

# **Wholesale & Retail**

## **LEADERSHIP CHAIR**



*"Collaboration opens the window  
to a world of opportunities."*

Project 2016/19:

Socio-economic developmental  
strategies as retail performance  
indicators: A balanced scorecard  
approach

APPLIED RESEARCH  
LEADERSHIP DEVELOPMENT  
SERVICE TO RETAIL COMMUNITY

Project 2016/19:

Socio-economic developmental strategies  
as retail performance indicators:  
A balanced scorecard approach

April 2016

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ISBN 978-0-9946954-1-3

**This report is available online at: [www.wrlc.org.za](http://www.wrlc.org.za)**



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## **EXECUTIVE SUMMARY:**

### **Socio-economic developmental strategies as retail performance indicators: a balanced scorecard approach**

Arising from previous contextual research into strategic challenges and opportunities for the South African wholesale and retail business sector, this topic was identified by the Wholesale and Retail Leadership Chair at the Cape Peninsula University of Technology as relevant and pragmatic, in the context of retail enterprise performance scorecards contributing to socio-economic development programmes.

The formative evaluation study is based on earlier research into the alignment of the retail sector with National Development Plan strategies. Cognisant of renewed expectations of 'active citizenry' by business executives in collaborating with state institutions towards transformative performance scorecards, the research questions seek to analyse the commitment and effective use of 'balanced scorecard' perspectives by retailers in generating sustainable profitability, whilst contributing positively to socio-economic developmental priority objectives in South Africa's post-apartheid society.

Two parallel qualitative methodologies were used, in addressing the research questions:

- a) A comprehensive international and national literature review of published scorecard frameworks, plans and reports by major retail corporates; and
- b) An empirical series of semi-structured dialogic interviews with a purposive sample of retail stakeholders and National Planning Commission members.

By comparing and contrasting literature data and empirical stakeholder insights, it was possible to generate an overall summary of congruent ratings of significant findings, with appropriate recommendations.

The key findings and recommendations conclude that:

- Various forms of retail performance scorecards are in use, ranging from basic bottom-line financial targets (not necessarily in a formal context), to multi-pronged integrated scorecards with a series of financial and socio-economic performance indicators.
- While the majority of retail scorecards (formal or virtual) seek to balance financial targets with 'cause-related marketing' community results; organisational scorecards are predicated on factors such as company size, maturity, and managerial competence.

- Collaboration between retailers and state institutions in scorecard development and monitoring is not a reality, as has been achieved in some other industry sectors. It is therefore recommended that steps be taken to convene a retail stakeholder forum, in order to explore the merits of a collaborative Retail Charter scorecard framework, with potential to promote public/private sector knowledge sharing and retail supply-chain socio-economic developmental strategies.

# CHAPTER 1

## INTRODUCTION: CONTEXT, OBJECTIVES AND SCOPE

### 1.1 RESEARCH CONTEXT

A survey report entitled *Priority Research Needs of the South African Wholesale and Retail Sector* (Steyn, Sewell and Venter 2013) marked the first step taken by the Wholesale and Retail Leadership Chair (WRLC) towards the creation of a basis for contemporary research in this dynamic business sector. The WRLC report provided an overview of significant research and learning requirements within the wholesale and retail business sector, prioritising strategic topics within the framework of the country's National Skills Development Strategy III (RSA 2011b), National Development Plan: Vision 2030 (NDP) socio-economic developmental strategies; and the W&R Sector Education and Training Authority mandate.

As one of the key retail research topics, a position paper (Sewell, Mason and Venter 2014) defined the strategy alignments in retail business sector implementation of National Development Plan socio-economic developmental themes. The NDP highlights (RSA 2012: 27) that “*three core developmental priorities stand out, towards building an inclusive, equitable South African society, namely:*

- *Raising employment through faster economic growth;*
- *Improving the quality of education, skills development and innovation; and*
- *Building the capability of the state to play a developmental, transformative role”.*

Towards achievement of these national transformative priorities, the functional links in the retail supply chain can have significant socio-economic added value, with job creation and cause-related marketing implications, within the diversity of South African society (Varadarajan and Menon 1988; Porter 1996; National Business Initiative 2005; Gagnon 2005; Porter and Kramer 2005; Corbishley and Mason 2011; Retail Indaba Report 2014; Bureau of Market Research, UNISA 2015; Business Monitor International 2015).

Responding to the report findings and recommendations, National Planning Commissioner Muller indicated that this had been a subject of strategic debate at the 2014 World Economic Forum meeting, asking: “*How do we organise supply chains and retail sector operations more inclusively, to build a sustainable society (and business enterprises) in the long term, rather than just to extract maximum profit in the short term?”*

Since then, the appointment of new National Planning Commission leadership, coupled with promulgation of the Medium-Term Strategic Framework 2014-2019 (RSA 2014) ‘ministerial scorecard’ outcomes for addressing post-apartheid inequality, poverty and unemployment,

have generated ongoing debate in business and state circles regarding the 'benchmarking' and 'balancing' of collaborative roles and goals for inclusive, sustainable socio-economic development. Addressing the Cape Chamber of Commerce Economics Portfolio Committee in November 2015 on the 'social cohesion' and 'active citizenry' expectations by the National Planning Commission (NPC) of business organisations in socio-economic development projects and programmes, newly-appointed NPC Secretary Matona illustrated the national 'cycle of development' performance scorecard paradigm as follows:

**Figure 1.1: National Development Plan Cycle of Development Scorecard**

## Different Sectors Working Together



Source: National Development Plan Vision 2030: RSA 2012

## 1.2 RESEARCH OBJECTIVES AND SCOPE

The objectives and scope of the present paper, therefore, are to review and analyse retail business performance indicators, based on the motivations, benefits and pressures identified in the strategic planning and monitoring of organisational scorecards, when short-term financial targets need to be 'balanced' with longer- term 'cycle of development', stakeholder investment, staff development, inclusive community projects and consumer marketing needs.

In terms of the national development priorities highlighted above, this study seeks to address the following questions through international literature review, complemented by empirical interview insights and stakeholder perceptions for effective retail business scorecard design and performance:

- What is the relevant literature on the 'balanced scorecard' as a management system for planning and monitoring a diverse range of organisational performance strategies?
- To what extent is a form of 'balanced scorecard' management system used by South African retail organisations in strategising, synergising and evaluating their financial and socio-economic developmental indicators?
- What are the key pressures and opportunities for retail businesses to address socio-economic developmental strategies, as organisational performance indicators?
- Is there evidence of benefits in the collaborative use of scorecard perspectives, between retail businesses and state institutions, to promote socio-economic development?
- Are there significant differences in performance scorecard perspectives, socio-economic developmental strategies, between retail company size and sub-sectors?

Within the retail sector supply chain, customer, staff and investor contexts, differentiated retail business scorecard frameworks are applied to the socio-economic strategies of the *National Development Plan: Vision 2030* (RSA 2012), which was formulated after extensive public consultation by the National Planning Commission diagnostic report (RSA 2011a).

The National Development Plan themes include few objectives relating directly to the retail sector, although NDP Chapters 3 and 7 highlight strategic objectives and 'Business Drivers of Change' (RSA 2012: 152), which require well-informed data and organisational scorecard synergy by retail strategists and decision-makers.

It is therefore envisaged that this study will contribute to shared retail business scorecard understanding, collaborative performance indicator design and focussed implementation of inclusive developmental scorecard strategies.

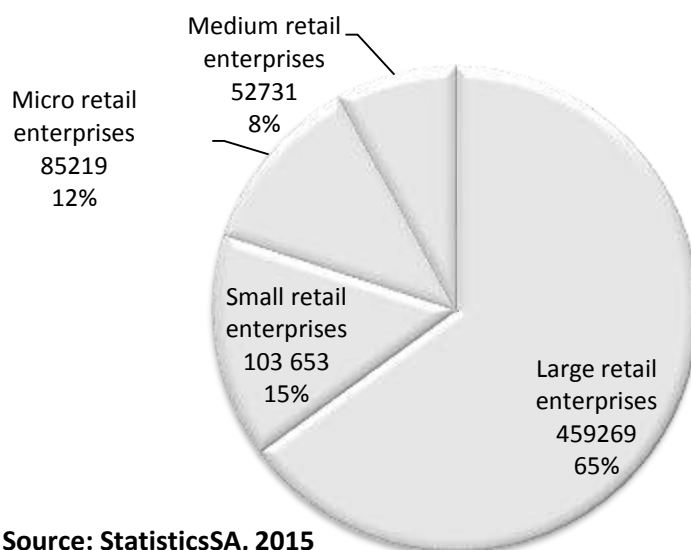
### **1.3 SOCIO-ECONOMIC SIGNIFICANCE OF THE RETAIL BUSINESS SECTOR**

The retail sector is a significant component of the South African economy and a major employer. According to Statistics South Africa, retailing is the fourth largest contributor to Gross Domestic Product; and the 30 000 tax-registered retail enterprises employ about 20% of the economically active workforce of the country.

In the collaborative spirit of ‘Fashioning corporate social responsibility’ (Jones, Hillier and Comfort 2012), ‘Retailing in post-apartheid South Africa: the strategic positioning of Boardmans ‘ (De Bruyn and Freathy 2011) describes the social and economic transformation that has occurred since the end of the former apartheid regime; and discusses the implications of these changes for the retail sector. In particular, the emergence of a new (increasingly black) middle class has motivated many retailers to reconfigure their business scorecard strategies, community marketing and staff profiles.

With regard to the NDP core priority of ‘*raising employment through faster economic growth*’ highlighted above, it is significant to note the current employment dominance of large retail enterprises. As depicted in figure 1.2 below, some 65 percent of retail employees work for major corporate groups, and a national priority is to promote the growth of small and medium-size enterprises, which requires effective public-private sector collaboration in funding and skills development, similar to the European Commission Retail Forum for Sustainability (2015).

