance, the customer perspective examines how best a customer's expectations should be met or exceeded in order to satisfy or delight the customer. The internal business perspective focuses on current business processes and practices to ensure that efficient and effective systems are in place to produce products and services that add value and meet customers' expectations. The time horizons of the Balanced Scorecard model perspectives are summarised in Figure 8, below.

Figure 8: Time horizons for the Balanced Scorecard model's perspectives



Source: Adapted from Olve *et al*. (1999:6)

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

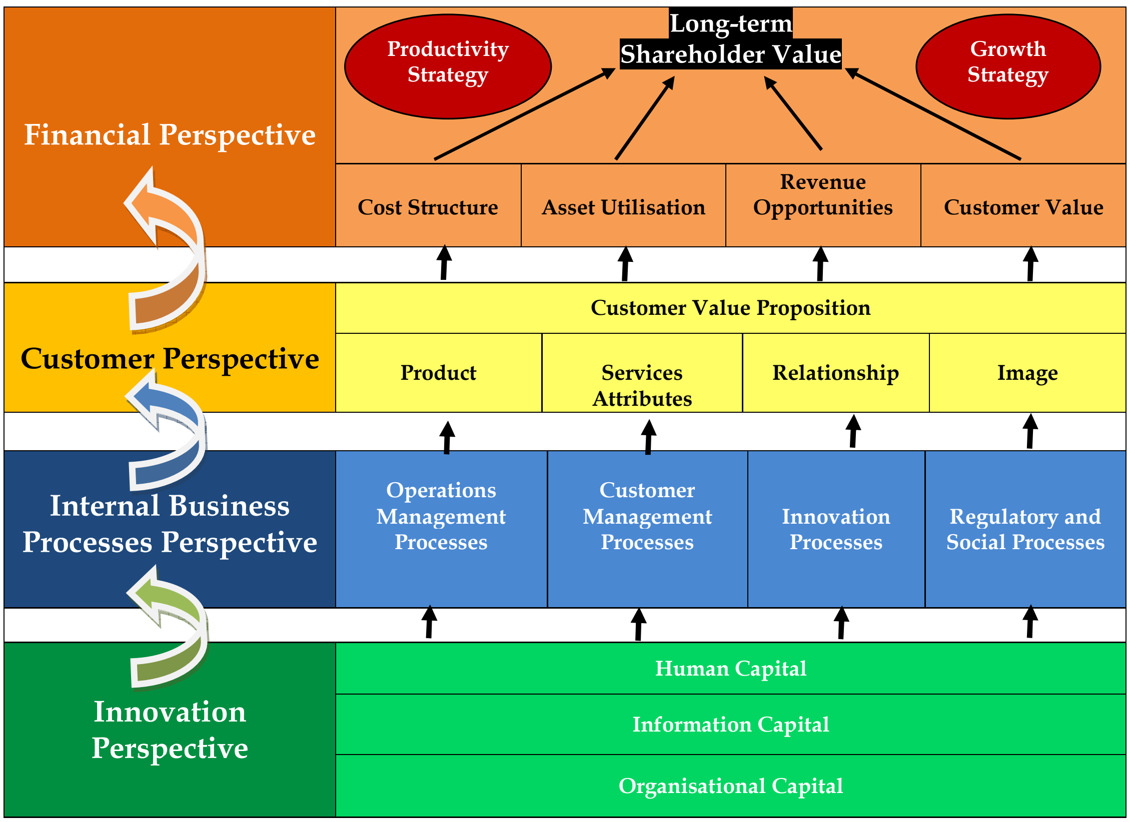
The Balanced Scorecard aligns corporate vision and strategy with organisational performance through the interconnectedness of different layers of perspectives. The corporate vision forms the foundation of the formulation of an organisation's mission, core values, goals and objectives. Kaplan and Norton (2001a:89-92; 2004b:11-12) argue that, for objectives to be effective, they should be linked in cause-and-effect relationships.

As they list objectives in the four perspectives, executives should draw arrows to link the objectives. Senior management should start, in articulating their strategy, by looking at how improving employee capabilities and skills in certain job positions, coupled with the new information technology, would enable a critical internal business process to improve as well (Kaplan & Norton 2001a:89-94). It follows that the improvement of internal business processes would cascade down to enhance the value proposition delivered to targeted customers, leading to increased customer satisfaction and retention, and growth in customers' businesses where customers are not the final consumers. By implication, the improved customer base would ultimately lead to increased revenues and ultimately significantly higher shareholder value.

The explicit cause-and-effect relationships among the objectives in the four Balanced Scorecard model perspectives translate into a strategy map, as shown in Figure 9, overleaf. The strategy map enhances the link between the cause-and-effect and corporate objectives. The strategy map provides the visual framework for integrating the organisation's objectives in the four perspectives of the Balanced Scorecard model (Kaplan & Norton, 2004b:10-14).

The strategy map illustrates the cause-and-effect relationships that link an organisation's desired outcomes in the customer/client and financial perspectives to outstanding performance in critical internal business processes – operations management, customer management, innovation, and regulatory and social processes (Kaplan & Norton, 2004b:10-14; Kaplan, Norton & Rugelsjoen, 2010:116). These critical processes create and deliver the organisation's value proposition to targeted customers and also promote the organisation's productivity objectives in the financial perspective.

Figure 9: The strategy map represents how an organisation creates value



Source: Adapted from Kaplan and Norton (2004b:11)

The strategy map also brings together the strategic objectives of organisations to illustrate causal linkages within their relationships. Within the business application, strategy maps and the Balanced Scorecard approaches have been proven to be effective tools of business communication and strategic management in aligning and integrating the strategic goals of various levels within an organisation (Chan, 2009:349-363; Paladino, 2007b:38; Wu & Liu, 2010:27-47).

The strategy map allows senior executives and managers to see how attaining corporate objectives at the departmental or employee level assists an organisation to achieve better internal business processes, customer satisfaction and ultimately its financial objectives. A strategy map identifies the specific capabilities in the organisation's intangible assets such as human capital, information capital and organisation capital that are required to deliver exceptional performance in the critical internal processes (Chan, 2009).

The above analysis indicates that the strategy map is a critical component in the design of performance measurement systems based on the Balanced Scorecard model. The strategy map has turned out to be as important an innovation as the original Balanced Scorecard model itself. The visual representation of an organisation's strategy is both natural and powerful, as one sees the progression of the interrelationships of perspectives towards meeting organisational objectives.

The strategy map acts as an instrument in understanding the relationship of perspectives better, as one can easily study the map critically. A strategy map gives a clear direction and shows the linkages between all the critical elements in each corporate perspective of the Balanced Scorecard model. However, the authenticity of the cause-and-effect relationship on perspectives has not yet been statistically validated, as will be discussed more fully below, under the limitations of the Balanced Scorecard model (see Section 3.5.7 below).

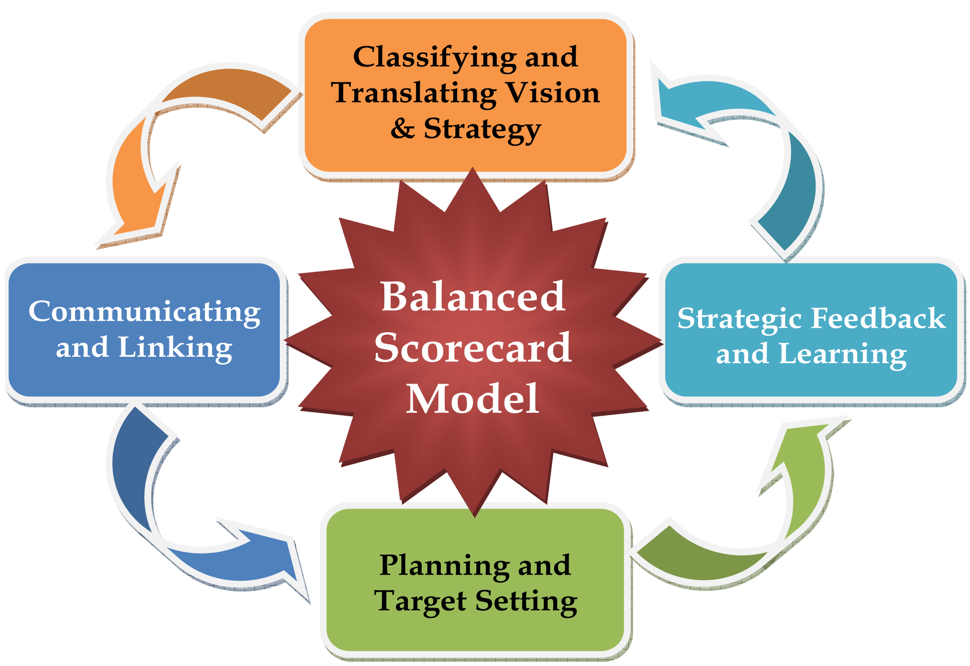
3.3.5 Assumption 5: The Balanced Scorecard model can be used as a strategic management tool

In viewing an organisation according to four perspectives, the Balanced Scorecard model is intended to link short-term operational control to the long-term vision and strategy of an organisation (Kaplan & Norton 1996b:75-78). The

Balanced Scorecard model allows managers to look at corporate performance by focusing on the four inter-related perspectives.

The Balanced Scorecard model is therefore used as a strategic planning and performance measurement tool. There are four activities that enable the successful implementation of the Balanced Scorecard model as a strategic management tool, namely, first, classifying and translating corporate vision and strategy; second, communicating and linking corporate strategies; third, planning and setting targets; and, fourth, strategic feedback and learning systems (Kaplan & Norton, 1996b:77). A template for successful implementation of the Balanced Scorecard model as a strategic management tool is shown in Figure 10. The four activities that are linked to the Balanced Scorecard model form a continuous loop of various organisational activities.

Figure 10: The Balanced Scorecard model as a strategic framework for action



Source: Adapted from Kaplan and Norton (1996b:77)

Within corporate planning, strategy is linked to the Balanced Scorecard model. The organisation's vision is translated into executable plans when managers build consensus around the organisation's vision and strategy. The Balanced Scorecard model provides a valuable tool to enable employees to understand the organisation's status, in order to achieve the dynamism it needs for a sustainable competitive advantage (Brewer, 2002:44-52).

It has been observed that an emphasis on corporate culture in the form of vision and mission statements have a direct impact on the financial results of organisations (Flamholtz, 2001:272-273). Such statements can also enhance job satisfaction, and can add to employees' commitment and intrinsic motivation, which are extremely important factors for productivity and customer-related contacts that lead to a positive association between the organisation's vision, mission and strategies on the one hand, and corporate performance on the other (Bart, Bontis & Taggar, 2001; Litschka, Markom & Schunder, 2006; Otley 1999:380-381).

There should be proper communication and linkage of activities within an organisation. In this process, managers communicate the corporate strategy from the top to the lower levels of the organisational structure and link it to functional and individual employee objectives. The cascading down process allows corporate strategy to be aligned at different levels of the organisation (Kaplan & Norton 1996b:76; Paladino, 2007b:38-39). Within the cascading framework, organisations should aspire to build their ability to communicate all issues regarding corporate planning and performance measurement (Shackleton, 2007). The purpose of corporate communication is to assist with this process, by providing communication support to the rest of the organisation. The effectiveness of communication may be measured by incorporating communication into the performance measurement system of an organisation.

Another process involves business planning, where organisations integrate their business and financial plans. The planning process is accomplished through target setting, the alignment of strategic initiatives, the allocation of resources and establishment of business and functional milestones (Kaplan & Norton 1996b:77). These strategic plans would ultimately be translated or executed into actions using the internal business processes of an organisation.

Finally, there should be a feedback and learning process which gives managers strategic learning capabilities. The feedback control system provides mechanisms of reviewing whether or not plans have been met at the corporate, functional or individual employee levels (Drury & McWatters, 1998:32-33; Kaplan & Norton 1996b:77). Organisations need effective feedback control systems within the performance measurement system (Archer & Otley, 1991; Flamholtz *et al.,* 1985; Otley, 1994, 1999, 2001, 2003). Within the feedback control systems, actual results are compared with budgets and plans by feeding the divergence from the budgets and plans back into the organisational systems for corrective action by management.

The above literature review demonstrates that the Balanced Scorecard model can make tremendous contributions towards the effective planning and measurement of performance though effective control systems. However, the manner in which the Balanced Scorecard model is implemented within the strategic management framework is also relevant.

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

The corporate vision and mission and value statements are usually formulated by senior executives. Corporate vision, mission and value statements are then cascaded down the organisational structure to lower levels, to the departmental and finally individual employee levels (Paladino, 2007b:33-41). The Balanced Scorecard model demands an understanding, commitment and support from the very top of the organisation down. This implies that if all the people involved do not accept accountability for the achievement of the balanced measures and goals set by senior executives, there can be no Balanced Scorecard system.

The people in an organisation are the key to the success of the Balanced Scorecard system. So, for example, it was by using a people-based approach that Unilever successfully implemented its strategies (Smith, 2009:31). The restriction of strategic options proved to be popular with the company's top executives, thereby creating a sense of common purpose, whilst allowing local interpretation after cascading such strategic choices to lower levels. Similarly, the disciplined execution processes deployed the strategy down through every leadership team, ultimately connecting with the work-plans of all employees. The successful execution of the strategy led directly to the improvement of sales growth, productivity, margins and cultural cohesion.

The above literature review shows that the Balanced Scorecard model represents the major activities that an organisation has to focus on for it to maximise profitability for its shareholders. The criteria that help to determine the corporate performance represent strategy maps in the form of cause-and-effect relationships, which is still problematic. Thus, the implementation of the Balanced Scorecard model would require a lot of research by organisations to establish the specific arrangement of perspectives and the cause-and-effect issues as discussed above. Every measure selected for the Balanced Scorecard model should be part of a chain of cause-and-effect relationships that represent the corporate strategy. The validity of the assumptions surrounding the Balanced Scorecard model would be assessed based on the significance and practical contributions of the model to industry.

3.4 SIGNIFICANCE OF THE BALANCED SCORECARD APPROACH

Since the model was launched, it has been received with great enthusiasm amongst the captains of industry. Ever since, the Balanced Scorecard model has changed the way corporate performance measurement has been conducted and how organisations are managed. Since its inception, the Balanced Scorecard model has been regarded as one of the most influential developments in performance measurement in the twentieth century (Bourguignon *et al.,* 2004:107; Niven, 2008:ix-xii). The most significant applications of the Balanced Scorecard model are discussed below.

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

As already outlined above, all types of organisation, including both small and large organisations, manufacturing and service companies, public and private entities, and growing and mature entities, have adopted this powerful management tool. Successful organisations have used the Balanced Scorecard model as a focal point for all key management processes, from planning and budgeting to resource allocation, and the reporting systems of corporate performance (Punniyamoorthy & Murali, 2008:420-443).

The Balanced Scorecard model serves as a way to communicate the organisational vision, mission, strategies and goals to all stakeholders. It also helps to create a focus on critical issues relating to the balance between the short and long run, and on the appropriate strategic direction for everyone's efforts within the organisation (Olve *et al*., 1999). The integrated Balanced Scorecard model allows senior executives to understand relations amongst various strategic objectives better, to communicate the association between employees' actions and the selected strategic goals and to allocate resources and set priorities based on the initiatives' contributions to long-term strategic objectives (Kaplan & Norton 1996a).

Although the Balanced Scorecard model provides a template for organisations to measure their corporate performance, many organisations have used scorecards in different ways, as it is not supposed to be used as a "straitjacket" model (Kaplan & Norton 1996a). The model has become a very useful tool for organisations which have perceived a need for the parallel use of different kinds of measure of operations in terms of the planning and controlling processes.

The Balanced Scorecard model integrates operational non-financial perspectives that are consistent with the cross-functional activities of organisational systems. Such systems include continuous improvement systems such as total quality management, just-in-time, customer relationship management, supply chain management, evolution of powers and decentralised decision-making systems. Team building management systems and improved corporate efficiency, effectiveness and competitiveness would also fall into this category. Because there are many organisational activities and they are complex, it is necessary to prioritise them when setting and using the Balanced Scorecard model.

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

The Balanced Scorecard model is used as a model that guides organisations to achieve breakthroughs by prioritising elements of the organisation's vision and strategy before other activities (Bloomquist & Yeager, 2008:24-26). From the top down to the front-line, each employee is able to see how his or her work contributes to the achievement of the organisation's goals and objectives. The model helps managers in setting priorities by identifying, rationalising and aligning initiatives. Senior management can focus its attention on more strategic issues, while frontline employees are sensitised to the value of their operational work and how it relates to the organisation's strategic objectives.

As a matter of setting strategic priorities, just-in-time companies, for example, are more consistent in choosing benchmarking performance measures that are aligned with organisational strategy (Meybodi, 2009:88). The successful implementation of just-in-time principles requires a thorough understanding of organisational strategy and the deployment of that strategy into consistent sub-strategies and action plans. The model is also ideal for organisations that participate actively in R&D activities (Bigliardi & Dormio, 2010:278-289).

The Balanced Scorecard model has also been proven to be a useful technique in the modern business environment, where strategic risks are dynamic, and which can best be understood by analysing the relationships between causal factors behind risks and their origins (Dasgupta, 2010:100-106). Usually, causal factors originate from social and technological drivers that affect and shape society. Such factors continuously change and may be highly unpredictable; hence, risk and uncertainty are involved.

In addition, the Balanced Scorecard model-based management systems can help organisations to switch their alliance management focus from contributions and operations to strategy and strategic commitment (Kaplan *et al*., 2010:114-120). In a downturn, managers are often tempted to eliminate the slack and inefficiencies accumulated during any recent growth period. The Balanced Scorecard model directs senior managers in identifying the strategic nature of expenditures which should be protected to build capabilities for the future, as opposed to excesses of the past that can be eliminated without endangering the future (Kaplan & Norton, 2008c:28). Unless a downturn is so significant as to threaten the future of the organisation and its existence, executive managers focus on rooting out only operational slack and inefficiency, rather than modifying or sacrificing strategic initiatives that are achieved through the strategic expenditures that build capabilities for long-term competitive advantage.

Choosing the right performance measure is critical to the process of enabling management to learn about the management principles they need to implement in order to become strategy-focused. The measure should be meaningful to both the executives and all other employees. Such measures should not be selected just because they are already being used in the organisation or because they could drive local continuous improvements (Bloomquist & Yeager, 2008:24-28; Kaplan & Norton, 2008b:62-77). Performance measures should focus on what is most important for the organisation in terms of its strategy. Performance-based measurement is a powerful motivator, as managers and other employees strive to perform well on whatever measures are selected, particularly if the measures are tied to an incentive compensation plan.

3.4.3 The Balanced Scorecard model is used as a motivational tool

The Balanced Scorecard can be a motivational tool towards the realignment of different stakeholders of an organisation (Otley, 1999; Zanini, 2003). For instance, if the balanced set of performance measures has effectively been tied to financial incentives for employees, the long-term performance that hinges on the organisation's vision and strategy could improve significantly.

In many cases, there is a misalignment of the chief executive officer's (CEO's) compensation and organisational success, due to the use of options as a long-term performance incentive, for example. This misalignment can potentially be avoided when the CEO's bonus is based on a balanced set of measures and not solely on stock prices (Fitzgerald & Collins, 2006:40-47).

Without well-balanced measures, both middle and senior management can travel blindly on the set organisational roadmap. Studies on human behaviour indicate that compensation plans based on the Balanced Scorecard motivate personnel extrinsically if meaningful rewards are linked to performance measures that they can influence (Decoene & Bruggeman, 2006:429-448). If companies are to survive and prosper in this information age, they must use measurement and management systems derived from their own vision, strategies and capabilities.

Unfortunately, many organisations espouse strategies regarding customer relationships, core competencies and organisational capabilities while motivating and measuring performance only with financial measures (Kaplan & Norton, 2008b). A balanced set of corporate performance measures is needed to address the challenges of the modern information age, which has more non-financial variables than financial ones. Thus, there is a need to employ a more holistic approach to corporate planning and performance measurement systems than purely financial systems allow.

3.4.4 The Balanced Scorecard adopts a holistic approach

Although the Balanced Scorecard model's perspectives and measures retain the financial focus on past performance, this focus is placed within a new integrated framework with selective (non-financial) measures that are derived from the organisation's vision and strategy. The Balanced Scorecard model puts vision and strategy at the centre of management processes and systems. The measures are selected in accordance with their impact and significance as drivers of future corporate performance.

In a more holistic way, the Balanced Scorecard model summarises an organisation's vision and strategy, and measures its performance on the basis of its four perspectives. When the corporate systems are fully deployed, the Balanced Scorecard model seeks to ensure that the drivers of long-term performance breakthroughs are identified and properly aligned (Kaplan & Norton, 2008c:28). Practically, this implies that ultimately an organisation's vision, mission and strategy are linked with action in order to realise positive tangible operational outcomes.

The Balanced Scorecard model is conceptualised on the premise that the model should be used by organisations as a strategic management framework that measures corporate performance from all important perspectives. As a short-term approach such as that associated with traditional accounting principles can be counterproductive, the Balanced Scorecard model emphasises the inclusion of non-financial measures for future financial gains. A study by Wu and Hung (2007:771-791) confirms that inclusion of the Balanced Scorecard model's four perspectives promises positive organisational benefits.

Furthermore, performance measurement must be based on a balanced combination of financial as well as non-financial (intangible) indicators (Boerner, 2006:35-42). Where such vital information is not reported, managers, investors and financial analysts run the risk of dealing with incomplete data, and may end up making unsound investment decisions. The framework is balanced, in that both financial and non-financial measures are incorporated. Non-financial measures, such as customer satisfaction, customer retention, employee turnover, the number of new products developed and product quality all belong on the scorecard.

In summary, the above literature review shows that the Balanced Scorecard model reflects a holistic balance between short-term and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between external and internal perspectives. However, other critical elements of corporate performance such as society and the natural environment are still ignored within the framework of the Balanced Scorecard model. Especially in an African context, where the community or society is paramount, one can justifiably question the adequacy of the supposedly "holistic" Balanced Scorecard model within an African environment.

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

With the emphasis on aligning corporate performance with vision and strategy, an organisation can use the Balanced Scorecard model as a central means of perfecting the budgeting process. For example, through the use of the Balanced Scorecard model, Niven (2008) sets a prerequisite for the budgeting processes where costs and revenues budgeted should be influenced by that desire by business executive to meet corporate vision and strategy successfully throughout the organisational, business unit, or departmental levels.

The effects of sub-optimality or the pursuit of self-interest can be discouraged through the use of the Balanced Scorecard model. The model creates an early warning system that alerts managers before an organisation begins to feel the harsh impact of declining operating margins (Pieper, 2005). Such early warnings enable senior managers to strategise and reorganise themselves before more serious problems arise in an organisation. With the forward-looking approach, senior managers can turn around organisations by responding to early warnings from the Balanced Scorecard model.

In taking a holistic approach, the Balanced Scorecard model identifies a set of measures that prevents managers from adopting sub-optimal strategies by ignoring relevant and critical performance dimensions or even improving one business perspective at the expense of other areas that are critical for business sustainability (Ittner, Larcker & Randall, 2003: 716).Furthermore, Bible *et al.* (2006:18-23) argue that if every employee is aware of the organisational vision, strategy and corporate performance drivers, the potentially damaging effects of game playing, politics, and number-shuffling are minimised.

The Balanced Scorecard model has a depoliticising effect on the budgeting process, because employees can understand organisational strategic objectives that are shared with other employees. The model thus facilitates teamwork and team building. The model makes it possible for an organisation and its departments to focus on fulfilling the vision and mission of the organisation by creating links between the objectives, initiatives and measures and an organisation's strategy (Sorenson & Sullivan, 2005:54-60). Through strategy evaluation, where plans are compared with actual performance, the Balanced Scorecard model can act as a catalyst for continuous process improvement.

The above discussion suggests that is necessary for the Balanced Scorecard model to be applied to an organisation as a whole or in part, focusing on the continuous improvement efforts that should pervade the organisation. During the budgetary process, the Balanced Scorecard model can direct managers to see that there is a direct link between departmental activities, as the actions of one department affects the results of the other departments, or indeed of the entire organisation, through their inevitable interconnectedness of activities. A good budgeting process can also be accomplished with an external orientation, where managers realise their interconnectedness with external stakeholders, including the shareholders, customers, suppliers and even competitors who may need or provide information on corporate performance for their various purposes.

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

The clear definition of vision and strategy plays an important role in shaping the strategic direction of an organisation. The Balanced Scorecard model has evolved from being a purely performance measurement-based reporting system to become more inclusive, and thus to become a complete strategic management system (Bible *et al.,* 2006). With this development, the model can be used in external financial reporting systems as well.

The Balanced Scorecard model can be used to communicate the alignment of annual reports and organisational strategies. By employing this approach, financial statement manipulation and window-dressing can be significantly reduced. Companies in Scandinavian countries such as Sweden have already begun to incorporate the additional perspective from the Balanced Scorecard model in their annual reports as supplements to the financial statements (Bible *et al.,* 2006:18-23).

3.4.7 The Balanced Scorecard model provides a means of organisational communication

Apart from providing a snapshot of corporate performance that is easy to understand, the Balanced Scorecard model can enhance communication with key stakeholders of the organisation, ranging from customers to employees. Atkinson (2006:1441-1460) observes that the Balanced Scorecard model, subject to the adoption of suitable processes, can address key problems associated with strategy implementation, including communication, the role of middle managers and integration of existing control systems. Strategy maps and the Balanced Scorecard model provide unique and innovative tools, as they are effective communication and strategic management tools that enable managers to align and integrate the strategic goals of various levels of an organisation (Chan, 2009:349-363; Kaplan *et al.*, 2010:116).

The Balanced Scorecard model also enables senior managers to align all their organisational resources – executive teams, business units support groups, information technology, and employee recruiting and training – to focus intensively on implementing their strategies (Kaplan & Norton, 2008c:28). Kaplan and Norton (2008b) further describe how successful adopters of the Balanced Scorecard model have followed five management principles to become strategy-focused organisations, namely the translation of strategy to operational terms, the alignment of the organisation to the strategy, making the strategy everyone's everyday job, making the strategy a continual process, and finally the mobilisation of change through executive leadership.

The literature on the significance of the Balanced Scorecard model reveals that the model has contributed considerably to the corporate world, especially in terms of planning and performance measurement systems. However, the Balanced Scorecard model faces some ideological challenges, for example, within an African framework, or in France, where the *tableau de bord* is the primary planning and measurement tool, as opposed to the Balanced Scorecard model (Bourguignon *et al.,* 2004). The Balanced Scorecard model also has serious application limitations, which are reviewed in the next section.

3.5 LIMITATIONS OF THE BALANCED SCORECARD

In general, the Balanced Scorecard model's limitations hinge on the model's conceptualisation and assumptions. Such limitations dilute the usefulness of the Balanced Scorecard model for organisations in different industries and from different part of the world. The limitations of the Balanced Scorecard model are discussed below.

3.5.1 The Balanced Scorecard model is overly simplified

An organisation represents a culmination of different systems from inside and outside an organisation. The external and internal systems from different interested parties are interconnected in a highly complex manner, as summarised in the conceptual framework of this study (Figure 1, on p. 7). A highly simplified model such as the Balanced Scorecard model cannot represent the complex interrelationships between an organisation and the multitude of activities which the internal and external stakeholders engage in. Norreklit *et al.* (2008:66) caution that the kind of oversimplification found in the model requires the model to be accompanied by a "healthy warning" of some kind, so that users will be aware of that fact when adopting the Balanced Scorecard model.

The Balanced Scorecard model is supposed to be more than just a measurement system, as it is a strategic management tool as well (Norreklit *et al*., 2008:66). Management systems, especially at a strategic level, involve complex business decisions to run the organisation effectively. Most of those strategic management decisions are *ad hoc* in nature and need highly specialised decision-making systems. Further, the analogy of using the Balanced Scorecard model like a cockpit (dashboard) can encourage managers to manage organisational activities by remote control. Executive managers can detach themselves from the business operations for which they are responsible.

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

The Balanced Scorecard model is not used as a universal model. For the Balanced Scorecard model to be applied as an effective strategic management tool, the scorecards should be rooted in the management practice of every individual organisation (Norreklit, 2000:65-88). Its lack of universal applicability makes the model useless in other societies. For example, the model is still not accepted in France because of its conceptual shortcomings. The Balanced Scorecard model does not suit the French way of doing business (Bourguignon *et al.,* 2004:108). The mechanical top-down deployment of the approach disregards the incremental and collective construction of business strategy in France. Another ideological mismatch arises from the fact that, unlike in the USA, in France there is no long tradition of performance-based remuneration systems such as that propagated in the Balanced Scorecard model.

Furthermore, the Balanced Scorecard model is rigid and mechanistic, because it is premised on a top-down approach: strategies developed at a senior level cascade down to the lower levels of the organisation. The Balanced Scorecard model fails to recognise that a performance measurement system can be a two-way process (Hudson, Smart & Bourne, 2001:1096-1115; Mooraj, Oyon & Hostettler, 1999:507-514). Consequently, the model lacks conceptual integration of top-level strategic scorecards with operational level measures.

For big organisations with divisionalised systems, the Balanced Scorecard model might not be conclusive in promoting strategic interfacing between central and local units at the division or branch levels. The model could fail to link local operations and with the long-term objectives of an organisation (Ittner, Larcker & Meyer*,* 1997; Lipe & Salterio, 2000; Neely & Micheli, 2005). This happens when the Balanced Scorecard model is used rather either as an management information system or based on the concept of management by objective (MBO) which does not consider the serious interface between corporate performance measures and organisational strategies (Malmi, 2001).

Although Kaplan and Norton (2004a) contend that the Balanced Scorecard model should be used just as a template and that its application should be adapted to individual organisational needs, the researcher has observed that no clear provision has been made for how variants of the Balanced Scorecard model perspectives should be inter-connected in cause-and-effect type of relationships. Indeed, the implementation procedure of the Balanced Scorecard does not always have this feature. In many cases, it may be difficult for an organisation to implement the Balanced Scorecard model effectively, as its four perspectives may be completely different from the organisational strategic framework in terms of management's preferences. Lack of universality thus makes the application of the Balanced Scorecard model problematic, especially in areas where the socio-cultural ideologies differ from those that originally underpinned the model.

3.5.3 Strategy execution using the Balanced Scorecard model is still problematic

The strategy execution of the Balanced Scorecard model still poses challenges for many organisations. Many executive managers are still not aware of the different approaches possible in dealing with strategic and operational activities (Kaplan & Norton, 2008a:4-22; Weil, 2007:1). Nevertheless, organisational alignment is the greatest and the most frequent cause of the success or failure of the Balanced Scorecard model (Wery & Wako, 2004:153-157). Often, senior managers are so consumed with functional operations, performance management, budgets, and business processes that they have little time for thinking about the impact of strategic change on the organisation, and about implementation issues. The fact remains that the very same people who keep operations going are the ones who need to change the course of action on corporate activities.

Another challenge in the implementation of the Balanced Scorecard model is that most managers are still inclined to use traditional financial measures such as gross revenue, gross profit, cost reduction and net profit (Chia *et al.*, 2009:605-620). This implies that there is more to using the Balanced Scorecard model conceptualisation than just implementing the model. The Balanced Scorecard model may require changes in the culture within the organisation and a transformation of internal business processes and practices for it to be successful.

However, there is generally an unwillingness among managers to embark on major organisational changes that require a paradigm shift in respect of existing performance measurement systems and its operations (Hinton & Barnes, 2009:329-345). This is particularly prevalent where organisational operations become more risky when there are abrupt changes. For example, the risky scenario is true for e-business or any information technological environment, which are environments that are very dynamic and unpredictable most of the time. In such cases, senior executives tend to opt for an *ad hoc* and/or incremental change rather than a radical paradigm shift.

In any case, Chavan (2009:393-406) advises that there should be undoubted and pervasive commitment and support from the top senior executives down to the bottom operators for the Balanced Scorecard model to be successfully implemented. As culture changes and develops within the organisation, there is greater acceptance of the approach as members of the organisation become mature in using the Balanced Scorecard model and can then make it even more balanced in future. Different organisations have different settings, as they target different markets and customers, people provide different products and services and should therefore end up with different Balanced Scorecard model systems which they deem relevant and valid for their operations.

3.5.4 The validity of the four perspectives of the Balanced Scorecard model has not been proven

The Balanced Scorecard model is conceptualised on the notion that it should operate successfully under the four perspectives as identified by Kaplan and Norton (1992). On average, organisations that use the Balanced Scorecard model exhibit few differences in their emphasis on non-financial performance measures (Ittner *et al*., 2003:717). Hence, such organisations make little use of the causal business model on leading and lagging indicators which the advocates of the Balanced Scorecard model claim to be foundational to the scorecard in the model.

While the choice of the four perspectives may have an intuitive appeal, the basic challenge to the Balanced Scorecard model's application is that the founders have not provided any empirical support for the selection of the four perspectives (Flamholtz, 2003:15). The choice of the four perspectives lacks scientific validation for acceptability by business practitioners and academic scholars. Nobody knows whether these are the only perspectives or the right perspectives to be used when assessing corporate performance, or whether there are other more critical organisational perspectives to focus attention on. Assuming that the selected perspectives are invalid, it follows that a management focus on corporate planning and performance measurement systems could also be invalid, leading to minimal corporate performance or even corporate failure.

3.5.5 The Balanced Scorecard model has registered high failure rates

Although the Balanced Scorecard framework has been widely accepted in the business community, the proper method of implementing the framework still remains a big challenge (Kaplan & Norton, 2008a:4; Leung, Lam & Cao, 2006:683). A KPMG management consultant estimates the overall failure rate at 70% (DeBusk & Crabtree; 2006:44-48). Although the Balanced Scorecard model could be regarded as a valuable tool to assess corporate performance, it is also a fact that it is very risky to rely on it because of its high failure rate. Therefore, business executives who want to implement the Balanced Scorecard model should be cautious of the measures that are deployed in the model.

The linking of the Balanced Scorecard measures to compensation schemes, for example, has proved to be very problematic and risky. It is very difficult to determine the relative weights of the various performance measures on the scorecard (Ittner *et al.*, 2003:738). Although the Balanced Scorecard approach is associated with higher measurement systems satisfaction, the model exhibits almost no association with the economic performance of a practising organisation; which raises questions about its cost-effectiveness in the long term.

3.5.6 The Balanced Scorecard model and its long-term cost-effectiveness are in question

The issue of high failure rates raises concerns about the long-term cost-effectiveness of the Balanced Scorecard model. There has been little research into the effectiveness of the Balanced Scorecard model. However, Bourne, Franco and Wilkes (2003:15-21) indicate that there are three key factors that would enable organisations to have success in using the Balanced Scorecard model during the implementation phase: the model must have top management commitment; all the people in the organisation should have the sense that it is worth the effort; and there should be good facilitation regarding the model concepts and applications. In addition, they found other three distinctive elements between success and failure of the Balanced Scorecard model implementation, namely corporate vision, organisational structure, and organisational culture.

As discussed above, most executives in highly risky businesses are unwilling to deploy the Balanced Scorecard model and embark on major changes within their companies (Hinton & Barnes, 2009:329-345) on the strength of it. For example, whilst there is evidence of a common concern to link e-business performance to organisational objectives through the Balanced Scorecard model, it is acknowledged that the installation of a new and sophisticated performance measurement system to accommodate the requirements of e-business is potentially highly costly, time-consuming and disruptive. Thus, senior managers should always question its assumptions and the long-term cost effectiveness of the Balanced Scorecard model before implementing it.

3.5.7 Assumptions about the unidirectional linearity of the Balanced Scorecard model perspectives may be erroneous

The Balanced Scorecard model's assumption that perspectives have a linear cause-and-effect relationship may not be true in real world situations. For instance, the relation between customer satisfaction and future financial performance could be non-linear, with little or no effect at high satisfaction levels

(Ittner & Larcker, 2001:370). In other cases, there are mixed relationships between the perspectives, where some are positive, others negative or even insignificant, depending on the industry concerned and the underlying questions asked about the customer satisfaction.

An empirical study has revealed low ratings in the relationship of corporate performance and the use of the Balanced Scorecard measurement system – Ittner and Larcker (2001:371) found that the implementation of a Balanced Scorecard compensation plan in one of the retail banks in the USA brought about no significant change in the managers' understanding of corporate strategic goals. Hence the cause-and-effect relationships proclaimed by the Balanced Scorecard model were non-existent in this scenario.

The relationships between perspectives could also complicate the weighting of the perspectives themselves, as they cannot be ranked equally. The importance of any one of the four perspectives cannot be determined without knowing the effects of the relationships between the perspectives (Leung *et al*., 2006:683). Thus, proper weightings for each perspective should be determined to avoid a situation in which an individual manager is inappropriately rewarded or penalised.

Although the Balanced Scorecard model makes qualitative objectives such as product quality, customer satisfaction, personnel motivation and involvement into quantitative ones as a basis of reward systems, subjectivity still remains a serious challenge when senior managers are attaching appropriate assessment ratings to such objectives (Ittner & Larcker, 2001:349-410). In their study, Ittner and Larcker (2001) observed that the Balanced Scorecard model brought about subjectivity in performance measurement systems, as senior executives became biased towards individual assessments. Because of its inapplicability, the Balanced Scorecard system was consequently abandoned.

The existence of such causal relationships is assumed to be unidirectional where the innovation perspective leads into internal business processes, customer perspectives, and ultimately the financial perspectives in that order (Kaplan & Norton, 2001b). Instead of the assumption of unidirectionality, in the real world, causal relationships are interdependent, and bidirectional or multi-directional, where the outcome of one perspective is affected by several factors from different perspectives (Akkermans & Van Oorschot, 2005:933; Norreklit, 2000:68; Norreklit *et al*., 2008:65-66). Each perspective has leading and lagging indicators that yield to two directional cause-and-effect chains. Hence the leading and lagging indicators would apply both horizontally within the perspectives and vertically between the perspectives.

There should be a proper distinction between the performance indicators and the performance drivers. However, these measures fail to reveal the operational improvements that are translated into expanded business and eventually into financial measures (Leung *et al.,* 2006:684). Thus, a lack of cause-and-effect relationships is crucial, because invalid assumptions in feed-forward control systems would force organisations to anticipate performance indicators that are actually faulty. Consequently, dysfunctional organisational behaviour and sub-optimisation would be experienced, as observed by De Haas and Kleingeld (1999:244).

The analysis above shows that problems surrounding the cause-and-effect relationships between the perspectives of the Balanced Scorecard model have not yet been resolved. Thus, organisations that want to implement the model would need to do a lot of research to fully understand the causal relationships between the four perspectives. Causal relationships studies would include looking at the directional elements of perspectives, as well as time lags between the cause and the effect of the perspectives.

3.5.8 There are no time lags between the cause-and-effect relationships of Balanced Scorecard model perspectives

As a strategic management tool, the Balanced Scorecard model takes into consideration the importance of linking processes and outcome measures in a cause-and-effect relationship manner for strategic management purposes. Such a causal relationship requires a time lag between the cause and the effect of perspectives. The model is problematic in that the time lag dimension is not explicit in the Balanced Scorecard model (Norreklit, 2000:71-72; Norreklit *et al.,* 2008:66-67). Consequently, the process outcomes and measures are reported within the same time framework. This presupposes that the cause and effect are mutually exclusive and that the cause and effect events take place at the same time. It is then very difficult for senior and middle managers to observe whether progress made in one perspective has contributed to improved outcomes in the target perspectives.

There are time delays in the interrelationships of the causes and effects. For example, the introduction of more efficient internal business processes may yield more customer satisfaction within a period of only two months, but some innovations may take several years to have any effect on the overall corporate financial results (Kunc, 2008:761-778; Norreklit *et al.*, 2008:66-68).

Furthermore, the Balanced Scorecard model is supposed to provide managers with real-time information for tactical and strategic decision-making processes. However, the Balanced Scorecard fails to distinguish between common causes and specialised variability, which can lead to too much "fire fighting" within an organisation (Breyfogle, 2008:39-40). Usually, scorecards use a single index of factors that are supposed to be tracked separately. Conversely, there could be too many measures obscuring the true and meaningful status of corporate performance, thus frustrating the main objective of the model, which is maximising profitability.

3.5.9 The maximisation of shareholders' wealth is overgeneralised in the Balanced Scorecard model

The Balanced Scorecard model is hypothesised on the basis of causal relationships using the rationale that an organisation has one primary long-term objective, for instance, that of maximising shareholders' wealth in a profit-motivated organisation. Profit-maximisation objectives may not be applicable to public and non-governmental organisations. Organisations, especially those in the public sector, may have to deliver multiple objectives.

Within such a complex organisational setup, it may be difficult to incorporate clear causal relationships between multiple objectives and process indicators within a simplified Balanced Scorecard model. Meaningful performance measures are tracked over time using multiple levels throughout the organisation.

3.5.10 The Balanced Scorecard model focuses on an individual organisation and ignores modern collaborative commerce

There have always been challenges regarding the practicality of the Balanced Scorecard model within organisations. The Balanced Scorecard model dwells on the performance on an individual organisation, rather than a wider collaborative arrangement of companies (Voelpel *et al*., 2006:51). In challenging recent environmental developments, modern organisations are technologically linking together to attain more synergies through networking. Good examples of such modern collaborative management systems would be supply chain management systems and customer relationship management systems. The Balanced Scorecard model is therefore not in line with modern enterprise systems.

Due to globalisation and technology, organisations work collaboratively for sustainable competitive advantage (Busi & Bititci, 2006:7-25; Drury & McWatters, 1998:36; Porter, 2008:78-93). For there to be organisational success, industries and individual organisations have to cope with today's increasingly competitive marketplace; and organisations inevitably have to become more collaborative to survive. Such collaborative and distinctive efforts are even being pursued by competitors, where they form cartels or where competitors merge their internal business processes.

The above observation points to the necessity and value of networking with business partners for long-term survival. A business partnership also implies instituting good internal businesses that foster excellent relationships with external stakeholders. The fundamental premise of this argument is that organisations must form a collaborative network that genuinely represents and boost the whole, using all organisational resources, both tangible and intangible. For example, to retain consumers, there must be deliberately customer-oriented systems that satisfy consumers. Unfortunately, the Balanced Scorecard model is not capable of accommodating trans-organisational arrangements.

3.5.11 Over-emphasis on the four perspectives of the Balanced Scorecard model

The Balanced Scorecard model puts too much emphasis on the four key perspectives. It looks at shareholders, customers and employees, but leaves out other critical stakeholders, such as suppliers, government, competitors, the community, and the natural environment. This approach can be viewed as potentially problematic if proper coordination is not accomplished during the Balanced Scorecard model planning and implementation phases (Otley, 1999:363-382). The focus on the four perspectives poses the risk that if the unrelated demands of each of the individual key groups are included, the resulting Balanced Scorecard model can resemble a series of four independent and uncoordinated lists of performance measures (Bourguignon *et al.,* 2004:118; Gering & Mntambo, 2002).

Furthermore, by specifying the four perspectives to be used in assessing corporate performance, it is implied that these are the factors which could be considered to be critical for organisational performance (Flamholtz, 2003:15; Voelpel *et al*., 2006:50). The Balanced Scorecard model leaves no room for more perspectives and cross-perspectives that might have a simultaneous impact on corporate performance. Neely *et al.* (1995:106) contend that the Balanced Scorecard model is unable to address one of the fundamental questions for corporate managers: *What are the competitors doing?* In a competitive business environment, a focus on competitor analysis would be regarded as critical to any organisation's survival.

The predetermined categorisation of the four perspectives on the Balanced Scorecard model may, however, prevent the model from becoming organisation-adapted. Different organisations have quite different needs, market areas, people, products and services and stakeholders (Chavan, 2009:393-406). The above observation implies that each organisation should have its own different perspectives on the Balanced Scorecards model. By putting too much emphasis on the four perspectives, the Balanced Scorecard model may ignore other more relevant immeasurable attributes, such as organisational culture, which are key factors in the future competitiveness of the organisation concerned (Duren, 2010:162-168; Flamholtz, 2001:273; 2003:15; 2005:90).

3.5.12 The Balanced Scorecard model does not employ a multi-stakeholder-centred approach

The literature review reveals that the Balanced Scorecard model does not conform with the stakeholder-centred approach to performance management (Atkinson, Waterhouse & Wells, 1997:25-37, Voelpel *et al*., 2006:51). The model is primarily based on the understanding that an organisation has one long-term objective, that of maximizing shareholders' wealth in a profit-motivated organisation. Other critical stakeholders, such as the government, which contributes towards the private sector development, are completely ignored in the Balanced Scorecard model discussion.

The Balanced Scorecard model fails to explicitly recognise other critical stakeholders, especially within an African context. Stakeholders' interests of employee values, local community, suppliers are sacrificed to satisfy only the shareholders. With the exception of a customer focus, the model is purely capitalist as it puts more emphasis on shareholders (owners of financial capital) than on the other stakeholders (Kennerley & Neely, 2002b; Smith, 2005). The Balanced Scorecard model lacks a multi-stakeholder approach, as it is not comprehensive enough regarding the other key stakeholders, such as the community and the natural environment.

Debates about the natural environment are becoming a commonplace in modern organisational settings (Martin, 2007:36-37; Rossouw, 2010b:20-22). The Balanced Scorecard model does not capture a true environmental perspective and ignores the links between the environment and organisational operations. Consequently, many organisations do not take appropriate actions to quantify the associated risks of environmental considerations. Worse still, environmental and societal disclosures are still absent from companies' annual reports. However, in South Africa, the King III Report on governance has made environmental and social reporting mandatory (Institute of Directors in Southern Africa, 2009:109)

3.5.13 The Balanced Scorecard model de-emphasises the significance of socio-cultural frameworks for organisational survival

The de-emphasis of socio-cultural perspectives is a serious flaw in the Balanced Scorecard model (Voelpel *et al*., 2006:51-52). For example, within an African context, socio-cultural linkages are considered a key factor for the success of any organisation based in Africa (Karsten & Illa, 2005; Khoza, 1994; Mangaliso, 2001; Mbigi & Maree, 2005). In African society and management systems, the Ubuntu philosophy is a pervasive spirit of caring and sharing and the community is paramount. People's cultural beliefs and values are a crucial factor in the economic endeavours of organisations (Ntibagirirwa, 2009:297-311).

As has already been pointed out, the Balanced Scorecard model is capitalist, as it focuses only on the maximisation of shareholders' value through high profitability rather than the fulfilment of the socio-cultural values as enshrined in the African Ubuntu socio-cultural systems. The Ubuntu philosophy demands that success should not be aggressively achieved at the expense of others as the purpose of existence is for communal harmony and well-being (Tutu, 2004:27). In its current form, the Balanced Scorecard model is therefore not consistent with the socio-cultural values of an African framework.

The above analysis of the significance and limitations of the Balanced Scorecard model is summarised in Table 3, below.

Table 3: Significance and limitations of the Balanced Scorecard model

	Significance of the Balanced Scorecard model
1.	The Balanced Scorecard model is used as a strategic management tool
2.	The Balanced Scorecard model is used as a means of setting organisational priorities
3.	The Balanced Scorecard model is used as a motivational tool
4.	The Balanced Scorecard adopts a holistic approach
5.	The Balanced Scorecard model is the basis for the budgeting and budgetary process
6.	The Balanced Scorecard model forms a foundation for sound external financial reporting systems
7.	The Balanced Scorecard model provides a means of organisational communication system

	Limitations of the Balanced Scorecard model
1.	The Balanced Scorecard model is oversimplified - it does not represent the complexity of organisational systems
2.	The Balanced Scorecard model has conceptual limitation as a strategic management tool
3.	Strategy execution using the Balanced Scorecard model is still problematic
4.	The validity of the four perspectives of the Balanced Scorecard model has not been proven
5.	The Balanced Scorecard model has registered high failure rates
6.	The Balanced Scorecard model and its long-term cost-effectiveness are in question
7.	Assumptions about the unidirectional linearity of the Balanced Scorecard model perspectives may be erroneous
8.	There are no time lags on the cause-and-effect relationships of Balanced Scorecard model perspectives
9.	The maximisation of shareholders' wealth is overgeneralised in the Balanced Scorecard model
10.	The Balanced Scorecard model focuses on individual organisation and ignores the modern collaborative commerce
11.	Over-emphasis of only the four perspectives of the Balanced Scorecard model
12.	Balanced Scorecard model does not employ a multi-stakeholder-centred approach
13.	The Balanced Scorecard model de-emphasises the significance of socio-cultural frameworks towards organisational survival

Source: Own observation

The above literature review indicates that the limitations on the use of the Balanced Scorecard model far outweigh the model's usefulness at present (see Table 3). Most of the cited limitations of the Balanced Scorecard model are the result of the model's assumptions and conceptualisation. The main problem of the Balanced Scorecard model is its rationale of focusing on providing a systematic tool, combining financial and non-financial performance indicators in one coherent performance measurement system. In a mechanistic way, the measures are constructed according to a predefined strategy, and the company's processes are aligned towards this strategy.

Overall, the Balanced Scorecard model is based on the perception of a corporation as a profitability machine, which needs to be optimised to reach maximum efficiency through measuring and controlling for mostly company-owned processes. The Balanced Scorecard model fails to include critical stakeholders such as suppliers, government, competitors, the local community, and the natural environment. Exclusion of these stakeholders from the model's perspectives is not consistent with the modern thinking of a stakeholder-centred approach to management.

Most conspicuous in the Balanced Scorecard model is the omission of the socio-cultural elements as one dimension affecting corporate performance, especially within an African context. The socio-cultural dimension is critical, as discussed in the literature review above (summary) and also more detailed in Chapter Four (next chapter). The conceptual framework of this study takes cognisance of relationships and cultural elements as critical ingredients of the success of organisations in Africa.

3.6 CONCLUSION

This chapter has reviewed literature on issues surrounding the measurement of performance using scorecards, in particular Kaplan and Norton's Balanced Scorecard model. The Balanced Scorecard model eliminates over-reliance on the use of financial measures when assessing corporate performance. While retaining a financial perspective, the Balanced Scorecard incorporates three more perspectives: the customer, internal business processes, and innovation perspectives.

The Balanced Scorecard is founded on several conceptual assumptions that include the prescription of the four perspectives, the aim of increasing shareholders' wealth through profit maximisation, the desirability of aligning the organisational vision with strategy through top-down hierarchical arrangements and the beliefs in a cause-and-effect relationship between the perspectives. Successful implementation of the Balanced Scorecard model entails the proper translation of vision and strategy into action.

The chapter has also reviewed literature on the significance of using the Balanced Scorecard model, especially in organisations. The usefulness of the Balanced Scorecard model to an organisation lies in its holistic approach towards corporate performance measurement, the motivation it provides to employees, its being a basis for budgeting and budgetary control systems, as well as for sound external financial reporting systems, and its providing a means of organisational communication.

The Balanced Scorecard model may not be a recipe for success everywhere. Some major challenges and limitations are associated with the Balanced Scorecard model's conceptualisation and assumptions. The limitations of the model include its oversimplification and conceptual limitations as a strategic management tool, the fact that its four perspectives have not been proven to be valid, that the model is associated with high implementation failure rates, its questionable long-term cost effectiveness, its cause-and-effect relationship problems, and its failure to recognise modern collaborative commerce practices.

Furthermore, the Balanced Scorecard model overemphasises the four perspectives. It still implies more of a shareholder than a stakeholder approach, as only shareholders, employees and customers are considered. Other critical stakeholders, such as suppliers, government, competitors, the community and ecological systems are not included. The Balanced Scorecard model de-emphasises the socio-cultural frameworks that have a direct impact on corporate performance, especially in the African environment.

The next chapter reviews relevant literature on scorecards within the context of the African Ubuntu philosophy, which is all-pervasive in Africa and governs African society. It looks at the underlying principles of this philosophy and its possible applications within a business context.

CHAPTER FOUR:
THE AFRICAN UBUNTU PHILOSOPHY

> A person is a person through other persons. None of us comes into the world fully formed. We would not know how to think, or walk, or speak, or behave as human beings unless we learned it from other human beings. We need other human beings in order to be human.
>
> (Tutu, 2004:25).

4.1 INTRODUCTION

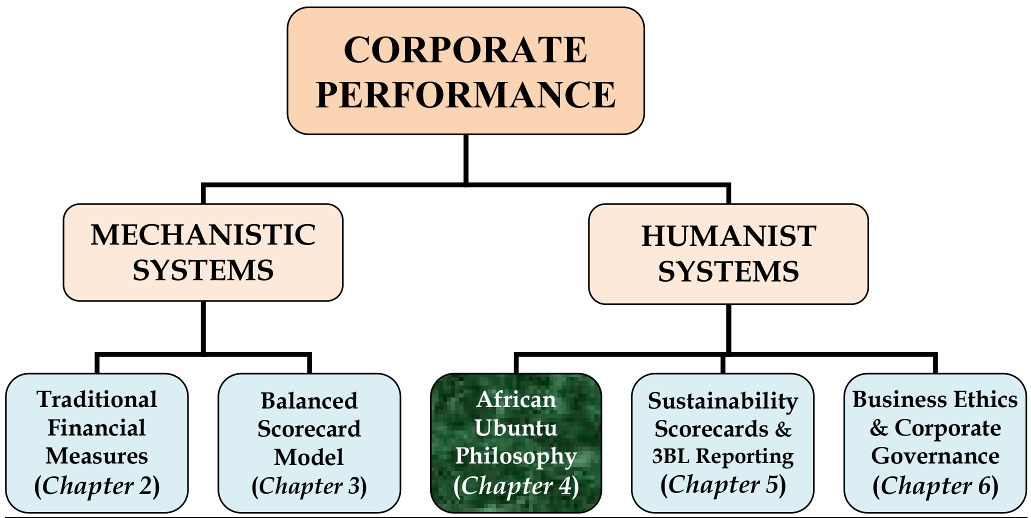
Management practices and policies are not an entirely internal organisational matter, as various factors beyond the formal boundary of an organisation may be at least equally influential in an organisation's survival. In this study, society, which includes the local community and its socio-cultural elements, is recognised as one of the main external stakeholders of an organisation (see the conceptual framework in Figure 1, on p. 7). Aside from society, organisations are linked to ecological systems that provide natural resources as another form of capital.

As Section 3.5.13 shows, one of the most important limitations of the Balanced Scorecard model is that it does not integrate socio-cultural dimensions into its conceptual framework (Voelpel *et al.,* 2006:51). The model's perspectives do not explicitly address issues such as the society or the community within which an organisation operates. In an African framework, taking into account the local socio-cultural dimensions is critical for organisational performance and the ultimate success of an organisation. Hence, it is necessary to review this component of corporate performance critically before effecting any measures, such as redesigning the generic Balanced Scorecard model.

This chapter examines the first set of humanist performance systems, as shown in Figure 11, overleaf. The chapter discusses issues surrounding the African socio-cultural framework. The chapter gives some background on the African

Ubuntu philosophy, the significance of this philosophy in practice, some of the challenges of the African Ubuntu philosophy, and the overall contribution of the Ubuntu philosophy to the success of corporate management systems.

Figure 11: Corporate performance and the African Ubuntu philosophy



Source: Own observation

In view of the Ubuntu philosophy, the chapter also discusses external factors that affect internal organisational operations, for example, African culture and leadership styles, employees' social values, and corporate social responsibility (CSR), which are deeply entrenched in African Ubuntu cultural systems. Knowledge about and the inclusion of these socio-cultural elements could act as a recipe for the successful implementation of an African management system, including a redesigning of the Balanced Scorecard model.

4.2 UNDERSTANDING THE AFRICAN UBUNTU PHILOSOPHY

The word Ubuntu is derived from a Nguni (isiZulu) aphorism: *Umuntu Ngumuntu Ngabantu*, which can be translated as "a person is a person because of or through others" (Moloketi, 2009:243; Tutu, 2004:25-26). Ubuntu can be described as the capacity in an African culture to express compassion, reciprocity, dignity, humanity and mutuality in the interests of building and maintaining communities with justice and mutual caring (Khoza, 2006:6; Luhabe, 2002:103; Mandela, 2006:xxv; Tutu, 1999:34-35).

The Ubuntu application is pervasive in almost all parts of the African continent. Hence, the Ubuntu philosophy is integrated into all aspects of day-to-day life throughout Africa and is a concept shared by all tribes in Southern, Central, West and East Africa amongst people of Bantu origin (Rwelamila, Talukhaba & Ngowi, 1999:338). Although the Bantu languages have evolved since the concept was first formulated, the meanings and principles of Ubuntu are the same in all these languages. Examples of the derivatives of the term in the Bantu languages are summarised in Table 4, below.

Table 4: Derivatives of 'Ubuntu' in Bantu languages

Ubuntu Derivative	Bantu Language	Source
Abantu	Uganda	Broodryk (2005:235)
Botho or Motho	Sesotho	Broodryk (2005:235)
Bunhu	Xitsonga	Broodryk (2005:235)
Numunhu or Munhu	Shangaan	Broodryk (2005:236)
Ubuntu, Umtu or Umuntu	isiZulu and isiXhosa	Broodryk (2005:236)
Umunthu	Ngoni, Chewa, Nyanja and Bemba (Malawi, Zambia, Mozambique, and Zimbabwe)	Own observation
Utu	Swahili (Own: Tanzania, Kenya and Uganda)	Broodryk (2005:236) Own observation
Vhuntu or Muntu	Tshivenda	Broodryk (2005:236)

Source: Adapted from Broodryk (2005:235-236) and own observation

The application of the Ubuntu philosophy optimises the indigenous setting of an African organisation. The Ubuntu philosophy believes in group solidarity, which is central to the survival of African communities (Dia, 1992; Mbigi & Maree, 2005:75). An African is not a rugged individual, but a person living within a community. In a hostile environment, it is only through such community solidarity that hunger, isolation, deprivation, poverty and any emerging challenges can be survived, because of the community's brotherly and sisterly concern, cooperation, care, and sharing.

Nobel Prize winner and former president of the Republic of South Africa, Nelson Mandela, describes Ubuntu as a philosophy constituting a universal truth, a way of life, which underpins an open society (Mandela, 2006:xxv). The Ubuntu philosophy does not mean that people should not address themselves to a problem, but it does imply that they should look at whether what they are doing will enable or empower the community around them and help it improve. The Ubuntu philosophy also implies that if people are treated well, they are likely to perform better.

Practising the Ubuntu philosophy unlocks the capacity of an African culture in which individuals express compassion, reciprocity, dignity, humanity and mutuality in the interests of building and maintaining communities with justice and communalities (Poovan, Du Toit & Engelbrecht, 2006:23-25). Respect and love amongst the community members play an important role in an African framework. The African view of personhood rejects the notion that a person can be identified in terms of physical and psychological features. Ubuntu is the basis of African communal cultural life. It expresses the interconnectedness, common humanity and the responsibility of individuals to each other (Koster, 1996:99-118; Nussbaum, 2003:21-26).

The above descriptions of the Ubuntu philosophy bring to light that an African society is, in general, humanist, community-based and socialist in nature. The Ubuntu philosophy therefore underpins any grouping within an African society. Such groupings include formal organisations that operate within local communities. Thus, the African Ubuntu philosophy can play a significant role in corporate performance, as it influences the internal operations of an organisation that operates in an African environment.

4.3 SIGNIFICANCE OF THE AFRICAN UBUNTU PHILOSOPHY FOR CORPORATE PERFORMANCE

The sections below discuss cases that show the profound significance of the Ubuntu philosophy in an African context. Some analyses are based on the researcher's personal knowledge and experiences gathered over the last forty years in the course of his African upbringing and associations.

4.3.1 The community is more important than an individual under the Ubuntu philosophy

The Ubuntu philosophy represents an African conception of human beings and their relationship with the community that embodies the ethics defining Africans and their social behaviours (Dia, 1992; Mbigi, 2005:75; Van den Heuvel, Mangaliso & Van de Bunt, 2006:48). Africans are social beings that are in constant communion with one another in an environment where a human being is regarded as a human being only through his or her relationships to other human beings (Tutu in Battle, 1997:39-43). Therefore, the survival of a human being is dependent on other people – the community and society.

There are several basic management principles derived from African tribal communities that embody this philosophy, including trust, interdependence and spiritualism (Mbigi & Maree, 2005). In the African management system context, the African Ubuntu philosophy represents humanness, a pervasive spirit of caring within the community in which the individuals in the community love one another. This Ubuntu approach plays a pivotal role in determining the success of any African organisation (Mangaliso, 2001:32). Ubuntu transcends the narrow confines of the nuclear family to include the extended kinship network that is omnipresent in many African communities. As a philosophy, Ubuntu is an orientation to life that stands in contrast to rampant individualism, insensitive competitiveness, and unilateral decision-making. The Ubuntu teachings are pervasive at all ages, in families, organisations and communities living in Africa.

The Ubuntu optimises the African philosophy of respect and human dignity that is fundamental to being able to transcend ethnic divisions by working together and respecting each other (English, 2002:196-197; Poovan *et al*., 2006:22-25; Tutu, 1999:34-35). People who truly practise Ubuntu are always open and make themselves available to others, they are affirming of others and do not feel threatened that others are able and good. With Ubuntu, one has a proper assurance that comes with the fundamental recognition that each individual belongs to a greater community.

From the above literature review, it seems that, in an African framework, the community frame of reference is what an individual is defined and associated with. In Africa, the definition of an individual is community-based and not individualist. Anybody who does not identify him- or herself with the community is regarded as an outcast, which is contrary to Western ideologies. Thus, an African organisation must run its activities on the premise that community cares, and that the care of its members is paramount.

4.3.2 Positive behaviour is related to the Ubuntu philosophy

Behaviour in line with Ubuntu is identified as an individual's state of being, where the person's behaviour is governed by a ability to reason and think within the community context (Maphisa, 1994; Swarts & Davies, 1997: 290-296). Rational behaviour thus focuses on positive human values, such as love, sympathy, kindness and sharing. Respect refers to an objective and unbiased consideration of and regard for somebody's rights, values, beliefs and property (Eze, 2006; Tutu, 2004:26; Yukl, 2002).

Under African governance provisions, respect, dignity, caring and sharing are considered critical values that build African communities (Bekker, 2006; Eze, 2006; Poovan *et al*., 2009). The fundamentals of sharing are prevalent in African communities. The Ubuntu philosophy implies that one can only increase one's good fortune by sharing with other members of the society and thereby also enhancing their status within the local communities. Broodryk (2005:175) enumerates cases that show the human value behaviour of the Ubuntu philosophy, including visiting sick people who are not necessarily one's own relatives, sending condolences to a bereaved family, adopting an orphan as one's own child, providing food for needy people in the community, assisting the elderly in many different ways, and greeting others in a loving, friendly and compassionate way. The issues of corporate conscienceness, where equitable allocation and sharing of wealth is very African, have been recognised as a strategic theme relevant to the conceptual framework of this study.

Broodryk (2005:175) summarises the Ubuntu philosophy as representing various positive attributes, as indicated in Table 5 below.

Table 5: Positive attributes and meanings of the African Ubuntu philosophy

Ubuntu attribute	African Ubuntu meaning
U- Universal	Global, intercultural brotherhood
B- Behaviour	Human (humane), caring, sharing, respect, compassion (love, appreciation)
U- United	Solidarity, community, bond, family
N- Negotiation	Consensus, democracy
T- Tolerance	Patience, diplomacy
U- Understanding	Empathy (forgiveness, kindness)

Source: Adapted from Broodryk (2005:175)

The above attributes of Ubuntu show that an African society, which is humanist in nature, is also more community-based and socialist than Western society. Socially, organisations may be motivated to train their employees using Ubuntu as a philosophy, because doing so can help African organisations to develop a better understanding of African society and of their roles as an integral part (corporate citizens) of that society. The positive attributes of Ubuntu also demonstrate what an organisation can gain in terms of understanding the seriousness of embracing a corporate conscience that is in line with African society.

4.3.3 Synergies and competitive advantages arise under the Ubuntu philosophy

African organisations can build cooperation and competitive strategies by allowing teamwork based on Ubuntu principles to permeate the organisation (Mbigi & Maree, 2005:93). As a people-centred philosophy, Ubuntu stipulates that a person's worth depends on social, cultural and spiritual criteria. It requires a life that depends on a normative engagement with the community, a substantive appreciation of the common good and a constitutive engagement with one another in a rational and ethical community.

In this way, in order for a person to be identified as a true African, community and communality are substantive prerequisites. Communalism and collectivism are essential to the spirit of the African Ubuntu philosophy. Equally important in Ubuntu relationships is the aspect of working with others as a team (English, 2002:197; Poovan *et al.,* 2006:17). A spirit of solidarity simultaneously supports cooperation and competitiveness amongst the team by allowing individuals to contribute their best efforts for the betterment of the entire group.

In a team setting, the existence of Ubuntu as a shared value system implies that team members are encouraged to strive towards the outlined team values, which consequently enhance their functioning together as a team (Poovan *et al.*, 2006:25; Van den Heuvel *et al.*, 2006:48). The team is brought one step closer to being effective because of the increased level of team members' commitment, loyalty and satisfaction, which ultimately has a positive impact on overall performance. Thus, management systems that tend to focus on achievements of individual team members and not the entire group are likely to miss out on all the social and collective framework of an African society.

Conversely, when a team is not intrinsically held together by all members, the consequences can be negative or sub-optimal. Sub-optimality occurs because each team member works towards different goals based on different value systems. This can result in dissatisfaction, a lack of productivity and commitment and a lack of teamwork or team spirit amongst team members (Poovan *et al.,* 2006:25). With such a scenario, it would be the task of the team leader to try to create an environment that is conducive to a team culture that appreciates the values of the Ubuntu philosophy.

Within an African society, oneness and sharing play a pivotal role in local communities and organisations – it is said in the Nyanja language that *Mu umudzi muli mphamvu* [unity is strength]. Community-based approaches also help to build synergies where the whole is more effective than the sum of individual parts. Under the Ubuntu philosophy, synergies are realised where the groupings are socially or culturally bound (Mangaliso, 2001:28-32; Prinsloo, 2000:275-285). The spirit of Ubuntu leads to cooperative and collaborative work environments, because the community is encouraged to participate, share and support all the team members (Regine, 2009:17-22; Van den Heuvel *et al.*, 2006:48). People can work together in community groups in order for them to be more productive, for example, they farm, construct roads, fish or fell trees together, while they are singing traditional songs as part of morale boosting. Thus, the community-based Ubuntu philosophy enhances productivity and organisational performance.

Through the Ubuntu philosophy, synergies create a great deal of competitive advantage for organisations from employees who practise this philosophy and their teams. An African organisation can gain competitive advantages on the basis of several business premises, including effective human relationships with others, language and communication, decision-making, time management, productivity, age and leadership, and cultural beliefs (Hampden-Turner and Trompenaars, 1993). Such business premises about the Ubuntu's contributions towards different areas of business perspectives is in conformity with English's (2002:203) argument that it is the spirit of Ubuntu that can give the African continent an edge and that will allow it to find a way forward. Within the redesigning processes of foreign ideologies, an African organisation must be localised in terms of its systems to respond to socio-cultural and environmental demands.

Overall, the above literature review shows that the Ubuntu philosophy conforms to a large extent with the understanding of the conceptual framework of this study in Figure 1 on p. 7. Culture and stakeholder relationships are regarded as one of the strategic themes of corporate performance. To facilitate all these relationships, there is a need for an effective communication system, which would be in line with the precepts of the Ubuntu philosophy. The importance of management decision-making and time management issues in facilitating productivity cannot be over-emphasised. The Ubuntu philosophy provides its own unique management perspectives, including ones on leadership.

4.3.4 African culture and leadership styles can be founded on the Ubuntu philosophy framework

Every geographic environment has its own distinguishing features, including culture. African culture is very different from Western cultures in some ways – this implies that in an African framework, social and cultural linkages are considered to be a key determining factor for the success of any organisation that operates on the continent (Broodryk, 2005; Karsten & Illa, 2005; Khoza, 1994; Mangaliso, 2001; Mbigi & Maree, 2005). The implication of such concerns is that people must come first, before products, profits and productivity. Once people have been given priority and are treated well in their daily endeavours, productivity, products and profits should automatically be realised.

Afrocentricity encompasses African history, traditions, culture, mythology, and the value systems of communities, according to Khoza (in Mangaliso, 2001:278-279), the Chairperson of Eskom, the supplier of electricity in South Africa. Khoza believes that corporations in Africa will be successful if they adopt the Ubuntu management and leadership styles, which are people-centred. It is perhaps telling that Eskom registered an after-tax profit of R5.2 billion over a period of 15 months up to the end of March 2005 after the corporation had adopted the Ubuntu management philosophy (Broodryk, 2005:17).

Similarly, Wolmarans (1995:4) reports that South African Airways (SAA) adopted an Ubuntu management system in 1994. Since then, the African Ubuntu philosophy has been a driving force in the company. The secret behind its success has been the publicly stated core values of South African Airways – these include corporate performance, customer orientation, employee care, corporate citizenship, integrity, safety, innovation and teamwork, which are all embodied in the Ubuntu management philosophy. Improved results demonstrate that culture and leadership style play pivotal roles towards the achievement of set goals and strategies of an organisation.

Emerging African management philosophies see an organisation as a community and can be summed up in one word – Ubuntu (Mbigi & Maree, 2005:v-vi). An African Ubuntu management system recognises the significance of group solidarity that is prevalent in African cultures, acknowledging that an African leadership style involves group and community supportiveness, sharing and cooperation. Ubuntu-based leadership dictates sharing burdens during hard times, because by doing so, suffering is also shared and diminished. What is distinctive about the Ubuntu philosophy is the premise of a short memory of hate (Mazrui, 2001). Africans teach children to communicate effectively, reconcile, and find ways to cleanse and let go of hatred and give the children skills to do so. The Ubuntu approach to life enables people to express continued compassion and perseverance within communities and institutions.

The researcher observes that in Africa, when one is offended, both the offender and the offended are taken through a traditional court system. After the hearings and advice, the offender is usually told pay a fine, in the form of chickens, goats or cattle, to the offended party, depending on the gravity of the offence – it is a form of restorative justice. The Western judiciary system, which is a punitive system, largely punishes only the offenders by sending them to prison and neglects the offended party in the process. The traditional local judiciary system is both punitive and compensatory, in that the offender is punished and, at the same time, the offended party is duly compensated. In an African traditional court system, the leadership style is designed in such a way that it is reconciliatory as well. Through traditional local hearings, people unite and reconcile within a short time. Such a community-based approach to justice underpins an African leadership style that is founded on community love and solidarity.

However, African leadership that is grounded on compassion should use the Ubuntu philosophy with its original good intentions. Tambulasi and Kayuni (2005:158) observe that the application of Ubuntu should be in harmony with the democratic and good governance principles of a country. If these principles are not properly used, especially by politicians and public officials, claims of using Ubuntu in principle can create negative connotations if people say they are applying the philosophy whilst in fact their actual practice is divorced from the principles of democracy and good governance as enshrined in the statutes. For example, handouts to people who have not worked for what they get would not be part of the Ubuntu philosophy. The Ubuntu philosophy encourages people to work hard within their communities as a team.

4.3.5 African Ubuntu collectivism cultivates a team spirit towards work

Traditionally, African societies tend to be cohesive and productive, working together as one family in their social grouping. Studies that were done in Malawi and Tanzania confirm that amongst the most outstanding values in these societies is the salience of the group (An Afro-centric Alliance, 2001:59-74). The group tradition or collectivism is so strong that generally Africans view success and failure as caused by traditional spirits that are controlled by the society. For example, before accepting any good offers, such as a promotion, an employee may seek traditional spells before deciding, or can even turn down the promotion altogether for fear of its social consequences. Any achievement or failure is taken as a group obligation – it belongs to the entire community.

In East and Central Africa, family remains, and is likely to remain, a centrepiece of collectivism. Using family metaphors may be regarded as one viable option in managing motivation in the workplace (Carr *et al.*, 1997:906). If there are any multinational organisations in Africa that continue to promote individualist performance systems, there must be a need to articulate folk theories containing traditional accounts of achievements. The above literature review suggests that a wholesale introduction of individualist performance management systems may be socially and economically divisive and costly for any organisation based on Africa. This scenario could also be true with the generic Balanced Scorecard model applications within an African context. The social-cultural framework of an African society is pervasive, even within the management and among employees who have direct attachments with their society.

4.3.6 Ubuntu philosophy involves recognising an employee's socio-cultural values within an African context

The successful implementation of any plans and goals by the organisation can be realised only if the human resources component is rejuvenated to perform better. It is important that the spirit and morale of employees be renewed, apart from those of the business processes in order to realise the set goals and strategies (Mbigi & Maree, 2005). The development of cooperative and competitive employees can be achieved through training and educating them on indigenous knowledge. Such training programmes can encompass critical areas such as patriotism and citizenship, which focus on the constant acquisition of different local skills and the best working techniques, based on Ubuntu and teamwork.

Apart from an emphasis on employee training and learning on the job, it is important for a company that employees uphold a number of values for them to be effective and productive. In the African context, employees' values emanate from African socio-cultural underpinnings. For example, employees have to be treated as human beings and not necessarily as programmed machines (Prinsloo 2000; Voelpel *et al.*, 2006). Employees have extended family systems that should be respected, and these systems may have an impact, for example, in terms of medical needs and funeral services.

When an individual is included in the community, that person begins to appreciate the idea of having an extended family system. The extended family system is not necessarily based on biological bonds, but rather on bonds of community solidarity (Poovan *et al.,* 2006:23). Seeing oneself as a part of an extended family provides one with an identity in African society. It is this identity that makes one realise that all people collectively share the same commonalities in life and need to do so positively to co-exist and survive.

A story is frequently told of a male employee who reportedly lost four fathers within the period of one year. For each funeral, the employee wanted financial assistance from his white employer. There was considerable misunderstanding between the two, as the employer insisted that one cannot have four fathers. The employee earnestly explained that his first father was one of his biological father's elder brothers, the second was one of his biological father's younger brothers, the third was his real (biological) father, and the last was the husband of his mother's sister. The employer was amazed at Africans' extended family systems. The story indicates how extended and community-based African society is.

