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Conceptualisation of the Balanced Scorecard (BSC) model

A critical review on its validity in Africa

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Abstract

Purpose – This paper aims to review and analyze the validity and relevance of the conceptualization of the Balanced Scorecard (BSC) model, especially within an African context. The BSC model was developed to address the problems and limitations of relying solely on traditional financial measures. This paper carries out a critical review and detailed analysis on perspectives surrounding the BSC model.

Design/methodology/approach – The paper critically reviews relevant literature on the BSC model by focusing on the pertinent issues surrounding the applicability of the BSC model in modern business environment. A critical review of conceptualization issues regarding the BSC model especially with a focus toward its application within an African framework was also done.

Findings – It is established that the BSC model plays a pivotal role in assisting business executives in making holistic long-term management decisions. However, the model puts undue emphasis on shareholders' wealth maximization at the sacrifice of other equally important stakeholders. The model puts less emphasis or completely ignores such stakeholders as competitors, suppliers, lenders, government, the local community and the natural environment. The model is fraught with many conceptualization assumptions that are not realistic in the modern environment.

Practical implications – It is envisaged that the study should add to the literature on corporate performance measures and the BSC model. The revelations gained through this paper will enable researchers to have an open mind on the way the BSC model is supposed to be modified and applied for various business environments.

Originality/value – The revelations of the paper point out application limitations of the BSC model, there is an imperative need to upgrade and redesign the BSC model to reflect realities of modern business activities, especially within an African context.

Keywords Stakeholder, Balanced Scorecard, Community, Natural environment, Competitor, Shareholder

Paper type Conceptual paper

Introduction

The Balanced Scorecard (BSC) model was developed to address the problems and limitations of relying solely on traditional financial measures when business executives are assessing corporate performance (Kaplan and Norton, 1992). 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 *et al.*, 2008). Thus, the BSC model was designed to combat overreliance on purely financial measurement systems in assessing corporate performance.

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While it retains the financial perspective, the BSC model also incorporates three more non-financial perspectives: the customer, internal business processes and innovation (learning and growth) perspectives (Kaplan and Norton, 1992). From its conceptualization up to date, inventors of the BSC model, Kaplan and Norton, have maintained the same four perspectives. The model has achieved worldwide recognition and acceptance as both a performance measurement framework and a corporate planning tool (Bigliardi and Bottani, 2010; Bourguignon *et al.*, 2004; Taylor and Baines, 2012).

Research aim and objectives

This research article aims at critically reviewing and analyzing the conceptualization of the four perspectives surrounding the BSC model. The review and analysis processes are based on the assessment of pertinent issues surrounding the validity and relevance of the model, especially within an African context. Specifically, the article strives to critically review relevant literature on the BSC model by discussing its background, conceptualization and assumptions; to review and analyze the significance and practical use of the model in the modern business environment; and to review and analyze challenges and limitations that the BSC model has toward fulfilling its mandate of being used as a strategic management tool on corporate performance measurement systems. More focus is given to the cognizance of the uniqueness of Africa's socio-cultural framework, which is different from that of Western society upon which the model was developed.

Research methodology

As the review and conceptual research on BSC model application in Africa, the study was conducted through secondary research using different sources of information as outlined below. The main steps that were followed when designing the review paper included the identification and generation of critical issues regarding perspectives surrounding corporate performance and the BSC model, review of perspectives on performance measurement systems, a careful review of the literature on other similar topical areas, a review of studies currently under way and insights gained from an examination of the latest information gathered through the Internet, newspapers, magazines, television and radio broadcastings.

Background on the BSC

The BSC model 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 leads companies to focus on the short-term and potentially leaves them ill-prepared for future competitive engagement (Kaplan and Norton, 1992).

The BSC model was developed out of frustration with the traditional use of short-term-oriented measurement systems by various organizations. Such financial measurement systems depend exclusively on lagging indicators to report on the outcomes of the past actions of an organization (Kaplan and Norton, 1992). It is argued that the best approach to corporate performance and future sustainability is for organizations to retain financial measures to summarize 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. The BSC model was founded on the premise that it is useful to balance financial and non-financial measures for ultimate financial gains.