**Figure 1.2: Employment by Enterprise Size in the Retail Trade**



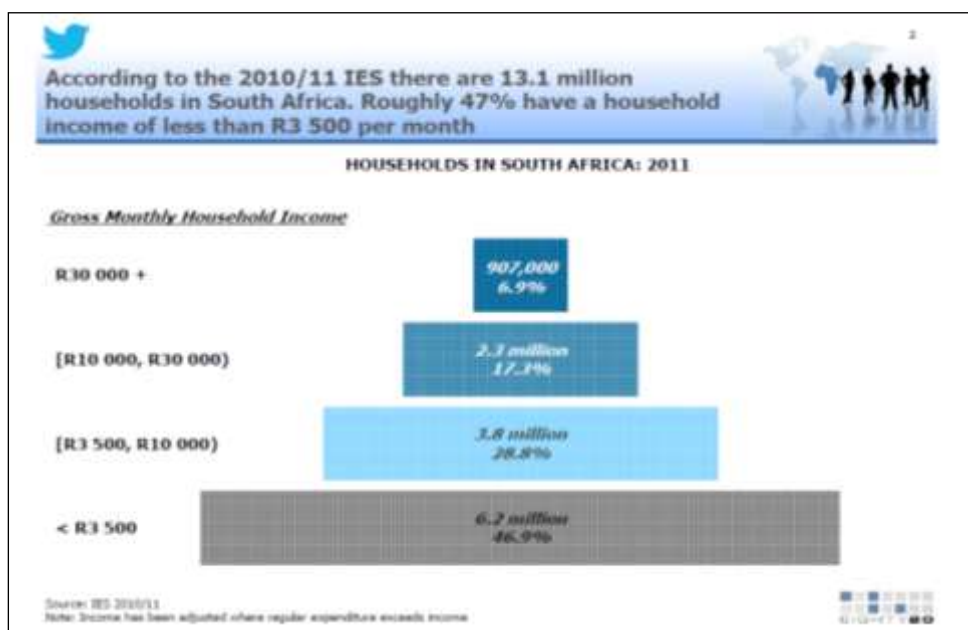
**Source: StatisticsSA, 2015**

The BMI Research South Africa Retail Report (2015:6) states that “economic troubles have taken South Africa’s economy to the brink of recession; and additional headwinds will linger from the country’s endemic level of unemployment. In spite of this, household spending will remain relatively resilient, owing to a youthful and increasingly urbanised workforce, entering the middle –income bracket”. The country is home to some of Africa’s most sophisticated retail developments, catering to the rising levels of economic activity. Although the employment and disposable income of middle income black South Africans is growing, it

remains essential for retailers to promote 'Brand SA' local product sourcing, manufacturing and agri-business development, towards maximising local supplier sustainability and employment; thereby increasing the disposable income of potential retail customers.

In terms of the core developmental priorities highlighted above, the retail sector customer development imperative is probably most challenged by the national need for '*raising employment, through faster economic growth*'. As illustrated in figure 1.3 below, gross monthly household income data reflect the inherent disparities of South African communities and consumers, which limit the financial scorecard growth potential of many retailers.

**Figure 1.3: Gross Monthly Household Income**



**Source: StatisticsSA (Income & Expenditure Survey 2010/11)**

Rapid urbanisation is another significant factor in South Africa's demographic landscape and developmental scorecard. UCT African Centre for Cities director Pieterse (2015) has highlighted the "complexity and scale of South African urban development and liveability problems, which need to be resolved by intersectoral coalitions, seeking social justice and grounded pragmatism". The National Development Plan (2012: 284) predicts that by 2030, more than 70% of South Africa's population will live and seek employment in urban areas.

Urban South Africa is moving increasingly towards shopping mall-based retailing; a trend which is generating negative implications for the competitive sustainability of informal traders (City of Johannesburg 2013; Müller 2014; City of Cape Town 2015; Mazwai 2016; Kiva Ka Zazela 2016) and the sustainable employment creation potential of emerging retailers,

formerly disadvantaged by apartheid socio-economic policy constraints. These socio-economic developmental indicators are relevant to the research questions of this retail 'balanced scorecard' study, and will be reviewed in subsequent chapters.

#### **1.4 CONCLUSION: SYNERGISING RETAIL SCORECARDS, TOWARDS 'OUR FUTURE: MAKE IT WORK'**

South Africans from all walks of life participated in the consultative processes which informed the National Planning Commission's Diagnostic Report (RSA 2011a), highlighting that "*since the dawn of inclusive democracy in 1994, much has been achieved, but still more work needs to be done, to make South Africa truly belong to all who live in it*". (2011a:28).

Business managers are frequently faced with decisions of how to allocate and motivate scarce resources, in an environment that is placing more and more pressures on them, within the corporate social development -financial performance link (Wood 1991; Waddock and Graves 1997). Literature reviewed and roleplayers interviewed, within the links in the retail supply chain, identified a range of socio-economic development and sustainability scorecard indicators which are being benchmarked towards 'balancing' immediate financial objectives more positively with the vision of socio-economic developmental strategies.

Business collaboration with state strategies and governance policies is not a new phenomenon, as has been evident in East Asian and European Union regional development initiatives. Business Unity South Africa (BUSA Annual Review 2015), a federation including the Retail Association and Retail Motor Industry Organisation, has been active in promoting sector collaboration, corporate social investment (CSI) and industry transformation charters; including the Manufacturing Circle (2015) and Mining Industry Growth, Development and Employment Task Team (2015). No formal collaboration or transformation charter currently exists in the Retail sector.

*'When is a balanced scorecard a balanced scorecard?'* ask Soderberg, Kalagnanam, Shehan and Vaidyanathan (2011). Echoing that taxonomic conundrum, the present study reflects the socio-economic demographics of South African retail enterprises, within the realities of diverse communities, household expenditure, employment equity, staff competence, procurement and supply chain options. Together, these realities define the scorecard pressures, opportunities and benefits for retail strategists, when they consider the synergies of 'balancing' their short-term financial objectives with the longer-term socio-economic developmental priorities of the National Development Plan: Vision 2030.



## **CHAPTER 2**

### **METHODOLOGY**

#### **2.1 RESEARCH TYPE**

In framing the mixed methods, qualitative research methodology for this evaluation study, research methodology in the business management context followed the pragmatic data gathering and analytical approach of Bryman, Bell, Hirschsohn, Dos Santos, Du Toit and Masenge (2015). The literature review and stakeholder dialogic interviews reflect the diversity in effective usage of organisational performance scorecards in the retail sector; and reinforce the National Planning Commission's wide consultation in its diagnostic phase; as well as the ongoing need for "catalysing development in Africa" (African Management Initiative 2015) and "African voices in the development debate" (Africa Progress Panel 2015).

Following Patton's (2002) utilisation-focused programme evaluation methodology, widely used within the Department of Planning, Monitoring and Evaluation (DPME), opportunities were identified for descriptive literature review of 'balanced scorecard', 'triple bottom line' and similar multi-pronged performance frameworks, coupled with performance strategy indicators in business and public governance seminars. Thereafter followed supplementary interviews with retail sector management and stakeholders, National Planning Commission members and officials accountable for socio-economic policy; and performance evaluation practitioners.

The exploratory and descriptive international literature review phase sought to strengthen understanding of the international retail business contexts of the 'Triple Bottom Line' (Elkington 1994) and 'Balanced Scorecard' (Kaplan and Norton 1996) performance management paradigms; and subsequent publication of the National Development Plan: Vision 2030 (RSA 2012), which proposes priorities of South African socio-economic development, for 'active citizenry' achievement. Thereafter, literature review and dialogic interviews with retail stakeholders sought to gain insights into the evolving perceptions of the country's socio-economic diagnostics and inclusive development strategies. In the process, it became evident that a qualitative focus on the retail customer profiles, supply chains, employee engagement and community demographics would facilitate meaningful answers to the research questions, within a relational social capital framework (Smith, De Beer and Mason 2015) of stakeholder performance concepts and socio-economic complexity.

#### **2.2 SAMPLING**

Emmel's (2013) grounded 'realist approach' to qualitative sampling and 'dynamics of knowledge production and utilisation' (Bailey 2005) proved meaningful, in analysing and

interpreting the diversity of South African retail sector scorecard perceptions, policies and priorities. A purposive sample of 60 sector roleplayers (from retail management, business associations, government agencies and sector service providers) was interviewed (see Appendix B), in order to gain their pragmatic insights into balanced scorecard motivation, synergistic strategies and perceived benefits, pressures and problems for socio-economic developmental initiatives.

## **2.3 DATA COLLECTION**

The literature review and interview guide (Appendix A) were designed to identify relevance of use by retail organisations of a 'balanced scorecard', 'triple bottom line' or similar integrated performance strategy framework, aligned with national development priority themes; and to analyse possible corporate / independent trader and retail sub- sector strategy variances; in order to generate valid answers to the defined research questions.

Thereafter, literature review insights were supplemented through empirical dialogic interviews with a purposive range of stakeholders and roleplayers in the retail sector; including several retail-related trade associations, sub-sectors of retail activity and corporate image aspirations. These empirical dialogic interviews reflect current retail business scorecard practices, within the analysis of financial 'bottom line' focus, socio-economic developmental priorities and corporate social investment (CSI) policies and strategies.

## **2.4 DATA ANALYSIS**

Qualitative analysis, scorecard benchmarking and empirical interpretation of socio-economic development strategies emerging from the literature review data were facilitated by semi-structured dialogic interview insights of retailer 'socio-economic development priorities', and by explanatory comments made by a purposive sample of retail business and regulatory stakeholders in major urban regions. 60 interview insights were analysed, indicating the significance of retail management use of a form of 'balanced scorecard' or similar performance management tool, synergising short-term financial objectives with longer-term community and/or socio-economic investment, in support of employment creation, developmental inclusiveness, equity and sustainability strategies.

The literature review and empirical survey processes indicated that many retailers perceive specific socio-economic developmental strategies and cause-related marketing as relevant to their business growth, reputation and sustainability; albeit within a wide variety of motivations, resources and scorecard indicators.

## **2.5 VALIDITY AND RELIABILITY**

Face- and context-validity of responses by retail stakeholders and regulatory roleplayers were optimised, within the variables of organisational and individual perceptions of scorecard alignment with the 'core developmental priorities' seen as relevant to inclusive growth and sustainability of the retail sector; and of the potential synergies for effective governance collaboration and implementation of those financial and socio-economic developmental objectives.

Reliability of data will largely be a function of the sampling distribution of the rating frequencies; and of the intra-sectoral transferability of these rating values, among the commercial diversity of retail respondents' retail performance scorecards.

## **2.6 FOCUS GROUP CRITIQUE**

Prior to finalisation of this report, representatives of several retail business enterprises and associations provided constructive insights. Valuable critique of the draft report was provided by a focus group of retail stakeholders. The researcher presented an overview of the study objectives, methodology, key findings and recommendations to the stakeholders, who provided frank feedback on aspects of the draft report which, in their view, required enhanced clarity, verification, focus or formatting. Their candid scorecard comments and well-informed interview recommendations were helpful in enhancing validity and utilisation-focused pragmatic evaluation, for this qualitative study.

## **2.7 CONCLUSION**

The knowledge production and utilisation methodology (Emmel 2013) of this literature review and empirical study were purposively sampled, seeking to analyse the extent of strategic use of 'balanced', 'integrated' and/or 'triple bottom line' performance scorecard systems in a range of retail organisations, in 'active citizenry' support of inclusive socio-economic development, as specified in the research objectives.

