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The Balanced Scorecard and Its Effects on Stakeholder Interests: A Case Study of Algerian Private Companies

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Abstract:

This study highlights the role of the Balanced Scorecard in enhancing corporate governance by pursuing the interests of stakeholders, including shareholders, customers, and employees. The study used a quantitative approach, relying on a questionnaire distributed to 63 Algerian private companies. The results revealed that. The financial perspective aims to pilot shareholder satisfaction and the company's purpose, while the customer perspective aims to broaden the company's vocation to better meet the expectations of its stakeholders. Furthermore, the alignment between organizational learning and the internal operations perspective ensures that both customers and employees are satisfied, ultimately enabling the company to achieve its goals and meet shareholders expectations .

Keywords: BSC, Stakeholders, Governance, company objectives, performance.

JEL Classification Codes : G34, L25, L21

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INTRODUCTION

After Berle & Means (1932) looked at the division of ownership and control in American businesses, transaction cost theory (Coase, 1937) and agency theory (Jensen and McLean, 1976) were developed. These studies highlighted conflicts of interest between executives and shareholders, emphasizing the crucial role of governance in maximizing return on investment and satisfying shareholders financial interests.

In 1984, Freeman introduced the stakeholder theory, broadening the traditional shareholder-focused governance model. This theory highlights the importance of sharing power and profitability among all stakeholders and involves them in decision-making processes. Consequently, Evaluating company performance goes beyond financial considerations also considers how much it helps to satisfy the stakeholder needs (Balantziene and others, 2005, p. 325). Several authors (Ngok Evina, 2018, p. 103), (Hosseini and Brenner, 1992, p. 116) demonstrate that it is essential for companies to distinguish how they consider the interests of stakeholders, including their values, influence, and weight, as These elements significantly affect the company's sustainability,

The Balanced Scorecard (BSC) has evolved from a simple management tool aimed at achieving the company's objectives through the three fundamental principles: «what to pilot, how to pilot, and for the benefit of whom »to become an essential means for implementing governance by facilitating the monitoring and measurement of the company's actions.

In our study We will investigate How the dashboard assists the business in achieving its objectives and satisfying stakeholder needs—particularly those of shareholders, customers, employees. The key question arises: How does the Balanced Scorecard (BSC) contribute to serving the interests of stakeholders? In this contest, sub- questions arise such as:

- Whose interests do companies prioritize when relying on the financial aspect of the BSC?
- Does the company expand its vocation through the utilization of the BSC's customer aspect?

- How does the BSC balance the interests of stakeholders with the company's long-term goals?

Hypothesis of study:

We propose the following Hypothesis to address this issue: The Balanced Scorecard ensures consistency between stakeholder's interests and the conception of objectives.

Methodology:

We began by examining the theoretical aspects of corporate governance and stakeholders, as well as the Balanced Scorecard, which aims to efficiently manage partnership performance by combining financial and societal factors. The Cinquedral Likert scale was used to construct an empirical model using a descriptive and analytical approach. Finally, we presented the main results and interpretations from the analysis carried out using the statistical software SPSS 26.

The study objectives: We aim through this study to:

- Emphasize the importance of using financial indicators to monitor and protect the shareholders' interests.
- Highlight the role of BSC to broaden the company's vocation.
- Demonstrate how BSC contributes to satisfying stakeholder interests and achieving the company's objectives.

The previous studies:

- A study by Alidani Ilyes (2018); titled The balanced scorecard as an entry point for activating the governance, highlights the function of this tool in corporate governance. The study suggests that by enhancing the control process, the BSC can significantly improve a company's performance.
- A study by Ngok Evina Jean-François (2018). entitled Stakeholder power and overall business performance. Aims to determine the importance of coordinating the diverse interests of various stakeholders on a company's overall performance. The study, which surveyed 105 companies in Cameroon, shows that the consideration given to stakeholder interests varies depending on the companies' actions. The results reveal that the interests of shareholders are prioritized by most companies due to the crucial role they play in the organization's survival.