Even in a working environment, the spirit of extended family systems is practised. In the workplace, there should be a family spirit if there is to be productivity (Broodryk, 2005:218). If all employees regard themselves as members of one extended family in the workplace, Ubuntu would apply in respect of personhood or brotherhood (or sisterhood), and everybody would automatically be a member of this big family – an organisation.

In Eritrea, the extended family system is an important source of security, economic and social support in daily life, in sickness or old age, in cases of job loss and other societal events. It is the moral obligation of an Eritrean who has an income to support the poor, the aged and the needy within the family financially (Ghebregiorgis & Karsten, 2006:150). This kind of moral obligation and support based on a person's conscience has even been enshrined in the Eritrean Constitution. It is stipulated in the Eritrean Constitution (Government of Eritrea: Article 22: 3) that

> Parents have the right and duty to bring up their children with due care and affection; and in turn, children have the right and the duty to respect their parents and to sustain them in their old age.

In Africa, the traditional heritage in many regions reflects the cultural norms of working together, developing a sense of co-operation, and helping one another in times of adversity and prosperity. Supporting the family is a symbol of solidarity and the interests of the family are always a priority (Mwenda & Muuka, 2004:143-158). Thus, if an organisation can function as a kind of community or family, similar employee values can be harnessed through the development of that sense of honour and good relationships with employees, as family members of the organisation. Fakude (2007:199) advises that even the most broad-based of economic empowerment programmes must emphasise good labour relations and best practices in that regard for both employers and employees. What a broad-based approach does is to take cognisance of the social context of economic development.

It is important to note the above African ideologies and the social obligations that employees are expected to meet. Such perceived social obligations can have a direct impact on corporate performance. The non-fulfilment of perceived obligations (non-monetary) by organisations might cause employees to refrain from deploying their energies effectively in organisational processes. The perceived obligations by organisations can be conceptualised as "intangible liabilities", which represent the non-monetary obligations that an organisation must accept and acknowledge in order to avoid the depreciation of its intangible assets, such as intellectual capital and knowledge (Garcia-Parra *et al*., 2009:827).

The above literature review illuminates basic guidelines regarding issues affecting employee welfare in an African framework. The constitutional provisions in some countries illustrate the national importance attached to these values that employers should take cognisance of when engaging their employees. Employees need to be given conditions of service that are all-encompassing in terms of the community support that is required by all citizens, including employees. In African Ubuntu-based systems, community relations are made up of extended family systems, distant relatives and friends who all form a close-knit network of human beings of all ages.

In an African organisation, efficiency and competitiveness can be achieved by an emphasis on social well-being rather than on purely technical rationality. The Ubuntu philosophy propounds that employees' cultural values, which include extended family systems, medical and funeral arrangements, must be respected. However, the African employee welfare phenomenon is not fully represented in the generic Balanced Scorecard model, which advocates employee empowerment in the form of knowledge acquisition as a kind of human resources capital. The Ubuntu philosophy recognises the significance of treating employees as human beings and not necessarily as "programmed" human resources capital. The Ubuntu philosophy is imbued with respect for human beings, especially one's elders.

4.3.7 Respect is shown to one's elders under the Ubuntu philosophy

Apart from the usual organisational culture and individual personalities, the content and style of leadership is dictated by culture. In Africa, authority flows from the old to the youth, and respect for the elderly is a guiding principle. In corporate relationships, age is an essential element in Africa (Amoako-Agyei, 2009:333; Darley & Blankson, 2008:380). Thus, an older person is automatically expected to hold a certain level of superiority, regardless of his or her rank, title or education. Respect for one's elders, which is pervasive in all African societies, is one of the requisites that foreign corporations should include in their management systems; and this also applies to multinationals operating in Africa.

It is equally important to understand the social and management implications of respecting one's elders. For instance, in Africa, leadership is more likely to be accepted and is easier to respect when it comes from a more experienced and older individual than from young and apparently inexperienced individuals (Mangaliso, 2001:29). What this means is that it is very rare for a young man (and arguably even more difficult for a young woman) to be comfortable about assuming high office and leading a group consisting of older people who are regarded as senior to that young person. Equally, it would be awkward for older employees to take instructions from the young. This issue becomes especially complicated in a highly structured system such as the military, where compliance is a prerequisite and the leader is required to be more directive. However, respect for one's elders still remains a decisive feature of African society. Apart from respect for one's elders in particular, the Ubuntu philosophy also demands respect for the community in general, where individuals are expected to be socially responsible to their local communities and society at large.

4.3.8 Respect for the community and corporate social responsibility are part of the African Ubuntu philosophy

The African Ubuntu philosophy is displayed through compassion, where individuals express a sense of deep caring for and understanding of each other.

The Ubuntu approach allows team members to strive towards becoming caring, understanding and sharing (Poovan *et al.,* 2006:24). The compassionate approach enables team members to achieve a common goal. Through a common understanding, community members are able to help and care for each other as members of one family, as required in the humanist African Ubuntu approach towards the community and its members (Tutu, 2004:27). For example, the African Ubuntu philosophy, which is premised on community solidarity, demands that success of an individual should not be aggressively achieved at the expense of others as the purpose of the group existence is for communal harmony and well-being of all.

In line with the people-centric Ubuntu philosophy, individualism is not viable, for it is inadequate as a model to understand the basic human elements of a society (Khoza, 1994:4-9). By nature, humans are social beings and their wants and capacities are largely a result of society and its institutions. The most effective human behaviour is that experienced in the web of relationships people have with the groups, organisations, family and other bigger groupings that they belong to, such as the church, the state and other national and international organisations. African organisations have to understand this kind of relationship between their business activities and the social responsibilities that they have to meet.

The Ubuntu philosophy advocates community and engagement with the society that we live in. The communalism that the African Ubuntu approach preaches involves care for the community and society. This communalism involves wealth distribution among members of society (Prinsloo, 2000:283-284). In an African setting, a slaughtered cow is shared amongst the community members for their mutual benefit. This social responsibility can also be expressed in terms of harvesting only part of the crop from the field, leaving the rest to the less privileged, the poor, the sick, the elderly, the orphans or the destitute and eventually to the birds of the heavens. Likewise, companies have a social responsibility to the community in which they are doing their business.

As social gratitude and a sign of respect for the elderly, and to encourage organisations to be more community-based and socially responsible, the Malawi Government has embarked on a number of socially-oriented projects, including the Bingu Silver-grey Foundation (BSF), which recognises the contributions of the elderly (those who are sixty and more years old) to society (FAO-Rome & BGF, 2008). The foundation was established in recognition of the fact that the Malawi population is ageing. Under this project, both the public and private sectors participate in achieving Bingu Silver-grey Foundation's institutional goals and its objective of understanding the challenges posed and faced by the elderly, and in turn appreciate and take advantage of the opportunities available. This initiative also ensures that companies show their corporate citizenship through involvement in such benevolent programmes, which are in line with the Ubuntu philosophy of respect, dignity, caring and sharing.

Meeting social responsibilities which are human-centred in nature is enshrined in the Ubuntu philosophy and has a positive impact on the long-term sustainability of communities and organisations. The philosophy also includes environmental protection, as human beings are considered to be part of creation (Broodryk, 2005:52-54). In Africa, there is considerable scepticism about the view that humans can be defined as lone beings, in terms of individual qualities. Instead, the view is that human being must be defined in terms of their environing physical community.

It is regarded as important to human survival that the natural environment upon which the community survives must be respected and protected. For instance, it may be acceptable in other societies to hunt wild animals with firearms for entertainment or as a pleasurable sport. Such a practice is not acceptable in Africa, since hunting is only excusable if it is done for the purposes of feeding people (Broodryk, 2006:20.

To be in conformity with Ubuntu principles, socio-cultural attributes should never be ignored in any African organisational management systems. Corporate social responsibility should be extended to the notion of ploughing back to the local communities within which corporations do business (Liker, 2004, Rossouw, 2010e). Corporations can do this in the form of financial assistance to the disadvantaged, through educational and health systems, donations in times of disaster, and the overall community maintenance of infrastructure and cultural values.

Generally, the caring and sharing concept that forms the core of the Ubuntu philosophy has now been recognised globally. Modern corporations now realise that they are part of the local communities within which their operations are conducted. The literature indicates that the inclusion of the Ubuntu philosophy into organisational systems would enable companies to be more responsive to the call for corporate social responsibility and good corporate governance.

4.3.9 Good corporate governance is made possible under the African Ubuntu philosophy

Issues of corporate governance are becoming more pronounced in modern business practices. Corporate governance, which is intertwined with business ethics, is considered critical in organisational practice, as well as in general corporate productivity (Rossouw, 2005:105). The founding principles of business ethics and corporate governance are in line with the Ubuntu philosophy of regarding all members of an organisation as part of the community. It is this direct involvement of and with community members that brings about greater solidarity, love, caring and sharing within a grouping (organisation).

A major governance challenge in current governance issues has been corruption, which reveals the moral depravity and badness of the perpetrators (Broodryk, 2005; Moloketi, 2009; Nyarwath, 2002). Generally, corruption is caused by a lack of commitment to moral beliefs by the perpetrators, which is in turn due to the weak moral will of an individual towards other people. Corruption can be seen as a moral issue, where the perpetrators are fundamentally corrupt due to moral ignorance and confusion. Such a moral issue affects human life in a negative way where individuals abuse their personal and official powers (Broodryk, 2005:198). Corruption comes in different forms, which include nepotism, misuse of power, favouritism and bribery.

While corruption manifests itself in the relationship between individuals and institutions, as a practice, it is mostly rooted in the operations of market forces (Moloketi, 2009:239). Unlike the Ubuntu teaching, corruption is a pursuit of individual prosperity, as opposed to the common good of society. Corruption erodes the common fabric, undermines community and perpetuates poverty, inequality and underdevelopment. Ultimately, corruption leads to a rise in the blatant pursuit of individual gains.

When the awareness of moral rights and wrongs is strong, corruption can easily be rooted out. This is the principle behind the community-based Ubuntu philosophy. To curb corruption, for instance, the Ubuntu philosophy must be the essence of a value system that underpins a commitment to eliminate corruption (Moloketi, 2009:243, 247). There is also a need for strong robust democracies, where all sectors of society, including the media and organisations of civil society, the private sector, trade unions, traditional leaders and faith-based organisations have a responsibility to educate and promote the values of Ubuntu philosophy and anti-corruption.

The above observations indicate that there is much that the Ubuntu philosophy can contribute towards business ethics and good corporate governance issues. Under the African Ubuntu philosophy, people should be aware that individualism and greed, and profit achieved by sacrificing other community members, contravenes the true foundations of humanity (Ubuntu). The notion of Ubuntu or humanity teaches community solidarity, caring and sharing amongst the members of a community or organisation.

Overall, the literature also reveals the tremendous contribution that the African Ubuntu philosophy has made towards organisations in the form of its unique management style, which is pervasive in Africa. It would be necessary to include all considerations and contributions of the Ubuntu philosophy when redesigning the Balanced Scorecard model, as this study aims to do. However, consideration should also be given to the challenges that exist within an African society that would make successful implementation of the Ubuntu philosophy difficult to achieve.

4.4 CHALLENGES IN APPLYING THE UBUNTU PHILOSOPHY

As with any other system, the Ubuntu philosophy and the African socio-cultural framework present some challenges. Most of the challenges that are reviewed below are based on my experience and my own observation as part of the African community. The findings of others who have researched this and related questions are referred to accordingly. The challenges of implementing an Ubuntu framework are discussed below.

4.4.1 The African Ubuntu philosophy is based on unrecorded practice

One major challenge of African indigenous knowledge is that it is not written down and that it is mostly transmitted from one generation to the next through storytelling (An Afro-centric Alliance, 2001). Successive generations learn about Ubuntu through direct interaction within local communities. Unlike the Western and Eastern ideologies, which are well documented, African philosophy does not have an ancient written tradition, which makes it very difficult for the younger generations to practise the African Ubuntu philosophy fully.

However, recently, a range of studies have been conducted in order to help people to understand and appreciate the Ubuntu philosophy (An Afro-centric Alliance, 2001; Broodryk, 2005; Mangaliso, 2001; Mbigi & Maree, 2005). Such studies will help to improve the documentation of African socio-cultural frameworks, enabling future generations to apply these ideas within organisational management systems. However, thus far, there is little or no sensitisation and dissemination of information about the Ubuntu philosophy to the affected organisations in Africa.

4.4.2 There is insufficient information dissemination and sensitisation about the Ubuntu philosophy

Although the Ubuntu philosophy is associated with positive attributes, it is not well disseminated to people within African societies. Consequently, some people do not know anything, or know very little about its foundational concepts. This is even more pronounced in towns and suburbs in urban centres where different people with different socio-cultural backgrounds and without extensive and ancient family ties live together.

Western and Eastern cultures have documented their philosophies and have disseminated them into educational systems, but in business schools, for example, training is still based on foreign ideologies, and African theories are not taught. Thus, big business in Africa is still dominated by theories that were created within and for individualist cultures that do not match the communal culture of an African society (Lutz, 2009:317). Consequently, most people running an organisation in Africa fail if they do practise what they are taught in schools, especially at tertiary level (Western business theory), and are ill-equipped to practise anything else.

Therefore, it is high time that all stakeholders get involved in the dissemination of information about and sensitisation of people to Ubuntu philosophy. Such stakeholders would include educational systems, employers, media houses, government and the community. Cognisance should be taken of the fact that some of African traditional practices, customs and rituals are becoming obsolete in a changing modern environment.

4.4.3 The Ubuntu philosophy is negatively associated with some obsolete African traditional rituals, customs and practices

Some African traditions have outlived their usefulness in the modern environment, but may persist nevertheless. Practices such as witchcraft are still prevalent amongst African societies, and organisations need to take cognisance of this.

Other challenges in the African context include envy, where traditional practices tend to discourage individual initiatives (An Afro-centric Alliance, 2001:60-61), as Africans rate social achievement above personal achievement (Van den Heuvel *et al.*, 2006:48). Anybody who aspires to excel above the expectations of the community would be looked down upon as an alien. To counter this, ***envy*** has been characterised as an enemy to our common humanity in the Malawi national anthem's first stanza – it is described as one of the predominant enemies to personal and national development endeavours, apart from the other enemies that include hunger and disease (Malawi Government, 2010b):

> O God bless our land of Malawi,
> Keep it a land of peace.
> Put down each and every enemy,
> *Hunger, disease,* ***envy.*** (my emphases)

Witchcraft, envy and corruption, which are rooted in negative personal behaviours, deprive the very same community and its members endowed with the Ubuntu philosophy of their livelihood.

In the presence of the HIV/AIDS pandemic, some African traditional rituals and practices should be considered irresponsible and outdated. These practices are found across Africa, in many ethnic groupings, under various names, but for the purposes of this discussion, the Chinyanja terms are used, with a brief explanation. I draw on my own knowledge of these practices in Malawi and South Africa. These include polygamy, where a man can have several wives.

Another obsolete practice is *kulowa fumbi* (levirate) which is still common among the Bantu people. *Kulowa fumbi* is practised where the brother of the deceased inherits the widow. The practice is intended to console the widow and assure her that she is still part of the family or community even in the absence of the husband. Unfortunately, the custom is practised without establishing the cause of death of the deceased, which could be related to HIV/AIDS.

Other problematic African traditions include *jando*, the unsafe circumcision practice for the young boys; *fisi*, practised where a family has problems in conceiving a child and another man is formally organised to have sex with the married woman whose husband cannot impregnate her; and *chidyerano*, practised where married couples exchange spouses as a symbol of togetherness.

In some cases, especially in the rural areas, the above African traditions and practices are continued in good faith, but unwittingly endanger the very existence and sustainability of the communities concerned. Fortunately, governments are taking initiatives in sensitising these communities on the woes that can arise from some of these African practices through the print media, radio and television.

However, the African Ubuntu philosophy is also facing challenges in its application due to the proliferation of new foreign ideologies in the multi-cultural African societies.

4.4.4 The African Ubuntu philosophy is challenged by the proliferation of foreign ideologies

The Ubuntu philosophy articulates such important values as respect, human dignity, compassion, solidarity and consensus, which demands conformity and loyalty to the group. However, modern African society is constituted of people from different cultures and backgrounds. Thus, understanding and practising some of the principles of Ubuntu have become problematic, due to multicultural challenges.

For instance, recently, Malawi has been at the centre of a controversy on gay marriage and rights. Two men, Mr Steven Monjeza and Mr Tiwonge Chimbalanga, arranged to wed, but were arrested on 28 December 2009. Although a gay lifestyle and gay marriages are acceptable in some societies, both practices are still considered taboo in the Bantu culture and gay marriage is a criminal offence under the Malawian statutes. The couple were charged with "gross indecency and unnatural acts" contrary to the laws of Malawi. In passing judgement, the following observation was made by Chief Magistrate Judge Siwasiwa (Malawi Government, 2010a; BBC, 2010b):

> The engagement and living together as husband and wife of the two accused persons, who are both males, transgresses the Malawian recognised standards of propriety since it does not recognise the living of a man with another as husband and wife. Both these acts were acts of gross indecency.

When the two men were imprisoned for 14 years, there was an outcry from international bodies, including the NGOs, governments, human rights groups, religious groups, and international organisations, including the United Nations (BBC News, 2010c). After the UN Secretary General, Ban Ki-moon, intervened by visiting Malawi, the prisoners were pardoned on 28 June 2010 by the President of the Republic of Malawi, Dr Bingu wa Munthalika.

This case is symptomatic of a recognition of larger forces that are having an impact on the Ubuntu way of life. Within the multi-cultural environment of African urban society, the synchronisation of the Ubuntu philosophy with some aspects of foreign cultures poses a great challenge to the upholding of principles and beliefs governing traditional African society.

The following section reviews literature on the indigenising of corporate management systems to address African socio-cultural dimensions.

4.5 CASES ILLUSTRATING THE AFRICANISATION OF CORPORATE MANAGEMENT SYSTEMS

As noted in the section on stakeholder approach to management (Rossouw 2010b:20-22; see Section 2.2) and also the section on the inclusion of the community and the African Ubuntu philosophy as an integral part of the conceptual framework of this study (see Section 4.3.1), issues of culture are foundational to any management performance system. This section reviews and analyses literature on the African Ubuntu philosophy and how the philosophy can be used to align corporate performance within the African context that the study is designed to serve.

In the past, most business executives and government officials believed that aspects of management theories developed in the West may apply to the African context without any modifications. Indeed, there is still considerable confidence by management scholars and executive managers in using Western cultural management models in African countries (Ghebregiorgis & Karsten 2006:145; Gray, Shrestha & Nkasah, 2008:52). The use of such foreign ideologies is misplaced, in that Africa has a different socio-cultural framework altogether. Therefore, the adoption of foreign practices should be contingent upon the contextual cues on the circumstances of the society concerned.

It has also been established that local socio-cultural ideologies can hinder or facilitate the implementation of any foreign concepts and practices (Bourguignon *et al.*, 2004:109; Ghebregiorgis & Karsten, 2006:144-163). To a large extent, management tools are congruent with the local briefs and ideologies in the society of their origin. To some extent, locally developed management models tend to be aligned with the specific beliefs of the local society in question. Thus, the socio-cultural assumptions of a management model transferred from one place to another may be more, or less, consistent with the ideologies of the target society.

Africa needs to build its own Africanised workforce for the continent to create organisational and national values (McFarlin *et al.*, 1999:68-69). Organisations will fail if they do not move quickly to Africanise their management efforts. The universal adoption and implementation of foreign ideologies that do not fit into the African context has been a main cause of many corporate failures operating in Africa (Gichure, 2006:39).

The above literature indicates that a wholesale adoption of foreign theories should be avoided and that adaptation of such theories must be encouraged to promote productivity and performance. The use of management theories and practices should be contingent on the societal underpinnings of the environment within which an organisation operates. Furthermore, business managers in multi-national companies should always seek compromise and strike a balance to target the different environmental settings of the different communities in which they operate, together with their different socio-cultural frameworks. Based on this understanding, it would be necessary to conceptualise the African beliefs and socio-cultural values in order to adapt the Balanced Scorecard model framework.

Kamoche (2002:995) presents a similar argument, asserting that there is a great need to identify the characteristics of management systems in Africa, the diversity and adequacy of approaches currently in use and how these might be affected by the key contextual factors. African culture differs from other cultures in that Africans construct different meanings from Western cultures, they negotiate different social and cultural contexts, and they make sense of their own environmental underpinnings (Ahiauzu, 1986:37-58).

International as well as domestic business managers gain a more informed understanding of the local cultural environment. Through such interactions, managers are guided in their decision-making processes (Gray *et al.*, 2008:52). Thus, a multinational company manager has to interact with many cultural groups with different value systems whose perceptions of foreign presence vary widely from those of the foreign company. In compliance with the socio-cultural demands, multinational companies need to think beyond their domestic environments when formulating their global strategies and more especially when forming business partnerships in Africa (Koku, 2005:17). Foreign companies are required to first understand and appreciate the socio-cultural realities of the African continent that operate largely under the Ubuntu philosophy.

A body of research in Africa, by An Afrocentric Alliance (2001), elucidates the vitality of contextual factors, including national and organisational cultures that may have a determining effect on the design and diffusion of management theories, policies and practices. African culture is unique in promoting the reciprocity principle (Darley & Blankson, 2008; Tayeb, 1998:335-6). To be effective, one requires a clear understanding of the African context, including the historical, legal, educational, economic and competitive factors that influence corporate operations.

Given the need to change and the limitations of Western management development models, African countries need to develop their own unique approaches that are appropriate to their respective environments (Binedell, 1994:3-14). There must be proper identification of the African indigenous philosophies and values that underlie the African framework. Under this argument, it is expected that new management development models that are designed must be tested and validated in order for them to be useful tools in the African setting.

Social linkages are quite pertinent in the corporate world. Cultural and social linkages determine how an organisation interacts with its stakeholders, including customers. Even within the national framework, Klemz, Bushoff and Mazibuko (2006:590) found that in South Africa large multinationals are primarily individualist in their cultural orientation and therefore are more likely to drive what they describe as “non-humanistic” aspects of service delivery to their customers. By contrast, the small black-owned businesses are more collectivist in their cultural orientation and therefore use humanist-type variables as a basis of their competitive strategy. Although black people are employed by large, traditionally white-owned, corporations, their work-related behaviour is shaped by the prevailing cultural orientation of the owners and managers of those organisations through training and socialisation.

There is a need for the Africa-based business practices to be consistent with the cultural concepts of the Ubuntu philosophy. In respect of customer care and satisfaction, small retail shops in South Africa are encouraged to supply empathetic and caring service because of its strong influence on black township residents' willingness to buy (Klemz *et al.*, 2006:605). Within an African context, in the long term, organisational goals and strategies are achieved when a compromise is found between different socio-cultural parameters and they are fused into the national and organisational frameworks. Therefore, it is in an organisation's best interests to move beyond just window-dressing and the empty rhetoric of the past towards an approach to management development that reflects Africa's unique context (McFarlin *et al.*, 1999:76). African organisations and projects need to re-align themselves to the true African context and a not Western setting in order for them to be economically and socially viable.

However, the African management theories can take a leaf from some of the Western management theories, as they contain some universal truths. For instance, in Africa, some people keep "African" time, where indigenous managers tend not to attach much value to time keeping (Lutz, 2009:318). The universal business truth is that wasted time results in decreased productivity. There is, however, a need to discriminate between theoretical elements that can enrich a management theory based on the Ubuntu philosophy and elements that cannot.

When developing the African management theories and practices, principles and concepts of the Ubuntu should be incorporated, as the philosophy emphasises the need to harness the desire for solidarity among the African people (Mbigi & Maree, 2005:vii–viii). Therefore, it is important for organisations based in Africa to adopt some Western and Eastern management techniques that can enable them to attain competitive advantage, but they need to do so taking into account the African context.

The significance of and challenges in applying the African Ubuntu philosophy are summarised in Table 6, below.

Table 6: Significance of and challenges in implementing the Ubuntu philosophy

Significance of the African Ubuntu philosophy
1. Community is bigger than an individual under the Ubuntu philosophy
2. Positive behaviour is related to the Ubuntu philosophy
3. Synergies and competitive advantages arise under the Ubuntu philosophy
4. African culture and leadership styles can be founded on the Ubuntu philosophy framework
5. African Ubuntu collectivism cultivates a team spirit towards w
6. Ubuntu philosophy involves recognising an employee's socio-cultural values within an African context
7. Respect is shown to one's elders under the Ubuntu philosophy
8. Respect for the community and corporate social responsibility are part of the African Ubuntu philosophy
9. Good corporate governance is made possible under the African Ubuntu philosophy

Challenges towards the African Ubuntu philosophy
1. The African Ubuntu philosophy is based on unrecorded practice
2. There is insufficient information dissemination and sensitisation about the Ubuntu philosophy
3. The Ubuntu philosophy is negatively associated with some obsolete African traditional rituals, customs and practices
4. The African Ubuntu philosophy is challenged by the proliferation of foreign ideologies

Source: Own observation

The above literature review confirms that it has become imperative that cultural analysis be grounded in the local geographical environment, taking cognisance of different historical experiences, socio-demographics, internal politics, and other socio-cultural forces prevalent in the local areas within an African context. International partnerships and collaboration can be reached through consultation and consensus within the African framework. This means that foreign corporations should pay attention to issues surrounding local relationships and socio-cultural ideologies.

The above lessons about African socio-cultural frameworks are significant for organisations based in Africa. Managers need to be more dynamic in addressing the foundations of an African society, namely the Ubuntu philosophy. To become a stable and successful competitor in both local and global economies, an organisation should strive to embrace new management models that are consistent with the local socio-cultural frameworks that apply where the organisation operates. The universal adoption of a foreign model without any adaptation is likely to be a mismatch with African society and may ultimately not succeed. Thus, there is that need to redesign the Balanced Scorecard model to accommodate African socio-cultural frameworks founded on the Ubuntu philosophy. Apart from facilitating the redesigning process of the Balanced Scorecard model, the African Ubuntu philosophy can make many positive contributions to local and global management principles and practices.

4.6 CONTRIBUTIONS OF THE UBUNTU PHILOSOPHY TO THE CORPORATE WORLD

There are positive aspects of African systems which could be adopted to enhance the corporate performance of local and international organisations. The sections below discuss the general contributions that the Ubuntu philosophy can make to the corporate world, and how they can do so.

4.6.1 Promotion of the Ubuntu philosophy management systems

Observations about the unique Afro-centric systems show that a new model must be developed for organisations in Africa in order to realise better value creation. Managers need in-depth cross-cultural values for their organisations to penetrate

African marketplaces successfully (Amoako-Agyei, 2009:339). Thus, a model can be developed and implemented taking cognisance of the teachings of Mbigi and Maree (2005), who advocate an *Ubuntu-based approach to African management systems*. The development process must evolve through several distinct phases in order for it to be successful.

The first phase involves the *creation of a learning community*. In an African set-up, the use of ritual and ceremonies is vital, as they enhance the bonding for building a foundation and solidarity and promoting group learning. The learning process is a significant factor in achieving better organisational processes and performance (Mbigi & Maree, 2005).

Secondly, the *strategic planning process* must be instituted. This second phase would involve representatives of all constituencies in an organisation. Strategic visioning and values exercises have failed in the past because of their lack of a spiritual dimension (Mbigi & Maree, 2005). Again, ritual and ceremony are central, particularly the role of storytelling. Especially important are traditional survival stories that can subsequently be linked to the company's future activities and outlook. Storytelling is part of how African indigenous knowledge is passed on across generations.

The next phase is the *strategy sharing*, which entails the involvement of the entire organisational workforce in fora that are designed to share corporate strategy, suggestions and receive inputs (Khoza, 2006; Mbigi & Maree, 2005). The sharing of corporate objectives and strategies could involve a series of meetings with employees from different levels, functions and racial groups. The sharing of strategies increases ownership and later reduces resistance to change. Ultimately, strategy implementation becomes easier.

Finally, the last phase requires *participative skills building* with mentors who emphasise close, trustful and helpful relationships (Mbigi & Maree, 2005). This phase encourages trainees to be self-empowered and become authors of their own identity. One needs to consider and comprehend different factors that are constantly working in an African society for the mentoring process to be effective. For instance, it is not appropriate to apply the Western type of mentoring to Zimbabwean organisations, because of differences in socio-cultural values and beliefs (Manwa & Manwa, 2007:41). The significance of mentoring and its impact on attendants' performance ultimately affect their productivity and overall corporate performance (English, 2002:197-203).

It has also been established by English (2002:197-203) that through the mentoring process, people who attend and participate in indigenous knowledge training programmes cooperate across local cultures more efficiently than those who do not attend and participate in such training programmes. Furthermore, Mphuthumi Damane, a former chief executive officer of Nuclear Energy of South Africa, recommends that every manager in South Africa be required to pass a course on Ubuntu management in the same way as all managers have to understand basic financial management (Damane, 2001:34). It can therefore be observed that human resources development is a prerequisite for any successful strategy development and the implementation of the plans of an organisation based in Africa; and that the Ubuntu philosophy should be part of it.

4.6.2 Utilisation of African social capital

Generally, the corporate world can use Africa's uniqueness and social capital to build on corporate performance. Social capital, which constitutes an organisation's emotional and spiritual resources, is a distinctive competitive factor, like intellectual capital (Mbigi, 2000:16-21; Ngunjiri, 2010:765). Social capital affects the impact of any strategic intervention and the ultimate effectiveness of policies, procedures and processes. However, the current corporate practices, management thinking, and literature are weak in managing and using emotional and spiritual resources, which also help to determine the value of an organisation in Africa.

It would be important for people to think through and know who they are socially and culturally, why they are, and what they can become (Binedell, 1994; Mbigi, 2000; Moloketi, 2009). Social capital can, for example, be acquired through collective dancing, singing, drumming and storytelling, as well as mythography, a technique that requires the facilitator to capture the collective story of the group in the form of a heroic mythology with distinctive events and characters to dramatise the message (Broodryk, 2005; Mbigi, 2005; Mwenda & Muuka, 2004). The ritual elements of workshops can be as important as the content and discussions of the groups. It is worth noting that in Africa, the dominant spirits determine the organisation's outcomes, consciousness, conscience, culture and energy levels, which ultimately determine corporate performance. The belief in good relationships and communication within community members is also critical in the African Ubuntu philosophy.

4.6.3 Effective communication and public relations

Communication and effective control systems constitute a significant component of a successful organisation (Neely, 1998, 1999). In an ancient Afro-centric conception of the Ubuntu philosophy, communication is reflected in various African traditional forms that regard communication as directly connected by the underlying concept of communalism (Mersham & Skinner, 1999). Within such underlying elements, community members effectively communicate on various aspects for the survival of the community.

The other useful attributes of Afro-centric systems include the reciprocity and mutuality of human relations that emphasise the belief that respect should always be reciprocated. Reciprocity underlies the *Ubuntu* phenomenon, where one only becomes a person through one’s relations with others, thereby creating harmonious world relations with others. This also forms part of the ancient African philosophies that relate to communication (Skinner & Mersham, 2008:251). These aspects of the African philosophy may explain why public relations theorists and practitioners increasingly find African public relations intriguing, posing challenges to accepted normative approaches, as they seek a conceptualisation of a sustainable new global model of management.

4.6.4 Global transformation based on the African Ubuntu philosophy

There is a lot that the African community can contribute towards itself in particular and to the world in general. Organisational transformation is not just an intellectual journey – it is also an emotional and spiritual journey (Khoza, 2006; Mbigi & Maree, 2005). In order to access the emotional and spiritual resources of an organisation, appropriate bonding symbols, myths, ceremonies and rituals are needed. With this understanding, the Ubuntu literature suggests that Africa can provide a unique contribution to the global practice in many management systems that revolve around Ubuntu, as propagated by Steve Biko (in Coetzee & Roux, 1998:30):

> 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.

The Ubuntu philosophy which is founded on the African framework has applicability on a global scale because of its values that are based on human relationships. Such values as solidarity, compassion, generosity, mutuality and commitment to community can find resonance well beyond Africa's borders (Ngunjiri, 2010:765). It is based on this notion that the Ubuntu philosophy has spread its wings worldwide. Former President of the United States, Bill Clinton, embraced the Ubuntu philosophy when on 28 September 2006 he told the Labour Conference in the United Kingdom to embrace Ubuntu (BBC News, 2006):

> **All you need is Ubuntu**. Society is important because of Ubuntu. If we were the most beautiful, the most intelligent, the most wealthy, the most

> powerful person – and then found all of a sudden that we were alone on the planet, it wouldn't amount to a hill of beans.

The African Ubuntu philosophy has also been acknowledged and accepted by the US Department of State. When she was sworn into office on 18 June 2009, Ambassador Elizabeth Frawley Bagley, the Secretary of State's Special Representative for Global Partnerships, expounded on the concept of Ubuntu philosophy (US Government, 2009:n.p.):

> The concept of Ubuntu dates back centuries and appears in various forms in traditions throughout the world; and yet globalization has heightened our awareness of this interconnectedness. In the same way that Secretary [Hillary] Clinton has often said that ***It takes a village to raise a child***, we are now realizing that we must apply a similar approach worldwide. This is the Ubuntu Diplomacy where all sectors belong as partners, where we all participate as stakeholders, and where we all succeed together, not incrementally but exponentially

Thus, the African Ubuntu philosophy has a global impact in corporate management systems. With globalisation, the modern management regards the firm as a community and not just as a collection of individual entities (Lutz, 2009:313). Therefore, an Ubuntu global philosophy will make managers understand the purpose of management as a tool for promoting the common good of all the stakeholders of an organisation.

The literature analysis on the African Ubuntu philosophy underscores the significance of Africa's unique socio-cultural framework, which has a direct impact on the performance of an organisation based in Africa. In an African society, community is paramount and society is founded on the Ubuntu philosophy, which is community-based and socialist in nature. The inclusion of the African social-cultural framework would be a basic step towards redesigning the generic Balanced Scorecard model.

4.7 CONCLUSION

This chapter has reviewed and analysed literature on the African Ubuntu philosophy, considering its implications for management and thus for its inclusion in formulating corporate frameworks for organisations in Africa. The chapter gives the background on the Ubuntu philosophy and how it can be linked up with performance measurement theories for organisational success. One of the profound lessons on Ubuntu is that it integrates African organisations with the local communities. The reviewed literature also reveals that organisations are able to realise synergies through communalism and collectivism that arise from the Ubuntu principles.

Based on the Ubuntu philosophy, there are several external factors that automatically affect organisational internal operations. Such external factors include African culture and leadership styles, business ethics and good corporate governance, employees' socio-cultural values, including extended family systems, and corporate social responsibilities. The chapter also analysed some challenges impinging upon the applications of the Ubuntu philosophy. Finally, theories suggesting the successful implementation of Afro-centric management systems have also been analysed.

In general, within the Ubuntu philosophy, the importance and value of the human being (*munthu*) and the community are pivotal. The practices of the Ubuntu philosophy with regard to humanity, care, sharing, teamwork spirit, compassion, dignity, consensus decision-making systems and respect for the environment are all positive elements that could make a contribution towards the improvement of corporate performance. The literature in fact indicates that there is now a global shift in management thinking which is now taking note of the Ubuntu philosophy.

The chapter has also reported on the literature review which highlights the need for management systems to be realigned with the local Ubuntu philosophy that defines the African socio-cultural framework to be a successful organisation in

Africa. Thus, the Ubuntu philosophy attributes, as discussed above, would constitute an indispensable input towards the redesigning process of the Balanced Scorecard model. *All we need is Ubuntu*.

The next chapter reviews sustainability issues and how these would be incorporated into corporate frameworks. Apart from the economic and social dimensions that have been reviewed previously, natural environmental (ecological) issues are also important, because ecological systems provide raw materials to industries and the community, for production and consumption respectively. Thus, corporations have to run their activities taking into consideration the sustainability of operations for the current, and more especially future, generations.

CHAPTER FIVE: SUSTAINABILITY SCORECARDS AND THE TRIPLE BOTTOM LINE REPORTING

> The term "sustainability" which has both ecological and social components poses an inescapable challenge: without sustainability there will soon be no more profits. Hence, business people have a strong self-interest in minimising the ecological damage of their operations.
>
> (Capra & Pauli, 1995:vii).

5.1 INTRODUCTION

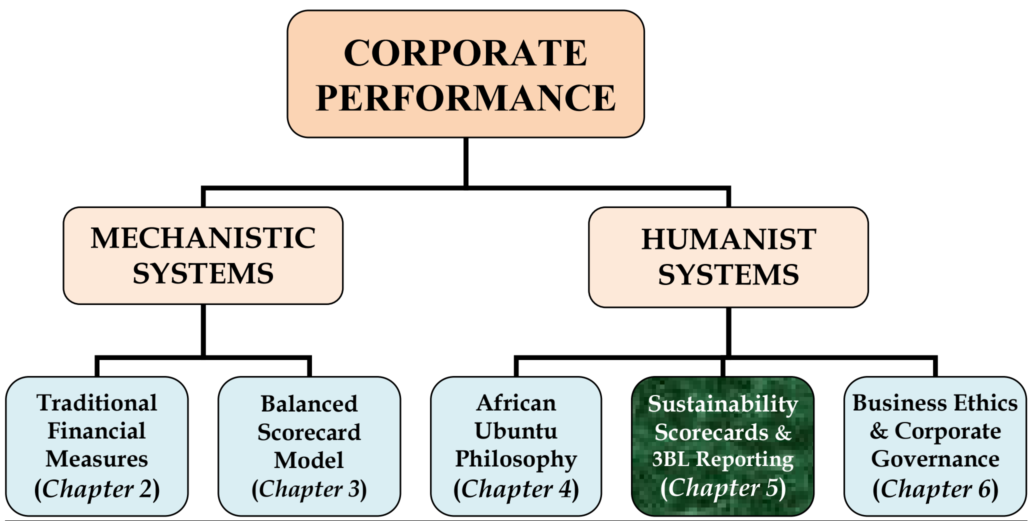
In terms of the conceptual framework of this study, it is clear that there are many factors that have an impact on the overall performance of an organisation. Such factors include society (the local community) and the natural environment. To sustain current operations for future generations, organisations need to create the potential to maintain social well-being, which depends on the well-being of the natural environment, in the long run. Thus, organisations must have a conscience regarding their obligation to be responsible in the proper use of natural resources.

Organisations have started paying more attention to sustainability issues, which have become more pronounced amidst social concerns and anxiety about global warming which are currently attracting attention worldwide (Strategic Direction, 2010). Governments and international institutions have changed and adapted legislation and policies in order to address concerns about sustainability. There has been consumer pressure on organisations regarding quality and healthy "green" products; and concern over the environment has become aligned with concern for a business's reputation.

Recent developments show that many corporations are paying more attention to and are reporting on corporate sustainability issues. For example, 100% of companies on the Financial Times Stock Exchange (FTSE) now include sustainability issues on their corporate websites. Furthermore, it is widely recognised that a sustainable business must be resource-efficient, respect the natural environment and be a good neighbour to society (Sustainable Business Team, 2000). It is indicative of these developments that accommodating sustainability issues is now essential if businesses are to continue realising profits in the long term.

This chapter reviews and analyses literature on corporate sustainability issues as they relate to corporate performance systems, as is shown in Figure 12, below.

Figure 12: Corporate performance and corporate sustainability



Source: Own observation

The chapter discusses principles surrounding corporate sustainability issues. A notion that is very important to issues of sustainability is the triple bottom line (3BL) concept, which reflects the idea that corporate performance should be measured based on three dimensions, namely economic, environmental and social elements. Several models and concepts, including the triple bottom line concept, the Carroll model, the Senge model and sustainability balanced scorecard models, are also reviewed. This chapter also reviews the significance and challenges of sustainability for modern businesses and their management systems.

5.2 CORPORATE SUSTAINABILITY

5.2.1 Overview on corporate sustainability

Sustainability discussions are founded on the premise that corporations have to focus their attention on social and environmental activities, apart from their economic endeavours, for them to remain in business sustainably. Business activities are responsible for most of the human impact on the earth's vanishing ecosystems (Capra & Pauli, 1995:vii). Unfortunately, business operations are often conducted with too little thought about their sustainability, where satisfying a business's own aspirations does not diminish the chances of sustainability for future generations. Issues of sustainability have become more pronounced amid fears of the possible global warming, with its disastrous consequences, which will have adverse effects on humankind and on business in general.

Over the centuries, corporations as open systems have competed for different resources obtained from the environment. These resources include labour, raw materials for the manufacturing industries, energy, financial and debt capital, and data. These inputs from the environment are later processed into goods and services. The processed goods are eventually sent back to the environment for consumption and disposal, as indicated in the conceptual framework in Figure 1 (page 7).

The earth as the sole provider of inputs to business operations is not getting any bigger, although the human population and industries are growing. The earth's natural resources are being depleted, but the amounts of waste that are being generated are astronomical and unheard of in human history (Stead & Stead, 2004:7). Tropical forests are being cleared to achieve economic gains; water tables are being drawn down to dangerous levels throughout the world; soil erosion is exceeding soil replenishment; human numbers are growing excessively; and mankind is using natural resources extravagantly. The implication of these facts is that humankind has reached a stage in its history where it needs to reassess its destination and how it will get there.

Today, the world is faced with a series of global problems, and some of these are harming the biosphere and human life in alarming ways that may soon become irreversible (Capra & Pauli, 1995:1). Many current business practices are destroying life on earth, endangering wildlife reserves, the wilderness and indigenous cultures. Harmful business practices are causing the disintegration of living natural systems, including the air and water resources, because they have been transformed into repositories for waste. Hence, the survival of humanity and of the planet is at stake; and for earth and humanity to survive, organisations have to learn to adhere to basic principles relating to ecosystems and sustainability.

5.2.2 Principles relating to ecosystems and sustainability

The new paradigm that is emerging regarding sustainability issues requires a holistic world view, where corporations see the world as an integrated whole, rather than as a dissociated collection of individual parts (Capra & Pauli, 1995:5). There is therefore a need to understand the principles of ecological systems and their relationships. Such principles include the interdependence of members of the ecosystem, who are interconnected in a web of relationships, and the notion that all life and processes depend on one another. Furthermore, the interdependence among parts of an ecosystem involves an exchange and sharing of energy and resources that are in a continual flow. The interconnectedness and interdependence of several stakeholders within the global system are recognised in the conceptual framework of this study (Figure 1, on p. 7).

Because of their interdependencies, parts of ecosystems are involved in continual partnerships for their survival (Capra & Pauli, 1995:5). In partnerships, members are engaged in a subtle interplay of competition and cooperation. To have a successful partnership, there must be flexibility, which is characterised by interdependent fluctuations of variables within an ecosystem. Each partner must be able to adjust to any changes and reach equilibrium levels without destroying its forms or the forms of other parts of the system (co-evolution). All partnerships and interdependencies should be geared towards achieving sustainability, which implies the long-term survival of each part of the ecosystem on a limited resource base. Thus, all parts of an ecosystem should organise themselves according to the co-evolution principle in order to achieve maximum sustainability.

5.2.3 Application of ecosystems and sustainability principles

Based on a better understanding of ecosystem principles, there have been calls for tougher definitions and an increase in the practices of corporate sustainability in order to benefit society, the natural environment and business (Strategic Direction, 2010:27-30). The concept of sustainability provides a framework to integrate both the environmental and social performance of corporations with the traditional economic approach. By combining three measures of sustainability (environmental sustainability, social sustainability and economic sustainability) under the same umbrella, executive managers are able to create a comprehensive sustainability strategy for long-term corporate performance.

More and more corporations are realising the importance of reporting sustainability activities in the form of corporate social responsibilities to keep the environment clean, show a human face to people and achieve economic goals (White, 2005:36-43). In connection with this new dimension, disclosure of corporate sustainability has become a vital part of both internal and external information dissemination to support the decision-making systems of organisations. For example, environmentally, organisations regularly apply environmental management techniques such as eco-efficiency, pollution prevention, total quality environmental management systems, and design for the environment. In addition, organisations are embracing the concept of a stakeholder-centred approach to management, where all stakeholders are considered critical for successful business operations.

Sensitisation to the stakeholder-centred approach is increasingly influencing the setting of corporate strategic priorities. As part of their corporate citizenship, corporations have started including corporate social responsibility activities in the mainstream of their corporate strategies (Stead & Stead, 2004:17). Globally, many organisations, including governments and public sector corporations, are striving to meet the standards set by external organisations such as the United Nations in its Declaration of Human Rights, and the International Labour Organisation (ILO).

Meeting the sustainability challenge requires multi-sectoral collaboration, where the stakeholders co-create sustainability by interweaving work and achievements that have no precedents (Senge, Lichtenstein, Kaeufer, Bradbury & Carroll, 2007:44-48). Corporations have now started to work with governments in an effort to meet and resolve sustainability challenges. In respect of collaborative change on sustainability, governments and corporations now work together and deal with different issues to achieve meaningful sustainability. Such collaborative arrangements are even prevalent amongst competitors.

Organisations, including governments, can achieve sustainable development only when they aspire to meet 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). In their current endeavours, organisations have to work in ways that do not jeopardise the future of general social, economic and natural resources (White, 2005:37). It is evident from their declarations that corporations have to manage human and natural capital with the same vigour that they apply to the management of financial capital. Corporations need to act proactively to ensure the sustainability of the environment and local communities for their future business operations. As corporate operations take place, there is a need to be cautious with regard to continuity problems related to the availability of resources for current, and more especially future, generations.

Taking cognisance of emergent sustainability concerns, major accounting and auditing firms such as KPMG have started to recognise the relevance of sustainability reporting (KPMG International, 1999; White, 2005:37). Apart from its core financial auditing, KPMG also offers a variety of sustainable development services that include environmental and social reporting opinions, assurance on environmental and social management systems, risk and performance management, hot issue reporting on such things as climate change, emerging standards and regulations, human rights, supply chain risks and stakeholder activism. It is therefore to be expected that many corporations will take advantage of such services and include them in their corporate planning and performance measurement systems.

As with other management areas, sustainability has become a key strategic concern for organisations. Several contemporary management models include sustainability dimensions. It has been established that corporations are striving to become socially and environmentally friendly, apart from pursuing financial gains (Juscius, 2007:42). The fundamental thinking about corporate sustainability is that organisations should fully integrate social and environmental goals and objectives in their economic or financial planning models. Apart from aiming at maximising shareholders value, corporations should also account for their actions and performance in terms of the well-being of a wider range of stakeholders through modern accountability and reporting systems, which include issues of social and environmental sustainability.

Corporations are established on the basis of a going concern. The going concern concept entails that organisations have to be forward-looking for them to remain strategically successful. Sustainability management, which is economically feasible, should be competitively carried out through current organisational processes and practices. However, the biggest weakness of many industrial conglomerates is that they have embarked on programmes to cut costs and remain competitive without giving due consideration to the local community and the limits of their natural environment (Capra & Pauli, 1995:12).

The situation is even worse when an organisation is entangled in a financial crisis, when there is often a management perception that the sustainability costs do not contribute anything towards economic success and should therefore be the first to be cut back (Figge, Hahn, Schaltegger & Wagner, 2002:273). Sound sustainability management programmes should be practised even during any times of financial distress that an organisation may experience.

The above literature review shows that corporations may not perceive sustainability costs as effective investments in the short term. However, the strategic impact of such investments on society and the natural environment would be significant in the long term. Stated differently, considering the future operations of corporations and also future generations, such sustainability investments would be considered cost-effective in the long run.

From the above analysis, it is clear that recognising environmental and social factors should be considered critical in modern management systems. The management of risks associated with environmental and social incidents can be facilitated by means of sustainability reporting systems (Institute of Directors in Southern Africa, 2009; Stead & Stead, 2004; White, 2005). Managers should focus proactively on addressing environmental and social risks in order to reduce problems that may emerge in the local and global arena. The adoption of sustainable practices can reduce operating expenses by improving efficiency, promoting innovativeness amongst managers, enhancing an organisation's reputation, and assisting in product development, all areas which subsequently improve the financial bottom line of the organisation in the long term.

The literature also indicates that the incorporation of social and environmental sustainability performance measures, together with the effective communication of corporate sustainability strategy to key stakeholders, improves the likelihood that an organisation will achieve its strategic objectives (Epstein & Wisner, 2001:1-2). There is now increased environmental and social accountability through the explicit inclusion of performance measures that relate to social and environmental goals. Such inclusion recognises the interconnectedness of social and environmental activities with the multi-dimensional set of corporate objectives. This approach is in conformity with the principles of ecosystems and sustainability where the interconnectedness and interdependence of dimensions are fundamental in interpreting the successes of any sustainability programmes. However, such provisions are not captured in the Balanced Scorecard model.

5.2.4 The stakeholder-centred approach within corporate sustainability programmes

There are many stakeholders that need to be considered in the corporate world. Hence, each stakeholder has to be included when measuring corporate performance. It is expected that modern management systems should have a rich set of measures that reflect the complexity of business operations (Epstein & Wisner, 2001:6-7). Such performance measures could be a mix of leading/lagging, financial/non-financial, external/internal, long-term/short-term, process/product, people/technology and input/output measures.

Apart from treating sustainability as an integral constituent of corporate strategy, an organisation's leadership must be committed to the sustainability discussion and should build on additional corporate capacity (Epstein, 2007). In order to achieve sound corporate performance, sustainability strategies must be supported by management control, performance measurement and reward systems. The implication of this is that sustainability strategies must be supported by the corporate vision, mission, culture and people. Issues regarding sustainability must not be treated as only a matter of risk avoidance and compliance, but also as an avenue for opportunities, where corporations can be innovative and hence are able to create competitive advantage.

Many modern organisations have embraced a stakeholder-centred approach, where stakeholder value, rather than just shareholder value, is supposed to be maximised (Du Plessis & Prinsloo, 2010; Epstein, 2007; Janson, 2005). Senior executives have begun to integrate sustainability variables into their management decisions for them to better understand issues such as corporate social responsibility and corporate performance. In pursuit of financial achievements, it is regarded as a noble course of action for an organisation to achieve both environmental and societal performance targets. Thus, corporate managers have to determine corporate performance measures effectively and they must always understand the causal actions that create organisational capabilities, and the impact of those actions on operational performance, customer value, sustainability performance and financial performance (Epstein & Wisner, 2001:2). The financial bottom line of internal operations must be linked with social and environmental sustainability measures.

Similarly, corporations can use sustainability scorecards to create differentiation and a competitive advantage. What may be good for the environment can turn out to be good for the sustainability of business operations as well, especially in the long term. While corporations strive to meet their sustainability goals, at the same time, they can also improve on their efficiencies and cost savings, and can increase sales and profitability. For example, Wal-Mart improved its sustainability and profitability with improvements in the supply chain management systems (Smorch, 2007:46-48). Wal-Mart focused on key areas, such as package design, material optimisation, shelf impact, stock-keeping unit consolidation, productivity improvements, alternative packaging and material handling. In improving the internal packaging systems, Wal-Mart also made sure that they made the packaging materials environmentally friendly.

Corporate sustainability is of the utmost importance to the survival of organisations and to future generations of employees. Corporate sustainability programmes balance the need for economic growth with environmental protection and social equality. However, many small-and-medium enterprises (SMEs) lack a holistic strategic plan to address corporate sustainability issues. As a result, SMEs address sustainability issues piecemeal and usually in an uncoordinated manner. An uncoordinated plan may result in the organisation's exposure to unnecessary business risks, thereby forcing SMEs to miss out on strategic opportunities for future growth and development (Fisher, 2010:29-30).

The above literature review indicates that thinking on corporate sustainability is still new and that it is in transition. Thus, there is a lot to be done to sensitise organisations to the value and significance of the sustainability concept. However, given the trend in recent natural disasters on the global map, organisations may start to acknowledge the urgency of taking a proactive approach in tackling sustainability issues sooner rather than later.

5.3 THE TRIPLE BOTTOM LINE (3BL) PRINCIPLE

The premise of the triple bottom line principle states that corporate performance should be assessed on the basis of three elements, namely the accounting or financial element, the social element and, finally, the environmental element (Elkington, 1997; Gray, 2006; White, 2005). Apart from the conventional single financial bottom line, which is reflected in terms of the profitability figures, corporate success should be evaluated on the basis of the other two critical bottom lines: the organisation's environmental and social performance.

As each sustainability measure poses immense challenges to senior managers and stakeholders, there must be a deliberate policy where all three critical sustainability dimensions are improved simultaneously without increasing complexity unnecessarily. Organisations need to use a triple bottom line concept, because it offers a multi-purpose approach for the collection, systemisation, quantification and evaluation of all the relevant issues that are found in a corporate environment (Kleine & Von Hauff, 2009:530).

In modern organisational frameworks, the triple bottom line concept is used as both a strategic planning tool and a performance measurement tool (Du Plessis & Prinsloo, 2010:158-160). As a standard of ethical responsibility, many corporations, institutions, and governments have adopted this triple bottom line concept as a guiding principle in their strategy formulation and evaluation.

In general, humankind should strive to ensure that future generations enjoy a healthy, equitable and prosperous life on earth. Organisations, especially international ones, have started embarking on projects to correct their current behaviours and policies, redesigning the way organisations currently operate (Kleine & Von Hauff, 2009). The idea is to overcome the fact that humans and thus organisations have adopted destructive lifestyles that do not safeguard the coexistence of business with its neighbours: society and the natural environment.

Modern corporations link sustainability perspectives with their business strategies. It has further been observed that, in line with the triple bottom line concept, organisational activities are being guided by considerations of environmental, social and economic justice between generations and in respect of contemporaries (Gray, 2006:793; Sardinha, Reijinders & Antunes, 2003:51-52). The operationalisation of environmental performance is achieved when corporations leave the environment no worse off at the end of financial year than at the beginning. In line with modern demands, business executives are encouraged to sustain the complementarity of environmental restoration when environmental destruction is detrimental to contemporary and future business activities.

5.3.1 The triple bottom line and corporate social responsibility

Corporate social responsibility has attracted a lot of attention amongst corporations, as they are considered part of local communities. Organisations have been sensitised to plough back into the local communities within which their operations take place. The ploughing back can take the form of supporting the underprivileged (poor) or physically challenged people, or of protecting the environment. Many giant companies, including IBM Corporation and the Toyota Motor Corporation, recognise the importance of society and local community issues, incorporating societal aspects into their long-term philosophy (Gerstner, 2003; Liker, 2004). Many companies believe that the purpose of their investments, amongst other things, is to help local communities and to contribute to the local communities in which their businesses operate and flourish.

As the natural environmental debate intensifies, modern organisations are being sensitised on how and why they should pursue corporate social responsibility options in their planning endeavours (Martin, 2007:36-37). However, many companies are still ignoring environmental risk management, because they think the identification, assessment and control of such risks and the associated liabilities will have detrimental effects in the short to medium term.

Equally, there is a growing concern within corporations about social investments through corporate social responsibility. According to the Commission of European Communities (2006), an emphasis on corporate social responsibility guides corporations to integrate social and environmental concerns in their business operations and also in their interactions with their stakeholders on a voluntary basis. It is about the enterprise's deciding to go beyond the minimum legal requirements and obligations stemming from collective agreements, in order to address social and natural environmental needs.

Within the framework of corporate strategy, organisations can refocus their strategies towards community enterprise. The strategic focus can be intensified, not only by contributions in cash, but also by contributions in kind, where, for instance, corporations donate their staff's time to work with local communities. Such relationships help to build essential skills relating to general administration, financial management, quality control, project management, strategy and business skills. The provision of such rare skills goes a long way towards fostering a healthier relationship and professionalising the fledging community enterprises as well. This would be one scenario where corporations can serve local communities through the achievement of both economic and social empowerment (Nwankwo, Phillips & Tracey, 2007:99).

In agreement with current social thinking, BP (n.d:np.), as a multinational company, started refocusing its corporate strategy to make social investment a core area in the strategic direction of the company. Through such a strategic focus, BP realises a win-win situation, where the company delivers commendable services to local communities. This ultimately benefits BP too, through direct community links, a good reputation and high profitability gains. Thus, it can be argued that corporate social responsibility should become a core business function. The conscience strategic theme of the conceptual framework recognises this need for corporate social responsibility.

Studies also indicate that through a multi-stakeholder approach within strategic planning and evaluation processes, corporations can be geared towards achieving a sustainable position. For example, corporations can contribute towards sustainable developmental goals such as poverty reduction by creating social capital linkages into the community and stakeholder networks (Boutilier, 2007:131-132). By involving local communities, corporations can improve the livelihood of people in local communities, which includes both economic and social status. However, in involving community networks, a lot of caution should be exercised, as there are potential pitfalls in such programmes. These challenges include self-serving elites, unorganised communities, conflicting stakeholder demands and violent opposition.

The well-being of various stakeholders should also be accounted for through appropriate accountability and reporting systems. During the London Summit in July 2005, it was agreed that it is fundamental that sustainability information should be made available to the market place (Boerner, 2006:35-42). Such strategic information should be effectively communicated to stakeholders so that it is more understandable and so that they may use it as inputs into their various decision-making processes.

5.3.2 The triple bottom line and the African Ubuntu philosophy

The argument that corporate performance should not only be based on financial targets but also on social and environmental contributions is in line with the Ubuntu philosophy, which is people-centred and community-based. As discussed in Chapter Four, social responsibility in Africa takes a holistic approach, in that the interests of the community and not those of the individual are paramount; and decisions are effected for the sole benefit of the community through a consensus process (Du Plessis, 2001). Community value systems and spirituality further entrench the importance of society.

In African cultures, wealth lies in social relationships and not in individual ownership; hence, the frontiers separating collective from individual preferences are often non-existent or quite vague (Dai, 1991:10-13). Economic value, as it is realised from performance, is measured in terms of contributions to reinforce the bonds of the community. Because social standing is achieved through sharing the benefits of wealth with all the people in the community, it is argued that a sustainable development agenda should be guided by community interests, rather than individual selfish economic gains, as is the case with the shareholder-centred approaches on which the original Balanced Scorecard model is conceptualised.

To realise proper economic and social sustainable development within communities, skills development is foundational in an African context (McGrath & Akoojee, 2009:151-155). Although the sustainability of national development projects in Africa still face many design and implementation problems, governments can enhance skills development efforts in communities via the public and private sectors. Mostly, particularly in Africa, skills development activities are left to government institutions, while the private sector contributes little to such efforts.

Recognition of local or indigenous knowledge and culture is important. There is a need to incorporate the indigenous knowledge available in the community into planning frameworks (Breidlid, 2009:147). For example, Authorities and local organisations must acknowledge and appreciate the indigenous cultural capital at their disposal when setting up educational systems. In the context of the current study, a prioritisation of non-indigenous knowledge, like Western education, also means the underutilisation of indigenous resources and knowledge in development efforts within African societies. Any sustainability programmes should be undertaken in a way that is relevant to Africa in cognisance of the community values and worldview of indigenous Afro-centric systems with regard to the definitions and principles of sustainability as discussed above.

For a more sustainable future and also taking cognisance of many globalisation issues, Western and African indigenous systems need to complement each other within the local African setting (Du Plessis, 2001:376; Palmer, 2009:136). In general, organisations have to understand the people-centric, community-based and interconnected views of the indigenous environment as expressed by the Ubuntu philosophy and principles. To be relevant in the local setting, managers are expected to adapt Western sustainability models and make them Africa-based.

5.3.3 Application of the triple bottom line in the Malawi Growth and Development Strategy (MGDS) national framework

The national strategic framework of Malawi, the Malawi Growth and Development Strategy (MGDS) provides a good example of the application of the triple bottom line as a strategic planning and performance measurement tool. Apart from economic sustainability, the Malawi Growth and Development Strategy, which is a national framework for the Malawi Government (2006) addresses environmental and social sustainability issues. The national strategy recognises the interrelation of the three critical sustainability areas to be dealt with in the most coherent and balanced manner possible.

a) The Malawi Growth and Development Strategy's economic dimension

The main thrust of the national framework, as expressed in the Malawi Growth and Development Strategy, is to create wealth through sustainable economic growth and infrastructure development as a means of achieving poverty reduction. This is expected to transform the country from being a predominantly importing and consuming country to a predominantly producing and exporting economy (Malawi Government, 2006:v-xvii). The thematic components of the Malawi Growth and Development Strategy are sustainable economic growth, social protection, social development, infrastructure development and improved governance.

The importance of all these areas is fully reflected in the Strategy, which maintains a focus on accelerated and sustainable growth, while also outlining steps to ensure social development, good governance and environmental sustainability (Malawi Government, 2006). Progress in all these thematic areas is expected to increase prosperity, reduce poverty and assist in the achievement of the Millennium Development Goals (MDGs). The Malawi Growth and Development Strategy also aspires to attain sustainable socio-economic development through the development and application of science and technology in order to improve industrial productivity and the quality of goods and services.

b) The Malawi Growth and Development Strategy's environmental dimension

In line with the triple bottom line principles, the Malawi Growth and Development Strategy recognises that managing natural resources is an essential aspect of environmental sustainability. Therefore, the national strategy does not only directly consider environmental sustainability in forestry resources and fisheries, and the enforcement of and education on environmental standards, but the strategy seeks to identify areas for potential eco-tourism, which have a positive multiplier effect on economic sustainability (Malawi Government, 2006).

The conservation of the natural resource base is considered to be an important factor, as it is recognised that weak management of natural resources is a major problem in Malawi (Malawi Government, 2006:xvi). More national challenges come in the form of high population growth, environmental degradation, and the encroachment of agricultural and settlement activities on forestry and marginal lands. The national strategy recognises that equal participation in economic activities and sustainable management of the environment are critical to the development of the country.

c) The Malawi Growth and Development Strategy's social dimension

In addition to economic and environmental key priority areas, the Malawi Growth and Development Strategy national framework also focuses on social attributes such as health, education, gender, environment, governance and protection of the vulnerable, among others (Malawi Government, 2006:xviii-xxi). The strategy recognises that a healthy and educated population is necessary if Malawi is to achieve sustainable development. In this regard, the national strategy seeks to achieve and sustain the Millennium Development Goals by focusing on health packages and the development of health infrastructure. In education, the emphasis is on the provision of adequate learning and teaching materials, rehabilitation and the construction of modern schools at all levels.

The national strategy also focuses on good governance, as it is a prerequisite for achieving sustainable economic growth and development (Malawi Government, 2006:xxi-xxii). Government has drawn up plans to provide social protection to marginalised groups of people, including the elderly, women, people with disabilities and children. Social programmes are developed in line with human capital needs to transform vulnerable groups to access social basic needs. The Malawi Growth and Development Strategy recognises that human development is important if a country is to achieve its economic growth and development agenda. The goal, therefore, is to develop human capital for full participation in the socio-economic and political development of Malawi.

The Malawi Government's national framework has incorporated the three critical areas of sustainability into the Malawi Growth and Development Strategy. These sustainability areas are economic sustainability, environmental sustainability and social sustainability, which are also elements highlighted in the triple bottom line concept**.** Thus, the above analysis reveals the significance of the triple bottom line principle in guiding corporate planning and performance measurement systems even at national levels.

Overall, the above literature and analysis also demonstrates that the triple bottom line phenomenon can only be achieved if corporations adopt a stakeholder-centred approach that takes cognisance of society and natural resources as a means of sustaining business. However, the current Balanced Scorecard model, being shareholder-centred, does not explicitly make provisions in its perspectives for the triple bottom line constituents.

An overemphasis on the maximisation of shareholder value, which is achieved at the expense of other stakeholders, is against the principles of ecosystem sustainability and the triple bottom line. The current Balanced Scorecard model is deficient in addressing the triple bottom line reporting requirements and general ecosystem principles. Thus, the generic Balanced Scorecard model is not relevant to the African environment in its present form.

In addition to the popular triple bottom line concept, there are also other models that have been developed to reflect issues important to humanity and society, apart from financial business profits. These models include the Carroll model, the Senge model, and the sustainability scorecard models, which are conceptualised on the basis of issues relating to corporate sustainability.

5.4 THE CARROLL MODEL

The Carroll model is founded on the interrelationship of three critical sustainability elements – the economic, legal and discretionary dimensions (Carroll, 1979:499-500). Under the Carroll model, it is argued that the main responsibility of a corporation is economic, as organisations are expected to produce goods and services that the market or society demands and thereby create economic sustainability through value adding. At the same time, businesses have to adhere to the legal and ethical rules and regulations that are considered normal by the given society.

Apart from legal statutes, corporations have to follow ethical standards, including those on corporate governance (Carroll, 1979:500). As will be discussed more fully in Chapter Six: *Business ethics and corporate governance*, ethical standards are set by different governing institutions. Corporate governance standards guide corporations on the way they should behave in relation to different issues; and these standards are normally dictated by socio-cultural frameworks.

Finally, there are discretionary responsibilities, which reflect society's desire to see corporations participate actively in the improvement of society beyond the minimum standards set by the economic, legal and ethical responsibilities of organisations (Carroll, 1979:500). Such discretionary responsibilities would include the provision of community-based programmes, giving donations to communities or charities, and offering pleasant work aesthetics.

Two main elements of the triple bottom line, namely the economic and social dimensions, are covered by the Carroll model. However, the model is basically economic and capitalist. The social elements are regarded as discretionary responsibilities, implying that the corporation can do without them in their strategic modelling systems. Moreover, there is no provision for and coverage of the natural environmental sustainability issues in the Carroll model. The only plausible explanation for this lack of emphasis on environmental dimension could be that environmental issues were not highly pronounced at the time when the model was conceptualised in the 1970s. The Carroll model resembles the current Balanced Scorecard model, in that much of the emphasis is on economic and financial gains and that social and environmental dimensions are treated as secondary or discretionary. Contrary to the Carroll model, the Senge model takes a different view, and one that is similar to the triple bottom line approach.

5.5 THE SENGE MODEL

The Senge model (Senge *et al.,* 2007:46) highlights the three different worldviews that inform the notion of corporate sustainability. The three dimensions under the Senge model comprise *rationalism*, which recognises efficient utilisation of resources, *naturalism*, which conceptualises the need for corporations to work in harmony with nature, and *humanism*, which signifies that sustainability depends on an intrinsic human desire to be part of healthy communities that preserve the environment for present and future humankind and other species. For there to be motivation towards sustainability changes, each worldview should provide a vital counterbalance to the others.

The above literature review demonstrates that the Senge model conforms with the triple bottom line principle, but is arranged in a different format. Issues of rationalism, naturalism and humanism under the Senge model are all critical ingredients of a recipe for achieving a balance between economic, social and environmental elements under the triple bottom line principle.

All the views comprising the triple bottom line, the Carroll model and the Senge model on corporate sustainability demonstrate that the topic has become a major focus of modern business frameworks. The notion that corporate sustainability has become a key strategic tool has been recognised and adopted by many business practitioners (Juscius, 2007).

The basic principle of corporate sustainability is that corporations should fully integrate social and environmental responsibilities with their economic and financial objectives, which is not the case with the generic Balanced Scorecard model. However, the triple bottom line principle has been embraced by various organisations, including governments and international organisations. Because of the limitations of the Balanced Scorecard model in addressing social and corporate issues, sustainability balanced scorecard models have been developed as a compromise.

5.6 SUSTAINABILITY BALANCED SCORECARDS

Contemporary managers have started to recognise that sustainability issues are core and relevant pillars in modern management systems. Senior management treats sustainability as part of corporate strategy (Epstein & Wisner, 2001:1). However, senior managers want to understand the causal relationships between sustainability performance and financial performance. They appreciate any payoffs from social and environmental improvements and want to create a culture where all employees understand corporate sustainability issues.

Many organisations measure and report corporate social responsibilities within their corporate frameworks (Epstein & Wisner, 2001:9-10). This sustainability reporting can be done by means of sustainability performance measures. Such performance measures include both lagging and leading indicators of financial, customer, internal business process, and learning and growth. It can be deduced that corporations have started aligning sustainability issues with systems that are based on the Balanced Scorecard model framework.

5.6.1 Adding a sustainability perspective to the Balanced Scorecard model

In line with the current thinking on corporate sustainability, studies have established that there is need to adopt a more integrated approach towards achieving corporate sustainability than is the case with the generic Balanced Scorecard model (Bieker, Dyllick, Gminder & Hockerts, 2002:1-10). This can be done by incorporating a fifth dimension, a **sustainability** perspective (Epstein & Wisner, 2001:6) for environmental and social sustainability into the Balanced Scorecard model to create the sustainability balanced scorecard (SBSC) model, as illustrated in Figure 13, below.

Figure 13: The Sustainability Balanced Scorecard (SBSC) model

Source: Adapted from Epstein & Wisner, 2001:6

The inclusion of the sustainability perspective elevates the corporate sustainability status especially for organisations that respect and focus their activities on sustainability issues. A sustainability balanced scorecard model can also be used by corporations to plan and implement sustainability strategy and link corporate sustainability objectives with appropriate corporate actions and performance outcomes (Epstein & Wisner, 2001:1). By implication, there should be a way of measuring sustainability performance, as is the case with the Balanced Scorecard model. As with the Balanced Scorecard model, managers must understand the causal relationships between actions that create corporate capabilities and have an impact on corporate performance, customer value, sustainability performance and ultimately financial performance (Figge *et al.*, 2002:271-281). Cause-and-effect relationships can be understood through strategy maps, enabling managers to determine performance measures effectively.

The Balanced Scorecard model acts as a starting point, as the model takes into account non-monetary strategic success factors that significantly affect the economic success of corporations. Corporations can modify it to fit their strategic focus.

5.6.2 The significance of sustainability balanced scorecards (SBSC)

The use of sustainability balanced scorecards in environmental and social performance measurement systems can help to link sustainability performance measures to corporate strategy. By adding a fifth perspective to the Balanced Scorecard model, namely the sustainability perspective (Epstein & Wisner, 2001:6), each organisation can define sustainability performance indicators that are based on corporate goals and strategy. Under this arrangement, the choice of the sustainability balanced scorecard model depends on the organisational systems and set-up of activities within a given organisation.

By using sustainability balanced scorecards, corporations can position themselves to generate profitability and demonstrate the accountability demanded by different stakeholders, especially local communities within which corporate activities take place. The sustainability balanced scorecard with its social, environmental and economic measures can help to demonstrate the accountability of all stakeholders and provides an effective way to implement a sustainability strategy that drives and cascades through corporate strategy down to business units, support units and finally employees as well.

The above literature review indicates that the inclusion of social and environmental factors into the main management framework that uses the generic Balanced Scorecard model helps corporations to overcome the shortcomings of conventional approaches by integrating the three pillars of sustainability into a single and overarching strategic management tool. The recognition of the inclusion of a sustainability perspective into the generic Balanced Scorecard model is in itself a testimony that the original model is deficient in addressing emerging challenges in the form of social and natural environmental paradigms. Thus, the sustainability balanced scorecard model is acts as a compromise towards achieving a fair and equitable representation of society and the natural environment as critical factors of organisational activities, as accommodated within the conceptual framework of this study (Figure 1, on p. 7). The above analysis also reveals that corporations have moral responsibilities towards the society within which they operate and that these obligations have to be met in line with existing guidelines, as directed by different regulatory bodies.

5.7 SUSTAINABILITY REPORTING GUIDELINES

Sustainability reporting guidelines provide corporations with a holistic approach to the achievement of sustainable practices. When an entire company is engaged in the process, there is a far greater likelihood that the outcomes will be successful (White, 2005:38). When there is sub-optimisation and corporate projects are fragmented and are not tied to the overall corporate strategy, the desired organisational goals are likely to be suboptimal as well.

Experience also indicates that many initiatives that appeared promising never achieved their intended objectives. Such programmes include the total quality management, activity-based costing, just-in-time, business process reengineering, and materials resources planning systems. There are benefits to a pro-active and participatory approach in management systems. A participatory approach engages people from the conceptualisation of an initiative to its completion. When people are involved, they own the programmes and as a result there is little or no resistance and the implementation of such projects becomes easier.

5.7.1 Integration of social and environmental issues

When the environmental and social aspects are integrated into business management issues, there is some assurance that corporate sustainability covers all three critical dimensions of sustainability (Figge *et al*., 2002). The implication is complementary relationships among the three sustainability dimensions which can contribute to healthy corporate performance. It suggests that for any business to perform optimally, there must be some improvement in performance with regard to all three dimensions of sustainability simultaneously.

By combining the economic, social and environmental performance indicators within the planning and evaluation processes, senior managers can produce meaningful financial and non-financial sustainability measures that provide better information for decision-making. These performance measures can give a better view of a corporation's short-term and long-term profitability, as well as of the long-term viability of business (White, 2005; Stead & Stead, 2004) than single-dimensional measures could.

When preparing sustainability reports, particular care should be taken to ensure that the reporting is balanced, accurate, clear, reliable and timely, and that it facilitates comparability (Du Plessis & Prinsloo, 2010:160). Corporations have to exercise corporate citizenship to protect the sustainability of the corporations, as business cannot operate in an economically viable manner over prolonged periods without due regard to long-term sustainability issues (Institute of Directors in Southern Africa, 2009).

The above literature review demonstrates that internally and externally, sustainability reporting can provide senior management with a means of analysing stakeholders' needs more transparently. Sustainability reporting is a growing trend that should create a competitive edge for corporations in the modern age.

5.7.2 Integrating the Balanced Scorecard model's perspectives with Global Reporting Initiative (GRI) guidelines

The integration of environmental and social issues into the main management stream is becoming more pronounced in modern management systems. Because of the varied nature of reporting by different corporations, the Global Reporting Initiative (GRI), which is an arm of the United Nations, was founded to standardise sustainability reporting systems (Global Reporting Initiative, 2002:1-2). By incorporating the GRI sustainability indicators into the Balanced Scorecard model, corporations can easily link their sustainability measures to their corporate vision and mission statements (Isaksson & Steimle, 2009:168-181). These sustainability practices can be implemented throughout the corporation to achieve the intended sustainable development strategy for the company concerned. Thus, the traditional four perspectives of the Balanced Scorecard model can be combined with the three components of sustainability reporting (economic, environmental and social reporting) as summarised in Table 7 to Table 9).