The retail 'thought leader' exploratory phase, literature review and semi-structured dialogic interviews with retail sector stakeholders, market research and National Planning Commission roleplayers in major urban regions contributed positively to the validity and reliability of the data. It is acknowledged, however, that the 'utilisation focus' of the scorecard indicators and 'return on organisational investment' insights are dependent on the clarity of business 'active citizenry' strategies, socio-economic developmental commitment; as well as the relevance and rigour of scorecard management design, monitoring and evaluation.

## CHAPTER 3

### LITERATURE REVIEW

#### 3.1 'BALANCED SCORECARD' INTEGRATED STRATEGY MANAGEMENT: ORIGINS AND RETAIL BENCHMARKS

In this chapter, literature sources are reviewed to identify the origins and purposes of the 'balanced scorecard' and similar multi-pronged strategic performance management systems; to explore their adaptations and applications by international and South African retail organisations; and to analyse relevant data and insights which will contribute to answering the five research questions, below.

##### 3.1.1 What is the relevant literature on the balanced scorecard as a management system for planning and monitoring a diverse range of organisational performance strategies?

Literature sources in which organisational scorecard approaches to a synergistic range of financial, marketing, employee and socio-economic performance indicators originated are reviewed in this chapter; illustrated by benchmark examples of implementation in international retail enterprises, potentially relevant to the research questions.

###### 3.1.1.1 *The Balanced Scorecard: Translating Strategy into Action (Kaplan & Norton 1996)*

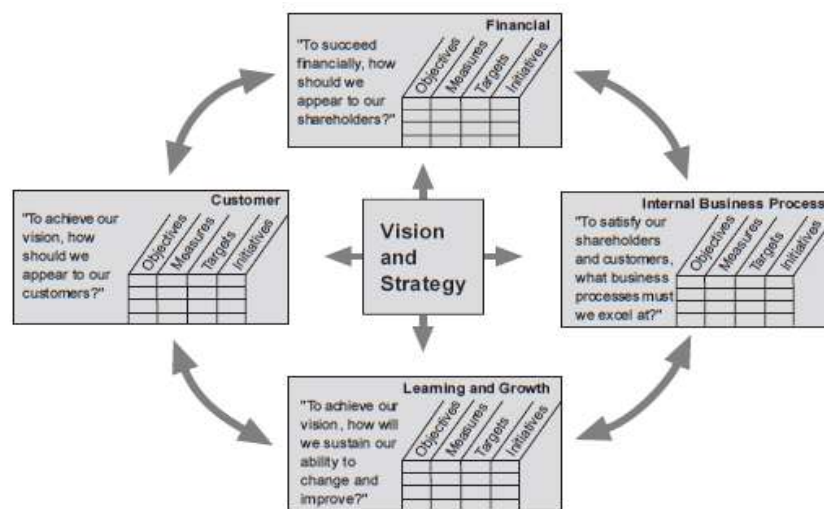
The origins of this seminal book can be traced back to 1990, when the authors launched a multi-company study entitled 'Measuring Performance in the Organisation of the Future'. Their study was motivated by the view that existing business performance measurements were becoming obsolete; and that reliance on purely financial performance indicators was hindering organisations' potential to create future socio-economic value and reputation, in their target communities.

Their initial study group findings were summarised in a Harvard Business Review article, '*The Balanced Scorecard: Measures that Drive Performance*' (Kaplan and Norton 1992). At that time, the authors were contracted by several senior corporates, to help them implement the balanced scorecard concept in their business organisations. They found that most organisations – even those implementing new performance management systems – were not effectively aligning indicators, outcomes and stakeholder reports to strategic business processes; namely *those that must be performed exceptionally well for an organisation's strategies to succeed*.

Further consulting work with a number of United States companies (including a major clothing retailer, a retail bank, and a petroleum retailer) saw the ‘balanced scorecard’ evolve into a ‘core strategic management system’, as was detailed in another Harvard Business Review article (February 1996), titled ‘*Using the Balanced Scorecard as a Strategic Management System*’. That article detailed the four ‘strategic perspectives’ which characterise the integrated ‘balanced scorecard’ performance framework illustrated in figure 3.1 below, namely:

- **Financial:** ‘to succeed financially, how should we appear to our shareholders?’
- **Customer:** ‘to achieve our vision, how should we appear to our customers?’
- **Internal Business Processes:** ‘to satisfy our shareholders and customers, what business processes must we excel at?’
- **Learning and Growth:** ‘to achieve our vision, how will we sustain our ability to change and improve?’.

**Figure 3.1: The Balanced Scorecard strategic framework**



Source: Kaplan & Norton 1996

Various adaptations and innovations of scorecard design followed. Ten years later, after considerable international hands-on exposure, Kaplan and Norton observed that the efforts of multiple business and support units, each populated by highly-trained, experienced executives, were often not effectively co-ordinated; resulting in conflicts, lost opportunities and diminished performance. In their book *Alignment: Using the Balanced Scorecard to Create Corporate Synergies* (Kaplan and Norton 2006), they describe how successful enterprises achieve synergies by explicitly defining corporate management’s role in aligning,

co-ordinating and overseeing organisational strategy. These sometimes contradictory performance scorecard indicators and outcomes will be reviewed in the retail business context, internationally and in South Africa.

### 3.1.1.2 *Towards the Sustainable Corporation: Win-Win-Win for Sustainable Development (Elkington 1994)*

At about the time that Kaplan and Norton published their initial article, other innovative scorecard concepts changed the way that businesses, non-profit organisations and government agencies could define and measure performance and sustainability of their programmes and policies. Elkington's 'Triple Bottom Line' concept measured organisational performance and sustainability indicators on three interlinked fronts, illustrated in figure 3.2.

- **Profit:** the economic value created by the company;
- **People:** social responsibility, through fair and equitable business practices regarding labour and the community; and
- **Planet:** the use of sustainable environmental practices, to achieve reduction of environment impact.

**Figure 3.2: Triple Bottom Line: a business imperative**



whyfive<sup>ys</sup>  
non-fiction

Source: WhyFive Insights 2016

One of Elkington's initial client companies was leading European furniture retailer Ikea, which is acknowledged for its effective promotion of consumer perceptions of its cause –related marketing strategies (Ross, Patterson and Stutts 1992). As his corporate client base

expanded, his book '*Cannibals with Forks- The Triple Bottom Line of 21<sup>st</sup> Century Business*' (Elkington 1997) highlighted the benefits of sustainable practices, in reducing environmental impact. He also indicated the challenge of comparing the 'people' and 'planet' accounts in financial terms; the way in which the 'profit' performance scorecard indicator is measured.

### *3.1.1.3 Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility (Porter and Kramer 2006)*

In their 2006 article, Porter and Kramer proposed a fundamentally new way to look at the scorecard relationship between business and society, which does not treat corporate financial growth and social investment as a zero-sum game. They introduced a corporate scorecard framework, to discover opportunities *to benefit society and themselves*, by *strengthening the competitive context in which they operate*; and to *determine which corporate social responsibility (CSR) initiatives they should address*, finding the most effective ways of doing so.

Recent papers review the relevance of business scorecards which seek to balance, blend or integrate CSR indicators with financial results. Queiroz (2016) makes a compelling business case for including CSR in the corporate scorecard; and Browne, Nuttall and Stadlen (2016) posit a 'practical blueprint for reconciling companies and communities'. They argue that companies should move beyond CSR to 'engage radically with society', towards a 'new frontier of competitive advantage, profitability and longevity' in their scorecards.

In this context, Adams (2015) sets out the case for 'integrated reporting' and its potential to change the thinking of business managers, leading to the further integration of sustainability indicators, within strategic planning and tactical management. Her paper refers to the increasing influence of the *International Integrated Reporting Council (IIRC)* which is a global coalition of more than a thousand businesses, investors, government agencies and regulators. The IIRC recommends that all 'integrated scorecard reports' should include a combination of quantitative and qualitative information, based on a 'six capitals' framework of values that are transformed by the activities of an organisation; namely:

- *Financial*
- *Manufactured*
- *Intellectual*
- *Human*
- *Social and Relationship; and*
- *Natural Capital.*

An organisation's IIRC business performance scorecard draws on these six capital inputs; and shows how its strategic activities transform them into value-adding outputs.

## 3.2 INTERNATIONAL RETAILERS' SCORECARD PRACTICES

Benchmark examples from several countries illustrate scorecard approaches typically focussed on retail investors, target customers, staff or communities in which the company seeks to promote its reputation – and so to enhance its indicators of 'return on expectations'. 'The relationship of customer satisfaction, customer loyalty and profitability: an empirical study' (Hallowell 1996) and 'An application of the balanced scorecard in retailing' (Thomas, Gable and Dickinson 1999) both present findings of scorecard evaluation studies in the USA, using multiple indicators of retail profitability, customer satisfaction and loyalty. Their findings indicated that a form of 'balanced scorecard' offered a flexible management technique for improving multi-branch retail performance.

Understanding management motivation and staff attitudes towards their organisation's scorecard system is an important contribution to the literature (Aguinis 2009). '*Is a Balanced Scorecard useful in a Competitive Retail Environment?*' (Biggart, Burney, Flanagan and Harden 2010) is the question posed for a multi-store qualitative study of retail managers' satisfaction with their company scorecard system. That study reflects how perceptions differ across staff and management levels; and includes a comparison of how these perceptions are related to the system's scoring criteria and to company financial results.

### 3.2.1 United States of America: National Retail Federation

The collaborative scorecard agenda of the National Retail Federation is strategically 'focused on jobs, innovation and consumer value'. The NRF 2015 Annual Report highlights that member companies and NRF policy committees 'educate lawmakers', participating in legislature working groups which monitor employment law, health and employee benefits, food and product safety, food supply chain, and postal services. Regular interaction and advocacy with government legislatures and socio-economic agencies is promoted, using the *Retail Opportunity Index* to 'measure the support of policies that contribute to a healthy retail sector and US economy'.

From the consumer perspective, two major US retail groups featured highly in '*America's 25 Most Inspiring Companies*' (2015) which reported on a national customer survey, based on a 'validated scorecard of company inspiration drivers', including

- *Ethics*
- *Competitive prices; and*
- *Staff engagement.*



3.2.1.1 *Wal-Mart* was rated in second place, nationally, because the company ‘keeps its promises and is authentic in terms of competitive pricing, commitment to give back to the community’; and is a ‘welcome source of employment for senior citizens’.

The *Wal-Mart Global Responsibility Report* (2015) reflects the company’s adaptation of a ‘triple bottom line’ scorecard, with commitments to:

- Community
- Innovation
- Sustainability
- Opportunity

Probably a reflection of the ultimate importance of financial sustainability indicators, the *Wall Street Journal* (15 January 2016) reported that Wal-Mart had announced its intention of closing 269 stores globally (including 154 in the USA) in the coming year, in order to ‘focus resources on e-commerce and other areas of more profitable operation’.