Assumptions of the BSC model

A number of assumptions govern the conceptualization of the BSC model as a strategic management tool. The following are such assumptions:

Assumption 1: the BSC model complements financial measures

Just like Michael Porter's five competitive forces model, which advocates the creation and enhancement of competitive advantage by organizations (Porter, 2008), the BSC 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 and Norton, 1992). The BSC model complements traditional financial measures with operational measures that look at customer satisfaction, internal business processes and the organization's innovation and improvement activities.

Assumption 2: the BSC model is conceptualized on four business perspectives

The BSC model allows managers to look at an organization by focusing on four perspectives that are linked to the corporate vision and strategy for better performance. These perspectives are the financial, customer, business processes and innovation perspectives (Kaplan and Norton, 1992). The BSC model retains the financial perspective because financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken.

On non-financial perspectives, the BSC model recognizes the significance of customers toward corporate success. The source of existence of any organization, whether it is private or public, is the need to serve a certain group of consumers, also referred to as customers. Drucker (2007) argues that a company's first task is to create and keep a customer. Still, the internal business processes perspective is primarily an analysis of an organization's internal processes in terms of how efficiently or effectively operations are conducted. The perspective focuses on the internal business results that lead to financial success and satisfied customer expectations. Finally, the fourth perspective of the BSC model, the innovation perspective, focuses on the way organizations 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 organization (Kaplan and Norton, 1992).

In giving information to senior executives from these four different perspectives, the BSC model minimizes information overload by limiting the number of measures used. The model also ensures that there is a balance of focus and attention by business executives.

Assumption 3: the BSC model's perspectives are linked to time horizons

The four perspectives of the BSC model are designed to drive both the operational and the strategic activities of the organization through the use of leading and lagging indicators. The financial perspective tends to concentrate on past performance and is, therefore, historical and lagging. In contrast, the innovation perspective tends to dwell on promoting the organizational ability to sustain the organization in future endeavors. Hence, the innovation perspective is leading (Olve *et al.*, 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 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 BSC model perspectives are summarized in Figure 1.

Assumption 4: the BSC model suggests cause-and-effect relationships within perspectives

The BSC aligns corporate vision and strategy with organizational performance through the interconnectedness of different layers of perspectives. Under the BSC model, senior management begins, in articulating their corporate strategies, by looking at how improving employee capabilities and skills in certain job positions (innovation perspective) would enable a critical internal business process to improve as well (Kaplan and Norton, 2004). It follows that the improvement of internal business processes would cascade down to enhance the value proposition delivered to targeted customers. By implication, the improved customer base would ultimately lead to increased revenues and ultimately significantly higher shareholder value.

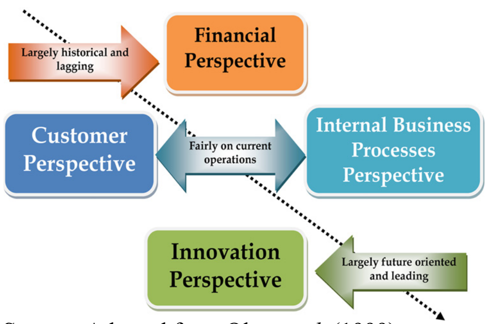
Assumption 5: the BSC model can be used as a strategic management tool

In viewing an organization according to four perspectives, the BSC model is intended to link short-term operational control to the long-term vision and strategy of an organization (Kaplan and Norton, 1996). The BSC model allows managers to look at corporate performance by focusing on the four inter-related perspectives.

The BSC model is, therefore, used as a strategic planning and performance measurement tool. There are four activities that enable the successful implementation of the BSC 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 and Norton, 1996).

Assumption 6: the BSC model works in a top-down hierarchical manner

The corporate vision, mission and value statements are usually formulated by senior executives. These statements are then cascaded down the organizational structure to



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

Figure 1. Time horizons for the BSC model's perspectives

lower levels, to the departmental and finally individual employee levels (Paladino, 2007). The BSC model demands an understanding, commitment and support from the very top of the organization 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 BSC model system.