Table 7: Intersection of the Balanced Scorecard model and the Global Reporting Initiative's economic sustainability indicators

GRI Economic Sustainability Indicators	The Balanced Scorecard Model Perspectives				
	Financial				Customer
	Revenue and Growth	Cost Reduction	Asset Utilisation	Risk Management	Retention, Acquisition, and Profitability
Customer	X				
Supplier		X		X	
Employees		X	X		
Providers of Capital		X			
Public Sector					X

Source: Adapted from White (2005:39)

Table 8: Intersection of the Balanced Scorecard model and the Global Reporting Initiative's environmental sustainability indicators

GRI Environmental Sustainability Indicators	The Balanced Scorecard Model Perspectives					
	Financial		Customer		Internal Business Process	
	Cost Reduction/ Productivity improvement	Risk Management	Satisfaction, Loyalty	Retention, Acquisition, and Profitability	Innovation	Operations
Materials	X	X		X	X	
Energy	X	X		X	X	
Water	X	X		X	X	
Biodiversity				X		
Emissions		X				
Effluents		X				
Waste	X	X			X	X
Products and services	X		X			
Compliance	X	X				

Source: Adapted from White (2005:41)

Table 9: Intersection of the Balanced Scorecard model and the Global Reporting Initiative's social sustainability indicators

GRI Social Sustainability Indicators	The Balanced Scorecard Model Perspectives								
	Financial		Customer		Internal Business Process		Innovation		
	Cost Reduction/ Productivity improvement	Risk Management	Satisfaction, Loyalty	Retention, Acquisition, and Profitability	Operations	Post-sale Service	Employee Capabilities	Information Systems Capabilities	Alignment and Empowerment
Labour Practice and Decent Work	X	X			X		X	X	X
Human Rights		X			X			X	
Product Responsibility			X	X		X		X	

Source: Adapted from White (2005:42)

The above three tables (Table 7 to Table 9) show the integration and areas of commonality between the Balanced Scorecard model and the Global Reporting Initiative guidelines. Table 7 looks at the integration of the Balanced Scorecard model and the Global Reporting Initiative's **economic** sustainability indicators; Table 8 focuses on the integration of the Balanced Scorecard model and the Global Reporting Initiative's **environmental** sustainability indicators; and finally Table 9 analyses the integration of the Balanced Scorecard model and the Global Reporting Initiative's **social** sustainability indicators. The checked and shaded boxes (X) signify areas of commonality between the Balanced Scorecard model's provisions and those of the Global Reporting Initiative.

Overall, the above tabular analysis shows that there are only a few instances where the Balanced Scorecard model shares elements with the provisions of the Global Reporting Initiative. This finding is significant, in that it clearly illuminates gaps in the Balanced Scorecard model in respect of the provisions of the Global

Reporting Initiative. The above discussion confirms that the Balanced Scorecard model is not capable of addressing economic, social and environmental elements in a holistic manner. This deficiency makes the Balanced Scorecard model a weak management tool in the modern business environment, where sustainability issues are becoming more pronounced, especially in an African framework.

5.8 SUSTAINABILITY CHALLENGES

Whilst it is true that sustainability issues have become core issues and that corporations are incorporating such dimensions into corporate strategies, the management of corporate social and environmental responsibility is fraught with difficulties. Epstein and Wisner (2001:1) highlight two main impediments towards sustainability implementation. Firstly, senior managers often do not see any business case for investing in social and environmental costs related to the health and safety of employees and the general environment, especially since organisational resources are always limited. Secondly, perfect sustainability levels cannot be achieved in a practical sense. There are thus serious constraints that hamper organisations in achieving such optimum sustainability goals.

Corporate sustainability issues are unlikely to permeate organisational systems unless social and environmental issues are integrated in the main business streams, as advocated by the triple bottom line concept. To achieve the triple bottom line, a more open-ended perspective should be adopted; and the focus should be more stakeholder-centred rather than the current view, which is largely shareholder-focused (Pedersen & Neergaard, 2008:10).

Worth noting is that triple bottom line reporting by corporations is still challenging in the business sector around the globe. There is little guidance or legislation on corporate sustainability reporting systems (Characklis & Richards, 1999:387; Skinner & Mersham, 2008:252). However, given the current focus on the environment and society, there is a call for responsibility and urgent action. The success of triple bottom line fulfilment depends on global efforts and the involvement of all stakeholders as well.

Furthermore, within corporate sustainability achievement, management should first identify and realise opportunities for simultaneous improvements in all three dimensions of the triple bottom line concept (Figge *et al.,* 2002:270). Such an approach would facilitate the achievement of strong corporate contributions towards overall sustainability. Although conflict between the three sustainability areas is inevitable in a truly dynamic business system, managers should strive to reduce such conflicts for better corporate performance in the long term.

Depending on the size of a business, the achievement of a viable and sustainable situation has received mixed reactions. The treatment of environmental sustainability programmes has been varied, with large corporations appearing to have adopted environmental sustainability as a core component of their corporate vision and strategy (Hart, 1997:67-70). This could be the case because large companies have resources in terms of funds, time, experience for research and development innovations, and even human capital, to manage sustainability projects.

SMEs (whose employees number fewer than 250) are not able to emulate these initiatives and to meet the emerging demands of large corporations because of their limited resources. The situation is even worse with micro-businesses, which have fewer than ten employees and tend to ignore environmental sustainability issues altogether. This is an interesting discussion as SMEs and micro-businesses comprise the most buoyant and significant part of global business (Thomas, 2000:345-353). Additionally, in growing industries, many SMEs enterprises and micro-businesses have limited knowledge and awareness of their individual and collective impact on the environment and of the concept of environmental sustainability (Vernon, Essex, Pinder & Curry, 2003:57-58). A lack of sensitisation of and involvement by all stakeholders pose big challenges for sustainability efforts.

Corporate sustainability issues are global. Studies show that the leading US corporations that are implementing corporate sustainability performance projects are significantly larger, have higher levels of growth and a higher return on equity than conventional organisations (Artiach, Lee, Nelson & Walker, 2010:31). However, the leading corporate sustainability performance corporations do not have greater cash flows or have lower leverage than other firms. The cash flow bottleneck within such leading organisations could be a result of major injections into the business growth, social and environmental sustainability projects.

Another challenge is that governments tend to face many limitations in effectively dealing with issues of sustainability. One such sustainability constraint is the geographic limitation of government coverage (Senge *et al.,* 2007:44-45). Governments are limited by their political borders and also by time limits attached to the incumbency of the elected office bearers. The increased demographic fragmentation of societies poses a threat to sustainability. Overcoming such fragmentation is a good reason for corporations, especially multinationals, to work with governments. It is contingent upon corporations, governments and non-governmental organisations to substantively confront complex sustainability problems where isolated efforts would be meaningless. For example, internal efficiency improvements are useful to companies, but can become counterproductive if extended too far. Healthy business efficiency levels achieved by a company are supposed to be matched with their ultimate impact on social and environmental systems.

Not only are corporations faced with such resource constraints, but there are also competing pressures that make tradeoffs necessary. Expenditure on corporate sustainability is often perceived by business executives as discretionary expenditure (Senge *et al.,* 2007:44). Worse still, most managers do not know how to deal with sustainability issues. Thus, strategy implementation and the translation of strategy into action becomes a nightmare, as corporate performance is measured based on the wrongly formulated provisions of inadequate organisational plans.

Reporting results related to corporate sustainability is another big challenge for corporations. For example, in Norway, only 10% of companies comply with the legal requirements of environmental reporting, and only 50% comply with the legal reporting provisions on working environment and gender equality (Vormedal & Ruud, 2009:207, 219-220). Furthermore, many voluntary corporate reports are unsatisfactory when it comes to non-financial issues. The absence of sufficient monitoring and enforcement of environmental and social reporting legislation could be a factor that contributes to many corporate failures in Norway.

Many sustainability programmes are constrained by the need for considerable financial and other resources associated with the implementation of social and environmental projects. Economically, corporations are always operating within competitive marketplaces. Organisations that aspire to promote their social and environmental sustainability often orient themselves to face such stiff competition (Figge *et al.,* 2002:273). Therefore, sustainability management that also contributes towards economic or financial objectives helps to disseminate the concept of sustainable development to the entire organisation. Such an approach acts as a role model for other corporate entities.

The above sustainability challenges indicate that sustainability issues are still new and complex. Fundamental to the above literature review is the recognition of stakeholder interconnectedness and interdependence, which is captured in the conceptual framework of this study (Figure 1, on p. 7). There is a great deal of complex interconnectedness among many stakeholders within such an ecosystem. This interconnectedness is also associated with the interdependence of stakeholders for the whole ecosystem to achieve the best results. This arrangement implies that any damage to one part of the ecosystem would cause distress to other parts of the system. Subsequently, subsystem distress would have a detrimental effect on the functionality of the entire system. Thus, there is a need to establish an externally oriented approach and a lot of collaborative efforts by all stakeholders involved in the entire ecosystem. There should be proper mechanisms to ensure that all stakeholders are properly coordinated on all fronts. Unfortunately, the Balanced Scorecard model does not make provision for or acknowledge the significance of the interconnectedness and interdependence of different stakeholders within such an ecosystem framework.

5.9 CONCLUSION

This chapter has analysed issues regarding corporate sustainability. It has been discovered that corporations have to pay special attention to economic, social and environmental sustainability parameters. In order to remain competitive and self-sustainable, organisations have started to focus on sustainability issues, which have become more pronounced in contemporary management practices. The chapter has also described different sustainability concepts and models that could be significant in modern business activities. Sustainability concepts and models include the triple bottom line concept, the Carroll model, the Senge model, and sustainability balanced scorecard models.

The most prominent topic in the corporate sustainability discussion is the triple bottom line concept, which takes cognisance of the need to combine and achieve synergy between three parameters – economic, environmental and social resources – in running organisations. The reasoning behind adopting a sustainability approach is based on the premise that corporations must be run within a continuity framework, where current operations do not affect future activities negatively through the destruction of the natural environment and detrimental effects on the general society. The literature review in the chapter also includes corporate sustainability in modern management systems as a holistic approach towards satisfying different stakeholders of organisations.

In trying to incorporate corporate sustainability, corporations can adapt sustainability balanced scorecard models as an alternative in their planning and evaluation of corporate sustainability programmes. The sustainability balanced scorecard measures are formulated based on the Balanced Scorecard model conceptualisation, with an additional sustainability perspective. The chapter has also reviewed sustainability reporting issues, and the significance and challenges of sustainability programmes.

Overall, the literature reviewed in this chapter indicates that corporate sustainability issues inevitably arise in modern organisational frameworks. These issues have become so prominent that they should be part of the strategic direction of all corporate planning and performance measurement systems. However, this aim can only be achieved by pursuing a stakeholder-centred approach where all interested groups, including society and the natural environment, are partners of the organisation. Involvement by society and the natural environment is essential, especially within the African framework. The Balanced Scorecard model does not address such societal and natural environmental elements. Thus, there is a clear need to redesign the Balanced Scorecard model to reflect these fundamental sustainability issues.

The next chapter reviews and analyses issues governing business ethics and corporate governance. It is an extension of the corporate sustainability discussion that was begun in Chapter Five, but Chapter six focuses on the moral and ethical dimensions of the debate.

CHAPTER SIX: BUSINESS ETHICS AND CORPORATE GOVERNANCE

> It is thus that man, who can subsist only in society, was fitted by nature to that situation for which he was made. All the members of human society stand in need of each other's assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy.
>
> (Smith, 1790).

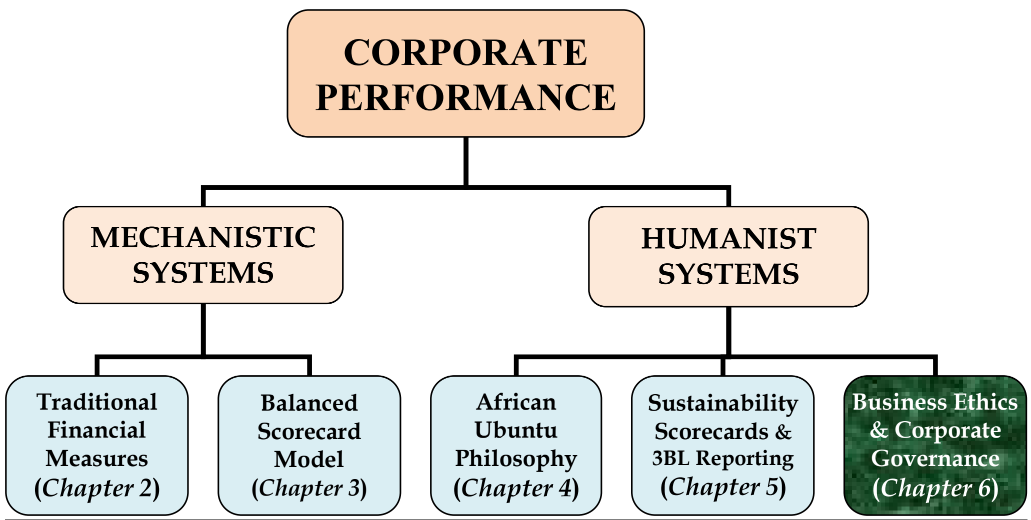
6.1 INTRODUCTION

Aside from the requirement that organisations should run their operations in the most economical, efficient and effective manner possible to increase performance, today, there is an increasing insistence on the need for organisations to be ethical as well. Within the business framework, there is a clear relationship between corporate activities and other stakeholders within and outside the organisation, as indicated in the thesis's conceptual framework (Figure 1, on p. 7).

In corporate relationships, it seems reasonable to expect that operating organisations should serve different stakeholders in an ethical manner. A corporation should engage with its internal and external stakeholders to determine its current ethical reputation amongst the stakeholders, as well as what their ethical expectations are of that organisation (Rossouw, 2010c:165). Thus, under the corporate governance requirements, a corporation should account for its ethical performance and duly report it to relevant stakeholders.

In this chapter, the last part of the literature review about corporate performance measures is presented, as shown in Figure 14, overleaf. The chapter gives background on business ethics, corporate governance and corporate conscience dimensions. Several theories covering business ethics are reviewed by focusing largely on contemporary business issues. Furthermore, literature on the concept of stakeholder perspectives is reviewed, extending the discussions in Chapters 3, 4 and 5 on corporate social responsibility for organisations as corporate citizens, and the corporate conscience phenomenon. Finally, the chapter reviews the integration of perspectives on traditional African Ubuntu ethics with business ethics.

Figure 14: Corporate performance, business ethics and corporate governance



Source: Own observation

In the wake of various corporate scandals and amid increasing concern about environmental sustainability issues, there has been a great deal of debate regarding the applicability of business ethics in the modern business age. The discussion on this topic was recently highlighted with the failures of giant corporations such as Enron, WorldCom and Parmalat, largely due to corporate governance issues (West, 2009:12). Recently, there has also been a corporate environmental scandal involving BP (British Petroleum), when oil spilled into the Atlantic Ocean in the Gulf of Mexico. As many as 5 000 barrels of oil a day spilled into the ocean waters, threatening the US and Mexican coastal areas and causing environmental alarm (BBC News, 2010a). The state of Florida declared the incident a state of emergency. As a response to the oil spill, the US administration banned oil drilling in new areas on the US coast while the cause of the oil spill off the Louisiana coast was being investigated.

Following such experiences, many parties interested in business activities have begun looking more closely at how corporations are supposed to behave in their operations and have begun to incorporate these considerations in their frameworks. This has led to a renewed emphasis on business ethics considerations. Ethical issues are usually debated in terms of corporate governance, environmental degradation and global warming, corporate social responsibility, and corporate conscienceness (Kleine & Von Hauff, 2009; Nakano, 2007:163).

6.2 BUSINESS ETHICS

All organisations are engaged in some economic activity where they get inputs in the form of resources from the environment to produce goods and services using internal business processes. Organisations later exchange the final products with the customer and consumers that come from outside the business boundaries. In business transactions, it is expected that corporations act in an ethical manner in their interactions with different stakeholders. The economic transactions with stakeholders should achieve a common good for the organisation, as well as for the other parties.

Business ethics entails the study of the ethical dimensions of organisational economic activity on the systematic, organisational and intra-organisational levels (Rossouw, 2010b:20-22). Business ethics focuses on what is good and right in a particular economic activity, where an organisation engages in a moral analysis and assessment of such economic activities and practices.

Ethics refers to a set of rules that define right and wrong conduct and that help individuals distinguish between fact and belief, decide how such issues are defined and what moral principles apply to the situation (Hellriegel, Slocum & Woodman, 1992:146). Moral principles describe the impartial general rules of behaviour that are of great importance to a society, along with the values the society represents. Moral principles are fundamental to ethics. Ethical behaviour would be characterised by unselfish attributes that balance what is good for an organisation with what is good for the stakeholders as well. Thus, business ethics would embrace all theoretical perspectives regarding the ethicality of competing economic and social systems.

The study of business ethics is evolving, just as conceptions concerning the role and status of organisations are also changing over time. Business ethics as a field of study deploys moral analysis and assessments of economic practices and activities at the economic system (macro-economic) level, the organisational (meso-economic) level, and the intra-organisational (micro-economic) level (Rossouw, 2010b:16).

The first level is the macro-economic level, where business transactions occur within national or international frameworks (Rossouw, 2010b:20). Other business transactions occur at the meso-economic level, where an organisation interacts with other stakeholders, including society. Within the framework of societal interactions, business activities have an impact on different stakeholders, which includes suppliers, customers, the community and the natural environment. Finally, business ethics can also be applied at a micro-economic level, where the focus is on the moral dimensions of business practices, policies, behaviour and decisions executed within an organisation. Internal ethical dimensions include issues regarding the employees’ welfare in terms of their work environment, health and protection, and remuneration.

6.3 GENERAL THEORIES OF ETHICS

Several theories have been developed to cover issues related to business ethics. Generally, three main philosophies of ethics have dominated discussions on ethics (Rossouw, 2010d:57-69). These three theories are Aristotle's virtue theory, Kant's deontological theory, and John Stuart Mill's utilitarian theory.

6.3.1 Aristotle's virtue theory

Aristotle's virtue theory emphasises that what matters in ethical behaviour is the integrity of an individual's character (Rossouw, 2010:d57-62). The theory is based on the premise that different goals can only be achieved if people love themselves first. It is argued that self-love is a pre-condition for reaching one's full human potential of having a sense of well-being and joy. Thus, morality depends on the moral character of an individual.

6.3.2 Kant's deontological theory

Kant's deontological theory on ethics propagates that there are objective ethical standards of behaviour that everyone should respect (Rossouw, 2010d:62-65). Our moral actions in certain areas cannot be based on an individual's practical experiences or natural instincts and needs, but is rather based on what general society expects. For example, people who are involved in corrupt practices cannot possibly offer moral guidance. Hence, the ethical focus should not be on the individual's natural needs and inclinations, or a person's present and past experiences. Instead, it should be based on the standard for good behaviour, which is realised through pure rational reflection. Obeying objective standards of behaviour from a sense of duty would be the hallmark of moral behaviour. The development of ethical guidelines and codes of ethics are premised on this doctrine.

6.3.3 Mill's utilitarian theory

John Stuart Mill's utilitarian theory focuses on the quality of actions as propagated by the deontological theory (Rossouw, 2010d:65-69). The difference between the two theories is that the utilitarian theory focuses on the practical consequences of an action in order to determine whether that action was right or wrong. An action is considered good when it results in the happiness of the majority of those affected by that specific action.

The utilitarian theory posits that individuals should strive, not for their own happiness alone, but also for the happiness of society, as human beings are by nature social beings (Rossouw, 2010d:66-67). The theory recognises that external support is given to individuals, as everyone needs the support of others throughout life. One is likely to face a threat of rejection or even expulsion from the society in the absence of such external support. Hence, the utilitarian theory propagates that there should be natural inclination to sympathise with others through the manifestation of a moral conscience that prevents one from doing harm to others.

As will be discussed later in the chapter, using these three general theories on ethics helps managers to make their day-to-day management decisions on business ethics and corporate governance. Managers anticipate which moral concerns should be considered when making their decisions. Ultimately, management decisions are made to facilitate the goal achievement of the organisation and its stakeholders as well.

6.4 APPLICATIONS OF BUSINESS ETHICS

The discussion of the business ethics dimensions are varied, depending largely on social and economic elements surrounding the organisations concerned. The view that prevails depends on the roles that organisations are supposed to play internally and in society in general. In macro-ethics, the central question is the fairness of the organisational choice of economic system and also ethical merit of the key elements of such a system (Du Plessis, 2010:114-127). Essentially, these key elements comprise the profit motive, private property, the limited liability of corporations, competition, and free markets.

The profit motive drives output upwards. It is contended that under a centrally-planned economy and in the absence of the profit motive, there is little inspiration for an individual to work harder, longer and more efficiently than the next person (Du Plessis, 2010:116). In a free market system, the combination of the profit motive and the free choice of economic activity drives organisational outputs upwards. The profit motive can also have a tremendous effect, not only on the organisation, but also on the economy and society as a whole, through the "invisible hand" triple down effects (Smith, 1776:IV.2.9).

The "invisible hand" phenomenon implies that corporations, in achieving their own goals, make an impact on the overall welfare of the economy and society as a whole, even though their original goal may have had nothing to do with society, as Adam Smith in his famous book, *The Wealth of Nations*, argues:

> But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an **invisible hand** to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

The implication of the "invisible hand" phenomenon is the belief that corporations can become an efficient means of achieving the enhancement of society whilst they are focusing on their profit motive in a free market. In agreement with Smith (1776), Collier and Roberts (2001:67) regard corporations as a set of ownership rights and also as social institutions. According to this argument, corporations are regarded as a means for the maximisation of shareholders' wealth that should ultimately improve the socio-economic welfare of local communities, although that may not initially be intended.

Whilst the above scenario could be true, organisations usually pursue wider corporate agendas. There are many views on the roles of corporations, depending on regional perspectives (Rossouw, 2009b:43-51). These varied views have given rise to different approaches on how organisations are managed or governed (corporate governance) in different parts of the world. There are several corporate governance regimes around the world that are underpinned by different sets of socio-cultural frameworks, which in turn reflect the societies in which these frameworks were developed. In addition, corporate governance regimes are also directed by the question: **For whose benefit should corporations be governed?** Corporate governance frameworks can generally be classified as embodying certain ideologies, as discussed below.

The first corporate governance regime is typical of the USA (Rossouw, 2009b:44), where organisations are perceived to be primarily pursuing the financial interests of shareholders. Thus, the US marketplace is strongly associated with a shareholder-centred approach towards business ethics; it is "exclusive" in satisfying the shareholders' motive of maximising profits. By contrast, the perception that prevails in Continental Europe is that an organisation is a multi-purpose institution which is obliged to serve and satisfy a variety of stakeholder concerns and interests. Thus, a stakeholder-centred approach towards business ethics is associated with most European states.

There is also a similar stakeholder-centred, broader view of the company in Asia and Africa. The main difference is that the African perspective on the ethics of corporate governance is mostly grounded by an "inclusive" ethic of governance, whilst the Asian perspective on the ethics of corporate governance is founded on the "expansive" ethic of governance (West, 2009:45). Therefore, the third kind of corporate governance ethic is the African "inclusive approach", which signifies that an organisation has an explicit commitment to serve the interests of both shareholders and non-shareholding stakeholders. Such an organisational commitment to a stakeholder-centred approach towards corporate governance is partly influenced by African socio-cultural values.

The African Ubuntu philosophy emphasises the importance of community, solidarity, coexistence, and the inclusion of community members (Broodryk, 2005; Mangaliso, 2001; Mbigi & Maree, 2005). Furthermore, it has been observed that the African "inclusive" governance approach could also be a result of strong support of developmental activities on the African continent (West, 2009:45). Such developmental activities are partnered with the business community at large. Finally, such an "inclusive" approach in Africa is also partly influenced by the strong presence of state-owned enterprises that pursue both social and economic agendas. There is a strong reliance on internal corporate governance in Africa, as regimes on external corporate governance are generally poorly developed and enforced, with some notable exceptions, such as companies listed on the JSE. In compliance with the above observations, the recent King III Report on governance for South Africa "seeks to emphasise the inclusive approach to governance" (Institute of Directors in Southern Africa, 2009:13), which is representative of an African framework.

The fourth perspective on corporate governance regimes is represented by the Asian community. Asian corporate governance engages the "expansive approach", which represents a mid-position between a shareholder-centred approach and a stakeholder-centred approach (Reddy in Rossouw, 2009b:44). However, it is not a matter of a trade-off between the two governance approaches, but rather a synthesis between shareholder and stakeholder interests. The "expansive" approach to corporate governance with Asian society is partly the result of the lesser prominence of shareholder concerns in Asian companies, as many companies in Asia are either state-owned or SMEs owned by family members, and hence, shareholder concerns are less pronounced.

Furthermore, studies reveal that in an Asian society, informal external corporate governance through societal norms, practices and values are often more influential than the formal external corporate governance mechanisms of laws and regulations (Rossouw, 2009b:44). Such Asian societal norms, practices and values find expression in a relationship-based form of corporate governance. Consequently, internal corporate governance plays an important role, in that company boards and their management teams adhere to societal norms when they are formulating corporate plans and actions. Another explanation for the "expansive" approach to corporate governance in Asia would be that corporate governance standards often take the form of voluntary corporate governance codes.

The above discussion of both the African and Asian ethics reveals that society and other external stakeholders have more influence on the internal governance of corporations than statutes and regulations do. This picture differs from that in America and Continental Europe. A leaning to a stakeholder-centred approach is discernable in both the Asian and African perspectives. It is therefore not surprising that the Balanced Scorecard model reflects the American "exclusive" shareholder-centred approach to corporate governance, and that, as a result, it is not fully reconcilable with an African "inclusive" approach to corporate governance. The next section throws more light on the issues surrounding the shareholder-centred approach, as introduced above.

6.5 SHAREHOLDER-CENTRED CORPORATE GOVERNANCE

Proponents of the mainstream shareholder-centred approach to corporate governance base their argument on the private property rights paradigm (Stovall, Neill & Perkins, 2004:222), which implies that, as risk-taking owners and providers of financial capital, shareholders tend to prefer to promote their own interests over those of other stakeholders. It is contended that as primary owners of business, shareholders should hold the management team accountable to the primary goal of maximising shareholder wealth.

Thus shareholder-centred corporate governance is premised on the view that corporations exist purely to maximise profits, within the legal limits (Friedman, 1993). Friedman (1993) argues that corporations have no moral obligation towards any stakeholder, apart from making as much profit as possible for the shareholders. Thus, corporations are governed primarily to benefit the interests of shareholders, but other stakeholders would automatically also benefit through the trickle-down effects of the "invisible hand".

Under the agency theory (Du Plessis & Prinsloo, 2010:144-145; Eisenhardt, 1989:57-74), shareholders as principals appoint the board of directors as agents to oversee the overall strategic direction of the company. In turn, the board of directors appoint management to run the day-to-day activities of the company. Ultimately, managers become agents of shareholders as well and are thus expected to serve the best interests of their ultimate principals, the shareholders. However, there have been mixed reactions towards the shareholder-centred approach to corporate governance:

6.5.1 Arguments for a shareholder-centred approach

The fact that other stakeholders of the corporation are not considered the primary beneficiaries of a corporation should not lead to an overhasty judgement that shareholder-oriented corporate governance is premised on a very thin and exclusive ethic. Guided by Adam Smith's "invisible hand" argument, advocates of shareholder-centred corporate governance regimes posit that the primary focus on shareholder interests streamlines corporate decision-making and improves the efficiency of companies, which ultimately directly or indirectly benefits all other stakeholders of the corporation, including society (Nakano, 2007:164).

Proponents of the shareholder-centred approach maintain that ultimately market participants who pursue their self-interest without regard to the interests of others will still collectively provide the optimal benefit to society through the triple down effects (Stovall *et al*., 2004:222-227). Therefore, the legal owners of a corporation, shareholders, are only doing the right thing when they exert their private property rights over the interests of other stakeholders.

In the shareholder-centred approach it is also argued that shareholder interests would be best served by attending to the interests of crucial stakeholders of the company, such as employees, customers and suppliers, in order to gain and maintain their loyalty and support, without which the business cannot be successful (Rossouw, 2009a:4-9). Consequently, the interests of other stakeholders are also attended to, but the rationale for this is for the business strategic considerations. The management of corporations thus have a fiduciary duty to satisfy the shareholders' interests, whilst the interests of other stakeholders are instrumentally considered. Under this arrangement, shareholders are considered to be the primary stakeholders, whilst the other stakeholders are considered secondary.

The above arguments for the shareholder-centred approach have attracted a lot of criticism from different scholars and practitioners.

6.5.2 Arguments against a shareholder-centred approach

The shareholder-centred approach is based on capitalism, the focus of which is outcomes, which is indicative of utilitarian thinking. According to many utilitarians, public utility is the sole origin of justice (Rossouw, 2010b) and thus the means by which such utility is achieved is not of great concern to utilitarians. Utilitarians often argue that justice actually derives its origin from individual selfishness. Similarly, Friedman (1993) argues that the pursuit of profits is the sole obligation of business and that society should leave the ethical problem to the individual to wrestle with. Thus, the shareholder-centred approach is ultimately argued to be moral on utilitarian grounds, where morality is evaluated strictly in terms of the ends and not the means.

Unfortunately, the extent to which the shareholder-centred approach inevitably generates beneficial ends is subject to debate. Much evidence exists that when organisations focus solely on their exclusive economic self-interests, they may not necessarily produce outcomes that benefit the larger society (Newbert, 2003:253). By ignoring their moral responsibility to society, those who seek only to satisfy their economic motives often do not contribute to and in some cases even detract from the much-needed social well-being. This observation does not support the utilitarian rhetoric on the “invisible hand” phenomenon. It is therefore small wonder that democrats and socialists argue that the capitalist shareholder-centred approach brings about imbalances in the distribution of national wealth which are against the democratic rights of all people.

It has been observed that there are generally negative societal consequences of capitalist approaches to corporate governance. For example, capitalism has led to a massive concentration of economic resources in the hands of a disproportionately small minority of firms and property holders (Bassiry & Jones, 1993:624). In the USA, the fifty largest corporations make almost half of all economic profits of all US industries. The implication of this is a concentration of wealth which manifests in an imbalance of power between a wealthy minority and the non-wealthy majority.

Further, it is argued that although the non-wealthy group may in fact be better off under capitalism than under any other system of economic organisation, the existence of the inequality itself is detrimental to a democracy, which assumes an equal distribution of power among the polity (Bassiry & Jones, 1993:624). This inequality in political power ultimately serves to undermine the democratic process, which in turn perpetuates and magnifies the inequality between the two groups, resulting in a widening economic gap between the two groups.

It seems that the classic justification of free market capitalism under the "invisible hand" doctrine has outlived its usefulness in modern management systems. The reality of the modern corporation is that it has striven to internalise all benefits and externalise as many of the costs of its actions as possible (Evan & Freeman, 1993:76-78). For example, in pursuing their goals, many corporations have had no qualms about polluting the surrounding environment and disrupting local communities through their production processes, and some have even sold inferior products to consumers.

Similarly, there is no logical reason to believe that the greatest common good under the shareholder-centred approach, based on the utilitarian argument, will necessarily be achieved through the "invisible hand" phenomenon (Walker, 1992:281). Choices that are based on considerations of either individual or corporation profit maximisation frequently do not lead to the maximisation of overall utility. The treatment of environmental pollution produced during manufacturing processes, for instance, is usually externalised, as the costs associated with cleaning such environmental waste are often considered too substantial by the business community. Manufacturing companies that only seek to maximise efficiency are more likely to avoid their moral duties to protect the public from the hazardous by-products they may be creating than those with a concern for social well-being.

Influenced by the maximisation objective, companies can manipulate prices on the market at the expense of consumers. For instance, utilitarian companies operating in monopolistic and oligopolistic markets often restrict output below a competitive level (Walker, 1992:281). Consequently, market prices are increased above the equilibrium that leads to a reduction of consumer surpluses. The implication of this argument is that the utilitarian maximisation achievement is inclined more towards individual benefit than toward the general societal good. Such acts can be regarded as morally wrong, because they penalise the very people that corporations are intended to serve.

Regarding the legality of principal and agent relationships, it is argued that the maxim that corporate managers have a duty to maximise profits on behalf of shareholders is legally and factually wrong (Stone, 1992:439; Stout, 2002:1191). Legally, the shareholders do not, in fact, own the corporation. Rather, they own a type of corporate security commonly called a “share” or “stock”. As owners of shares, shareholders’ rights are quite limited. For example, shareholders do not have the right to exercise control over the corporation’s assets. It is argued that legally it is a corporation’s board of directors that holds that right.

Similarly, managers do not make an explicit (or implicit) promise to shareholders to maximise profits, as there is no direct relationship between managers and shareholders (Stone, 1992:439-440). If anything, shareholders are legally employers of the board and not of management. Therefore, it is legally wrong to assume the principal/agent relationships between the shareholders and management, as the judiciary systems do not recognise managers as agents of the shareholders. Moreover, it is factually wrong because a manager never actively determines the express wishes of shareholders and managers do not have to act in accordance with shareholders’ wishes.

Regarding the capital markets and the true ownership of shares, it is contended that the shareholder-centred approach does not recognise relationships and contracts that exist between the primary and secondary investors in business activities. Most shareholders participate only in the secondary market and therefore do not supply capital to corporations, according to Stovall *et al.* (2004:223), who rank other constituencies such as employees, communities, and the ecosystem as the primary sources of capital for business organisations. They suggest that the notion of private property rights in a corporate governance context supports the notion of an aristocracy, where such rights help to preserve the myth that shareholders are the primary providers of capital.

Furthermore, the shareholder-centred approach encourages managers to focus their corporate strategies on the maximisation of profits, which can encourage short-termism and consequently become morally harmful to other stakeholders as well (Stovall *et al.,* 2004:223). Under the shareholder-centred approach, other stakeholders, such as employees, customers, the community, and the natural environment, are usually ignored and their interests are often virtually disregarded.

Direct contributions by these groups to the corporation are regarded either as an input that makes up a product or service, or perhaps as an externality that falls outside the realm of economic and accounting language. Some studies have revealed that the optimisation of the social welfare of communities is inconsistent with the pursuit of corporate profits exclusively to maximise shareholders' self-interest (Downs in Stovall *et al.*, 2004:223). For example, the pursuit of profit maximisation can lead to company layoffs. Such layoffs, motivated by profit maximisation objectives, have long-term detrimental effects on employees, their families and also local communities. Additionally, such layoffs often lead to significant deficiencies in a company's ability to maintain long-term profits for shareholders.

The shareholder-centred approach also violates the very reason for corporate existence and the principle of its interconnectedness with its environment. There are broader motivations for corporate management systems (Drucker, 1993:80). A business has to be managed by balancing the interests of different constituencies, each with a genuine stake in the business. However, this balanced approach to corporate governance has been distorted by the emphasis on maximisation of shareholders' wealth, forcing firms to focus on short-term activities. Notably, the exclusive attention paid to the needs of shareholders may alienate the very same stakeholders upon which the business operationally and strategically depends. However, the maximisation of shareholders wealth maxim retains popularity in business circles and academia as the primary objective of any company.

There is a danger that even contemporary business and accounting systems do not take into consideration contributions from stakeholders other than shareholders towards organisational activities. For instance, the accounting systems definitions are embedded in language that solely reflects market price exchange mechanisms (Stovall *et al.*, 2004:223). The price mechanism, which is grounded in the neo-classical assumptions of optimisation through self-interested behaviour, often leads to sub-optimal decisions from managers from a societal (social cost) perspective. In particular, the social costs that result from activities such as pollution and crime are the result of economic actors that engage in self-interest maximisation.

Currently, there is a lack of accountability systems for corporate management that considers and incorporates the interests of various stakeholders, especially those from society and the natural environment. Kelly (2001:101-103) discusses several efforts that can help to revolutionise the current model for corporate governance to include multiple stakeholders, including the preparation of employee income statements, a company's people-asset-productivity measures, a community income statement, and calls for expanding both voluntary and statutory corporate social disclosure as is stipulate in the King III Report (Institute of Directors in Southern Africa, 2009).

The above literature review and analysis indicates that the shareholder-centred approach is founded on capitalist economic systems, where the maximisation of shareholder value is paramount. Similarly, the Balanced Scorecard model has been conceptualised based on the same maxim of shareholder wealth maximisation. The Balanced Scorecard model is utilitarian, in that it is results-oriented and disregards other contributors to business success.

A customer as an external stakeholder is included, just like a direct injector of revenues towards business operations. Under the Balanced Scorecard model, the economy, efficiency and the effectiveness of internal businesses processes are supposed to be improved to achieve this mechanistic goal of shareholders' wealth maximisation. Even employees, who provide human resources, are trained and mechanistically programmed towards the maximisation of shareholder wealth. Thus, the Balanced Scorecard model is deficient in that its focus is on shareholders rather than on other stakeholders. The above literature review also indicates that the shareholder-centred approach that underpins the Balanced Scorecard model does not conform with the values of either the African or Asian societies, where a stakeholder-centred approach is preferred.

6.6 STAKEHOLDER-CENTRED CORPORATE GOVERNANCE

The stakeholder-centred approach is founded on the premise that corporations operate through complex relationships and networks with many players, called stakeholders (refer to Figure 1, on p. 7 and Figure 3, on p. 29). The stakeholder-centred approach attempts to ascertain the interested groups that have different stakes in the affairs of a company and therefore need management's attention (Prozesky, 2010:265). Apart from shareholders, there are other stakeholders, such as employees, suppliers, customers and local communities. These stakeholders have legitimate rights in the running of the business activities (Rossouw, 2010e:136). Under the stakeholder-centred approach, it is argued that stakeholder groups should be granted legal protection as well. For instance, employees have legally protected rights to bargain collectively.

The shortcomings of the shareholder-centred approach led to the development of a stakeholder theory. According to Evan and Freeman (1993:79), in stakeholder theory, stakeholders are classified as those groups that are vital to the survival and success of a corporation. Various organisational stakeholders qualify under this definition: managers and employees are the internal stakeholders, the rest (shareholders, suppliers, customers, the local community) are external stakeholders. Individual stakeholders play different roles in the survival and success of a business (Evan & Freeman, 1993; Phillips, 1997; Phillips, Freeman & Wicks, 2003), as discussed below.

a) Shareholders

Shareholders have a stake in the business because they invest their funds to pay for the running of business activities. In return for their investment, shareholders are paid dividends out of corporate profits. Shareholders are interested in the continued profitability of the company.

b) Suppliers

Suppliers have a stake in the organisation, in that they provide raw materials and inputs towards the production systems that finally convert the raw materials into finished goods or services. Suppliers would want fair trading practices from the organisation, where best prices are offered. Suppliers also want the assurance of sustainable business relationships with an organisation through the guaranteed continued supply of raw materials.

c) Customers

Customers buy goods and services that are produced by corporations. Customers provide the lifeblood of the company, as they provide income towards the running of the operations and keeping the company afloat. In return for what they pay to the company, they expect high quality and safe products and services. Customers are also interested in the continued supply of goods or services.

d) Local community

The local community provides corporations with the basic infrastructure, human resources, final consumers for goods and services, and the natural environment (and natural resources, in the case of some companies, such as mining companies, forestry, some agriculture- or viticulture-related companies, or the tourism industry) that are required for the successful running of the business. In return, corporations pay taxes and tariffs through government and contribute economically to the local communities within which their operations are based. Thus, corporations have to maintain their mutually beneficial relationship with local communities. Managers need to act as responsible corporate citizens towards local communities. Economic backing from corporations usually takes the form of benevolent funding to the underprivileged or disadvantaged, and also protection of the natural environment.

Stakeholder theory does not explicitly recognise government as a separate stakeholder, as it is usually grouped together with the community. In an African context, government plays a pivotal role in the provision of business infrastructure, debt and grant financing, and legislation. Apart from the community, government is therefore recognised as a separate stakeholder in this study, as shown in Figure 1 (on p. 7) and Figure 3 (on p. 29).

e) Managers and employees

Managers and employees provide the human resources base for the sustainability of corporate operations. In return for their contributions, managers and employees need to be duly compensated through good remuneration packages and safe working conditions.

Under the stakeholder theory, all stakeholders are treated equally (Evan & Freeman, 1993). Unlike the shareholder-centred approach, no single group's interests are given priority over those of other groups. The stakeholder-centred approach is justified in that corporate wealth should 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 relationships of an organisation and its stakeholders and relationships between the stakeholders themselves have been summarised in the conceptual framework of this study (Figure 1, on p. 7).

Overall, the above discussion on the stakeholders and their vested interest in corporations indicate that a stakeholder-centred approach is superior to the shareholder-centred approach, in that it is more holistic and recognises the principles of nature and eco-systems. The stakeholder-centred approach represents an organisation as one family, where the stakeholders are its members, who have to work collaboratively to achieve one common goal of maximising the value of the entire system. Too much focus on one stakeholder group would put other stakeholder groups under stress, which can ultimately lead to the disequilibrium of the entire system. Consequently, sub-optimal results are realised in the long term.

6.6.1 Arguments for the stakeholder-centred approach

Stovall *et al.* (2004) argue that the stakeholder-centred approach is in line with the original sympathy principle of Smith (1790:III.I.46). For Smith, this original passion allows a person to build a sense of morality. Smith (1790, III.I.46) maintains that this innate sense of being able to see others' interests allows individuals, and ultimately societies, to develop concepts such as benevolence, altruism and even justice.

The sympathy principle represents the instinct from which higher virtues or moral sentiments grow. In his seminal work, *The Theory of Moral Sentiments,* Smith (1790, III.I.46) illustrates this intersection between passions or sentiments that his sympathy principle promotes as follows:

> What is it which prompts the generous, upon all occasions, and the mean upon many, to sacrifice their own interests to the greater interests of others? It is not the soft power of humanity, it is not that feeble spark of benevolence which Nature has lighted up in the human heart, that is thus capable of counteracting the strongest impulses of self-love. It is a stronger power, a more forcible motive, which exerts itself upon such occasions. It is reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct. It is he who, whenever we are about to act so as to affect the happiness of others, calls to us, with a voice capable of astonishing the most presumptuous of our passions, that we are but one of the multitude, in no respect better than any other in it; and that when we prefer ourselves so shamefully and so blindly to others, we become the proper objects of resentment, abhorrence, and execration.

As noted, the stakeholder-centred approach represents the fair recognition of the other constituencies as they provide resources to and receive benefits from the corporation (Stovall *et al*., 2004). The relationships that exist within this framework represent the reality of a modern organisational set-up. Proponents of this view emphasise that a corporation cannot exist without continued contributions from all stakeholders. Therefore, in addition to considering shareholder interests, managers should consider how their strategic and operational decisions affect these other stakeholders as well.

The debate on stakeholder treatment by corporations is foundational to the survival of the modern business environment. Within the framework of corporate governance, there should be “corporate conscience” that is based on people’s rights, morals and a sense of justice (Tsuno, 2003:187). Thus, the actions of managers should be governed by the actions of consumers, labourers, suppliers and people from the public sector, and that corporate power should be exercised in line with public consensus. This line of argument can be seen as a true forerunner to the concept of corporate governance and business ethics (Nakano, 2007:168). The stakeholder-centred approach also supports arguments for corporate social responsibility and stakeholder management systems, as discussed below.

Unlike the shareholder-centred approach towards corporate governance, the stakeholder-centred approach is broad and holistic. The stakeholder approach presumes a collaborative and relational approach to business and its constituents (McAlister, Ferrell & Ferrell, 2003:173; Phillips, 1997; Phillips *et al*., 2003). Corporate governance systems using the stakeholder-centred approach consider both the needs of various constituencies and trade-offs between the interests of various stakeholder groups.

6.6.2 Principles of stakeholder management and corporate reporting systems

The recognition of the existence of other stakeholders, apart from the shareholders, demands proper management of stakeholders for the long-term sustainability of business activities. As the stakeholder-centred approach is inherently in conformity with sound conventional practices and the financial stewardship of business, guidelines on how companies can best manage stakeholder concerns in actual practice are formulated accordingly.

One such set of guidelines was developed by the Clarkson Centre for Business Ethics (CCBE) at the University of Toronto, and was called *Principles of stakeholder management*. This document provides insights on how organisations can relate with and manage their stakeholders (Clarkson Centre for Business Ethics, 2000). The guidelines are summarised below.

a) Principle 1: Ensure stakeholder acknowledgement and monitoring

Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders. The onus is on management to ensure that stakeholder interests are taken into account appropriately in corporate decision-making and operational processes (Clarkson Centre for Business Ethics, 2000). Managers should be aware of existence of multiple and diverse stakeholders and ensure that there is an understanding of their involvement and interests in the corporation.

Many stakeholders (investors, employees, customers) are readily identified because of their express or implied contractual relationship to the organisation (Szwajkowski, 2000:389). Others may identify themselves because of the impact, positive or negative, of organisational activities on their own well-being. Therefore, managers are obligated to respond favourably to every request or criticism from stakeholders and deal with each situation objectively and professionally.

b) Principle 2: Deploy effective communication systems with stakeholders

Managers should listen to and communicate openly with stakeholders about their respective concerns and contributions. Effective communication with stakeholders should also involve discussing the risks that stakeholders assume due to their involvement with business operations (Clarkson Centre for Business Ethics, 2000). Stakeholder communication, both internal and external, should be considered a critical function of organisational management systems. Normally, effective communication systems should involve receiving, as well as sending, information that is relevant to individual stakeholders. Thus, managers must engage in stakeholder dialogue for them to fully appreciate and understand stakeholder interests; and in the process they should accommodate various stakeholder groups into an effective wealth-producing forum.

Cognisance should also be taken of the varied nature of stakeholder interests that would ultimately determine the type of information to be provided to a particular stakeholder group. However, openness may not be specifically characteristic of stakeholder communication or dialogue, yet it is the essence of information disclosure (Szwajkowski, 2000:390). The above principle demands commitment to information disclosure. Business executives should not be fooled into thinking that they are fulfilling the requirements of this principle just because they are communicating with their stakeholders.

c) Principle 3: Engage in adaptive processes and behaviour towards stakeholders

To involve the key stakeholders of an organisation fully, business executives should adopt processes and practices that are sensitive to the concerns and capabilities of each stakeholder group (Clarkson Centre for Business Ethics, 2000). These should reflect an organisational culture that promotes positive modes of behaviour towards all stakeholders. Stakeholder management is very diverse, as individual groups differ, not only in their primary interests and concerns, but also in their size, complexity and level of involvement with an organisation. Some groups are dealt with through formal, and even legally prescribed, mechanisms, such as collective bargaining agreements for employees and shareowner meetings for shareholders. Other stakeholders can be reached through advertising, public relations, or press releases; still others, such as government officials, are reached largely through official proceedings and personal contacts. Both the mode of contact and the type of information presented to the stakeholders should be appropriate and relevant for their respective decision-making processes.

Therefore, descriptions of situations and explanations of actions offered by managers should be consistent among all stakeholders, but adapted in its form to the recipients of the information. Thus, managers should be extremely cautious when they are dealing with stakeholder groups that have a limited capacity to assimilate and evaluate complex situations and options (Szwajkowski, 2000:390). It has been noted that generally stakeholders act favourably when there is disclosure of information rather than non-disclosure, which arouses suspicion amongst stakeholders. Different stakeholders are motivated to perform in different ways. Therefore, the disclosure process should pay attention to the medium of communication, as well as the message that is being transmitted to the individual stakeholder.

d) Principle 4: Ensure interdependence of efforts and rewards among stakeholders

Managers should recognise the interdependence of efforts and rewards among different stakeholders. Managers should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among the stakeholders by taking into account their respective risks and vulnerabilities (Clarkson Centre for Business Ethics, 2000). According to the thesis' conceptual framework, stakeholders collaborate with an organisation to ensure their co-existence and for mutual benefit. Therefore, it is important to acknowledge that stakeholders are vulnerable to the effects of uncertainty and changes over time in different ways.

Successful business executives should make sure that all stakeholders receive sufficient benefits to ensure their continued collaboration in an organisation (Clarkson Centre for Business Ethics, 2000). The stakeholders' benefits realised from such collaborative efforts should outweigh the total burdens and the risks that stakeholders are willing to bear. Openness and demonstrable fairness of the distribution of benefits and burdens among stakeholders are, in themselves, stakeholder benefits.

However, business executives may need to make special efforts to demonstrate stakeholder interdependence and the collaborative nature of an organisation to all stakeholders (Szwajkowski, 2000:391). Furthermore, in the interest of openness, a corporation needs to be fair with its stakeholders and at the same time provide them with evidence of that fairness. Consequently, openness builds reputation, by eliciting respect for the organisation's reputation amongst different stakeholders. The net result is the establishment and maintenance of trust and reputation as valuable assets for the organisation.

e) Principle 5: Have organisational collaborative partnerships

Managers should work cooperatively with other entities in both the public and private sectors to ensure that risks and harm arising from corporate activities are minimised or, where they cannot be avoided, are appropriately compensated (Clarkson Centre for Business Ethics, 2000). Corporate wealth creation almost inevitably gives rise to consequences that may not be fully mediated through the marketplace. The stakeholder monitoring efforts will often require cooperation with other organisations, which can be achieved through networking and collaborative partnerships.

Apart from being proactive in developing contacts with relevant stakeholder groups, business executives should establish strategic alliances that can significantly reduce any harmful impact and compensate the affected stakeholders accordingly (Szwajkowski, 2000:391). Business collaboration works on the premise that one organisation cannot solve a problem alone and that it should be a stimulus to multiparty cooperation.

f) Principle 6: Avoid unacceptable activities

Stakeholder management systems imply the adoption of proper practices that respect the fundamentals of human rights. Managers should refrain from pursuing activities that are likely to jeopardise inalienable human rights or creating situations that can give rise to risks which are patently unacceptable to the relevant stakeholders (Clarkson Centre for Business Ethics, 2000). Usually, the ultimate consequences of most human endeavours, particularly endeavours involving large expenditure, diverse interests and long periods can never be fully anticipated in advance. Under such circumstances, managerial decisions and corporate operations can give rise to multiple and diverse risks. Therefore, managers should communicate openly with stakeholders concerning the associated risks involved with their specific roles in the organisation. Managers should also strive to negotiate appropriate risk-sharing and benefit-sharing contracts wherever possible

The contractual arrangement can be considered satisfactory when stakeholders knowingly agree to accept a particular combination of risks and rewards. However, some projects may have consequences for which no conceivable compensation would be adequate or risks that cannot be fully understood or appreciated by critical stakeholders (Clarkson Centre for Business Ethics, 2000). In such circumstances, it is advisable that managers take a direct responsibility to restructure projects to eliminate the possibility of unacceptable consequences, or where necessary, abandon the projects altogether. Accordingly, if things go wrong, due to unforeseen events

(Szwajkowski, 2000:392), corporate disclosure can be useful in providing documentation as to the conditions under which the management decisions were made and implemented.

g) Principle 7: Recognise stakeholder conflicts

Finally, managers should acknowledge the potential conflicts between their own role as corporate stakeholders and their legal and moral responsibilities in the interests of all other stakeholders (Clarkson Centre for Business Ethics, 2000). Corporate managers should address stakeholder conflicts through open communication, appropriate reporting and incentive systems and, where necessary, a third party review. Managers should not be just a disinterested group who coordinate stakeholder interactions.

However, managers also form a distinct stakeholder group of an organisation (Phillips, 1997; Phillips *et al*., 2003; Rossouw, 2010e:138). Managers have privileged access to organisational information and a unique influence on corporate decisions. Thus, as stakeholders, managers are naturally interested in the security of their jobs, safe work environment, the level of their remuneration and other rewards, such as bonuses, and the scope of their discretion in the use of corporate resources. Usually, other stakeholder groups such as shareholders through their boards of directors institute a variety of systems that are intended to align the managers' interests with those of the organisation as a whole in order to prevent opportunistic abuse of managerial positions.

The above literature review shows that the stakeholder-centred approach fits well into the African society where all stakeholders are considered members of one family (an organisation), and that the wealth created within should be distributed to all members of the organisation accordingly. The stakeholder-centred approach is different from the shareholder-centred approach, which focuses on the shareholders as owners of the business and the other stakeholders as instruments to be used to maximise the wealth of shareholders.

The Balanced Scorecard model is founded on the shareholder-centred approach, in that any benefits that may be extended to other players, such as management and employees, suppliers, government and the community, are considered as just payment for their (management and employees, suppliers, and government) contributions or the "trickle-down" effects to the local community. Thus the Balanced Scorecard model does not recognise wealth distribution as one of its objectives, but rather as payment for the direct contributions of activities of the corporation.

The analysis of the shareholder-centred and stakeholder-centred approaches also supports the idea that the current Balanced Scorecard model, which is based on a capitalist system, should be redesigned for application to an African society. The redesigning of the Balanced Scorecard model would be in conformity with the African corporate governance guidelines, which are inclusive of stakeholders and are based on the stakeholder-centred approach.

6.7 CORPORATE GOVERNANCE GUIDELINES

The analysis above shows that there is diversity in the way organisations govern their operations with regard to their relationships with various stakeholders. The shareholder-centred and stakeholder-centred approaches provide a platform for various thoughts about corporate governance. To minimise such diversity, countries are formulating corporate governance guidelines that organisations can follow in their activities.

Most of the corporate governance guidelines in African countries generally resemble the systems used in the UK (West, 2009:11), largely because many African countries are members (or former members) of the Commonwealth. As a result, local company laws have been influenced strongly by British company laws. Although the Common Law is not binding on African countries, it continues to play a pivotal role in the legal frameworks of many African countries. British cases still carry some weight in business applications on the African continent.

In South Africa, the King Committee was established in 1992 under the chairmanship of Professor Mervyn King (Du Plessis & Prinsloo, 2010:156; West, 2009:15). The King Committee was established with the task of providing a set of corporate governance guidelines for South Africa. This followed the release of the Cadbury Report in the UK in 1992, and an increasing interest in the subject worldwide. The King I Report covered many of the same issues as the Cadbury Report, paying considerable attention to the board of directors and the protection of shareholders. However, the use of non-financial concerns and engagement with other stakeholders were also mentioned in the King I Report.

The King II Report is notable for explicitly adopting an inclusive stakeholder-centred approach to corporate governance that has its roots in the stakeholder theory, in opposition to the model of shareholder primacy maintained in the UK and USA (West, 2009:12). The South African imperatives were reinforced in the passing of the Broad-based Black Economic Empowerment Act, No 53 of 2003 (South Africa, 2003), which established a formal structure to reward companies meeting certain criteria, usually related to the level of black ownership, employment and procurement practices. Another development was the inclusion of the international financial reporting standards (IFRS) into corporate reports. The international financial reporting standards have been officially adopted within the corporate governance reporting systems in South Africa.

In Malawi, the scenario is no different from that in South Africa (own observation). To safeguard the rule of law and adherence to ethical practice by corporations in terms of good corporate governance, corporations are guided by the codification of *Good Corporate Governance* that is based on the South African King II Report. The codification was pioneered by the Malawi Government through the Society of Accountants in Malawi (SOCAM). In addition, there is also an Anti-Corruption Bureau (ACB), which acts as a watchdog to prevent corruption cases in both the private and public sectors.

The King II Report was reviewed in response to the new company legislation, and this culminated in a new corporate governance report, the King III Report. The key theme of the King III Report is an even greater focus on sustainability and the reporting systems that should be adopted by corporations (Du Plessis & Prinsloo, 2010:156). In general, the King III Report adopts the same overall stance as the King II Report, encouraging companies to take a stakeholder approach while maintaining formal structures with a shareholder orientation.

The new King III Report acknowledges the importance of stakeholders and sustainability reporting in that “reporting should be integrated across all areas of performance ... and should include reporting on economic, social and environmental issues” (Institute of Directors in Southern Africa, 2009:109). The inclusion of three parameters – economic, social and environmental – is consistent with the triple bottom line reporting requirement that corporations need to display a conscience in respect of social and environmental sustainability as well. Consideration of future generations is vital in business ethics and corporate governance.

South Africa’s corporate governance guidelines provide a fair representation of corporate governance on the African continent as a whole in the provision of a stakeholder-centred approach towards corporate governance. Rossouw (2005:100) observes that analysis of corporate governance reports across Africa, mostly sub-Saharan Africa, reveals that all reports, apart from those from Nigeria, advocate “inclusive” stakeholder-centred corporate governance. However, there are significant differences amongst African countries in terms of their history and economic development levels. For instance, South Africa's financial infrastructure is of a similar standard and complexity to that of many developed countries in the world. South Africa also maintains an active and efficient capital market, unlike most of other African countries.

Furthermore, there are differences between South Africa and other African countries that can impact on their corporate governance frameworks. For example, the recent political turmoil in Zimbabwe reveals a significant distrust of Western nations and institutions amongst some political parties (West, 2009:14). The distrust of Western nations by the Zimbabwean government has strengthened economic ties with some Asian nations, such as China and Malaysia, suggesting an alternative trajectory.

African countries that have enjoyed consistent economic growth are more likely to follow the South African model, even with a fledgling capital market. The specific inclusion of corporate social responsibility is a notable improvement in corporate governance, acknowledging the needs in Africa (West, 2009). The King III Report envisages that a well-managed company will be aware of, and respond to, social issues, placing a high priority on ethical standards. The report also points out the indirect economic benefits that companies engaging in such practices are likely to accrue, such as the sustainability of business, as discussed in Section 5.2 (Chapter Five).

However, those who wish to implement corporate governance guidelines are faced with managerial challenges. Many corporations, especially large ones, have not been able to fulfil their corporate governance requirements when it comes to their corporate social responsibility (Bendixen, Abratt & Jones, 2007:3-24). Corporations have instead oppressively abused employees and other stakeholders in many ways. For instance, many multinational companies are making abnormal profits at the expense of the local communities and the natural environment. Such malpractices jeopardise stakeholder co-existence and the sustainability of future business.

Another challenge in following corporate social responsibility guidelines is that citizenship is not yet fully embedded and represented in the boards or operating structures or systems of many organisations, despite the claim that organisations have social and environmental responsibilities (Brignall & Modell, 2000:281-306).

There is an indication that the needs of different stakeholders are not incorporated and that performance measurement systems do not take the effect of power relationships and conflict into consideration. Pressures from different stakeholders are usually inconsistent and contradictory, especially in the public sector.

Generally, the above literature review reveals that corporate governance issues in Africa are in their infancy and are therefore transitional. Not much has been done to reflect the continent's societal frameworks in its corporate governance practices. Although corporate governance guidelines tend to take a stakeholder-centred approach to represent the African society, there is still a compromise with the application of UK laws in the legal framework that includes company laws. As indicated in Chapter Four of this thesis, a discussion focusing on African Ubuntu ethics would be a relevant guide in considering governance and legal issues in Africa.

6.8 AFRICAN UBUNTU ETHICS

The discussions of business ethics that are based on a stakeholder-centred approach are similar to those of an African society and its moral beliefs or ethics. For instance, in a typical Afrocentric setting, asset sharing among the community is a critical issue. This cultural aspect has facilitated the development of community-based development programmes and cooperatives where beneficiaries share the central resources.

However, in other circumstances, the community sharing phenomenon should not assume the form of removing the risk from the people who have come to own the resources (Shubane, 2007:170-175). Those who have capital should take the risk that goes with investing it. The proportions that are invested in any class of assets and investment horizons should be left to the sole discretion of the people who have accumulated the assets. Everything related to risk-taking should remain with the individuals investing the capital. In this way, they continue to retain their wealth, and can invest it in the economy to grow it for their own and everybody else's benefit. Importantly, the state also grows its revenue base to continue the good work it has done for the general community.

Regarding the sharing of value created, Luhabe (2007:18-27) agrees that the economy is not just a matter of numbers indicating economic performance, but a moral and cultural process by which nations choose to live and distribute their resources. Hence, nations must venture into powerful projects that invest in a secure future for all people in a country, the poor and the rich. Such economic projects must formulate a framework for choosing to live in a way that honours the dignity, aspirations and contributions of all national citizens.

On the same premise, it can be noted that even the founder of modern economics, Adam Smith (1776), argued that economic actions are conditioned by the social relationships in which they are embedded. Although *The Wealth of Nations* is considered the better and more influential of his works by many neo-classical scholars, his *Theory of Moral Sentiments* (Smith, 1790) was the text in which he argued for the importance of social morals in economic decision-making processes.

In an African context, the history of economic thought has since been characterised by the tension between rational utilitarianism, with its focus on individual self-interest on the one hand, and a socialist emphasis on state intervention for wealth distribution, on the other. The social world, in turn, is comprised of norms, values and assumptions about mutual obligations (Mangcu, 2007:1-6). Mangcu (2007) contends that issues of socio-cultural interactivity are as old as the earth itself. The connection of the economy to social values may even be older, since economics itself came about as a departure from and a narrowing down of earlier concepts, such as moral and political economy.

Praising African Ubuntu ethics, Moloketi (2009:243) recognises the urgent need for the establishment of a professional meritocratic public service that is able to uphold the values and principles of democracy, good governance and Ubuntu. There is extensive interaction between politicians, bureaucrats and business people when government intervenes in economic development activities. Such interaction usually takes the form of collaboration, collusion and corruption, or all of these. The application of the African Ubuntu philosophy to moral beliefs and ethics would contribute towards unifying people and also curb any corruption, which is an evil in society, as it enriches only individuals and defrauds the community of benefits that rightly belong to it (Moloketi, 2009:243-244).

Finally, corporate governance frameworks should regard an organisation as a community and not just as a collection of individuals (Lutz, 2009:313). This line of thought is basic to the African Ubuntu philosophy, where the community and group solidarity are paramount. Therefore, the purpose of management should be the promotion of the common good of all contributors to organisational activities and success. Thus, there should be rejection of all theories on business ethics and corporate governance that are rooted in individualist philosophical systems.

The researcher contends that a total “rejection” of foreign ideologies would not be ideal for the improvement and promotion of business management systems – there are always good lessons that can be learned from critically evaluating the concepts that underpin such foreign models. Moreover, there is no justification for reinventing the wheel, as the process can be very expensive and time-consuming. Therefore, the best approach would be to “redesign” existing foreign models (including the Balanced Scorecard model) so that they reflect and fit within the local African framework.

Central to the above discussion of Ubuntu-based ethics is the argument that human behaviour is not driven primarily by a rational utilitarian maximisation of shareholders’ wealth as the current Balanced Scorecard model suggests. Instead, human behaviour is driven by the relationships and continued interactions of different stakeholders, as is shown in the conceptual framework of the study (Figure 1, on p. 7). The literature review also reveals that new African management systems should incorporate cultural themes for more effectiveness and better productivity. The stakeholders' interests (apart from those of shareholders, customers, and employees) and organisational socio-cultural dimensions are not explicit in the perspectives of the current Balanced Scorecard model.

6.9 CONCLUSION

This chapter has reviewed literature on general theories of ethics. These are Aristotle's virtue theory, which proposes that the integrity of an individual's character determines ethical behaviour, Kant's deontological theory, which argues that there are objective ethical standards of behaviour that everyone should respect, hence the development of ethical codes, and John Stuart Mill's utilitarian theory, which focuses on the practical consequences of an action in order to determine whether that action was right or wrong, depending on the result experienced.

The chapter has analysed both the shareholder-centred and stakeholder-centred approaches in business ethics and corporate governance. The shareholder-centred approach is founded on utilitarianism, where results that take the form of a maximisation of shareholders' wealth are considered to be the primary objective of a corporation and are therefore the purpose for its existence. The benefits to other stakeholders are just a result of the "trickle-down" effects gained through the "invisible hand". It is clear from the discussion that the current Balanced Scorecard model is based on this premise.

By contrast, a stakeholder-centred approach accommodates all organisational stakeholders, including shareholders, customers, suppliers, management and employees, and the community. It has also been established that the stakeholder theory is in conformity with the African Ubuntu philosophy, where an organisation is seen as a community consisting of different interested members (stakeholders). This implies that all stakeholders should have a share in terms of wealth distribution, based on their respective contributions towards the activities of an organisation. The literature review also shows that issues of corporate social responsibility and corporate citizenship are very important, especially for organisations based in Africa. It reveals that corporate governance guidelines in Africa, apart from Nigeria, are generally inclusive and take a stakeholder-centred approach.

This chapter concludes the critical review of the relevant literature in this study. The chapter also integrates all the preceding chapters of this study. The problem statement regarding the irreconcilable mismatch between the generic Balanced Scorecard model and the African environment, the research aims and objectives, the research questions and hypotheses, and the conceptual framework of the study (Chapter One), are all directed towards promoting a more stakeholder-centred approach which would be appropriate in the African context.

It has also been established that the use of corporate performance measures, including financial measures (Chapter Two), is essentially to address the concerns of different stakeholders, including shareholders. The Balanced Scorecard model (Chapter Three), though very popular worldwide, especially in the West, has been proven to be limited in its application, as it follows a shareholder-centred approach rather than a stakeholder-centred approach towards corporate governance, and is therefore not reconcilable with the African environment. The literature review also demonstrates that the African Ubuntu philosophy (Chapter Four) is in conformity with a stakeholder-centred approach, where community and solidarity within the system is critical for long-term survival. Finally, the triple bottom line concept and sustainability scorecards (Chapter Five) focus on the need for organisations to focus their attention, not only on economic issues, but also on social and environmental dimensions.

Overall, the literature review supports the proposition that there is a need to redesign the Balanced Scorecard model, which follows a shareholder-centred approach. The new model would represent an African environment; and it should be inclusive and more stakeholder-centred than the current conceptualisation of the Balanced Scorecard model – hence, the topic of this study: *Redesigning the Balanced Scorecard model: An African perspective*.

The next chapter details the research design and research methodology that were used during the primary data collection and data analysis processes of the study.

CHAPTER SEVEN: RESEARCH DESIGN AND METHODOLOGY

> If we knew what it was we were doing, it would not be called research, would it? A man should look for what is, and not for what he thinks should be. Information is not knowledge.
>
> (Albert Einstein, in Einstein-quotes, n.d:n.p.).

7.1 INTRODUCTION

Research has been defined as the process of intellectual discovery which has the potential to transform people's knowledge and understanding of the world (Ryan, Scapens & Theobold, 2002). In this study, the research design and methodology were chosen in order to address the problem statement, which highlights the apparent diversity in socio-cultural frameworks between the Western and African environments. The research design refers to the blueprint or the way in which a study is structured to conduct it successfully (Babbie & Mouton, 2007:74). Research methodology highlights the methods and tools that are used during the research process. In response to the research problem statement, the research design and methodology also aimed to address the research objectives, research questions and research hypotheses of the study.

This chapter focuses on the research design, methodology and procedures that are used in this study. The chapter begins with background information about the study, details development of the conceptual framework, discusses the general quantitative and qualitative research design methods considered and explains in detail the development of the structured questionnaire that was used in the primary data collection.

Furthermore, the chapter details the selection of the population for the study and the criteria used, describes the profiles of the survey participants, discusses the sample selection and sampling procedures used, the quantitative instrumentation used during the study, data validity and data reliability, the data collection methods, the statistical techniques that were used during data analysis, and ethical considerations, which include the approval of the survey and its instrument by the University of Pretoria Research Ethics Committee.

Finally, the chapter gives details on the tools that were used during the data analysis. Data analysis was conducted using the Statistical Package for Social Sciences (SPSS), Version 16.0. The analytical techniques used in the data analysis include descriptive statistics, bivariate correlation analysis, and multivariate analysis, which was conducted using exploratory factor analysis.

7.2 RESEARCH BACKGROUND

The study aimed at redesigning the Balanced Scorecard model so that it becomes more suitable for an African framework. In order to explore insights about overall corporate performance and the use of the Balanced Scorecard model, the researcher initially used an exploratory research approach in his earlier studies on these and related topics. An exploratory approach was chosen, based on the description by Babbie and Mouton (2007:80). There was general curiosity and a desire for a better understanding of the Balanced Scorecard model's application in an African environment. The study also provided a platform for validating the Balanced Scorecard model in a more extensive study that involved companies from the African continent.

Initially, exploratory research was conducted in Malawi to ascertain the general impact of the Balanced Scorecard model's perspectives on corporate performance as measured by economy, efficiency and effectiveness. During this earlier study, 112 large Malawian companies were visited through questionnaires and interviews with business executives. The results indicated that, in general, African organisations need a special orientation on management systems that are in line with an Afro-centric business environment.

The researcher also familiarised himself with the topic by means of a detailed literature review and analysis, an analysis of case studies and interviews with key informants on corporate planning and performance measurement systems. This was also based on Babbie and Mouton's (2007:81) advice that exploratory approach is necessary where the subject of study itself is relatively new. As Since its inception, the Balanced Scorecard model has aroused a lot of debate with regard to whether it is universally applicable, especially within the African context. Hence, the researcher undertook an extensive review of relevant and related theories and practices on the Balanced Scorecard model perspectives, including other pertinent literature, as already discussed in the literature review chapters (Chapters Two to Six). The researcher also interviewed people who have vast knowledge and experience of corporate planning and performance measurement systems, as recommended by Selltiz and Cook (1964). It was necessary for these new insights to be fully comprehended before embarking on the process of redesigning the Balanced Scorecard model for organisations based in Africa.

7.3 DEVELOPMENT OF 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. The conceptual framework was developed on the basis of the researcher's understanding of business complexities and relationships. The researcher was also guided by the literature on corporate planning and performance measurement systems to understand the relevance of systems and the interconnectedness of their subsystems in a more scientific way (Capra & Pauli, 1995; Mitrof, Betz, Pondy, & Sagasti, 1974; Stead & Stead, 2004). The literature demonstrated that a scientific model must constitute a set of either qualitative or quantitative logical relationships that link relevant features of the reality that the study is investigating. After several revisions and updates on the interconnectedness and interdependence of business activities, the final conceptual framework of stakeholder networks and relationships for the study was developed, as reflected in Figure 1 (on p. 8), in the first chapter of the study.

The conceptual framework was developed on the understanding that every business engages in a series of complex activities involving different constituents that are linked for organisational success. The conceptual framework recognises the interconnectedness and relationships of corporate activities with those of other stakeholders, and also of the relationships and interdependence of the stakeholders themselves. The conceptual framework depicts organisational interactions and stakeholder relationships at different systems layers.

Using different colours in an onion-like layering arrangement, there are four systems layers in the conceptual framework. The first is the corporate level, representing internal activities, including those of management and employees. The second is the industry level, representing the boundary within which similar businesses run by different companies operate. At the industry level, there are customers, shareholders, government, suppliers, regulatory bodies and competitors. The third is the Ubuntu community, which represents a larger grouping of all industries and where different final consumers reside. The fourth is the ecological (natural environmental) level for the largest ecosystems, where natural resources are sourced from. On a daily basis, and in a very complex way, different stakeholders interact with an organisation for different business transactions.

In the African context, government provides business financing, infrastructure and legislation, so that it is also recognised as a critical stakeholder. Other stakeholders include customers and final consumers, suppliers for production inputs, competitors for information and benchmarking, and local communities for labour and final consumers. The framework further recognises four sources of capital, namely financial capital from shareholders, debt capital from debt financiers, human resources capital from the labour force, and natural resources capital from the natural environment. The four capital sources are integrated through the intellectual capital for the creation of maximum organisational wealth.

From the conceptual framework, a summary of the relationships of different stakeholders has been grouped into six strategic themes representing identifiable areas that would affect corporate planning and performance measurement within an African context strategically. The strategic themes have been identified as, first, the culture and relationships strategic theme; second, the stakeholder strategic theme; third, the processes and practices strategic theme; fourth, the intellectual capital strategic theme; fifth, the value creation strategic theme; and sixth, the corporate conscience strategic theme.

7.3.1 The relationships and culture strategic theme

This theme explains the culture and relationships that exist between an organisation and its stakeholders. In this context, (organisational) culture has been translated as referring to organisational values, norms or philosophies that govern the behaviour of people for organisational improvements (Flamholtz, 2001:271; Flamholtz, 2005:86; Gregory, Harris, Amenakis & Shook, 2009:674-675). At the organisational level, culture plays a big role in influencing corporate performance in terms of financial and other returns (Flamholtz & Kannan-Narasimhan, 2005:64; Otley, 2003:323). Thus, the organisational relationship with different stakeholders is the foundation of corporate success.

7.3.2 The stakeholder strategic theme

The stakeholder strategic theme captures the contributions that individual stakeholders make to the internal operations of an organisation, as perceived by the senior management team. Stakeholders make contributions towards the survival of an organisation in different forms, for instance, the natural environment provides the raw materials, whilst the local community provides the labour for production, and constitutes the final consumer of the organisation's products and services (Neville & Menguc, 2006:387-389; Rossouw, 2010e:137).

Therefore, the existence of stakeholder relationships has to be managed by balancing the interests of different constituencies, each with a genuine stake in the business (Drucker, 1993:80; Ferreira & Otley, 2009:277; Rossouw, 2010e:135-138). However, this stakeholder-centred and balanced approach to management has been distorted by an overemphasis on the maximisation of shareholders' wealth, forcing corporations to disregard other stakeholders and to focus on short-term financial gains which benefit only the shareholders. Thus, the Balanced Scorecard model, which follows a shareholder-centred approach, often alienates the very stakeholders that the business's activities depend on.

7.3.3 The processes and practices strategic theme

The processes and practices strategic theme has been developed to explain the level of relationships surrounding the internal business processes and practices of various organisations in terms of their economy, efficiency and effectiveness (the 3Es). Traditionally, the 3Es are regarded as determining factors of corporate performance (Neely *et al.*, 1995:80-85). For an organisation to achieve best performance, all 3Es must be individually present to the maximum. As Drucker (2006:3), "there is surely nothing quite so useless as doing with great efficiency what should not be done at all". This strategic theme focuses on factors within the business processes and practices of an organisation to show how such activities can be linked with corporate planning and performance measurement systems.

