

The relevance of Balanced Scorecards and Alternative Theories to Organisations: This Paper is part 2 of: Critical Evaluation of Scorecards and alternative Theories to the Diversity and Dynamism of an Organisation

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Abstract

The goal of this study is to analyse the relevance of Balanced Scorecards (BSCs) and alternative theories in organisations. The study has set out to analyse the relevance of four theoretical concepts and emphasizes the importance of the theories as an indicator of quality process in organisations. The study contributes to the literature by providing support to the importance of BSC and alternative theories and suggesting a new avenue for future research.

The use of BSC has the potential to enhance skills diversity and performance amongst employees, and to increase customer and employee skills development (Kaplan, 1996a). However, the central idea of the (RBVs) theory is that organisations or firms compete on the basis of their resources and capabilities (Peteraf and Bergen 2003).

Human Capital was considered as *locus classicus* in the subject and the concept of human capital is that people tend to spend for their needs in diverse ways, not because of present satisfaction, but for the values attached to future gains. The vital argument about stakeholders is that, since shareholders are publicly-held companies, the managers of these companies are responsible for the welfare of shareholders and should act in the best interest of shareholders. Finally, the study tends to analyse the functionality of BSC and alternative theories before adopting the measures in organisations.

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1.0 Introduction

During the 1990s, there was ample debate surrounding the values of financial measures to draw conclusions about organisational performance. It has been argued that traditional measures focus more on past performance; and long-term measures are required by organisations seeking excellent performance (Chakravarthy, 1986). Some have observed that accounting systems do not properly support investments in technology, human resources, innovation, customer loyalty or relationships. Other essential aspects that have not been recognised by traditional measures are intangible factors such as efficient and responsible operating processes, competencies, employee cross-functional skills, innovation in products and political, regulatory and societal approval (Webber, 2001; Bible et al, 2006; Mehmet and David 2007). In the 1990s, Kaplan was worried that performance measures which, at the time were not sufficient to give enough understanding of an organisation's performance and values. Kaplan and David carried out research to find the best method to implement measurements in major US organisations. The BSC concept (Kaplan and Norton 1992) was subsequently launched as a measure to assess the operations of the financial and nonfinancial assets of organisations. BSC became a reliable strategic performance measurement tool in the 1990s. The Balanced Scorecards is a tool that measures tangible and intangible assets in the day- to- day operations of organisations (Mehmet and David 2007). It is important to mention that the genesis of BSC includes the Activity-Based Costing (ABC) method initiated in the 1980s. BSC could be a useful tool to enhance employee skills. It was acknowledged in 1997 as one of the 75th greatest influential concepts of the 20th century (Bible et al, 2006). However, the concept has not yet been embraced in Nigeria, and it will therefore be used in this research to examine the effects of intangible factors like employee skills diversity and performance. Awareness of BSC is poor in emerging economies and the approach has not yet been deployed to contribute to current levels of performance results, growth and other

performance indicators. According to Kaplan and Norton (2012), relying on financial aspects alone in organisations is not sufficient, and even though the liquidity soundness of a company is important, there have to be other, inter-related areas that are considered vital to increase performance. For example, strategy design has the aim of achieving organisational objectives and must be considered alongside employee training and development as well as customer needs, product quality, the sales mix, customer retention and acquisition. Various other drivers contribute to organisational goals. The use of BSC has the potential to enhance skills diversity and performance amongst employees, and to increase customer and employee skills development (Kaplan, 1996a).

It has also been argued that BSCs cover various critical off-balance sheet factors and integrate key performance processes (Manas, 1999; Bible et al, 2006; Mehmet and David 2007; Fabien, 2009). Considering the scope of its effectiveness, therefore, there is a need to use the BSC approach and to introduce it to organisations in developing countries, in particular because it is so effective. In addition, it has been argued that it gives a clear understanding of organisational performance which will be easy to comprehend, and at the same time can enhance employee skills diversity from customer through to employees. It also enables learning and continuous improvement (Pieper, 2005; Inamdar and Kaplan 2002) and ensures that the needs of customers can be fulfilled.

The Impact of Balanced Scorecards

This research therefore seeks to explore the impact of BSC on employee skills diversity and performance in organisations. The main intention is to examine critical areas that add value to the implementation of the BSC for employees with cross-functional skills in Nigerian organisations, and to examine the extent to which these influence organisational performance. Research of this nature in developing countries that uses BSC methods to improve intangible factors such as cross-functional employee skills, the scope of operations and the nature of

responsibility is limited and there is therefore very little information on employee skills diversity and performance in underdeveloped and developing countries in the literature.

The paragraph below signifies the main objective

As a result, this research looks at how BSC can be used to enhance employee skills diversity, and enable employees to perform more efficiently in their departments towards better organisational performance. BSCs can be used to evaluate performance in organisations and can be harnessed to examine how employees and various organisational departments influence the effective exchange of information, while managing a variety of opportunities and exploratory innovation. BSC can help businesses achieve their organisational goals by facilitating efficiency in these areas.