- A study by Alibelhadj Yassine (2019) entitled application of the balanced scorecard performance model for good governance. Aims to determine the effectiveness of the Balanced Scorecard as a tool for good governance. By applying structural equation modeling to a sample of Algerian companies, the study found that the importance of the four dimensions of the Balanced Scorecard is not balanced. Company managers considered the internal process aspect to be the most important. Some previous studies have focused on the role of the Balanced Scorecard in activating corporate governance, both from theoretical and analytical perspectives. Others have highlighted the importance of considering the interests of different stakeholders within the company. Our study aims to establish a link between the role of the BSC in implementing governance and the consideration of various stakeholder concerns, through an analysis conducted in the Algerian context.

2. Literature review:

2.1 Partnership Governance: The Voice of Stakeholders:

Corporate governance is the organizational framework that allows the company to achieve its goals involves rules for decision-making. And the mechanisms that influence leaders in their quest to design and manage value creation and distribution processes, while ensuring the protection of stakeholders beyond shareholders(Charreaux, 2011, p. 14) ;This highlights that the objective of governance is to create value in a partnership way, by measuring the overall profitability generated by the company in relation to its various stakeholders.

Stakeholders are economic players who own resources utilized by a company, granting them a legitimate right to participate in governance mechanisms (Cretté, 2015, p. 59). These stakeholders encompass all individuals or groups with rights or interests related to the business, including suppliers, customers, employees, banks, governments, and the public.

Several authors have proposed typologies for classifying stakeholders. Mitchell (1997) categorizes them based on three criteria: power, legitimacy and urgency. Clarkson (1995) distinguished between secondary stakeholders, whose

maintenance of relationships is not considered vital to the company, and primary stakeholders, who are essential to the organization's survival (El Abboubi and Cornet, 2010, p. 278). These primary stakeholders include owners, employees, and customers, and our study will focus on them.

2.2 The Balance scorecard as a model for partnership management:

In the 1990s, Kaplan and Norton introduced the Balanced Scorecard, which comprises four elements: finance, internal processes, organizational development and customer satisfaction.

It serves as a tool for translating strategic objectives into operational objectives. Its conception of objectives should define the priorities of company's purpose, like prioritizing short term profitability over long term gains and its objectives must define the company vocation, which is understood as a broader conception of its activity, also the company objectives must include long-term goals in order to ensure transparent and coherent communication between the various strategic levels of the company :

Company's purpose+ company's vocation+ goals=company's objectives

It also establishes a cause-and-effect relationship between actions and results, thereby improving strategic clarity and accountability. However, this cause-and-effect relationship is not always strictly linear, which can complicate performance management. It can be difficult to balance financial and non-financial objectives, as optimizing one can be to the detriment of the other.

The BSC is an integrated, multi-dimensional management and control system for a more partnership-based approach involving the various stakeholders. It is designed to create value by reflecting the company's strategy, effectively communicating this strategy to stakeholders and meeting the needs of various stakeholders by addressing their diverse interests by:

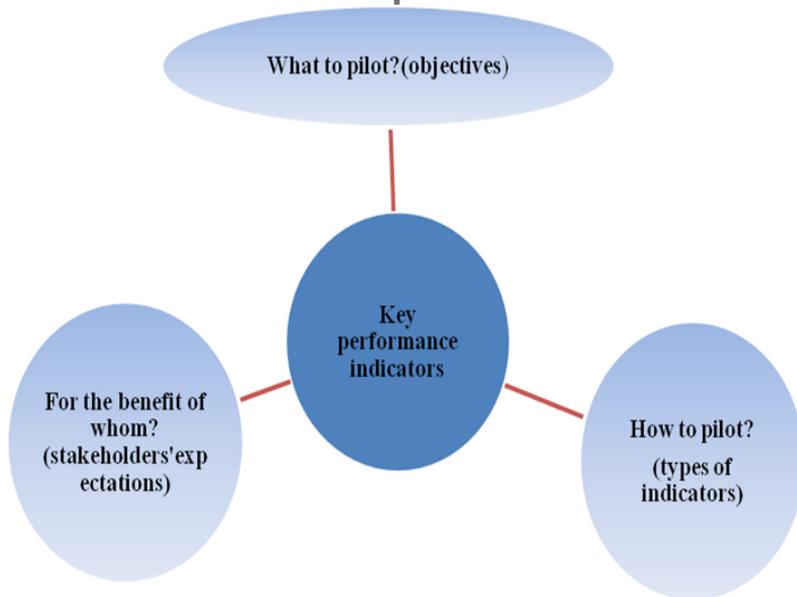
- Meeting the interests of shareholders: Financial indicators contribute to monitoring shareholder profitability and assessing