Recent developments indicate that there are emerging issues in business management related to ethics and equality, or what the researcher describes it as "an E of a fourth kind". Apart from undertaking business in an economical, efficient and effective way, corporate operations are also expected to be conducted in an ethical and equitable manner (Lutz, 2009; Newbert, 2003; West, 2009). Issues regarding ethics and equality are discussed under the **corporate conscience** strategic theme below).

7.3.4 The intellectual capital strategic theme

This strategic theme represents relationships in respect of intellectual capital attributes and corporate performance. The strategic theme describes the extent to which intellectual capital, which links all other sources of capital, is valued by an organisation as a strategic asset that can assist in its operations.

Intellectual capital is classified as the primary source: the other traditional factors of production such as land, capital and labour become secondary, for they can be obtained quite easily, provided that the organisation has specialised knowledge (Drucker, 1992:95). The intellectual capital strategic theme recognises the significant contributions that non-financial kinds of capital, especially intellectual capital, make towards corporate performance (Ghosh & Wu, 2007:229-231; Kong, 2008:728; Vergauwen, Roberts & Vandemaele, 2009:239). Intellectual capital acts as a catalyst for innovations in value creation processes and activities.

7.3.5 The value creation strategic theme

The value creation strategic theme encapsulates the critical ingredients for the value creation of an organisation. It is necessary to assess perspectives that managers feel underpin the creation of value for their organisation (Moeller, 2009; Zhang et al., 2010). The value creation strategic theme thus focuses on factors that could be considered critical in the maximisation of organisational wealth or value. Value creation implies that those who are involved in such activities should also have a share in the wealth allocation and distribution process (corporate conscience).

7.3.6 The corporate conscience strategic theme

This theme focuses on how the organisational wealth that is created is allocated and distributed to those who were involved in the process of value creation directly or indirectly. To be in line with the Ubuntu philosophy of caring and sharing (Lutz, 2009; Mbigi & Maree,2005), and also that of the universal modern thinking about business ethics (Newbert, 2003; West, 2009), the conceptual framework incorporates issues of business ethics, corporate governance, and corporate conscience as part of the corporate planning and performance measurement systems.

The corporate conscience strategic theme highlights the need for the organisational wealth that is created to be shared equitably amongst all the stakeholders that are involved in the value creation processes. Therefore, every corporation must have a conscience regarding its obligation to share the value created or resources with different stakeholders in an equitable and ethical manner (Carroll, 1979; Morgan, Ryo & Mirvis, 2009; Rasche & Esser, 2006:263-265). Contributions to corporate social responsibility in local communities, and the protection and enhancement of the natural environment are clearly areas where organisations can show their corporate citizenship and corporate conscience.

The six strategic themes as discussed above elaborate on the conceptual framework that highlights the social interconnectedness and interrelationships that exist between an organisation and different stakeholders in an African context, where such solidarity of members of the stakeholder groups is considered paramount for the success of an organisation (Mangaliso, 2001; Mbigi & Maree, 2005). Other determining factors include the socio-cultural underpinnings of local communities, such as the African Ubuntu philosophy, direct government interventions in the form of the provision of business infrastructure, business financing through grants and debts, reliance on debt providers from other financiers as a major source of business capital, and the protection of the natural environment. It is the socialist nature of such relationships that makes the African environment different from Western society.

The six strategic themes of the conceptual framework as discussed above formed the foundation of this study. Thus, the research design and methodology are premised on the conceptual framework and its six strategic themes.

7.4 RESEARCH DESIGN

This study is based on the primary (field survey) data collection that was conducted at the start of the study period. Primary data represents original data that is collected by the researcher for the purpose of his or her own study (Welman, Kruger & Mitchell, 2005:149). There was a need to select an appropriate research methodology for this study carefully in order to satisfy the information needs of the study (Babbie & Mouton, 2007:72-80). Thus, there was proper selection of the research methods used for data collection and data analysis in this study. This study used a quantitative research method – this choice is justified in detail below.

There are two distinct research approaches involving the collection of data in any research project – these are the qualitative and quantitative research approaches (Welman *et al.*, 2005:6). Quantitative and qualitative research methodologies are governed by different paradigms in the social studies.

7.4.1 Qualitative research approach

The qualitative research approach is associated with the interpretive social sciences paradigm, where forms of investigation are based on the significance of the subjective, experiential realm of human beings. Such reflection is the province of phenomenological reports (Babbie & Mouton, 2007:53-58). Qualitative research provides avenues that can lead to the discovery of the deeper levels of meaning and understanding of the participants. Qualitative research captures what people say and do as a product of how they interpret the complexity of their living world in the real sense (Bryman & Bell, 2007; Ryan *et al.*, 2002; Welman *et al.*, 2005). The qualitative research method also enables the researcher to comprehend the social events from the participants' perspective or understanding.

The qualitative research method draws on data collection through such methods as participants' observations, in-depth interviews with individuals or focus groups

(Babbie & Mouton, 2007). Because of its underlying paradigms, the qualitative research method is subjective – it relies heavily on the texts and discourses of the participants under study. A qualitative research method would usually involve a small number of participants in the research process, as a result of the in-depth gathering of information that is required for the study (Hofstee, 2006).

The qualitative research method is limited in several respects. A major limitation of qualitative research is its inability to use large samples representative of the targeted population. Because of the small number of participants that can be reached in in-depth surveys, qualitative research does not presume to represent the wider population (Babbie & Mouton, 2007; Bryman & Bell, 2007; Hofstee, 2006). It can also be argued that the qualitative research method would be applicable for a smaller geographic coverage where the participants would be concentrated in that small geographic area, which is not the scenario in this study. Thus, qualitative research enables researchers to present data in snapshots of the participants under study.

Another important limitation of qualitative research method is that it requires a considerable amount of time and financial resources for the data collection, data analysis of research findings and interpretation of results (Babbie & Mouton, 2007). The researcher has to invest a lot of time and resources in research settings in order to examine and holistically aggregate the human interactions, responses, reactions and activities of different participants, who usually have varied responses and behaviours. Furthermore, qualitative research is subjective, and the reports are not presented in a statistical manner, but rather adopt a more descriptive and narrative style. Consequently, qualitative research was not suited for the current study.

Generally, there has also been a problem of adequate validity and reliability in qualitative research methods. Because of the subjective nature of qualitative data and its origin in single contexts, it is difficult to apply conventional standards of reliability and the validity tests that are provided by many computer programs such as SPSS (Babbie & Mouton, 2007; Bryman & Bell, 2007). Participants' responses in the form of contexts, situations, events, conditions and interactions cannot be replicated to any extent, as they can change any time. Generalisations on the research findings cannot be made to a wider context than the one studied with any degree of confidence. The unique attributes for each participant, coupled with the subjectivity of the researcher's judgement, are not amenable to the usual scientific and objective criteria of evaluating validity.

Based on the above limitations, many scholars describe the qualitative research method as not being empirical. Nevertheless, the argument is not true, since the term "empirical" has nothing to do with figures or the manipulation of variables, but refers instead to whether phenomena are capable of being found in the real world and assessed by means of the senses (Welman *et al.*, 2005; Babbie & Mouton, 2007). Because of the inherent limitations of qualitative research methodology discussed above, the researcher preferred to rely on quantitative research, targeting participants from different African countries and reporting objectively on the data in a scientific manner, and ascertaining the validity and reliability of the data statistically.

7.4.2 Quantitative research approach

A quantitative research approach is based on the philosophical approach known as logical positivism, which is a common paradigm in the social sciences (Babbie & Mouton, 2007; Saunders, Lewis & Thornhill, 2003; Welman *et al.*, 2005). The positivist approach underlies the natural scientific method in human behaviour research and holds that research must be limited to what one can observe and measure objectively – that which exists independently of the feelings and opinions of the participants. This positivist paradigm adopts a deductive approach to the research process. Within the framework of the social sciences, quantitative research commences with theories, and research questions or hypotheses about a particular phenomenon, gathers data from a real-world setting and then analyses that data statistically to support or reject the stated research hypotheses (Field, 2009; Ryan *et al*., 2002; Welman *et al.*, 2005).

In quantitative research, a deductive theory approach is used to guide the design of the study and the interpretation of the results (Field, 2009; Welman *et al.*, 2005). The overall objective is to test and verify a theory, rather than to develop one. Thus the theory offers a conceptual framework for the entire study, also serving as an organising model for the research questions or hypotheses and for the entire data collection procedure (Babbie & Mouton, 2007; Cooper & Schindler, 2006). A quantitative research method abstracts data from the participants into statistical representations, rather than textual pictures, of the phenomenon. The entire research process is objectively constructed and the findings are usually generalised to represent the entire population under study.

A study qualifies for a quantitative research method when there is an emphasis on the quantification of constructs, because the researcher believes that the best or only way of measuring the properties of phenomena is through quantitative measuring, achieved by assigning numbers to the perceived qualities of things (Babbie & Mouton, 2007:49). A quantitative approach may also be applicable where variables play a central role in describing and analysing human behaviour, also referred to as variable or correlation analysis. However, a correlation between variables does not necessarily imply any causality of that correlation. Finally, the quantitative approach can be deployed where sources of error can be controlled through statistical controls, such as multivariate analysis.

The main strengths of the quantitative approach lie in precision and control. Control is achieved through the sampling and design techniques, and the precise and reliable quantitative measurement of data collected. A further strength is that experimentation can lead to statements about causation, since the systematic manipulation of one variable can be shown to have a direct causal effect on another when other variables have been eliminated or controlled for (Babbie & Mouton, 2007; Field, 2009). Furthermore, hypotheses are tested using a deductive approach, and the use of quantitative data permits statistical analyses to be conducted (Cooper & Schindler, 2006; Welman *et al.*, 2005). Thus, the quantitative research method provides answers which have a much firmer basis than a layperson's common sense, intuition or opinion.

When researchers use a quantitative research methodology, they should also take cognisance of a number of criticisms, as reported by some scholars. Many researchers are concerned that the scientific quantitative approach fails to distinguish people and social institutions from the natural sciences (Schutz, 1962). Thus, they argue that the quantitative research approach denigrates or ignores human individuality and people's ability to think independently (Hofstee, 2006). For instance, an analysis of relationships between variables creates a static paradigm of social life that is independent of the lives of human beings (Blumer, 1956:685). Correlation analysis omits the process of interpretation or definition that is associated with human groups, including their behaviours at a particular time.

Furthermore, the quantitative research method is mechanistic, in that its ethos tends to exclude notions of freedom, choice and moral responsibility (Cicourel, 1964). Quantification can become an end in itself, rather than a human endeavour seeking to explore the human condition. A quantitative research method fails to take account of the unique ability of people to interpret their knowledge and experiences, construct their own meanings and act on these (Babbie & Mouton, 2007; Hofstee, 2006). The measurement process is said to claim an artificial and spurious sense of accuracy and precision; and its measures are assumed rather than real (Cicourel, 1964:108). It is worth noting, moreover, that people do not interpret key terms in exactly the same way. Thus, a scientific approach cannot in fact be totally objective, since subjectivity is involved in the very choice of a problem as worthy of investigation, as well as in the interpretation of the research findings. A reliance on instruments and procedures can hinder the connection between research and everyday life (Cicourel, 1982).

However, based on the ability of statistical paradigms to test the research hypotheses about a particular phenomenon empirically and report the results in a more scientific manner, a quantitative research method has been used in this study to analyse the data and statistically support or reject the stated hypotheses. A quantitative method, in the form of a structured questionnaire, enabled the researcher to achieve wider coverage of participants in different countries in Africa without physical contact. The wider and deeper coverage of the research raised confidence in the research sample, as suggested by Hofstee (2006:133). Thus a bigger representative sample was achieved through quantitative research. Finally, the questionnaire administration also enabled the study to offer confidentiality to respondents; and it has generally been easier to analyse and turn the research findings into quantitative results.

The quantitative research method also met the ten-point criteria for selecting a proper method for a study, as recommended by Hofstee (2006:110-111):

1. The quantitative method covers and addresses issues raised in the problem statement. The problem statement has been adequately considered through the quantitative method and thus achieves completeness in data provision.
2. The quantitative method validates research hypotheses that have been developed to address the research problem statement. The method enabled the researcher to draw reliable conclusions from the primary data collected during the study.
3. As a university scholar and statistician, the researcher is familiar with the quantitative research methods that were employed during the study.
4. In the study, reliability of data was readily confirmed through statistical measurements such as Cronbach's alpha coefficient, as discussed below.

5. The formulated questionnaire statements use Likert-scale ratings and these statements also form variables of the study that were analysed by using SPSS Version 16.0.
6. Through the use of the survey instrument (a structured questionnaire) that was administered in electronic and hardcopy formats, it was easy to get data from different participants in different countries in Africa.
7. The quantitative research method used in the study also enabled the researcher to comply with the University of Pretoria's Research Ethics Committee's requirements, as shown in the approval and clearance letter from the Committee (see Appendix D).
8. The quantitative method also allowed the researcher to reach many participants from different geographic areas in Africa without physically meeting them, by means of postal services and email. The data collection was therefore affordable without compromising on the quality of the data collected.
9. Research participants were also able to respond within a period of eight weeks (two months), which was acceptable within the timeframe of the study.
10. Finally, the quantitative research method also enabled the researcher to analyse the data that was collected and to report the findings in the study.

7.5 DATA COLLECTION METHODS USED IN THE STUDY

This study depended on the primary (field survey) research methods for data collection. In the literature review, the researcher also used secondary (desk) research methods to supplement the primary data collected.

7.5.1 Primary research methods for data collection

The primary data collection method was a field survey methodology, using correlational research design. A cross-sectional (correlational) research design studies some phenomenon by investigating different constructs at a single time (Babbie & Mouton, 2007:92-93; Welman *et al.,* 2005:94). Exploratory and descriptive studies are often correlational in nature. Generally, correlational research provides researchers with a very natural view of the research questions they are investigating, because they do not influence what happens during data collection and the variance of measures of variables is thus unbiased (Field, 2009:12). When a correlational design is used, a single group of the unit of analysis is obtained, preferably randomly. Thereafter, each instrument is measured by using different variables at more or less the same time. The relationship between these variables is then statistically analysed.

The inherent problem with correlational research designs is that they are time-constrained, in that their conclusions are based on observations made at only one time, creating a snapshot of the issue at hand only (Babbie & Mouton, 2007:92). By contrast, longitudinal studies are designed to permit researchers to observe constructs over an extended period. A longitudinal research design involves examining the same group at different time intervals (Welman *et al*., 2005:95). Longitudinal studies are relevant when a researcher wants to investigate changes due to the passage of time and the sample period may extend from weeks to years of the events under review. However, longitudinal studies can be difficult in quantitative studies such as large-scale surveys. By their very nature, longitudinal studies are time-consuming and therefore expensive undertakings (Welman *et al*., 2005:96; Babbie & Mouton, 2007:93)

This study is basically about the relationships of different variables, as reflected in the conceptual framework (see Figure 1, on p. 7). Thus, the study was conducted at a single point in time using a correlational research design, by means of the administration of a structured questionnaire (see Appendix A). A structured questionnaire was designed on the basis of the literature review, the research problem, the research objectives, the research questions, and the research hypotheses. The main focus of the survey was the relevance of issues surrounding the application of the Balanced Scorecard model within an African framework.

A structured questionnaire was chosen because of the strengths of this method. A structured questionnaire allows all the participants to respond to the same statements, as participants are offered the same options on each statement (Hofstee, 2006:132). Open-ended questions, which allow respondents to answer in their own words, were avoided in the design of the questionnaire. The avoidance of open-ended questions was necessitated by the reality that people differ in their ability and willingness to write answers and that open-ended questions can be difficult to interpret statistically.

Furthermore, using a structured questionnaire allowed the researcher to reach out to more participants in more different areas than would be the case if personal interviews and personal observation methods were used (Hofstee, 2006:133). That is why the researcher was able to reach several participants from different countries in Africa. A structured questionnaire also provides confidentiality to the respondents to enable them complete the questionnaire honestly; and its use also tends to increase the response rate (Welman *et al.*, 2005:153). Finally, a structured questionnaire is generally easier to analyse statistically and simplifies turning the data analysis into quantitative results that can be used for decision-making.

One of the weaknesses of structured questionnaires is their lack of in-depth data collection from participants, as the researcher does not physically interact with or even observe the participants (Hofstee, 2006:133). However, the researcher has in-depth knowledge of Africa's socio-cultural underpinnings, as he has interacted with different Bantu-speaking people from across Africa. In addition, the researcher is a university scholar who has majored in strategic management and finance and had industrial work experience before he joined the university. Moreover, the primary data collection method was supplemented by the secondary data collection method to achieve completeness of data collection.

7.5.2 Secondary research methods for data collection

To supplement the primary data, secondary data was used in the form of the data already available, as collected through desk research. Secondary research data is data found in primary and secondary resources that already exist, as information has already been collected by individuals or agencies and institutions other than the researcher him- or herself (Babbie & Mouton, 2007; Field, 2009; Welman *et al.*, 2005). Secondary data, which formed the literature review, was collected from different sources, including stock exchanges, registrars of companies, companies' published annual reports, organisational constitutions, national statistical offices, government publications, the Internet, university publications, chambers of commerce and industry from different countries, and other academically accepted sources.

During the study, the researcher also physically and/or electronically collected literature on various African countries including Malawi, South Africa, Lesotho, Swaziland, Mauritius, Mozambique, Egypt, Namibia, Botswana, Zambia, Zimbabwe, Tanzania, Uganda, Nigeria, Ghana, Eritrea, the Seychelles, Sudan, Libya, Djibouti, the Democratic Republic of Congo, Burundi and Kenya.

7.6 THE STRUCTURED QUESTIONNAIRE (LIKERT SCALE METHOD)

A Likert scale survey questionnaire was used as the main instrument to gather quantitative data for this study. The questionnaire was designed around a range of formulated statements as a means to explore respondents' perceptions of a wide range of corporate planning and performance measurement systems. A Likert scale provides a measurement technique based on standardised response categories (Babbie & Mouton, 2007:160). This kind of questionnaire has also been used by other researchers on corporate performance and measurement systems or similar studies, including those of Flamholtz (2005) and Kennerley & Neely (2002a).

A Likert standard scale provides social scientists and other researchers with a tool for measuring the perceptions of participants on perspectives surrounding issues such as corporate performance in different industries in the commercial sector. Used consistently in the measurement instrument, the Likert standard scales provide a valid basis for adequate comparative analysis of the data collected (Babbie & Mouton, 2007; Cooper & Schindler, 2006; Dillman, 2000). The development of a scale of this kind responds to the call for the establishment of standardised instrumentation for use in business management research.

The survey targeted senior and middle executives in various organisations in Africa, with the main focus on Malawian and South African companies, so it was necessary to tailor the questionnaire to make it as user-friendly as possible. In order to do so, the researcher formulated statements to which the participants had to respond by using nominal settings (Middle/Senior Management, Yes/No) and interval settings (based on the Likert-style rating scales, with the rankings signifying the degree of agreement, ranging from a scale of “1” referring to “Strongly Disagree” to a scale of “5” referring to “Strongly Agree” on a five-point rating scale of the structured questionnaire). A five-point scale was used to assess the validity of the extent of agreement about statements that were formulated on issues surrounding corporate planning and performance measurement systems. The full questionnaire is shown in Appendix A.

In Likert scales, no judges are used to rank the scale statements, as it is assumed that all participants will perceive “Strongly Agree” as expressing greatest favour or agreement towards the attitude statements, as opposed to “Somehow Agree” and “Strongly Disagree” (Babbie & Mouton, 2007; Saunders *et al.,* 2003; Welman *et al.*, 2005). The statements were framed in such a way that some of the statements could be expressed positively and some negatively, to encourage respondents not to respond automatically, but to think about every item.

Using descriptive statistics, the individual items were then analysed by counting how many respondents (both absolute and relative) gave a particular response to a particular item. A subject's score is tabulated by assigning a numerical value to each of the answers, ranging from 1 for the alternative at one end of the scale to 5 for the alternative at the other, and then calculating the sum of the numerical values of the answers to all questions (Babbie & Mouton, 2007; Field, 2009). However, the principal objective is to arrive at an overall score for all the items combined.

For researchers, especially those from social sciences, the Likert scale method is ideal, in that the method is based entirely on empirical data regarding participants' responses, rather than the subjective opinions of judges (Babbie & Mouton, 2007; Saunders *et al.,* 2003; Welman *et al*., 2005). The method also produces more homogeneous scales from participants and thus increases the probability that a unitary attitude is measured. It follows that the Likert scale method enhances the data validity and data reliability of the survey.

7.7 DESIGN OF THE LIKERT SCALE STRUCTURED QUESTIONNAIRE

The design of the survey questionnaire went through three main phases, as discussed below. The phases comprised the initial development process of the questionnaire, thereafter the pre-testing process, and finally the production of the final questionnaire for data collection.

7.7.1 Development of the questionnaire

The researcher followed the basic procedures that are employed when developing a Likert scale questionnaire to measure different perceptions (in this case, those of managers from the commercial sector). The formulated statements on the structured questionnaire were based on the procedures recommended by Saunders *et al.* (2003). The main steps that were followed when formulating the questionnaire included the identification and generation of perspectives surrounding corporate performance, a careful review of the literature on the topic, a review of similar questionnaires that were used in prior surveys, and insights gained from an examination of the latest information gathered through the academic journals, internet, magazines, newspapers, television and radio broadcasts. All these culminated in the formulation of 64 attitudinal statements that represent the main variables of the study.

The design of the questionnaire also took into account the premise that the length of a questionnaire and test statements has a direct (and often a negative) impact on the quality of responses – the shorter and more precise the questionnaire and its statements, the better the results (Babbie & Mouton, 2007; Mouton, 2001; Saunders *et al*., 2003). Both the statements in the structured questionnaire and the instrument itself were kept as short as possible, and all the statements were responded to using the Likert scale rating style as discussed above.

7.7.2 Pre-testing the initial questionnaire

After the researcher had designed the questionnaire, it was pre-tested by means of several personal interviews with business executives, primarily to check the clarity of the statements that formed the variables for measurement and to test whether the questionnaire could be completed within a reasonable length of time – in this case, about 20 minutes. The pre-testing was also aimed at eliciting some comments about the content validity, as the sampled respondents were asked to describe any difficulties they had in completing the questionnaire accurately. It was deemed necessary to pre-test the validity and reliability of the content of formulated statements that would measure the underlying hypotheses of the study.

Pre-testing involved the construction of variables based on the theoretical nature of the constructs under review. An extensive pre-testing process was undertaken to iron out any errors that remained after the initial questionnaire formulation. A convenience sample of 20 initial respondents was used during the questionnaire pre-testing process. These respondents included six university scholars in social research, four MBA students, and ten business executives from the commercial sector, in Malawian and South African companies.

After the questionnaire had been validated, the pre-testing interviews allowed the researcher to clarify and redefine the survey variables and rectify any potential deficiencies of the statements where necessary. The survey instrument was modified on the basis of comments and suggestions made by the pre-test respondents. Some rewording of the questionnaire statements was necessary in order to remove any unnecessary technical jargon, inconsistencies or leading statements. The pre-testing process also assisted the researcher in checking on variables with similar distributional properties; hence, he could improve the reliability of data, as suggested by Field (2009). Twelve of the initial variables were removed at this stage; and several runs of SPSS were done without affecting the factor structure. The wording of the final survey questionnaire, with 52 statements, is provided in Appendix A.

7.7.3 Construction of the final questionnaire

After the pre-testing exercise, the final questionnaire was redesigned by incorporating the relevant changes, as discussed above. The structured questionnaire consists of two sections. Section A elicits general information about the participant regarding the person's home country, the industry in which the organisation operates, whether or not an organisation uses the Balanced Scorecard model and, if yes, what the level of its usefulness is, the employment levels of the organisation, the management position of the respondent, and finally a choice of listed stakeholders, with the option of adding more organisational stakeholders.

Section B requires the assessment of different corporate scorecards, as perceived by the managers of an organisation. The section is divided into six subsections representing the six strategic themes that are identified under the conceptual framework. The respondents were asked to rate all the 52 statements by indicating their level of agreement on a scale of 1 to 5, using the Likert scale style, as explained above.

7.8 VALIDATION STATEMENTS OF THE QUESTIONNAIRE (SECTION B)

Section B of the questionnaire is comprised of statements that were used to validate the conceptual framework's six strategic themes. Each subsection contains statements that are used to measure constructs related to each strategic theme of the conceptual framework. The following sections describe each of the six scales that were used during the primary data collection.

7.8.1 The relationships and culture strategic theme

The first subsection of Section B, Section B1, consists of 15 statements focusing on relationships and the corporate culture of participating organisations. Under the relationships and culture scale, statements were formulated with the aim of assessing corporate culture within an organisation, and also the way an organisation interacts with its stakeholders, especially those from outside the organisation. The statements under the relationships and culture strategic theme are listed in Table 10, overleaf.

7.8.2 The stakeholder strategic theme

The second subsection consists of seven statements focusing on organisational stakeholders. The statements were formulated to assess the level of stakeholder contributions towards corporate performance, as perceived by the participant. The statements under the stakeholder strategic theme are listed in Table 11, overleaf.

Table 10: Statements relating to the relationships and culture strategic theme

1.	We recognise the interdependence of relationships of our stakeholders
2.	Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions
3.	Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue
4.	Our financial reports are constructed towards meeting interests of our external stakeholders
5.	Our external financial reporting system takes into account our social obligations towards local communities
6.	Our external financial reporting system takes into account our environmental obligations
7.	Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)
8.	Our financial statements are prepared based on the generally accepted accounting principles (GAAP)
9.	Our financial statements are verified by the appointed external auditors for external reporting
10.	We are committed in making decisions with the customer's perspectives in mind
11.	We treat our suppliers as an integrated part of our business
12.	We demonstrate mutual respect with our competitors
13.	Our organisation is highly respected for maintaining and promoting environmental protection
14.	We constantly interact with and help the local community in which we operate
15.	We treat employees as the most valuable asset of our organisation

Table 11: Statements relating to the stakeholder strategic theme

1.	Our organisation puts more emphasis on maximisation of shareholders' wealth than of other stakeholders' wealth
2.	Our customers comprise the most important element of our business
3.	We make profits because of our efficient labour force
4.	Our operations rely on debt provisions from our financiers
5.	Our organisation runs on the premise that community care is paramount
6.	Our organisation focuses on protection of the natural environment as a stakeholder
7.	Government contributions are foundational to our business operations

7.8.3 The practices and processes strategic theme

The third subsection assesses the internal business processes and practices of the participating organisation in terms of economy, efficiency, effectiveness and ethics. In line with the business ethics and corporate governance discussion, ethics has been interpreted as meaning organisational morality and rights with regard to operations. The eight statements under the processes and practices strategic theme are listed in Table 12, below.

Table 12: Statements relating to the practices and processes strategic theme

1.	We adopt processes that address concerns of our stakeholders
2.	We use benchmarking to continuously improve our business processes
3.	We are able to objectively measure the social impact of our operations
4.	We are able to objectively measure the impact of our operations on the natural environment
5.	Our sustainability programmes take into account economic, social and environmental issues
6.	Customer feedback is key to our performance appraisal systems
7.	We work cooperatively with our business partners
8.	Our corporate performance indicators are geared towards future corporate performance

7.8.4 The intellectual capital strategic theme

The fourth subsection consists of six statements focusing on the assessment of the intellectual capital as one of the valuable assets of an organisation. Intellectual capital has been translated as the collective knowledge of individuals in an organisation that is supposed to add value to organisational operations. Statements under the intellectual capital strategic theme are listed in Table 13, overleaf.

Table 13: Statements relating to the intellectual capital strategic theme

1.	Intellectual capital is our main source of profitability
2.	Emphasis on human capital development improves our corporate performance
3.	Innovation is promoted through our good knowledge management systems that we pursue
4.	Knowledge about local culture promotes marketing through customer satisfaction
5.	Knowledge about the local culture improves our corporate performance
6.	Our organisation invests heavily in supporting employee knowledge

7.8.5 The value creation strategic theme

This subsection assesses perspectives that would be considered critical ingredients for the internal operations that are involved in the creation of maximum organisational value (wealth). The value creation subsection contains five statements. The statements under the value creation strategic theme are listed in Table 14, below.

Table 14: Statements relating to the value creation strategic theme

1.	Our profitability success is a result of inputs from various stakeholders
2.	We are competitive because of our customer oriented activities
3.	Our internal business processes contribute a lot towards organisational profitability
4.	Our profitability is a result of the abundant natural resources capital that we get from the environment
5.	Our profitability is a result of the social values that we get from local communities

7.8.6 The corporate conscience strategic theme

Finally, this subsection evaluates issues surrounding the allocation of organisational wealth to different stakeholders, based on equitable and ethical principles. The statements were formulated to focus on the corporate orientation towards the allocation of organisational wealth to stakeholders such as the local community and natural environment, which are, in most cases, treated as secondary. In line with the previous definitions, ethics refers here to the notion of dealing with morals and the rights of individual groups. The eleven statements under the corporate conscience strategic theme are listed in Table 15, below.

Table 15: Statements relating to the corporate conscience strategic theme

1.	We recognise the interdependence of efforts and rewards among our stakeholders
2.	Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance
3.	All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation
4.	Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation
5.	We are open in disclosing wealth distribution to our stakeholders through corporate reporting
6.	Our managers do not practice corruption that deprives our valuable stakeholders
7.	We pay our suppliers fairly by offering competitive prices in the industry
8.	We are involved in financially supporting educational projects for our future business operations
9.	We take direct responsibility for social problems that we have caused
10.	Our organisation reserves funds for natural environmental (ecological) preservation projects
11.	We contribute substantially to the overall welfare of the society

The full structured questionnaire containing all the sections discussed above is shown in Appendix A

7.9 PROFILE OF RESPONDENTS

In order to collect data that represented the activities of various organisations involving corporate planning and performance measurement systems, the sample was randomly selected from big corporations that are registered with the Registrar of Companies or the Malawi Stock Exchange in Malawi and from companies registered with the Johannesburg Stock Exchange or the Johannesburg Chamber of Commerce in South Africa. A limited number of companies from other countries were reached via their diplomatic missions, either in Malawi or in South Africa.

To elicit objective comparable information from the respondents, only members of the company that are associated with and are considered to be knowledgeable on corporate strategy and financial management issues were approached. Thus, the study targeted various business executives at the selected corporations. The choice of participants was guided by the observation that, in social research, the homogeneous composition of the participant pool reduces the amount of survey variations, and that survey results are then more comparable and conclusive (Bryman & Bell, 2007:19).

Therefore, the participants of the study included business executives, such as board members, chief executive officers (CEOs), chief financial officers (CFOs) or financial directors and financial controllers, management accountants, financial managers, and company secretaries. These business professionals represented their companies by completing the questionnaire on all issues regarding organisational relationships and culture, organisational stakeholders, organisational processes and practices, intellectual capital, organisational value creation activities, and the allocation of wealth that the study mainly focused on during the conceptualisation of the study.

7.10 SAMPLING DESIGN AND SAMPLING METHODS

The main purpose of sampling is to achieve representativeness; the sample should be assembled in such a way as to be representative of the population from which it is taken (Babbie & Mouton, 2007; Field, 2009; Welman *et al.*, 2005). The sample represents the segment of the population that is selected for investigation (Bryman & Bell, 2007:17). To achieve representativeness in the sample for this study, the sampling units were randomly selected by using the simple random sampling technique.

7.10.1 Geographic coverage of primary research

The primary research was conducted within the Southern African region, which the researcher comes from. From the literature review, it seems that the region represents an African environment that has different social and cultural features from those found in Western society. However, other African regions were also targeted during the primary research of this study. The structured questionnaire was administered mainly in Malawi and South Africa. It was easier for the researcher to collect data from Malawi, where the researcher comes from and where he works at the University of Malawi. The researcher also conducted this study at the University of Pretoria, in South Africa. To supplement the data collected from Malawi and South Africa, some questionnaires were sent to other African countries through their diplomatic missions, which are resident in Malawi or South Africa. In this study, 48.3% of respondents were from Malawi, 43.8% from South Africa and 8.3% from other African countries.

7.10.2 Population and sampling frame

The population represents the universe of units from which the sample is selected (Bryman & Bell, 2007:17). In this case, the units were the total number of large companies in operation. The sampling frame, which lists all the units in the population from which the sample is selected, consisted of all the industries in the commercial sector, as summarised on the structured questionnaire (Appendix A). All eleven industries and others participated in this study, as indicated in the results and analysis of the research findings in Chapter Eight (see Table 21, on p. Table 21).

Because the study aimed at ascertaining general corporate performance issues, the sample consisted of a cross-section of organisations that may or may not be using the Balanced Scorecard model or similar measurement systems that use multiple performance measures. For example, the survey statistics showed that 51.7% of the respondents used the Balanced Scorecard model, whilst 48.3% did not. The sample also included both local and multinational companies operating in different countries. The study received responses from multinationals operating in most African countries, including Malawi and South Africa. Such multinationals include Unilever, Illovo Sugar, Shoprite, CTM Tiles and Standard Bank, as summarised in Appendix C. The inclusion of such companies enabled the researcher to achieve African continental representativeness in the study.

7.10.3 Sample size and sample adequacy

The sample size was determined by considering the representativeness of the sample of the target population of corporations. In correlational studies, an analysis of at least 100 respondents is considered ideal (Bryman & Bell, 2007; Field, 2009). The larger the sample, the more conclusive the study findings and reported results are. Based on this premise and considering the wide geographic coverage of the study, the researcher aimed at receiving at least 250 responses, which is more than double the minimum criterion of 100 respondents. The researcher also considered response rates in similar studies that he had been conducting, where the response rate was pegged at 45%. Thus the initial sample size was calculated as follows:

$$\text{Sample size} = \frac{\text{Targeted number of final respondents}}{\text{Expected response rate}}$$

$$\text{Sample size} = \frac{250}{45\%}$$

$$\text{Sample size} = \underline{\text{556 (rounded up to 600) participants}}$$

During data collection, a total of 620 questionnaires were dispatched to various organisations in the commercial sector in Malawi, South Africa and other African countries. Out of the 620 questionnaires sent out, 387 responses to the questionnaire were received, giving a final response rate of 62.4%. The sampling statistics show that the Kaiser-Meyer-Olkin measure of sampling adequacy is 0.824, which is a “great” value for the verification of sampling adequacy for the analysis, according to Field (2009:659). Thus, the above analysis confirms the factorability of items and adequacy of the sample for conclusive results, according to the criteria set by Chenhall (2005), Field (2009) and Hanafizadeh and Sorousha (2008).

Further analysis indicates that there are uniformly high communalities of above 0.50, with an average communality of 0.705. On the use of multivariate analysis, the extracted factorial components show that several items loaded strongly on each component, without cross-loadings, as recommended by Costello and Osborne (2005). The above statistics indicate that the sample was adequate, and that it can reasonably be relied upon (the principles of these statistical techniques are discussed in the data analysis section in Section 7.12, below).

7.11 DATA COLLECTION PROCEDURES

Structured questionnaires were administered in both a hard copy and electronic format. A total of 518 questionnaires were transmitted electronically to the sampled participants and then followed up for any feedback. For non-responses, electronic reminders were sent via e-mail every two weeks for the two months of the questionnaire survey. The reminders increased the response rate significantly.

A total of 102 hard copy questionnaires were administered through the deployment of research assistants who collected data from targeted companies. The research assistants delivered the hard copies to the business executives concerned, and thereafter collected them at an agreed time. The hard copy administration proved to be more effective in terms of response rate than the electronic copy administration. This is largely because the follow-ups were more personalised than was the case with electronic administration via e-mail. The electronic administration had a response rate of 58.5% (303 responses out of 518 transmissions), whereas the hard copy realised a response rate of 82.4% (84 responses out of 102 remittances).

7.12 DATA ANALYSIS

The survey data was captured and analysed using SPSS Version 16.0. The SPSS package was chosen because of its statistical capabilities and popularity in social sciences research (Babbie & Mouton, 2007; Bryman & Bell, 2007; Field, 2000, 2005, 2009). It was necessary to code the data collected using popular statistical software for future retrieval and use by other researchers as well. SPSS was also chosen because the researcher is competent in using the statistical functions and capabilities of the software package.

SPSS's statistical capabilities include its spreadsheet-like *Data Editor* environment for entering, modifying and viewing data files. SPSS has statistical tools that include the production of descriptive statistics, such as frequency tables, cross-tabulation, custom tables, correlation analysis on both bivariate and multivariate analyses, using Pearson correlation and exploratory factor analysis respectively. The SPSS also has integrative graphic capabilities that allow users to change or add chart elements and variables dynamically. In summary, SPSS enables social researchers to enter and store data, utilise its retrieval capabilities, engage in different statistical analyses, generate graphs and statistical reports, manage research projects, and write project reports, as has been done with this study's results and analysis of research findings of this study.

For data analysis purposes, respondents were asked to rank their responses to the questions in a Likert scale format, as already described in Section 7.6 above. The responses for each of the response sets of the structured questionnaire were codified. During the codification process, unique numerical codes were assigned to each response, ranging from 1 to 387 (Babbie & Mouton, 2007; Field, 2009). All the data were then turned into a series of numbers for data capture using SPSS for further statistical analyses. Before the statistical analyses, the researcher first checked and cleaned up the data by examining the coded data for accuracy. Any errors that emerged were immediately corrected by comparing with original data on the questionnaires, as recommended by Bryman and Bell (2007) and Babbie and Mouton (2007).

Data analysis was done mainly through the descriptive statistics and correlation analysis using the bivariate and multivariate correlations. Each statistical technique is described below.

7.12.1 Descriptive statistics

Descriptive statistics are concerned with the description or summary of data obtained for a group of individual units of analysis (Saunders *et al.,* 2003:351; Welman, *et al.,* 2005: 231). If only one variable is involved, it is called univariate analysis; if there are two variables, it is called bivariate analysis; and if more than two variables are involved, it is called multivariate analysis. Each of the three analysis categories is described below.

7.12.2 Univariate analysis (frequency tables and graphs)

Under this study, the analysis of one variable at a time (univariate analysis) was done by producing frequency tables, and their corresponding graphs in some cases. A frequency table as extracted from the data statistics provides the number of respondents and the percentage for each of the categories for the variable under consideration (Bryman & Bell, 2007:357). Frequency tables are used in relation to all the different types of the variable. The researcher extracted frequency tables summarising the extent of respondents' agreement on each of the statements in the questionnaire. Using different colours, graphs were used to give a pictorial presentation of some research findings. Statistical means were also calculated to measure the average ratings of responses on each statement in the conceptual framework strategic theme.

It was necessary to validate the statements to address the first research question of the study: "To what extent do organisations agree with each statement on the strategic themes of the conceptual framework?" The detailed frequency tables and corresponding percentages, accompanied by interpretations, are presented in Chapter Eight (Results and analysis of research findings). Apart from undertaking the univariate analysis, the researcher also determined whether or not relationships exist between variables through bivariate analysis and multivariate analysis, in line with the hypotheses of the study.

7.12.3 Bivariate analysis (correlation analysis)

As indicated above, a bivariate analysis is concerned with two variables at a time in order to uncover whether or not the two variables are related. If there is a relationship between variables, it means that one variable coincides with a variation of another variable (Bryman & Bell, 2007; Field, 2009; Welman *et al.,* 2005). The bivariate analysis was conducted to address the second research question ("What is the strength of relationships between variables of individual strategic themes of the conceptual framework?"), the third research question ("What is the strength of relationships between the six strategic themes of the conceptual framework?"), as well as the fourth research question ("What are the foundational elements of the new African Balanced Scorecard model?"). As this is a correlational study, bivariate analysis takes up the significant part of the analysis of research findings section discussed in Chapter Eight.

The correlation analysis of the relationships of variables does not imply that one variable causes the other variable (Bryman & Bell, 2007:361, Hofstee, 2006:215). Stated differently, correlation does not imply causality. There have been cases when what appears to be a causal influence working in one direction actually works the other way. Causality tests require experimental or longitudinal research methods, where the survey data is collected and analysed over a long time (Babbie & Mouton, 2007; Field, 2009; Mouton, 2001; Welman *et al.,* 2005). The hypotheses are then tested through the manipulation of the variable that the researcher thinks is the cause, referred to as an independent variable, because its value does not depend on other variables (Field, 2009:7). Thereafter, research results are obtained by looking at the variables that the researcher thinks are effects, referred to as dependent variables, because their values would depend on the cause or independent variable(s).

In cross-sectional and correlational research designs, such as the current study, there would be no usable evidence of cause-and-effect relationships between variables. In cross-sectional studies (Bryman & Bell, 2007; Hofstee, 2006), researchers do not make any causal statements about the relationships between variables; hence, there is no validity in the distinction between independent and dependent variables, because all variables are considered to be dependent variables, in a sense. During the bivariate analysis of the study, the degree of variable relationships was designated and interpreted through different correlation coefficients using the statistical guidelines discussed below.

a) Nature of a correlation coefficient

The correlation coefficient is either positive or negative, indicating the direction of the relationship (Bryman & Bell, 2007; Field, 2009). Thus, the correlation coefficient lies between -1 and +1 for all cases of the bivariate analysis. If the correlation coefficient is 1 (a perfect positive correlation), this means that when one variable increases or decreases, the other variable increases or decreases by the same amount (Saunders *et al.*, 2003:363). This combination would also indicate that no other variable is related to either of the two perfectly correlated variables. If the correlation coefficient is below 1, it means that two variables are also related with other variables within the analysis. A correlation coefficient of -1 (a perfect negative correlation) indicates that as one variable increases, the other variable decreases by the same amount, and the vice versa. Under this scenario, no other variable is related to the two perfectly correlated variables. The correlation coefficient is 0 when there is no correlation between variables, meaning that the variables are not related in any way.

In summary, very high correlation coefficients indicate that two variables are strongly related to each other, implying that the variables involved measure almost the same construct (Bryman & Bell, 2007; Field, 2009; Flamholtz, 2005; Saunders *et al.*, 2003). Moderate correlations between different variables would indicate that the variables measure different constructs that are related to one another. Finally, very low correlation coefficients indicate that variables are not much correlated with one another and probably measure unrelated constructs.

b) Statistical significance testing

There is always some difficulty in working with samples, even those that are randomly drawn, regarding the generalisation of findings from that sample to a larger population. Significance testing provides a tool that provides researchers with an indication of how confident they can be that their sample findings are representative of the entire population (Bryman & Bell, 2007; Field, 2009; Saunders *et al.*, 2003). When examining statistical significance regarding the relationship between two variables, significance testing discloses the risk of concluding that there is a relationship in the population when in fact there is none. If an analysis reveals a statistically significant finding, this does not mean that the finding is intrinsically significant or important. However, statistical significance is solely concerned with the confidence researchers can have in their findings.

The level of statistical significance is the level of risk that the researcher is prepared to take when inferring that there is a relationship between two variables in a population from which a sample was drawn, when in fact no such relationship exists (Bryman & Bell, 2007:369). Levels of statistical significance are expressed as probability levels of risk taken. The level of acceptable risk is conventionally pegged at $p<0.05$ or $p<0.01$ (where p denotes the *probability* of risk) meaning that one is prepared to accept a level of risk of 5% or 1% respectively that the results could have arisen by chance (due to sampling error). Thus, the smaller the significance level reported, the lower the risk, and the more conclusive the results are for the sample (Bryman & Bell, 2007; Field, 2009).

In this study, correlations of different variables have been assessed at both levels ($p<0.05$ and $p<0.01$), where correlation matrices are automatically generated by SPSS and the program flags significance levels (* for the $p<0.05$ level and ** for the $p<0.01$ level).

c) Use of parametric and non-parametric statistics

Another challenge in doing bivariate analysis is the choice of an appropriate method from a range of correlation analysis methods available. Which method is chosen depends on whether the variables are parametric or non-parametric. Parametric statistics are used when the researcher assumes that the population is normally distributed, there is homogeneity of variance within different groups and data are interval or rational in scale (Lunenburg & Irby, 2008:77). If these criteria are not satisfied, non-parametric statistics should be used to compute correlation figures.

However, for most parametric procedures, a corresponding non-parametric test can be used. The interpretation of results is similar with both kinds of test (Bryman & Bell, 2007; Field, 2009; Lunenburg & Irby, 2008). What differs is the computational equation and tables determining the significance level. Both parametric and non-parametric statistics report on the test of the stated hypothesis at a given level of significance. However, in contrast to parametric tests, non-parametric techniques do not test hypotheses about the characteristics of a population. Rather, non-parametric procedures test hypotheses about relationships between categorical variables, the shape of the distribution, and the normality of the distribution. While parametric procedures use means, non-parametric procedures use frequencies, percentages and proportions.

Generally, parametric statistics are more powerful in detecting significant differences and are used frequently, even when all the parametric assumptions cannot be met (Lunenburg & Irby, 2008:67). For the bivariate analysis, the correlation of variables is tested by means of a Pearson correlation for parametric statistics and a Spearman correlation for non-parametric statistics (Field, 2009:177-181). Because of the random sampling, homogeneity and interval scale assumptions of the study, coupled with the statistical computational power of the technique, as discussed above, the researcher used the parametric Pearson correlation technique to test for relationships between the different variables within the identified strategic themes of the study. Finally, the intercorrelation between the strategic themes of the conceptual framework was determined through computations of scale means that were later subjected to Pearson correlation analysis, a statistical method that is adopted from Flamholtz & Kannan-Narasimhan (2005:54). Details about the Pearson correlation analysis and its respective interpretations are reported on in Chapter Eight.

7.12.4 Multivariate analysis (exploratory factor analysis)

The multivariate analysis was done by means of exploratory factor analysis. This statistical method analyses the intercorrelations among a large set of measures to identify a small number of common factors or components (Babbie & Mouton, 2007; Field, 2009; Lunenburg & Irby, 2008; Saunders *et al.*, 2003). Exploratory factor analysis also indicates the extent to which survey instruments measure the same thing, thereby enabling researchers to deal with a smaller number of constructs. The method involves the selection of variables subjected to multivariate correlation analysis by developing a correlation matrix that shows the correlation of each measure with every other measure (Cooper & Schindler, 2006). The correlation matrix is then subjected to computations that produce clusters of variables that intercorrelate highly within each cluster, but have low correlations with other clusters. These clusters are factors that can account for a covariation among a large number of variables within a measuring instrument.

There are several variations of factor analysis. For instance, exploratory factor analysis can be done to yield an orthogonal solution, where the resulting factors are uncorrelated with each other (Field, 2009; Lunenburg & Irby, 2008; Saunders *et al.*, 2003). An orthogonal solution is appropriate where a researcher seeks a pure set of factors, each measuring a construct that does not overlap with constructs measured by other factors. Another method of exploratory factor analysis is an oblique solution that is practised where factors are intercorrelated.

In this study, exploratory factor analysis was conducted by means of the principal component extraction method. The 52 variables were subjected to promax rotation with Kaiser normalisation, which grouped or factored the variables into components (factors) for further observation. Oblique rotation using the promax method was chosen, based on the understanding that the variables selected might correlate with one another (Field, 2009; Lunenburg & Irby, 2008). Indeed, correlation of variables exists, as shown in the results of the bivariate analysis in the next chapter. During this research, data was collected and analysed with an *a priori* assumption of variable interconnectedness. Therefore, the analysis identified and analysed the extent to which variables affected each other. The universal correlation or relationship of variables is explained by communalities that were extracted using the data. As noted above, all variables have communality loadings of above 0.50 each and an average communality of 0.705, which is a healthy situation, according to Field (2009:662). Communalities for all 52 variables are shown in Appendix F.

The eigenvalues of the extracted components were examined. The eigenvalue for a given component measures the variance in all variables that is accounted for by that component (Field, 2009:660). Each eigenvalue above 1 as extracted from the statistical analysis is shown in Appendix K. Multiple factor rotations were then run by setting factor loadings at six, five, four and three, to come up with the optimum number of factors to be considered for further observations (Costello & Osborne, 2005). After several rotations, the factor loadings at four produced the best factor structure, where the pattern matrix clearly loaded each variable on a specific component without any cross-loadings. The four extracted components translated into the four perspectives of the new African Balanced Scorecard model. A detailed analysis of the results on the exploratory factor analysis is reported in Chapter Eight.

7.13 DATA VALIDITY AND DATA RELIABILITY

In any given survey, the measuring instrument measures three components, namely the construct intended, irrelevant constructs and random measurement errors (Welman *et al.*, 2005:142). The construct intended and irrelevant constructs are systematic sources of variation, because they remain constant for any given individual, giving rise to problems with data validity. Random measurement errors refer to accidental factors that may vary from one measuring occasion to the other in a completely haphazard way. Thus, they are unsystematic and give rise to problems with the data reliability.

7.13.1 Data validity

Data validity represents a research mechanism that ensures that the process implemented to collect data has indeed collected the intended data successfully. Data validity represents the extent to which the research findings accurately demonstrate what is really happening in a given situation (Welman *et al.*, 2005:142-144). Stated differently, data validity refers to whether or not an indicator (or set of indicators) that is devised to measure a concept really measures that defined concept (Bryman & Bell, 2007:165). The instrument that is used to measure variables must measure that which the instrument is supposed to measure; and this is referred to as construct validity.

The construct validity of a measuring instrument refers to the extent to which the instrument measures the intended construct rather than an irrelevant construct or measurement errors. Thus, data validity refers to the extent to which an empirical measure adequately reflects the real meaning of the subject under investigation (Babbie & Mouton, 2007:122). Data validity can be undermined by research errors such as poor samples, faulty research procedures and inaccurate or misleading measurements on the instrument.

In this study, several steps were followed to ensure that that the data collected was valid. An extensive literature review was undertaken to understand the best methods for undertaking quantitative research to collect data from senior business executives in different industries (Babbie & Mouton, 2007; Bryman & Bell, 2007; Field, 2009; Welman *et al*., 2005). The construction of the instrument commenced with the generation of statements from the literature review regarding the subject area, as discussed from Chapter Two to Chapter Six, and suggestions from the supervisors of this research project. The formulation of questionnaire statements was done in full consultation with two University of Pretoria professors, Professor F.N.S. Vermaak and Professor D.G. Gouws, who are experts in the field of study, and who supervised this thesis. The measurement instrument was designed in such a way as to ensure the best possible understanding of the statements by the respondents, and was enhanced by the inclusion of clear instructions that enabled the thorough completion of the questionnaire.

The purpose and topic of the study were clearly explained to the respondents and general issues of concern were pointed out in the questionnaire subsections. Each subsection of the questionnaire contained guidelines and definitions relevant to statements included in the survey instrument. Lastly, respondents were assured of the anonymity and confidentiality of the data, as their personal identification was not relevant to the study. This encouraged respondents to complete the questionnaires openly, honestly and frankly. The above steps also ensured that the questionnaires were completed under conditions that are conducive to responding and that the environment was acceptable to the respondents as well. Thus, the entire data collection process was trustworthy.

The researcher was also careful in sampling the targeted population. Although the sampling was random, the questionnaire was targeted at large corporations by focusing on business executives at senior management level (60.7% of respondents) and middle management level (37.0% of respondents), and other business executives, including the board members (2.3%). Such business executives included chief executive officers (CEOs), chief financial officers (CFOs), financial managers, management accountants, and company secretaries, who are all conversant with the issues raised in the study. Hence, homogeneity was maintained in the sample. Furthermore, a total of 71.3% of the respondents had industrial work experience of more than six years.

All the statements in Section B of the questionnaire were subjected to construct validity measurement through the use of principal components analysis. In this type of statistical analysis, it is expected that each measure or variable within a component should have a significant correlation with other variables of the same component and a low correlation with others (Bryman & Bell, 2007; Field, 2009). The objective of construct validity analysis is to verify whether all the statements that translate the concept under study are unifactorial. If this happens, the group is considered homogeneous. The statistics indicate that the Bartlett's test of sphericity X^2 (1326)=10479.92, p<0.001 was significant for all factors, indicating that one can be confident that there is no multicolinearity among these survey data and that factor analysis is appropriate, according to Field's (2009:661) criteria. All 52 variables achieved communalities of above 0.50, with an average of 0.705, which is a "great" value, according to Field (2009:659). The extracted communalities on the 52 variables, as shown in Appendix F, signify that there is significant intercorrelation of variables.

7.13.2 Data reliability

Reliability is concerned with the findings of the research and relates to the credibility of the findings. Reliability of data signifies the degree to which an instrument consistently measures whatever it is measuring (Lunenburg & Irby, 2008:182-183; Welman *et al.*, 2005:145). Thus, data reliability represents a condition in which the same results will be achieved whenever the same technique is repeated to do the same study after a given time (Babbie & Mouton, 2007:119). As described above, the anonymity and confidentiality of the data allowed respondents to provide information strictly for the purposes of the study.

There is also the issue of generalisation when one looks at reliability. The requirements for generalisation relate to the reliability of the scores obtained, in that generalisation implies consistency of the ranking of the scores that are assigned to individual objects, irrespective of the timing of the measuring instrument, in which form it was used, and by whom it was administered or scored (Welman *et al.,* 2005:145). Thus, reliability refers to the extent to which the scores that were obtained may be generalised to different measuring occasions, measurement forms and measurement administrators. The scores assigned to individuals should therefore be consistent, irrespective of the time of measurement, the test used, and the person administering the test.

The reliability of the questionnaire was achieved through the measures' internal consistency, in other words, the consistency of the constructs. The internal consistency reliability was studied by determining the Cronbach's alpha (α) coefficient, which determines how all the items on an instrument relate to all other instrument items and to the total instrument as well. A computed alpha coefficient should range between 1 (denoting perfect internal reliability) and 0 (denoting no internal reliability) of the instrument (Bryman & Bell, 2007:164; Field, 2009:677). The Cronbach's alpha coefficient shows the degree to which all the items in the questionnaire measure the same attribute (Welman *et al.*, 2005:147). In this method, an internal consistency coefficient of 0.80 is considered a good value for an instrument with more than 40 items (Field, 2009:677; Lunenburg & Irby, 2008:183). However, instruments with fewer items typically have smaller reliability coefficients. In such cases, a coefficient of 0.70 or slightly lower would be considered reliable (Bryman & Bell, 2007; Costello & Osborne, 2005). In this study, the Cronbach's alpha coefficient for the 52 statements was 0.902, which is "excellent" news, according to Field (2009).

One most important element of the Cronbach's alpha coefficient calculations is the "Scale if item deleted" tool (Field, 2009:677). This statistical tool provides a value for the Cronbach's alpha coefficient for each variable in the questionnaire, reflecting what the Cronbach's alpha coefficient value would be if that variable were deleted. A questionnaire remains reliable when the removal of one variable does not affect the overall original Cronbach's alpha coefficient. In other words, no variable on the questionnaire should cause a substantial decrease in the Cronbach's alpha coefficient. If it does, then dropping that variable to maintain or increase data reliability should be considered.

A further analysis of the Cronbach's alpha coefficients for the "Scale if item deleted" gave values that were not significantly different from the original $\alpha=0.902$. The new values of the "Scale if item deleted" ranged from $\alpha=0.898$ to $\alpha=0.907$, as shown in Appendix F. This statistical analysis shows that the questionnaire is reliable and that the deletion of any variable did not significantly increase or decrease the original Cronbach's alpha coefficient. Overall, the internal consistency coefficient of 0.902 as obtained for the 52 variables of the survey structured questionnaire signified that the data collected are generally reliable and that conclusions drawn from the results can therefore be depended upon.

7.14 ETHICAL CONSIDERATIONS

The questionnaire was constructed in such a way that it did not transgress against any ethical requirements. For example, individual respondents could not be identified during the data collection and data analysis, as the survey was anonymous. Through both the questionnaire instructions section and in a covering letter, the participants were assured that the study involved an anonymous survey, where their names were not to appear on the questionnaires.

Participants were also assured that the answers they gave would be treated as strictly confidential and that they could not be identified in person based on the answers they gave (see instructions section of the questionnaire in Appendix A and the covering letter of introduction to participants in Appendix B). Participants were also reminded of the significance of their participation in the study, as it was very important to get their input to complete the project. The survey documentation, together with the structured questionnaire, had to go through the normal clearance and approval processes of the University of Pretoria's Research Ethics Committee, as shown in a letter of clearance and approval from the Committee, in Appendix D.

7.15 CONCLUSION

This chapter has discussed the research design and methodology used in this study. The research design and methodology has been based on the conceptual framework that identified six strategic themes that formed the foundation of this study. Issues surrounding both quantitative and qualitative research methods have been detailed. Based on the attributes of this study, the quantitative research method was selected as the most appropriate for this study. The design of the structured questionnaire as a research instrument was based on a Likert scale rating method. Finally, the chapter has discussed the profiles of respondents, sampling methods, data collection and data analysis, providing the rationale for the choice of each method. Statistical issues relating to sampling, data validity and data reliability have also been reported upon in this chapter.

The next chapter discusses in detail the research findings and analysis of the research results based on the data collected during this study..

CHAPTER EIGHT:
RESULTS AND ANALYSIS OF RESEARCH FINDINGS

> Discovery consists of seeing what everybody has seen and thinking what nobody has thought.
>
> (Albert von Szent-Gyorgyi, in Hofstee, 2006:219).

8.1 INTRODUCTION

This chapter reports on the outcome of the data collection undertaken as primary research in the study. The primary research was conducted by means of the structured survey questionnaire shown in Appendix A. This chapter discusses the survey results and the quantitative analysis of the research findings in detail. These results and the details of the analysis are critical inputs for the redesigning of the Balanced Scorecard model to accommodate African perspectives.

In Section A of the questionnaire, participants were asked to fill in details about their organisations – the country in which the participating organisation operates, the industry, the size of the organisation in terms of the number of employees, and the selection of stakeholders who deal with the organisation. The participants were also asked to indicate whether or not they used the Balanced Scorecard model in their corporate planning and performance measurement systems. If they used the Balanced Scorecard model, they were further asked to rate the usefulness of the model for their operations and overall corporate performance. Details about all the above organisational demographics are reported in this chapter.

The chapter also reports on the participants' ratings of the 52 statements that were formulated during the study. They used Likert scale rankings. The statements covered all six strategic themes of the conceptual framework, namely the relationships and culture, stakeholder, business processes and practices, intellectual capital, value creation, and corporate conscience themes. The univariate analysis of each statement has been reported on in the form of frequency tables and graphs. **Please note that in some cases the sum of individual percentages as indicated in frequency tables may not be exactly 100%, due to some rounding off errors.**

The study also aimed to establish the relationships among variables within the strategic themes. Such relationships have been assessed through bivariate analysis, the findings of which are also reported in this chapter. Through the bivariate analysis, the chapter further reports on findings on the strength of the relationships among the six strategic themes of the conceptual framework.

Finally, the chapter reports on the results of the multivariate analysis of the 52 variables, where their factorability was assessed by means of exploratory factor analysis technique. The 52 variables were subjected to principal component analysis to rearrange them into their main reduced components.

8.2 DEMOGRAPHICS OF THE PARTICIPANTS

This section reports on the demographics of the participating organisations, commenting on the country of origin, industry, size of the organisation, stakeholder considerations, management level and work experience of respondents, and the use of the Balanced Scorecard model and ratings on its usefulness for those who used the model.

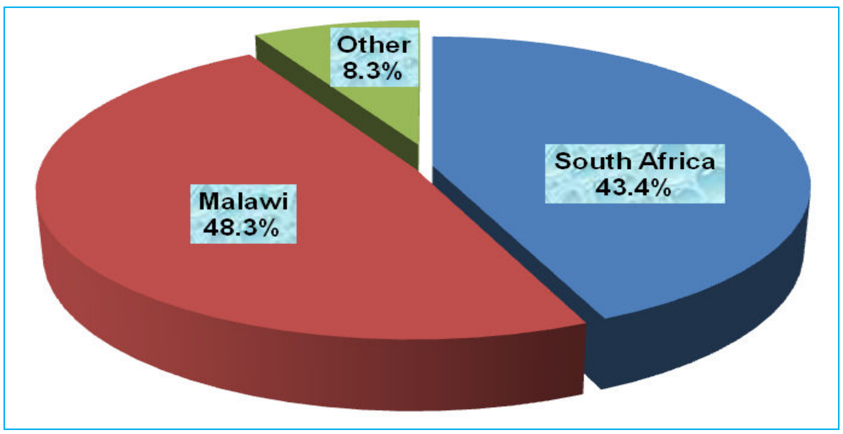
8.2.1 Country of participating organisations

The demographics of the participating organisations (Total=387) indicate that 168 respondents (43.4%) were from South Africa, 187 respondents (48.3%) were from Malawi, and 32 (8.3%) respondents were from other African countries, which included Zimbabwe, Mozambique, Lesotho, Botswana and Zambia. As reflected in the statistics, the majority (91.7%) of respondents were in Malawi and South Africa, combined with 8.3% in other African countries. A summary of the countries in which the survey respondents are working is shown in Table 16 and Figure 15, below.

Table 16: Country of participating organisations

Country	Frequency	Percentage	Cumulative Percentage
South Africa	168	43.4%	43.4%
Malawi	187	48.3%	91.7%
Other	32	8.3%	100.0%
Total	**387**	**100.0%**	

Figure 15: Country of participating organisations



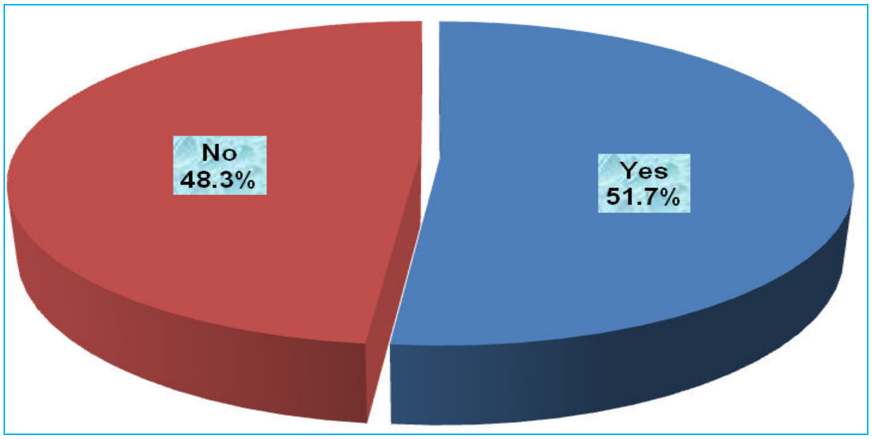
8.2.2 Use of the Balanced Scorecard model

Out of the 387 respondents, a total of 51.7% indicated that they were using the Balanced Scorecard model, whilst 48.3% indicated that they were not. This shows that, whilst many companies in Africa have adopted and implemented the Balanced Scorecard model, some have not yet adopted the model for their business activities. The results on whether or not companies use the Balanced Scorecard model are summarised in Table 17 and Figure 16, overleaf.

Table 17: Use of the Balanced Scorecard model

Response	Frequency	Percentage
Yes	200	51.7%
No	187	48.3%
Total	**387**	**100.0%**

Figure 16: Use of the Balanced Scorecard model



8.2.3 Rating of the usefulness of the Balanced Scorecard model

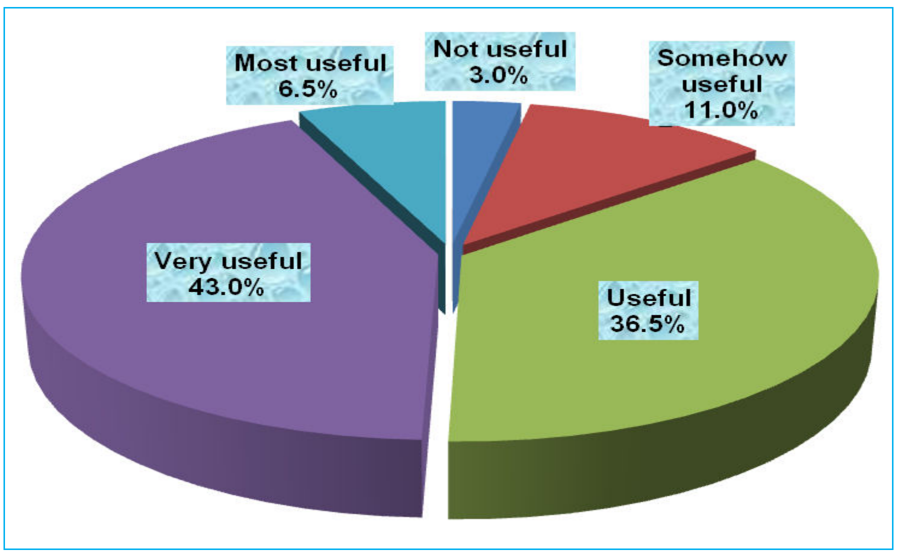
Respondents who indicated "Yes" to the question of whether they use the Balanced Scorecard model (Total=200) were asked to rate the usefulness of the model towards meeting their organisational objectives when executing their strategies. The majority (86.0%) of these respondents showed satisfaction with the Balanced Scorecard model ("Useful"=36.5%, "Very Useful"=43.0% and "Most Useful"=6.5%). A total of 14.0% ("Not Useful"=3.0% and "Somehow Useful"=11.0%) indicated that they were not satisfied with the Balanced Scorecard model.

It can therefore be implied from these findings that generally the principles behind the Balanced Scorecard model are good, but the conceptualisation of its perspectives could be an area of concern to many organisations. Thus, there is still a need to improve the model by redesigning some of its perspectives to suit a local African framework. Responses on the usefulness of the Balanced Scorecard model are summarised in Table 18 and Figure 17, below.

Table 18: Rating of the usefulness of the Balanced Scorecard model

Response	Frequency	Percentage	Cumulative Percentage
Not useful	6	3.0%	3.0%
Somehow useful	22	11.0%	14.0%
Useful	73	36.5%	50.5%
Very useful	86	43.0%	93.5%
Most useful	13	6.5%	100.0%
Total	**200**	**100.0%**	

Figure 17: Rating of the usefulness of the Balanced Scorecard model



8.2.4 Management level of respondents

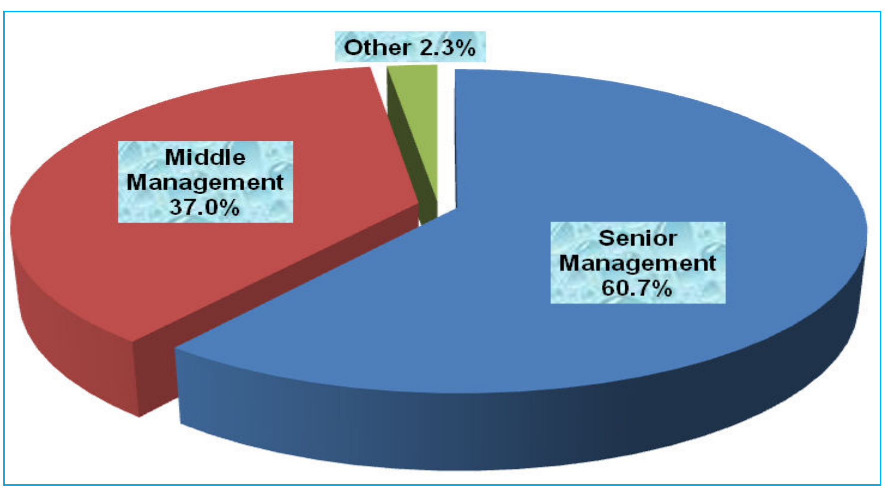
The study targeted both senior and middle management teams, who should be conversant with issues concerning corporate planning and performance measurement systems. Other business executives, such as board members, were also interviewed during the study. However, junior employees such as supervisors and operators were not interviewed, as these levels are largely involved in the day-to-day running of organisational operations and not necessarily with corporate strategy issues.

The study demographics indicate that 60.7% of the respondents were in senior management, whilst 37.0% were middle managers and 2.3% were members of the board. Stated differently, 97.7% were members of the internal senior and middle management of the participating organisations. The participation of the vast majority of senior management (60.7%) in this study suggests that the survey results are valid and reliable. The composition of respondents' management level is summarised in Table 19 and Figure 18, below.

Table 19: Management level of respondents

Management Level	Frequency	Percentage	Cumulative Percentage
Senior Management	235	60.7%	60.7%
Middle Management	143	37.0%	97.7%
Other	9	2.3%	100.0%
Total	**387**	**100.0%**	

Figure 18: Management level of respondents



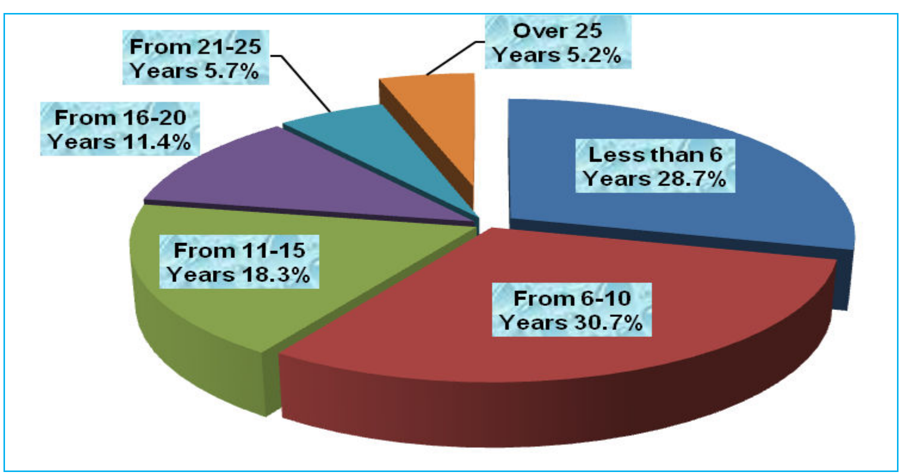
8.2.5 Work experience of respondents

The structured questionnaire also asked respondents to indicate their work experience in terms of the number of years that they have been serving on the organisational management team. The demographics show that the vast majority of the respondents (71.3%) have work experience in this capacity of over five years and above, whilst 40.6% of respondents have work experience of over ten years. These demographics are important, because they indicate that the data that were collected can be relied upon, as experience and management knowledge are well represented in the sample. Statistics on the work experience of the participants, reflected in the form of years of service in management, are summarised in Table 20 and Figure 19, below.

Table 20: Work experience of respondents

Number of years in service	Frequency	Percentage	Cumulative Percentage
Less than 6 years	111	28.7%	28.7%
From 6-10 years	119	30.7%	59.4%
From 11-15 years	71	18.3%	77.8%
From 16-20 years	44	11.4%	89.1%
From 21-25 years	22	5.7%	94.8%
Over 25 years	20	5.2%	100.0%
Total	**387**	**100.0%**	

Figure 19: Work experience (years) of respondents



8.2.6 Industry of participating organisations

The study focused on the commercial sector, where all statements made on the structured questionnaire would be addressed. The research results indicate that all industries of the commercial sector were represented, with most of the respondents in the information and communication (19.4%), finance and insurance (17.3%), manufacturing (14.5%), and wholesale and retail trade (13.7%) industries. The “Other” industry category (9.8%) consisted largely of educational institutions, consulting groups, and health practitioners. The findings on the representation of respective industries are summarised in Table 21, below.

Table 21: Demographics on industries

Industry	Frequency	Percentage
Agriculture, Forestry & Fishing	13	3.4%
Mining & Quarrying	19	4.9%
Manufacturing	56	14.5%
Electricity, Gas & Water	22	5.7%
Construction	18	4.7%
Wholesale & Retail trade	53	13.7%
Transport & Storage	9	2.3%
Tourism & Hospitality	11	2.8%
Real estate	6	1.6%
Information & Communication	75	19.4%
Financial & Insurance	67	17.3%
Other	38	9.8%
Total	**387**	**100.0%**

8.2.7 Number of employees

The participating organisations were also asked to indicate the number of their employees, as this data provided a way of assessing the size of the organisation. However, some organisations, especially those that are service-oriented, are not labour intensive, but rather capital intensive, as most of their business processes are automated – this is very typical of financial institutions. The results indicate that a vast majority of 84.2% of the respondents have over 100 employees. Furthermore, the data indicate that 64.1% employ more than 400 people, and the majority (57.6%) employ more than 500 people. The research findings also indicate that 27.6% of respondents employ over 1 000 people, comprising the biggest category of the organisations.

The above statistics show that the majority of participating organisations can be classified as large-scale companies, rather than as SMEs. A statistical summary of the number of employees in the participating organisations is shown in Table 22, below.

Table 22: Number of employees

Number of employees	Frequency	Percentage	Cumulative Percentage
Less than 101	61	15.8%	15.8%
From 101-200	39	10.1%	25.8%
From 201-300	25	6.5%	32.3%
From 301-400	14	3.6%	35.9%
From 401-500	29	7.5%	43.4%
From 501-600	26	6.7%	50.1%
From 601-700	16	4.1%	54.3%
From 701-800	26	6.7%	61.0%
From 801-900	19	4.9%	65.9%
From 901-1 000	25	6.5%	72.4%
Over 1 000	107	27.6%	100.0%
Total	**387**	**100.0%**	

8.2.8 Organisational stakeholders

Each participant was asked to indicate the stakeholders (out of the listed eleven stakeholders) that they consider when executing their corporate planning and performance measurement. The results indicate that the most popular five stakeholders as indicated by the respondents were shareholders (99.0%), management and staff (97.7%), customers (97.4%), suppliers (92.2%), and government (91.5%).

These results demonstrate that most organisations include these five stakeholders in their corporate planning and performance measurement systems. The recognition of suppliers and government as critical elements in the running of business is not emphasised in the Balanced Scorecard model. However, shareholders are recognised under the financial perspective, whilst management and staff fall under the learning and growth perspective, and customers are also recognised under the customer perspective. A summary of stakeholder involvement amongst the participating organisations is shown in Table 23, below.