1.1 How BSC Fits Into Management Theory In Central Bank of Nigeria (CBN).

The BSC fits into management theory in the context of CBN since it resonates with the concepts or ideas in the workplace of this business when fully implemented. BSC can increase productivity and service qualities in CBN as the framework was developed to manage its objectives. It can help to align the annual financial plan of the CBN using the BSC Strategic Map (SM). This would make the strategic priorities in CBN stand out. A scorecard performance platform was put in place to measure risk in CBN operations, and to make its *Critical Success Factor* (CSF) achievable. BSC can also improve the qualities of services and performance in CBN through the following dimensions; from unpublished thesis (Benneth, 2019):

- ❖ BSC will fit into CBN's management operations and will be useful in training staff with a diverse background using a learning and growth perspective

- ❖ CBN will attain price stability using BSC's financial perspective to monitor inflation and deflation
- ❖ BSC fits into the HR practices of banks since it involves training employees and developing their human assets
- ❖ BSC is useful for controlling, monitoring and reporting the extent of various processes achieved in daily operations on a weekly, monthly or annual basis using internal processes and a development perspective
- ❖ BSC fits into the CBN management process by coordinating and facilitating its annual financial budget.
- ❖ The customer perspective will explain the value of clients to the economy in terms of what they want, and how to retain and improve them.
- ❖ Finally, BSC fits into CBN's management by bridging the gap between managers and employees. It germinates co-operations between managers and employees through constructive and open relationships.

1.2

BSC: the right instrument for management

a) Training tool: Management can use BSC to gauge what staff or participants actually learn during training sessions. Paul (2008) stated that comparing the behaviours employees demonstrate during training with training objectives will help managers to assess whether or not the training session has been a success. At the end of the training event, staff who participated should be tested to evaluate the skills he/she has acquired. The skills acquired can affect the behaviour of the employees negatively or positively. As such, any new skills

acquired during learning sessions need to be measured to see how they are applied ‘on the job’ or in the area in which the organisation wants it to be applied.

b) Communication tool: BSC serves as a communication tool, particularly when it guides the objectives that the organisation can use as a performance plan. The following have been considered vitally important for organisations developing communication strategies and plans:

- To create awareness of the BSC at all levels in organisations
- To provide an avenue for BSC education to all employees
- To generate engagement and the commitment of key stakeholders during implementation.
- To improve the confidence of participants in the training session
- To condition the mind sets of staff to accept the use of BSC

However, the key elements organisations must focus on while developing communication plans using BSC are:

- To identify who the target audience is
- To consider which stakeholders management would communicate with using BSCs
- To think about what and why they should define the key messages to address their target audience, and how to use BSCs to explain the organisation’s objectives.
- To identify how often the communication plan addresses specific needs with up-to-date information.

In terms of BSC as a master plan for management, management systems allow organisations to translate their visions, and the executive team can then filter vague ideas from organisations in terms of vision and strategy statement.

In developing countries, especially in Nigeria, employees acknowledge the importance of skills development in organisations that can enhance economic growth, especially in times of

economic difficulty. In line with this, research has evaluated how constructive and open relationships between employees and their managers in a process of dialogue can improve employee skills and lead to better performance. It is hoped that this research will explicitly underscore how the BSC can be used to evaluate performance and employee skills in Nigerian organisations. The research underscores that, in developing countries, performance in organisations using BSCs is not widely measured, and this is particularly true of Nigeria. The research is the first of its kind to explore BSC and its impact on employee skills diversity in Nigerian organisations. It is the first to consider how BSC is used in organisations as a device to plan functional employee skills.

The research bridges existing knowledge gaps in suggesting that BSCs can be used to assess intangible factors that can lead to better performance. They can help to develop a practical model for investigating the links between organisational performance and the dimensions and processes of the BSC. From an internal perspective, and in terms of learning and growth perspectives it is important to consider mission achievement and how this leads to better organisational performance in Nigeria organisations. Some studies of performance evaluation have focused on for-profit organisations, but very few have taken note of critical off-balance sheet factors, such as employee skills diversity and performance in organisations. The use of BSCs has the potential to enhance employee skills diversity and performance and increase customer and employee skills development (Kaplan and Norton 1996a 1996b). The conceptual framework developed by Kaplan and Norton (1992, 1996) is used to develop an organisational master plan to create a performance benchmark. BSC can identify definite or clear measures that could be beneficial to most leading organisations, particularly in terms of employee development. Secondly, it provides measures that are viewed as the main determinants of the organisation's overall performance (Jui-chi Wang et al, 2006). The BSC