the company's financial performance, by adopting accounting measures aligned with the shareholder value concept. These measures result in performance indicators such as the EBITDA and the profitability metrics like ROI (return on investment), so it allows shareholders to ensure managers are effectively managing their interests, as it links profits made to turnover and the capital invested. On the other hand, the Economic Value Added (EVA) indicator aims to control managers by evaluating their management of the company's assets. The negative EVA flow indicates that the company has not adequately compensated its shareholders (Giraud, 2004, p. 80).

- **Internal Process Efficiency:** Means the operational effectiveness of a company, covering the following areas such as procurement, delivery, and innovation levels. It evaluates the organization's resources, capabilities, and skills, measuring how well processes perform their functions. Monitoring internal process effectiveness is vital for developing the company's tangible assets, ensuring profitability, and fostering long-term growth.
- **The satisfaction and development of staff:** Employee training and skill development are part of the organizational learning component, which takes into account the environment's complexity and the company's level of maturity. Its goal is to empower employees to contribute effectively toward achieving predetermined strategic objectives, thereby ensuring the company's prosperity and growth. This focus on continuous learning and skill development helps organizations adapt to changing environments and maintain competitiveness.
- **Customer satisfaction:** Identifying new customer needs, adjusting products or services, and implementing an internal after-sales process are some of the things that contribute to their current or future satisfaction.

2.3 Meeting stakeholder expectations with BSC:

Fig .1. The structure of performance management



Source: The magic card for performance (Rene demeestere, 2017, p. 185)

The figure above the figure above shows that the management indicators of the Balanced Scorecard are based on three main foundations:

- **What to pilot:** the BSC indicators play a crucial role in setting the company's objectives by providing a clear and measurable framework, they align the actions at all organizational levels with the overall vision and strategy. These indicators are used for an ex-ante evaluation of the company's performance, enabling continuous monitoring of progress, and adjusting strategies based on the results. Additionally, they must address any operational dysfunctions.
- **How to pilot:** The selection of indicators is crucial in translating the company's strategy into actionable metrics. Each Balanced Scorecard indicator must bridge the gap between strategy and the diverse operational units. It's essential to keep the number of indicators limited to facilitate interpretation by decision-makers.

These indicators should encompass various types: financial indicators illuminate the impacts of past actions, while non-financial measures assist in predicting future company performance. This balanced approach ensures that the BSC effectively supports strategic execution and decision-making across the organization.

- Why to pilot: Constructing evaluation indicators based on cause-and-effect analysis is essential to highlighting actions most significant for stakeholders, particularly those impacting company values. This process should be formalized, taking into account the degree of satisfaction of each stakeholder and the specific missions and objectives of the players involved.

3.Method:

3.1 Preview and methodology:

Our conceptual model was tested by analyzing the Balanced Scorecard as an independent variable and its ability to meet stakeholders' expectations dependent variables in private Algerian companies. We used closed-ended questionnaires that were distributed through direct contact with participants as well as via their LinkedIn accounts.

The measurements of the study were carried out using a five-point pentagonal Likert scale . Our questionnaire consists of two parts; the identification questions in the first section concern:

- The company's size.
 - The age of company.
 - The professional status of the interlocutor.
- And the second part consists of 14 questions, divided into 3 axes as follows:
- **Axis 1:** The financial aspect of the BSC serves to evaluate the financial profitability of the shareholders and to uphold the company's priorities.
 - **Axis 2:** The Company expands its vocation and met the expectations of its stakeholders through the utilization of the BSC's customer aspect.