Table 23: Organisational stakeholders

Stakeholder	Yes		No		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Shareholders	383	99.0%	4	1.0%	387	100.0%
Debt Providers	258	66.7%	129	33.3%	387	100.0%
Customers	377	97.4%	10	2.6%	387	100.0%
Suppliers	357	92.2%	30	7.8%	387	100.0%
Competitors	304	78.6%	83	21.4%	387	100.0%
Management & Staff	378	97.7%	9	2.3%	387	100.0%
Government	354	91.5%	33	8.5%	387	100.0%
External auditors	349	90.2%	38	9.8%	387	100.0%
Regulatory bodies	302	78.0%	85	22.0%	387	100.0%
Community	269	69.5%	118	30.5%	387	100.0%
Natural Environment	119	30.7%	268	69.3%	387	100.0%

N=387

The above table also shows that some of the popular stakeholders include external auditors (90.2%), competitors (78.6%), regulatory bodies (78.0%), the community (69.5%) and debt providers (66.7%). However, the majority of the respondents (69.3%) indicated that they do not consider the natural environment as their main stakeholder.

Further industry analysis shows that a lack of recognition of the natural environment as a stakeholder is prevalent amongst the service industries, such as the tourism and hospitality industry (100.0% "Disagree"), the real estate industry (100.0% "Disagree"), and the financial and insurance industry (78.7% "Disagree"). Only among organisations from the manufacturing (60.7% "Agree"), mining and quarrying (57.9% "Agree"), and transport and storage (71.8% "Agree") indicate that they include the natural environment as the main stakeholder, with the rest indicate that they do not.

The industrial analysis by country shows that most organisations in Malawi (76.5%), South Africa (60.7%) and other African countries (71.9%) indicated that they do not consider the natural environment as their main stakeholder (see Appendix B). The above statistics demonstrate that most organisations disregard the natural environment as a primary source of capital, confirming the findings of a study by Epstein and Wisner (2001). The present status of focus on issues relating to the natural environment should be a source of serious concern, as it may be a recipe for the sacrifice of long-term corporate sustainability.

The stakeholder rankings emerging from the participants' responses are summarised in Table 24, overleaf. It is clear that shareholders were ranked the highest (Yes=99.0%) and the natural environment was ranked the lowest (Yes=30.7%). It should also be borne in mind that the stakeholder rankings correspond with the research findings of the univariate analysis of statements on the strategic themes of the conceptual framework, as discussed more fully in Section 8.3.

Table 24: Stakeholder popularity rankings

No	Stakeholder	Popularity
		Percentage
1	Shareholders	99.0%
2	Management & Staff	97.7%
3	Customers	97.4%
4	Suppliers	92.2%
5	Government	91.5%
6	External Auditors	90.2%
7	Competitors	78.6%
8	Regulatory Bodies	78.0%
9	Community	69.5%
10	Debt Providers	66.7%
11	Natural Environment	30.7%

N=387

8.3 UNIVARIATE ANALYSIS OF QUESTIONNAIRE STATEMENTS

Univariate analysis was conducted by means of frequency tables and graphs showing the means of the respondents' ratings on each strategic theme. This analysis was aimed at addressing the first research question of the study:

Research Question 1: ***To what extent do organisations agree with each statement on the strategic themes of the conceptual framework?***

The conceptual framework provides a summary representing the relationships of different stakeholders, grouped into the six strategic themes that represent identifiable areas that would strategically affect corporate planning and performance measurement within an African context. The strategic themes were identified as, first, the relationships and culture theme; second, the stakeholder theme; third, the processes and practices theme; fourth, the intellectual capital theme; fifth, the value creation theme; and, sixth, the corporate conscience strategic theme. All these strategic themes are supposed to be interconnected and interdependent.

Overall, the analysis shows that there were varied responses from participants regarding the extent of their agreement on each on the questionnaire statements covering a particular strategic theme. A summary of participants' responses for each strategic theme of the conceptual framework is presented in frequency table form and graph of means, as shown below.

8.3.1 The relationships and culture strategic theme

Organisational survival is a question of relationships and organisational culture. This strategic theme aims at evaluating relationships that exist between an organisation and its stakeholders and the organisational culture. Culture has been interpreted to mean the organisational values, norms or philosophies that govern the behaviour of people in working toward organisational improvements (Flamholtz, 2001:271; Flamholtz, 2005:86; Gregory *et al*., 2009:674-675). This section reports on the study results and analysis of all 15 statements relating to the relationships and culture strategic theme (Theme 1).

1) ***Theme 1, Statement 1. We recognise the interdependence of relationships of our stakeholders***

   There seems to be a general understanding that an organisation can succeed only if all stakeholders are recognised as members of and contributors to corporate performance, as reflected in the conceptual framework. All the respondents agreed (45.2% "Agree", 46.5% "Strongly Agree" and 8.3% "Somehow Agree"). The analysis thus indicates that the majority of contemporary managers take cognisance of the stakeholder-centred approach in their operations. Thus, stakeholder-centred management models would be appropriate for the African framework. The above analysis confirms the provisions regarding the interconnectedness of organisational stakeholders that is acknowledged by practising organisations. The results also confirm the provisions of the conceptual framework of the study (Figure 1, on p. 7).

2) *Theme 1, Statement 2: Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions*

The research results reveal that a total of 86.6% of the respondents agree (40.3% "Agree" and 46.3% "Strongly Agree") that managers listen to and openly communicate with their stakeholders regarding stakeholders' concerns about and contributions towards organisational operations. The results further show that only 3.1% are in disagreement, whilst 10.3% "Somehow Agree" with the statement. The analysis demonstrates that the majority of managers in Africa realise that good and effective communication systems with stakeholders enhance business activities, and ultimately overall corporate performance.

The above results suggest that there is open dialogue between most organisations and their stakeholders, and that stakeholders are continuously updated on corporate activities and performance. Open and effective communication also provides honest feedback from stakeholders which should lead to continuous improvement processes in the organisation(s) concerned, as indicated by Szwajkowski (2000).

3) *Theme 1, Statement 3: Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue*

Apart from open communication and feedback systems, the study also aimed at assessing the extent of the external reporting systems that are intended to meet stakeholders' informational needs. The study results reveal that a majority of 78.1% of the respondents agreed (40.6% "Agree" and 37.5% "Strongly Disagree") that their external reporting systems are primarily meant to maintain stakeholder dialogue with the respective corporations. Only 2.8% disagree, whilst 19.1% "Somehow Agree" with the above statement. This analysis indicates that the majority of managers take cognisance of good stakeholder dialogue, which is achieved through external reporting systems. This kind of stakeholder relationship would enhance cooperation and active participation amongst different stakeholders who are fully aware of corporate operations and overall performance.

4) ***Theme 1, Statement 4: Our financial reports are constructed towards meeting interests of our external stakeholders***

A total of 74.5% of the respondents agreed that their financial reports are focused on meeting interests of their external stakeholders. The study results also show that 7.0% disagree and 18.6% “Somehow Agree” with the above statement. This analysis demonstrates that most organisations in Africa target their external stakeholders when producing financial reports. Thus, the research findings demonstrate that most corporations in Africa embrace a stakeholder-centred approach, confirming the “inclusiveness” of African management systems that was also observed by Rossouw (2005) and the Institute of Directors in Southern Africa (2009).

5) ***Theme 1, Statement 5: Our external financial reporting system takes into account our social obligations towards local communities***

Although a majority of 60.4% agreed (32.0% “Agree” and 28.4% “Strongly Agree”) that the eternal financial reporting systems incorporate social elements, 11.9% disagreed, and 27.6% were not in total agreement (“Somehow agree”) with the statement. The analysis of the responses to this statement reveals that whilst some organisations have embraced social reporting systems, others have not. This trend suggests that the amount of emphasis given to corporate social responsibility issues is still in a transitional stage and that more has to be done to sensitise corporations, as corporate citizens, to their roles in respect of local communities. This can be achieved through adherence to the recommendations set out in the King III

Report about the inclusion of social reporting systems in corporate reports (Institute of Directors in Southern Africa, 2009:12, 109).

6) Theme 1, Statement 6: Our external financial reporting system takes into account our environmental obligations

The study results reveal that 50.9% of the respondents agreed that their financial reporting systems incorporate environmental issues as a corporate obligation. A total of 19.9% of the participants disagreed (17.3% “Disagree” and 2.6% “Strongly Disagree”) with the statement, whilst 29.2% “Somehow agree” with the above statement. As is the case with corporate social responsibility issues, this analysis indicates that most organisations do not fully incorporate environmental issues in their financial reporting systems. The research findings are in line with the ecological demographics (see Section 8.2.8, where it was indicated that only 30.7% of respondents recognise the natural environment as one of their stakeholders.

The results demonstrate that there is little focus on issues regarding the natural environment and that attention to issues is still in a transitional stage. The implementation of the provisions set out in the King III Report about the inclusion of environmental reporting systems in corporate reports (Institute of Directors in Southern Africa, 2009:109) will facilitate the sensitisation process amongst corporations.

7) Theme 1, Statement 7: Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)

The relationships and culture strategic theme also focuses on the triple bottom line reporting system. The study results indicate that 59.9% of the respondents think that their organisations adhere to the integration of all three elements (economic, social and natural environmental elements) in their external reporting systems. The results further reveal that 9.1% disagree with the statement, while 31.0% "Somehow agree". The analysis demonstrates that most organisations have started implementing the triple bottom line reporting system, as recommended by the King III Report (Institute of Directors in Southern Africa, 2009:109).

Furthermore, the above analysis indicates that sustainability issues are in a transitional stage, as some have not yet embraced the triple bottom line reporting system in their financial reports. Corporate sustainability issues are unlikely to permeate organisational systems, unless social and environmental issues are integrated in the main business streams, as advocated by the triple bottom line concept (Pedersen & Neergaard, 2008:10). To achieve the triple bottom line, a more open-ended perspective should be adopted and the focus should be more stakeholder-centred, rather than shareholder-focused, as it is at present with the Balanced Scorecard model.

8) *Theme 1, Statement 8: Our financial statements are prepared based on the generally accepted accounting principles (GAAP)*

The financial reporting systems that are targeted at different stakeholders are supposed to follow GAAP for objectivity and comparability purposes (Needles & Powers, 2010; Wold *et al.*, 1974). The study results reveal that the vast majority (86.3%) agree that they follow GAAP when preparing their financial statements. However, 5.9% disagree and 7.8% are not in full agreement ("Somehow Agree") with the statement, signifying that there are still some cases where GAAP may not be followed.

Overall, this analysis indicates that most organisations in Africa adhere to GAAP in preparing their financial reports for external consumption. The results confirm the objectivity of corporate financial reports, which can enhance decision-making by users of the financial statements regarding the performance of the organisations concerned.

9) ***Theme 1, Statement 9: Our financial statements are verified by the appointed external auditors for external reporting***

The study results show that a total of 90.1% agree (27.9% "Agree" and 58.4% "Strongly agree") that their corporate financial statements are verified by the appointed external auditors for the purposes of external reporting systems. However, there are also some departures from the statement, as 5.5% disagree and 4.4% "Somehow Agree" with the statement. The analysis establishes that the majority of organisations in Africa let their financial statements be independently verified by external auditors, thereby enhancing the reliability of the financial statements that are used by different stakeholders during their decision-making processes.

10) ***Theme 1, Statement 10: We are committed in making decisions with the customer's perspectives in mind***

Consideration of customers' wants and needs is paramount for the sustainability of future business (Drucker, 1993). The study results reveal that a total of 87.3% agree (49.1% "Agree" and 38.2% "Strongly agree") that their organisations are committed to making decisions that focus on the perspectives of their customers. Only 3.4% are in disagreement, whilst 9.3% "Somehow Agree" with the above statement. The analysis demonstrates that most organisations focus on customer perspectives in order to satisfy them in the provision of better goods and services.

The study findings further confirm that most organisations regard relationships with customers as foundational for the sustainability of their business operations. Corporations may be guided by the premise that more focus on a customer leads to high new and repeat sales achieved through customer satisfaction and customer delight (Kotler & Keller, 2006). Consequently, high profitability levels for the business are more likely ultimately to be realised.

11) *Theme 1, Statement 11: We treat our suppliers as an integrated part of our business*

The study results disclose that 72.8% agree (33.3% "Agree" and 39.5% "Strongly Agree") that their suppliers are integrated into their business processes as strategic partners. Only 0.3% of the respondents "Disagree", whilst 26.9% "Somehow Agree" with the above statement. The analysis demonstrates that most corporations recognise the need for running their operations with a supplier, in mind as suppliers are the sole providers of raw materials and other inputs for the production of goods and services.

It can therefore be expected that there are healthy supplier relationships in most companies in Africa. It is reflected in the research findings that most organisations realise the significance of supplier integration into business processes that are stakeholder-centred. However, the recognition of a suppliers as a stakeholder is not fully highlighted in the Balanced Scorecard model (just implied under the internal business process perspective). Thus, the model will be redesigned to accommodate these findings about a supplier as a stakeholder towards business operations.

12) *Theme 1, Statement 12: We demonstrate mutual respect with our competitors*

Modern business philosophy proposes formation of strategic partnerships, including ones with competitors (David, 2005). The study results reveal that 66.2% agree (37.0% "Agree" and 29.2% "Strongly agree") that they demonstrate mutual respect for competitors in their industry. Only 8.3% disagree, whilst 25.6% "Somehow agree" that they show mutual respect for the competition. The high levels of mutual respect maintained with competitors show that most organisations recognise competition as a way to foster benchmarking for continuous improvement of their products and services.

13) *Theme 1, Statement 13: Our organisation is highly respected for maintaining and promoting environmental protection*

The study findings indicate that few agree that their organisations are respected for maintaining and promoting environmental protection. A total of 44.2% agree (20.2% “Agree” and 24.0% “Strongly agree”) with the statement. The results reveal that a total of 27.7% disagree (25.6% “Disagree” and 2.1% “Strongly disagree”), whilst 28.2% “Somehow agree” with the above statement. The findings in this analysis resonate with those relating to Statement 6 analysed above regarding environmental reporting systems.

This lack of corporate respect would be a result of either a corporation’s disregard for environmental protection matters or, if it is engaged in such environmental protection projects, there is non-disclosure of such information through the corporate external reporting systems, thus ignoring the recommendations of the King III Report (Institute of Directors in Southern Africa, 2009). A high focus on natural environmental activities by the corporation would enhance the sustainability of a business for the current and future generations. Such elements constitute significant elements in the redesigning of the Balanced Scorecard model.

14) *Theme 1, Statement 14: We constantly interact with and help the local community in which we operate*

The statement was aimed at establishing the extent of the relationship between an organisation and the local community and its organisational culture in this regard. Whilst the majority agree (63.3%) with the above statement, some do not (13.7%). Of the respondents, 23.0% “Somehow agree” that they constantly interact with the local communities within which their business operates, casting doubt on the quality of such a community relationship.

These research findings conform with the findings relating to Statement 5, as analysed above, regarding corporate social responsibility reporting systems. The analysis demonstrates that some organisations are not involved in helping their local communities. This is also demonstrated by the low levels reported on environmental protection activities in relation to Statement 13, above. With full sensitisation, one would expect full compliance with corporate citizenship obligations, which include sustainability reporting, as recommended by the King III Report (Institute of Directors in Southern Africa, 2009)

15) Theme 1, Statement 15: We treat employees as the most valuable asset of our organisation

The majority agree that they treat their employees as the most valuable assets of their organisation. A total of 73.6% agree (34.6% “Agree” and 39.0% “Strongly Agree”) with the statement, 10.6% disagree, whilst 15.8% “Somehow agree” with the statement. This analysis indicates that most organisations value their employees as a sole source of the human resources for their operations. Recognising employees as valuable assets creates an environment conducive to more employee participation, resulting in higher levels of productivity and better corporate performance.

The above univariate analysis of the 15 statements on the relationships and culture strategic theme is summarised in Table 25, overleaf. Summations of “Agreements” and “Disagreements” are shown in Appendix F. The means of the response ratings for each statement under the relationships and culture strategic theme are diagrammatically presented in Figure 20, overleaf.

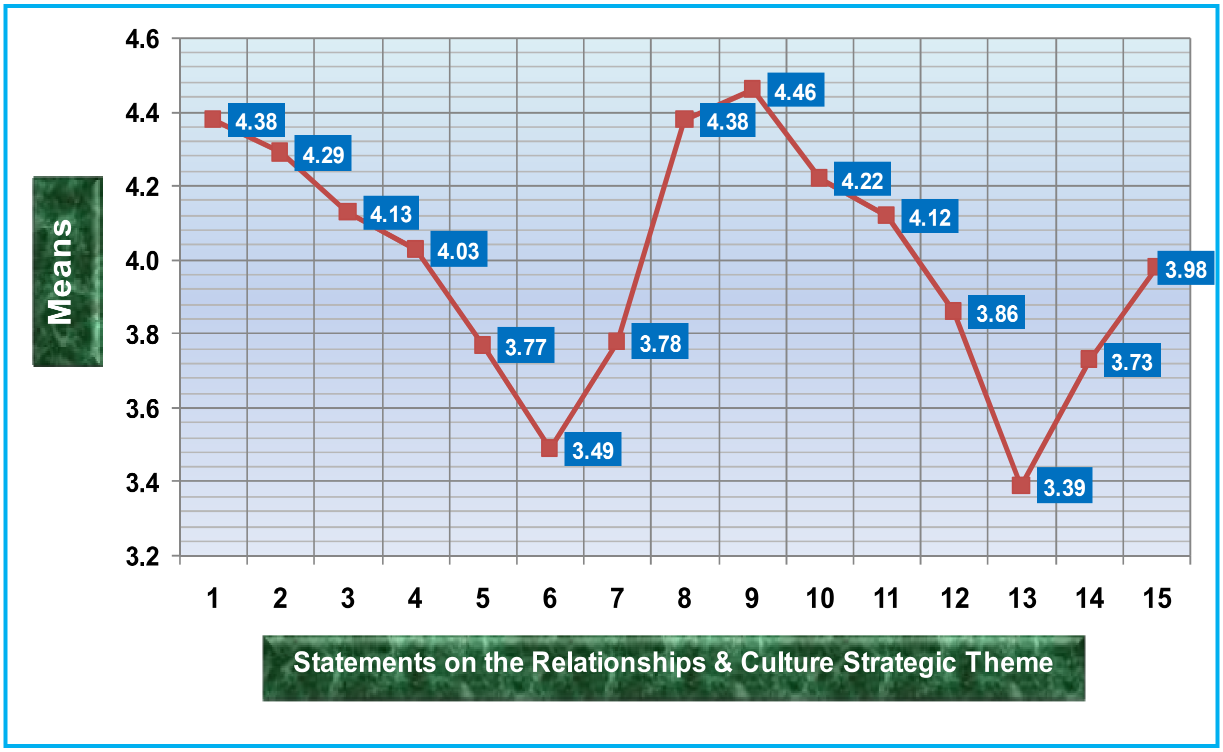
Table 25: Statistical summary of the univariate analysis on the relationships and culture strategic theme

Statement	Rating scale (%)					
	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree	TOTAL
1. We recognise the interdependence of relationships of our stakeholders	0.0	0.0	8.3	45.2	46.5	100
2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	0.3	2.8	10.3	40.3	46.3	100
3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	0.0	2.8	19.1	40.6	37.5	100
4. Our financial reports are constructed towards meeting interests of our external stakeholders	0.3	6.7	18.6	38.8	35.7	100
5. Our external financial reporting system takes into account our social obligations towards local communities	0.3	11.6	27.6	32.0	28.4	100
6. Our external financial reporting system takes into account our environmental obligations	2.6	17.3	29.2	30.7	20.2	100
7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	1.6	7.5	31.0	31.0	28.9	100
8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	1.0	4.9	7.8	27.9	58.4	100
9. Our financial statements are verified by the appointed external auditors for external reporting	1.6	3.9	4.4	27.1	63.0	100
10. We are committed in making decisions with the customer's perspectives in mind	0.0	3.4	9.3	49.1	38.2	100
11. We treat our suppliers as an integrated part of our business	0.3	0.0	26.9	33.3	39.5	100
12. We demonstrate mutual respect with our competitors	1.6	6.7	25.6	37.0	29.2	100
13. Our organisation is highly respected for maintaining and promoting environmental protection	2.1	25.6	28.2	20.2	24.0	100
14. We constantly interact with and help the local community in which we operate	1.3	12.4	23.0	39.0	24.3	100
15. We treat employees as the most valuable asset of our organisation	3.6	7.0	15.8	34.6	39.0	100

N=387

In summary, the graph in Figure 20 indicates that Theme 1, Statement 13: "Our organisation is highly respected for maintaining and promoting environmental protection" (μ=3.39) and Statement 6: "Our external financial reporting system takes into account our environmental obligations" (μ=3.49) register very low means on the response ratings. These low means demonstrate that few respondents agree with Statement 13 (44.2%) and Statement 6 (50.9%), as already discussed above.

Figure 20: Means of the response ratings of statements under the relationship and culture strategic theme



Source: Own observation

Further examination of the graph also shows that Theme1, Statement 1: "We recognise the interdependence of relationships of our stakeholders" (μ=4.38), Statement 8: "Our financial statements are prepared based on the generally accepted accounting principles (GAAP)" (μ=4.38), and Statement 9: "Our financial statements are verified by the appointed external auditors for external reporting" (μ=4.46) register relatively high means on the response ratings. This indicates that most respondents agreed with Statement 1 (91.7%), Statement 8 (86.3%), and Statement 9 (90.1%), as already discussed above.

The high scores on the above statements are indicative of how seriously organisations take issues of stakeholder relationships, and the external financial reporting systems that are prepared by following the prescribed GAAP. Generally, respondents agreed with the statements under the relationships and culture strategic theme (μ>3.50), as displayed in the above graph, in Figure 20.

The next section analyses research findings on the stakeholder strategic theme of the conceptual framework.

8.3.2 The stakeholder strategic theme

The stakeholder strategic theme (Theme 2) of the conceptual framework aimed at evaluating relationships about the level of contributions that individual stakeholders make towards the internal operations of an organisation as perceived by the management team. Under the stakeholder strategic theme, there were varied responses on each of the statements, as discussed below.

1) Theme 2, Statement 1: Our organisation puts more emphasis on maximisation of shareholders' wealth than of other stakeholder's wealth

Under the stakeholder strategic theme, the questionnaire aimed at assessing the application of the popular maxim of "shareholder wealth maximisation" that is the beginning and end of shareholder-centred management theories. The study findings reveal that 45.5% agree (24.3% "Agree" and 21.2% "Strongly agree") that their organisations put more emphasis on the maximisation of shareholders' wealth than on other stakeholders' wealth. A total of 27.9% disagree, whilst 26.6% "Somehow agree" with the statement.

The analysis of the study findings indicates that there are some companies that are still inclined to focus on the maximisation of the shareholder value rather than look at value for other stakeholders too. However, other companies have embraced the stakeholder-centred approach within their visionary focus. The above analysis also confirms the provisions of the conceptual framework of this study, which is inclusive and stakeholder-centred (Figure 1, on p. 7).

2) ***Theme 2, Statement 2: Our customers comprise the most important element of our business***

The majority of survey participants (80.1%) agree that their customers are regarded as the most important element of their business operations. Only 8.3% disagree, whilst 11.6% "Somehow agree" with the above statement. This analysis suggests that most organisations focus on serving customers better, which resonates with the research findings regarding the relationships and culture strategic theme (Statement 10, on p. 300) signifying the corporation's commitment to focusing on customer perspectives, which is good news for the long-term sustainability of a business.

3) ***Theme 2, Statement 3: We make profits because of our efficient labour force***

The efficiency of the labour force has also been acknowledged as a source of profitability. A total of 55.6% agree (34.9% "Agree" and 20.7% "Strongly Agree") that they realise high profitability because of their efficient labour force. The results show that 16.6% disagree with the statement, while 27.9% "Somehow agree". The analysis of the study findings confirms that labour is a critical source of capital, as articulated by Drucker (1993) and that it should be respected.

4) *Theme 2, Statement 4: Our operations rely on debt provisions from our financiers*

Apart from the provision of equity capital from shareholders, the study also aimed at establishing whether or not companies rely on debt capital in their undertakings. Whilst a total of 41.0% agree that their operations rely on debt provisions from different financiers, 38.5% disagree with the statement, and 20.4% "Somehow agree". The study results indicate that some companies in Africa are financially highly leveraged through debt provisions confirming research findings in Ghana by Kyereboah-Coleman (2007:68).

The study findings also confirm the need to recognise debtors as a key stakeholder towards corporate operations and overall performance (see stakeholder analysis on p. 294). These research findings support the conceptual framework, which recognises that debt capital is critical within an African framework. The provision of debt capital is not explicit under the generic Balanced Scorecard model.

5) *Theme 2, Statement 5: Our organisation runs on the premise that community care is paramount*

The recognition of the local community as a critical stakeholder has not yet been grasped by many companies. The study findings reveal that 50.9% agree that community care and attention is paramount. The study results also indicate that 27.9% disagree (19.1% "Disagree" and 8.8% "Strongly disagree"), whilst 21.2% "Somehow agree" with the above statement.

The above analysis demonstrates that corporate attention on local communities in the form of corporate social responsibility is still in a transitional stage and that currently there is not enough community focus, as already established under the relationships and culture strategic theme (Theme 1, Statements 5 and 14). It is imperative that the newly redesigned model will have to accommodate these research findings regarding the significance of community interfacing and support in recognition of the fact that the community is a source of the current and future labour force and final consumers of products and services.

6) ***Theme 2, Statement 6: Our organisation focuses on protection of the natural environment as a stakeholder***

With regard to the natural environment as a stakeholder, 48.3% agree (31.5% "Agree" and 16.8% "Strongly agree") that they focus on the protection of the natural environment. Moreover, the study results indicate that a total of 30.5% (21.7% "Disagree" and 8.8% "Strongly disagree") of respondents do not focus on protecting the natural environment, whilst 21.2% "Somehow agree" with the statement. The study findings resonate with earlier findings on environmental issues, as discussed above, under the relationships and culture strategic theme.

This analysis demonstrates that the natural environment is disregarded by many corporations, confirming the findings of a study by Epstein and Wisner (2001). It is therefore not surprising that the King III Reports on governance recommends that corporations should also report on environmental and social elements apart from financial bottom line in their corporate reports (Institute of Directors in Southern Africa, 2009). As the natural environment dictates the sustainability of future business (Stead & Stead, 2004, White, 2005), the new model must capture natural environmental elements that are not emphasised in the existing Balanced Scorecard model.

7) ***Theme 2, Statement 7: Government contributions are foundational to our business operations***

The study findings show that a total of 56.0% agree (27.6% "Agree" and 28.4 "Strongly agree") that government contributions are regarded as foundational to corporate business. The study results reveal that 33.3% disagree with the statement, while 10.6% “Somehow agree”. The research findings confirm the provisions of the conceptual framework, where government is recognised as one of the key players towards business success. The government provides grant and debt financing, business infrastructural systems, and legislation. Reflected in the analysis is that government forms a critical element towards the success of corporations in Africa and should be treated as a strategic business partner.

The above findings are also in line with the stakeholder analysis (Table 23, on p. 292), where an overwhelming majority of 91.5% of respondents indicated that they see government as a stakeholder towards their operations. However, the above findings are contrary to the provisions of the Balanced Scorecard model, which does not fully recognise government as a major contributor towards business success.

The above univariate analysis of the seven statements on the stakeholder strategic theme is summarised in Table 25, overleaf. Summations of “Agreements” and “Disagreements” are shown in Appendix F. The means of the response ratings on each statement under the stakeholder strategic theme are diagrammatically presented in Figure 21, overleaf.

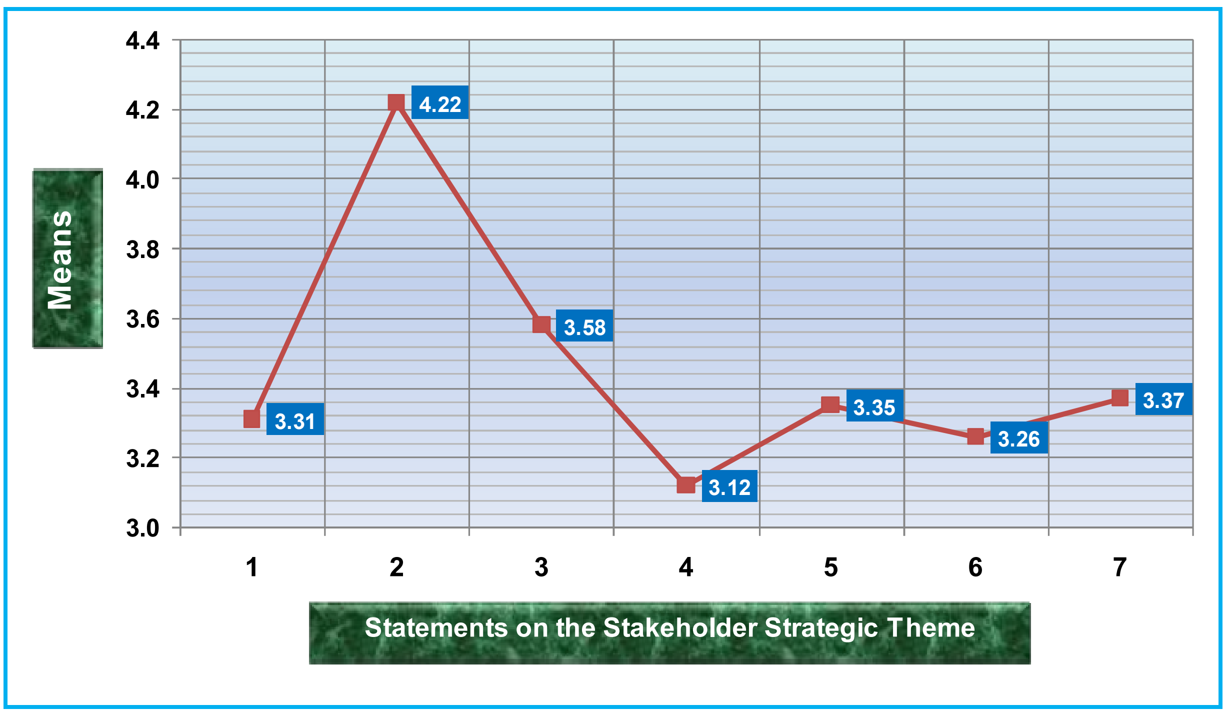
In summary, the graph in Figure 21 indicates that Theme 2, Statement 4: “Our operations rely on debt provisions from our financiers” ($\mu=3.12$) registers the lowest mean on the response ratings, because few respondents (41.0%) agreed with the statement, as already discussed above. Further examination of the graph also shows that Statement 2: “Our customers comprise the most important element of our business” ($\mu=4.22$) has the highest mean on the response ratings. A total of 80.1% agree that they consider customers as critical to their operations. Apart from Statements 2 and 3, the above graph shows that few respondents agreed with the statements under the stakeholder strategic theme, as is clear from their low means ($\mu<3.5$).

Table 26: Statistical summary of univariate analysis on stakeholder strategic theme

Statement	Rating scale (%)					
	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree	TOTAL
1. Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	7.5	20.4	26.6	24.3	21.2	100
2. Our customers comprise the most important element of our business	0.5	7.8	11.6	29.7	50.4	100
3. We make profits because of our efficient labour force	1.6	15.0	27.9	34.9	20.7	100
4. Our operations rely on debt provisions from our financiers	9.3	29.2	20.4	22.7	18.3	100
5. Our organisation runs on the premise that community care is paramount	8.8	19.1	21.2	30.0	20.9	100
6. Our organisation focuses on protection of the natural environment as a stakeholder	8.8	21.7	21.2	31.5	16.8	100
7. Government contributions are foundational to our business operations	13.7	19.6	10.6	27.6	28.4	100

N=387

Figure 21: Means on response ratings of statements under the stakeholder strategic theme



Source: Own observation

The next section analyses research findings on the business processes and practices strategic theme of the conceptual framework.

8.3.3 The processes and practices strategic theme

The processes and practices strategic theme (Theme 3) was included to assess relationships surrounding the internal business processes and practices of various organisations in terms of their economy, efficiency and effectiveness (the 3Es). Traditionally, these 3Es are regarded as the determining factors of corporate performance (Neely *et al*., 1995:80-85). The research findings and analysis of the results on the eight statements about the business processes and practices strategic theme are reported below.

1) Theme 3, Statement 1: We adopt processes that address concerns of our stakeholders

The study results indicate that the vast majority of respondents adopt business processes and practices that are aimed at addressing the concerns of stakeholders. A total of 87.0% agree (47.5% “Agree” and 39.5% “Strongly agree”) with the above statement, with only 2.8% disagreeing. However, 10.1% of organisations only “Somehow agree” that their business processes are stakeholder-centred.

The findings reveal that corporations are oriented towards satisfying a broader pool of their stakeholders rather than just the shareholders. Thus, the research results confirm earlier findings on the stakeholder strategic theme (Theme 2, Statement 1, on p. 306) that support the inclusive approach to corporate governance in Africa (Institute of Directors in Southern Africa, 2009:13). The above analysis also confirms the conceptual framework of this study, which indicates that business processes should be linked to all stakeholders (Figure 1, on p. 7).

2) ***Theme 3, Statement 2: We use benchmarking to continuously improve our business processes***

A majority of 62.5% indicate that they use benchmarking for continuous improvement of their business processes for better products and services. However, 24.0% disagree with the statement, whilst 13.4% "Somehow agree". These results reflect how much corporations emphasise benchmarking as a critical component of business processes and practices. The analysis reveals conformity with the notion that a high focus on benchmarking facilitates continuous improvement to meet customer needs, thus sustaining business activities in the long term (David, 2005; Horngren *et al.*, 2002; Laudon & Laudon, 2006).

3) ***Theme 3, Statement 3: We are able to objectively measure the social impact of our operations***

Measurement of the social impact of organisational activities is still elusive, in that many organisations are not knowledgeable on the area. The study results show that 48.1% agree (35.7% "Agree" and 12.4% "Strongly agree") that they are able to objectively measure the social impact of their operations on communities. Significantly, a total of 25.9% disagree (20.2% "Disagree" and 5.7% "Strongly disagree"), while 26.1% "Somehow agree" with the statement.

The analysis demonstrates that many organisations still experience problems in measuring the social impact of their activities. Such measurement problems could be a result of the complexity that is involved in such measurement systems, which are largely qualitative. This would confirm the earlier findings of Senge *et al.,* (2007) and Vernon *et al.* (2003). The analysis also demonstrates that more has to be done to ensure that corporations are able to institute social measurement systems that are not provided in the Balanced Scorecard model. The redesigned new Balanced

Scorecard model will strive to incorporate such important social measures within its framework.

4) Theme 3, Statement 4: We are able to objectively measure the impact of our operations on the natural environment

As with Theme 3, Statement 3 above, many corporations are not able to measure the impact of their operations on the natural environment. The study results indicate that only 41.4% agree (26.4% "Agree" and 15.0% "Strongly agree") that they are able to objectively measure the impact of their operations on the natural environment. A total of 26.7% disagree (20.2% "Disagree" and 6.5% "Strongly disagree"), while 32.0% "Somehow agree" with the statement.

The above analysis of results demonstrates that despite the fact that some organisations have embraced environmental measurement systems, many corporations are still experiencing problems in measuring the environmental impact of their activities; the finding confirms observations by Senge *et al.,* (2007) and Vernon *et al.* (2003). This could be largely a result of the complexity that is involved in environmental measurement systems.

The analysis also indicates that there is a need to redesign current measurement systems so that corporations will be able to measure the vital environmental impact of their operations, and meet the requirement for environmental reporting as an aspect of good corporate governance as recommended by the King III Report (Institute of Directors in Southern Africa, 2009). Unfortunately, environmental measurement systems are not provided in the Balanced Scorecard model. The redesigned Balanced Scorecard model will strive to accommodate such important environmental measures within its framework.

5) ***Theme 3, Statement 5: Our sustainability programmes take into account economic, social and environmental issues***

Despite the difficulty in measuring environmental and social elements, most organisations report that their external reporting systems take into account the triple bottom line as recommended by the King III Report (Institute of Directors in Southern Africa, 2009). A total of 63.1% agree (36.7% "Agree and 26.4% "Strongly agree"), while 15.7% disagree and 21.2% "Somehow agree" with the statement.

The above analysis indicates that whilst many organisations have embraced the triple bottom line reporting system, some organisations are not fully adhering to the triple bottom line reporting requirements, signifying the transitional nature of triple bottom line reporting system within corporate reports, a scenario that is not provided for in the generic Balanced Scorecard model.

6) ***Theme 3, Statement 6: Customer feedback is key to our performance appraisal systems***

A vast majority of 77.3% indicate that they consider customer feedback a key element in their performance measurement systems. Only 9.1% disagree with the above statement, whilst 13.7% "Somehow agree". The results are in line with the previous results on the relationships and culture strategic theme (Theme 1, Statement 10) and the stakeholder strategic theme (Theme 2, Statement 2). The analysis indicates that many organisations recognise the significance of getting more information from their customers for continuous improvement purposes and the sustainability of their long-term business activities.

7) ***Theme 3, Statement 7: We work cooperatively with our business partners***

Collaborative commerce through business partnership has become the order of the day in modern business processes (Laudon & Laudon, 2006). True to this ideology, the vast majority, totalling 88.4%, agree (47.8% “Agree” and 40.6% “Strongly agree”) that they cooperatively work with their business partners. Only 3.6% disagree with the statement, whilst 8.0% “Somehow agree”.

The study results demonstrate that most corporations venture into strategic partnerships with different organisations to enable them to execute their business operations effectively. Most organisations realise the value of coexistence with other business partners for their long-term survival. These research findings support the conceptual framework, which recognises business collaboration as an important strategic facet of the survival of a modern organisation. Business partners, as stakeholders, are not emphasised in the Balanced Scorecard model.

8) ***Theme 3, Statement 8: Our corporate performance indicators are geared towards future corporate performance***

This statement was aimed at establishing whether corporations adopt short-termism or long-termism when executing their business operations. The study findings indicate that the vast majority (90.1%) of the respondents agree that their corporate performance indicators are geared towards future corporate performance (36.4% “Agree” and 53.7% “Strongly agree”). Only 2.6% disagree and 7.2% “Somehow agree” with the statement.

The above analysis reflects that corporations are more focused on strategic planning than on short-term planning, which is good news for corporate sustainability. The findings also support the conceptual framework of this study, which is a strategic management framework for corporate planning and performance measurement systems.

The above univariate analysis of the eight statements on the business processes and practices strategic theme is summarised in Table 27, below. Summations of “Agreements” and “Disagreements” are shown in Appendix F. The means of the response ratings for each statement under the processes and practices strategic theme are diagrammatically presented in Figure 22, overleaf.

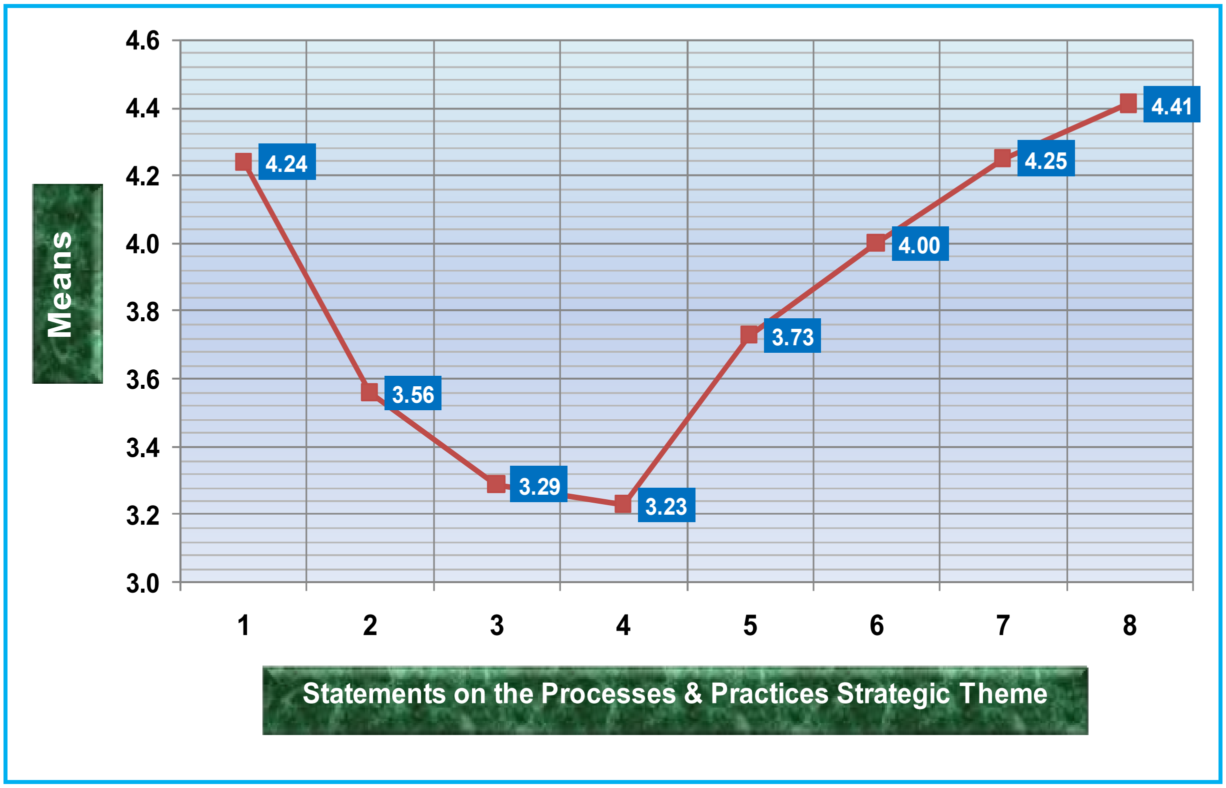
Table 27: Statistical summary of univariate analysis on processes and practices strategic theme

Statement	Rating scale (%)					
	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree	TOTAL
1. We adopt processes that address concerns of our stakeholders	0.0	2.8	10.1	47.5	39.5	100
2. We use benchmarking to continuously improve our business processes	10.3	13.7	13.4	34.6	27.9	100
3. We are able to objectively measure the social impact of our operations	5.7	20.2	26.1	35.7	12.4	100
4. We are able to objectively measure the impact of our operations on the natural environment	6.5	20.2	32.0	26.4	15.0	100
5. Our sustainability programmes take into account economic, social and environmental issues	0.5	15.2	21.2	36.7	26.4	100
6. Customer feedback is key to our performance appraisal systems	2.1	7.0	13.7	43.7	33.6	100
7. We work cooperatively with our business partners	0.0	3.6	8.0	47.8	40.6	100
8. Our corporate performance indicators are geared towards future corporate performance	0.8	1.8	7.2	36.4	53.7	100

N=387

In summary, the graph in Figure 22 indicates that Theme 3, Statement 4: “We are able to objectively measure the impact of our operations on the natural environment” (μ=3.23) and Theme 3, Statement 3: “We are able to objectively measure the social impact of our operations” (μ=3.29) register the lowest means on the response ratings. As discussed above, 41.4% and 48.1% of respondents agreed with Statements 4 and 3 respectively.

Figure 22: Means on response ratings of statements under the processes and practices strategic theme



Source: Own observation

Further examination of the graph also shows that Theme 3, Statement 1: "We adopt processes that address concerns of our stakeholders" (μ=4.22), Statement 7: "We work cooperatively with our business partners" (μ=4.25), and Statement 8: "Our corporate performance indicators are geared towards future corporate performance" (μ=4.41) received higher ratings than Statements 3 and 4.. Generally, the above graph shows that most respondents agreed with statements under the processes and practices strategic theme as depicted by their high means (μ>3.5).

The next section analyses research findings on the intellectual capital strategic theme of the conceptual framework.

8.3.4 The intellectual capital strategic theme

The intellectual capital strategic theme (Theme 4) represents relationships relating to the intellectual capital attributes that contribute to corporate performance. Intellectual capital is classified as the primary source of profitability (Drucker, 1992:95). The intellectual capital strategic theme recognises significant contributions made by non-financial forms of capital, especially intellectual capital, towards corporate performance. Thus, it was necessary to validate all six statements under this strategic theme.

There were varied responses on the each of the six statements that were formulated under the intellectual capital strategic theme. This section reports the study findings and analysis of the results relating to the intellectual capital strategic theme.

1) Theme 4, Statement 1: Intellectual capital is our main source of profitability

The research findings reveal that 50.1% agree (32.8% “Agree” and 17.3% “Strongly agree”) that intellectual capital is their main source of profitability. A total of 17.3% disagree (14.5% “Disagree” and 2.8% “Strongly disagree”), while 32.6% “Somehow agree” with the statement. These results indicate that while the small majority (50.1%) agree that intellectual capital is a source of profit, still, some organisations do not recognise that intellectual capital is a source of profitability as argued by Drucker (1993).

High recognition of intellectual capital as a strategic asset for business would ultimately encourage better allocation of resources to more value-adding activities, including intellectual capital. The conceptual framework recognises intellectual capital as a hub that links all the other sources of capital, comprising financial, debt, human resources, and natural resources as forms of capital.

2) Theme 4, Statement 2: Emphasis on human capital development improves our corporate performance

The statement aimed at evaluating the impact of internal and external human resource development programmes for an organisation. A majority of 62.5% agree that their emphasis on human capital development improves overall corporate performance. Only 9.9% disagree, whilst 27.6% “Somehow agree” with the statement.

This analysis demonstrates that human capital development is recognised as a contributor towards overall corporate performance. The findings also highlight the importance that corporations attach to human capital development. Thus, the research findings support the conceptual framework and propositions of Flamholtz (2005), who recognises human resources development as a critical factor in the improvement of the corporate bottom line, profitability.

3) Theme 4, Statement 3: Innovation is promoted through our good knowledge management systems that we pursue

The vast majority of respondents agree that their innovation is promoted through good knowledge management systems that are pursued by their organisations. A total of 68.5% agree (49.1% “Agree” and 19.4% “Strongly agree”) with the statement, whilst only 4.4% disagree and 27.1% “Somehow agree” with the statement.

The research findings indicate that most organisations put more focus on innovation, which is a source of new ideas for product development and improvement that ultimately meets customers’ satisfaction. The high focus on innovation, which makes a big contribution towards meeting customers’ wants and needs, ultimately leads to high sales volumes and a better bottom line in the form of profitability. Prolonged profitability would enhance the sustainability of the business in the long term. These research findings support the conceptual framework, which recognises innovation as an important element in business processes and practices.

4) *Theme 4, Statement 4: Knowledge about local culture promotes marketing through customer satisfaction*

The statement was aimed at establishing whether the knowledge about local culture promotes marketing through customer satisfaction, as propagated by Skinner and Mersham (2008:251). A majority of 70.2% agree (50.6% “Agree” and 19.6% “Strongly agree”) with the above statement, while only 8.5% disagree and 21.2% “Somehow agree” with the above statement.

These research findings support the proposition that organisations have to realign themselves towards indigenous knowledge and culture for them to serve the local customers better (Koster, 1996:99-118; Nussbaum, 2003:21-26). The study findings would be even more applicable to multinationals that need to adapt their local marketing efforts by offering customised products and services to the African marketplace. The study findings further confirm the provisions of the conceptual framework, which recognises the influence of the African Ubuntu philosophy in the local socio-cultural frameworks.

5) *Theme 4, Statement 5: Knowledge about the local culture improves our corporate performance*

The statement was aimed at assessing the role that knowledge about local culture plays on overall corporate performance. Regarding the contribution of knowledge about local culture towards corporate performance, the majority (74.6%) agree with the above statement, whilst only 7.7% disagree and 17.6% “Somehow agree”.

The analysis demonstrates that most corporations recognise the significance of local cultural settings for their operations. Largely, this recognition comes as a result of continued interactions between an organisation and its local communities, which are identified by their unique social frameworks. The local community, with its African Ubuntu philosophy, is the main provider of the labour force and final consumers for corporations operating in Africa (see the conceptual framework in Figure 1, on p. 8). As is suggested in the discussion of Theme 4, Statement 4 above, the conceptual framework accommodates the Ubuntu community and its influence on overall corporate performance.

6) Theme 4, Statement 6: Our organisation invests heavily in supporting employee knowledge

The research findings reveal that most organisations invest heavily in supporting employee knowledge for improved productivity and ultimately improved corporate performance. A total of 77.3% agree (42.4% "Agree" and 34.9% "Strongly agree"), while only 8.3% disagree with the statement. Out of the total number of participants, 14.5% "Somehow agree" with the above statement.

The research findings indicate that most organisations recognise the significance of investing in employee knowledge activities that boost innovations and corporate performance. The high human resources capital investment achieved through employee knowledge would support and also enhance future corporate activities, as business operations are facilitated through new ideas from employees.

Generally, the above univariate analysis of variable statements supports the conceptual framework of the study, which recognises intellectual capital as one of the strategic pillars for organisational performance.

The statistical results of the research findings relating to this strategic theme are summarised in Table 28, below. Summations of “Agreements” and “Disagreements” are shown in Appendix F. The means on the response ratings on each statement relating to the intellectual capital strategic theme are diagrammatically presented in Figure 23, overleaf.

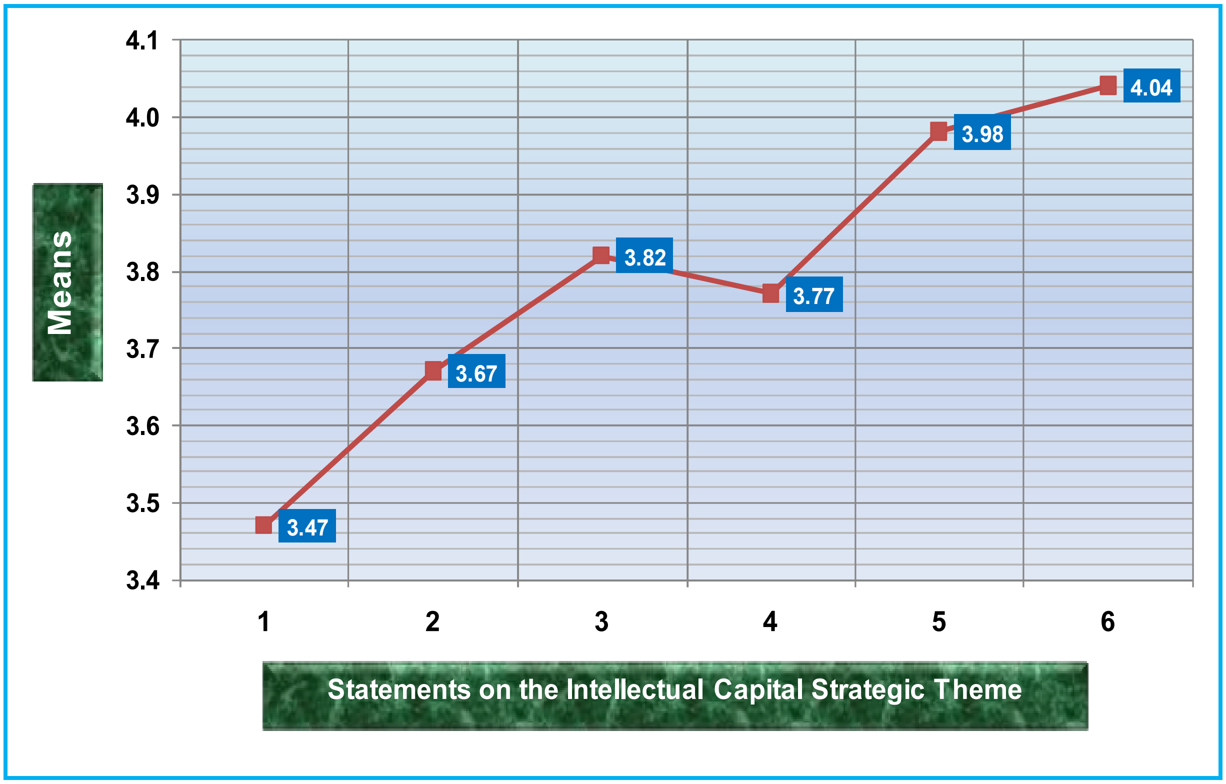
Table 28: Statistical summary of the univariate analysis on the intellectual capital strategic theme

Statement	Rating scale (%)					
	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree	TOTAL
1. Intellectual capital is our main source of profitability	2.8	14.5	32.6	32.8	17.3	100
2. Emphasis on human capital development improves our corporate performance	4.7	5.2	27.6	43.4	19.1	100
3. Innovation is promoted through our good knowledge management systems that we pursue	1.0	3.4	27.1	49.1	19.4	100
4. Knowledge about local culture promotes marketing through customer satisfaction	4.4	4.1	21.2	50.6	19.6	100
5. Knowledge about the local culture improves our corporate performance	4.1	3.6	17.6	39.5	35.1	100
6. Our organisation invests heavily in supporting employee knowledge	0.0	8.3	14.5	42.4	34.9	100

N=387

In summary, the graph in Figure 23 indicates that Theme 4, Statement 1: “Intellectual capital is our main source of profitability” (μ=3.47) registers the lowest mean, as 50.1% agreed with the statement as discussed above. Further examination of the graph also shows that Statement 6: “Our organisation invests heavily in supporting employee knowledge” (μ=4.04) attracted the highest rating of all the statements. A majority of 77.3% agree that they invest heavily in supporting employee knowledge. Generally, most respondents agree with the statements relating to intellectual capital (μ>3.50), as displayed on the above graph in Figure 23.

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



Source: Own observation

The next section analyses the research findings on the value creation strategic theme of the conceptual framework.

8.3.5 The value creation strategic theme

The value creation strategic theme (Theme 5) encapsulates relationships relating to the critical ingredients for value creation in an organisation. It was necessary to assess perspectives that managers believe are foundational in the creation of value for their organisation, in other words, in the maximisation of organisational wealth or value. There were varied responses to each of the five statements that were formulated under the value creation strategic theme. This section reports on the study findings and analysis of results relating to this strategic theme in the conceptual framework.

1) *Theme 5, Statement 1: Our profitability success is a result of inputs from various stakeholders*

The statement was aimed at evaluating the organisation's recognition of stakeholder involvement in the value creation activities of the corporation. The vast majority of the respondents recognise that their profitability bottom line is a result of inputs from different stakeholders from within and outside the organisation. Thus 81.9% agree (47.0% "Agree" and 34.9% "Strongly agree") with the above statement, while only 3.9% disagree and 14.2% "Somehow agree".

This analysis indicates that most organisations recognise significant contributions by different stakeholders towards their operations. This result is in line with the "inclusive" nature of African management systems. These research findings also support the conceptual framework (Figure 1, on p. 7), which recognises the interconnectedness and inter-dependence of different stakeholders of an organisation.

2) *Theme 5, Statement 2: We are competitive because of our customer oriented activities*

A total of 65.9% agree (39.5% "Agree" and 26.4% "Strongly agree") that their organisations are competitive because their operations are geared towards engaging with customers' perspectives. Only 11.9% disagree, and 22.2% "Somehow agree" with the above statement. The study results indicate that the majority of organisations in Africa give the customers priority, which promotes the sustainability of their business operations. This finding conforms with earlier findings under the relationships and culture strategic theme and the stakeholder strategic theme, as already discussed above.

3) ***Theme 5, Statement 3: Our internal business processes contribute a lot towards organisational profitability***

Similarly, the majority of organisations agree that their internal business processes contribute significantly to organisational profitability. A total of 64.6% agree (43.4% "Agree" and 21.2% "Strongly agree") with the above statement, whilst only 8.3% disagree and 27.1% "Somehow agree". The analysis reveals the importance of internal business processes and practices for the strategic survival of any business, supporting the conceptual framework, which recognises internal business processes and practices as one of the strategic pillars of the survival of any organisation in Africa. The above findings are also in line with the earlier findings under the business processes and practices theme, as already discussed above.

4) ***Theme 5, Statement 4: Our profitability is a result of the abundant natural resources capital that we get from the environment***

This statement was aimed at establishing whether organisations recognise the natural environment as another contributor towards profitability. The research findings reveal that only 23.0% agree (14.2% "Agree" and 8.8% "Strongly agree") with the statement, whilst a majority of 56.4% disagree (31.3% "Disagree" and 25.1% "Strongly disagree") that natural resources capital contributes directly to their profitability. The research results also show that 20.7% of the participants "Somehow agree" with the statement.

This analysis indicates that most organisations, especially the service-oriented ones, such as financial institutions, wholesale and retailing companies, do not attach enough emphasis to issues relating to the natural environment as a source of their goods and services (see detailed industrial analysis in Appendix B). However, the majority of manufacturing companies (60.7%) recognise the natural environment as a critical contributor towards value creation. This analysis is in line with the low popularity rankings of the natural environment as a stakeholder, as indicated under the stakeholder analysis in Table 24 (on p. 294).

5) ***Theme 5, Statement 5: Our profitability is a result of the social values that we get from local communities***

Regarding contributions by social values, 46.0% agree that their profitability is a result of social interfacing. However, 29.5% disagree, and 24.5% "Somehow agree" with the statement. This analysis shows that many organisations recognise social values to be part of their value creation processes, because the local community represents the main provider of the human resources capital required for organisational operations and also a provider of final consumers for products and services.

It is also worth noting that some organisations do not agree that profitability is a result of the social values that are realised from local communities. The above research findings are also in line with earlier analyses under the relationships and culture strategic theme, as well as the stakeholder strategic theme.

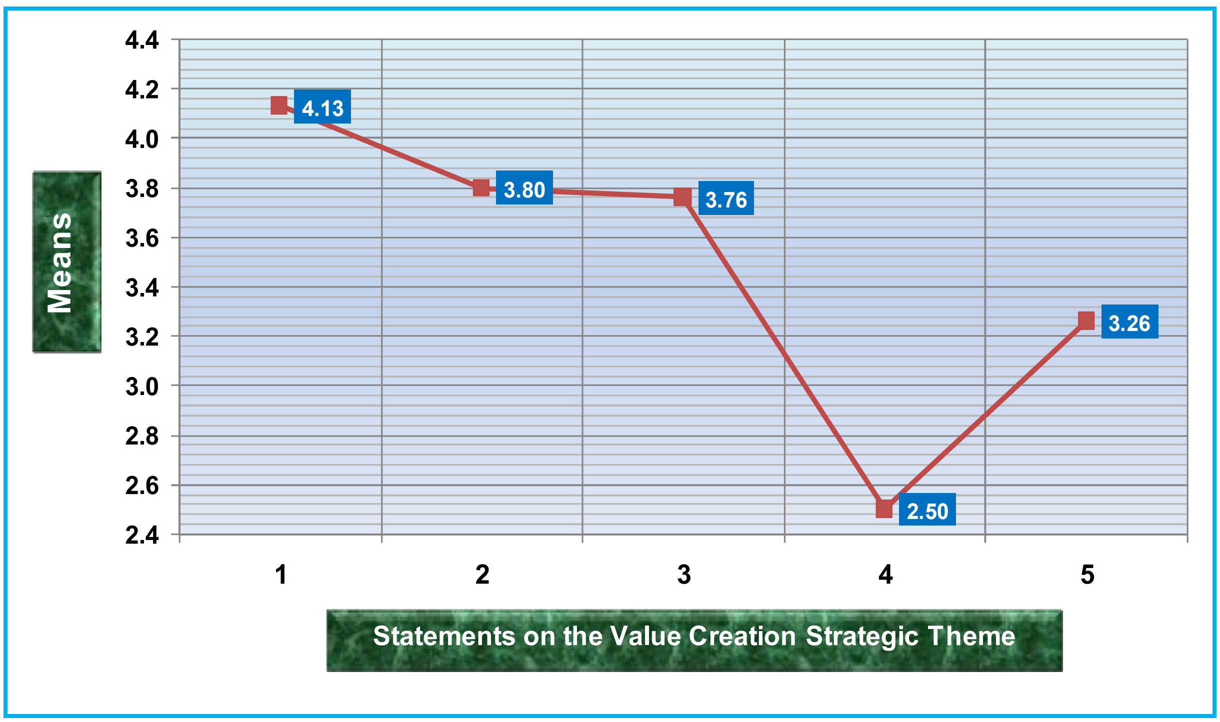
The univariate analysis of the five statements on the value creation strategic theme generally provided insights on pertinent issues raised in the conceptual framework. The analysis of all statements under this strategic theme is summarised in Table 29, overleaf. Summations of "Agreements" and "Disagreements" are shown in Appendix F. The means of the response ratings for each statement under the value creation strategic theme are diagrammatically presented in Figure 24, overleaf.

Table 29: Statistical summary of the univariate analysis on the value creation strategic theme

Statement	Rating scale (%)					
	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree	TOTAL
1. Our profitability success is a result of inputs from various stakeholders	0.0	3.9	14.2	47.0	34.9	100
2. We are competitive because of our customer oriented activities	0.3	11.6	22.2	39.5	26.4	100
3. Our internal business processes contribute a lot towards organisational profitability	1.8	6.5	27.1	43.4	21.2	100
4. Our profitability is a result of the abundant natural resources capital that we get from the environment	25.1	31.3	20.7	14.2	8.8	100
5. Our profitability is a result of the social values that we get from local communities	7.5	22.0	24.5	29.2	16.8	100

N=387

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



Source: Own observation

In summary, the above graph indicates that Theme 5, Statement 4: "Our profitability is a result of the abundant natural resources capital that we get from the environment" (μ=3.26) registers the lowest mean. Only 23.0% of the respondents agreed with the statement. Further examination of the graph shows that Statement 1: "Our profitability success is a result of inputs from various stakeholders" (μ=4.13) attracted the highest rating of all the statements under this theme. A vast majority of 81.9% agree with Statement 1, as discussed above. Generally, the other statements have also registered high ratings (μ>3.50) from respondents, as the graph in Figure 24, above, indicates.

The next section analyses the research findings on the corporate conscience strategic theme in the conceptual framework.

8.3.6 The corporate conscience strategic theme

Finally, there was a need to validate and analyse how corporations allocate their resources to different stakeholders who are involved in the value creation process. The corporate conscience strategic theme (Theme 6) focuses on how the organisational wealth that is created is allocated and distributed to those that are directly or indirectly involved in the process of value creation.

Under the corporate conscience strategic theme, there were varied responses on the each of the eleven statements that were formulated for the survey. This section reports on the study findings and analysis of the results relating to this theme, which is one of the pillars of the conceptual framework.

1) ***Theme 6, Statement 1: We recognise the interdependence of efforts and rewards among our stakeholders***

   The majority of organisations recognise the interdependence of efforts and rewards among their stakeholders. A total of 74.4% agree (46.4% "Agree" and 27.9% "Strongly agree") with the above statement, while only 2.3% disagree and 23.3% "Somehow agree".

The analysis demonstrates that most organisations recognise a stakeholder-centred approach, which is not supported by the generic Balanced Scorecard model. The recognition of the interdependence of stakeholders by various organisations confirms an “inclusive” management approach that is congruent with the African Ubuntu philosophy (Mbigi & Maree, 2005; Tutu, 2004) and also with a recognition of the nature of ecosystems (Capra & Pauli, 1995), where all parts of the system are interconnected and depend on each other for common strategic survival. This “inclusiveness”, as reported in the research findings, is not fully recognised by the Balanced Scorecard model. The research findings support the conceptual framework, where stakeholder interdependence and coexistence are emphasised strongly.

2) Theme 6, Statement 2: Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance

Although organisations recognise the interconnectedness and inter-dependence of stakeholders, as discussed above, the results of the survey suggest that the need for equitable allocation of organisational wealth to stakeholders is not fully recognised by some organisations. The results show that 52.2% of the respondents agree that their wealth is allocated to each stakeholder based on the stakeholder’s relative contribution to overall corporate performance, which is usually measured in the form of profitability. A total of 16.8% disagree with the statement, while 31.0% “Somehow agree”.

The findings demonstrate that some large corporations are still not engaged in equitable sharing of their resources with different stakeholders. The research findings suggest that some stakeholders do not benefit from the organisational wealth that they themselves have created. The sharing element constitutes a critical element of the African Ubuntu philosophy. The findings are in line with the low ratings under the statements relating to the community and natural environment strategic themes. It is therefore not surprising that the new provisions under the King III Report emphasise the need for corporations to disclose their social and environmental allocations and impacts. The allocation of wealth will be captured under the new model to guide organisations that should operate under the sharing and inclusive ideologies of African societies.

3) *Theme 6, Statement 3: All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation*

The research findings show that a total of 69.7% agree (43.9% “Agree” and 25.8% “Strongly agree”) that their stakeholders are given sufficient benefits by the organisation to ensure that there is continued stakeholder collaboration within its operations. Only 8.3% disagree, while 22.0% “Somehow agree” with the above statement.

These research findings indicate that most organisations believe that sufficiency in the allocation of organisational wealth would be a motivating factor that ultimately enhances long-term cooperation and collaboration by different stakeholders. Such stakeholder collaboration would also promote long-term corporate sustainability, which is the premise of the conceptual framework of stakeholder relationships and networks (Figure 1 on p. 8).

4) *Theme 6, Statement 4: Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation*

A majority of 70.0% agree that equitable distribution of their wealth to different stakeholders enables them to gain a continued good corporate reputation. Only 4.9% disagree and 25.1% “Somehow agree” with the statement. As with the preceding analysis on the three statements above, these research findings indicate that most organisations recognise the need to be equitable in resource allocations to their stakeholders. Organisations realise that a more equitable distribution of organisational wealth is likely to build a good reputation and create goodwill amongst stakeholders, which will in turn promote the sustainability of their business operations.

5) ***Theme 6, Statement 5: We are open in disclosing wealth distribution to our stakeholders through corporate reporting systems***

The statement was aimed at ascertaining whether or not organisations are open in distributing their wealth to different stakeholders through corporate reporting systems, as recommended by Szwajkowski (2000). A vast majority (80.9%) of respondents agree (46.0% “Agree” and 34.9% “Strongly agree”) that they deploy open resource allocation disclosure. Only 3.1% disagree, while 16.0% “Somehow agree” with the above statement. This analysis demonstrates that most organisations prefer open disclosure of resource allocations, which would ultimately encourage participation by different stakeholders in the business activities. Thus, stakeholder knowledge and active participation would influence corporate sustainability in the long term.

6) ***Theme 6, Statement 6: Our managers do not practise corruption that deprives our valuable stakeholders***

This statement was aimed at determining whether or not corporate executives illegally and inequitably share organisational resources in a corrupt manner. The research findings show that a total of 79.1% agree (25.6% “Agree” and 53.5% “Strongly agree”) that their managers do not practise corruption, which deprives the very same stakeholders that an organisation is supposed to interconnect and depend upon. However, some respondents disagree (2.8%) and others (18.1%) only “Somehow agree” with the statement.

Although the evidence is slim, the survey results reveal that corruption still occurs amongst managers in Africa, which is against the teachings of the African Ubuntu philosophy, which advocates a spirit of solidarity, caring and sharing, where wealth is be distributed to all members, and not just to a very few undeserving and selfish individuals.

7) Theme 6, Statement 7: We pay our suppliers fairly by offering competitive prices in the industry

A vast majority of the organisations agree that they pay their suppliers fairly by offering competitive prices in the respective industries. A total of 83.2% agree (34.9% "Agree" and 48.3% "Strongly agree"), while only 2.1% disagree and 14.7% "Somehow agree" with the statement. The research results indicate that most organisations not only recognise the significance of suppliers towards corporate activities as providers of inputs, as already analysed and discussed under the stakeholder strategic theme (p. 304), but also that corporations allocate their wealth to suppliers by offering competitive prices as well. It is expected that continued fair trading practices with suppliers would motivate suppliers to continue providing the organisation with high quality inputs for long-term business sustainability. These research findings support the redesigning of the existing Balanced Scorecard model, which does not emphasise organisation-supplier relationships.

8) Theme 6, Statement 8: We are involved in financially supporting educational projects for our future business operations

Most of the respondents indicate that they are involved in financially supporting educational projects as a basis for the continuity of business operations. A total of 72.6% agree with the above statement. Only 12.1% disagree and 15.2% "Somehow agree". The study findings demonstrate that most organisations make a point of promoting education, thus encouraging the sustainability of future business operations. Unlike other factors of production, such as land and finance, a knowledgeable workforce is considered a critical factor of production in the modern business environment (Drucker, 1993).

9) ***Theme 6, Statement 9: We take direct responsibility for social problems that we have caused***

The research findings also indicate that most companies take direct responsibility for the social problems that they cause in the course of their operations. A majority of 69.0% agree with the statement, while 12.7% disagree and 18.3% "Somehow agree". The figures from the analysis indicate that issues of corporate social responsibility are still in transition, as some corporations still do not take on direct social responsibility for effects that they have caused. These research findings are pertinent to the disclosure of social impact in corporate reports, as recommended by the King III Report (Institute of Directors in Southern Africa, 2009:109).

10) ***Theme 6, Statement 10: Our organisation reserves funds for natural environmental (ecological) preservation projects***

A total of 45.9% of the respondents indicate that their organisations reserve funds for the preservation of the natural environment, whilst 28.5% do not. Out of the respondents, 25.6% indicate that they "Somehow agree" that their organisations allocate funds towards natural environmental projects.

These research findings demonstrate that issues of environmental preservation and protection are in transition, as many organisations are still not putting much emphasis on the issue of environmental protection. This finding is worrying, because the sustainability of current and future businesses and generations depends on how organisations conserve the natural environment today. The protection of the natural environment would improve the likelihood of the continued provision of many raw materials and other inputs for production, which is a fundamental facet in the conceptual framework.

11) ***Theme 6, Statement 11: We contribute substantially to the overall welfare of the society***

Generally, the vast majority of respondents indicate that their organisations contribute substantially towards the overall welfare of the local society. A total of 79.1% agree (40.6% "Agree" and 38.5% "Strongly agree") with the above statement. Only 8.8% disagree and 12.1% "Somehow agree". These research findings are in line with the stakeholder demographics and are also analysed under the stakeholder strategic theme, where the local community is ranked as one of the key stakeholders of many organisations (Table 23 and Table 24).

Whilst the majority of the respondents' organisations recognise the presence of local communities through their contributions, the overall analysis indicates that there are still some corporations that are not ploughing back into the local communities in which they operate. Within the framework of the King III Report's recommendations (Institute of Directors in Southern Africa, 2009:109), one would expect the majority of companies to adhere to the provisions of good corporate governance and duly report the social and environmental sustainability together with an economic element in their corporate reports.

The research findings on this strategic theme provide insights regarding critical issues that govern the allocation and sharing of organisational wealth, hence supporting the conceptual framework. The corporate conscience strategic theme is not conceptualised in the Balanced Scorecard model, which will be remodelled to reflect these findings.

The analysis of the eleven statements under the corporate conscience strategic theme is summarised in Table 30, below. Summations of “Agreements” and “Disagreements” are shown in Appendix F. The means of the response ratings for each statement relating to the corporate conscience strategic theme are diagrammatically presented in Figure 25, overleaf..

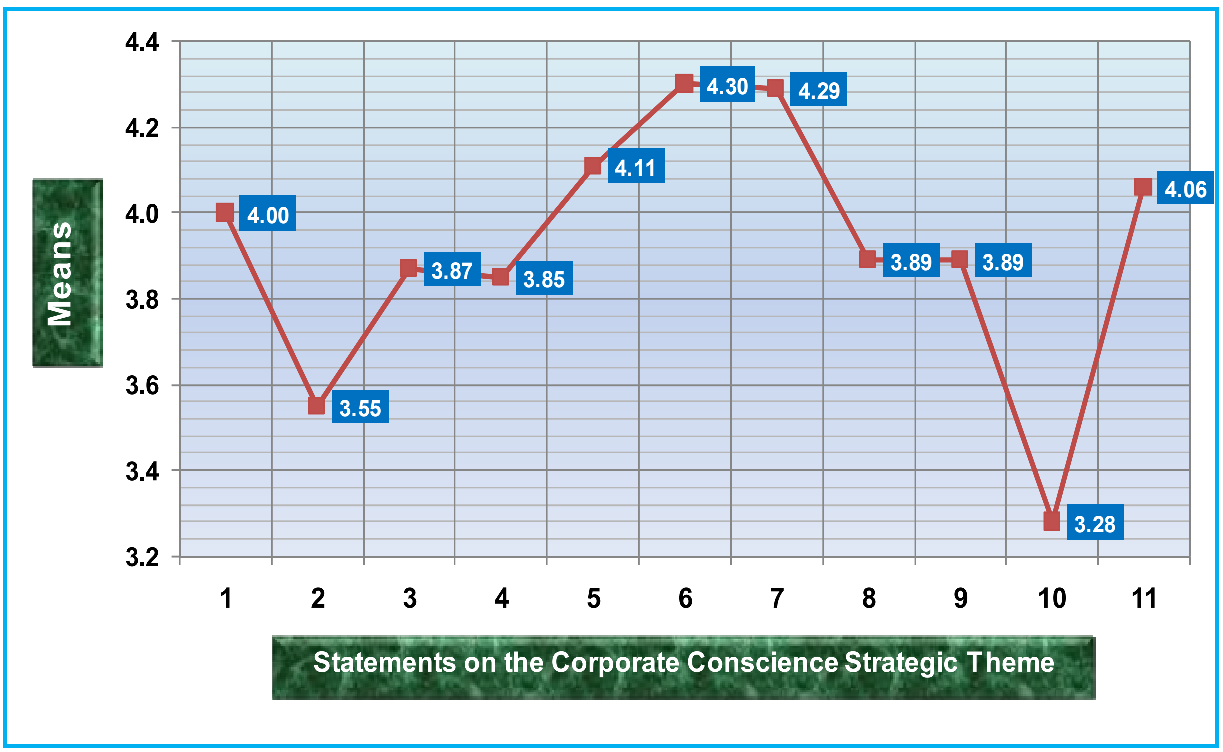
Table 30: Statistical summary of the univariate analysis on the corporate conscience strategic theme

Statement	Rating scale (%)					
	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree	TOTAL
1. We recognise the interdependence of efforts and rewards among our stakeholders	0.0	2.3	23.3	46.5	27.9	100
2. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	2.3	14.5	31.0	30.5	21.7	100
3. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.8	7.5	22.0	43.9	25.8	100
4. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	1.0	3.9	25.1	48.8	21.2	100
5. We are open in disclosing wealth distribution to our stakeholders through corporate reporting	2.1	1.0	16.0	46.0	34.9	100
6. Our managers do not practise corruption that deprives our valuable stakeholders	0.0	2.8	18.1	25.6	53.5	100
7. We pay our suppliers fairly by offering competitive prices in the industry	0.0	2.1	14.7	34.9	48.3	100
8. We are involved in financially supporting educational projects for our future business operations	2.3	9.8	15.2	41.3	31.3	100
9. We take direct responsibility for social problems that we have caused	2.6	10.1	18.3	33.3	35.7	100
10. Our organisation reserves funds for natural environmental (ecological) preservation projects	5.2	23.3	25.6	30.7	15.2	100
11. We contribute substantially to the overall welfare of the society	2.3	6.5	12.1	40.6	38.5	100

N=387

In summary, the graph in Figure 25 indicates that Theme 6, Statement 10: “Our organisation reserves funds for natural environmental (ecological) preservation projects” (μ=3.28) registered the lowest mean. Under the univariate analysis as discussed above, 45.9% of the respondents agreed with the statement. Further examination of the above graph shows that Statement 6: "Our managers do not practise corruption that deprives our valuable stakeholders" (μ=4.30) and Statement 7: "We pay our suppliers fairly by offering competitive prices in the industry" (μ=4.29) attracted the highest ratings. Generally, the other statements have also been given high ratings (μ>3.50), as the graph in Figure 25, below, shows.