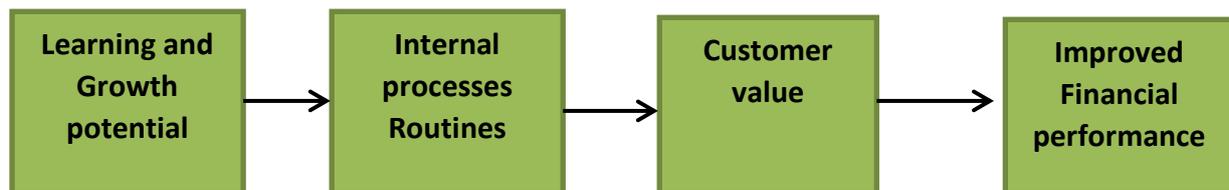
measure centres on clear business operations able to provide tangible results for organisations. This is achieved using the right BSC management tool to unify both balance sheet, and off balance sheet positions, and employees can receive essential advice about their organisation's on-going efforts to incorporate their vision into performance. Central to the research are categories like finance, customer, business operations, and learning and growth (Wright et al, 1999). BSC is a measure that can be used in any institution as well as in personal life. Hsuan-Lien Chu et al (2009) argue that BSC has been successfully applied to research in a nursing department. This was implemented in January 2003 and included consideration of the hospital's incentives plan for GPs. As a result, the department has improved tremendously within two years BSC implementation.

According to Kaplan and Norton (1996a) the founder and advocates of the BSC, the name reflects the balance between short-term and long-term objectives, between lagging and leading indicators, and between external and internal performance perspectives (Kaplan and Norton 1996a). The first BSC system, developed in the 1950s by General Electric was designed as a measurement, but the advent of the BSC in the 1990s by Kaplan has now evolved this concept into a strategic management tool critical to organisational planning processes (see section 1.4 for details). For the past twenty years, BSC has become the most commonly embraced tool for developing, implementing and monitoring the impact of management strategies (Church and Smith 2007). According to Church and Smith's survey, Bain & Company (2004) found that about 72 percent of participants used BSC.

As part of this research, one of the most important challenges that organisations face is how to strategically align and integrate the investment development of intangible assets (O'Connor et al, 2005; Kaplan and Norton 2004). Therefore, the achievement of a BSC master plan and objective/alignment shows that various aspects of non-financial or intangible

resources should be combined and used towards a common organisational goal. In developed countries today, such as in the US and Canada, the use of BSC is increasingly seen as beneficial. Despite the popularity of BSC systems, most organisations/companies have not integrated BSC information into their business systems. The need to integrate both financial and non-financial information across public organisations will improve the design of BSC. The use of BSC in public organisations will be relevant to employee training and development. Zelman et al (2003) stated that the Balanced Scorecard can be modified in some healthcare settings to include perspectives such as quality of care, outcomes, and access, and it is used to produce valid and timely information in such contexts.

Figure 1.1 Description of causal relationship between BSC dimensions



The learning and growth potential of BSC is clear when considering corporate investment in human and intellectual capital. In essence, learning and growth dimensions invite management to consider training their employees and improving their skills with the intention of driving performance in organisations. Kaplan and Norton (1996, 2006) diversified these learning and growth dimensions to include employee development, information systems and innovation and improvement.

Internal operations or internal process perspectives require management to focus on essential activities that will achieve organisational objectives with the intention of satisfying the customers' desire for those qualities and values that are important to them. Also,

organisations need to consider the effectiveness of business operations which should be approved by the learning and growth dimension (David 2008). David (2008) considers innovation, operations, customer and regulatory issues to be important business procedures. Each operation should be linked to the organisational strategy and should count as a measure of improvement.

The customer dimension is a major aspect of organisational strategy, and this dictates the direction for growth reinforcement and objective planning that organisations should achieve. The following attributes are imperative to customer acquisition and retention: product and service attributes, customer relationships, and organisational image. The customer perspective is about management defining who their major customers are, and taking stock of the qualities customers want from organisations (Mehmet and David 2007). According to the BSC concept, the customer dimension requires definite strategies as regards customer relationships that could be supported by the learning and growth dimension, and business operations department. An organisation with a clear strategic objective is an example. The financial perspective considers lagging indicators and data on past performance. These are the linkages in the BSC's causal equation to increasing stakeholder value and performance.

1.3 Some views in diversity

'Diversity is very diverse in nature'. It has been argued that executives need to consider rich and diverse information to avoid such managerial myopia, thereby enabling ambidexterity (Lukbatkin, et al. 2006; Smith and Tushman 2005; Tushman and O'Reilly 1996). Christophe and Walter (2009) defined diversity in two ways; since diversity is itself diverse. Firstly, diversity that is based on cognitive values is important since this type of diversity has to do with knowledge acquired through formal and informal education or functional background.

Secondly, diversity that is based on deep-level personality must be considered, and this particular diversity centres on values, attitudes, concepts, ideas, feelings and emotions. Therefore, the researcher considers diverse skills as those that individual employees possess which enable them to do better in their department for greater organisational performance. For this reason, it is important that those high ranking executives who can effectively translate policy into goals and objectives put strategic performance systems in place. It is important to have a strategy, which can be translated into business unit plans, budgets, and operational action plans at lower organisational levels. A strategic performance system is a system that aims to collect, analyse and report performance information. It is used by organisational members to steer and control business activities. It must be organised in such a way that everybody in the organisation strives towards achieving the strategic objectives of that organisation (De Waal, 2007).