- **Axis 3:** The complementary relationship between internal processes and organizational learning facilitates aligning the company's long-term goals with stakeholders' expectations. The persistence of 14 paragraphs of the questionnaire was identified by calculating Cronbach's Alpha coefficient for each axis, and the rate of 70.4% was considered substantial and acceptable in statistical practice.

3.2 Sample Study:

We opted for a non-probabilistic convenience sampling method to select our study sample, aiming to maximize response rates. Our specific targets included management controllers, general directors, and financial managers, given their expertise in performance management, ensuring the reliability of the results. The study was centered on companies that incorporate the (BSC) into their management practices, which shaped the size of our sample. Out of 70 questionnaires distributed, but 63 were returned .

4. RESULTS AND DISCUSSION

4.1 Data analysis:

Table 1. Analysis of Sample Information

The Sample	Choice	Frequ ency	Percen tage
The size of the company	Small	16	25,4%
	Medium -sized	15	23,8%
	Large corporation	32	50,8%
The Company's age	Less than 5y	10	15,9%
	from 5 to 10y	17	27,0%
	More than 10y	36	57,1%

The professional rank of the interlocutor	General director	21	33,3%
	Financial	11	17,5%
	Management Controller	31	49,2%

Source: Prepared by the researchers

Our sample includes 32 large company (50.8%), while the rest were split between 23.8% medium-sized company and 25.4% small ones; the older companies dominate the sample, more than half of our sample, 36 companies, have been established for over 10 years, while 27 companies have less than 10 years of experience. The statistical results indicate that 49.2% of the respondents are management controllers, with a frequency of 31 persons, 21 persons are general directors (33.3%), and the remaining 11 persons are financial managers (17.5%). We targeted specialists to obtain reliable results.

Table2. The trend of the respondent's answers to the first axis statements

Quest	Mean	Standard Deviation	Direction	Rank
Q1	4,03	1,312	agree	1
Q2	3,58	1,657	agree	3
Q3	3,95	1,619	agree	2
Q4	2,66	1,587	neutral	4
ResultA xis 1	3.555	1.543	Agree	

Source: Prepared by the researchers

The responses indicated agreement, with a mean of 3.555 and a standard deviation of 1.543. The results also revealed that

profitability indicators are more inclined to track the creation of financial profitability for shareholders, with a mean of 4.03, compared to results indicators, which had a mean of 3.58. The financial aspect of the Balanced Scorecard reveals the company's aspirations and traditions, according to an Agreement with a mean of 3.95. A mean non-response of 2.66 and a standard deviation of 1.587 were obtained regarding for the impact of financial indicators (remuneration) on employee engagement.

Table 3 . The trend of the respondent's answers to the second axis statements

Quest	Mean	Standard Deviation	Direction	Rank
Q5	3,90	1,359	agree	3
Q6	2.55	1,395	disagree	4
Q7	4.10	1,430	agree	1
Q8	2,39	1,567	disagree	5
Q9	4,07	1,336	agree	2
Result	3.402	1,417	agree	
Axis 2				

Source: Prepared by the researchers

The responses of this axis indicate agreement, although minimal, with a mean of 3.402 and a standard deviation of 1.417. Customer satisfaction was confirmed by the results, which showed that indicators related to the customer aspect contribute to customer satisfaction, with a mean of 3.90. Furthermore, the acquisition of new customers has an agreement mean of 4.07 and these indicators contributed to broaden and define the company's business, with an average of 4.1. Moreover, the results showed that better sales do not necessarily mean better financial returns for shareholders, with a mean of disagreement at 2.55, nor do they imply good employee compensation, with a mean of disagreement at 2.39.