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



Source: Own observation

The above univariate analysis of statements on the corporate conscience strategic theme concludes the univariate analysis of questionnaire statements addressing the strategic themes on the conceptual framework. Summaries of the means deviations on all 52 questionnaire statements are provided in the table in Appendix H and the graph in Appendix I.

8.3.7 Summary of the univariate analysis

Overall, the above univariate analysis on the 52 statements that were formulated for the six strategic themes of the conceptual framework give important insights into the research findings, as detailed above. Generally, the propositions of the conceptual framework, which includes the recognition of government, suppliers, debt capital and the local community as the main stakeholders, are supported by the research findings. The research findings also reveal the "inclusive" nature of the African management frameworks, which contrasts with the Western "exclusive" management approach. However, the research findings indicate that current management business practices disregard the natural environment as a stakeholder, unlike the conceptual framework.

Furthermore, the above research findings shed more light on the significance of value creation in relation to the allocation of organisational resources. Issues relating to sharing and the corporate conscience that every organisation has to exercise as part of corporate citizenship have also been highlighted in the research findings. More importantly, the discussion has commented on issues regarding the external corporate reporting systems that underlie the need for the triple bottom line reporting systems as recommended by the King III Report on good corporate governance.

The above analysis of statements under the six strategic themes demonstrates interrelationships and interconnectedness between the strategic themes and their statements. The findings under each strategic theme correspond with the findings relating to other strategic themes. For example, the community is ranked as one of the main organisational stakeholders, which has been confirmed in that most organisations (63.3%) constantly interact and help the local community in which they operate (relationships and culture strategic theme). Such findings also confirm those relating to the corporate conscience strategic theme, where 79.1% of respondents agree that their organisations contribute substantially to the overall welfare of the local society. By contrast, the low response ratings elicited in response to statements on the natural environment in all strategic themes of the conceptual framework signify that such issues are not much emphasised by many organisations.

The above research findings shed light on more findings on critical areas that are not fully incorporated into the Balanced Scorecard model. These results will form a basis for redesigning the Balanced Scorecard model so that it fits into an African framework. The findings will also help the researcher to formulate implementable recommendations for the strategic success of companies operating in Africa.

The next section reports on the bivariate analysis of the strength of variable relationships within each strategic theme of the conceptual framework.

8.4 BIVARIATE ANALYSIS (CORRELATION ANALYSIS) OF VARIABLES

The bivariate analysis, using Pearson correlation analysis, was conducted to address the second research question:

> ***Research Question 2: What is the strength of relationships between variables of individual strategic themes for the conceptual framework?***

The following section reports in detail on the findings of the correlation analysis under each strategic theme of the conceptual framework. It was necessary to assess such relationships so that the strength of interconnectedness and interdependence of variables within each strategic theme could be established, as discussed below.

8.4.1 The relationships and culture strategic theme

The assessment of the relationships among the 15 variables under the relationships and culture strategic theme was aimed at testing the first hypothesis (H_1) of the study:

> *H_1: The relationships between variables within the relationships and culture strategic theme are significantly correlated*

The correlation analysis that shows the relationship between two variables at a time was conducted using the Pearson correlation technique. The results of the correlation analysis of the variables under the relationships and culture theme are shown in Table 31, overleaf.

The correlation analysis in Table 31 shows that all the variables are partially correlated with each other, except for Variables 8 and 15, where there is almost no correlation ($r = -0.005$), signifying that the change in one variable does not affect the other variable. Furthermore, the correlation analysis indicates that all the variables are significantly correlated with the other variables within the relationships and culture strategic theme. The significant correlations of variables are true at either the 0.05 level of significance (* $p<0.05$) or at the 0.01 level of significance (** $p<0.01$), as indicated in Table 31, overleaf.

However, there is also a significant negative correlation between Variables 1 and 5 ($r= -0.129$, $p<0.05$), implying that an increase in the one variable is matched by a decrease in the other. That is to say, the higher the rating on the organisational recognition of the interdependence of relationships between stakeholders (Variable 1), the lower the rating on external financial reporting systems that take into account organisational social obligations towards local communities (Variable 5), and vice versa.

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Table 31: Pearson correlation analysis for the relationships and culture strategic theme

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. We recognise the interdependence of relationships of our stakeholders	1													
2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	0.200**	1												
3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	0.151**	0.144**	1											
4. Our financial reports are constructed towards meeting interests of our external stakeholders	0.057	0.089	0.263**	1										
5. Our external financial reporting system takes into account our social obligations towards local communities	-0.129*	0.018	0.192**	0.194**	1									
6. Our external financial reporting system takes into account our environmental obligations	0.179**	0.278**	0.151**	-0.069	0.127*	1								
7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	0.119*	0.128*	0.174**	0.174**	0.100*	0.367**	1							
8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	0.055	0.022	0.175**	0.317**	0.052	0.038	0.068	1						
9. Our financial statements are verified by the appointed external auditors for external reporting	0.040	0.058	0.118*	0.185**	0.279**	0.055	0.012	0.448**	1					
10. We are committed in making decisions with the customer's perspectives in mind	0.039	0.108*	0.212**	0.127*	0.166**	0.200**	0.065	0.302**	0.406**	1				
11. We treat our suppliers as an integrated part of our business	0.181**	0.259**	0.298**	0.240**	-0.096	0.207**	0.177**	0.289**	0.271**	0.491**	1			
12. We demonstrate mutual respect with our competitors	0.111*	0.145**	0.240**	0.198**	0.016	0.224**	0.212**	0.131**	0.049	0.312**	0.487**	1		
13. Our organisation is highly respected for maintaining and promoting environmental protection	0.144**	0.167**	0.134**	0.153**	0.124*	0.396**	0.215**	0.041	-0.046	0.136**	0.280**	0.348**	1	
14. We constantly interact with and help the local community in which we operate	0.189**	0.217**	0.134**	0.180**	0.192**	0.401**	0.139**	-0.006	0.065	0.232**	0.271**	0.268**	0.601**	1
15. We treat employees as the most valuable asset of our organisation	0.286**	0.297**	0.174**	0.132**	-0.037	0.284**	0.241**	0.049	0.038	0.281**	0.521**	0.341**	0.415**	0.463**

*. Correlation is significant at the 0.05 level (2-tailed), $p<0.05$.

**. Correlation is significant at the 0.01 level (2-tailed), $p<0.01$.

N=387

Overall, the research findings suggest that there is significant interconnectedness and interdependence between the 15 variables relating to the relationships and culture strategic theme. The results also show that the correlation coefficients are moderate – the highest are those of Variables 11 and 15 ($r = 0.521$, $p<0.01$) signifying that the variables under this strategic theme measure different constructs that are related to one another. Thus, the correlation analysis supports the first hypothesis (H_1), namely that the relationships between variables under the relationships and culture strategic theme are significantly correlated.

The next section reports on the correlation analysis of variables under the stakeholder strategic theme.

8.4.2 The stakeholder strategic theme

The assessment of the relationships between the seven variables under the stakeholder strategic theme was aimed at testing the second hypothesis (H_2) of the study:

> *H_2: The relationships between variables within the stakeholder strategic theme are significantly correlated*

The results of the correlation analysis of variables relating to the stakeholder strategic theme are shown in Table 32, overleaf.

The correlation analysis in Table 32 shows that all the variables are partially correlated with each other, and that all the variables are significantly correlated with other variables relating to the stakeholder strategic theme. The significant correlations of variables are true at either the 0.05 level of significance (* $p<0.05$) or at the 0.01 level of significance (** $p<0.01$), as indicated above.

Table 32: Pearson correlation analysis for the stakeholder strategic theme

Variable	1	2	3	4	5	6
1. Our organisation puts more emphasis on maximisation of shareholders' wealth than of other stakeholders' wealth	1					
2. Our customers comprise the most important element of our business	0.164**	1				
3. We make profits because of our efficient labour force	0.139**	0.071	1			
4. Our operations rely on debt provisions from our financiers	0.015	-0.086	0.157**	1		
5. Our organisation runs on the premise that community care is paramount	-0.035	-0.038	0.170**	0.217**	1	
6. Our organisation focuses on protection of the natural environment as a stakeholder	0.065	-0.118*	0.103*	0.224**	0.657**	1
7. Government contributions are foundational to our business operations	-0.045	-0.273**	0.030	0.086	0.318**	0.299**

*. Correlation is significant at the 0.05 level (2-tailed), *p*<0.05.

**. Correlation is significant at the 0.01 level (2-tailed), *p*<0.01.

N=387

However, there are two significant negative correlations between Variable 2 (the customer as a stakeholder) and Variable 6 (the natural environment as a stakeholder), where r = -0.118, *p*<0.05; and also Variable 2 (the customer as a stakeholder) and Variable 7 (the government as a stakeholder), where r = -0.273, *p*<0.05. The analysis further reveals that the customer as a stakeholder is generally negatively correlated with other stakeholders listed in the analysis, except for labour capital (Variable 5), where r = 0.071.

Overall, the research findings indicate that there is significant interconnectedness and interdependence between the seven variables relating to the stakeholder strategic theme. The results also show that the correlation coefficients are moderate (the highest is that of the correlation between Variables 5 and 6 (r = 0.657, *p*<0.01). The correlation analysis therefore supports the second hypothesis (H_2) that the relationships between variables relating to the stakeholder strategic theme are significantly correlated.

The next section reports on the correlation analysis of variables under the business processes and practices strategic theme.

8.4.3 The processes and practices theme strategic theme

The assessment of relationships between the eight variables under the processes and practices strategic theme was aimed at testing the third hypothesis (H_3) of the study:

H_3: The relationships between variables within the processes and practices strategic theme are significantly correlated

The research results of the correlation analysis of variables under the processes and practices strategic theme are shown in Table 33, below.

Table 33: Pearson correlation analysis for the processes and practices strategic theme

Variable	1	2	3	4	5	6	7
1. We adopt processes that address concerns of our stakeholders	1						
2. We use benchmarking to continuously improve our business processes	0.140**	1					
3. We are able to objectively measure the social impact of our operations	0.179**	0.419**	1				
4. We are able to objectively measure the impact of our operations on the natural environment	0.107*	0.198**	0.509**	1			
5. Our sustainability programmes take into account economic, social and environmental issues	0.249**	0.236**	0.477**	0.513**	1		
6. Customer feedback is key to our performance appraisal systems	0.191**	0.036	0.171**	0.192**	0.323**	1	
7. We work cooperatively with our business partners	0.285**	-0.021	0.225**	0.165**	0.218**	0.394**	1
8. Our corporate performance indicators are geared towards future corporate performance	0.393**	-0.070	0.082	0.121*	0.240**	0.339**	0.373**

*. Correlation is significant at the 0.05 level (2-tailed), $p<0.05$.

**. Correlation is significant at the 0.01 level (2-tailed), $p<0.01$.

N=387

The above correlation analysis shows that all the variables are partially correlated with each other and that all the variables are significantly correlated with other variables within the processes and practices strategic theme. Under this analysis, the significant correlations are reflected at either the 0.05 level of significance (* $p<0.05$) or at the 0.01 level of significance (** $p<0.01$). Variables 1, 4 and 5 correlate significantly with all the other variables under the above analysis. Furthermore, all the variables are positively correlated with each other, apart from Variables 2 and 7 ($r = -0.021$) and Variables 2 and 8 ($r = -0.070$).

Overall, the research findings indicate that there is significant interconnectedness and interdependence between the eight variables under the processes and practices strategic theme. The results also show that the correlation coefficients are moderate. The highest is the correlation between Variables 3 and 4 ($r = 0.509$, $p<0.01$). Thus, the above correlation analysis supports the third hypothesis (H_3), that the relationships between variables under the processes and practices theme are significantly correlated.

The next section reports on the correlation analysis of variables under the intellectual capital strategic theme.

8.4.4 The intellectual capital strategic theme

The assessment of relationships between the six variables under the intellectual capital strategic theme was aimed at testing the fourth hypothesis (H_4) of the study:

> *H_4: The relationships between variables within the intellectual capital strategic theme are significantly correlated*

The research results of the correlation analysis of variables under the intellectual capital strategic theme are shown in Table 34, overleaf.

Table 34: Pearson correlation analysis for the intellectual capital strategic theme

Variable	1	2	3	4	5
1. Intellectual capital is our main source of profitability	1				
2. Emphasis on human capital development improves our corporate performance	0.474**	1			
3. Innovation is promoted through our good knowledge management systems that we pursue	0.152**	0.425**	1		
4. Knowledge about local culture promotes marketing through customer satisfaction	0.171**	0.500**	0.463**	1	
5. Knowledge about the local culture improves our corporate performance	0.172**	0.455**	0.356**	0.756**	1
6. Our organisation invests heavily in supporting employee knowledge	0.072	0.430**	0.415**	0.540**	0.570**

**. Correlation is significant at the 0.01 level (2-tailed), $p<0.01$.

N=387

The above correlation analysis shows that all the variables are partially correlated and that all the variables are significantly correlated with other variables in the intellectual capital strategic theme. Under this analysis, the significant correlations are true at the 0.01 level of significance (** $p<0.01$), as indicated in Table 34, above. Apart from the correlation of Variables 1 and 6 ($r = 0.072$), all the variables correlate significantly with all the other variables. Furthermore, the analysis also shows that all the variables are positively correlated with each other.

Overall, the above analysis indicates that there is significant interconnectedness and interdependence between the six variables under the intellectual capital strategic theme. The results also show that the correlation coefficients are moderate. The highest is the correlation between Variables 3 and 5 ($r = 0.756$, $p<0.01$). Thus, the above correlation analysis supports the fourth hypothesis (H_4), that the relationships between variables under the processes and practices strategic theme are significantly correlated.

The next section reports on the correlation analysis of variables under the value creation strategic theme.

8.4.5 The value creation strategic theme

The assessment of relationships of the five variables under the value creation strategic theme was aimed at testing the fifth hypothesis (H_5) of the study:

> *H_5: The relationships of variables within the value creation strategic theme are significantly correlated*

The research results of the correlation analysis of the variables under the value creation strategic theme are shown in Table 35, below.

Table 35: Pearson correlation analysis for the value creation strategic theme

Variable	1	2	3	4
1. Our profitability success is a result of inputs from various stakeholders	1			
2. We are competitive because of our customer oriented activities	0.370**	1		
3. Our internal business processes contribute a lot towards organisational profitability	0.316**	0.388**	1	
4. Our profitability is a result of the abundant natural resources capital that we get from the environment	-0.154**	0.066	0.230**	1
5. Our profitability is a result of the social values that we get from local communities	-0.057	0.256**	0.067	0.385**

**. Correlation is significant at the 0.01 level (2-tailed), $p<0.01$.
N=387

The above correlation analysis shows that all the variables are partially correlated with each other and that all the variables are significantly correlated with other variables within the value creation strategic theme. Under this analysis, the significant correlation is reflected only at a 0.01 level of significance (** $p<0.01$). However, there is a significant negative correlation between Variables 1 and 4 (r = -0.154, p<0.01). Such a significant negative correlation signifies that as the rating on the profitability contributed by various stakeholders increases (Variable 1), the rating on the profitability contribution from the natural environment decreases (Variable 4), and the other way around.

Although it is not significant, there is also a negative correlation between Variable 1 on the profitability contribution from the natural environment and Variable 5 on the profitability contribution from local communities ($r = -0.057$). Such negative correlations resonate with the results of the univariate analysis for the same theme, where 81.9% of the respondents agree with the stakeholder contribution towards profitability, whilst only 23.0% agree on the profitability contribution by the natural environment, and 46.0% agree that local communities contribute towards profitability, as reported in Table 29, on p. 328.

Overall, the research findings indicate that there is significant interconnectedness and interdependence between the five variables under the value creation strategic theme. The results also show that the correlation coefficients are moderate. The highest is the correlation between Variables 2 and 3 ($r = 0.388$, $p<0.01$). Thus, the above correlation analysis supports the fifth hypothesis (H_5), that the relationships between the variables under the value creation strategic theme are significantly correlated.

The next section reports on the correlation analysis of variables under the corporate conscience strategic theme of the conceptual framework.

8.4.6 The corporate conscience strategic theme

The assessment of the relationships between the eleven variables under the corporate conscience strategic theme was aimed at testing the sixth hypothesis (H_6) of the study:

> *H_6: The relationships between variables within the corporate conscience strategic theme are significantly correlated*

The research results of the correlation analysis of variables relating to the corporate conscience strategic theme are shown in Table 36, below.

Table 36: Pearson correlation analysis for the corporate conscience strategic theme

Variable	1	2	3	4	5	6	7	8	9	10
1. We recognise the interdependence of efforts and rewards among our stakeholders	1									
2. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	0.277**	1								
3. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.259**	0.413**	1							
4. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	0.280**	0.311**	0.528**	1						
5. We are open in disclosing wealth distribution to our stakeholders through corporate reporting	0.191**	0.183**	0.405**	0.545**	1					
6. Our managers do not practice corruption that deprives our valuable stakeholders	0.185**	0.077	0.262**	0.242**	0.285**	1				
7. We pay our suppliers fairly by offering competitive prices in the industry	0.151**	0.271**	0.338**	0.251**	0.306**	0.380**	1			
8. We are involved in financially supporting educational projects for our future business operations	0.375**	0.194**	0.231**	0.212**	0.069	0.258**	0.261**	1		
9. We take direct responsibility for social problems that we have caused	0.166**	-0.006	0.035	0.058	-0.041	0.026	0.127*	0.477**	1	
10. Our organisation reserves funds for natural environmental (ecological) preservation projects	0.153**	0.200**	0.059	0.024	-0.079	0.138**	0.186**	0.279**	0.314**	1
11. We contribute substantially to the overall welfare of the society	0.408**	0.103*	0.082	0.046	0.007	0.090	0.224**	0.420**	0.383**	0.429**

*. Correlation is significant at the 0.05 level (2-tailed), $p<0.05$.

**. Correlation is significant at the 0.01 level (2-tailed), $p<0.01$.

N=387

The above correlation analysis shows that almost all these variables are partially correlated with each other. However, there is almost no correlation between Variables 2 and 9 (r = 0.007), or Variables 5 and 11 (r = -0.006). The analysis also indicates that all variables are significantly correlated with other variables in the corporate conscience strategic theme. The significant correlations are true at either the 0.05 level of significance (*. $p<0.05$) or at the 0.01 level of significance (** $p<0.01$). At a 0.01 confidence level, Variable 1 (“We recognise the interdependence of efforts and rewards among our stakeholders") correlates significantly with all other ten variables under the above analysis, signifying the positive impact of this variable on others.

Overall, the above analysis indicates that there is interconnectedness and interdependence between the eleven variables under the corporate conscience strategic theme. The results also show that the correlation coefficients are moderate. The highest is the correlation between Variables 10 and 11 ($r = 0.429$, $p<0.01$). Thus, the above correlation analysis supports the sixth hypothesis (H_6) that the relationships between variables under the corporate conscience strategic theme are significantly correlated.

The next section reports on the correlation analysis of the interconnectedness and relationships between the six strategic themes.

8.4.7 The six strategic themes of the conceptual framework

Finally, the correlation analysis using the Pearson correlation statistical technique was conducted to address the third research question:

> ***Research Question 3: What is the strength of interrelationships between the six strategic themes of the conceptual framework?***

A correlation analysis using the Pearson correlation analysis technique was conducted to assess the relationships and interconnectedness between the six strategic themes. The researcher believed that such further analysis would be instrumental for the redesigning of the Balanced Scorecard model, especially when dealing with critical areas that are covered in the conceptual framework and the strengths of their linkages. The assessment of relationships between the six strategic themes of the conceptual framework was aimed at testing the seventh hypothesis (H_7) of the study:

H_7: The interrelationships between the six strategic themes of the conceptual framework are significantly correlated

The intercorrelation between the strategic themes of the conceptual framework has been determined through computations of variable means on each strategic theme. The means were then subjected to Pearson correlation analysis, as per a statistical method used by Flamholtz and Kannan-Narasimhan (2005:54). The research results of the correlation analysis of the six strategic themes are shown in Table 37, below.

Table 37: Pearson correlation analysis for the six strategic themes of the conceptual framework

Strategic Theme	Relationships & Culture	Stakeholder	Processes & Practice	Intellectual Capital	Value Creation
Relationship & Culture	1				
Stakeholder	0.289**	1			
Processes & Practice	0.566**	0.350**	1		
Intellectual Capital	0.597**	0.324**	0.573**	1	
Value Creation	0.408**	0.322**	0.460**	0.540**	1
Corporate Conscience	0.614**	0.207**	0.572**	0.593**	0.581**

**. Correlation is significant at the 0.01 level (2-tailed), $p<0.01$.
N=387

The above correlation analysis shows that the strategic themes correlate with each other and that such intercorrelations are significant for all the strategic themes. The above correlation analysis also indicates that the intercorrelations between the six strategic themes are significant only at a 0.01 level of significance (** $p<0.01$), as indicated in Table 37, above. Moreover, all the variables under analysis above are positively correlated with each other.

Overall, the above analysis indicates that there is significant interconnectedness and interdependence between the six strategic themes of the conceptual framework. The results also show that the correlation coefficients that range from r = 0.207 to r = 0.614, are moderate, signifying that the six strategic themes of the conceptual framework measure different constructs that are related to one another. Thus, the analysis supports the seventh hypothesis (H_7) that the relationships between the six strategic themes of the conceptual framework are significantly correlated.

8.5 MULTIVARIATE ANALYSIS USING FACTOR ANALYSIS

After establishing the significant moderate correlations of variables on each strategic theme and a significant, if moderate, intercorrelation between the strategic themes themselves, as discussed above, the researcher went on to test the factorability of the variables. Using factor analysis, it was necessary to verify whether or not individual variables would load on respective strategic themes, as originally conceptualised in the study framework. It is recommended that further analysis of quantitative data collected should also be factor-analysed to evaluate the component loadings of the multiple variables, as suggested by Lunenburg and Irby (2008:223). The use of factor analysis would also enable the researcher to address the fourth research question of the study:

Research Question 4: What are the foundational elements of the new African Balanced Scorecard model?

It was envisaged that the identification of the foundational elements or perspectives of the new Balanced Scorecard model would be achieved through the use of the powerful factor analysis statistical tool. As detailed in the research design and methodology chapter, exploratory factor analysis is aimed at evaluating the intercorrelations among a large set of measures to identify a small number of common factors or components for further analysis and observation (Babbie & Mouton, 2007; Field, 2009; Lunenburg & Irby, 2008; Saunders *et al.*, 2003). An important prerequisite for a successful factor analysis is that variables must correlate fairly, but not perfectly (Field, 2009:657). In this study, the above prerequisite of factor analysis was satisfied, because the variables under analysis do indeed correlate moderately, as already noted from the correlation analysis above.

Further, the statistics indicate that the Bartlett's test of sphericity X^2 (1326) = 10479.92, $p<0.001$ was significant for all factors, suggesting that one can be confident that multicolinearity does not exist among these survey data and that factor analysis is appropriate, according to Field's (2009:661) criteria. Also, all 52 variables achieved communalities of above 0.50, with an average of 0.705, which is a "great" value according to Field (2009:659). The extracted communalities on the 52 variables, as shown in Appendix F, signify that there is significant intercorrelation between variables.

This section therefore reports on the results and interprets the exploratory factor analysis results for the 52 variables in the survey questionnaire.

8.5.1 Codification of the variables under exploratory factor analysis

For the purposes of exploratory factor analysis, the 52 questionnaire variables were coded from 1 to 52 to reflect their unique identification, as shown in Appendix I. The above reclassification of variables helped the researcher to identify the variables and interpret the results from several extracted rotations until the best and final composition of components was achieved. Thus, the codification assisted the researcher in interpreting the results of the variable loadings on specific components better, as is discussed below.

8.5.2 Rotation of the variables using the promax rotation method

In this study, the 52 variables for multivariate correlation analysis were subjected to computations that produced clusters of variables that intercorrelate highly within the cluster concerned, but have low correlations with other clusters. The factor analysis was conducted by means of the principal component extraction method. The 52 variables were subjected to promax rotation with Kaiser Normalisation, which factored the variables into different major components for further observation, as shown in the analysis below. The promax rotation was chosen on the understanding that the 52 variables correlate with each other as already analysed above.

Initially, the 52 variables were subjected to factor rotation by setting an eigenvalue of at least 1 as the threshold, which is Kaiser's minimum criterion (Field, 2009:652). The factor rotation produced 15 components, as shown in Appendix J. The extracted 15 components explained 70.461% of the total variance. However, this factor rotation produced cross-loadings, rendering it inappropriate. Furthermore, 15 components was considered to be too many and therefore unmanageable for this kind of model formulation.

Thereafter, the researcher subjected the 52 variables to factor rotation by setting the extraction components to six to evaluate whether or not the variables loaded on their specific strategic themes, as originally envisaged during the conceptualisation of the study. The results were unexpected. The factor rotation produced a pattern of variable loadings that was not consistent with the original variable allocation on the conceptual framework of this study (see Appendix K). For instance, Component 1 loaded Variables 33, 34, 35 and 36 from the intellectual capital strategic theme, Variables 1, 2, 3, 6, 7, 14, 11, 13, 14 and 15 from the relationships and culture strategic theme, Variables 42, 49, 50, 51 and 52 from the corporate conscience strategic theme, Variables 38 and 41 from the value creation strategic theme, Variable 26 from the processes and practices strategic theme, and Variable 16 from the stakeholder strategic theme. Different variables from all six strategic themes were loaded on Component 1. The reallocation of variables to different components that had different characterisations from the original strategic themes signalled that it was imperative that the researcher do more analyses of the 52 variables by means of more factor rotations, in order to come up with the best pattern of factor loadings.

The second problem encountered in the initial variable rotation, assigning the six rotated components, was the occurrence of cross-loadings of variables on more than one component. When cross-loadings occur, it signifies that the variable is sharing or satisfying the theme of more than one component, which can be problematic, especially in terms of the best choice of component to attach to the variable concerned (Field, 2009:666). For example, Variable 16 loaded significantly on Components 1 and 2. Similarly, Variable 26 loaded significantly on Components 1, 3 and 4. The cross-loadings signalled a need for further rotations of the 52 variables to find the best combination of variables that share a common theme on one component.

Multiple factor rotations were then run by setting the number of factors at five, four and three to come up with the optimum number of factors to be considered for further observation, as recommended by Costello and Osborne (2005) and Field (2009). After several factor rotations had been run, the factor loadings for four components produced the best pattern or factor structure. The final pattern matrix clearly loads each variable on a specific component, without cross-loadings, as shown in Appendix K.

The four components that were extracted from the statistical analysis using promax rotation are summarised in Table 38, which shows the eigenvalues, as well as the percentage of variance of the four components that were extracted during the rotation process. Each component has an eigenvalue of over 2, which is well above the minimum requirement of 1, as required by Kaiser (Field, 2009:652).

Table 38: Total variance explained by the four components

Component	Eigenvalues		
	Total	% of Variance	Cumulative %
1	10.669	20.517	20.517
2	4.507	8.667	29.183
3	2.433	4.679	33.862
4	2.370	4.558	38.421

Extraction method: Principal Component Analysis.

The above analysis shows the percentage of the total variance that is explained by each principal component. For example, Component 1 explains 20.517% of the total variance, while Component 3 explains 4.679% of the total variance. A combination of the four components explains 38.421% of the total variance.

8.5.3 Interpretation of the rotation results on four components

The interpretation of the extracted four components demanded considerable thought, as common themes on each factor had to be carefully identified through an analysis of the attributes of individual variables loaded on each extracted component. The interpretation of the factor rotation results was guided by further analysis to relate the description of each variable to the strategic theme of the conceptual framework and its loading on the statistical components extracted, as summarised in Appendix N. While the description of each component is subjective, it is believed that the factor nomenclatures have the following conceptual connotations:

a) Component 1 (Relationships and culture)

In general, the first component captures variables that deal with organisational relationships and culture. Such issues include organisational relationships and continued dialogue with different stakeholders, corporate social responsibility, protection of the natural environment, and knowledge about local culture, as indicated in Table 39 below. Component 1 reports the greatest variable loadings of all the extracted four components. The component has loadings of 18 out of 52 variables, resulting in the greatest percentage of variance figure (20.517%). The component yields the highest eigenvalue of 10.669, as shown in Table 38 and Table 39.

Table 39: Component 1 (Relationships and culture)

(Eigenvalue=10.669, Percentage of variance=20.517%)	Component			
	1	2	3	4
6. Our external financial reporting system takes into account our environmental obligations	**0.715**	-0.134	-0.085	-0.008
35. Knowledge about the local culture improves our corporate performance	**0.675**	0.083	0.104	0.014
50. We take direct responsibility for social problems that we have caused	**0.652**	-0.106	-0.081	0.037
36. Our organisation invests heavily in supporting employee knowledge	**0.630**	0.290	-0.106	-0.123
52. We contribute substantially to the overall welfare of the society	**0.623**	-0.118	0.069	0.171
16. Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	**-0.610**	0.043	0.368	0.185
34. Knowledge about local culture promotes marketing through customer satisfaction	**0.602**	-0.013	0.232	0.064
1. We recognise the interdependence of relationships of our stakeholders	**0.555**	-0.045	-0.215	0.028
15. We treat employees as the most valuable asset of our organisation	**0.548**	0.073	0.128	0.237
51. Our organisation reserves funds for natural environmental (ecological) preservation projects	**0.498**	-0.059	0.190	-0.102
27. Our sustainability programmes take into account economic, social and environmental issues	**0.495**	0.073	0.256	-0.149
2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	**0.470**	0.032	-0.016	0.034
49. We are involved in financially supporting educational projects for our future business operations	**0.466**	0.180	0.068	0.115
14. We constantly interact with and help the local community in which we operate	**0.453**	-0.153	0.346	0.123
7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	**0.408**	0.098	0.003	-0.049
41. Our profitability is a result of the social values that we get from local communities	**0.396**	0.310	0.264	-0.277
3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	**0.336**	-0.039	-0.007	0.240
38. We are competitive because of our customer oriented activities	**0.329**	0.244	0.051	0.272

Extraction method: Principal Component Analysis.

Rotation method: Promax with Kaiser Normalisation.

b) Component 2 (Corporate conscience)

The second component loads variables that deal with corporate conscience. The issues that are loaded on this component include equitable allocation and distribution of wealth to different stakeholders, fair trading with suppliers, corruption, and corporate reporting systems, as shown in Table 40, below. Component 2 has 13 loadings out of the 52 variables. The component reports an eigenvalue of 4.507 and represents a percentage of total variance of 8.667%, as summarised in Table 38 and Table 40.

Table 40: Component 2 (Corporate conscience)

(Eigenvalue=4.507, Percentage of Variance=8.667%)	Component			
	1	2	3	4
45. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	0.019	**0.793**	0.000	-0.163
46. We are open in disclosing wealth distribution to our stakeholders through corporate reporting	-0.109	**0.743**	0.030	-0.184
44. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.089	**0.742**	-0.120	-0.059
37. Our profitability success is a result of inputs from various stakeholders	-0.090	**0.589**	-0.130	0.085
30. Our corporate performance indicators are geared towards future corporate performance	-0.171	**0.571**	0.062	0.127
43. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	0.113	**0.557**	-0.242	-0.083
48. We pay our suppliers fairly by offering competitive prices in the industry	0.269	**0.520**	-0.237	-0.057
23. We adopt processes that address concerns of our stakeholders	0.017	**0.514**	0.080	0.084
47. Our managers do not practice corruption that deprives our valuable stakeholders	-0.011	**0.459**	0.070	0.160
39. Our internal business processes contribute a lot towards organisational profitability	-0.350	**0.386**	0.169	0.172
5. Our external financial reporting system takes into account our social obligations towards local communities	0.000	**0.362**	0.077	-0.141
33. Innovation is promoted through our good knowledge management systems that we pursue	0.192	**0.299**	0.229	0.095
42. We recognise the interdependence of efforts and rewards among our stakeholders	0.260	**0.288**	0.050	0.225

Extraction method: Principal Component Analysis.

Rotation method: Promax with Kaiser Normalisation.

c) Component 3 (Value creation)

The third component loads variables that address issues concerning the creation of value through organisational operations and processes in order to achieve maximum economy, efficiency and effectiveness. Value creation activities include enhancing the efficiency of the labour force, human capital development systems, benchmarking for continuous improvement, natural environment measurement systems, feedback control systems, and intellectual capital, as highlighted in Table 41, below. This component loads 12 loadings out of the 52 variables. The component reports an eigenvalue of 2.433 and represents a percentage of total variance of 4.679%, as reflected in Table 38 and Table 41.

Table 41: Component 3 (Value creation)

(Eigenvalue=2.433, Percentage of Variance=4.679%)	Component			
	1	**2**	**3**	**4**
40. Our profitability is a result of the abundant natural resources capital that we get from the environment	-0.119	-0.113	**0.745**	-0.321
31. Intellectual capital is our main source of profitability	-0.275	-0.017	**0.644**	0.218
25. We are able to objectively measure the social impact of our operations	0.169	0.027	**0.601**	-0.129
32. Emphasis on human capital development improves our corporate performance	0.194	-0.050	**0.600**	0.059
21. Our organisation focuses on protection of the natural environment as a stakeholder	0.121	-0.113	**0.516**	-0.219
24. We use benchmarking to continuously improve our business processes	0.093	0.032	**0.501**	-0.141
18. We make profits because of our efficient labour force	-0.187	0.113	**0.482**	0.134
20. Our organisation runs on the premise that community care is paramount	0.279	-0.030	**0.457**	-0.181
13. Our organisation is highly respected for maintaining and promoting environmental protection	0.134	-0.122	**0.412**	0.057
26. We are able to objectively measure the impact of our operations on the natural environment	0.192	-0.099	**0.396**	-0.006
19. Our operations rely on debt provisions from our financiers	0.100	-0.031	**0.306**	-0.038
28. Customer feedback is key to our performance appraisal systems	-0.114	0.174	**0.293**	0.071

Extraction method: Principal Component Analysis.

Rotation method: Promax with Kaiser Normalisation.

d) Component 4 (Stakeholder)

The final component captures variables that are focused on stakeholder activities. The variable attributes that are loaded on this component include stakeholders such as customers, competitors, government, suppliers, external auditors and business partners, as shown in Table 42, below. Component 4 has nine loadings out of the 52 variables. This fourth component reports an eigenvalue of 2.370 and a percentage of total variance of 4.558%, as reflected in Table 38 and Table 42.

Table 42: Component 4 (Stakeholders)

(Eigenvalue=2.370, Percentage of Variance=4.558%)	Component			
	1	2	3	4
10. We are committed in making decisions with the customer's perspectives in mind	0.094	-0.065	0.067	**0.707**
11. We treat our suppliers as an integrated part of our business	0.149	-0.049	-0.079	**0.636**
17. Our customers comprise the most important element of our business	-0.233	-0.093	0.030	**0.603**
8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	0.112	-0.107	-0.277	**0.599**
9. Our financial statements are verified by the appointed external auditors for external reporting	0.134	-0.008	-0.331	**0.530**
22. Government contributions are foundational to our business operations	0.186	-0.116	0.180	**-0.509**
12. We demonstrate mutual respect with our competitors	0.162	0.006	0.243	**0.449**
29. We work cooperatively with our business partners	-0.075	0.322	0.159	**0.432**
4. Our financial reports are constructed towards meeting interests of our external stakeholders	-0.003	-0.130	0.246	**0.336**

Extraction method: Principal Component Analysis.

Rotation method: Promax with Kaiser Normalisation.

8.5.4 Intercorrelation of the four extracted components

The researcher also aimed at establishing the level of strength of the four components that were extracted from the statistical rotation for further analysis. Before the four components could be adopted as representing the new perspectives of the new African Balanced Scorecard model, it was necessary to determine the strength of the intercorrelation. The intercorrelation analysis was aimed at testing the eighth hypothesis (H_8) of the study:

> *H_8:* *The interrelationships between the four components* cum *perspectives of the new African Balanced Scorecard model are significantly correlated.*

Pearson correlation analysis was used to evaluate the intercorrelation between the four components extracted by means of the factor analysis. The interrelationship between the four components was ascertained through computations of the means of the variables on each component. Thereafter, the component means were subjected to Pearson correlation analysis, as adopted from Flamholtz and Kannan-Narasimhan (2005:54). The research results of the correlation analysis on the four components are shown in Table 43, below.

Table 43: Pearson correlation analysis for the four components using exploratory factor analysis

Component	Relationships & Culture	Corporate Conscience	Value Creation	Stakeholder
Relationships & Culture	1			
Corporate Conscience	0.553**	1		
Value creation	0.781**	0.363**	1	
Stakeholder	0.501**	0.464**	0.349**	1

**. Correlation is significant at the 0.01 level (2-tailed), *p*<0.01.
N=387

The above analysis shows that all four components are significantly correlated with each other, signifying their interconnectedness and interdependence. All intercorrelations are significant at the 0.01 level of significance, where *p*<0.01.

The significant relationship coefficients range from r = 0.349 to r = 781. The research results indicate that the correlation coefficients are moderate, implying that the four extracted components measure different constructs that are related to one another, which is “excellent” news, according to Field (2009).

8.5.5 Complementarity of multivariate, bivariate and univariate analyses

The above multivariate analysis supports the results of the univariate and correlation analyses discussed above. Similar findings were also posted under the correlation analysis for each strategic theme of the conceptual framework as discussed above.

The above exploratory factor analysis also supports the findings of the univariate analysis. For example, according to the univariate analysis, only 45.7% of the respondents indicated that their organisations put more emphasis on the maximisation of shareholders’ wealth than on that of other stakeholders’ wealth, as reported on p. 306 of this thesis. This low outcome on the univariate analysis is reflected as a negative loading of -0.610 (see Table 39 above under the relationships and culture component), implying the opposite direction of the multivariate analysis results. Stated differently, Variable 16, which is under discussion, should have read “Our organisation **does not** put more emphasis on maximisation of shareholders wealth than of other stakeholders” for it to yield a positive loading of 0.610 on the same component.

8.5.6 The four components as foundational elements for the new African Balanced Scorecard model

The reduction of the 52 variables into the four components is also linked to the six strategic themes that were initially formulated under the conceptual framework of this study. The four statistical components condense and fully support the six strategic themes. It can also be observed that all four extracted components (the relationships and culture, stakeholder, value creation, and corporate conscience components) focus on critical areas of the conceptual framework. That is to say, the four components from factor analysis resonate with the six strategic themes of the conceptual framework, namely the relationships and culture, stakeholder, processes and practices, intellectual capital, value creation, and corporate conscience themes.

The factor rotation has maintained the conceptual framework's strategic themes on relationships and culture, stakeholder and corporate conscience and has consolidated the themes of processes and practices, intellectual capital, and value creation into one condensed component labelled value creation. Thus, the four statistical components condense and fully support the six strategic themes of the conceptual framework and also reload 52 variables into their foundational perspectives for the new African Balanced Scorecard model, as summarised in Figure 26, overleaf.

The above quantitative analysis has addressed the primary objective of this study, because it has been established that there is indeed a need for a different understanding of the perspectives on the current Balanced Scorecard model, and a need for new perspectives. These new perspectives need to be conceptualised, developed and adapted specifically for organisations based in Africa. Based on the statistical analyses of the study results, the researcher used the four components as strategic pillars or perspectives in the process of redesigning the Balanced Scorecard model. Thus, the four perspectives comprising the **relationships and culture** perspective, the **stakeholder** perspective, the **value creation** perspective, and the **corporate conscience** perspective finally form the strategic cornerstones of the new model on corporate planning and performance measurement systems for organisations operating in Africa.

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

Source: Own observation

8.6 CONCLUSION

This chapter has reported on the research results and analysis of the quantitative data gathered during the primary research. The analysis focused on the participants' demographics in terms of the country where the participating organisations operate, their industry, number of employees, organisational stakeholders, use of the Balanced Scorecard model together with the rating about its usefulness, and management levels of respondents.

Furthermore, the chapter has reported on detailed analysis and interpretation of results on the respondents' ratings using Likert scale ranking on the 52 questionnaire statements. The univariate analysis of each statement was reported on, using frequency tables and graphs. The chapter has also reported on the relationships between variables within each strategic theme of the conceptual framework. Such relationships have been analysed by means of the Pearson correlation method. A similar correlation analysis on the interrelationships between the six strategic themes was also conducted.

Finally, the chapter has reported on the multivariate analysis of the 52 variables that was conducted to analyse the factorability of the variables by means of the factor analysis technique. After the 52 variables were subjected to principal component analysis rotation to rearrange them into their major factors, four principal components portraying the best pattern on variable loadings were extracted. The four components condense and fully support the six strategic themes that were originally conceptualised at the start of the study. Therefore, the four statistical components constitute the perspectives of the new redesigned Balanced Scorecard model.

The next chapter details the redesigning process of the Balanced Scorecard model, based on the above research findings so that the new model conforms with the African management framework revealed by the analysis of the research results, as well as the literature analysis.

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.

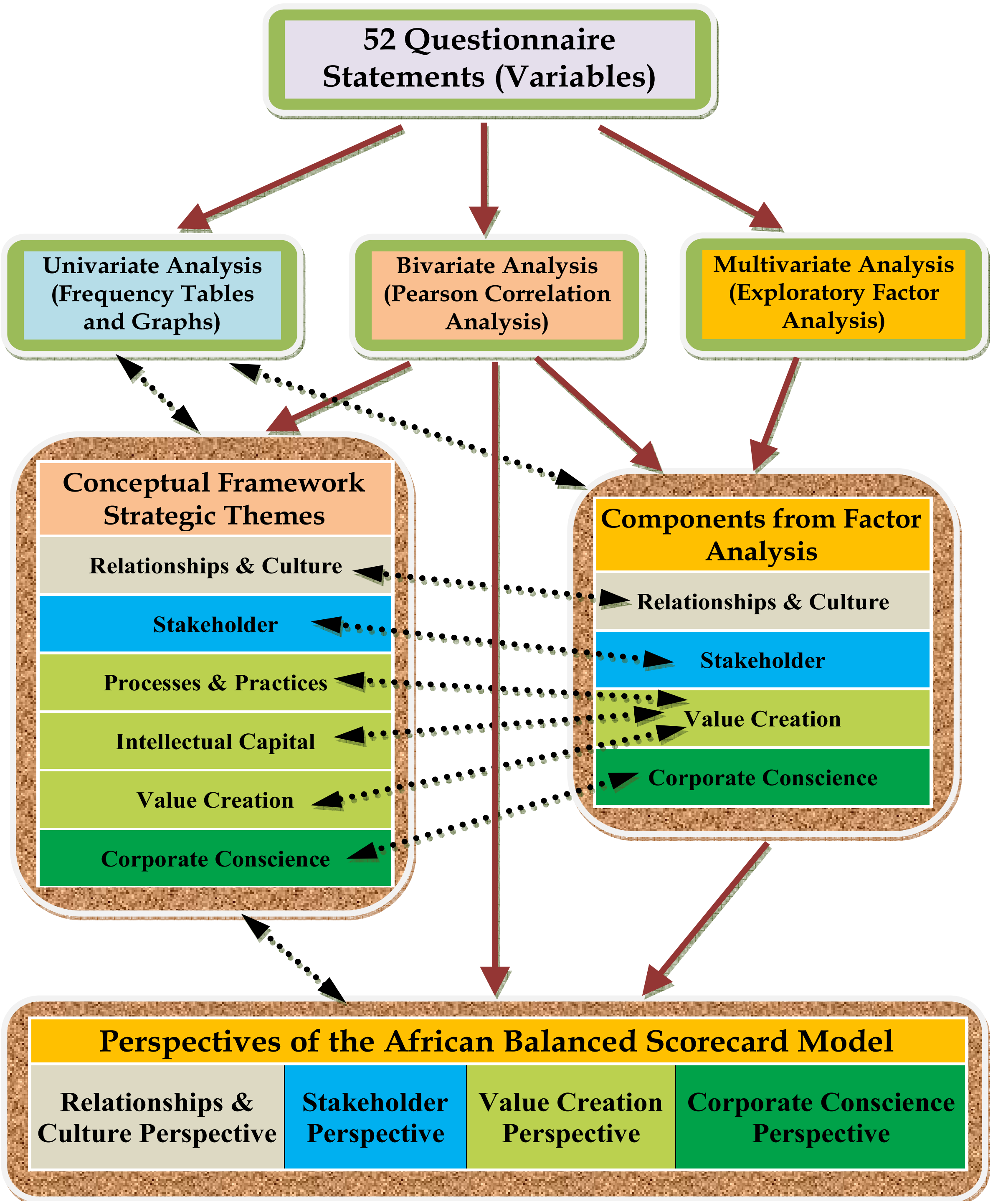
9.2.1 Phase 1: Univariate analysis

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

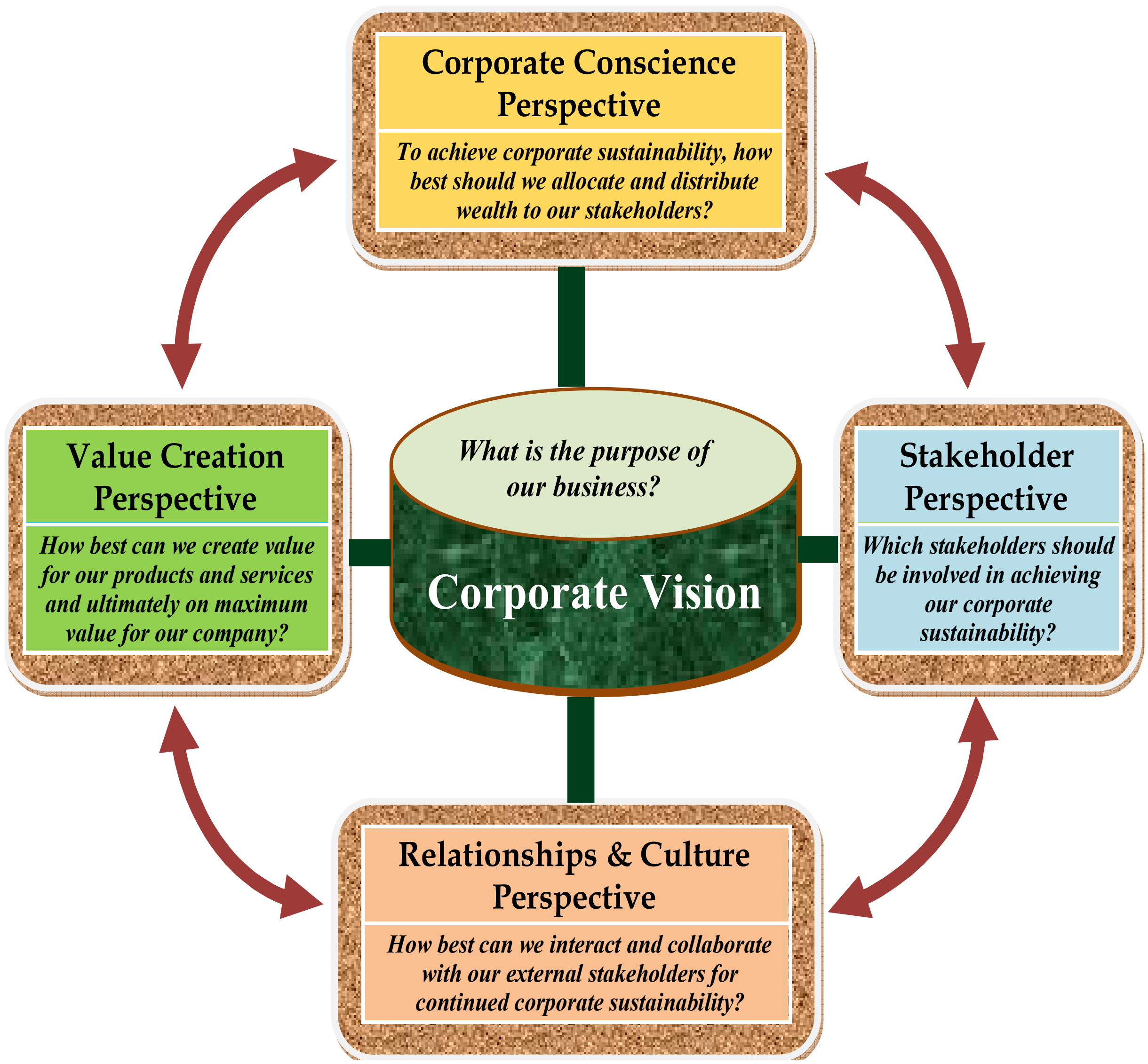
Based on the significant intercorrelations of the four components as discussed in Phase Six, above, the development process and identification of the four perspectives on the new African Balanced Scorecard model were concluded. The nomenclature of the new model’s perspectives corresponds with that of 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).

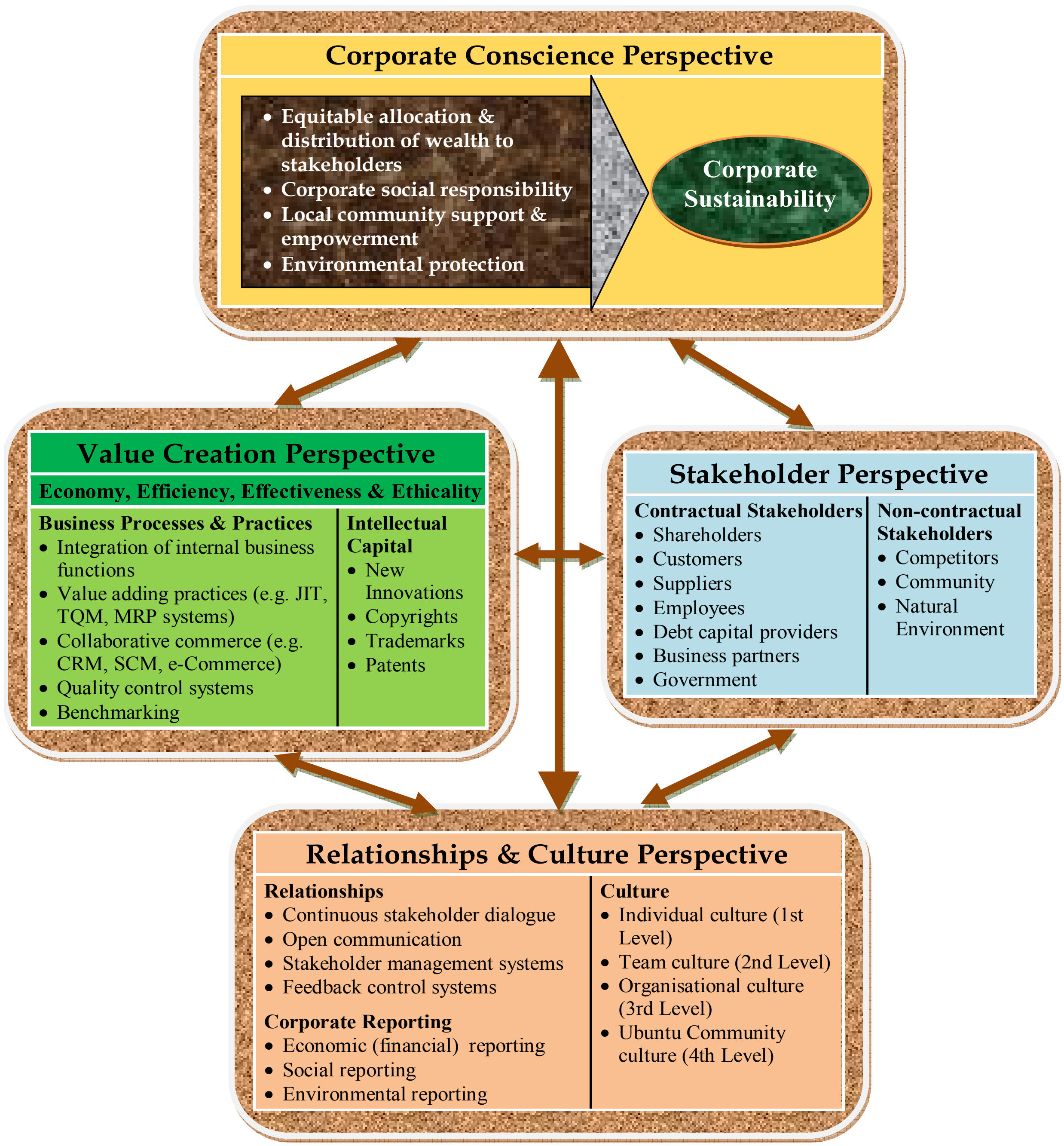
Contributions towards corporate social responsibility in local communities and the protection and enhancement of the natural environment are clear cases where organisations can show their corporate citizenship and corporate conscience. It can also be argued that even just the provision of information 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	• Profitability • Return on capital employed • Current ratios • Acid test ratios • Market value • Net value of assets
2	Social reporting	• 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	• 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	• 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	• 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	• Total capital paid • Total number of shareholders
2	Management & staff contributions	• Total number of employees • Total number of managers • Salaries and wages bill • Productivity ratios • Efficiency ratios • Effectiveness ratios
3	Customer contributions	• 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	• Total number of suppliers • Total number of new suppliers • Total purchases (value, weight, volume, area, length)
5	Government contributions	• Total contracts with government • Total government grants • Total government debts • Value of business infrastructure
6	External auditor contributions	• Total frauds discovered • Number of complaints from stakeholders • Percentage of new shareholders • Percentage of new debt providers
7	Competitor contributions	• Number of innovations • Total number of new products • Research & development expenses • Productivity ratios • Efficiency ratios • Effectiveness ratios
8	Regulatory bodies contributions	• Level of compliance • Research & development expenses • Productivity ratios • Efficiency ratios • Effectiveness ratios
9	Community contributions	• Total number of local employees • Total number of local final consumers • Total local sales volume/value
10	Debt provider contributions	• Total number of debt providers • Total debt value • Financial leverage ratios
11	Natural environment contributions	• 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	• 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	• 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	• 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	• 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	• Dividends • Earnings per share
2	Wealth allocation to management & staff	• 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	• 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	• Fair trading practices • Competitive prices on purchases • Total number of supplier contracts • Legal costs on suppliers
5	Wealth allocation to government	• Taxation • Interest on debts • Legal expenses on government contracts
6	Wealth allocation to external auditors	• Professional fees • Legal expenses on auditors contracts
7	Wealth allocation to competitors	• Costs on business intelligence units • Research & development expenses • Legal expenses on competitor related activities
8	Wealth allocation to regulatory bodies	• Expenses on product compliance • Research & development expenses • Legal expenses on compliance related activities

	Activity	Performance measures
9	Wealth allocation to the local community	• 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	• Total number of debt providers • Total debt value • Financial leverage ratios • Interest rates • Total interest paid
11	Wealth allocation to the natural environment	• 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: *Shareholder wealth maximisation*	An objective of a firm: *Maximisation of organisational wealth (corporate sustainability)*
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.

CHAPTER TEN: SUMMARY, CONCLUSION AND RECOMMENDATIONS

> All you need is Ubuntu. Society is important because of Ubuntu. If we were the most beautiful, the most intelligent, the most wealthy, the most powerful person - and then found all of a sudden that we were alone on the planet, it wouldn't amount to a hill of beans.
>
> (Bill Clinton, in BBC, 2006).

10.1 INTRODUCTION

This is the last chapter of the thesis. This chapter presents the highlights of the study in a summary of the research areas in terms of the problem statement, the research objectives and the research questions and how those have been addressed by the study; a summary of the main issues in the study; and thereafter a conclusion for the study. Based on the conclusion and research findings, the researcher formulates several recommendations, including ones on possible areas for further study.

10.2 RESEARCH SUMMARY

The Balanced Scorecard model developed by Kaplan and Norton (1992) remains the most popular management model among corporate planning and performance measurement systems (Bourguignon *et al.*, 2004). This model was developed in the United States of America and has been popularised by its inventors. The Balanced Scorecard model has been adopted by many organisations worldwide, including many in Africa.

10.2.1 Background

The Balanced Scorecard model balances financial and non-financial measures by focusing on the financial, customer, business processes, and learning and growth perspectives. The financial measures act as lagging indicators, whereas the non-financial measures are leading indicators of corporate performance.

Industrial experiences of the application of the Balanced Scorecard model have been varied, with some organisations registering success stories (Bradford, 2010:162; Kohnen, 2008:76-77; Niven, 2008:x-xii; Paladino & Williams, 2008), whilst others registered failures (DeBusk & Crabtree, 2006). The reasons for success and failure stories may be found in the conceptualisation of the model and the socio-cultural frameworks governing the users of the Balanced Scorecard model.

The literature review suggests that the Balanced Scorecard model was conceptualised for a Western society that is capitalist in nature (Bourguignon *et al.*, 2004). The model is premised on the exclusive “maximisation of shareholders’ wealth” idea, which does not conform with the ideologies of other societies, including most in Africa, for example. African society is premised on a humanist, community-based and socialist framework (Mangaliso, 2001; Mbigi & Maree, 2005). It was therefore necessary to carry out research that would ascertain perspectives surrounding the Balanced Scorecard model, especially in Africa.

The literature review revealed that there was a need for successful management models to synchronise societal dimensions with corporate planning and performance measurement systems. To a large extent, management tools should be congruent with the local briefs and ideologies in the society of origin (Binedell, 1994; McFarlin *et al.*, 1999; Bourguignon *et al.*, 2004:109; Gichure, 2006:39). To some extent, locally developed management models tend to be aligned with the specific beliefs of the local society. Thus, the socio-cultural assumptions of a management model transferred from one place to another may be more or less congruent with the ideologies of the target society.

Similarly, Western philosophical theories and management systems transferred to an African society are likely to encounter some serious socio-cultural mismatches and may ultimately not succeed in providing lasting solutions to the local business challenges faced by an organisation based in Africa. The Balanced Scorecard model is not excepted from the challenges faced in the application of foreign business models in Africa. It was felt that there was a possibility that the socio-cultural divergence between the Western and African environments might have direct implications for the implementation of the Balanced Scorecard model in an African framework.

Conceptually, the Balanced Scorecard model is founded on the premise of maximisation of shareholders' wealth (Bourguignon *et al*., 2004; Voelpel *et al*., 2006). This shareholder maxim disregards other stakeholders who have a direct influence on and contribute to the success of a corporation. The model tends to be individualist and mechanistic, in that it over-emphasises the prime importance of shareholders, thereby sidelining other critical stakeholders, such as suppliers, government, competitors, the local community and the natural environment.

Socially and demographically, Africa is different from Western countries in such dimensions as infrastructural systems, literacy levels, markets and customers, sources of capital and capital structures, government interventions, and socio-cultural frameworks. In an African environment, the local socio-cultural underpinnings are critical and the African Umunthu or Ubuntu (humanness) philosophies are present throughout the continent. Therefore, the Ubuntu socio-cultural dimensions should be considered critical ingredients of performance in any organisation based in Africa (Mbigi & Maree, 2005).

Based on the African Ubuntu philosophy, an African society considers the community to be paramount and the solidarity among community members is a prerequisite for teamwork and overall survival (Tutu, 2004). Therefore, according to the Ubuntu philosophy, different stakeholders would be regarded as members belonging to one community, an organisation (Lutz, 2009). Thus, the socio-cultural diversity premised on the use of Western ideologies, including those of the Balanced Scorecard model should still pose great challenges in an African environment.

10.2.2 Research problem statement

The research problem of the study took cognisance of such disparities between the Western and African environments, in terms of economic provisions, perceptions, and socio-cultural values. Thus the problem statement was

> ***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.***

10.2.3 Primary research objective

From the underlying problem statement of the study, research objectives were formulated. The primary objective of the study 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.***

Initially, a conceptual framework depicting the interrelationships of the organisation and stakeholders was developed. Out of the conceptual framework, six strategic themes guiding the research emerged.

10.2.4 The conceptual framework

The first strategic theme of the conceptual framework is the relationships and culture theme. This theme recognises the need for continued dialogue between an organisation and its stakeholders.

The second is the stakeholder strategic theme, which focuses on the recognition of contributions by different stakeholders to the success of an organisation. Such stakeholders include suppliers for their provision of production inputs; competitors for benchmarking and continuous process improvements; government for the provision of grants and debt capital financing, infrastructure and legislation; the local community for labour and final consumers; and the natural environment for the raw materials for production.

The third strategic theme is the business processes and practices theme, which emphasises how an organisation can improve its internal operations through economy, efficiency and effectiveness.

The fourth theme is the intellectual capital strategic theme, which looks at issues involving human capital in the form of innovations. Intellectual capital integrates all four forms of capital (financial, debt, labour, and human resources capital).

The conceptual framework also focused on value creation as the fifth major strategic theme. Under the value creation, major elements that are perceived to make a direct contribution toward profitability were assessed.

Finally, the conceptual framework also aimed to assess issues involving the allocation and distribution of organisational wealth. Within African society, corporate conscience can be equated to the application of the Ubuntu philosophy, which is omnipresent on the continent. Issues relating to the allocation and distribution of wealth were discussed under the corporate conscience strategic theme.

The formulation of statements for the structured questionnaire for primary data collection focused on the six strategic themes of the conceptual framework, as summarised above.

10.2.5 Research design and methodology

Based on the conceptual framework, the study used a quantitative research design and methodology in order to address the research problem statement and the research objectives. The research design process came up with a blueprint for the study to conduct it successfully. Research methodology refers to the research process with the methods and tools that a scholar uses in the study (Babbie & Mouton, 2007:74).

During this research, primary data was collected by means of a structured questionnaire (see Appendix A). A quantitative research method was used, as it is more objective and scientifically valid than a qualitative research method, which is by nature subjective (Babbie & Mouton, 2007; Cooper & Schindler, 2006; Field, 2009; Welman *et al.*, 2005). The design of the structured questionnaire as a research instrument was based on the Likert scale rating method. Research participants had to indicate their level of agreement with 52 statements on a five-point scale, ranging from 1 representing “Strongly disagree” to 5 representing “Strongly agree”. After the pre-testing and revision processes, the final questionnaire was submitted to the Research Ethics Committee of the University of Pretoria for approval and clearance (see Appendix D).

The study targeted big corporations from the commercial sector that are registered with the Malawi Chamber of Commerce and the Malawi Stock Exchange in Malawi and companies registered with the Johannesburg Stock Exchange and the Johannesburg Chamber of Commerce in South Africa. Some companies from other African countries were reached through their diplomatic missions, resident in either Malawi or South Africa. In this case, Malawi and South Africa were chosen as the main research geographic areas because the researcher is based in Malawi and works at the University of Malawi, and this PhD thesis was done in South Africa at the University of Pretoria. Simple random sampling of the targeted organisations was done.

To maintain the homogeneity of the sample, the study targeted business executives in the randomly selected corporations. In social research, the homogeneous composition of participants reduces the amount of survey variation and makes survey results more comparable and conclusive (Bryman & Bell, 2007:19). Thus, the participants of the study included business executives, such as board members, chief executive officers (CEOs), chief financial officers (CFOs) or financial directors and financial controllers, management accountants, financial managers, and company secretaries. It was felt that this target sample would represent a fairly homogenous group that is conversant with issues on corporate planning and performance measurement systems.

Questionnaires were administered in hard copy and in electronic format. A total of 620 questionnaires were dispatched, and a total of 387 responses were received back from the participants, giving a response rate of 62.4%. As a rule of thumb, correlational studies, such as like this one, give conclusive results when the sample size is at least 100 (Field, 2009). Therefore, the 387 responses represent a better and more acceptable number.

The sampling statistics show that the Kaiser-Meyer-Olkin measure of sampling adequacy is 0.824, which is a “great” value for the verification of sampling adequacy for the analysis, according to Field (2009:659). Thus, statistics confirm the factorability of items and the adequacy of the sample for conclusive results (Chenhall, 2005; Field, 2009; Hanafizadeh, 2008). Furthermore, the results of the analysis indicate that there are uniformly high communalities among variables (see Appendix F) that are all above 0.5, and that there was an average communality of 0.705, which is “good” news, according to Field (2009). The above statistics indicate that the sample was adequate and that it can be relied upon.

The statistical analyses on the data collected during this study were conducted using SPSS Version 16.0. Analytical techniques used during the data analysis include univariate analysis (conducted through frequency tables and graphs), bivariate correlation analysis (using Pearson correlation analysis), and multivariate analysis (using factor analysis).

10.2.6 Secondary research objectives

The primary objective of the study was supported by the secondary objectives. The first secondary research objective was the following:

> ***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.***

The literature review constitutes five chapters of the thesis – from Chapter Two to Chapter Six, as outlined in Figure 2 (on p. 20). Chapter Two reviews corporate performance and financial measurement systems; Chapter Three analyses the perspectives surrounding the generic Balanced Scorecard model; Chapter Four reviews the African Ubuntu philosophy; Chapter Five reviews the sustainability scorecards and the triple bottom line reporting systems; and finally Chapter Six analyses issues on business ethics and corporate governance.

The literature review in Chapter Two indicates that most organisations in Africa depend on financial measurement systems to assess their corporate performance. It is a statutory requirement that all registered companies must produce annual audited financial statements that can be accessed by different stakeholders, including shareholders (Malawi Government, 1986; South Africa, 1973). Traditionally, the corporate performance measures used by most African organisations, including the public sector, are based on the financial achievements of the individual entities.

The use of traditional financial measures cascades from the organisational level to the lower levels. For instance, employee performance measurement is based on financial measures that are linked to the manager's area of responsibility (Drury, 1996; Horngren & Foster, 1991). Staff reward systems are largely based on financial performance by individuals or departments over which they have direct control within an organisation.

Although the primary intention is to enhance motivation for better productivity, in many organisations, the financial performance-based measurement systems tend to encourage negative behaviours by employees, who may be enticed into engaging in the realisation of short-term rewards at the expense of long-term corporate sustainability (Niven, 2006; Punniyamoorthy & Murali, 2008; Sandhu *et al*., 2008). The scenario is also true even at the senior management level, where financial managers and chief executives tend to sacrifice long-term projects in order to realise selfish short-term gains (Kaplan & Norton, 2004a; Smith, 2005).

There have also been cases of window dressing financial information, where business executives have concealed the true picture of corporate performance by manipulating the financial figures in order to portray a better picture to different stakeholders of the company (Newman, 2007). Through window dressing, senior executives mislead stakeholders, especially shareholders, regarding the performance and status of a company. In the long run, non-disclosure of the true picture of the company can culminate in corporate failure. Instances of the apparently sudden bankruptcy of giant companies such as the Enron Corporation and other corporate scandals engender extreme distrust of the morality of some corporate executives (also discussed in Chapter Six, "Business ethics and corporate governance").

It is out of such frustration with the use of financial measures that the Balanced Scorecard model was developed (see Chapter Three). While it maintains the financial measures as one perspective, the Balanced Scorecard model adds three non-financial perspectives. Thus, the four perspectives in the model are the financial, customer, internal business processes, and innovation (learning and growth) perspectives. The Balanced Scorecard model advocates that there should be a balance between the financial and non-financial measures, lagging and leading indicators, and the short-term and long-term approaches for an organisation to succeed.

However, the main challenge with the Balanced Scorecard model application in Africa is that the four perspectives are likely to give different messages to the users of the model, because of socio-cultural disparities between the Western country of origin and Africa. The four perspectives of the Balanced Scorecard model are not fully representative of the African socio-cultural framework, which is founded on the community-based Ubuntu philosophy (Chapter Four). It is this lack of synchronisation between the African socio-cultural frameworks and the current Balanced Scorecard model perspectives that necessitated the redesign of the model so that it can be effectively used as a corporate planning and performance measurement tool in Africa. In its current form, the Balanced Scorecard model is limited in its application, especially in Africa.

Furthermore, the literature on scorecards focusing on sustainability (Chapter Five) reveals that corporations have to pay special attention to economic, social and environmental sustainability elements (Epstein & Wisner, 2001; Pedersen & Neergaard, 2008). In order to remain competitive and self-sustaining, organisations should focus on sustainability issues that have become more pronounced in contemporary management systems. Sustainability issues have been highlighted, for example, in the King III Report (Institute of Directors in Southern Africa, 2009:109). Different sustainability concepts and models apply and these include the triple bottom line concept, the Carroll model, the Senge model and the sustainability balanced scorecard models.

The most prominent concept within the corporate sustainability discussion is the triple bottom line concept, which takes cognisance of the need to combine and achieve three elements, by focusing on economic, environmental and social reporting systems. The reasoning for adopting a sustainability approach is founded on the premise that corporations must be run within the continuity framework, where current operations do not negatively affect future activities through the destruction of the natural environment and society. Sustainability can only be achieved by pursuing a stakeholder-centred approach, where all the interested parties, including society, are partners of the organisation. Involvement by and in the society and with the natural environment is paramount, especially in the African framework, as discussed in Chapter Four. However, the Balanced Scorecard model does not address such societal and natural environmental elements fully.

The literature review included literature on business ethics and corporate governance (Chapter Six). Different general theories governing ethics were analysed. These include Aristotle's virtue theory, which states that the integrity of an individual's character determines his or her ethical behaviour; Kant's deontological theory, which argues that there are objective ethical standards of behaviour that everyone should respect, hence the development of ethical codes; and John Stuart Mill's utilitarian theory, which focuses on the practical consequences of an action in order to determine whether that action was right or wrong, depending on the result experienced.

In order to understand governance issues, there was an analysis of both the shareholder-centred and stakeholder-centred approaches in business ethics and corporate governance. The shareholder-centred approach is founded on utilitarianism, where results in the form of the maximisation of shareholders' wealth are considered to be the primary objective of a corporation and its purpose for existing. Under this phenomenon, benefits to other stakeholders are just the result of the "trickle-down" effects of the "invisible hand" as advocated by Adam Smith (1790). The current Balanced Scorecard model was developed on the premise of utilitarianism.

By contrast, a stakeholder-centred approach accommodates all organisational stakeholders, including shareholders, customers, suppliers, management and employees, the community and the natural environment. Furthermore, the literature also establishes that stakeholder theory is in conformity with the African Ubuntu philosophy, where an organisation is seen as a community consisting of different interested members (stakeholders). This implies that all stakeholders have to be treated equally in terms of wealth creation and wealth distribution.

The literature review also shows that issues of corporate social responsibility and corporate citizenship are paramount in modern management systems, especially in organisations based in Africa. It has been demonstrated that corporate governance guidelines in Africa (apart from Nigeria) are "inclusive", in that they take a stakeholder-centred approach, unlike the Western approach, which is "exclusive" and shareholder-centred.

10.2.7 Results and analysis of research findings

The discussion of the results and analysis of research findings are linked to the achievement of the research objectives, as summarised below.

a) Univariate analysis (frequency tables and graphs)

The second secondary research objective of the study was the following:

> ***To assess and validate the extent of agreement by survey participants on individual statements in the structured survey questionnaire***.

Generally there were varied responses on each of the 52 statements that were formulated during the research design process. One notable observation from the univariate analysis is that the majority of organisations (albeit by a relatively small margin) indicated that they do not put more emphasis on the maximisation of shareholders' wealth than on other stakeholders' wealth. The analysis reveals that only 45.5% agree that their organisations put more emphasis on the maximisation of shareholders' wealth than on that of other stakeholders' wealth. The results indicate that while some organisations are still geared towards satisfying the maximisation of shareholders' value requirement than the value for other stakeholders, other companies have already embraced a stakeholder-centred approach in their corporate visions and missions.

The other significant finding is that the natural environment is not regarded as a main stakeholder by most organisations in Africa. An overwhelming majority of 69.3% indicated that they do not consider the natural environment as their main stakeholder in their planning and performance measurement systems. Further analysis shows that this response is prevalent amongst the service industries, such as the tourism and hospitality, real estate, and financial and insurance industries. However, the majority of organisations from the manufacturing, mining and quarrying, and transport and storage industries indicate that they see the natural environment as their main stakeholder. The industrial analysis by country shows that most organisations in Malawi (76.5%), South Africa (60.7%) and other African countries (71.9%) indicated that they do not consider the natural environment as their main stakeholder (Appendix E).

Furthermore, most organisations indicated that they do not have proper measurement systems to assess the impact of their operations on either the natural environment or society. Only 41.4% of organisations indicated that they are able to objectively measure the natural environmental impact of their operations. The analysis of the results demonstrates that while some organisations have embraced environmental measurement systems, others still experience problems in measuring the environmental impact of their activities. This could be a result of a de-emphasis on and/or the complexity that is involved in such measurement systems.

The analysis of the findings also indicates that there is a need for an emphasis on natural environmental elements as well as the development of performance measures related to the natural environment in corporate management systems. Provisions for the natural environment, which is not currently accommodated in the generic Balanced Scorecard model, have therefore been made in the new African Balanced Scorecard model.