The theory of causality states that organisational outcomes can be partially predicted from a managerial background (Hambrick and Mason 1984). Even when high ranking people are selected to lead in organisations, they continue to argue that their managerial backgrounds are reflected in strategic outcomes. Choices, to some extent reflect the idiosyncrasies of decision-makers (Hambrick and Mason 1984). As March and Simon (1958) put it, each decision-maker brings his or her set of givens. However, since the introduction of the BSC by Kaplan and Norton (1992, 1993, 1996a, 1996b, 1996c, 2000 and 2001), performance measures have transcended financial ratios (the traditional method) to include non-financial performance in a better format. This means that those drivers of future financial performance, like intangible assets such as: processes, innovation amongst senior managers and front line employees, trademarks, patents and human capital resources can be incorporated. In other words, it is relevant to examine the role of managers in improving employee learning, innovation and

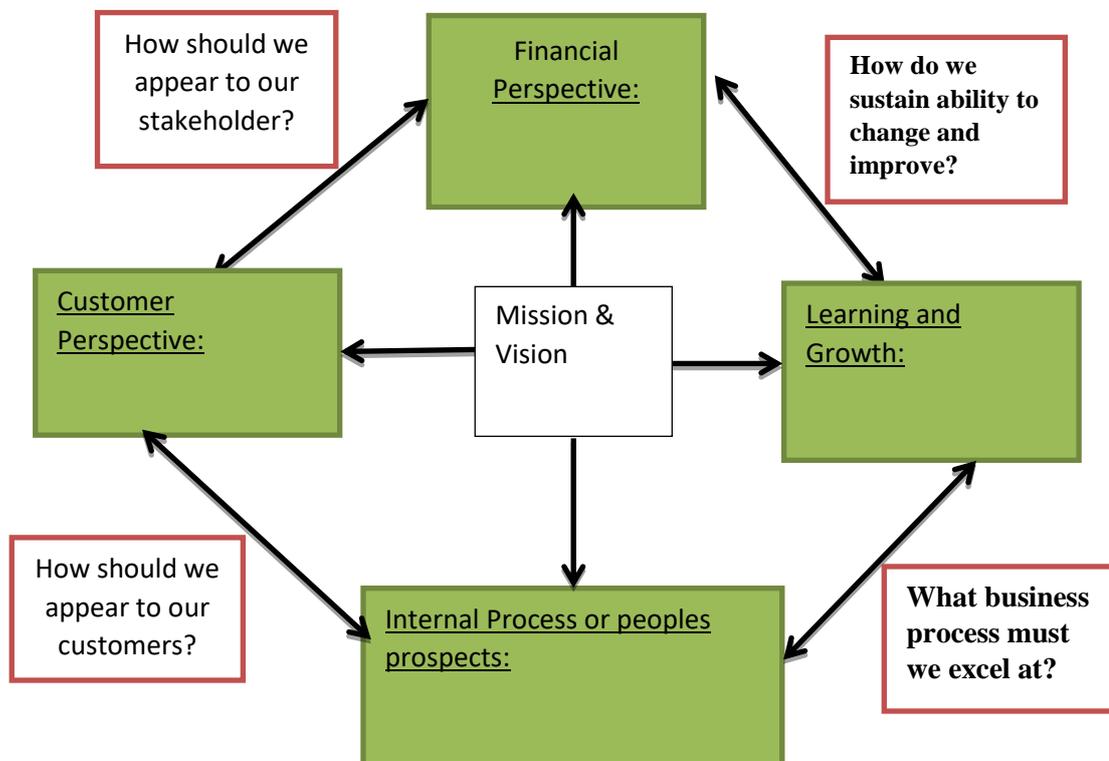
performance. BSC is a measurement system that has transcended the limit of the traditional method. It covers financial, internal, customer and innovative perspectives (Kaplan and Norton 1992; and De Waal, 2007). Alexander et al. (2009) argued that heterogeneity moderates the impact of advice seeking on exploratory innovation. Tine et al, (2011) stated that executive expertise and background characteristics affect the functional diversity performance relationships of people. They also emphasised that to realise the benefits of diversity, the asymmetric information associated with functional diversity (biodiversity/variety of life) has to be exchanged and integrated. This reflects the decision maker's cognitive base; that is, the acquired knowledge or assumptions about future events and alternatives (Hambrick and Mason 1984).