Table 4. The trend of the respondent's answers to the third axis statements

Question	Mean	Standard Deviation	Result	Rank
Q10	4,06	1,244	agree	2
Q11	3,82	1,303	agree	4
Q12	3,75	1,508	agree	5
Q13	4,10	1,586	agree	1
Q14	3,98	0,772	agree	3
Result Axis3	3.942	1,282	agree	

Source: Prepared by the researchers

The results obtained showed that the interaction between internal process aspects, and organizational learning of the BSC Aligns the company's long-term goals with Stakeholder Expectations ; an Arithmetic mean of 3.94 were used to approve this interaction. There was an agreement with a mean score of 4.06 suggesting that organizational learning indicators aim to achieve a dual objective: monitor the satisfaction and interests of employees while measuring their contribution to the company's long-term goals, a second agreement with a mean of 3,98 was found, indicating that internal process indicators aim to improve the satisfaction of old customers and identify new customer needs by monitoring productivity .

The findings also supported the need for process indicators—which had an average score of 3.82 and 3.75, respectively—to guarantee the company's sustainability and competitiveness. Additionally, a 4.10 agreement mean was observed. , indicating that indicators related to technological

advancement and innovation are relevant for assessing the firm's potential for expansion.

4.1 Study Hypotheses and their interpretation:

To ensure the validity of the main hypothesis

- **H0:** The Balanced Scorecard does not ensure consistency between stakeholders interests and the conception of objectives at ($\alpha = 5\%$).
- **H1:** The Balanced Scorecard ensures consistency between stakeholders interests and the conception of objectives at ($\alpha = 5\%$).

The following sub -hypotheses must be tested and validated (One Sample T-Test) as an analytical procedure to assess whether the results achieved are 'significantly different from the hypothetical mean of the population.

Table 5 .One Sample T-Test

Hypothesis	Sig	T
SUB H n°1	0,000	5,790
SUB H n°2	0,000	4,346
SUB H n°3	0,000	12,467
General Hypothesis	0,000	10,619

Source: Prepared by the researchers

The test results (T) are shown in the above table. The null hypothesis (H0) is accepted if the computed significance level value (α) is more than 0.05, and the alternative hypothesis (H1) is accepted if it is not.

The sub-hypotheses are as follows:

The first sub-hypothesis:

- **H0:** The financial aspect of the BSC does not serve to evaluate the financial profitability of the shareholders and to uphold the company's priorities.

- **H1:** The financial aspect of the BSC serves to evaluate the financial profitability of the shareholders and to uphold the company's priorities.

We note that T obtained 5.790 and $\text{Sig} = 0.000 \geq 0.05$, the alternative hypothesis H1 can be accepted: The financial aspect of the BSC serves to evaluate the financial profitability of the shareholders and to uphold the company's priorities.

The second sub-hypothesis:

- **H0:** the company does not expand its vocation and met the expectations of its stakeholders through the utilization of the BSC's customer aspect
- **H1:** the company expands its vocation and met the expectations of its stakeholders through the utilization of the BSC's customer aspect.

The estimated value of sig is less than the value of the specified level of significance ($\text{Sig} = 0.000 \geq 0.05$) and the value T obtained 4.346, is statistically significant which confirms our rejection of H0 and acceptance of H1, that the development of the BSC's aims to broaden the company's vocation to better meet the expectations of its stakeholders (shareholders, customers, and employees).

The third sub-hypothesis:

- **H0:** The complementary relationship between internal processes and organizational learning does not facilitate aligning the company's long-term goals with stakeholders' expectations.
- **H1:** The complementary relationship between internal processes and organizational learning facilitates aligning the company's long-term goals with stakeholders' expectations.

The obtained t-value is 12.467 and the calculated sig value is less than the adopted significance level ($\text{Sig} = 0.000 \geq 0.05$), so it is statistically significant which confirms us to reject H0 and accept H1; the complementary relationship between internal processes and organizational learning facilitates aligning the company's objectives with stakeholders' expectations.