3.2.1.2 *Target Stores* (in third place, nationally) was recognised by respondents for its excellent Corporate Social Responsibility record, using three scorecard indicators:

- *Creating positive guest experiences together*
- *Making a great workplace, together*
- *Supporting our communities, together.*

### **3.2.2 Australia**

The Retail Council in Australia is developmentally active on behalf of its member companies. The Council engaged with government and other industry associations at the *Australian National Reform Summit* in 2015, seeking common scorecards for economic and social reform, including the *Indigenous Australia Program*, a national equity development campaign. Reform Summit agenda items highlighted by the Retail Council underscored that:

- “The nation’s economic and social cohesion is slipping;
- Youth unemployment is unacceptably high; and
- Growth, combined with societal equity, is the priority objective.”

In support of the third agenda item, the Retail Council’s ‘*Women in Retail Business and Leadership*’ seminar series was launched.

In solidarity with those national socio-economic development themes, two major Australian retail groups have added significant strategies to their scorecards, as described below:

**3.2.2.1 David Jones'** Corporate Sustainability Report provides an overview of this major Australian retail company's performance in five key areas; including 'Our people; Commitment to organisational health and safety; Community; Supply chain; and Environment'. Community scorecard indicators highlighted in the David Jones report are

- A 'diamond partner' donor commitment to the *National Breast Cancer Foundation* (with a widely-promoted '*Shop Pink Donation Day*') and
- Appointment of a 'brand ambassador' to promote the national *Reconciliation Action Plan*, 'working to build strong community relationships and mutual respect between aboriginals and non-indigenous Australians'.

**3.2.2.2 Myer Holdings Limited.** As one of Australia's largest department store groups, Myer has a footprint of over 70 stores nationally. The *Myer Diversity Policy* is 'committed to a fair and inclusive work environment, that embraces diversity and recognises its contribution to Myer's commercial success'; underpinned by key socio-economic indicators, including:

- Mentoring competence development and offering work practices to meet the differing needs of employees, in the context of business requirements;
- Eliminating artificial barriers to career progression, by providing support;
- Setting key performance indicators for senior executives, to measure the achievement of diversity objectives.

### **3.2.3 United Kingdom and Europe**

In the context of synergistic 'balanced', 'triple bottom line' and 'six capitals' strategies, corporate social investment and cause-related marketing indicators are evident in British and European retail performance management scorecards, exemplified below.

**3.2.3.1 The Marks and Spencer Group**, with over 800 stores in Britain and 400 in Europe and abroad, details group financial and non-financial performance indicators in its 2015 *Strategic Report*. M&S Group non-financial socio-economic scorecard indicators include: 'improved product sustainability' and 'reduced greenhouse gas emissions impact', both of which require effective product sourcing and supply chain management; and the M&S Strategic Report highlights that 'it is crucial that we listen to our customers and understand their needs'; hence the development of a *Customer Insight Unit* (CIU), which analyses responses from 60 000 customers a month, across the regional cultures of Britain, Europe and Asia. CIU reports combine the periodic feedback with ongoing market research, to monitor the various consumer climates and understand regional shopping behaviour.

3.2.3.2 The *John Lewis Partnership* included in its Annual Report 2015 a comprehensive *Sustainability Review*, 'reflecting the way we do business internationally'. The John Lewis Partnership performance principles are defined as follows, each with a case study to illustrate this major international retail group's strategic scorecard:

- *Purpose*: ‘Building a stronger, happier business’
- *Power*: ‘Making better decisions, together’
- *Profit*: ‘Using our profits to grow sustainably’
- *Members*: ‘Leading with a more engaging approach’
- *Customers*: ‘Generating loyalty through choices, value and service’
- *Business relationships*: ‘A better way of doing business’
- *Community*: ‘Creating value beyond the Partnership’.

**3.2.3.3 Tesco PLC.** Tesco is a grocery and general merchandise retailer, known for its state of the art *Business Intelligence* system. Tesco initially adopted a corporate scorecard with five performance perspectives: *community, operations, people, finance and customer*. Some years ago, their scorecard evolved into the *Tesco Steering Wheel*, depicted in figure 3.3; showing five strategic performance perspectives, each with a number of specific operational indicators, illustrating the ‘value-add’ of that scorecard perspective.

### Figure 3.3: Tesco Steering Wheel



Source: [www.tesco-careers.com](http://www.tesco-careers.com)

The complexity of this Steering Wheel scorecard framework, however, became confusing for Tesco management, staff and customers. In the Tesco PLC Annual Report 2015, the statement is made that *'the Steering Wheel served us well for many years, but as time has gone on, it became too complex, with over 40 different measures. We now have just six simple key performance indicators. It's all about alignment and focus: if we give our colleagues more power to choose the right actions, we'll do a better job for customers and achieve greater success for our business'*. The simplified Tesco Scorecard now has six scorecard indicators:

- *Customers recommend us and come back, time and again.*
- *Colleagues recommend us as a great place to work and shop.*
- *We build trusted partnerships with suppliers.*
- *Grow sales.*
- *Deliver profit.*
- *Improve operating cash flow.*

These six Tesco strategic scorecard indicators are indeed 'balanced' – with three financial and three stakeholder relations performance indicators. Moreover, the Tesco board has a *Corporate Responsibility Committee* and works closely with an Expert Advisory Panel of four independent advisors, who act as a critical voice to audit and evaluate the company's socio-economic strategies and performance scorecard.

### **3.3 ANALYSIS OF INTERNATIONAL RETAIL SCORECARD PRACTICES**

These international benchmarks of retail business performance scorecards illustrate a range of management practices, across national and corporate cultures, to 'balancing' the traditional 'bottom line' financial success indicator with socio-economic developmental goals, typically seeking to promote community awareness and consumer loyalty, towards business sustainability and growth.

Few of the international contexts, except that of Australian promotion of indigenous peoples' development, provide retail performance indicators that are relevant to the current South African context; in which the National Development Plan objectives, together with employment equity and preferential procurement legislation, seek transformative socio-economic 'active citizenry' commitments from business enterprises.

In the next chapter, the extent of forms of 'balanced scorecard' strategies and tactics of South African retail corporates will be reviewed and analysed, with regard to the key pressures, opportunities and benefits of such scorecard strategies.

### 3.4 SCORECARD PRACTICES OF SOUTH AFRICAN RETAILERS

A pioneering reference to the retail entrepreneurial value of defining and delivering multi-pronged financial and socio-economic scorecard indicators is reflected in *The Four Legs of the Table* (Ackerman 2005), positing that retail performance needs to be based on effective Administration, Merchandise, Promotions/ Social Responsibility and People management. Besides consideration of the *National Planning Commission Diagnostic Report* (RSA 2011) and *National Development Plan: Vision 2030* (RSA 2012), the literature review undertaken for this evaluation study encompassed relevant national socio-economic developmental analyses, including topics relating to challenges facing socially responsible business investment in South Africa (Herringer, Firer and Viviers 2009); State-Business Relations and Economic Growth in sub-Saharan Africa (Te Velde with Leftwich 2010); Bureau for Economic Research/ Ernst & Young retail survey (2015); Business Monitor International: South African Retail (2015); and South African Reconciliation Barometer 2015 (Institute for Justice and Reconciliation 2016), which provide diverse insights into socio-economic developmental scorecard perceptions, pressures, problems, opportunities and benefits.

Few academic papers relating to the South African business sector 'balanced scorecard' governance, regulatory and marketing strategies were found. These included a qualitative exploration of corporate social investment (CSI) attitudes by Human and Terblanche (2009); a South African perspective on corporate governance and risk management (Young 2010); and an in-depth study of marketing and consumer behaviour in the eThekweni metropolitan municipality (Corbishley and Mason 2011). In reviewing the retail scorecard governance data, with a view to socio-economic strategy analysis within the objectives of this study, note was also taken of regulatory framework factors which may promote, impede or pressurise sustainable business growth, socio-economic inclusivity and job creation, including:

- Legislation impacting on local procurement, supply chain logistics and costs (Luke and Heyns 2013; Republic of South Africa 2011a).
- Economic Infrastructure development resources and skills requirements (De Bruin 2013)
- Entrepreneurship, youth unemployment and job market entry (African Frontiers Forum 2013; Chatterji, Glaeser and Kerr 2013; SA Board for People Practices 2014)
- Mechanisms for promoting 'active citizenry' in monitoring government socio-economic services (RSA 2013)
- Franchising models, business reputations and community trust (Falala 2013; Franchise Association of South Africa 2015).
- Changing the Colour of Capital: Essays in politics and economics (Turok, Ed 2015).

Sources of particular South African retail sector performance relevance, informing scorecard insights, benefits and pressures for contributing to socio-economic development and promoting sustainable retail business include *inter alia*:

- **National Labour and Economic Development Institute (NALEDI 2007)**

Commissioned by the Department of Trade and Industry's Economic Research and Policy Co-ordination Unit, this insightful NALEDI (2007) report is entitled *The Retail Sector: An Analysis of its contribution to Economic Growth, Employment and Poverty Reduction*.

- **NEDLAC Trade and Industry Chamber: National Retail Sector Strategy 2010**

This strategic review of the retail sector was undertaken as a Fund for Research into Industrial Development, Growth and Equity study, via the National Economic Development and Labour Council (2010). Key outcomes of this benchmark study indicate that the primary ways to stimulate W&R economic growth are through minimising the regulatory burden, creating a more conducive public governance environment in which to do business.

- **The Retail Industry on the Rise in South Africa: Gauteng Provincial**

**Treasury 2012** This bulletin prepared by the Provincial Treasury of South Africa's economic hub, comments on the economic environment which allows consumers to spend more, supported by an increase in both the supply of retail space and the number of shopping centres in the country. At 26.5 percent, Gauteng province contributes the largest share of gross value added by the retail industry, nationally. The bulletin also highlights an average annual increase of 29 percent in online retail sales, which adds more employment opportunities to the youth. Some of the strategic challenges experienced by retailers, according to this Gauteng report, include operational costs and skills shortages.

- **Retail Association: Employment Conference 2014**

According to the Retail Association 2014 Employment Conference report, "Gearing up for future growth, retailers need to take a strategic look at the sector's employment market requirements. Collaborative, pro-active strategies are vital to ensure that retail has the human capital capacity to stimulate and sustain economic growth in the sector".

- **Consumer Goods Council of South Africa: Annual Report 2015**

The Consumer Goods Council, incorporating the South African Retail Council, brings together a wide range of consumer product manufacturers, importers, wholesalers and retailers. The CGCSA Annual Report (2015) reflects several aspects of collaborative sector strategies, members' achievements and pressures for enhancing inclusive socio-economic development, which will be reviewed in this study.