1.4 Statement of the research question

BSC is considered an implementation tool which organisations can use to realign their objectives. It focuses on improving the organisation's master plan. The principle aim of BSC is to align organisational strategies with current and subsequent operational activities. The financial measures of organisations focus on performance drivers (for example, lag indicators) while the measures of customers focus on the value of customer satisfaction. Finally, internal processes focus on change. Learning and growth are known to provide forward-looking measures, for example, lead indicators. These lead indicators enable organisations to develop strategies and measure progress toward their strategic objectives. The BSC approach has received some criticism in terms of causality (Norreklit, 2000). Kaplan and Norton (2001, 1996, 2006) argue that, the more people are trained, the better the internal processes will be. Based on this argument, the internal development procedure will make customer satisfaction more explicit, and will lead to increases in financial values. To this end, this research asks: is there a shortfall in the use of BSC to improve employee skills and performance, particularly in Nigeria? Secondly, does BSC add value to

companies/organisations and employee development? If it does add value, how does it contribute to employee performance in organisations in developing countries? What is the impact of BSC on the performance of employees in the public-sector organisations? Subsequent research will present the findings with Tables and illustrations.

Figure 1.2: Balanced Scorecard and strategy's cause-and effect relationships



Source: adapted Kaplan and Norton (2001)

BSC provides the basis for organising strategic objectives into four dimensions. According to Kaplan and Norton (2001). These are:

Financial – this is particularly focused on the master plan for financial growth, profitability, and risk control from the customer's perspective.

Customer – In terms of how to design, create added-value, and make a difference, again according to the perspective of the customers

Internal business process – this is the strategy prioritised for various business operations that creates customer and shareholder satisfaction

Learning and growth – this is the priority to create a climate that is conducive to employees, and supports organisational change, innovation, and growth.

The four perspectives of the BSC provide the researcher with a framework for measurement categories and decision-making. Each of the dimensions has been identified in the measurement categories above. The customer perspective needs to be managed in organisations to choose measures that clearly show who the target customers are and to understand the qualities and values they seek in organisations (Mehmet and David, 2007). It might be useful to include measures that address quality, price, customers, innovation and competitors.

Internal operations, or the internal business process perspective covers a great deal of personnel improvement. It considers those processes that affect strategic objectives with the aim of satisfying the desires of customers for each quality or value that is important to them. The learning and growth perspective focuses on those employee skills and information systems that can trigger improvements and success with respect to other dimensions. The measure the researcher includes here is employee related. The financial perspective basically considers the analysis of some lagging indicators such as net income, revenue, cash flow information, return on equity and return on assets. Similarly, the researcher also discusses the concept of resource-based view as a viable alternative.

1.5 Various Views on Resource-Based View theory (RBV)

The research will investigate the impact of the BSC on employee skills diversity and performance in organisations using CBN as a case study. The research considers four dimensions: BSC, Resource-based view; Shareholder's use value and human capital.

Spanos and Lioukas (2001) noted that, in the 1990s, with the advent of RBV on the rise, the concept of sustainable competitive advantage shifted from industry to organisation/company. RBV was hatched in the mid-1980s by Wernerfelt (1984), Rumelt, (1984) and Barney (1986). Ever since the RBV was initiated, it has become one of the most dominant approaches applied to any analysis of sustainable competitive advantage. The central idea of this theory is that organisations or firms compete on the basis of their resources and capabilities (Peteraf and Bergen 2003). "A resource is meant to be anything which could be thought of as a strength or weakness of a given firm" (Birger, 1984: p. 172). Similarly, resources could be defined as "those (tangible and intangible) assets which are tied semi-permanently to the firm" (Werner felt, 1984: p. 172). Some readers may ask: so what are these resources? Typical examples according to Birger (1884) are: brand names, in-house knowledge of technology and teams of skilled personnel. Others are: trade contacts, machinery, efficient procedures and capital.

The RBV has recently been viewed as an alternative approach to understanding industrial organisations and their competitive strategies (Das and Teng 2000). Contrary to traditional industrial organisation economics, which focus more on the analysis of the competitive environment. Das and Teng (2000) noted that, the RBV focuses on an analysis of various resources possessed by organisations or companies. The reason for this is that most organisations are heterogeneous in terms of competitive advantage. Additionally, The RBV holds that "a firm's competitive position is defined by a bundle of unique resources and

relationships” (Rumelt, 1984: p. 555), and as a result, provides a balance vis-à-vis environmental models of strategy. Although it has been acknowledged that the RBV could be a new theory of the firm, it is still part of a developing pattern or model in strategy research (Amit and Schoemaker, 1993; Barney, 1991; Corner, 199; Corner and Prehalad, 1996; Grant, 1996, Mahoney and Pandian, 1992; Miller and Shamsie, 1996; Roth, 1995). The usefulness of the RBV paradigm needs to be tested in a variety of strategic areas (Das and Teng 2000). For example, Peteraf (1993) reveals that sustainable differences in organisational ability in terms of profit cannot be attributed to industrial differences; however, it can be better explained by the RBV.