Significance of the BSC approach

Since its inception, the BSC model has been regarded as one of the most influential developments in performance measurement in the twentieth century (Bourguignon *et al.*, 2004; Niven, 2008; Taylor and Baines, 2012). The most significant applications of the BSC model are discussed below.

The BSC model is used as a strategic management tool

Successful organizations have used the BSC 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 and Murali, 2008; Taylor and Baines, 2012). The BSC model serves as a way to communicate the organizational 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-term and on the appropriate strategic direction for everyone's efforts within the organization (Olve *et al.*, 1999).

The BSC model is used as a means of setting organizational priorities

The BSC model is used as a model that guides organizations to achieve breakthroughs by prioritizing elements of the organization's vision and strategy before other activities (Bloomquist and Yeager, 2008). 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 organization's goals and objectives. The model helps managers in setting priorities by identifying, rationalizing and aligning initiatives. Senior management can focus its attention on more strategic issues, whereas front-line employees are sensitized to the value of their operational work and how it relates to the organization's strategic objectives.

The BSC model is used as a motivational tool

The BSC can be a motivational tool toward the realignment of different stakeholders of an organization (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 organization's vision and strategy could improve significantly.

Without well-balanced measures, both middle and senior management can travel blindly on the set organizational roadmap. Studies on human behavior indicate that compensation plans based on the BSC motivate personnel extrinsically if meaningful rewards are linked to performance measures that they can influence (Decoene and Bruggeman, 2006). 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.

The BSC adopts a holistic approach
Although the BSC 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 organization's vision and strategy. The BSC model puts vision and strategy at the center of management processes and systems. The measures are selected in accordance with their impact and significance as drivers of future corporate financial performance (Kaplan and Norton, 2008b).

In a more holistic way, the BSC model summarizes an organization's vision and strategy, and measures its performance on the basis of its four perspectives. When the corporate systems are fully deployed, the BSC model seeks to ensure that the drivers of long-term performance breakthroughs are identified and properly aligned. Practically, this implies that ultimately an organization's vision, mission and strategy are linked with action to realize positive tangible operational outcomes.

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

In taking a holistic approach, the BSC model identifies a set of measures that prevents managers during their budgeting processes 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 *et al.*, 2003).

Furthermore, Bible *et al.* (2006) argue that if every employee is aware of the organizational vision, strategy and corporate performance drivers, the potentially damaging effects of game playing, politics and number-shuffling are minimized. The BSC model has a depoliticizing effect on the budgeting process because employees can understand organizational strategic objectives that are shared with other employees. The model thus facilitates teamwork and team building.

The BSC model forms a foundation for sound external financial reporting systems
The BSC model has evolved from being a purely performance measurement-based reporting system to becoming more inclusive and, thus, to becoming 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 BSC model can be used to communicate the alignment of annual reports and organizational 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 BSC model in their annual reports as supplements to the financial statements (Bible *et al.*, 2006).

The BSC model provides a means of organizational communication
Apart from providing a snapshot of corporate performance that is easy to understand, the BSC model can enhance communication with key stakeholders of the organization, ranging from customers to employees. Atkinson (2006) observes that the BSC 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 BSC 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 organization (Chan, 2009; Kaplan *et al.*, 2010).

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

Limitations of the BSC

In general, the BSC model's limitations hinge on the model's conceptualization and assumptions. Such limitations dilute the usefulness of the BSC model for organizations in different industries and from different parts of the world. The limitations of the BSC model are reviewed and discussed below:

The BSC model is overly simplified

An organization represents a culmination of different systems from inside and outside its framework. The external and internal systems from different interested parties are interconnected in a highly complex manner (Khomba, 2011). A highly simplified model such as the BSC model cannot represent the complex interrelationships between an organization and the multitude of activities which the internal and external stakeholders engage in. Norreklit *et al.* (2008) 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 BSC model.