Similarly, the measurement of the social impact of organisational activities is still problematic, in that many organisations are not knowledgeable about this area. Only 48.1% of respondents indicated that they are able to objectively measure the social impact of their operations on communities. The research findings indicate that many organisations are still experiencing problems in measuring the social impact of their activities. Such measurement problems could be a result of the de-emphasis on and/or complexity that is involved in such measurement systems, which are largely qualitative. Provisions on society, which are not currently captured in the generic Balanced Scorecard model, have therefore been incorporated in the new African Balanced Scorecard model. Details about the research results and analysis are reported on in Chapter Eight.

b) Bivariate analysis (Pearson correlation analysis)

The third secondary objective of the study was the following:

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

Using Pearson correlation analysis, the research findings indicate that there are partial relationships between the variables within each strategic theme, most of which are positively correlated. The analysis of the research results further indicates that most variable relationships are significant at both a 95% confidence level (0.05 level of significance, $p<0.05$) and at a 99% confidence level (0.01 level of significance, $p<0.01$). On the one hand, very high correlation coefficients indicate that the two variables are strongly related to each other, implying that the variables involved measure almost the same construct. Moderate correlations between different variables would indicate that the variables are measuring different constructs that are related to one another. On the other hand, very low correlation coefficients would indicate that variables are not highly correlated with one another and probably measure unrelated constructs (Bryman & Bell, 2007; Field, 2009; Flamholtz, 2005; Saunders *et al.*, 2003). From the analysis of results, it is clear that the correlation coefficients of variables within the strategic themes are moderate, which is good news.

The fourth secondary objective of the study was the following:

> ***To assess and validate the strength of interrelationships of the six strategic themes of the conceptual framework.***

The intercorrelations between the strategic themes were determined by computing the means for each strategic theme, a statistical method that was adopted from by Flamholtz and Kannan-Narasimhan (2005:54). The computed means were later subjected to Pearson correlation analysis. The analysis indicates that there is a significant correlation between the six strategic themes of the conceptual framework. All the intercorrelations are significant at a 0.01 level of significance ($p<0.01$). The results also show that the correlation coefficients that range from $r=0.207$ to $r=0.614$ are moderate, which is good news, according to Field (2009).

c) Multivariate analysis (Factor analysis)

The fifth secondary research objective was the following:

> ***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.***

After establishing the significant moderate correlations between the variables on each strategic theme and the significant moderate intercorrelation between the strategic themes themselves, as discussed above, the researcher went on to test the factorability of the variables by deploying the factor analysis technique, as is recommended by Lunenburg and Irby (2008:223). Exploratory factor analysis is a statistical method that analyses the intercorrelations among a large set of measures to identify a small number of common factors or components (Babbie & Mouton, 2007; Cooper & Schindler, 2006; Field, 2009; Lunenburg & Irby, 2008; Saunders *et al.*, 2003). Exploratory factor analysis also indicates the extent to which survey instruments are measuring the same thing, thereby enabling researchers to deal with a smaller number of constructs.

Through the promax rotation method, the factor analysis determined variables that loaded on the best four components, which are in conformity with the strategic themes as originally conceptualised in the study framework. The four components focused on the elements of relationships and culture, stakeholders, value creation and corporate conscience. The Pearson correlation analysis of the four components indicates that all the components are significantly correlated with each other at a 99% confidence level, $p<0.01$. The analysis also indicates that the correlation coefficients that range from $r=0.349$ to $r=0.781$ are moderate, implying that the variables measure different constructs related to one another, which is “excellent” news, according to Field (2009).

The factor analysis complements the univariate and bivariate analyses discussed above. The four statistical components condense and also fully support the six strategic themes - it has been noted that the four components extracted from the factor analysis address all the strategic themes of the conceptual framework. Based on these empirical statistical analyses, the four perspectives of the African Balanced Scorecard model were finally identified as the relationships and culture, stakeholder, value creation, and corporate conscience perspectives.

The relationships and culture perspectives focuses on activities that facilitate continued dialogue between an organisation and its stakeholders. This perspective is founded on the premise that the interconnectedness and interdependence of stakeholders is critical for the long-term survival of an organisation (corporate sustainability). In enhancing corporate sustainability, the stakeholder perspective focuses on recognition of the contributions that individual stakeholders make towards the value creation activities of an organisation. The value creation perspective recognises critical elements, such as business processes, practices and intellectual capital, that are used to create maximum value for an organisation. Finally, the corporate conscience perspective represents the allocation side of the African Balanced Scorecard model, where the organisational wealth created should be equitably allocated and distributed to those constituents that were directly or indirectly involved in the value creation processes.

The four perspectives represent the humanist, community-based and socialist African framework; and they are interrelated and thus interdependent, as can be deduced from their descriptions in Section 9.3 on pp. 372. Overall, the African Balanced Scorecard model can be seen as a dual model, representing the value creation activities on one side, and the allocation of wealth on the other. All perspectives of the African Balanced Scorecard model are intended to achieve the ultimate organisational objective of maximising wealth for corporate sustainability.

10.2.8 Summary of the achievement of the research objectives and solution to the research problem statement

As summarised above and in Table 49, overleaf, the research objectives that addressed the research problem were reached. The summary indicates each research area and where that area was accomplished, with reference to thesis chapters.

10.3 CONCLUSIONS

The research findings confirm that there is indeed a need for a different understanding of perspectives than the current Balanced Scorecard model and that therefore the current model should be adapted specifically for organisations in Africa. As developed from the research findings, the new perspectives for the African Balanced Scorecard model comprise the relationship and culture, stakeholder, value creation, and corporate conscience perspectives. These four perspectives in the model would help Africa-based organisations in their corporate planning and performance measurement systems.

The research findings also confirm that the African Balanced Scorecard model is in line with the local spirit of Ubuntu, which is omnipresent in Africa. The Ubuntu philosophy propagates community solidarity, teamwork, caring and sharing amongst all members. It is this inclusive approach of the Ubuntu philosophy that the new Balanced Scorecard model has adopted. Thus, a wholesale implementation of the generic Balanced Scorecard model, which is founded on an exclusive shareholder-centred approach, would be a mismatch with African society, which is more inclusive and socialist.

Table 49: Solution to the problem statement and meeting of the research objectives

Research Item	Chapter Reference
Problem Statement: *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.*	• Chapter 1*: Introduction (Conceptual framework)* • Chapters 2-6 (*Literature review*) • Chapter 8: *Results and analysis of findings* • Chapter 9: *Development of the African Balanced Scorecard model*
Primary Research Objective: *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.*	• Chapter 1*: Introduction (Conceptual framework)* • Chapter 8: *Results and analysis of findings* • Chapter 9: *Development of the African Balanced Scorecard model*
Secondary Research Objective (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.*	• Chapter 2: *Corporate performance and financial measures*; • Chapter 3: *Perspectives surrounding the Balanced Scorecard model*; • Chapter 4: *Scorecards under the Ubuntu philosophy* • Chapter 5: *Sustainability scorecards and the triple bottom line reporting*; • Chapter 6: *Business ethics and corporate governance*
Secondary Research Objective (b): *To assess and validate the extent of agreement by survey participants on individual statements in the structured survey questionnaire.*	• Chapter 7: *Research design and methodology* • Chapter 8*: Results and analysis of findings*
Secondary Research Objective (c): *To assess and validate the strength of the relationships between the variables in each strategic theme of the conceptual framework.*	• Chapter 7: *Research design and methodology* • Chapter 8: *Results and analysis of* findings
Secondary Research Objective (d): *To assess and validate the strength of interrelationships of the six strategic themes of the conceptual framework.*	• Chapter 7: *Research design and methodology* • Chapter 8: *Results and analysis of* findings
Secondary Research Objective (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.*	• Chapter 7: *Research design and methodology* • Chapter 8: *Results and analysis of* findings • Chapter 9: *Development of the African Balanced Scorecard model* • Chapter 10: *Summary, conclusion and recommendations*

Source: Own observation

The study also reveals that most organisations are beginning to realise the significance of incorporating critical stakeholders, such as suppliers, debt capital providers, competitors, the local community and the natural environment. The generic Balanced Scorecard model does not focus on these provisions. It is believed that the incorporation of such stakeholders as part of the organisation ("community" under Ubuntu) would facilitate better planning and therefore the achievement of better corporate performance for organisations in Africa. Currently, as few as 30.7% of organisations in Africa regard the natural environment as a stakeholder in their corporate activities. If this trend of disregarding the natural environment as a stakeholder continues, the sustainability of future business operations may be severely jeopardised.

However, the research reveals that most organisations (69.5%) recognise the community as a stakeholder and that they are involved in social activities, such as promotion of education. Corporate citizenship through corporate social responsibility is an important facet of the new African Balanced Scorecard model (under the corporate conscience perspective). Thus, the findings of the research fully support the provisions of the new King III report, which requires organisations to report social and environmental issues in addition to the financial (economic) activities (Institute of Directors in Southern Africa, 2009).

In formulating new perspectives, the African Balanced Scorecard model has also addressed the main limitations of the generic Balanced Scorecard model, as summarised in Table 3 (on p. 122). For example, the new African Balanced Scorecard model is founded on the premise that business activities are complex, as they involve interrelationships and interdependences between different constituents for the survival of the organisation, as indicated in the conceptual framework in Figure 1 (on p. 7). Furthermore, the African Balanced Scorecard model and its perspectives have been developed on the basis of an extensive study that was based on the conceptual framework of complex relationships between business activities and transactions by different stakeholders. Through the bivariate analysis in the study, the African Balanced Scorecard model recognises the bidirectional relationships of its perspectives and activities within the perspectives as well. By contrast, the choice of the perspectives in the generic Balanced Scorecard model and their assumed unidirectional linearity lacks statistical backing about their validity (Akkermans & Van Oorschot, 2005:933; Flamholtz, 2003; Ittner & Larcker, 2001; Norreklit *et al*., 2008).

In the African Balanced Scorecard model, the emphasis on value creation and wealth allocation activities differs from the focus of the generic Balanced Scorecard model. The contribution made by each stakeholder towards the success of the organisation should be recognised through the equitable distribution of wealth to the respective stakeholders that are involved in the value creation process. Instead of just focusing on shareholders' wealth maximisation, as is the case with the generic Balanced Scorecard model, the new African Balanced Scorecard model enables organisations to prioritise and balance their value creation and resource allocation activities in the best and most equitable manner.

10.4 RECOMMENDATIONS

Based on the research findings and conclusions, the recommendations below can be made for immediate consideration and implementation.

10.4.1 Adoption of the African Balanced Scorecard model

The African Balanced Scorecard model, which has four unique perspectives, should be adopted by all organisations operating in Africa. Unlike the generic Balanced Scorecard model developed by Kaplan and Norton (1992), the African Balanced Scorecard model is consistent with the African management framework, which is inclusive and community-based. The model also resonates with the African Ubuntu philosophy, in which team solidarity, caring and sharing are paramount. The African Balanced Scorecard model also supports the principles of an ecosystem where sustainability is based on the interconnectedness and interdependence of different constituents within that system. Organisations in Africa will be better placed in terms of their corporate planning and performance measurement systems if the African Balanced Scorecard model is adopted.

Furthermore, the African Balanced Scorecard model is flexible and it can be modified by individual organisations, depending on their unique operational and strategic thrusts. It is therefore recommended that the principles surrounding the model should be maintained. The African Balanced Scorecard model should be used as a template to guide managers in different industries from both the commercial sector and the public sector.

10.4.2 Review of general business practices in the commercial sector

The new perspectives in the African Balanced Scorecard model differ substantially from the perspectives in the generic Balanced Scorecard model. The new model emphasises both value creation activities and the allocation and distribution of resources to different stakeholders in the most transparent and equitable manner. A perspective dedicated to corporate conscience, which includes resource allocation and distribution, has been included in the model. The new African Balanced Scorecard model also advocates the establishment and adoption of proper performance measures on social and environmental elements. The research findings reveal that many organisations disregard the social and natural environmental elements' contributions within their operations. All these developments require that companies should be proactive in the incorporation of social and environmental dimensions within their systems. This argument is supported by the King III Report's recommendation on the adoption of triple bottom line reporting systems by corporations. To implement the new African Balanced Scorecard model successfully, there is a need to review business policies and practices to reflect the findings and recommendations of this research.

10.4.3 Review of the financial accounting and auditing principles and practices

The current financial accounting and auditing principles and practices are still geared towards meeting the needs of the primary owners of business, the shareholders. The introduction of the new perspectives in the African Balanced Scorecard model adds a new dimension to corporate planning and performance measurement systems. The African Balanced Scorecard model advocates a stakeholder-centred approach on issues regarding value creation and resource allocation, which are not fully represented under the current GAAP. For instance, the current financial accounting and auditing reporting systems focus on the single bottom line (profitability), which works better with shareholder-centred approaches, such as the generic Balanced Scorecard model. Emerging issues emphasised in the African Balanced Scorecard model include intellectual capital accountability, social accounting and auditing, and environmental accounting and auditing. Thus, there is a need for the accounting and auditing professions to review their guidelines to reflect the new thinking behind the African Balanced Scorecard model.

10.4.4 Review of the academic curriculum in business management courses

In order to ensure the effective adoption of the African Balanced Scorecard model, the curricula in academic circles, especially in business schools and universities, must be revised to reflect the development of the model. The current curriculum is still based on foreign management concepts and principles that are not fully relevant to an African environment. Within the revised academic curriculum, such issues as the Ubuntu philosophy (its principles and practices), relationships and culture, resource allocation, business ethics and good corporate governance, corporate social responsibility, and the protection of the natural environment should be addressed to enhance the sustainability of future businesses and also the good of future generations.

10.4.5 Replication of the study in other African countries

This study focused on participants from South Africa, Malawi and other countries, largely in Southern Africa. The other countries included Botswana, Swaziland, Lesotho, Mozambique, Zambia and Zimbabwe. Therefore, it is necessary to conduct a similar survey in other African regions, which may be operating within the same sociological frameworks as those of Southern Africa, but may have different legal and corporate governance frameworks. Nevertheless, the literature shows that South Africa's corporate governance guidelines provide a fair representation of corporate governance on the African continent as a whole (Armstrong *et al*., 2005)

However, Rossouw (2005:100) argues that an analysis of corporate governance reports across Africa, mostly sub-Saharan Africa, has revealed that all reports, apart from those from Nigeria, advocate "inclusive" stakeholder-oriented corporate governance. It is therefore necessary to conduct the same research in countries such as Nigeria and to compare the results of the research findings with those of the current study.

10.4.6 Replication of the study in Asian countries

It would also be ideal for similar studies to be conducted in the East Asian countries which share similar socio-cultural and corporate governance ideologies with African frameworks. For example, there is a similar stakeholder-centred broader view of the company in Asia (Rossouw, 2009b:44). Part of the explanation for the lesser prominence of shareholder concerns is that many enterprises in Asia are either state-owned or SMEs that are family-owned; hence shareholder concerns are less prominent. These societal norms, practices and values find expression in a relationship-based form of corporate governance such as that advocated by the African Balanced Scorecard model. Therefore, it is necessary to conduct similar studies in the Asian community and compare the results of the research findings with those of this study.

10.5 SIGNIFICANCE OF THE STUDY

It is envisaged that the study will have an impact in many dimensions, in as far as the management accounting and corporate strategy areas are concerned. The study results will have the greatest significance for practising industries and academia. The notable contributions of the study are discussed below.

10.5.1 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 related 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 corporate planning and performance measurement systems for them to excel in their activities. From the study findings and analysis, it seems that the research results should be able to guide managers on the best, most modern management practices for a successful organisation in Africa. The application of the four perspectives can work as a template in an African management framework.

10.5.2 Review and redesign of government and industrial policies and regulations

After practitioners and academia in Africa have been sensitised to the new African Balance Scorecard model, the model is likely to influence the mindset of practising executives, who will later revolutionalise the general management and performance measurement systems within Africa. The study is likely to influence even government systems and the private sectors in Africa to review and modify their governing industrial approaches, policies and regulations. Already, the identification of such new areas of emphasis as relationships and culture, and corporate conscience (resource allocation) would give rise to a great deal of change in industrial priorities, management policies, and government regulations.

It is further expected that the formulation and adoption of the new policies will also attract participation from non-governmental organisations and all other stakeholders. The affected areas would include the reformulation of guidelines on corporate governance based on the new line of thinking in business ethics and corporate conscience. Such policies and regulations will be redesigned to reflect modern management techniques that are targeted at solving the emerging local management challenges of the African continent.

10.5.3 Catalyst for further debate amongst academics and captains of industry

The African Balanced Scorecard model brings a new dimension into the academic world. There has been a great shift from the maxim of “maximisation of shareholders’ wealth” to “maximisation of organisational wealth for all stakeholders”. It is anticipated that the results of this study will spur academic debate amongst university professors, researchers and the student community regarding the emerging issues that have been raised. Case studies targeting specific industries and companies on the same topic will be developed. It is expected that there will be significant and positive “trickle-down” effects from the study findings to other groups as well. Such affected groups include academic scholars, governments, non-governmental organisations, the private sector and, more importantly, the general public.

10.5.4 Development of management consultancies

As more and more managers will be compelled to change their mindset towards the new African Balanced Scorecard model, both the private and public sectors are likely to engage different consultants to realign their systems to the new concept. Apart from reaching management consultants, the new concept will bring about more challenges and discussion amongst general industry practitioners. In addition to the development of the African Balanced Scorecard model as part of corporate planning and performance measurement systems, management consultants are likely to be engaged in facilitating and sensitising the general business community on the new management philosophy in Africa.

10.5.5 A change in the accounting and auditing profession

More specifically, the African Balanced Scorecard model brings in new ideas about the way the created organisational value should be allocated to different contributors of that wealth. This shift is in line with an observation by Tinker (1985:81) that accounting practice should be a means of resolving social conflict, a device for appraising the terms of exchange between social constituencies, and also an institutional mechanism for arbitrating, evaluating and adjusting social choices. This aspect demands a change in the current financial accounting reporting systems. The current reporting system, which focuses on the single bottom line (profitability), works better with shareholder-centred approaches, such as the Balanced Scorecard model. Apart from value creation activities, the new model also demands openness and transparency in resource allocation (discussed under the relationships and culture perspective and corporate conscience perspective). All these developments will have to be reflected in the accounting and auditing professions.

10.6 RESEARCH LIMITATIONS

Several constraints should be noted in relation to the study and the production of the final thesis. These limitations are enumerated below.

10.6.1 Limited geographic coverage

The primary research was conducted largely in South Africa and Malawi, in addition to a few countries in Southern Africa. The financing and time frame of the research project were not adequate to cater for more comprehensive primary studies of all the countries in Africa. Apart from Malawi and South Africa, most data collected from other countries was solicited largely through the diplomatic missions of the countries that are resident either in South Africa or Malawi. The other data was collected through secondary research in the form of a literature review.

10.6.2 Limited information availability

Availability of information was limited, as the information was very difficult to obtain because it was considered sensitive by many organisations. Some of the people who were originally sent a questionnaire did not want to participate on the basis of company policy, as exemplified by the response from a participant shown in Appendix O. In Africa, open discussions on such issues 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 corporate issues which are regarded as strategic.

10.6.3 Insufficient validation of causal relationships

The study established different relationships between the four perspectives of the African Balanced Scorecard model. The analysis of variable relationships was done by means of Pearson correlation analysis. Thus, the African Balanced Scorecard model represents necessary, but not sufficient, conditions for proof of any cause-and-effect relationships between perspectives and their activities. Correlation does not imply causality (Bryman & Bell, 2007:361; Hofstee, 2006:215).

Although the survey statistics show paths of individual associations between the perspectives, there has not been sufficient research employing other experimental techniques. Statistical methods such as longitudinal case studies (running for a relatively long time to observe the behaviour of constructs) would be useful to investigate empirically the causality of factors and variables over some time. Longitudinal studies would enable the establishment of these cause-and-effect relationships and the development of the predictive model by using the multivariate regression analysis, as recommended by Field (2009). It would be necessary to measure, for instance, the relationship between each perspective and corporate performance in the form of the profitability or market value of the companies involved. Such longitudinal studies as highlighted above were beyond the scope of this study.

The above study limitations should be taken into consideration when using and drawing conclusions from the study results.

10.7 RECOMMENDATIONS FOR FURTHER RESEARCH

The development of the African Balanced Scorecard model brings about new challenges on how best organisations in Africa can prioritise corporate activities to enhance the long-term sustainability of their business. This section discusses areas for further research which can pick up where this project leaves off.

Firstly, there is a need for more detailed longitudinal studies based on the identified four perspectives. Longitudinal studies should establish the cause-and-effect relationships amongst the four perspectives. The current study just established significant relationships between perspectives without any causality outcomes. After establishing the cause-and-effect relationships of perspectives, researchers will be able to assess the impact of one perspective on the others, including the overall corporate performance measured in terms of the financial, social, and environmental impact, as captured in the corporate conscience perspective.

Through multiple regression analysis models, managers would be able to predict the outcome (effect) of one perspective as the other perspective (cause) changes or is manipulated. The development of predictive models that are based on this African Balanced Scorecard model would be ideal for business practitioners in the commercial sector, the public sector, as well as non-governmental organisations. Such predictive models would also be helpful to academics.

Furthermore, this study focused on only profit-making organisations from the commercial sector. The non-profit-making organisations, such as government institutions and non-governmental organisations, constitute the largest group of national transactions. Therefore, a similar study would be necessary for the non-profit-making organisations as well. Whilst maintaining the same problem statement, research objectives and conceptual framework, the recommended study can be done with a modification of the strategic themes, and the structured questionnaire statements. It would be necessary to compare the results of this study on the commercial sector with those of the public sector.

Finally, the new African Balanced Scorecard model changes the way current management systems are conducted. Management areas that are significantly affected include management accounting and financial management for internal reporting systems, financial accounting and auditing for external financial reporting systems, and corporate strategy for planning and performance measurement systems. Researchers should also study how best the accounting principles, especially the financial accounting and auditing principles, should be adjusted to accommodate the new management applications of the African Balanced Scorecard model. The current financial accounting systems are still geared towards the fulfilment of the “maximisation of shareholders’ wealth” requirement, reporting profitability as representing the viability status of a company. The new financial statements should be designed in such a simple and comprehensible way that they will be useful to all stakeholders of organisations, including the local community, which is a premise of the African Balanced Scorecard model.

LIST OF REFERENCES

Abdel-Kader, M. & Luther, R. 2006. Management accounting practices in the British food and drinks industry. *British Food Journal*, 108(5):336-357.

Abor, J. 2005. The effect of capital structure on profitability: an empirical analysis of listed firms in Ghana. *Journal of Risk Finance*, 6(5):438-447.

Abraham, A. 2006. Financial management in the non-profit sector: a mission-based approach to ratio analysis in membership organisations. *Journal of American Academy of Business,* 10(1):212-217.

Ahiauzu, A.I. 1986. The African thought-system and the work behaviour of the African industrial man. *International Studies of Management & Organisation,* 16:37-58.

Akkermans, H.A. & Van Ooschot, K.E. 2005. Relevance assumed: a case study of balanced scorecard development using system dynamics. *Journal of Operational Research Society,* 56:931-941.

Amoako-Agyei, E. 2009. Cross-cultural management and organisation behaviour in Africa. *Thunderbird International Business Review*, 52(4):329-339.

An Afro-centric Alliance. 2001. Indigenising organisational change: localization in Tanzania and Malawi. *Journal of Managerial Psychology*, 16(1):59-78.

Andreassen, R. 1994. Satisfaction, loyalty and reputation as indicators of customer orientation in the public sector. *International Journal of Public Sector Management*, 7(2):16-34.

Aras, G., Aybars, A. & Kutlu, O. 2010. Managing corporate performance: investigating the relationship between corporate social responsibility and financial performance in emerging markets. *International Journal of Productivity and Performance Management*, 59(3):229-254.

Archer, S. & Otley, D. 1991. Strategy, structure, planning and control systems and performance evaluation – Rumenco Ltd. *Management Accounting Research*, 2:263-303.

Armstrong, P., Segal, N. & Davis, B. 2005. Corporate governance: South Africa, a pioneer in Africa. *South African Institute of International Affairs*, Report No 1:1-39. [Online] Available from: www.saiia.org.za/index.php?option=com_content&view=article&id=137:corporate-governancesouthafrica-apioneerinafrica&catid=19:reports&Itemid=140 [Accessed: 2010-4-14].

Artiach, T., Lee, D., Nelson, D. & Walker, J. 2010. The determinants of corporate sustainability performance. *Accounting and Finance,* 50(1):31-51.

Atkinson, A.A. 2006. Strategy implementation: a role for the balanced scorecard? *Management Decision*, 44(10):1441-1460.

Atkinson, A.A., Waterhouse, J.H. & Wells, R.B. 1997. A stakeholder approach to strategic performance measurement. *Sloan Management Review*, 38(3):25-37.

Babbie, E. & Mouton, J. 2007. *The practice of social research*. Cape Town: Oxford University Press Southern Africa.

Bart, C.K., Bontis, N. & Taggar, S. 2001. A model of the impact of mission statements on firm performance. *Management Decision*, 39(1):19-35.

Bassiry, G.R. & Jones, M. 1993. Adam Smith and the ethics of contemporary capitalism. *Journal of Business Ethics*, 12:621-627.

Basu, R., Little, C. & Millard, C. 2009. A fresh approach of the balanced scorecard in the Heathrow Terminal 5 project. *Measuring Business Excellence,* 13(40):22-33.

Battle, M. 1997. *Reconciliation: the Ubuntu theory of Bishop Desmond Tutu.* Cleveland, OH: Pilgrim's Press [Online] Available from: http://www.goodreads.com/author/quotes/5943.Desmond_Tutu [Accessed 2010-5-12].

BBC News. 2006. *All you need is Ubuntu: Bill Clinton told the Labour conference to get into ubuntu. Eh?* [Online] Available from: http://news.bbc.co.uk/2/hi/uk_news/magazine/5388182.stm [Accessed: 2009-4-18].

BBC News. 2008. *Credit crunch future predictions.* [Online] Available from: http://news.bbc.co.uk/2/hi/business/7613071.stm [Accessed: 2009-1-24].

BBC News. 2010a. *Gulf of Mexico oil spill sparks new US drilling ban* [Online] Available from: http://news.bbc.co.uk/2/hi/americas/8654138.stm [Accessed: 2010-6-14].

BBC News. 2010b. *Malawi court convicts gay couple*. [Online] Available from: http://www.bbc.co.uk/news/10121618 [Accessed: 2010-7-15].

BBC News. 2010c. *Malawi gay couple released after presidential pardon* [Online] Available from: http://news.bbc.co.uk/2/hi/Africa/10194057.stm [Accessed: 2010-6-10].

Becker, B.E., Huselid, M.A. & Ulrich, D. 2001. *The HR Scorecard: linking people, strategy and performance.* Boston, MA: Harvard Business School Press.

Bekker, C.J. 2006. *Finding the other in African Christian leadership: kenosis and mutuality*. Paper presented at the International Conference on Value-based Leadership, University of Stellenbosch Business School, Stellenbosch, 14 March.

Bendixen, M., Abratt, R. & Jones, P. 2007. Ethics and social responsibility. *Journal of Applied Management and Entrepreneurship*, 12(1):3-24.

Berger, A.N. & Bonaccorsi di Patti, E. 2006. Capital structure and firm performance: a new approach to testing agency theory and an application to the banking industry. *Journal of Banking & Finance*, 30(4):1065-1102.

Bible, L., Kerr, S. & Zanini, M. 2006. The balanced scorecard: here and back. *Management Accounting Quarterly*, 7(4):18-23.

Bieker, T., Dyllick, T., Gminder, C.U. & Hockerts, K. 2002. *Towards a sustainability balanced scorecard linking environmental and social sustainability to business strategy*. Working paper, Institute of Economy and the Environment (IWO-HSG). St Gallen: University of St. Gallen Tigerbergstrasse, Switzerland.

Bigliardi, B. & Bottani, E. 2010. Performance measurement in the food supply chain: a balanced scorecard approach. *Facilities*, 28(5/6):249-260.

Bigliardi, B. & Dormio, A.I. 2010. A balanced scorecard approach for R&D: evidence from a case study. *Facilities,* 28(5/6):278-289.

Binedell, N. 1994. Vision and reality: business in the new South African environment. In: Christie, P., Lessem, R. & Mbigi, L. (eds.) *African Management* (pp. 3-14). Johannnesburg: Knowledge Resources.

Binedell, N. 1995. Ubuntu, and other management tips. *Economist,* 334(7906):74

Bloom, R. 2008. Scorecard best practices: design, implementation, and evaluation. *Journal of Government Financial Management*, 57(2):54.

Bloomquist, P. & Yeager, J. 2008. Using Balanced Scorecards to align organizational strategies. *Healthcare Executive*, 23(1):24-28.

Blumer, H. 1956. Sociological analysis and the “variable”. *American Sociologist,* 21:683-690.

Boerner, H. 2006. Tackling short-termism: mighty tasks ahead for investors, corporations, and financial analysts. *Corporate Financial Review*, 11(1):35-42.

Bourguignon, A., Malleret, V. & Norreklit, H. 2004. The balanced scorecard versus the French *tableau de bord*: the ideological dimension. *Management Accounting Research*, 15:107-134.

Bourne, M., Franco, M. & Wilkes J. 2003. Corporate performance. *Measuring Business Excellence*, 7(3):15-21.

Boutilier, R.G. 2007. Social capital in firm-stakeholder networks: a corporate role in community development. *Journal of Corporate Citizenship,* 26:121-134.

BP. n.d. UK social and community affairs: responsive to local needs and circumstances. [Online] Available from: http://www.bp.com/genericsection.do?categoryId=4490&contentId=7005194 [Accessed: 2009-7-24].

Breidlid, A. 2009. Culture, indigenous knowledge systems and sustainable development: a critical view of education in an African context. *International Journal of Educational Development*, 29:140-148.

Brewer, P. 2002. Putting strategy into the balanced scorecard. *Strategic Finance,* 83(7): 44-52.

Breyfogle, F.W. 2008. Going beyond the balanced scorecard. *ASQ Six Sigma Magazine,* 7(4):39-40.

Brignall, S. & Modell, S. 2000. An institutional perspective on performance measurement and management in the new public sector. *Management Accounting Research*, 11:281-306.

Broodryk, J. 2005. *Ubuntu management philosophy: exporting ancient African wisdom into the global world.* Johannesburg*:* Knowles.

Broodryk, J. 2006. *Ubuntu: life coping skills from Africa.* Johannesburg: Knowles.

Brown, M.G. 2000. *Winning score: how to design and implement organisational scorecards*. Portland, OR: Productivity Press.

Brown, M.G. 2007. *Beyond the balanced scorecard: improving business intelligence with analytics*. New York: Productivity Press.

Brudan, A. 2010. Rediscovering performance management: systems, learning and integration. *Measuring Business Excellence,* 14(10):109-123.

Bryant, I., Jones, D.A. & Widener, S.K. 2004. Managing value creation within the firm: an examination of multiple performance measures. *Journal of Management Accounting Research*, 16:107-131.

Bryman, A. & Bell, E. 2007. *Business research methods.* New York: Oxford University Press.

Budworth, D. 2010. The credit crunch explained. *The Times.* [Online] Available from: http://www.timesonline.co.uk/tol/money/reader_guides/article4530072.ece [Accessed: 2010-6-12].

Busi, M. & Bititci, U.S. 2006. Collaborative performance management: present gaps and future research. *International Journal of Productivity and Performance Management*, 55(1):7-25.

BusinessDictionary.com, n.d. Corporate social responsibility. [Online] Available from: http://www.businessdictionary.com/definition/corporate-social-responsibility.html [Accessed: 2010-6-12].

Caemmerer, B. & Wilson, A. 2010. Customer feedback mechanisms and organizational learning in service operations. *International Journal of Operations & Production*, 30(3):288-311.

Cagnazzo, L., Taticchi, P. & Brun, A. 2010. The role of performance measurement systems to support quality improvement initiatives at supply chain level. *International Journal of Productivity and Performance Management,* 59(2):163-185.

Capra, F. & Pauli, G. (eds.). 1995. *Steering business toward sustainability.* New York: United Nations University Press.

Carr, S.C., MacLachlan, M. Kachedwa, M. and Kanyangale, M. 1997. The meaning of work in Malawi. *Journal of International Development*, 9(7):899-911.

Carroll, A.B. 1979. Three-dimensional conceptual model of corporate performance. *Academy of Management Review*, 4(4):497-505.

Carroll, A.B. 1999. Corporate social responsibility: evolution of a definitional construct. *Business & Society,* 38(3):268-295.

Cavalluzzo, K.S. & Ittner, C.D. 2004. Implementing performance measurement innovations: evidence from government. *Accounting, Organizations and Society*, 29:243-268.

Chan, Y.L. 2009. How strategy map works for Ontario's health system. *International Journal of Public Sector Management,* 22(4):349-363.

Chang, L. 2007. The NHS performance assessment framework as a balanced scorecard approach: limitations and implications. *International Journal of Public Sector Management*, 20(2):101-117.

Characklis, G.W. & Richards, D.J. 1999. The evolution of industrial environmental performance measures: trends and challenges. *Corporate Environmental Strategy,* 6(3):387-398.

Chavan, M. 2009. The balanced scorecard: a new challenge. *Journal of Management Development*, 28(5):393-406.

Chenhall, R. 2005. Integrative strategic performance measurement systems, strategic alignment of manufacturing, learning and strategic outcomes: an exploratory study. *Accounting, Organisations and Society,* 30:395-422.

Cheraghi, H.S., Dadashzadeh, M. & Venkitachalam, P. 2010. Revenue management in manufacturing: a research landscape. *Journal of Business & Economics Research*, 8(2):63-72.

Chia, A., Goh, M. & Hum, S. 2009. Performance measurement in supply chain entities: balanced scorecard perspective. *Benchmarking: An International Journal,* 16(5):605-620.

Chua, W.F. 2007. Accounting, measuring, reporting and strategizing – reusing verbs: a review essay. *Accounting, Organizations and Society,* 32:487-494.

Cicourel, A.V. 1964. *Method and measurement in sociology.* New York: Free Press.

Cicourel, A.V. 1982. Interviews, surveys, and the problem of ecological validity. *American Sociologist,* 17:11-20.

Clarkson Centre for Business Ethics (CCBE). 2000. *The Clarkson principles for stakeholder management.* [Online] Available from: http://www.valuebasedmanagement.net/methods_clarkson_principles.html [Accessed: 2010-04-21].

Coetzee, P.H. & Roux, A.P.J. 1998. *The African philosophy reader*. London: Routledge.

Colby, S. & Rubin, A. 2005. The strategic value of a shared understanding of costs. *Strategy & Leadership*, 33(2):27-32.

Collier, J. & Roberts, J. 2001. An ethic of corporate governance. *Business Ethics Quarterly*, 11(1):67-71.

Commission of the European Communities. 2006. *Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility – 22nd March*. Brussels: Commission of the European Communities.

Common Market for Eastern and Southern Africa. 2010. *About COMESA.* [Online] Available from: http://about.comesa.int/lang-en/secretariat [Accessed: 2010-5-18].

Cooper, D.R. & Schindler, P.S. 2006. *Research business methods.* McGraw-Hill: Singapore

Correia, C., Flynn, D., Uliana, E. & Wormald, M. *Financial management.* Cape Town: Juta.

Costello, A.B. & Osborne, J.W. 2005. Best practice in exploratory factor analysis: four recommendations for getting the most from your analysis. *Practical Assessment, Research & Evaluation*, 10(7):1-9.

Cotora, L. 2007. Managing and measuring the intangibles to tangibles value flows and conversion process: Romanian Space Agency case study. *Measuring Business Excellence*, 11(1):53-60.

Dai, M. 1991. Development and cultural values in Sub-Saharan Africa. *Finance & Development,* 28(4):10-13.

Damane, M.B. 2001. Executive summary: Nuclear Energy Corporation of South Africa. *Academy of Management Executive*, 15(3):23-33.

Darley, W.K. & Blankson, C. 2008. African culture and business markets: implications for marketing practices. *Journal of Business and Industrial Marketing,* 23(6):374-383.

Dasgupta, S. 2010. A stitch in time saves nine: behind every major business failure lies an untold story. *Business Strategy Series*, 11(2):100-106.

David, F. 2005. *Strategic management: concepts & case studies.* Upper Saddle River, NJ: Prentice Hall.

Davis, S. & Albright, T. 2004. An investigation of the effect balanced scorecard implementation on financial performance. *Management Accounting Research,* 15(2):135-153.

De Haas, M. & Kleingeld, A. 1999. Multilevel design of performance measurement systems: enhancing strategic dialogue throughout the organisation. *Management Accounting Research*, 10:233-261.

De Waal, A.A. 2010. Performance-driven behavior as the key to improved organizational performance. *Measuring Business Excellence,* 14(1):79-95.

DeBusk, G.K. & Crabtree, A.D. 2006. Does the balanced scorecard improve performance? *Management Accounting Quarterly*, 8(1):44-48.

DeBusk, G.K., Killough, L.N. & Brown, R.M. 2009. Intolerance of ambiguity effects on evaluations with the Balanced Scorecard. *Issues in Innovation,* 3(1):1-31.

Decoene, V. & Bruggeman, W. 2006. Strategic alignment and middle-level managers' motivation in a balanced scorecard setting. *International Journal of Operations & Production Management*, 26(4):429-448.

Dia, M. 1992. Indigenous management practices: lessons for African management in the 1990's. *Proceedings*: *Conference on Culture and Development in Africa. World Bank,* April:165-192.

Dillman, D. A. 2000. *Mail and international surveys: the tailored design method.* New York: Wiley.

DiMaggio, P.J. & Powell, W.W. 1983. The iron cage revisited: institutional isomorphism and collective rationality in organizational field. *American Sociological Review*, 48:147-160.

Ding, Y., Zhang, H. & Zhang, J. 2008. The financial and operating performance of Chinese family-owned listed firms. *Management International Review,* 48(3):297-318.

Drucker, P.F. 1985. *Management: tasks, responsibilities, practices. New York:* Harper

Drucker, P.F. 1992. The new society of organisations. *Harvard Business Review*, Sept-Oct: 95-104.

Drucker, P.F. 1993. *Post-capitalist society*. New York: Harper Business.

Drucker, P.F. 1999. Knowledge-worker productivity: the biggest challenge. *California Management Review,* 41(2):79-94.

Drucker, P.F. 2002a. The discipline of innovation. *Harvard Business Review,* 80(8):95-103.

Drucker, P.F. 2002b. They're not employees, they're people. *Harvard Business Review*, 80(2):70-77.

Drucker, P.F. 2006. What executives should remember. *Harvard Business Review,* 84(2):1-9. [Online] Available from: http://hbswk.hbs.edu/archive/5377.html [Accessed: 2010-8-16].

Drucker, P.F. 2007. *The practice of management* (2nd ed). Burlington, MA: Butterworth-Heinnman

Drury, C. 1996. *Management and cost accounting.* Englewood Cliffs, NJ: Prentice Hall.

Drury, H.D. & McWatters, C.S. 1998. Management accounting paradigms in transition. *Journal of Cost Accounting,* May/June:32-39.

Du Plessis, C. 2001. Sustainability and sustainable construction: the African context. *Building Research & Information*, 29(5):374-380.

Du Plessis, C. 2010. Macro-ethics. In: Prozesky, M. (ed). *Ethics for accountants & auditors* (pp. 114-127). Cape Town: Oxford University Press.

Du Plessis, C. & Prinsloo, F. 2010. Corporate governance. In: Prozesky, M. (ed). *Ethics for accountants & auditors* (pp. 141-164). Cape Town: Oxford University Press.

Duren, P. 2010. Public management means strategic management: how can libraries fulfill the requirements of the new public management? *Library Management,* 31(3):162-168.

Eisenhardt, K.M. 1989. Agency Theory: an assessment and review. *Academy of Management Review*, 14(1):57-74

Einstein Qoutes, n.d. *222 Albert Einstein Quotes and Sayings*. [Online] Available from: http://www.quotespapa.com/authors/albert-einstein-quotes.html [Accessed: 2009-10-12].

Elbanna, S. & Naguid, R. 2009. How much does performance matter in strategic decision making? *International Journal of Productivity and Performance Management,* 58(5):437-459.

Elg, M. 2007. The process of constructing performance measurement. *TQM Magazine,* 19(3):217-228.

Elkington, J. 1997. *Cannibals with forks. The triple bottom line of the 21st century business*. Stony Creek, CT: New Society.

English, J. 2002. Managing cultural differences to improve industrial efficiency. *Building Research & Information,* 30(3):196-204.

Epstein, M.J. & Wisner, P.S. 2001. Using the balanced scorecard to implement sustainability. *Environmental Quality Management,* 11(2):1-10.

Epstein, M.J. 2007. *Making sustainability work: best practices in managing and measuring corporate social, environmental and economic impacts*. San Francisco: Berrett-Koehler.

Esperance, J.P., Ana, P.M.G. & Mohamed, A.G. 2003. Corporate debt policy of small firms: an empirical (re)examination. *Journal of Small Business and Enterprise Development*, 10(1):62-80.

Evan, W. & Freeman, R. 1993. A stakeholder theory of modern corporation: Kantian capitalism. In: Beauchamp, T. & Bowie, N (eds.) *Ethical theory and business* (pp. 38-48). Upper Saddle River, NJ: Prentice Hall.

Eze, M.O. 2006. *Ubuntu: a communitarian response to liberal individualism?* Unpublished master's dissertation. University of Pretoria. [Online] Available from: http://upetd.up.ac.za/thesis/available/etd-11092006-161825/ [Accessed: 2008-10-14].

Fakude, N. 2007. Entrepreneurship and small business: the high road to growth. In: Marcus, G., Mangcu, X., Shubane, K. & Hadland, A (eds.) *Visions of Black economic empowerment* (pp. 198-205). Pretoria: Human Sciences Research Council.

FAO-Rome & BSF. 2008. *Population ageing in Malawi: understanding challenges, responding to opportunities*. Proceedings of the meeting organized jointly by the Bingu Silvergrey Foundation and the Food and Agriculture Organization of the UN held in Lilongwe, Malawi, 28-29 November 2007:1-21. [Online] Available from: http://www.eldis.org/assets/Docs/41055.html [Accessed: 2009-5-8].

Ferreira, A. & Otley, D. 2009. The design and use of performance management systems: an extended framework for analysis. *Management Accounting Research,* 20(4):263-282.

Field, A. 2000. *Discovering statistics using SPSS*. London: Sage.

Field, A. 2005. *Discovering statistics using SPSS*. 2nd ed. London: Sage.

Field, A. 2009. *Discovering statistics using SPSS*. 3rd ed. London: Sage.

Figge, F., Hahn, T., Schaltegger, S. & Wagner, M. 2002. The sustainability balanced scorecard – linking sustainability management to business strategy. *Business Strategy and the Environment,* 11:269-284.

Fisher, D. 2010. Leading a sustainable organization. *Journal for Quality and Participation*, 32(4):29-31.

Fitzgerald, T. & Collins, J. 2006. The CFO as predictor of corporate finance. *Strategic Finance*, 88(3):40-47.

Flamholtz, E.G. 2001. Corporate culture and the bottom line. *European Management Journal*, 19(3):268-275.

Flamholtz, E.G. 2003. Putting balance into the Balanced Scorecard. *Journal of Human Resource Costing & Accounting*, 7(3):15-26.

Flamholtz, E.G. 2005. Conceptualizing and measuring the economic value of human resource capital of the third kind: corporate culture. *Journal of Human Resource Costing & Accounting*, 9(2):78-93

Flamholtz, E.G., Das, T.K. & Tsui, A.S. 1985. Toward an integrative framework of organizational control. *Accounting Organizations and Society*, 10(1):35-50.

Flamholtz, E.G. & Hua, W. 2002. Strategic organizational development and the bottom line: further empirical evidence. *European Management Journal*, 20(1):72-81.

Flamholtz, E.G. & Kannan-Narasimhan, R. 2005. Differential impact of cultural elements on financial performance. *European Management Journal*, 23(1):50-64.

Freeman, E.R. 1994. The politics of stakeholder theory: some future directions. *Business Ethics Quarterly*, 4(4):409-421

Friedman, M. 1993. The social responsibility of business is to increase its profits. In: Olen, J. & Barry, V. (eds.) *Applying ethics* (pp. 433-438). Belmont, CA: Wadsworth.

Garcia-Parra, M., Simo, P., Sallan, J. M. & Mundet, J. 2009. Intangible liabilities: beyond models of intellectual assets. *Management Decision*, 47(5):819-830.

Gates, S. & Langevin, P. 2010. Human capital measures, strategy, and performance: HR managers' perceptions. *Accounting, Auditing & Accountability Journal,* 23(1):111-132.

Gering, M. & Mntambo, V. 2002. Parity politics. *Financial Management*, February:36-37.

Gerstner, L. 2003. *Who says elephants can't dance*. London: HarperCollins.

Ghalayini, A.M. & Noble, J.S. 1996. The changing basis of performance measurement. *International Journal of Operations & Production Management,* 16(8):63-80.

Ghebregiogis, F. & Karsten, L. 2006. Human resource management practices in Eritrea: challenges and prospects. *Employee Relations*, 28(2):144-163.

Ghosh, D. & Wu, D. 2007. Intellectual capital and capital markets: additional evidence. *Journal of Intellectual Capital,* 8(2):216-235.

Gichure, C. W. 2006. Teaching business ethics in Africa: What ethical orientation? The case of East and Central Africa. *Cross Cultural Management,* 12(3):63-84.

Gitman, L.J. 2010. *Principles of managerial finance: global and Southern African perspectives,* Cape Town: Prentice-Hall.

Global Reporting Initiative (GRI). 2002. *Sustainability reporting guidelines.* Boston, MA: GRI.

Gomes, C.F., Yasin, M.M., & Lisboa, J.V. 2004. A literature review of manufacturing performance measures and measurement in an organizational context: a framework and direction for future research. *Journal of Manufacturing Technology Management*, 15(6):511-530.

Gouws, D.G. 1996. The role of accounting in equalising Africa's perception on unequal exchanges*. Meditari: Research Journal of the School of Accounting Sciences*, 4:113-129.

Government of Eritrea. 1997. *Constitution of Eritrea*. Asmara: Government of Eritrea.

Gray, K.R., Shrestha, N.R. & Nkasah, P. 2008. A cross-cultural perspective on management in Kenya. *Journal of African Business,* 9(1):27-58.

Gray, R. (2006). Social, environmental and sustainability reporting and organizational value creation? Whose value? Whose creation? *Accounting, Auditing and Accountability Journal*, 19(6):793-819.

Gregory, B.T., Harris, S.G., Amenakis, A.A. & Shook, C.L. 2009. Organisational culture and effectiveness: a study of values, attitudes, and organisational outcomes. *Journal of Business Research,* 62:673-679.

Greiling, D. 2006. Performance measurement: a remedy for increasing the efficiency of public services? *International Journal of Productivity and Performance Management*, 55(6):448-465.

Hall, G.C., Hutchinson, P.J. & Michaelas, N. 2004. Determinants of capital structures of European SMEs. *Journal of Business Finance and Accounting*, 31(5/6):711-728.

Hallowell, R. 1996. The relationships of customer satisfaction, customer loyalty and profitability: an empirical study. *International Journal of Service Industry Management*, 7(4):27-42.

Hammer, M. 2007. The 7 deadly sins of performance measurement and how to avoid them. *MIT Sloan Management Review*, 48(3):18-29.

Hampden-Turner, C. & Trompenaars, A. 1993. *The seven cultures of capitalism*. New York: Currency/Doubleday.

Hanafizadeh, P. & Sorousha, M. 2008. A methodology to define strategic processes in organizations: an exploration study in managerial holding companies. *Business Process Management Journal*, 14(2):219-227.

Hart, S.L. 1997. Beyond greening: strategies for a sustainable world. *Harvard Business Review,* Jan-Feb:66-76.

Hellriegel, D., Slocum, J.W. & Woodman, R.W. 1992. *Organisational behavior.* St Paul, MN: West.

Henri, J.F. 2004. Performance measurement and organisational effectiveness: bridging the gap. *Managerial Finance*, 30(20):93-123.

Hinton, M. & Barnes, D. 2009. Discovering effective performance measurement for e-business. *International Journal of Productivity and Performance Management,* 58(4):329-345.

Hofstee, E. 2006. *Constructing a good dissertation: a practical guide to finishing a master's, MBA, or PhD on schedule.* Johannesburg: EPE.

Horngren, C.T. & Foster, G. 1991. *Cost accounting: a managerial emphasis.* Englewood Cliffs, NJ: Prentice-Hall.

Horngren, C.T., Bhimani, A., Data, S.M. & Foster, G. 2002. *Management and cost accounting.* Upper Saddle River, NJ: Prentice-Hall.

Hudson, M., Smart, A. & Bourne M. 2001. Theory and practice in SME performance measurement systems. *International Journal of Operations and Production Management,* 21:1096-1115.

Iatridis, G. 2010. International Financial Reporting Standards and the quality financial statement information. *International Review of Financial Analysis* 19:193-204.

Institute of Directors in Southern Africa. 2009. *The King Report on Corporate Governance for South Africa.* Parklands, Cape Town: IDSA.

Isaksson, R. & Steimle, U. 2009. What does GRI reporting tell us about corporate sustainability? *TQM Journal,* 21(2):168-181.

Itnner, C.D. & Larcker, D.F. 1998. Are nonfinancial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of Accounting Research*, 36:1-35.

Itnner, C.D. & Larcker, D.F. 2001. Assessing empirical research in managerial accounting: a value based management perspective. *Journal of Accounting and Economics*, 32:349-410.

Ittner, C.D. 2008. Does measuring intangibles for management purposes improve performance? A review of the evidence. *Accounting and Business Research,* 38(3):261-272.

Ittner, C.D., Larcker, D.F. & Meyer, M.W. 1997. *Performance, compensation, and the Balanced Scorecard*. Research funded by the Citicorp Behavioral Sciences Research Council. November 1:1-57

Ittner, C.D., Larcker, D.F. & Randall, T. 2003. Performance implications of strategic performance measurement in financial services firm. *Accounting, Organisations and Society,* 28:715-741.

Jablonsky, S.F. & Barsky, N.P. 2001. *The managers guide to financial statements analysis*. New York: John Wiley & Sons.

Janson, E. 2005. The stakeholder model: the influence of the ownership and governance structures. *Journal of Business Ethics*, 56(1):1-13.

Johnson, T. & Kaplan, R. 1987. *Relevance lost: the rise and fall of management accounting*. Boston, MA: Harvard Business School Press.

Juscius, V. 2007. Corporate social responsibility and sustainable development. *Organisaciju Vadyba Sisteminial Tyrimail*, 44:35-44.

Jusoh, R., Ibrahim, D.N. & Zainuddin, Y. 2008. The performance consequences of multiple performance measures usage: evidence from the Malaysian manufacturers. *International Journal of Productivity and Performance Management,* 57(2):119-126.

Kamath, G.B. 2008. Intellectual capital and corporate performance in Indian pharmaceutical industry. *Journal of Intellectual Capital,* 9(4):684-704.

Kamoche, K. 2002. Introduction: human resource management in Africa. *International Journal of Human Resource Management*, 13:993-997.

Kaplan, R.S. & Norton, D.P. 1992. The balanced scorecard: measures that drive performance. *Harvard Business Review*, 70(1): 71-79.

Kaplan, R.S. & Norton, D.P. 1996a. Linking the Balanced Scorecard to strategy*: California Management Review,* 39(1):53-79.

Kaplan, R.S. & Norton, D.P. 1996b. *The balanced scorecard: translating strategy into action*. Boston, MA: Harvard Business School Press.

Kaplan, R.S. & Norton, D.P. 1996c. Using the balanced scorecard as a strategic management system. *Harvard Business Review*, 74(1):75-85.

Kaplan, R.S. & Norton, D.P. 2001a. *The strategy focused organisation: how balanced scorecard companies thrive in the new business environment*. Boston, MA: Harvard Business School Press.

Kaplan, R.S. & Norton, D.P. 2001b. Transforming the balanced scorecard from performance measurement to strategic management. *Accounting Horizons*, 15:87-104.

Kaplan, R.S. & Norton, D.P. 2004a. Measuring the strategic readiness of intangible assets. *Harvard Business Review*, 82(2):52-63.

Kaplan, R.S. & Norton, D.P. 2004b. *Strategy maps converting intangible assets into tangible outcomes*. Boston, MA: Harvard Business School Press.

Kaplan, R.S. & Norton, D.P. 2004c. The strategy map: guide to intangible assets. *Strategy and Leadership*, 32(5):10-17.

Kaplan, R.S. & Norton, D.P. 2005. The office of strategy management. *Harvard Business Review*, 83(10):72-80.

Kaplan, R.S. & Norton, D.P. 2006. *Alignment: using the Balanced Scorecard to create corporate synergies*. Boston, MA: Harvard Business School Press.

Kaplan, R.S. & Norton, D.P. 2008a. *Execution premium: linking strategy to operations for competitive advantage*. Boston, MA: Harvard Business School Press.

Kaplan, R.S. & Norton, D.P. 2008b. Mastering the management system. *Harvard Business Review*, 86(1):62-77.

Kaplan, R.S. & Norton, D.P. 2008c. Protect strategic expenditures. *Harvard Business Review*, 86(12):28.

Kaplan, R.S., Norton, D.P. & Rugelsjoen, B. 2010. Managing alliances with the balanced scorecard. *Harvard Business Review*, 88(1):114-120.

Karsten, L. & Illa, H. 2005. Ubuntu as a key African management concept: contextual background and practical insights for knowledge application. *Journal of Managerial Psychology,* 20(7):607-620.

Kazan, H., Ozer, G. & Certin, A.T. 2006. The effect of manufacturing strategies on financial performance. *Measuring Business Excellence Journal,* 10(1):14-26.

Kelly, M. 2001. *The divine right of capital*. San Francisco: BerrettKoehler.

Kennerley, M. & Neely, A. 2002a. A framework of factors affecting the evolution of performance measurement systems. *International Journal of Operations and Production Management,* 22(11):1222-1245

Kennerley, M. & Neely, A. 2002b. *Business performance measurement: theory and practice*. Cambridge: Cambridge University Press.

Kenny, G. 2003. Strategy: Balanced Scorecard - why it isn't working. *New Zealand Management*, 50(2):32-34.

Khoza, R.J. 1994. Managing the Ubuntu way. *Enterprise Magazine,* October: 4-9.

Khoza, R.J. 2006. *Let Africa lead: African transformational leadership for 21st century business.* Johannesburg: Vezubuntu.

Kleine, A. & Von Hauff, M. 2009. Sustainability-driven implementation of corporate social responsibility: application of the integrative sustainability triangle. *Journal of Business Ethics*, 85:517-533.

Klemz, B.R., Bushoff, C. & Mazibuko, N.E. 2006. Emerging markets in black South African townships: small local independently owned versus large national retailers. *European Journal of Marketing,* 40(5):590-610.

Kocakulah, M.C. & Austill, A.D. 2007. Balanced scorecard application in the health care industry: a case study. *Journal of Health Care Finance*, 34(1):72-99.

Kohnen, J. 2008. Business process management and the balanced scorecard: using processes as strategic drivers. *Quality Management Journal*, 15(1):76-77.

Koku, P.S. 2005. Towards an integrated marketing strategy for developing markets. *Journal of Marketing Theory and Practice,* 13(4):8-21.

Kong, E. 2008. The strategic importance of intellectual capital in the non-profit sector. *Journal of Intellectual Capital*, 8(4):721-731.

Koster, J.D. 1996. Managing the transformation. In: Bekker, K (ed.) *Citizen participation in local government* (pp. 99-118). Pretoria: Van Schaik.

Kotler, P. & Keller, K.L. 2006. *Marketing management*. New Delhi: Prentice-Hall.

KPMG International. 1999. *KPMG International survey of environmental Reporting*. Amsterdam: KPMG Environmental Consulting.

Krause, O. 2003. Beyond BSC: a process based approach to performance management. *Measuring Business Excellence,* 7(3):4-14.

Kunc, M. 2008. Using systems thinking to enhance strategy maps. *Management Decision,* 46(5):761-778.

Kyereboah-Coleman, A. 2007. The impact of capital structure on the performance of microfinance institutions. *Journal of Risk Finance*, 8(1):56-71.

Laitinen, E.K. 2004. Towards a microeconomic approach of the balanced scorecard. *Managerial Finance*, 30(6):1-27.

Laudon, K.C. & Laudon, J.P. 2006. *Essentials of management information systems: managing a digital firm.* Upper Saddle River, NJ: Prentice-Hall.

Lehtinen, J. & Ahola, T. 2010. Is performance measurement suitable for an extended enterprise? *International Journal of Operations & Production Management,* 30(2):181-204.

Leung, L.C., Lam, K.C. & Cao, D. 2006. Implementing the balanced scorecard using the analytic hierarchy process & the analytic network process. *Journal of the Operational Research Society*, 57:682-691.

Liao, T.S. & Rice, J. 2010. Innovation investments, market engagement and financial performance: a study among Australian manufacturing SMEs. *Research Policy*, 39(1):117-125.

Liker, J.K. 2004. *The Toyota way: 14 management principles from the world's greatest manufacturer*. New York: McGraw-Hill.

Linkedin.com. n.d. Institute of Directors in Southern Africa. [Online] Available from: http://www.linkedin.com/companies/institute-of-directors-in-southern-africa [Accessed: 2010-5-18].

Lipe, M.G. & Salterio, S.E., 2000. The balanced scorecard: judgmental effects of common and unique performance measures. *The Accounting Review,* 75(3):283-298.

Litschka, M., Markom, A. & Schunder, S. 2006. Measuring and analyzing intellectual assets: an integrative approach. *Journal of Intellectual Capital,* 7(2):160-173.

Lorenz, E. & Lundvall, B.A. 2010. Measuring creativity work: the European experience (dagger). *ICFAI Journal of Knowledge Management*, 8(1/2):77-97.

Luhabe, W. 2002. *Defining moments: experiences of Black executives in South Africa's workplace.* Pietermaritzburg: University of Natal Press.

Luhabe, W. 2007. The moral bases of stakeholder society. In: Marcus, G., Mangcu, X., Shubane, K. & Hadland, A (eds). *Visions of Black economic empowerment* (pp. 18-27). Pretoria: Human Sciences Research Council.

Lunenburg, F.C. & Irby, B.J. 2008. *Writing a successful thesis or dissertation: tips and strategies for students in the social and behavioral sciences.* London: Sage.

Lutz, D.W. 2009. African Ubuntu philosophy and global management. *Journal of Business Ethics,* 84(3):313-328.

Mackay, A. 2005. *Practitioners' guide to the balanced scorecard*. London: Chartered Institute of Management Accountants (CIMA).

Malawi Government. 1986. *Malawi Companies Act.* Zomba, Malawi: Government Press.

Malawi Government. 1990. *Capital Market Development Act*. Zomba, Malawi: Government Press.

Malawi Government. 2006. *Malawi Growth and Development Strategy*, Zomba, Malawi: Government Press. [Online] Available from: http://www.imf.org/external/pubs/ft/scr/2007/cr0755.pdf [Accessed: 2009-7-17].

Malawi Government. 2010a. *Malawi gay judgment*. [Online] Available from: Malawi Voice official website: http://www.malawivoice.com/malawi-forum/ [Accessed: 2010-7-24].

Malawi Government. 2010b. *Malawi National Anthem.* [Online] Available from: Official Website of Malawi High Commission United Kingdom http://www.malawihighcommission.co.uk/Malawi_National_Anthem.htm [Accessed: 2010-2-26].

Malmi, T. 2001. Balanced scorecards in Finnish companies: a research note. *Management Accounting Research*, 12:207-220.

Mandela, N. 2006. Foreword. In: Khoza, R.J. (ed.) *Let Africa lead: African transformational leadership for 21st century business* (p. 6). Johannesburg: Vezubuntu.

Mangaliso, M.P. 2001. Building competitive advantage from ubuntu: management lessons from South Africa. *Academy of Management Executive*, 15(3):23-33.

Mangcu, X. 2007. Introduction. In: Marcus, G., Mangcu, X., Shubane, K. & Hadland, A (eds). *Visions of Black economic empowerment* (pp.1-6). Pretoria: Human Sciences Research Council.

Manwa, H. & Manwa, F. 2007. Applicability of the Western concept of mentoring to African organisations: a case of Zimbabwean organisations. *Journal of African Business,* 8(1):31-42.

Maphisa, S. 1994. *Man in constant search of ubuntu – a dramatist's obsession.* Piermaritzburg: University of Natal, (AIDSA)

Martin, B. 2007. Environmental accounting. *Financial Management*, April:36-37.

Marwa, S.M. & Zairi, M. 2009. In pursuit of performance-oriented civil service reforms (CSRs): a Kenyan perspective. *Measuring Business Excellence*, 13(2):34-43.

Mascela, R. & Tomas, L. 2009. Financial stability of the Czech insurance business. *E&M Ekonomie a Management*, 1:68-76.

Mazrui, A. 2001. *Afro-Arab crossfire: between the frames of terrorism and the force of Pax Americana.* Paper presented at a special seminar sponsored by the Ethiopian International Institute for Peace and Development, Addis Ababa, Ethiopia, December.

Mbigi, L. & Maree, J. 2005. *Ubuntu: the spirit of African transformation management.* Johannesburg: Knowledge Resources.

Mbigi, L. 2000. Making the African renaissance globally competitive. *People Dynamics*, 18:16-21.

Mbigi, L. 2005. *The spirit of African leadership.* Johannesburg: Knowledge Resources.

McAlister, D.T., Ferrell, O. & Ferrell, L. 2003. *Business and society: a strategic approach to corporate citizenship*. Boston, MA: Houghton Mifflin.

McFarlin, D.B., Coster, E.A. & Mogale-Pretorius, C. 1999. South African management development in the twenty-first century: moving toward an Africanized model. *Journal of Management Development*, 18(1):63-78.

McGrath, S. & Akoojee, S. 2009. Vocational education and training for sustainability in South Africa: the role of public and private provision. *International Journal of Educational Development,* 29:149-156.

McNamee, P.B. 1993. *Management accounting: strategic planning and marketing*. Oxford: Butterworth-Heinemann.

Mersham, G.M. & Skinner, C. 1999. *New insights into communication and public relations.* Johannesburg: Heinemann.

Meybodi, M.Z. 2009. Benchmarking performance measures in traditional and just-in-time companies. *Benchmarking: An International Journal,* 16(1):88-102.

Mihelis, G., Grigoroudis, E., Siskos, Y., Politis, Y. & Malandrakis, Y. 2001. Customer satisfaction measurement in the private bank sector. *European Journal of Operational Research*, 130(2):347-360.

Mills, J.R. & Yamamura, J.H. 1998. The power of cash flow ratios. *Journal of Accountancy*, 186(4):53-59.

Mitrof, I.I., Betz, F., Pondy, L.R. & Sagasti, F. 1974. On managing science in systems age: two schemas for the study of science as a whole systems phenomenon. *Interface,* 4(3):46-58.

Modell, S. 2001. Performance measurement and institutional processes: a study of managerial responses to public sector reform. *Management Accounting Research*, 12:437-464.

Modigliani, F. & Miller, M. 1958. The cost of capital, corporate finance and the theory of investment. *American Economic Review*, 48:261-297.

Moeller, K. 2009. Intangible and financial performance: causes and effects. *Journal of Intellectual Capital,* 10(2):224-245.

Moloketi, G.R. 2009. Towards a common understanding of corruption in Africa. *Public Policy and Administration*, 24(3):331-338.

Mooraj, S., Oyon, D. & Hostettler, D. 1999. The balanced scorecard: a necessary good or unnecessary evil. *Journal of Operational Research Society,* 54:507-514.

Morgan, G., Ryo, K. & Mirvis, P. 2009. Leading corporate citizenship: governance, structure, systems. *Corporate Governance,* 9(1):39-49.

Mouton, J. 2001. *How to succeed in your master's and doctoral studies: a South African guide and resource book,* Pretoria: Van Schaik.

Mwenda, K.K. & Muuka, G.N. 2004. Towards best practices for micro finance institutional engagement in African rural areas: selected cases and agenda for action. *International Journal of Social Economics*, 31(1/2):143-158.

Nakano, C. 2007. The significance and limitations of corporate governance from the perspective of business ethics: towards the creation of an ethical organizational culture. *Asian Business & Management*, 6:163-178.

Needles, B.E. & Powers, M. 2010. *International financial reporting standards.* Mason, OH: South-West Cengage Learning.

Neely, A. & Micheli, P. 2005. *Performance measurement in the UK's public sector: searching for the golden thread.* Paper presented at the British Academy of Management Conference, Oxford, September.

Neely, A. & Najjar, M.A. 2006. Management learning not management control: the true role of performance measurement. *California Management Review*, 48(3):100-114.

Neely, A. 1998. *Measuring business performance*. London: Economist Books.

Neely, A. 1999. The performance measurement revolution: why now and what next? *International Journal of Operations & Production Management*, 19(2):205-228.

Neely, A., Gregory, M. & Platts, K. 1995. Performance measurement system design: a literature review and research agenda. *International Journal of Operations & Production Management*, 15(4):80-116.

Neville, B.A. & Menguc, B. 2006. Stakeholder multiplicity: towards an understanding of the interactions between stakeholders. *Journal of Business Ethics,* 66:377-391.

Newbert, S.L. 2003. Realizing the spirit and impact of Adam Smith's capitalism through entrepreneurship. *Journal of Business Ethics*, 46(3):251-261.

Newcomer, K.E. 1997. *Using performance measurement to improve private and nonprofit programs*. San Francisco: Jossey-Bass.

Newman, N. 2007. Enron and the special purpose entities-use or abuse? The real problem – the real focus. *Law and Business Review of the Americas*, 13(1):97-137.

Ngunjiri, 2010. Lessons in spiritual leadership from Kenyan women. *Journal of Educational Administration*, 48(6):755-768

Niven, P.R. 2006. *Balanced scorecard step-by-step: maximising performance and maintaining results*. New York: John Wiley & Sons.

Niven, P.R. 2008. *Balanced scorecard step-by-step for government and nonprofit agencies.* 2nd ed. New York: John Wiley & Sons.

Norreklit, H. 2000. The balance on the balanced scorecard: a critical analysis of some of its assumptions*. Management Accounting Research*, 11(1):65-88.

Norreklit, H., Jacobsen, M. & Mitchell, F. 2008. Pitfalls of using the balanced scorecard. *Journal of Corporate Accounting & Finance*, 19(6):65-68.

Ntibagirirwa, S. 2009. Cultural values, economic growth and development. *Journal of Business Ethics,* 84:297-311.

Nussbaum, B. 2003. Ubuntu: reflections of a South African on our common humanity. *Reflections,* 4(4):21-26.

Nwankwo, E., Phillips, N. & Tracey, P. 2007. Social investment through community enterprise: the case of multinational corporations' involvement in the development of Nigerian water resources. *Journal of Business Ethics,* 73:91-101.

Nyarwath, O. 2002. *Moral ignorance and corruption: thought and practice in African philosophy.* Nairobi: Konrad Adenauer Foundation.

Olve, N., Roy J. & Wetter, M. 1999. *Performance drivers: a practical guide to using the balanced scorecard*. Chichester: John Wiley & Sons.

Otley, D. 1994. Management control in contemporary organisations: towards a wider framework. *Management Accounting Research,* 5:289-299.

Otley, D. 1999. Performance management: a framework for management control systems research. *Management Accounting Research*, 10(4):363-382.

Otley, D. 2001. Extending the boundaries of management accounting research: developing systems for performance management. *British Accounting Review*, 33(2):243-261.

Otley, D. 2003. Management control and performance management: whence or whither? *British Accounting Review,* 35:309-326.

Paladino, B. & Williams, N. 2008. Moving strategy forward: merging the Balanced Scorecard and business intelligence. *Business Performance Management Magazine*, 6(2):12-17.

Paladino, B. 2007a. 5 key principles of corporate performance management: how do Balanced Scorecard Hall of Fame, Malcolm Baldrige, Sterling, Fortune 100, and Forbes award winners drive value. *Strategic Finance*, 88(12):39-45.

Paladino, B. 2007b. 5 key principles of corporate performance management: successful companies plan, communicate, and manage strategy well. *Strategic Finance*, 89(1):33-41.

Paladino, B. 2007c. 5 key principles of corporate performance management: award-winning companies use them to improve their performance and manage and leverage knowledge for success. *Strategic Finance*, 89(2):39-45.

Palmer, R. 2009. Skills development, employment and sustained growth in Ghana: sustainability challenges. *International Journal of Educational Development,* 29:133-139.

Pandya, K.V. & Boyd, J. 1995. Appraisal of JIT using financial measures. *Journal of Operations and Production Management*, 15(9):200-209.

Papenhausen, C. & Einstein, W. 2006. Implementing the Balanced Scorecard at a college of business. *Measuring Business Excellence,* 10(3):15-22.

Pearce II, J.A. 2007, The value of corporate financial measures in monitoring downturn and managing turnaround: an exploratory study. *Journal of Managerial Issues*, 26(2):253-270.

Pedersen, E.R. & Neergaard, P. 2008. From periphery to centre: how CSR is integrated in the mainstream performance management frameworks. *Measuring Business Excellence,* 12(1):4-12.

Peloza, J. 2009. The challenge of measuring financial impacts from investments in corporate social performance. *Journal of Management,* 35(6):1518-1541.

Phillips, R., Freeman, R.E. & Wicks, A.C. 2003. What stakeholder theory is not. *Business Ethics Quarterly*, 13(4):479-502.

Phillips, R.A. 1997. Stakeholder theory and a principle of fairness. *Business Ethics Quarterly,* 7(1):51-66.

Phusavat, K., Anussornnitisarn, P., Helo, P. & Dwight, R. 2009. Performance measurement: roles and challenges. *Industrial Management & Data Systems,* 109(5):646-664.

Pieper, S.K. 2005. Reading the right signals: how to strategically manage with scorecards. *Healthcare Executive,* 20(3):8-14.

Pohle, G. & Chapman, A.M. 2006. IBM's global CEO report 2006: business model innovation matters. *Strategy & Leadership*, 34(5):34-40.

Poovan, N., Du Toit, M.K. & Engelbrecht, A.S. 2006. The effect of the social values of Ubuntu on team effectiveness. *South African Journal of Business Management*, 37(3):17-27.

Porter, M.E. 2004. *Competitive advantage: creating and sustaining superior performance.* London: Free Press.

Porter, M.E. 2008. The five competitive forces that shape strategy. *Harvard Business Review*, 86(1):78-93.

Prieto, I. M. & Revilla, E. 2006. Learning capability and business performance: a non-financial and financial assessment. *Learning Organization*, 13(2):166-185.

Prinsloo, E.D. 2000. The African view of participatory business management. *Journal of Business Ethics*, 25(4):275-286.

Prowse, P. & Prowse, J. 2009. The dilemma of performance appraisal. *Measuring Business Excellence,* 13(4):66-77.

Prowse, P. & Prowse, J. 2010. Whatever happened to human resource management performance? *International Journal of Productivity and Performance Management,* 59(2):145-162.

Prozesky, M. (Ed). 2010. *Ethics for accountants & auditors.* Cape Town: Oxford University Press.

Punniyamoorthy, M. & Murali, R. 2008. Balanced score for the balanced scorecard: a benchmarking tool. *Benchmarking*, 15(4):420-443.

Rasche, A. & Esser, D.E. 2006. From stakeholder management to stakeholder accountability: applying Habermasian discourse ethics to accountability research. *Journal of Business Ethics,* 65:251-267.

Regine, B. 2009. A path to cooperation. *Interbeing*, 3(2):17-22.

Rich, V. 2007. Interpreting the balanced scorecard: an investigation into the performance analysis and bias. *Measuring Business Excellence*, 11(1):4-11.

Rossouw, D. 2010a. Ethical decision-making. In: Prozesky, M. (ed.) *Ethics for accountants & auditors* (pp. 71-84). 2nd ed. Cape Town: Oxford University Press.

Rossouw, D. 2010b. Key concepts in business and professional ethics. In: Prozesky, M. (ed.) *Ethics for accountants & auditors* (pp. 16-26). 2nd ed. Cape Town: Oxford University Press.

Rossouw, D. 2010c. Managing ethics. In: Prozesky, M. (ed.) *Ethics for accountants & auditors* (pp. 165-177). 2nd ed. Cape Town: Oxford University Press.

Rossouw, D. 2010d. Philosophical foundations of ethics. In: Prozesky, M. (ed.) *Ethics for accountants & auditors* (pp. 57-70). 2nd ed. Cape Town: Oxford University Press.

Rossouw, D. 2010e. The modern corporation and its moral obligations. In: Prozesky, M. (ed.) *Ethics for accountants & auditors* (pp. 128-140). 2nd ed. Cape Town: Oxford University Press.

Rossouw, D.J. 2009a. The ethics of corporate governance: crucial distinctions for global comparisons. *International Journal of Law and Management,* 51(1):4-9.

Rossouw, D.J. 2009b. The ethics of corporate governance: global convergence or divergence? *International Journal of Law and Management,* 51(1):43-51.

Rossouw, G.J. 2005. Business ethics and corporate governance in Africa. *Business and Society,* 44(1):94-106.

Russel, P.S. 2006. Do stars foretell the future? The performance of morning stars. *Journal of American Academy of Business,* 10(1):85-89.

Rwelamila, P.D., Talukhaba, A.A. & Ngowi, A.B. 1999. Tracing the African project failure syndrome: the significance of 'Ubuntu'. *Engineering, Construction and Architectural Management,* 6:335-346.

Ryan, B., Scapens, R.W. & Theobold, M. 2002. *Research method and methodology in finance and accounting.* London: Thomson.

Sandhu, R., Baxter, J. & Emsley, D. 2008. Initiating the localisation of a balanced scorecard in a Singaporean firm. *Singapore Management Review*, 30(1):25-41.