1.6 The areas in which resource-based view has been explored

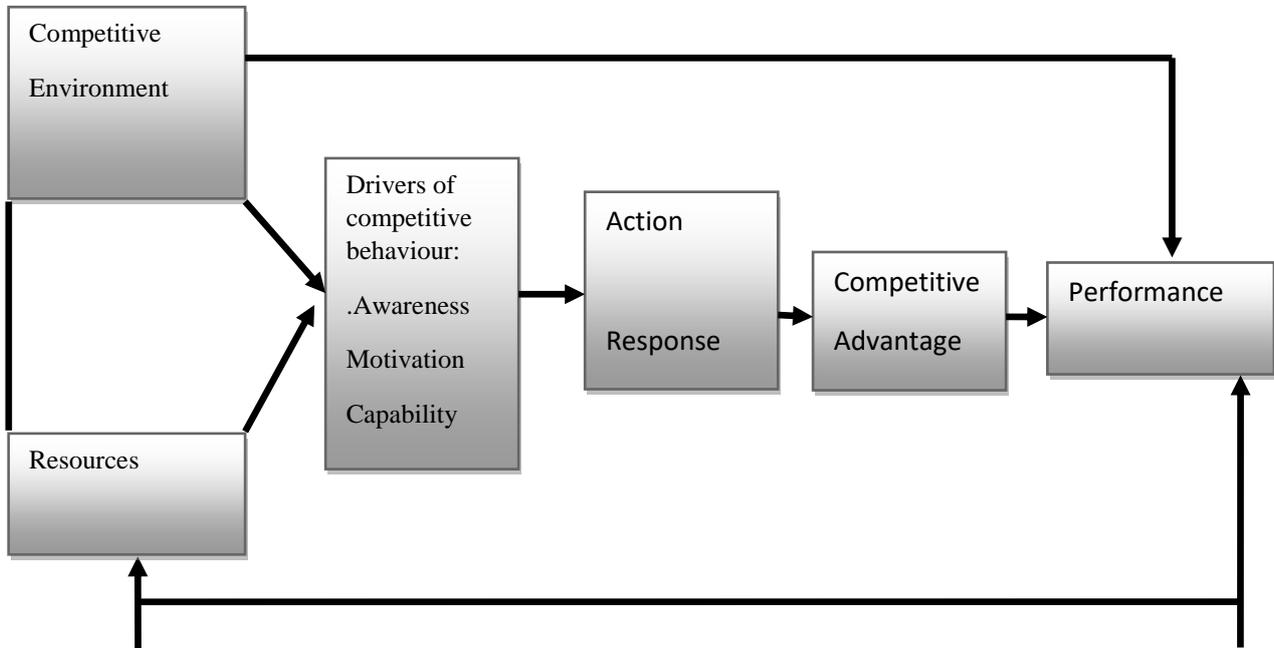
Studies on Strategic Alliances have witnessed various applications of the RBV. Harrison, et al (1991) examined the performance of mergers and acquisitions through an RBV perspective. Das and Teng (2000) examined the RBV of strategic alliances. Global strategy, technological strategy, and strategic regulation have also been studied by applying the RBV (Collis, 1991; Leonard-Barton, 1992; Maijoor and Van Witteloostuijn, 1996). Research has also been carried out on external environments using RBV theory. Tokuda (2005) incorporated the entrepreneurial view point into the framework of the RBV of strategic management. It has also been suggested by some traditional research on strategic management that organisations need to seek a strategic fit between the external environment, for example between opportunities and threats and internal resources in terms of strengths and weaknesses (Andrews, 1967; Itami, 1987).

One area that remains under-explored in the literature is the RBV of employee skills diversity and performance in organisations. Research has examined the source of sustainable

competitive advantage of a RBV (Tokuda, 2005), and found out that the crucial view point in strategic management theory in the 1980s was the CFA presented by Porter's conceptual framework focusing on the structure-conduct-performance pattern or model of theory of industrial organisations (Bain, 1959; Mason, 1949). It is true to say that 1980 opened up a concept of competition for the first time in strategic management theory. One interesting innovative aspect of Porter's work is that he was able to construct a framework for thought which examined concrete questions like "how will a firm be able to get a competitive advantage over its competitors (Tokuda, 2005: p.127). It has been said that the internal resources of an organisation or company are possibly the main source of performance differences among organisations. This suggests that a growing number of researchers use the RBV of strategic management to explain differences by focusing their attention on resource diversity in organisations. In line with this, it has been agreed that the primary concept of RBV suggests that the resources possessed by an organisation are the main determinants of its performance (Hoffer and Schendel, 1978; Wenerfelt, 1984). "Even though it is said that the resource-based view does not presently appear to meet the empirical content criterion required of a theoretical system" (Tokuda, 2005: p.129). The concept of RBV includes: assets, capabilities, organisational processes, organisational attributes, information and knowledge. The researcher's view on this is that the constituent of organisation's assets and characteristics determine the extent to which it could be hijacked by potential competitors. For example, if resources can be reproduced by competitors, even though such resources are the source of competitive advantage of the organisation, the advantage will not last long. Dierick and Cool (1989a) share similar views. They acknowledge that the sustainability of an organisation's asset position depends on how easily its resources can be substituted or imitated, since limitability applies to the characteristics of the asset accumulation process in

terms of time, compression, diseconomies, and asset mass efficiencies. Other examples are inter-connectedness, asset erosion and causal ambiguity.

Figure: 1. 3 Resource-based view model linked to resources and competition as an example.