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

The BSC model has conceptual limitations as a strategic management tool

The BSC model is not used as a universal model. For the BSC model to be applied as an effective strategic management tool, the scorecards should be rooted in the management practice of every individual organization (Norreklit, 2000). 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 (Bourguignon *et al.*, 2004). The BSC model does not suit the French way of doing business – 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-term tradition of performance-based remuneration systems such as that propagated in the BSC model.

Furthermore, the BSC 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 organization. The BSC model fails to recognize that a performance measurement system can be a two-way process (Hudson *et al.*, 2001). Consequently, the model lacks conceptual integration of top-level strategic scorecards with operational-level performance measures.

The validity of the four perspectives of the BSC model has not been proven

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

Although the choice of the four perspectives may have an intuitive appeal, the basic challenge to the BSC model's application is that the founders have not provided any empirical support for the selection of the four perspectives (Flamholtz, 2003). 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 organizational 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.

The BSC model has registered high failure rates

Although the BSC framework has been widely accepted in the business community, the proper method of implementing the framework still remains a big challenge (Kaplan and Norton, 2008a; Leung *et al.*, 2006). A KPMG management consultant estimates the overall failure rate at 70 per cent (DeBusk and Crabtree, 2006). Although the BSC 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 BSC model should be cautious of the measures that are deployed in the model.

Strategy execution using the BSC model is still problematic

The strategy execution of the BSC model still poses challenges for many organizations. Many executive managers are still not aware of the different approaches possible in dealing with strategic and operational activities (Kaplan and Norton, 2008a; Weil, 2007). Nevertheless, organizational alignment is the greatest and the most frequent cause of the success or failure of the BSC model. 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 organization 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 BSC 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). This implies that there is more to using the BSC model conceptualization than just implementing the model. The BSC model may require changes in the culture within the organization 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 organizational changes that require a paradigm shift in respect of existing performance measurement systems and its operations (Hinton and Barnes, 2009). This is particularly prevalent where organizational 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) advises that there should be undoubted and pervasive commitment and support from the top senior executives down to the bottom operators for the BSC model to be successfully implemented. As culture changes and develops within the organization, there is greater acceptance of the approach as members of the organization become mature in using the BSC model and can then make it even more balanced in future. Different organizations have different settings, as they target different markets and customers. Companies provide different products and services and should, therefore, end up with different BSC model systems which they deem relevant and valid for their operations.

The BSC 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 BSC model. There has been little research into the effectiveness of the BSC model. However, there are three key factors that would enable organizations to have success in using the BSC model during the implementation phase (Bourne *et al.*, 2003). These three factors are as follows:

(1) the model must have top management commitment;

(2) all the people in the organization should have the sense that it is worth the effort; and

(3) there should be good facilitation regarding the model concepts and applications.

In addition, the other three distinctive elements determine the success or failure of the BSC model during implementation phase, namely corporate vision, organizational structure, and organizational culture.

Assumptions about the unidirectional linearity of the BSC model perspectives may be erroneous

The BSC 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 and Larcker, 2001). 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.

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). Thus, proper weightings for each perspective should be determined to avoid a situation in which an individual manager is inappropriately rewarded or penalized.

The existence of such causal relationships is assumed to be unidirectional where the innovation perspective leads to internal business processes, customer perspectives and, ultimately, the financial perspectives in that order (Kaplan and Norton, 2001). 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 and Van Ooschot, 2005; Norreklit *et al.*, 2008). Each perspective has leading and lagging indicators that yield 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). Thus, a lack of cause-and-effect relationships is crucial because invalid assumptions in feed-forward control systems would force organizations to anticipate performance indicators that are actually faulty. Consequently, dysfunctional organizational behavior and sub-optimization would be experienced, as observed by De Haas and Kleingeld (1999).

There are no time lags between the cause-and-effect relationships of BSC model perspectives

As a strategic management tool, the BSC 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 BSC model (Norreklit *et al.*, 2008). 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 (Kunc, 2008; Norreklit *et al.*, 2008). 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.