- **Institute for Poverty, Land and Agrarian Studies and Southern Africa Food Laboratory**

Associated with the Universities of the Western Cape, Stellenbosch and Cape Town, these two innovative organisations (PLAAS and SAFL 2015) collaborate in socio-economic developmental projects, supporting smallholder growth towards commercial agriculture, including sustainable supply chains for retail supermarket groups.

### **3.4.1 To what extent is a form of ‘balanced scorecard’ management system used by South African retail organisations in strategising, monitoring and evaluating their financial and socio-economic developmental objectives?**

In the context of South Africa’s socio-economic growth and employment equity priorities and of the international retailer scorecard indicators benchmarked above, a purposive sample of Integrated Annual Reports of major South African retail groups was reviewed, in order to analyse their scorecard strategies and ‘cause-related marketing’ approaches to synergising organisational financial and socio-economic development indicators. As was highlighted earlier, 65% of retail staff are employed by these major corporate groups, which are members of the Johannesburg Securities Exchange (JSE), which sets standards for members’ *Socially Responsible Investment Index* (Sonnenberg and Hamann 2006). Their annual reports are therefore in the public domain and subject to JSE reporting requirements, for ease of investor scorecard access and media comparative analysis.

A purposive framework was used in analysing these corporate retail business strategic scorecards, which will be supplemented by semi-structured dialogic interviews with a pragmatic range of retail sector stakeholders.

#### **3.4.1.1 Clicks Group Limited**

##### **(a) Retail footprint and mission**

Headquartered in Cape Town, the Clicks Group retail brands (Clicks, Musica, The Body Shop franchise, GNC franchise and Claires franchise) have a combined footprint of 657 stores; including 34 in neighbouring countries. The Clicks Group 2015 Integrated Annual Report states that its mission is “to create sustainable long-term shareholder value through a retail-led health, beauty and wellness offering”.

##### **(b) Scorecard framework**

The Report states that the *International Integrated Reporting Council* (IIRC) framework of six **Capitals of Value Creation**, as described earlier in the international literature review, have been adopted by the Board, in defining and reporting on the Group scorecard, as follows:

**Table 3.1: Capitals of value creation – Clicks Group Limited**

<b>Financial capital</b> <ul style="list-style-type: none"> <li>• Total shareholder return of 35.8%</li> <li>• R491 million paid to shareholders in dividends</li> <li>• Cash generated from operations R1.7 billion</li> <li>• Return on equity 53.7%</li> </ul>	<b>Manufactured capital</b> <ul style="list-style-type: none"> <li>• 657 retail stores</li> <li>• 361 Clicks pharmacies</li> <li>• 9 distribution centres</li> <li>• R370 million invested in capital expenditure</li> </ul>	<b>Intellectual capital</b> <ul style="list-style-type: none"> <li>• Clicks is the leading health and beauty retailer in SA</li> <li>• Market share gains in all businesses</li> <li>• Own label and exclusive brands account for 19.8% of Clicks Group sales</li> </ul>
<b>Human capital</b> <ul style="list-style-type: none"> <li>• 8 658 permanent employees</li> <li>• R49 million invested in staff development</li> </ul>	<b>Social and relationship capital</b> <ul style="list-style-type: none"> <li>• Level 3 BBBEE rating</li> <li>• Included in JSE Socially Responsible Investment Index</li> </ul>	<b>Natural capital</b> <ul style="list-style-type: none"> <li>• Participation in Carbon Disclosure data</li> </ul>

**Source: The Clicks Group Integrated Report 2015**

Performance against 2015 objectives and plans for 2016 are detailed for each retail brand, within the six “scorecard capitals”; and material issues, risks and opportunities are defined with financial report and reputation implications.

#### (c) Socio-economic performance scorecard indicators

These indicators are reviewed in the Clicks Group *Social and Ethics Committee Report*, including transformation targets in terms of the United Nations Global Compact. The projects highlighted were undertaken by the Clicks Foundation, Clicks Helping Hand Trust; bursary and internship programmes for pharmacy students; and black empowerment and transformation strategy, to maintain Level 3 BBBEE progress in ownership, management, skills development and socio-economic development beneficiaries.

#### 3.4.1.2 Edcon Holdings Limited

##### (a) Retail footprint and mission

Edcon began with an Edgars basement store in 1929, initiated ‘six months to pay’ credit accounts; and now has 1 505 stores throughout Southern Africa, employing over 40 000 staff. Now owned by global investment fund Bain Capital, the Edcon chain store brands include a variety of local and international merchandise assortments; including fashion and sports clothing, footwear, mobile phones, cosmetics, stationery and home furnishings.

##### (b) Scorecard framework

The Edcon Holdings Annual Report 2015 reflects financial scorecard challenges, related to the highly competitive clothing, footwear and cosmetics market, with the need to anticipate and respond to changing consumer demands and international entrants to the South African



market. Significantly, the board report highlights the risk that “We may not be able to obtain the capital required to implement our business plan, which may force us to limit the scope of our operations, and adversely impact our revenues”. This cautionary note follows retrenchment of several thousand Edcon head office and branch staff, in recent years.

#### (c) Socio-economic performance scorecard indicators

In December, however, a special media release announced a strategic realignment plan, ‘designed to enhance financial performance by ensuring that customer needs are at the centre of every strategic decision that is made’. The chief executive commented in the media release that Edcon liquidity and balance sheet stabilisation now made it possible to ‘roll out an operational improvement programme, with three key scorecard imperatives:

- Customer-centric approach; Simplicity; and People empowerment’.

In summarising the Edcon scorecard performance indicators, the chief executive commented that ‘lean retail, with reduced complexity is key; and an agile supply chain with quick responses to stores, will be the drivers to ensure better productivity’. He added that the Edgars chain will be focussing on ‘a more effective transformation programme’.

#### 3.4.1.3 JD Group

##### (a) Retail footprint and mission

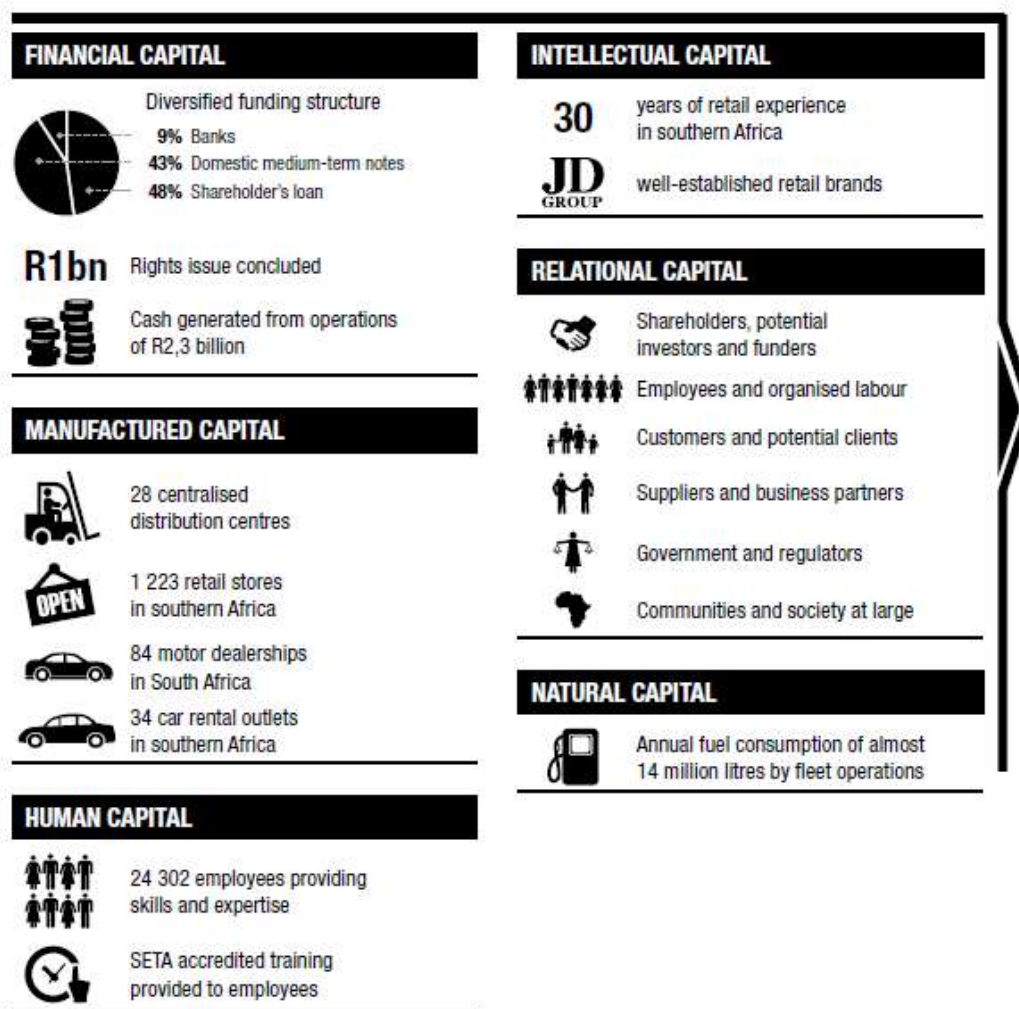
The JD Group (an abbreviation of Joshua Doore, its original furniture store brand), consists of 1223 retail stores, 64 automotive dealerships and 34 car rental outlets; with a total of 24 302 employees. The JD Group Annual Report 2015 reflects that its retail branches are in the following sub-sectors in Southern Africa: furniture; household appliances; consumer electronic and technology goods; building materials and do-it-yourself (DIY) products.

##### (b) Scorecard framework

A balanced scorecard approach is evident in the JD Group Mission Statement, namely ‘to lead in our chosen sectors by satisfying our customers’ needs and stakeholders’ expectations, through the delivery of consistent, sustainable profit growth’, based on the foundational values of: responsibility and accountability; urgency; performance-driven; and commitment to customer service.

Drawing on the principles of integrated reporting, the JD Group business scorecard goals are underpinned by the following six IIRC ‘capitals’.

**Figure 3.4: Six Capitals required to realise the JD Group strategic business goals**



Source: The JD Group Integrated Report 2015

The JD Group Annual Report 2015 comments in detail on the primary scorecard goals of Revenue Growth and Enhanced Efficiencies; thereby retaining the Group's 'social licence to operate, which represents the foundation of our strategy'.

### (c) Socio-economic performance scorecard indicators

Besides the required annual financial scorecard data, the JD Group report highlights the elements of its 'Social Licence to Operate':

- Delivering required returns to shareholders: achieved Headline Earnings per share of 94 cents
- Skills and talent management: more than 113 000 hours of training provided to employees
- Transformation in South Africa: maintained local 4 BBBEE status

- Sustainability and being a responsible corporate citizen: first-time inclusion in the JSE *Socially Responsible Investment* (SRI) index.