Adapted: (Flore, 2004)

The model is linked to resources and competition as an example. It does not include all sources of performance, but refers to such vital components as resources, the competitive environment, competitive advantage and performance. However, the model shows how resources contribute to building competitive advantage and performance. The drivers of competitive behaviours and reinforcement analysis are centred on action-response and can guide all organisations towards competitive advantage and better performance. Investment in human beings for future benefits has also been viewed as a factor behind positive performance in organisations.

1.7

Areas human capital theory was explored

It has been argued that human capital development first estimated as a nation's stock of human capital was probably made known around 1676 by Sir William Petty and based on his ideas of political Arithmetic (published posthumously in 1690). One hundred years later, in 1776, Adam Smith published his *Inquiry into the Nature and Causes of the Wealth of Nations* (Fritz, 1982). The full awareness of human capital theory emerged in 1960 with Theodore Schultz's thinking (Mark, 1976). The development took off in 1962 when the *Journal of political economy* published its supplementary volume on "investment in Human Beings" (Mark, 1976: p.827). Gary (1964)'s monograph: *Human Capital* was considered as *locus classicus* in the subject. The concept of human capital is that people tend to spend for their needs in diverse ways, not because of present satisfaction, but for the values attached to future gains. People make various efforts to acquire knowledge through solid education. They live in good health, and engage in job searches and information retrieval. Others may choose migration in search of a better future and in-service training. These are all aspects of human capital development. They are examples of efforts to ensure future benefits rather than to satisfy immediate consumption.

In accordance with this view, Mark (1976: p. 829) states that people "may purchase health care, they may voluntarily acquire additional education, they may spend time searching for a job with the highest possible rate of pay, instead of accepting the first offer that comes along, they may purchase information about job opportunities, they may migrate to take advantage of better employment opportunities and they may choose jobs with low pay but high learning potential in preference to dead-end jobs."

Scott, (1996: p. 341) observed that human capital theory began in 1776 and ended in the "1960s when the theoretical and empirical foundations of the field were articulated and

established”. This theory is not limited to education but includes empirical measures of education. It produces results that influence educators and education policy. In other words, people and society derive their economic benefits from investments in people. This type of investment resonates with Mark’s (1976) ideas because it recommends investment in human capital development beyond consumptive expenditures –that is, expenditure beyond immediate gratification (Vainzey, 1962). In human capital development in particular, health and nutrition have been considered rudimentary aspects of progress. Schultz (1981) states that human capital investment includes health and nutrition even though education is taken to be the number one priority for human capital investment in terms of empirical analysis. Education contributes to health and nutritional improvement (Schultz, 1963) and can be measured in monetary costs and in terms of years of tenure (Johnes, 1993).

1.8 Forms of educational level in human capital theory

In human capital theory, various forms of education that nurture and improve the economic capabilities of individuals and society have been observed. For example, Scott (1996: p. 341) acknowledged “formalised education at primary, secondary and higher levels (Cohn and Geske, 1990), informal education at home and at work (Schultz, 1981), on- the – job training and apprenticeships (Mincer, 1994) and specialised vocational at secondary and higher levels” (Corazzini, 1967).

1.9 Some problems with human capital theory

Various issues in human capital theory pertaining to education as investment have been raised. According to sources there are 4 problems with human capital theories. Although economists have made a huge effort to estimate the benefits to education, the subject of human capital remains riddled with difficulties. These are questions regarding “tangible

human capital and intangible nonhuman capital (Fritz, 1982: p.1), investment in raising children, in schooling, and in research and development. Others include the depreciation of human capital through obsolescence, loss of strength, illness, retirement and death as well as conflicts between efficiency and equality in the educational system. The wrong educational mix can result in waste or even net loss...” (Fritz, 1982: p.1). It has also been noted that human capital theory created problems in terms of estimation or quantification.

George (2002) adds that issues with human capital create problems in terms of trying to quantify it. This also suggests that high levels of education in most cases do not necessarily lead to increases in human capital. Human capital in terms of economic growth and in theoretical and empirical terms means the know-how or monetary and nonmonetary efforts made to increase individual future productivity. In contemporary organisations, highly-trained employees are essential to drive standards of living in the long term. Organisations cannot survive competitive markets without skilled employees and continually improving their skills at all levels through job training. However, the problems that relate to human capital according to George (2002) are the inseparability of the human mind and body. When someone considers a contribution to human capital output, this can sometimes be difficult to measure. Human capital formation and sources are difficult to ascertain. The formation of human capital can come from various factors other than education, and this informs human capital theory which George (2002: p.14) states “is the know-how of workers that increase productivity, but measuring the factors that cause know-how and measuring the amount of know-how is virtually impossible”. Formal education, on-the-job training, learning from someone else, and figuring out things independently can all increase one’s stock of human capital. A stock of human capital, however, and the ratios of the amounts of human capital derived from each of these sources are different for each individual. Therefore, human capital

requires accurate informational exchange and a strong relationship between employees and managers as stakeholders to be able to maximize shareholder wealth.