The maximization of shareholders' wealth is overgeneralized in the BSC model

The BSC model is hypothesized on the basis of causal relationships using the rationale that an organization has one primary long-term objective; that is, maximizing shareholders' wealth in a profit-motivated organization. Profit-maximization objectives may not be applicable to public and non-governmental organizations. Organizations, especially those in the public sector, may have to deliver multiple objectives that are largely qualitative. Within such a complex organizational setup, it may be difficult to incorporate clear causal relationships between multiple objectives and process indicators which a simplified BSC model envisages. Meaningful performance measures are tracked over time using multiple levels throughout such complex organizations.

The BSC model focuses on an individual organization and ignores modern collaborative commerce

There have always been challenges regarding the practicality of the BSC model within modern collaborative organizations. The BSC model dwells on the performance on an individual organization, rather than a wider collaborative arrangement of companies (Porter, 2008; Voelpel *et al.*, 2006). In challenging recent environmental developments, modern organizations 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 BSC model is, therefore, not in line with modern enterprise systems.

The above-mentioned 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 organizations must form a collaborative network that genuinely represents and boost the whole, using all organizational resources, both tangible and intangible. For example, to retain consumers, there must be deliberately customer-oriented systems that satisfy consumers. Unfortunately, the BSC model is not capable of accommodating trans-organizational arrangements.

Overemphasis on the four perspectives of the BSC model

The BSC model puts too much emphasis on the four key perspectives. Among the stakeholders, the model covers only the shareholders, customers and employees and leaves out other critical stakeholders, such as competitors, suppliers, government, lenders, the community and the natural environment. This approach can be viewed as potentially problematic if proper coordination is not accomplished during the BSC model planning and implementation phases (Otley, 1999). 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 BSC model can resemble a series of four independent and uncoordinated lists of performance measures (Bourguignon *et al.*, 2004; Gering and 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 organizational performance (Flamholtz, 2003; Voelpel *et al.*, 2006). The BSC model leaves no room for more perspectives and cross-perspectives that might have a simultaneous impact on corporate performance. Neely (1999) contend that the BSC 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 organization's survival.

The predetermined categorization of the four perspectives on the BSC model may, however, prevent the model from becoming organization-adapted. Different organizations have quite different needs, market areas, people, products and services and stakeholders (Chavan, 2009; Kotler and Keller, 2011). The above-mentioned observation implies that each organization should have its own different perspectives on the BSC model. By putting too much emphasis on the four perspectives, the BSC model may ignore other more relevant immeasurable attributes, such as organizational culture, which are key factors in the future competitiveness of the organization concerned (Duren, 2010; Flamholtz, 2003).

The BSC model does not employ a multi-stakeholder-centered approach

Many research scholars contend that BSC model does not conform with the stakeholder-centered approach to performance management (Atkinson *et al.*, 1997; Voelpel *et al.*, 2006). The model is primarily based on the understanding that an organization has one long-term objective, that of maximizing shareholders' wealth in a profit-motivated organization. Other critical stakeholders, such as the government, which contributes toward the private sector development, are completely ignored in the BSC model discussion.

The BSC model fails to explicitly recognize other critical stakeholders, especially within an African context. Stakeholders' interests of employee values, local community and 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 and Neely, 2002; Smith, 2005). The BSC 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 organizational settings (Khomba and Vermaak, 2012; Martin, 2007; Rossouw, 2010). The BSC model does not capture a true environmental perspective and ignores the links between the environment and organizational operations. Consequently, many organizations 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).

The BSC model de-emphasizes the significance of socio-cultural frameworks for organizational survival

The de-emphasis of socio-cultural perspectives is a serious flaw in the BSC model (Voelpel *et al.*, 2006). For example, within an African context, socio-cultural linkages are considered a key factor for the success of any organization based in Africa (Mbigi and 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 endeavors of organizations (Ntibagirirwa, 2009).