#### 3.4.1.4 *Lewis Group Limited*

##### (a) Retail footprint and mission

The first Lewis furniture store opened in Cape Town in 1934. Listed on the Johannesburg Securities Exchange (JSE) since 2004, the Lewis Group now has 716 furniture and appliance stores across Southern Africa, targeting customers in the fast-growing lower-to-middle income market. Brands now include: Lewis, Beares, Best Home & Electric, as well as Monarch Insurance, which provides insurance cover to credit account customers.

##### (b) Scorecard framework

The Lewis Group Integrated Annual Report 2015 highlights company medium-term indicators and targets, with key risks and action plans, under the corporate scorecard headings of:

- Merchandising and Supply Chain
- Credit Management
- Execution of Business Model
- Financial Capital Management
- Human Capital Management

##### (c) Socio-economic performance scorecard indicators

Apart from the statutory financial data, these scorecard elements are highlighted in the Social, Ethics and Transformation Committee report, which is a board committee operating in compliance with the Companies' Act. This committee report announces that the Lewis Group qualified for inclusion in the *JSE Socially Responsible Investment* (SRI) *Index* for the fourth successive year; and also evaluates the group's transformation performance against the Department of Trade and Industry BBBEE scorecard, in which it has achieved Level 4 status for 5 successive years.

In the Lewis annual report, the indicator of '*Engaging with Stakeholders*' is emphasised as 'central to the group's sustainability ... aimed at maintaining mutually beneficial relationships, to create opportunities to enhance revenue and performance, and ultimately ensure longer-term sustainability'.

In terms of corporate social investment, 'Lewis seeks to be an integral part of the lives of stakeholders, and recognised by the communities in which they operate as a dependable,

caring and ethical corporate citizen'. The majority of Lewis' community support goes towards education and nutrition, followed by health and the cause of children at risk in their society. The 'Nation Builder' programme states in the Lewis Group report that it 'is proud to be associated, because the company's deeper community purpose supercedes their profits'.

#### 3.4.1.5 Mr Price Group Limited

##### (a) Retail footprint and mission

Based in KwaZulu-Natal province, Mr Price Group has 1 150 stores throughout Southern Africa and online channels offering full product assortments, with a market capitalisation of R64 billion. Group retail operations focus on fashion, sportswear and home textiles, and include 15 franchised stores in neighbouring countries.

##### (b) Scorecard framework

The 2015 Annual Integrated Report of Mr Price Group exemplifies the principles of a 'balanced scorecard/triple bottom line' performance management system, using the International Integrated Reporting Council framework.

Besides a comprehensive financial performance analysis, in compliance with King 111 governance requirements, the 2015 Annual Integrated Report includes an informative IIPC 'Six Capitals Framework' summary of resources and value creation indicators, as follows:

**Table 3.2: Six Capitals of Value Creation – Mr Price Group Limited**

Financial Capital	Manufactured Capital	Intellectual Capital
<p>The funding and financial resources available to and deployed by the Group. The Group's pool of funds consists of revenue generated, interest income and funds reinvested.</p> <ul style="list-style-type: none"> <li>• Revenue of R18.1 billion</li> <li>• R1.3 billion paid to shareholders as dividends</li> <li>• R796.0 million paid in income taxes</li> <li>• R999.3 million reinvested to finance future expansion and growth</li> <li>• R88.0 million generated as interest income</li> <li>• Divisional Reviews</li> <li>• CFO's report</li> <li>• Annual Financial Statements</li> </ul>	<p>The physical infrastructure used to sell merchandise and includes distribution centres, retail stores (even though these are leased) and the IT systems throughout the business. The stores, distribution network and general infrastructure throughout Southern and West Africa which enable us to procure, import, deliver and sell our products and services.</p> <ul style="list-style-type: none"> <li>• Property, plant and equipment with a book value of R837.5 million</li> <li>• Inventory to the value of R1.7 billion</li> <li>• R1 billion paid to property owners as store rentals</li> <li>• 76 new stores opened during the year</li> <li>• 5.1% increase in weighted average trading space</li> <li>• Full in-house credit management capability supported by established call centre</li> <li>• Annual Financial</li> </ul>	<p>Organisational knowledge, systems, protocols and intellectual property. The intangibles that constitute our product and service offering and provide our competitive advantage.</p> <ul style="list-style-type: none"> <li>• Intangible assets with a book value of R328.2 million</li> <li>• Trending and design capabilities</li> <li>• Leading in-house brands</li> <li>• Compelling credit offering</li> <li>• Consistent</li> </ul>

<b>Human Capital</b>	<b>Social and Relational Capital</b>	<b>Natural Capital</b>
<p>The competencies, capabilities and experience of our employees.</p> <p>The skill and experience vested in our employees that enable us to deliver our products and services and implement our strategy, thereby creating value for our stakeholders.</p> <ul style="list-style-type: none"> <li>• An experienced, balanced and diverse Board with a strong commitment to corporate governance</li> <li>• Mature governance structure</li> <li>• Experienced, competent and cohesive management teams</li> <li>• Clearly defined company values</li> <li>• Performance management system</li> <li>• Ability to manage risk</li> <li>• 17 098 permanent employees</li> <li>• R1.9 billion paid to employees as remuneration</li> <li>• R38.5 million invested in training, resulting in 159 276 training hours for employees of which 95% were black</li> <li>• Remuneration Report</li> <li>• Corporate Governance</li> </ul>	<p>Stakeholder relationships and engagement, corporate reputation and values.</p> <p>The key and long-term relationships that we have cultivated with customers, suppliers and business partners.</p> <ul style="list-style-type: none"> <li>• B-BBEE rating at level 6</li> <li>• Ongoing effort in furthering enterprise and supplier development initiatives</li> <li>• R23.5 million donated to MRP Foundation</li> <li>• R3.0 billion (72.9 million units) of merchandise sourced from South Africa (31% of total)</li> <li>• R20.2 million in dividends paid to participants of Partner Share Scheme</li> <li>• Business Code of Conduct and Supplier Code of Conduct updated</li> <li>• Our People Report</li> <li>• Sharing the Value Report</li> <li>• Social, Ethics, Transformation</li> </ul>	<p>Environmental resources which impact the Group's prosperity</p> <p>The resources that are used in the production of goods.</p> <ul style="list-style-type: none"> <li>• Sustainability team co-ordinates and integrates sustainability initiatives across the Group</li> <li>• Supply chain optimisation and monitoring of procurement practices</li> <li>• Ongoing initiatives including retro-fitting lighting to lower consumption units</li> </ul>

**Source: Mr Price Group Integrated Report 2015**

### (c) Socio-economic performance scorecard indicators

'Sustainability' scorecard indicators aligned with national development themes feature strongly, including:

- 'Enhance sustainable business practices and partnerships in the local market', to promote socio-economic development (in 2015 the Group sourced R3 billion product from local suppliers, which was a 33.8% increase on the previous year).
- 'Engaging and building positive relationships with regulators' features in the Key Risks and Mitigation strategies; and the Group's Social, Ethics, Transformation and Sustainability Committee Report highlights 'practices that are consistent with good corporate citizenship' including the Supplier Code of Conduct, Employment Equity progress (currently BBBEE level 6); and the social investment initiatives undertaken by the MRP Foundation, notably the Jump Start Manufacturing Programme, financing technical skills development for unemployed youth.

These 'cause-related marketing' initiatives have resulted in Mr Price Group's inclusion in the JSE Top 40 and *Socially Responsible Investment Index*; and as the 'highest ranked retailer' in the *Business Times Top 100 Companies*.

### 3.4.1.6 Pick n Pay Stores Limited

#### (a) Retail footprint and mission

With 699 owned stores (48 700 employees) and 490 franchised stores (2 200 employees) across Southern Africa, the PnP and Boxer Group sources merchandise from over 5 000 trade suppliers, through its 10 distribution centres.

The Pick n Pay Stores Ltd Integrated Annual Report 2015 specifically highlights its balanced scorecard mission, driven by ‘three enduring values of:

- *Customer sovereignty*
- *Business efficiency, and*
- *Doing good is good business’.*

#### (b) Scorecard framework

The PnP Integrated Annual Report 2015 follows the International Integrated Reporting Council framework, with a scorecard of six ‘Capitals of Value Creation’ defined as follows:

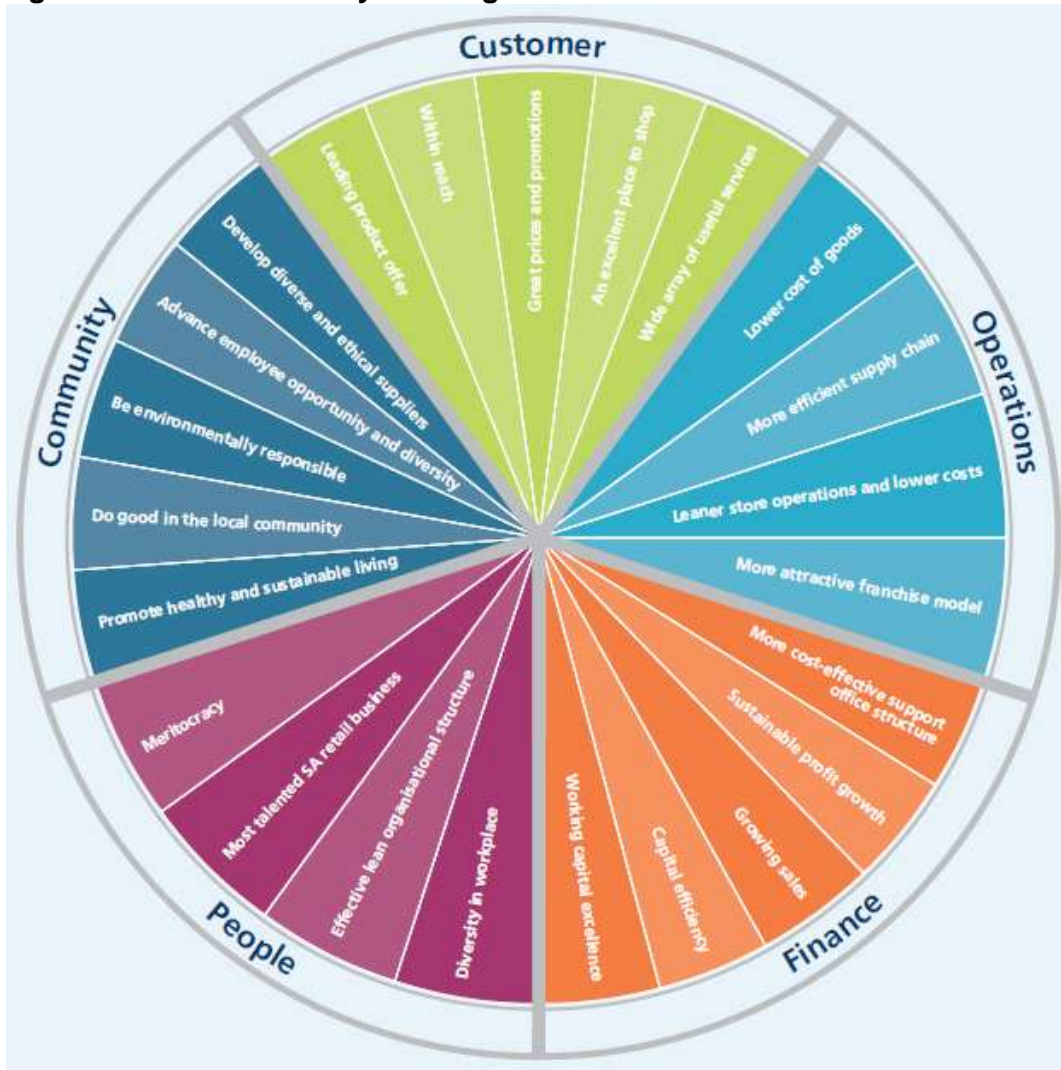
**Table 3.3 Six Capitals of Value Creation – Pick n Pay Stores Limited**