1.10 Views on Shareholder use theory

The basic ideology of a shareholder, according to Charnchai and James (2007) is that value is the belief that managers have a duty to maximize profits and the wealth of shareholders . In this sense businesses play a supporting role that is a reciprocal relationship between business and stakeholders is formed. The main argument relating to shareholder theory is based on property and ownership rights and free-market economics. Friedman (1982, 1987) and Nozick's (1987) central argument is that, since shareholders are publicly-held companies, the managers of these companies are responsible for the welfare of shareholders and should act in the best interest of shareholders. Managers in pursuit of other social goals are considered illegitimate in this regard (Charnchai and James 2007). It can be argued in terms of this ideology that stakeholder theory focuses on organisational management, whilst business principles addresses morality and values in managing business. In other words, it is a concept that looks at relationships in organisations in terms of its employees, managers and owners as well as the relationship businesses have with wider society, government, creditors and shareholders in the external environment. The concept tends to address the ethics of business. For example, employees, customers, suppliers, financiers, and communities as well as government bodies, political groups, and trade union associations are all regarded as stakeholders. Shareholder concepts integrate a resource-based view. Freeman (1984) argues that stakeholder theory and business ethics could be used as a conceptual framework to discuss various ethical dimensions. Freeman's argument is that successful managers should systematically attend to the interest of stakeholder groups. The problem that the researcher observed in this argument is that there is no clear method or approach to attend to these various interest groups. Richard and Andrews (1999), however, argue that a general

stakeholder approach does not explain how managers can balance different kinds of dependencies. The researcher also asked, how do we achieve corporate moral responsibility that can improve employee skills diversity and performance in organisation using shareholder values?

To help fill the research gap, this study identifies BSC as a potential theory that may play a major role in mediating employee and manager relationships in a process of dialogue. BSC can also improve skills diversity and cross-functional skills in employees, and can lead to better decision making that can increase company-wide performance, particularly in the face of moral dilemmas.

In considering shareholder's value management, such as residual income, shareholders value-added, and economic value-added ideas, Myers (1996, 1997) addresses two vital limitations in traditional performance measurements. These are the overinvestment problem, especially where net income or earnings are used as the sum total performance measurement, and the underinvestment problem when a ratio such as return-on investment or return-on equity is used. However, in terms of the financial perspective of the BSC, according to Kaplan and Norton, the shareholder value metric is incorporated into the sub objectives of cost reduction, improved asset productivity, and revenue growth. In terms of the implications for managers that subscribe to the shareholder value metric, such managers operate with shareholders even without incorporating a more comprehensive BSC approach. This is achieved by taking a low-risk and short-term approach that can reduce costs and dispose of underutilised assets. In this way, managers can still achieve financial improvements in organisations. If managers want to grow revenue in organisations, they have to carry out further analysis and give consideration to their objectives since revenue takes longer to grow, and involves more risk. It also necessitates more near-term spending to develop new products, services and markets. It takes longer to enhance customer relationships, improve services, and increase employee

capabilities. According to Kaplan and Norton (2001b), shareholder value management is actually compatible with revenue growth, but it is not a proper tool for articulating a revenue growth strategy and it does not set out the complementary processes for achieving it.

The BSC is different because it complements shareholder value management by clearly defining the drivers of revenue growth, and by identifying objectives and measures for targeted customers. It defines the differentiating customer value proposition as the ‘internal processes for innovation and enhanced customer relationships’, and sets out the necessary infrastructure investments to develop people, systems and organisational alignment. Another benefit of BSC to organisational initiatives is that it enables managers to keep track of the trade-offs between short term productivity improvements and long-term sustainable revenue growth.

Conclusion

The study contributes to body knowledge in four ways: First, it provides a detail analysis of Balanced Scorecards (BSC), the impact and the relevance to common believe that Scorecards is useful to organisation or firm performance. Second, we extended a new avenue to incorporate the alternative theories as into the field of Human Resources Management, employee enhancement and organisation’s performance in particular. Thirdly, this study contributes to the generalizability of human capital and the relevance of it to employees and organisation. The fourth, this study also showed the importance and views of stakeholders. This research emphasizes the multidimensional nature of alternative theories and BSC in organisation.

In particular, an organisation /company whose executives considered the position of alternative theories and BSC is likely to exhibits better performance in terms of company-

wide growth. This indicates that both intellectual abilities, the amount of resources company possess, and shareholders interest can actually be incorporated using BSC.

Limitation and future Research:

This research does not cover all the relevance area required in organisation's diversity. The study suggests avenues for future research. First, alternative theories and BSC are as relevant in the public, not-for-profit and private sectors. So research effort should be directed to importance of these theories to sectors mentioned above. Second, this research is in initial phase of incorporating the alternatives theories and BSC concept into the field of Human Resources Management(HRM) in organisation/company. Future research may advance this process by clearly exploring each concept in a particular situation such as organisation's culture, growth, uncertainty and stability.

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