Sardinha, I.D., Reijinders, L. & Antunes, P. 2003. From environmental performance evaluation to eco-efficiency and sustainability balanced scorecards. *Environmental Quality Management.* 12(2):51-64.

Saunders, M., Lewis, P. & Thornhill, A. 2003. *Research methods for business students.* Edinburgh: Prentice Hall.

Savitz, A.W. & Weber, K. 2006. *The triple bottom line: how today's best-run companies are achieving economic, social and environmental success – and how you can too.* San Francisco: Jossey-Bass.

Schneiderman, A.M. 1999. Why balanced scorecards fail. *Journal of Strategic Performance Measurement*, January:6-11.

Schulz, S.F. & Heigh, I. 2009. Logistics performance management in action within a humanitarian organization. *Management Research News,* 32(11):1038-1049.

Schutz, A. 1962. *The problem of social reality*. Collected Papers, Vol 1, edited by M.A. Natanson and H.L. van Breda. Dordrecht: Martinus Nijhoff.

Schwarzkopf, D.L. 2007. Investors' attitude towards source credibility. *Managerial Auditing Journal,* 22(1):18-33.

Selltiz, C. & Cook, S.W. 1964. A multiple-indicator approach to attitude measurement. *Psychological Bulletin*, 62:36-55.

Senge, P.M., Lichtenstein, B.B., Kaeufer, K., Bradbury, H. & Carroll, J.S. 2007. Collaborating for systematic change. *MIT Sloan Management Review*, 48(2):43-54.

Shackleton, C. 2007. *Developing key performance indicators for corporate communication in the information technology industry*. Unpublished masters dissertation. University of Pretoria. [Online] Available from: http://upetd.up.ac.za/thesis/available/etd-05162007-140318/ [Accessed: 2010-02-27].

Shubane, K. 2007. An argument for capital concentration and socially responsible investing. In Marcus, G., Mangcu, X., Shubane, K. & Hadland, A (eds.). *Visions of Black economic empowerment* (pp. 162-176). Pretoria: Human Sciences Research Council.

Sim, K.L. & Koh, H.C. 2001. Balanced scorecard: a rising trend in strategic performance measurement. *Measuring Business Excellence,* 5(2):18-26.

Skinner, C. & Mersham, G. 2008. Corporate social responsibility in South Africa: emerging trends. *Society and Business Review*, 3(3):239-255.

Smith, A. 1776. *An inquiry into the nature and causes of the wealth of nations.* [Online] Available from: http://www.econlib.org/library/Smith/smWN1.html [Accessed: 2010-5-12].

Smith, A. 1790. *The theory of moral sentiments.* [Online] Available from: http://www.econlib.org/library/Smith/smMS1.html [Accessed: 2010-5-24].

Smith, M. 2005. The balanced scorecard. *Financial Management*, February:27-28.

Smith, R.E. & Wright, W.F. 2004. Determinants of customer loyalty and financial performance. *Journal of Management Accounting Research,* 16:183-205.

Smith, S.W. 2009. Validity in business: executing a new strategy at Unilever. *Journal of Business Strategy*, 30(4):31-41.

Smorch, P. 2007. Nine steps to greater profitability, sustainability. *Packaging Digest,* 44(3):46-48.

Soltani, E. & Wilkinson, A. 2010. The effects of incongruency of senior and middle managers' orientations on TQM programmes. *International Journal of Operations & Production Management,* 30(10):365-397.

Sorenson, D. & Sullivan, D. 2005. Managing tradeoffs makes budgeting processing pay off. *Healthcare Financial Management*, 59(11):54-60.

South Africa. 1973. *Broad-based Black Economic Empowerment Act, No 53 of 2003.* Pretoria: Government Printer.

South Africa. 1973. *Companies Act, No. 61 of 1973.* Pretoria: Government Printer.

South Africa. 1985. *Stock Exchange Control Act*, *No. 1 of 1985.* Pretoria: Government Printer.

Southern Africa Development Community. 2010. *SADC Profile.* [Online] Available from: http://www.sadc.int/index/browse/page/52 [Accessed: 2010-7-12].

Stead, W.E. & Stead, J.G. 2004. *Sustainable strategic management*. New Delhi: Prentice Hall.

Stone, C.D. 1992. The corporate social responsibility debate. In Olen, J. & Barry, V. (eds). *Applying Ethics.* Belomont, CA:Wadsworth

Stout, L. 2002. Bad and not-so-bad arguments for shareholder primacy. *Southern California Law Review,* 75:1189-1209.

Stovall, O.S., Neill, J.D. & Perkins, D. 2004. Corporate governance, internal decision making, and the invisible hand. *Journal of Business Ethics,* 51:221-227.

Strategic Direction. 2010. What does sustainability mean? Debate, innovation and advice around a key but complicated concept. *Strategic Direction,* 26(2):27-30.

Sustainable Business Team. 2000. *Quotes on sustainable business, management & economics*. [Online] Available from: http://www.philharding.net/quotes-corner/quotes-corner-3bus.htm [Accessed: 2010-2-06]

Swarts, E. & Davies, R. 1997. Ubuntu – the spirit of African transformation management. *Leadership & Organisational Development Journal*, 18(6):290-296.

Szwajkowski, E. 2000. Simplifying the principles of stakeholder management: the three most important principles. *Business and Society*, 39(4):379-396.

Tambulasi, R. & Kayuni, H. 2005. Can African feet divorce western shoes? The case of 'Ubuntu' and democratic good governance in Malawi. *Journal of African Studies,* 14(2):147-161.

Tan, H.P., Plowman, D. & Hancock, P. 2007. Intellectual capital and financial returns of companies. *Journal of Intellectual Capital*, 8(1):76-95.

Tarantino, D. 2005. Measuring return on valuable asset. *Physician Executive*, 31(6):72-73.

Tayeb, M. 1998. Transfer of HRM practices across cultures: an American company in Scotland. *International Journal of Human Resource Management*, 9:332-358.

Thomas, H. 2007. Business school strategy and the measures for success. *Journal of Management Development*, 26(1):33-42.

Thomas, R. 2000. Small firms in the tourism industry: some conceptual issues. *International Journal of Tourism Research,* 2:345-353.

Tinker, T. 1985. *Paper prophets.* London: Holt, Rinehart and Winston.

Tsuno, N. 2003. Outlook and assignments of business ethics and corporate governance. In: Nakamura, M. (ed.) *Business ethics and corporate governance: an international comparison* (pp. 179-200). Tokyo: Bunshindo.

Tucker, M. & Pitt, M. 2009. Customer performance measurement in facilities management. *International Journal of Productivity and Performance,* 58(5):407-422.

Tutu, D. 1999. *No future without forgiveness.* London*:* Rider.

Tutu, D. 2004. *God has a dream: a vision of hope for our future.* London*:* Rider.

United Nations. n.d. *Millennium development goals*. [Online] Available from: http://www.un.org/millenniumgoals/bkgd.shtml [Accessed: 2010-10-15]

US Government. 2009. *Ubuntu diplomacy.* [Online] Available from: http://www.state.gov/s/partnerships/ubuntu/index.htm [Accessed: 2010-4-18].

Van den Heuvel, H., Mangaliso, M. & Van de Bunt, L. 2006. *Prophecies and Protests: Ubuntu in Glocal Management.* Amsterdam: Rosenberg

Van der Laan, E.A., De Brito, M.P. & Vergunst, D.A. 2009. Performance measurement in humanitarian supply chain. *International Journal of Risk Assessment and Management,* 13(1):22-45.

Vergauwen, P., Roberts, H. & Vandemaele, S. 2009. Business alliance & partnership performance and its value drivers: an intellectual capital approach. *Business Review,* 12(2):239-252.

Vernon, J., Essex, S., Pinder, D. & Curry, K. 2003. The greening of tourism micro-businesses: outcomes of focus group investigations in South East Cornwall. *Business Strategy and the Environment,* 12(1):49-69.

Voelpel, S.C., Leibold, M. & Eckhoff, R.A. 2006. The tyranny of the balanced scorecard in the innovation economy. *Journal of Intellectual Capital*, 7(1):43-60.

Vormedal, I. & Ruud, A. 2009. Sustainability reporting in Norway – an assessment of performance in the context of legal demands and socio-political drivers. *Business Strategy and the Environment,* 18(4):207-222.

Vuolle, M., Lonnqvist, A. & Van der Meer, J. 2009. Measuring the intangible aspects of an R&D project. *Measuring Business Excellence*, 13(2):25-33.

Walker, J. 1992. "Greed is good" …. or is it? Economic ideology and moral tension in a graduate school of business. *Journal of Business Ethics* 11:273-283.

Walker, R.F. 1984. Portfolio analysis in practice. *Long Range Planning,* 17(3):63-71.

Weaver, S.C. & Weston, J.F. 2008. *Strategic financial management: applications of corporate finance*. Mason, OH: Thomson Higher Education.

Weil, N. 2007. A legacy of failure; researchers cite a 90 percent failure rate among companies trying to execute their strategies. What's up with that? *CIO,* 20(19):1. [Online] Available from: http://www.cio.com/article/123310/Why_Has_Strategic_Execution_Remained_a_Problem_for_25_Years [Accessed: 2009-10-16].

Welman, C., Kruger, F. & Mitchell, B. 2005. *Research methodology.* Cape Town: Oxford University Press Southern Africa.

Wery, R. & Waco, M. 2004. Why good strategies fail. *Handbook of Business Startegy,* 5(1):153-157.

West, A. 2009. The ethics of corporate governance: a (South) African perspective. *International Journal of Law and Management*, 51(1):10-16.

Wheatley, M.J. 2000. *Leadership and the new science: learning about organization from an orderly universe*. San Francisco: Berret-Koehler.

White, G.B. 2005. How to report a company's sustainability activities. *Management Accounting*, 7(1):36-43.

Wold, H.I., Tearney, M.G. & Dodd, J.L. 1974. *Accounting theory: a conceptual and institutional approach*. Cape Town: South-Western.

Wolmarans, I.S. 1995. "Ubuntu means to SAA what putting people first meant to BA*". Human Resource Management, May 18-21.*

Wong, A.L.K. & Wong, M.C.S. 2008. Examining the performance of venture-based companies in the Hong Kong IPO Market. *Journal of Private Equity,* 11(4):28-41.

World Commission on Environment and Development (WCED). 1987. *Our common future.* Oxford: Oxford University Press. [Online] Available from: http://www.wsu.edu/~susdev/WCED87.html [Accessed: 2010-04-22].

Wu, S. & Hung, J. 2007. The performance measurement of cause-related marketing by balanced scorecard. *Total Quality Management & Business Excellence*, 18(7):771-791.

Wu, S. & Liu, S. 2010. The performance measurement perspective and causal relationship for ISO-certified companies. *International Journal of Quality & Reliability Management*, 27(1):27-47.

Yukl, G. 2002. *Leadership in organisation.* Englewood Cliffs, NJ: Prentice-Hall.

Zanini, M.T. 2003. *The Balanced scorecard: Evolution to long-term performance*. Ann Arbor, MI: University of Nevada Rino Press.

Zhang, J.Q., Dixit, A. & Friedmann, R. 2010. Customer loyalty and lifetime value: an empirical investigation of customer packaged goods. *Journal of Marketing and Practice*, 18(2):127-139.

APPENDICES

APPENDIX A: A SURVEY INSTRUMENT (STRUCTURED QUESTIONNAIRE)

BACKGROUND

The African economic landscape is different from that of Western economies where the Balanced Scorecard model originates insofar as infrastructural systems, markets and customers, sources of capital, government interventions, literacy levels, and socio-cultural underpinnings are concerned. The African framework is humanistic, community-based and socialistic in nature. Taking this cognisance, the study aims at redesigning the Balanced Scorecard model specifically for an Africa-based organisation.

INSTRUCTIONS

This questionnaire, though you have to complete it voluntarily, is an important research instrument for the study that I am currently conducting. Please try to respond to ALL statements. For anonymity, please DO NOT provide your name or any form of identification on this questionnaire. Note that your responses will be strictly confidential and will only be used for the purposes of this study and any publications that may arise here from.

SECTION A: GENERAL ORGANISATIONAL INFORMATION

A1. Name of your organisation (Please fill space provided)

A2. Name of your country (tick/click as appropriate)

1. ☐ South Africa 2. ☐ Malawi 3. ☐ Other (specify)

A3. Indicate whether or not you are using the Balanced Scorecard model (tick/click as appropriate)

1. ☐ Yes 2. ☐ No

A4. If yes, indicate how you rate the usefulness of the Balanced Scorecard model towards your operations (tick/click as appropriate)

1. ☐ Not useful 2. ☐ Somehow useful 3. ☐ Useful
4. ☐ Very useful 5. ☐ Most useful

A5. Indicate your industry (tick/click as appropriate)

1. ☐ Agriculture, Forestry & Fishing 2. ☐ Mining & Quarrying 3. ☐ Manufacturing
4. ☐ Electricity, Gas & Water 5. ☐ Construction 6. ☐ Wholesale & Retail trade
7. ☐ Transport & Storage 8. ☐ Tourism & Hospitality 9. ☐ Real estate
10.☐ Information & Communication 11.☐ Financial & Insurance 12.☐ Other (specify)

A6. Number of employees for your organisation (tick/click as appropriate)

1. ☐ Less than 101 2 ☐ From 101-200 3. ☐ From 201-300
4. ☐ From 301-400 5. ☐ From 401-500 6. ☐ From 501-600
7. ☐ From 601-700 8. ☐ From 701-800 9. ☐ From 801-900
10.☐ From 901-1000 11.☐ Over 1000

A7. Your current position (tick/click as appropriate)

1. ☐ Senior Management 2. ☐ Middle Management 3. ☐ Other (specify)

A8. Number of years you have been in service (tick/click as appropriate)

1. ☐ Less than 6 years 2. ☐ From 6-10 years 3. ☐ From 11-15 years
4. ☐ From 16-20 years 5. ☐ From 21-25 years 6. ☐ Over 25 years

A9. Indicate ALL stakeholders that deal with your organisation (tick/click as appropriate)
Stakeholders are groups or individuals that have interests or hold stakes in the operations of your organisation.

1. ☐ Shareholders 2 ☐ Debt providers 3. ☐ Customers
4. ☐ Suppliers 5. ☐ Competitors 6. ☐ Management and employees
7. ☐ Government 8. ☐ External auditors 9. ☐ Regulatory bodies
10.☐ Community 11.☐ Ecological system 12.☐ Other (specify)

SECTION B: ASSESSMENT OF CORPORATE SCORECARDS

There are different statements for each of the six scales on this section. In your opinion, **tick** (hard copy) or **click** (soft copy) on a level of each continuum that represents the strength of your agreement/disagreement regarding the statements about your organisation.

Ranking Key: 1. ***Strongly Disagree*** **2.** ***Disagree*** **3.** ***Somehow Agree*** **4.** ***Agree*** **5.** ***Strongly Agree***

SECTION B1: THE RELATIONSHIPS AND CULTURE STRATEGIC THEME

This section assesses corporate relationships and culture that exist between your organisation and stakeholders. Organisational culture refers to organisational values, norms or philosophies that govern the behaviour of people for organisational improvements.

B1.1. We recognise the interdependence of relationships of our stakeholders	1☐ 2☐ 3☐ 4☐ 5☐
B1.2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	1☐ 2☐ 3☐ 4☐ 5☐
B1.3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	1☐ 2☐ 3☐ 4☐ 5☐
B1.4. Our financial reports are constructed towards meeting interests of our external stakeholders	1☐ 2☐ 3☐ 4☐ 5☐
B1.5. Our external financial reporting system takes into account our social obligations towards local communities	1☐ 2☐ 3☐ 4☐ 5☐
B1.6. Our external financial reporting system takes into account our environmental obligations	1☐ 2☐ 3☐ 4☐ 5☐
B1.7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	1☐ 2☐ 3☐ 4☐ 5☐
B1.8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	1☐ 2☐ 3☐ 4☐ 5☐
B1.9. Our financial statements are verified by the appointed external auditors for external reporting	1☐ 2☐ 3☐ 4☐ 5☐
B1.10. We are committed in making decisions with the customer's perspectives in mind	1☐ 2☐ 3☐ 4☐ 5☐
B1.11. We treat our suppliers as an integrated part of our business	1☐ 2☐ 3☐ 4☐ 5☐
B1.12. We demonstrate mutual respect with our competitors	1☐ 2☐ 3☐ 4☐ 5☐
B1.13. Our organisation is highly respected for maintaining and promoting environmental protection	1☐ 2☐ 3☐ 4☐ 5☐
B1.14. We constantly interact with and help the local community in which we operate	1☐ 2☐ 3☐ 4☐ 5☐
B1.15. We treat employees as the most valuable asset of our organisation	1☐ 2☐ 3☐ 4☐ 5☐

SECTION B2: THE STAKEHOLDER STRATEGIC THEME

This section assesses stakeholders as perceived by your organisation. Stakeholders are groups of people that have interests or hold stakes in the running of your organisation.

B2.1. Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	1☐ 2☐ 3☐ 4☐ 5☐
B2.2. Our customers comprise the most important element of our business	1☐ 2☐ 3☐ 4☐ 5☐
B2.3. We make profits because of our efficient labour force	1☐ 2☐ 3☐ 4☐ 5☐
B2.4. Our operations rely on debt provisions from our financiers	1☐ 2☐ 3☐ 4☐ 5☐
B2.5. Our organisation runs on the premise that community care is paramount	1☐ 2☐ 3☐ 4☐ 5☐
B2.6. Our organisation focuses on protection of the natural environment as a stakeholder	1☐ 2☐ 3☐ 4☐ 5☐
B2.7. Government contributions are foundational to our business operations	1☐ 2☐ 3☐ 4☐ 5☐

SECTION B3: THE PRACTICES AND PROCESSES STRATEGIC THEME

This section assesses internal business processes and practices of your organisation in terms of the economy, efficiency effectiveness, and ethicality. Ethicality refers to organisational morality and rights.

B3.1. We adopt processes that address concerns of our stakeholders	1☐ 2☐ 3☐ 4☐ 5☐
B3.2. We use benchmarking to continuously improve our business processes	1☐ 2☐ 3☐ 4☐ 5☐
B3.3. We are able to objectively measure the social impact of our operations	1☐ 2☐ 3☐ 4☐ 5☐
B3.4. We are able to objectively measure the impact of our operations on the natural environment	1☐ 2☐ 3☐ 4☐ 5☐
B3.5. Our sustainability programmes take into account economic, social and environmental issues	1☐ 2☐ 3☐ 4☐ 5☐
B3.6. Customer feedback is key to our performance appraisal systems	1☐ 2☐ 3☐ 4☐ 5☐
B3.7. We work cooperatively with our business partners	1☐ 2☐ 3☐ 4☐ 5☐
B3.8. Our corporate performance indicators are geared towards future corporate performance	1☐ 2☐ 3☐ 4☐ 5☐

SECTION B4: THE INTELLECTUAL CAPITAL STRATEGIC THEME

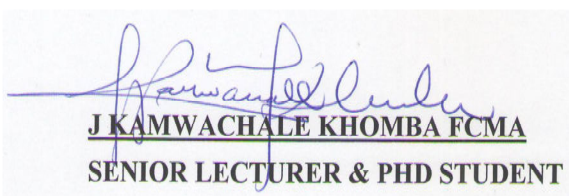
This section assesses the intellectual capital as one of the valuable assets of your organisation. Intellectual capital represents the collective knowledge of individuals in an organisation.

B4.1. Intellectual capital is our main source of profitability	1☐ 2☐ 3☐ 4☐ 5☐
B4.2. Emphasis on human capital development improves our corporate performance	1☐ 2☐ 3☐ 4☐ 5☐
B4.3. Innovation is promoted through our good knowledge management systems that we pursue	1☐ 2☐ 3☐ 4☐ 5☐
B4.4. Knowledge about local culture promotes marketing through customer satisfaction	1☐ 2☐ 3☐ 4☐ 5☐
B4.5. Knowledge about the local culture improves our corporate performance	1☐ 2☐ 3☐ 4☐ 5☐
B4.6. Our organisation invests heavily in supporting employee knowledge	1☐ 2☐ 3☐ 4☐ 5☐

SECTION B5: THE VALUE CREATION STRATEGIC THEME	
This section assesses perspectives that would be considered critical towards your internal operations for maximisation of organisational value (wealth).	
B5.1. Our profitability success is a result of inputs from various stakeholders	1☐ 2☐ 3☐ 4☐ 5☐
B5.2. We are competitive because of our customer oriented activities	1☐ 2☐ 3☐ 4☐ 5☐
B5.3. Our internal business processes contribute a lot towards organisational profitability	1☐ 2☐ 3☐ 4☐ 5☐
B5.4. Our profitability is a result of the abundant natural resources capital that we get from the environment	1☐ 2☐ 3☐ 4☐ 5☐
B5.5. Our profitability is a result of the social values that we get from local communities	1☐ 2☐ 3☐ 4☐ 5☐

SECTION B6: THE CORPORATE CONSCIENCE STRATEGIC THEME	
This section assesses allocation of organisational value (wealth) to different stakeholders based on equitable and ethical dimensions. Ethics deals with morals and rights of individuals.	
B6.1. We recognise the interdependence of efforts and rewards among our stakeholders	1☐ 2☐ 3☐ 4☐ 5☐
B6.2. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	1☐ 2☐ 3☐ 4☐ 5☐
B6.3. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	1☐ 2☐ 3☐ 4☐ 5☐
B6.4. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	1☐ 2☐ 3☐ 4☐ 5☐
B6.5. We are open in disclosing wealth distribution to our stakeholders through corporate reporting	1☐ 2☐ 3☐ 4☐ 5☐
B6.6. Our managers do not practice corruption that deprives our valuable stakeholders	1☐ 2☐ 3☐ 4☐ 5☐
B6.7. We pay our suppliers fairly by offering competitive prices in the industry	1☐ 2☐ 3☐ 4☐ 5☐
B6.8. We are involved in financially supporting educational projects for our future business operations	1☐ 2☐ 3☐ 4☐ 5☐
B6.9. We take direct responsibility for social problems that we have caused	1☐ 2☐ 3☐ 4☐ 5☐
B6.10. Our organisation reserves funds for natural environmental (ecological) preservation projects	1☐ 2☐ 3☐ 4☐ 5☐
B6.11. We contribute substantially to the overall welfare of the society	1☐ 2☐ 3☐ 4☐ 5☐

Thank you very much for completing the questionnaire



E-mail: **AFTER SAVING**, email the completed questionnaire as an **ATTACHMENT** to **jkkhomba@gmail.com**

OR

Forward the completed questionnaire (hard copy) to:

Professor FNS Vermaak / Professor DG Gouws
P/A James Kamwachale Khomba (*PhD Student*)
Department of Financial Management Sciences
University of Pretoria, 0002 Pretoria
Republic of South Africa

APPENDIX B: AN INTRODUCTORY LETTER TO SURVEY PARTICIPANTS

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic & Management Sciences

Dept. of Financial Management Sciences

Title of the study

Redesigning the Balanced Scorecard model: an African perspective

Research conducted by:

Mr J Kamwachale Khomba
E-mail: jkkhomba@gmail.com
Cell: +27 712 468 100

Dear Respondent

You are invited to participate in an academic research study that is being conducted by James Kamwachale Khomba, a Doctor of Philosophy student from the Department of Financial Management Sciences at the University of Pretoria.

The purpose of the study is to redesign the current Balanced Scorecard model to accommodate an African perspective. Your knowledge about the Balanced Scorecard model is **NOT** a prerequisite towards answering the attached survey questionnaire.

Please note the following:

- This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important towards the final product of the project.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 20 minutes of your time.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of the findings on request.
- Please contact my study leader, Professor FNS Vermaak at Frans.Vermaak@up.ac.za or the undersigned if you have any questions or comments regarding the study.

Please click on (soft copy) or tick (hard copy) the box below to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

☐ (Yes, I give my consent) Date ____________________________

APPENDIX C: EXAMPLES OF SURVEY RESPONDENTS OPERATING IN MALAWI AND SOUTH AFRICA (MULTINATIONAL COMPANIES)

- Aon Insurance Brokers
- Barlows World Power
- Bestobell
- BMW
- BP
- Burco
- Cash Build
- Chrolide Batteries
- Crown
- CTM Tiles
- Debonair's
- DHL
- Dulux Paints
- DSTV
- Engen
- Eskom (Escom)
- FedEx
- Firestone
- G4 Security
- Game Store
- Gemstone
- Gestetner
- Good Year Tyres
- Illovo Sugar
- Kameko
- Kia
- Lafarge Cement
- Macsteel
- Manica Freight
- Metro Shop
- Mr Price
- Multichoice DSTV
- Nando's
- NedBank
- Nissan
- Old Mutual
- Palmolive Colgate
- Pannar Seed
- PEP Stores
- Plascon
- Protea Hotel
- SAB Miller
- Sana Trading
- Shoprite
- Standard Bank
- Total
- Toyota Corporation
- Unilever
- Xerox

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

APPENDIX D: APPROVAL AND CLEARANCE LETTER FROM THE RESEARCH ETHICS COMMITTEE, UNIVERSITY OF PRETORIA

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

RESEARCH ETHICS COMMITTEE

Tel: +27 12 420-2306
E-mail: anske.grobler@up.ac.za

3 July 2010

Prof FNS Vermaak
Department of Financial Management

Dear Professor Vermaak

Project:	***Redesigning the Balanced Scorecard model: an African perspective***
Researcher:	**JK Khomba**
Supervisor:	**Prof FNS Vermaak**
Department:	**Financial Management**
Student No:	**27159010**

Thank you for the application you submitted to the Committee for Research Ethics, Faculty of Economic and Management Sciences.

I have pleasure in informing you that the Committee formally approved the above study on 28 July 2010. The approval is subject to the candidate abiding by the principles and parameters set out in his application and research proposal in the actual execution of the research.

The Committee requests you to convey this approval to Mr Khomba.

We wish you success with the project.

Sincerely

PROF AF GROBLER
CHAIR: COMMITTEE FOR RESEARCH ETHICS

cc: Prof E Oost

APPENDIX E: INDUSTRIAL ANALYSIS ON THE NATURAL ENVIRONMENT

a) By industry

Industry	Yes		No		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Per cent
Agriculture, Forestry & Fishing	3	23.1%	10	76.9%	13	100.0%
Mining & Quarrying	11	57.9%	8	42.1%	19	100.0%
Manufacturing	34	60.7%	22	39.3%	56	100.0%
Electricity, Gas & Water	9	40.9%	13	59.1%	22	100.0%
Construction	8	44.4%	10	55.6%	18	100.0%
Wholesale & Retail trade	18	34.0%	35	66.0%	53	100.0%
Transport & Storage	7	77.8%	2	22.2%	9	100.0%
Tourism & Hospitality	0	0.0%	11	100.0%	11	100.0%
Real estate	0	0.0%	6	100.0%	6	100.0%
Information & Communication	16	21.3%	59	78.7%	75	100.0%
Financial & Insurance	8	11.9%	59	88.1%	67	100.0%
Other	5	13.2%	33	86.8%	38	100.0%
Total	119	30.7%	268	69.3%	387	100.0%

b) By country

	South Africa			Malawi			Other			Total		
	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total
Industry	%	%	%	%	%	%	%	%	%	%	%	%
Agriculture, Forestry & Fishing	20.0	80.0	100.0	25.0	75.0	100.0	0.0	0.0	0.0	23.1	76.9	100.0
Mining & Quarrying	50.0	50.0	100.0	100.0	0.0	100.0	0.0	0.0	0.0	57.9	42.1	100.0
Manufacturing	50.0	50.0	100.0	70.4	29.6	100.0	66.7	33.3	100.0	60.7	39.3	100.0
Electricity, Gas & Water	36.4	63.6	100.0	57.1	42.9	100.0	25.0	75.0	100.0	40.9	59.1	100.0
Construction	60.0	40.0	100.0	0.0	100.0	100.0	100.0	0.0	100.0	44.4	55.6	100.0
Wholesale & Retail trade	51.6	48.4	100.0	10.5	89.5	100.0	0.0	100.0	100.0	34.0	66.0	100.0
Transport & Storage	71.4	28.6	100.0	100.0	0.0	100.0	100.0	0.0	100.0	77.8	22.2	100.0
Tourism & Hospitality	0.0	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0
Real estate	0.0	100.0	100.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	100.0	100.0
Information & Communication	31.8	68.2	100.0	20.0	80.0	100.0	0.0	100.0	100.0	21.3	78.7	100.0
Financial & Insurance	26.3	73.7	100.0	2.3	97.7	100.0	40.0	60.0	100.0	11.9	88.1	100.0
Other	6.7	93.3	100.0	16.7	83.3	100.0	20.0	80.0	100.0	13.2	86.8	100.0
Total	**39.3**	**60.7**	**100.0**	**23.5**	**76.5**	**100.0**	**28.1**	**71.9**	**100.0**	**30.7**	**69.3**	**100.0**

APPENDIX F: RESPONSE RATINGS ON QUESTIONNAIRE STATEMENTS

Questionnaire Statement	Strongly Disagree	Disagree	Disagree (TOTAL)	Somehow Agree	Agree (TOTAL)	Agree	Strongly Agree
B1.1 We recognise the interdependence of relationships of our stakeholders	0.0	0.0	**0.0**	**8.3**	**91.7**	45.2	46.5
B1.2 Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	0.3	2.8	**3.1**	**10.3**	**86.6**	40.3	46.3
B1.3 Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	0.0	2.8	**2.8**	**19.1**	**78.1**	40.6	37.5
B1.4 Our financial reports are constructed towards meeting interests of our external stakeholders	0.3	6.7	**7.0**	**18.6**	**74.5**	38.8	35.7
B1.5 Our external financial reporting system takes into account our social obligations towards local communities	0.3	11.6	**11.9**	**27.6**	**60.4**	32.0	28.4
B1.6 Our external financial reporting system takes into account our environmental obligations	2.6	17.3	**19.9**	**29.2**	**50.9**	30.7	20.2
B1.7 Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	1.6	7.5	**9.1**	**31.0**	**59.9**	31.0	28.9
B1.8 Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	1.0	4.9	**5.9**	**7.8**	**86.3**	27.9	58.4
B1.9 Our financial statements are verified by the appointed external auditors for external reporting	1.6	3.9	**5.5**	**4.4**	**90.1**	27.1	63.0
B1.10 We are committed in making decisions with the customer's perspectives in mind	0.0	3.4	**3.4**	**9.3**	**87.3**	49.1	38.2
B1.11 We treat our suppliers as an integrated part of our business	0.3	0.0	**0.3**	**26.9**	**72.8**	33.3	39.5
B1.12 We demonstrate mutual respect with our competitors	1.6	6.7	**8.3**	**25.6**	**66.2**	37.0	29.2
B1.13 Our organisation is highly respected for maintaining and promoting environmental protection	2.1	25.6	**27.7**	**28.2**	**44.2**	20.2	24.0
B1.14 We constantly interact with and help the local community in which we operate	1.3	12.4	**13.7**	**23.0**	**63.3**	39.0	24.3
B1.15 We treat employees as the most valuable asset of our organisation	3.6	7.0	**10.6**	**15.8**	**73.6**	34.6	39.0
B2.1 Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	7.5	20.4	**27.9**	**26.6**	**45.5**	24.3	21.2
B2.2 Our customers comprise the most important element of our business	0.5	7.8	**8.3**	**11.6**	**80.1**	29.7	50.4

Questionnaire Statement	Strongly Disagree	Disagree	Disagree (TOTAL)	Somehow Agree	Agree (TOTAL)	Agree	Strongly Agree
B2.3 We make profits because of our efficient labour force	1.6	15.0	**16.6**	**27.9**	**55.6**	34.9	20.7
B2.4 Our operations rely on debt provisions from our financiers	9.3	29.2	**38.5**	**20.4**	**41.0**	22.7	18.3
B2.5 Our organisation runs on the premise that community care is paramount	8.8	19.1	**27.9**	**21.2**	**50.9**	30.0	20.9
B2.6 Our organisation focuses on protection of the natural environment as a stakeholder	8.8	21.7	**30.5**	**21.2**	**48.3**	31.5	16.8
B2.7 Government contributions are foundational to our business operations	13.7	19.6	**33.3**	**10.6**	**56.0**	27.6	28.4
B3.1 We adopt processes that address concerns of our stakeholders	0.0	2.8	**2.8**	**10.1**	**87.0**	47.5	39.5
B3.2 We use benchmarking to continuously improve our business processes	10.3	13.7	**24.0**	**13.4**	**62.5**	34.6	27.9
B3.3 We are able to objectively measure the social impact of our operations	5.7	20.2	**25.9**	**26.1**	**48.1**	35.7	12.4
B3.4 We are able to objectively measure the impact of our operations on the natural environment	6.5	20.2	**26.7**	**32.0**	**41.4**	26.4	15.0
B3.5 Our sustainability programmes take into account economic, social and environmental issues	0.5	15.2	**15.7**	**21.2**	**63.1**	36.7	26.4
B3.6 Customer feedback is key to our performance appraisal systems	2.1	7.0	**9.1**	**13.7**	**77.3**	43.7	33.6
B3.7 We work cooperatively with our business partners	0.0	3.6	**3.6**	**8.0**	**88.4**	47.8	40.6
B3.8 Our corporate performance indicators are geared towards future corporate performance	0.8	1.8	**2.6**	**7.2**	**90.1**	36.4	53.7
B4.1 Intellectual capital is our main source of profitability	2.8	14.5	**17.3**	**32.6**	**50.1**	32.8	17.3
B4.2 Emphasis on human capital development improves our corporate performance	4.7	5.2	**9.9**	**27.6**	**62.5**	43.4	19.1
B4.3 Innovation is promoted through our good knowledge management systems that we pursue	1.0	3.4	**4.4**	**27.1**	**68.5**	49.1	19.4
B4.4 Knowledge about local culture promotes marketing through customer satisfaction	4.4	4.1	**8.5**	**21.2**	**70.2**	50.6	19.6
B4.5 Knowledge about the local culture improves our corporate performance	4.1	3.6	**7.7**	**17.6**	**74.6**	39.5	35.1
B4.6 Our organisation invests heavily in supporting employee knowledge	0.0	8.3	**8.3**	**14.5**	**77.3**	42.4	34.9
B5.1 Our profitability success is a result of inputs from various stakeholders	0.0	3.9	**3.9**	**14.2**	**81.9**	47.0	34.9

Questionnaire Statement	Strongly Disagree	Disagree	Disagree (TOTAL)	Somehow Agree	Agree (TOTAL)	Agree	Strongly Agree
B5.2 We are competitive because of our customer oriented activities	0.3	11.6	**11.9**	**22.2**	**65.9**	39.5	26.4
B5.3 Our internal business processes contribute a lot towards organisational profitability	1.8	6.5	**8.3**	**27.1**	**64.6**	43.4	21.2
B5.4 Our profitability is a result of the abundant natural resources capital that we get from the environment	25.1	31.3	**56.4**	**20.7**	**23.0**	14.2	8.8
B5.5 Our profitability is a result of the social values that we get from local communities	7.5	22.0	**29.5**	**24.5**	**46.0**	29.2	16.8
B6.1 We recognise the interdependence of efforts and rewards among our stakeholders	0.0	2.3	**2.3**	**23.3**	**74.4**	46.5	27.9
B6.2 Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	2.3	14.5	**16.8**	**31.0**	**52.2**	30.5	21.7
B6.3 All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.8	7.5	**8.3**	**22.0**	**69.7**	43.9	25.8
B6.4 Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	1.0	3.9	**4.9**	**25.1**	**70.0**	48.8	21.2
B6.5 We are open in disclosing wealth distribution to our stakeholders through corporate reporting	2.1	1.0	**3.1**	**16.0**	**80.9**	46.0	34.9
B6.6 Our managers do not practice corruption that deprives our valuable stakeholders	0.0	2.8	**2.8**	**18.1**	**79.1**	25.6	53.5
B6.7 We pay our suppliers fairly by offering competitive prices in the industry	0.0	2.1	**2.1**	**14.7**	**83.2**	34.9	48.3
B6.8 We are involved in financially supporting educational projects for our future business operations	2.3	9.8	**12.1**	**15.2**	**72.6**	41.3	31.3
B6.9 We take direct responsibility for social problems that we have caused	2.6	10.1	**12.7**	**18.3**	**69.0**	33.3	35.7
B6.10 Our organisation reserves funds for natural environmental (ecological) preservation projects	5.2	23.3	**28.5**	**25.6**	**45.9**	30.7	15.2
B6.11 We contribute substantially to the overall welfare of the society	2.3	6.5	**8.8**	**12.1**	**79.1**	40.6	38.5

APPENDIX G: COMMUNALITIES OF VARIABLES

Average Communality=0.705

Variable	Communality
B1.1 We recognise the interdependence of relationships of our stakeholders	0.566
B1.2 Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	0.521
B1.3 Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	0.511
B1.4 Our financial reports are constructed towards meeting interests of our external stakeholders	0.746
B1.5 Our external financial reporting system takes into account our social obligations towards local communities	0.766
B1.6 Our external financial reporting system takes into account our environmental obligations	0.711
B1.7 Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	0.744
B1.8 Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	0.663
B1.9 Our financial statements are verified by the appointed external auditors for external reporting	0.739
B1.10 We are committed in making decisions with the customer’s perspectives in mind	0.682
B1.11 We treat our suppliers as an integrated part of our business	0.745
B1.12 We demonstrate mutual respect with our competitors	0.642
B1.13 Our organisation is highly respected for maintaining and promoting environmental protection	0.689
B1.14 We constantly interact with and help the local community in which we operate	0.742
B1.15 We treat employees as the most valuable asset of our organisation	0.748
B2.1 Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	0.764
B2.2 Our customers comprise the most important element of our business	0.688
B2.3 We make profits because of our efficient labour force	0.667
B2.4 Our operations rely on debt provisions from our financiers	0.725
B2.5 Our organisation runs on the premise that community care is paramount	0.792
B2.6 Our organisation focuses on protection of the natural environment as a stakeholder	0.754
B2.7 Government contributions are foundational to our business operations	0.632
B3.1 We adopt processes that address concerns of our stakeholders	0.638
B3.2 We use benchmarking to continuously improve our business processes	0.764
B3.3 We are able to objectively measure the social impact of our operations	0.666
B3.4 We are able to objectively measure the impact of our operations on the natural environment	0.717
B3.5 Our sustainability programmes take into account economic, social and environmental issues	0.761
B3.6 Customer feedback is key to our performance appraisal systems	0.703
B3.7 We work cooperatively with our business partners	0.732
B3.8 Our corporate performance indicators are geared towards future corporate performance	0.691
B4.1 Intellectual capital is our main source of profitability	0.767
B4.2 Emphasis on human capital development improves our corporate performance	0.744

Variable	Communality
B4.3 Innovation is promoted through our good knowledge management systems that we pursue	0.699
B4.4 Knowledge about local culture promotes marketing through customer satisfaction	0.778
B4.5 Knowledge about the local culture improves our corporate performance	0.834
B4.6 Our organisation invests heavily in supporting employee knowledge	0.677
B5.1 Our profitability success is a result of inputs from various stakeholders	0.714
B5.2 We are competitive because of our customer oriented activities	0.662
B5.3 Our internal business processes contribute a lot towards organisational profitability	0.798
B5.4 Our profitability is a result of the abundant natural resources capital that we get from the environment	0.746
B5.5 Our profitability is a result of the social values that we get from local communities	0.769
B6.1 We recognise the interdependence of efforts and rewards among our stakeholders	0.663
B6.2 Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	0.619
B6.3 All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.673
B6.4 Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	0.738
B6.5 We are open in disclosing wealth distribution to our stakeholders through corporate reporting	0.716
B6.6 Our managers do not practice corruption that deprives our valuable stakeholders	0.755
B6.7 We pay our suppliers fairly by offering competitive prices in the industry	0.662
B6.8 We are involved in financially supporting educational projects for our future business operations	0.743
B6.9 We take direct responsibility for social problems that we have caused	0.667
B6.10 Our organisation reserves funds for natural environmental (ecological) preservation projects	0.713
B6.11 We contribute substantially to the overall welfare of the society	0.594

Extraction method: Principal Component Analysis

APPENDIX H: THE CRONBACH'S ALPHA IF THE ITEM IS DELETED

Overall Cronbach's Alpha = 0.902

Variable	Cronbach's Alpha if Item Deleted
B1.1 We recognise the interdependence of relationships of our stakeholders	0.902
B1.2 Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	0.901
B1.3 Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	0.901
B1.4 Our financial reports are constructed towards meeting interests of our external stakeholders	0.902
B1.5 Our external financial reporting system takes into account our social obligations towards local communities	0.902
B1.6 Our external financial reporting system takes into account our environmental obligations	0.900
B1.7 Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	0.901
B1.8 Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	0.904
B1.9 Our financial statements are verified by the appointed external auditors for external reporting	0.903
B1.10 We are committed in making decisions with the customer's perspectives in mind	0.901
B1.11 We treat our suppliers as an integrated part of our business	0.900
B1.12 We demonstrate mutual respect with our competitors	0.900
B1.13 Our organisation is highly respected for maintaining and promoting environmental protection	0.898
B1.14 We constantly interact with and help the local community in which we operate	0.899
B1.15 We treat employees as the most valuable asset of our organisation	0.897
B2.1 Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	0.907
B2.2 Our customers comprise the most important element of our business	0.905
B2.3 We make profits because of our efficient labour force	0.901
B2.4 Our operations rely on debt provisions from our financiers	0.903
B2.5 Our organisation runs on the premise that community care is paramount	0.899
B2.6 Our organisation focuses on protection of the natural environment as a stakeholder	0.899
B2.7 Government contributions are foundational to our business operations	0.907
B3.1 We adopt processes that address concerns of our stakeholders	0.901
B3.2 We use benchmarking to continuously improve our business processes	0.901
B3.3 We are able to objectively measure the social impact of our operations	0.899
B3.4 We are able to objectively measure the impact of our operations on the natural environment	0.899
B3.5 Our sustainability programmes take into account economic, social and environmental issues	0.898
B3.6 Customer feedback is key to our performance appraisal systems	0.902
B3.7 We work cooperatively with our business partners	0.901
B3.8 Our corporate performance indicators are geared towards future corporate performance	0.902

Variable	Cronbach's Alpha if Item Deleted
B4.1 Intellectual capital is our main source of profitability	0.902
B4.2 Emphasis on human capital development improves our corporate performance	0.899
B4.3 Innovation is promoted through our good knowledge management systems that we pursue	0.899
B4.4 Knowledge about local culture promotes marketing through customer satisfaction	0.898
B4.5 Knowledge about the local culture improves our corporate performance	0.897
B4.6 Our organisation invests heavily in supporting employee knowledge	0.899
B5.1 Our profitability success is a result of inputs from various stakeholders	0.902
B5.2 We are competitive because of our customer oriented activities	0.899
B5.3 Our internal business processes contribute a lot towards organisational profitability	0.902
B5.4 Our profitability is a result of the abundant natural resources capital that we get from the environment	0.903
B5.5 Our profitability is a result of the social values that we get from local communities	0.898
B6.1 We recognise the interdependence of efforts and rewards among our stakeholders	0.900
B6.2 Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	0.902
B6.3 All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.901
B6.4 Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	0.900
B6.5 We are open in disclosing wealth distribution to our stakeholders through corporate reporting	0.902
B6.6 Our managers do not practice corruption that deprives our valuable stakeholders	0.901
B6.7 We pay our suppliers fairly by offering competitive prices in the industry	0.901
B6.8 We are involved in financially supporting educational projects for our future business operations	0.898
B6.9 We take direct responsibility for social problems that we have caused	0.900
B6.10 Our organisation reserves funds for natural environmental (ecological) preservation projects	0.899
B6.11 We contribute substantially to the overall welfare of the society	0.899

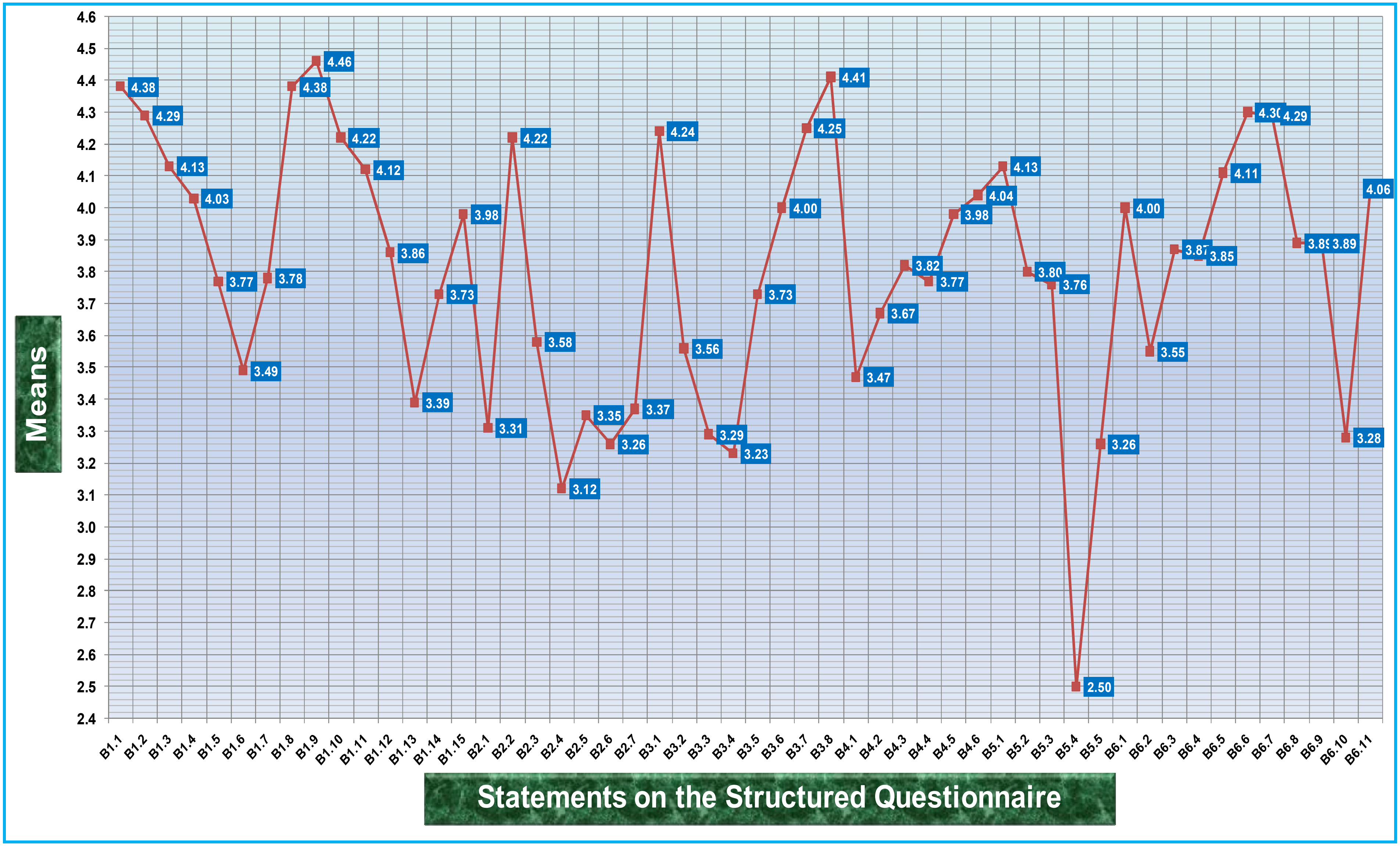
APPENDIX I: MEANS AND STANDARD DEVIATIONS OF RESPONSE RATINGS ON EACH QUESTIONNAIRE STATEMENT

Variable	Mean	Std. Deviation
B1.1 We recognise the interdependence of relationships of our stakeholders	4.38	0.635
B1.2 Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	4.29	0.786
B1.3 Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	4.13	0.816
B1.4 Our financial reports are constructed towards meeting interests of our external stakeholders	4.03	0.914
B1.5 Our external financial reporting system takes into account our social obligations towards local communities	3.77	0.999
B1.6 Our external financial reporting system takes into account our environmental obligations	3.49	1.076
B1.7 Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	3.78	0.997
B1.8 Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	4.38	0.900
B1.9 Our financial statements are verified by the appointed external auditors for external reporting	4.46	0.870
B1.10 We are committed in making decisions with the customer's perspectives in mind	4.22	0.750
B1.11 We treat our suppliers as an integrated part of our business	4.12	0.822
B1.12 We demonstrate mutual respect with our competitors	3.86	0.968
B1.13 Our organisation is highly respected for maintaining and promoting environmental protection	3.39	1.165
B1.14 We constantly interact with and help the local community in which we operate	3.73	1.006
B1.15 We treat employees as the most valuable asset of our organisation	3.98	1.075
B2.1 Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	3.31	1.225
B2.2 Our customers comprise the most important element of our business	4.22	0.965
B2.3 We make profits because of our efficient labour force	3.58	1.026
B2.4 Our operations rely on debt provisions from our financiers	3.12	1.271
B2.5 Our organisation runs on the premise that community care is paramount	3.35	1.249
B2.6 Our organisation focuses on protection of the natural environment as a stakeholder	3.26	1.222
B2.7 Government contributions are foundational to our business operations	3.37	1.422
B3.1 We adopt processes that address concerns of our stakeholders	4.24	0.745
B3.2 We use benchmarking to continuously improve our business processes	3.56	1.305
B3.3 We are able to objectively measure the social impact of our operations	3.29	1.096
B3.4 We are able to objectively measure the impact of our operations on the natural environment	3.23	1.128
B3.5 Our sustainability programmes take into account economic, social and environmental issues	3.73	1.031
B3.6 Customer feedback is key to our performance appraisal systems	4.00	0.970
B3.7 We work cooperatively with our business partners	4.25	0.754
B3.8 Our corporate performance indicators are geared towards future corporate performance	4.41	0.767

Variable	Mean	Std. Deviation
B4.1 Intellectual capital is our main source of profitability	3.47	1.029
B4.2 Emphasis on human capital development improves our corporate performance	3.67	0.994
B4.3 Innovation is promoted through our good knowledge management systems that we pursue	3.82	0.814
B4.4 Knowledge about local culture promotes marketing through customer satisfaction	3.77	0.958
B4.5 Knowledge about the local culture improves our corporate performance	3.98	1.023
B4.6 Our organisation invests heavily in supporting employee knowledge	4.04	0.908
B5.1 Our profitability success is a result of inputs from various stakeholders	4.13	0.794
B5.2 We are competitive because of our customer oriented activities	3.80	0.968
B5.3 Our internal business processes contribute a lot towards organisational profitability	3.76	0.921
B5.4 Our profitability is a result of the abundant natural resources capital that we get from the environment	2.50	1.252
B5.5 Our profitability is a result of the social values that we get from local communities	3.26	1.192
B6.1 We recognise the interdependence of efforts and rewards among our stakeholders	4.00	0.779
B6.2 Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	3.55	1.055
B6.3 All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	3.87	0.912
B6.4 Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	3.85	0.831
B6.5 We are open in disclosing wealth distribution to our stakeholders through corporate reporting	4.11	0.853
B6.6 Our managers do not practice corruption that deprives our valuable stakeholders	4.30	0.862
B6.7 We pay our suppliers fairly by offering competitive prices in the industry	4.29	0.792
B6.8 We are involved in financially supporting educational projects for our future business operations	3.89	1.029
B6.9 We take direct responsibility for social problems that we have caused	3.89	1.081
B6.10 Our organisation reserves funds for natural environmental (ecological) preservation projects	3.28	1.133
B6.11 We contribute substantially to the overall welfare of the society	4.06	0.986

N=387

APPENDIX J: GRAPH SHOWING MEANS OF RESPONSE RATINGS ON EACH QUESTIONNAIRE STATEMENT



APPENDIX K: CODIFICATION OF VARIABLES FOR EXPLORATORY FACTOR ANALYSIS

Questionnaire codification	Exploratory factor analysis codification
B1.1 We recognise the interdependence of relationships of our stakeholders	1. We recognise the interdependence of relationships of our stakeholders
B1.2 Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions
B1.3 Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue
B1.4 Our financial reports are constructed towards meeting interests of our external stakeholders	4. Our financial reports are constructed towards meeting interests of our external stakeholders
B1.5 Our external financial reporting system takes into account our social obligations towards local communities	5. Our external financial reporting system takes into account our social obligations towards local communities
B1.6 Our external financial reporting system takes into account our environmental obligations	6. Our external financial reporting system takes into account our environmental obligations
B1.7 Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)
B1.8 Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)
B1.9 Our financial statements are verified by the appointed external auditors for external reporting	9. Our financial statements are verified by the appointed external auditors for external reporting
B1.10 We are committed in making decisions with the customer's perspectives in mind	10. We are committed in making decisions with the customer's perspectives in mind
B1.11 We treat our suppliers as an integrated part of our business	11. We treat our suppliers as an integrated part of our business
B1.12 We demonstrate mutual respect with our competitors	12. We demonstrate mutual respect with our competitors
B1.13 Our organisation is highly respected for maintaining and promoting environmental protection	13. Our organisation is highly respected for maintaining and promoting environmental protection
B1.14 We constantly interact with and help the local community in which we operate	14. We constantly interact with and help the local community in which we operate
B1.15 We treat employees as the most valuable asset of our organisation	15. We treat employees as the most valuable asset of our organisation
B2.1 Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	16. Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth
B2.2 Our customers comprise the most important element of our business	17. Our customers comprise the most important element of our business
B2.3 We make profits because of our efficient labour force	18. We make profits because of our efficient labour force
B2.4 Our operations rely on debt provisions from our financiers	19. Our operations rely on debt provisions from our financiers
B2.5 Our organisation runs on the premise that community care is paramount	20. Our organisation runs on the premise that community care is paramount
B2.6 Our organisation focuses on protection of the natural environment as a stakeholder	21. Our organisation focuses on protection of the natural environment as a stakeholder
B2.7 Government contributions are foundational to our business operations	22. Government contributions are foundational to our business operations
B3.1 We adopt processes that address concerns of our stakeholders	23. We adopt processes that address concerns of our stakeholders
B3.2 We use benchmarking to continuously improve our business processes	24. We use benchmarking to continuously improve our business processes
B3.3 We are able to objectively measure the social impact of our operations	25. We are able to objectively measure the social impact of our operations
B3.4 We are able to objectively measure the impact of our operations on the natural environment	26. We are able to objectively measure the impact of our operations on the natural environment

Questionnaire codification	Exploratory factor analysis codification
B3.5 Our sustainability programmes take into account economic, social and environmental issues	27. Our sustainability programmes take into account economic, social and environmental issues
B3.6 Customer feedback is key to our performance appraisal systems	28. Customer feedback is key to our performance appraisal systems
B3.7 We work cooperatively with our business partners	29. We work cooperatively with our business partners
B3.8 Our corporate performance indicators are geared towards future corporate performance	30. Our corporate performance indicators are geared towards future corporate performance
B4.1 Intellectual capital is our main source of profitability	31. Intellectual capital is our main source of profitability
B4.2 Emphasis on human capital development improves our corporate performance	32. Emphasis on human capital development improves our corporate performance
B4.3 Innovation is promoted through our good knowledge management systems that we pursue	33. Innovation is promoted through our good knowledge management systems that we pursue
B4.4 Knowledge about local culture promotes marketing through customer satisfaction	34. Knowledge about local culture promotes marketing through customer satisfaction
B4.5 Knowledge about the local culture improves our corporate performance	35. Knowledge about the local culture improves our corporate performance
B4.6 Our organisation invests heavily in supporting employee knowledge	36. Our organisation invests heavily in supporting employee knowledge
B5.1 Our profitability success is a result of inputs from various stakeholders	37. Our profitability success is a result of inputs from various stakeholders
B5.2 We are competitive because of our customer oriented activities	38. We are competitive because of our customer oriented activities
B5.3 Our internal business processes contribute a lot towards organisational profitability	39. Our internal business processes contribute a lot towards organisational profitability
B5.4 Our profitability is a result of the abundant natural resources capital that we get from the environment	40. Our profitability is a result of the abundant natural resources capital that we get from the environment
B5.5 Our profitability is a result of the social values that we get from local communities	41. Our profitability is a result of the social values that we get from local communities
B6.1 We recognise the interdependence of efforts and rewards among our stakeholders	42. We recognise the interdependence of efforts and rewards among our stakeholders
B6.2 Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	43. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance
B6.3 All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	44. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation
B6.4 Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	45. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation
B6.5 We are open in disclosing wealth distribution to our stakeholders through corporate reporting	46. We are open in disclosing wealth distribution to our stakeholders through corporate reporting
B6.6 Our managers do not practice corruption that deprives our valuable stakeholders	47. Our managers do not practice corruption that deprives our valuable stakeholders
B6.7 We pay our suppliers fairly by offering competitive prices in the industry	48. We pay our suppliers fairly by offering competitive prices in the industry
B6.8 We are involved in financially supporting educational projects for our future business operations	49. We are involved in financially supporting educational projects for our future business operations
B6.9 We take direct responsibility for social problems that we have caused	50. We take direct responsibility for social problems that we have caused
B6.10 Our organisation reserves funds for natural environmental (ecological) preservation projects	51. Our organisation reserves funds for natural environmental (ecological) preservation projects
B6.11 We contribute substantially to the overall welfare of the society	52. We contribute substantially to the overall welfare of the society

APPENDIX L: PERCENTAGE OF TOTAL VARIANCE EXPLAINED ON AN INITIAL VARIABLE ROTATION

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.669	20.517	20.517	10.669	20.517	20.517
2	4.507	8.667	29.183	4.507	8.667	29.183
3	2.433	4.679	33.862	2.433	4.679	33.862
4	2.370	4.558	38.421	2.370	4.558	38.421
5	2.335	4.490	42.911	2.335	4.490	42.911
6	1.872	3.601	46.512	1.872	3.601	46.512
7	1.843	3.545	50.057	1.843	3.545	50.057
8	1.572	3.023	53.080	1.572	3.023	53.080
9	1.515	2.914	55.993	1.515	2.914	55.993
10	1.485	2.857	58.850	1.485	2.857	58.850
11	1.335	2.568	61.418	1.335	2.568	61.418
12	1.303	2.505	63.923	1.303	2.505	63.923
13	1.189	2.286	66.209	1.189	2.286	66.209
14	1.116	2.147	68.356	1.116	2.147	68.356
15	1.095	2.106	70.461	1.095	2.106	70.461

Extraction method: Principal Component Analysis

APPENDIX M: A PATTERN MATRIX OF SIX COMPONENTS

Variable	Component					
	1	2	3	4	5	6
35. Knowledge about the local culture improves our corporate performance	0.785	-0.006	0.060	0.012	0.049	-0.137
34. Knowledge about local culture promotes marketing through customer satisfaction	0.765	0.156	0.030	-0.120	0.169	-0.185
36. Our organisation invests heavily in supporting employee knowledge	0.737	-0.178	0.246	0.029	0.003	-0.263
6. Our external financial reporting system takes into account our environmental obligations	0.689	-0.124	-0.041	-0.105	-0.241	0.183
52. We contribute substantially to the overall welfare of the society	0.677	0.104	0.049	-0.212	-0.016	0.203
50. We take direct responsibility for social problems that we have caused	0.667	-0.099	0.000	-0.142	-0.125	0.127
15. We treat employees as the most valuable asset of our organisation	0.660	-0.052	-0.050	0.201	0.233	-0.036
1. We recognise the interdependence of relationships of our stakeholders	0.612	-0.148	0.129	-0.282	-0.023	0.036
16. Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	-0.599	0.377	-0.047	0.180	0.228	0.051
11. We treat our suppliers as an integrated part of our business	0.561	-0.179	-0.085	0.125	0.490	0.279
2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	0.546	-0.015	0.106	-0.123	0.030	-0.034
49. We are involved in financially supporting educational projects for our future business operations	0.541	0.101	0.243	-0.043	0.035	0.068
14. We constantly interact with and help the local community in which we operate	0.487	0.222	-0.173	0.063	-0.018	0.105
41. Our profitability is a result of the social values that we get from local communities	0.470	0.133	0.167	0.188	-0.128	-0.342
51. Our organisation reserves funds for natural environmental (ecological) preservation projects	0.456	0.191	0.029	-0.072	-0.335	0.169
38. We are competitive because of our customer oriented activities	0.425	0.204	0.397	-0.138	0.152	0.198
26. We are able to objectively measure the impact of our operations on the natural environment	0.409	0.096	-0.332	0.352	-0.038	-0.091
13. Our organisation is highly respected for maintaining and promoting environmental protection	0.400	0.250	-0.202	0.170	-0.106	0.103
7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	0.358	-0.070	0.039	0.157	-0.231	0.120
3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	0.354	0.098	0.128	-0.171	0.015	0.309
33. Innovation is promoted through our good knowledge management systems that we pursue	0.348	0.213	0.248	0.160	0.021	0.049
42. We recognise the interdependence of efforts and rewards among our stakeholders	0.295	0.029	0.217	0.212	0.096	0.156
40. Our profitability is a result of the abundant natural resources capital that we get from the environment	-0.107	0.770	-0.042	-0.134	-0.268	-0.161
31. Intellectual capital is our main source of profitability	-0.142	0.621	-0.048	0.043	0.354	-0.093
24. We use benchmarking to continuously improve our business processes	0.151	0.610	0.181	-0.216	-0.136	-0.053
39. Our internal business processes contribute a lot towards organisational profitability	-0.283	0.585	0.472	-0.018	0.153	0.121
18. We make profits because of our efficient labour force	-0.202	0.500	0.071	0.178	-0.016	0.198
32. Emphasis on human capital development improves our corporate performance	0.358	0.476	-0.102	0.018	0.243	-0.259
20. Our organisation runs on the premise that community care is paramount	0.231	0.439	0.003	0.012	-0.367	0.100
21. Our organisation focuses on protection of the natural environment as a stakeholder	0.321	0.430	-0.111	-0.004	-0.282	-0.065

Variable	Component					
	1	2	3	4	5	6
25. We are able to objectively measure the social impact of our operations	0.204	0.396	-0.159	0.279	-0.085	-0.182
19. Our operations rely on debt provisions from our financiers	0.149	0.257	-0.045	0.004	0.008	-0.096
44. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.103	-0.006	0.669	0.235	-0.087	-0.001
43. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	0.110	-0.037	0.635	-0.020	-0.147	0.067
37. Our profitability success is a result of inputs from various stakeholders	-0.030	0.047	0.607	0.062	0.124	0.009
48. We pay our suppliers fairly by offering competitive prices in the industry	0.310	-0.085	0.581	-0.027	-0.067	-0.012
30. Our corporate performance indicators are geared towards future corporate performance	-0.228	-0.099	0.188	0.734	0.034	0.084
28. Customer feedback is key to our performance appraisal systems	-0.164	0.053	-0.093	0.654	0.002	0.022
29. We work cooperatively with our business partners	-0.055	-0.038	-0.010	0.639	0.332	0.169
45. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	-0.005	-0.104	0.455	0.624	-0.130	-0.151
46. We are open in disclosing wealth distribution to our stakeholders through corporate reporting	-0.138	-0.024	0.457	0.537	-0.137	-0.146
23. We adopt processes that address concerns of our stakeholders	0.013	0.021	0.299	0.448	0.017	0.051
27. Our sustainability programmes take into account economic, social and environmental issues	0.390	0.021	-0.146	0.428	-0.405	0.115
47. Our managers do not practice corruption that deprives our valuable stakeholders	0.093	-0.035	0.226	0.386	0.315	-0.175
17. Our customers comprise the most important element of our business	-0.112	0.027	-0.104	0.037	0.639	0.159
22. Government contributions are foundational to our business operations	0.092	0.148	-0.086	-0.089	-0.539	-0.142
5. Our external financial reporting system takes into account our social obligations towards local communities	-0.159	0.119	0.277	0.307	-0.454	0.290
12. We demonstrate mutual respect with our competitors	0.275	0.250	0.043	0.011	0.366	0.194
8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	0.049	-0.143	0.043	-0.045	0.151	0.702
9. Our financial statements are verified by the appointed external auditors for external reporting	0.020	-0.283	0.014	0.173	0.048	0.693
10. We are committed in making decisions with the customer's perspectives in mind	0.103	-0.006	-0.141	0.278	0.381	0.533
4. Our financial reports are constructed towards meeting interests of our external stakeholders	-0.034	0.370	0.024	-0.097	0.012	0.476

Extraction method: Principal Component Analysis

Rotation method: Promax with Kaiser Normalisation

APPENDIX N: BEST PATTERN MATRIX OF FOUR COMPONENTS

Variable	Component			
	1	2	3	4
6. Our external financial reporting system takes into account our environmental obligations	**0.715**	-0.134	-0.085	-0.008
35. Knowledge about the local culture improves our corporate performance	**0.675**	0.083	0.104	0.014
50. We take direct responsibility for social problems that we have caused	**0.652**	-0.106	-0.081	0.037
36. Our organisation invests heavily in supporting employee knowledge	**0.630**	0.290	-0.106	-0.123
52. We contribute substantially to the overall welfare of the society	**0.623**	-0.118	0.069	0.171
16. Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth	**-0.610**	0.043	0.368	0.185
34. Knowledge about local culture promotes marketing through customer satisfaction	**0.602**	-0.013	0.232	0.064
1. We recognise the interdependence of relationships of our stakeholders	**0.555**	-0.045	-0.215	0.028
15. We treat employees as the most valuable asset of our organisation	**0.548**	0.073	0.128	0.237
51. Our organisation reserves funds for natural environment preservation projects	**0.498**	-0.059	0.190	-0.102
27. Our sustainability programmes take into account economic, social and environmental issues	**0.495**	0.073	0.256	-0.149
2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	**0.470**	0.032	-0.016	0.034
49. We are involved in financially supporting educational projects for our future business operations	**0.466**	0.180	0.068	0.115
14. We constantly interact with and help the local community in which we operate	**0.453**	-0.153	0.346	0.123
7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	**0.408**	0.098	0.003	-0.049
41. Our profitability is a result of the social values that we get from local communities	**0.396**	0.310	0.264	-0.277
3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	**0.336**	-0.039	-0.007	0.240
38. We are competitive because of our customer oriented activities	**0.329**	0.244	0.051	0.272
45. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation	0.019	**0.793**	0.000	-0.163
46. We are open in disclosing wealth distribution to our stakeholders through corporate reporting	-0.109	**0.743**	0.030	-0.184
44. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation	0.089	**0.742**	-0.120	-0.059
37. Our profitability success is a result of inputs from various stakeholders	-0.090	**0.589**	-0.130	0.085
30. Our corporate performance indicators are geared towards future corporate performance	-0.171	**0.571**	0.062	0.127
43. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance	0.113	**0.557**	-0.242	-0.083
48. We pay our suppliers fairly by offering competitive prices in the industry	0.269	**0.520**	-0.237	-0.057
23. We adopt processes that address concerns of our stakeholders	0.017	**0.514**	0.080	0.084
47. Our managers do not practice corruption that deprives our valuable stakeholders	-0.011	**0.459**	0.070	0.160
39. Our internal business processes contribute a lot towards organisational profitability	-0.350	**0.386**	0.169	0.172
5. Our external financial reporting system takes into account our social obligations towards local communities	0.000	**0.362**	0.077	-0.141
33. Innovation is promoted through our good knowledge management systems that we pursue	0.192	**0.299**	0.229	0.095
42. We recognise the interdependence of efforts and rewards among our stakeholders	0.260	**0.288**	0.050	0.225

Variable	Component			
	1	2	3	4
40. Our profitability is a result of the abundant natural resources capital that we get from the environment	-0.119	-0.113	**0.745**	-0.321
31. Intellectual capital is our main source of profitability	-0.275	-0.017	**0.644**	0.218
25. We are able to objectively measure the social impact of our operations	0.169	0.027	**0.601**	-0.129
32. Emphasis on human capital development improves our corporate performance	0.194	-0.050	**0.600**	0.059
21. Our organisation focuses on protection of the natural environment as a stakeholder	0.121	-0.113	**0.516**	-0.219
24. We use benchmarking to continuously improve our business processes	0.093	0.032	**0.501**	-0.141
18. We make profits because of our efficient labour force	-0.187	0.113	**0.482**	0.134
20. Our organisation runs on the premise that community care is paramount	0.279	-0.030	**0.457**	-0.181
13. Our organisation is highly respected for maintaining and promoting environmental protection	0.134	-0.122	**0.412**	0.057
26. We are able to objectively measure the impact of our operations on the natural environment	0.192	-0.099	**0.396**	-0.006
19. Our operations rely on debt provisions from our financiers	0.100	-0.031	**0.306**	-0.038
28. Customer feedback is key to our performance appraisal systems	-0.114	0.174	**0.293**	0.071
10. We are committed in making decisions with the customer's perspectives in mind	0.094	-0.065	0.067	**0.707**
11. We treat our suppliers as an integrated part of our business	0.149	-0.049	-0.079	**0.636**
17. Our customers comprise the most important element of our business	-0.233	-0.093	0.030	**0.603**
8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	0.112	-0.107	-0.277	**0.599**
9. Our financial statements are verified by the appointed external auditors for external reporting	0.134	-0.008	-0.331	**0.530**
22. Government contributions are foundational to our business operations	0.186	-0.116	0.180	**-0.509**
12. We demonstrate mutual respect with our competitors	0.162	0.006	0.243	**0.449**
29. We work cooperatively with our business partners	-0.075	0.322	0.159	**0.432**
4. Our financial reports are constructed towards meeting interests of our external stakeholders	-0.003	-0.130	0.246	**0.336**

Extraction method: Principal Component Analysis

Rotation method: Promax with Kaiser Normalisation

APPENDIX O: ANALYSIS OF VARIABLE LOADINGS (FOUR EXTRACTED COMPONENTS VERSUS SIX STRATEGIC THEMES OF CONCEPTUAL FRAMEWORK)

KEY: 1. Relationships and Culture 2. Stakeholder 3. Processes & Practices 4. Intellectual Capital 5. Value Creation 6. Corporate Conscience	Conceptual Framework Strategic Themes					
Component 1: Relationships & Culture	**1**	**2**	**3**	**4**	**5**	**6**
1. We recognise the interdependence of relationships of our stakeholders	X					
2. Our managers listen to and openly communicate with our stakeholders regarding their concerns and contributions	X					
3. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue	X					
6. Our external financial reporting system takes into account our environmental obligations	X					
7. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)	X					
14. We constantly interact with and help the local community in which we operate	X					
15. We treat employees as the most valuable asset of our organisation	X					
16. Our organisation puts more emphasis on maximisation of shareholders wealth than of other stakeholders wealth		X				
27. Our sustainability programmes take into account economic, social and environmental issues			X			
34. Knowledge about local culture promotes marketing through customer satisfaction				X		
35. Knowledge about the local culture improves our corporate performance				X		
36. Our organisation invests heavily in supporting employee knowledge				X		
38. We are competitive because of our customer oriented activities					X	
41. Our profitability is a result of the social values that we get from local communities					X	
49. We are involved in financially supporting educational projects for our future business operations						X
50. We take direct responsibility for social problems that we have caused						X
51. Our organisation reserves funds for natural environmental (ecological) preservation projects						X
52. We contribute substantially to the overall welfare of the society						X
Component 2: Corporate Conscience	**1**	**2**	**3**	**4**	**5**	**6**
5. Our external financial reporting system takes into account our social obligations towards local communities	X					
23. We adopt processes that address concerns of our stakeholders			X			
30. Our corporate performance indicators are geared towards future corporate performance			X			
33. Innovation is promoted through our good knowledge management systems that we pursue				X		
37. Our profitability success is a result of inputs from various stakeholders					X	
39. Our internal business processes contribute a lot towards organisational profitability					X	
42. We recognise the interdependence of efforts and rewards among our stakeholders						X
43. Organisational wealth is allocated to each stakeholder based on their relative contributions towards the overall corporate performance						X
44. All stakeholders receive sufficient benefits to assure their continued collaboration with our organisation						X
45. Equitable distribution of organisational wealth to our stakeholders enables us to gain continued corporate reputation						X
46. We are open in disclosing wealth distribution to our stakeholders through corporate reporting						X
47. Our managers do not practice corruption that deprives our valuable stakeholders						X
48. We pay our suppliers fairly by offering competitive prices in the industry						X

KEY: 1. Relationships and Culture 2. Stakeholder 3. Processes & Practices 4. Intellectual Capital 5. Value Creation 6. Corporate Conscience	Conceptual Framework Strategic Themes					
Component 3: Value creation	**1**	**2**	**3**	**4**	**5**	**6**
13. Our organisation is highly respected for maintaining and promoting environmental protection	X					
18. We make profits because of our efficient labour force		X				
19. Our operations rely on debt provisions from our financiers		X				
20. Our organisation runs on the premise that community care is paramount		X				
21. Our organisation focuses on protection of the natural environment as a stakeholder		X				
24. We use benchmarking to continuously improve our business processes			X			
25. We are able to objectively measure the social impact of our operations			X			
26. We are able to objectively measure the impact of our operations on the natural environment			X			
28. Customer feedback is key to our performance appraisal systems			X			
31. Intellectual capital is our main source of profitability				X		
32. Emphasis on human capital development improves our corporate performance				X		
40. Our profitability is a result of the abundant natural resources capital that we get from the environment					X	
Component 4: Stakeholder	**1**	**2**	**3**	**4**	**5**	**6**
4. Our financial reports are constructed towards meeting interests of our external stakeholders	X					
8. Our financial statements are prepared based on the generally accepted accounting principles (GAAP)	X					
9. Our financial statements are verified by the appointed external auditors for external reporting	X					
10. We are committed in making decisions with the customer's perspectives in mind	X					
11. We treat our suppliers as an integrated part of our business	X					
12. We demonstrate mutual respect with our competitors	X					
17. Our customers comprise the most important element of our business		X				
22. Government contributions are foundational to our business operations			X			
29. We work cooperatively with our business partners			X			

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

APPENDIX P: EXAMPLE OF E-MAIL RESPONSE SHOWING RELUCTANCE TO PARTICIPATE IN THE RESEARCH SURVEY