<b>Financial Capital</b> <ul style="list-style-type: none"><li>• Equity: R3.1 billion</li><li>• Borrowings: R784.3 million</li></ul>	<b>Manufactured Capital</b> <ul style="list-style-type: none"><li>• Store footprint in seven countries</li><li>• 10 centralised distribution centres, with two main centres in Gauteng and the Western Cape</li><li>• World-class IT infrastructure</li></ul>	<b>Intellectual Capital</b> <ul style="list-style-type: none"><li>• Brand strength and customer insights</li><li>• Smart Shopper and Brand Match</li><li>• Innovative products and services</li><li>• Forecasting and planning systems</li></ul>
<b>Human Capital</b> <ul style="list-style-type: none"><li>• 48 700 employees at owned stores and operations</li><li>• 23 000 employees at franchise stores</li></ul>	<b>Social and Relational Capital</b> <ul style="list-style-type: none"><li>• 790 million customer interactions per annum</li><li>• 8.9 million Smart Shoppers cards</li><li>• R40 billion local procurement</li></ul>	<b>Natural Capital</b> <ul style="list-style-type: none"><li>• Food supply</li><li>• Biodiversity</li><li>• Fossil fuels</li><li>• Water</li><li>• Soil</li></ul>

**Source: Pick n Pay Stores Limited Integrated Report 2015**

In 2014, Pick n Pay developed its balanced scorecard in a Steering Wheel (Figure 4.2) format ‘structured around the five key performance areas of the business, each of which has a material impact on Group performance and relationships with stakeholders’. The Report highlights that the fact that its scorecard is a wheel, ‘indicates the increasingly integrated nature of the Group’s thinking – that these performance areas are integrated; and that performance outcomes in one area impact those in other areas’.

**Figure 3.5: The Pick n Pay Steering Wheel**



**Source: The Pick n Pay Integrated Report 2015**

### (c) Socio-economic performance scorecard indicators

In reviewing corporate goals, opportunities and results, Pick n Pay notes that 'South Africa has undergone profound social and economic change over the past two decades ... leading to millions of people accessing the consumer market for the first time. We are committed to small business development in the manufacturing and retail sector – particularly by empowering black- and women-owned businesses. We have stores in the hearts of many communities; and seek to play a positive role, wherever we have a presence.'

With this triple bottom line scorecard statement clearly made, the Pick n Pay Group Annual Report 2015 spells out the Ackerman Family/Pick n Pay Foundation's 'cause-related marketing' indicators, including:

- Pick n Pay Pink Women's Walks; which support the Pink Drive, a Public Benefit Organisation that provides free breast cancer screening and awareness education;
- The Smart Shopper loyalty programme, with over R2,2 million worth of points for donations to charity by customers;
- Donations of over R25 million worth of food to FoodBank SA in the year under review, done through 600 agencies across the country, to feed over 40 000 people per day;
- Pick n Pay Clothing donated over R1,8 million worth of clothing to the Clothing Bank, which trains and supports black women in running informal clothing retail businesses in their communities;
- Pick n Pay School Club, South Africa's largest brand-funded school support programme, provides over 3 000 schools with educator and learner materials ([www.schoolclub.co.za](http://www.schoolclub.co.za)).

#### 3.4.1.7 Shoprite Holdings Limited

##### (a) Retail footprint and mission

Shoprite Holdings employs 132 942 people in 15 different countries, with 75% of total sales in its South African supermarkets. Shoprite Holdings Integrated Report 2015 defines the Group's goal as 'to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices'.

The Chairman's report underlines that 'to achieve this goal, we have to build a long-term viable business, with a solid foundation based on commercial business principles'. To this end, the Chairman emphasises that *'the National Development Plan needs to be implemented with urgency and determination; and in doing so, government and the private sector need to work in unison'*.

##### (b) Scorecard framework

The Shoprite Checkers Integrated Report 2015 reflects store brands' progressive financial results and future scorecard growth objectives, closely linked to the Group's attraction and retention of competent staff (it was named 2015 *Employer of Choice in the Retail sector*, by the SA Graduate Employers Association).

##### (c) Socio-economic performance scorecard indicators

Non-financial scorecard indicators are equally progressive and cause-related, including:

- *Employment equity*: in South African stores, the proportion of black staff has grown steadily in the past five years, from 94,5% to 96,3%.



- *Skills Development and study bursaries*: using e-learning and bursary facilities, group supermarket staff training statistics indicate a 45% increase in training hours, over the previous year.
- *Environmental impact of the value chain*: the Shoprite Group Social and Ethics Committee has initiated and monitored results relating to climate change, water usage, food waste, packaging volumes, workplace health and safety. The Report states that the R334 million fossil fuel savings have been identified in Group operations.
- *“Decade of the Deaf” project*: as part of the skills and access to employment drive, Shoprite supports eDeaf, an NGO which empowers potential employees from the deaf community. To date 40 deaf people have been trained and employed, through this project.
- *Food donations to hungry communities*: Through projects with Foodbank South Africa and Stop Hunger Now SA, food donations totalling R92,4 million value and over 23 million soup kitchen meals have been served by Shoprite ‘soup trucks’, since inception.
- *Disaster relief programmes*: Over the past few decades Shoprite and Checkers stores have supported many flood and fire disaster victims, through the company’s Disaster Relief Response Programme, often in collaboration with the SA Red Cross Society.

#### 3.4.1.8 Spar Group Limited

##### (a) Retail footprint and mission

The Spar Group in South Africa, based in KwaZulu-Natal, is a warehousing and distribution business with 350 stores as independent voluntary traders who are franchised to use the *Spar* supermarket, *Tops* liquor, and *Build It* building materials retail brands. The South African holding company also owns 80% of the BWG Group, which owns the Spar brand in Ireland and England, with 1 332 stores. Owing to the various store formats, geographic spread and diverse independence of branch owners, Spar is unique in that it operates across the entire Living Standards Measures (LSM) spectrum in South Africa.

The Spar Group’s mission (‘First choice brand in our communities’) and three core values embody: Passion, Family values and Entrepreneurship.

##### b) Scorecard framework

The Spar Group Integrated Report 2015 states that its business scorecard and reporting framework are based on the IIRC ‘six capitals’, as well as the statutory requirements of JSE members and South African Companies Act. The Spar Integrated Annual Report scorecard

framework is summarised under the four strategic headings of Procurement, Warehousing, Distribution, Retailer Support and Marketing. (See Table 3.4 below)

**Table 3.4: Scorecard Framework – Spar Group Limited**

<b>Procurement</b> <ul style="list-style-type: none"> <li>• Bulk procurement power benefiting economies of scale – fixed costs spread over vast volumes, reducing cost per unit.</li> <li>• Joint business planning with key suppliers, targeting supply chain efficiencies, including responsible use of resources.</li> <li>• Local sourcing supports small businesses wherever possible, including emerging farmer development programme.</li> </ul>	<b>Warehousing</b> <ul style="list-style-type: none"> <li>• Advanced technology to optimise complex process of storing vast quantities of goods for delivery.</li> <li>• Goods are received from suppliers and unpacked into pick slots.</li> <li>• Retailers' orders are processed electronically and sorted for transportation.</li> <li>• Consolidated slow moving product facility will improve efficiency</li> </ul>
<b>Distribution</b> <ul style="list-style-type: none"> <li>• Dual strategic drive to increase our bottom line and decrease our carbon footprint.</li> <li>• Increasing use of biodiesel as fuel, which we collect and recycle from our retailers.</li> <li>• Joint business planning to streamline with supplier processes, including backhauling and packing techniques.</li> </ul>	<b>Retailer Support and Marketing</b> <ul style="list-style-type: none"> <li>• Encouraging retailers' entrepreneurial flair, within SPAR group guidelines for consistency.</li> <li>• Provision of a range of support services enables retailers to compete in a market dominated by supermarket chains: <ul style="list-style-type: none"> <li>– Store revamp and design assistance</li> <li>– Merchandising best practice</li> <li>– Public relations assistance</li> <li>– SPAR development fund</li> </ul> </li> </ul>

**Source: Spar Group Integrated Report 2015**

### (c) Socio-economic performance scorecard indicators

Underpinning the Spar Group vision 'to be the first choice brand in the communities we serve', and noting the broad range of investors in the holding company (including the SA Government Employees Pension Fund and Oppenheimer Funds), the Group's 'Investment Case' highlights relationships with Retailers, Suppliers and the various communities in which the owner-managers operate.

The Spar Annual Report 2015 states that 'we support a range of good causes, focussing on Nutrition; Sport; Safety and Healthcare'

'As this is a fundamental aspect of our culture, the passion and generosity demonstrated by many of our retailers is gratifying. The SPAR Group embraces its role as a responsible corporate citizen. We are particularly committed to realising our strategic imperative of being the centre of the community. We provide our employees with development opportunities, including leadership programmes and training, empowering them to improve their skills and pursue more senior roles. According to our formal CSI policy, we continually investigate proposals and opportunities to expand our contribution in a meaningful, sustainable way'. SPAR invested R14.1 million in CSI initiatives and project sponsorships during the year.

### 3.4.1.9 The Foschini Group Limited

#### (a) Retail footprint and mission

The Foschini Group (TFG) is based in Cape Town, with 2 111 retail stores throughout Sub-Saharan Africa, of which 1991 are in South Africa. Various operating divisions retail a range of brands of clothing, jewellery, accessories, sporting and outdoor apparel and equipment, cellular goods and services, homewear and furniture to the broad middle and upper income groups. Total retail turnover is R14 159 million, of which 58% is through credit accounts.