As has already been pointed out, the BSC model is capitalist, as it focuses only on the maximization of shareholders' value through high profitability rather than the fulfillment 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). In its current form, the BSC model is, therefore, not consistent with the socio-cultural values of an African framework.

The above-mentioned review and analysis on the significance and limitations of the BSC model is summarized as follows:

(1) Significance of the BSC model:
- The BSC model is used as a strategic management tool.
- The BSC model is used as a means of setting organizational priorities.
- The BSC model is used as a motivational tool.
- The BSC adopts a holistic approach.
- The BSC model is the basis for the budgeting and budgetary process.
- The BSC model forms a foundation for sound external financial reporting systems.
- The BSC model provides a means of organizational communication system.

(2) Limitations of the BSC model:
- The BSC model is oversimplified – it does not represent the complexity of organizational systems.
- The BSC model has conceptual limitation as a strategic management tool.
- Strategy execution using the BSC model is still problematic.
- The validity of the four perspectives of the BSC model has not been proven.
- The BSC model has registered high failure rates.
- The BSC model and its long-term cost-effectiveness are in question.
- Assumptions about the unidirectional linearity of the BSC model perspectives may be erroneous.
- There are no time lags on the cause-and-effect relationships of BSC model perspectives.
- The maximization of shareholders' wealth is overgeneralized in the BSC model.
- The BSC model focuses on individual organization and ignores the modern collaborative commerce.
- Overemphasis of only the four perspectives of the BSC model.
- BSC model does not employ a multi-stakeholder-centered approach.
- The BSC model de-emphasizes the significance of socio-cultural frameworks toward organizational survival.

The above-mentioned analysis indicates that the limitations on the use of the BSC model far outweigh the model's usefulness at present (see above). Most of the cited limitations of the BSC model are premised on the model's unrealistic assumptions and conceptualization. The main problem of the BSC 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 toward this strategy.

Overall, the BSC model is based on the perception of a corporation as a profitability machine, which needs to be optimized to reach maximum efficiency through measuring and controlling for mostly company-owned processes. The BSC model fails to include critical stakeholders such as suppliers, government, competitors, lenders, 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-centered approach to management. Most conspicuous in the BSC model is the omission of the socio-cultural elements as one dimension affecting corporate performance, especially within an African context.

Conclusion and recommendations

This paper has critically reviewed and analyzed issues surrounding the measurement of performance using scorecards, in particular the Kaplan and Norton (1992) BSC model. The BSC model eliminates overreliance on the use of financial measures when assessing corporate performance. While retaining a financial perspective, the BSC incorporates three more non-financial perspectives: the customer, internal business processes and innovation perspectives.

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

The article has also reported on and acknowledged the significance of using the BSC model by various organizations. The usefulness of the BSC model to an organization lies in its holistic approach toward corporate performance measurement systems, 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 it provides a means of organizational communication.

The BSC model may not be a recipe for success everywhere. Some major challenges and limitations are associated with the BSC model's conceptualization 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 recognize modern collaborative commerce practices.

Furthermore, the BSC model overemphasizes the four perspectives. It still implies more of a shareholder-centered than a stakeholder-centered approach, as only shareholders are given prominence by the BSC model, and other critical stakeholders, such as suppliers, government, competitors, the community and ecological systems are not included. The BSC model de-emphasizes the socio-cultural frameworks that have a direct impact on corporate performance, especially in the African environment. Therefore, there is a need to upgrade and redesign the model to take cognizance of all critical elements that determine corporate performance and long-term corporate sustainability. The model should reflect realities of modern business activities and incorporate governance systems that are now stakeholder-centered rather than shareholder-centered, especially within an African context.

It is envisaged that the discussion on this review paper regarding the conceptualization issues surrounding perspectives of the BSC model will ignite further interest among researchers. They are bound to be interested in redesigning and remodeling the BSC to make sure that it fits into respective business environments, including the African framework that is premised on humanist and socialist settings. It is also expected that the paper will attract more debate among academia, especially business schools, which teach more about the BSC model with regard to it being used as a strategic planning and performance measurement tool.

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