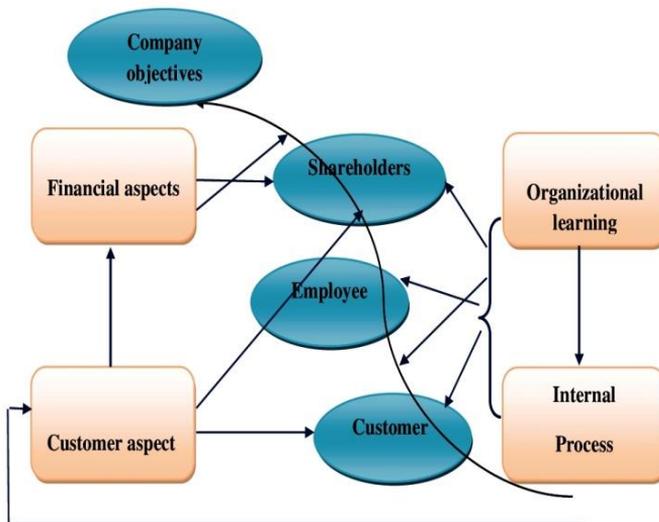
General Hypothesis:

With a t-value of 10.619, we can conclude that the estimated sig value is statistically significant, supporting our rejection of H0 and acceptance of H1, as long as it is less than the specified level of significance (Sig = 0.000 \geq 0.05). Consistency between stakeholders' interests and the formulation of objectives is ensured by the Balanced Scorecard.

4.3 Discussion:

A previous study revealed that the foundational logic of the Balanced Scorecard is to align operational behaviors with strategic objectives (Ikhlef,2020,p.308) However, According to our analysis, this tool's four aspect also help the company's objectives and stakeholder interests match. The findings of our study, which we performed on 63 Algerian private are presented in this diagram:

Fig. 2. The BSC tool for aligning stakeholders' interests with company objectives



Source: Prepared by the researchers

The shareholder expectations can be aligned with the company's financial objectives through indicators of results and

profitability. These indicators demonstrate transparency in achieving company objectives and fulfilling its purpose while creating added value for shareholders. This perspective aligns with Germain's study (2004), which views the BSC as predominantly financial in its performance evaluation.

Choffel and Meyssonier (2005) found that the BSC's financial indicators influence employee satisfaction and reward systems by measuring individual performance rather than team performance. This approach aims to prevent conflicts of interest and ensure fairness in recognition. However; our results did not determine whether the financial aspects of the Balanced Scorecard met employee expectations.

Our research has revealed that, in order to achieve a win-win scenario, it is crucial to first assess client satisfaction before evaluating the accomplishment of the organization's goals. This helps management define the company's mission by providing information about client preferences.

Alibelhadj study (2019) finds a strong correlation between internal processes and the organizational learning component and highlights the importance of internal processes in satisfying customer expectations. Which our investigation has validated.

Specifically, organizational learning aligns the interests of customers, employees, and shareholders with the company's long-term goals, including growth, sustainability, and profitability. Learning initiatives also foster the development of employees' skills, enhancing their motivation and commitment. This combination of learning, innovation, and enhanced internal processes contributes to the company's ability to meet customer expectations by delivering higher-quality products and services more rapidly and at lower costs this, in turn, drives sustained growth, increased profitability, and enhanced overall performance, thereby meeting shareholder expectations.

5. CONCLUSION

According to our research, a business that aligns its objectives with those of its customers, employees, and shareholders will likely create a synergy that will satisfy stakeholders' expectations. Actually, the financial component

takes into account the company's purpose of meeting or exceeding shareholder expectations.

The customer's perspective aims to define the company's vocation as satisfying its clients. Conversely, the alignment between the organizational learning and internal process perspectives creates a balance between the interests of all stakeholders and long-term goals. This approach assumes that well-trained employees lead to more efficient processes, resulting in greater customer satisfaction and ultimately, satisfied shareholders.

Our study's modest sample size enables other researchers to examine a greater number of companies and to expand their investigation into the application of BSC beyond traditional interests by considering environmental factors.

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