TFG strategic mission priorities are defined as follows:

- Optimising our supply chain
- Customer Relationship Management (CRM) focus
- Africa expansion
- Omni-channel diversification.

#### (b) Scorecard framework

TFG's Integrated Annual Report 2015 aligns the requirements of the King Code of Governance for South Africa; with core reporting requirements of the G4 Sustainability Reporting Guidelines, and the IIRC Framework of six creators of capital.

**Table 3.5: Six Capitals of Value Creation – The Foschini Group**

<b>Financial capital</b> TFG's pool of funds consists of funds reinvested in the group, revenue generated, interest income and a combination of long- and short-term loans from capital providers.	<b>Manufactured Capital</b> The stores, distribution network and general infrastructure throughout South Africa which enable us to procure, import, manufacture, deliver and sell our products and services.	<b>Intellectual Capital</b> The intangibles that constitute our product and service offering and provide our competitive advantage.
<b>Human Capital</b> The skill and experience vested in our employees that enable us to implement our strategy, deliver our products and services and thereby create value for our stakeholders.	<b>Social and Relational Capital</b> The key and long term relationships that we have cultivated with clients, suppliers and business partners, particularly to enhance broad-based black economic empowerment.	<b>Natural Capital</b> The resources that we use for the production of goods.

**Source: TFG Integrated Report 2015**

The Annual Report states that '*TFG is on a journey to formalise its process for determining materiality*'; a reference to the evolution of its organisational scorecard effectiveness.

### (c) Socio-economic performance scorecard indicators

Within the consolidated review of the TFG's financial, social, economic and environmental performance, several Corporate Social Investment projects are highlighted, aligned with target markets and national developmental priorities. The TFG slogan '*Doing good never goes out of fashion*' is strongly promoted.

NGO funding allocations to:

- *Buhle Farmer's Academy* which enables new and emerging farmers to establish themselves in viable farming businesses;
- *Metro-Evangelical Services*, which is a platform for job rehabilitation where individuals are part of a skills development and job placement process; and;
- *Etafeni*, which seeks to restore hope to HIV/AIDS infected women, by empowering them with skills to earn an income and to make a difference in their communities.
- *The Feel Good Project*; a flagship TFG project dedicated to developing opportunities for employment and alleviating poverty. The Feel Good Project has two clothing stores ('The Feel Good Store') in Khayelitsha and Claremont where individuals are trained for the purpose of placement in TFG stores across South Africa.
- Bursary Programme: TFG has partnered with Fedisa in a three-year bursary programme named 'Your Fashion Future' which includes fully-paid tuition, accommodation, textbooks, mentoring support and transport allowance.

#### 3.4.1.10 Truworths International Limited

##### (a) Retail footprint and mission

The Truworths International retail group operates primarily in South Africa, with 747 stores that generate 96% of revenue and profit and 2,7 million active credit accounts; as well as in 10 other African countries. The Truworths Integrated Report for the 2015 financial year indicated that 44 new stores were opened, with 2 franchise stores in Angola; and an additional 62 Naartjie and Earthchild stores were acquired.

Truworths group strategy is defined as 'to offer fashion-conscious consumers an extensive range of styles and innovative products across ladieswear, menswear and kidswear'; and to 'expand the brand portfolio organically through range extension and acquisition of established brands'.

(b) Scorecard framework

The Truworths International Group scorecard has adopted the International Integrated Reporting Council framework, 'to follow best reporting practice' in terms of the 'six forms of capital which impact on the company's ability to create value'.

**Table 3.6: Six Capitals of Value Creation – Truworths**

<b>Financial Capital</b> relates to the funding received from the providers of capital and the financial resources available to the Group. This is covered primarily in the Finance and Credit section.	<b>Manufactured Capital</b> is the physical infrastructure used in the selling of merchandise, including the distribution centres and retail stores (even though the store premises are leased), and the information technology systems throughout the business. This capital is covered in the Fashion and Brands section.	<b>Intellectual Capital</b> focuses on knowledge in the organisation, systems, processes, intellectual property and brands. This capital is reflected mainly in Creating Value for Our Stakeholders, Group Brands, Managing the Risk of Fashion, Managing the Risk of Credit and Corporate Governance reports.
<b>Human Capital</b> relates mainly to employees' skills, capabilities, development and experience, and is addressed in the Human Capital and Remuneration Committee reports, as well as the Board of Directors and Executive Management reports.	<b>Social and Relational Capital</b> deals broadly with stakeholder relationships and engagement, corporate reputation and values, and is covered mainly in the Human Capital, Managing the Risk of Credit and Corporate Governance reports.	<b>Natural Capital</b> relates to environmental resources which impact on a company's prosperity and is addressed in the Maximising Supply Chain Efficiency and Managing Retail Presence reports.

**Source: Truworths Integrated Report 2015**

(c) Socio-economic performance scorecard indicators

An independent assessment of Truworths Group standard of socio-economic governance is provided by the JSE *Socially Responsible Investment* Index; for the seventh consecutive year, the Group was admitted to the Index; achieving 100% rating in 2014 and 2015.

The Truworths Corporate Governance Report 2015 states that in an environment of voluminous and changing regulation, and in the context of acquisitive and organic growth, sustained progress was made towards defined objectives in

- 'Being the employer of choice' by attracting, developing and retaining top talent;
- 'Creating a stimulating working environment' which encourages development and rewards individual and team performance;
- 'Continuing on the transformation journey', towards employment equity targets (2015 achievements indicate 71% black management and 71% female employees)

– Expenditure on Corporate Social Investment focus areas (Total R17 million) is reflected as follows, through the Truworths Social; Investment Trust and Truworths Community Foundation:

- Healthcare 77%
- Education 11%
- Social development 7%
- Sport 4%
- Arts and culture 1%

#### *3.4.1.11 Woolworths Holdings Limited*

##### *(a) Retail footprint and mission*

*‘A year of transformation to one of the largest Southern Hemisphere retailers, positioned for growth.’* This slogan dominates the Woolworths Holdings Limited (WHL) 2015 Integrated Report, highlighting growth throughout Southern Africa and in Australia, where it has partnered with the Country Road and David Jones retail brands.

The Southern African operations include a total of 470 owned and franchised retail stores with some 30000 full-time equivalent employees. The Woolworths Holdings Integrated Report 2015 defines scorecard objectives, with financial and socio-economic strategies:

- Build stronger, more profitable customer relationships
- Be a leading fashion retailer in the southern hemisphere
- Become a big food business, with a difference
- Become an omni-channel business
- Expand into the rest of Africa
- Simple, convenient and rewarding financial services
- Embed sustainability throughout our business.

##### *(b) Scorecard framework*

*‘We measure our performance in more than just financial terms. Our long-term success depends on our ability to implement the Group’s strategy; and on achieving our targets for each of our strategic objectives.’* The 2015 Woolworths Holdings Integrated Report defines the group’s business model and scorecard as based on the IIRC Six Capitals framework, noting that this framework for integrated reporting has introduced the concept of how a business creates value through the use of six capitals – financial, manufactured, intellectual, human, social and relationship, and natural capital. The Woolworths Report states that while the Group considers the use of all these capitals in the business operations, it does not

typically refer to them by the IIRC terminology. To assist readers who are not familiar with the ‘capital’ terminology, the report explains below how the capitals are used in the Group and indicates where they are covered throughout the report.

**Table 3.7: Six Capitals of Value Creation – Woolworths Holdings Ltd**

<b>Financial Capital</b> Relates to the funding structure of WHL and how it has utilised its financial resources. This is covered in the Group Finance Director’s report and the abridged financial statements.	<b>Manufactured Capital</b> As a retail Group, this refers to WHL’s network of stores, distribution centres, websites and information technology infrastructure throughout the southern hemisphere. This is dealt with more fully in the strategic objectives section.	<b>Intellectual Capital</b> The Group relies heavily on intellectual capital, as this is the capital that develops and designs products that appeal to our customers and builds the inherent value of our private label brands. This includes customer database management, cross-selling, customer segmentation and business planning abilities. More information can be found in the strategic objectives section.
<b>Human Capital</b> This refers to the Group’s values-based employment proposition which, combined with a unique employee experience, skills and leadership, enables the implementation of Group strategy and the delivery of products and services. This is covered in our stakeholders section.	<b>Social and Relational Capital</b> Refers to the relationships that the Group has with our customers, suppliers and business partners. Further information can be found in our stakeholder section.	<b>Natural Capital</b> Relates to the environmental resources used throughout the Group’s value chain in the production, manufacturing, distribution and retailing of our products. This is covered in our strategic objectives section and in greater detail in the Good Business Journey Report.

**Source: Woolworths Holdings Integrated Report 2015**

(c) Socio-economic performance scorecard indicators

Within the above framework, Woolworths Holdings highlights the core value of ‘sustainability’ in its ‘*Good Business Journey*’ concept, which has again earned it the accolade of *South Africa’s Most Reputable Company*, in terms of the *Reputation Institute’s ‘National Reprtrak Survey’* 2015. The Woolworths ‘Good Business Journey’ scorecard is based on effective stakeholder engagement, with:

- Government and regulators
- Business partners, shareholders and investors
- Media
- Competitors
- Unions
- Industry bodies; and
- Customers and communities.

The 'Customers and Communities' cause-related marketing is largely promoted through three million 'My Village' and 'My School' cardholders, whereby a percentage of every purchase is donated to a community programme or educational project of the customer's choice. The Woolworths 2015 Report indicates that the group aims to increase the number of cardholders, especially amongst the younger, black LSM 8-10 market, so promoting the consumer belief that raising money for education and training is 'sustainably cool'.

### 3.4.2 What are the key pressures and opportunities for retail businesses to address socio-economic development strategies, as organisational performance indicators?

Taylor (2015) explores the organisational and individual complexities of performance motivation. Apart from transformative regulations related to employment equity levels, skills development levies and preferential state procurement policies, no South African literature indicating explicit pressures or motivations was identified.

Opportunities for strengthening retail brand image and reputation or customer loyalty, based on socio-economic development and cause-related marketing programmes, are reflected, in an 'Ubuntu' ('Community') brand recognition research survey of South African consumers (BrandMapp 2015); which posed the question: '*What SA brand do you admire the most, for giving back?*' Figure 3.5 below depicts the 'reputation outcomes' of retail and other sector marketing strategies. Based on the wording size of the brands depicted in the figure, Woolworths and Pick n Pay are the retail reputation leaders, followed by Shoprite and Dischem.

**Figure 3.6: Ubuntu: Brand Recognition for socio-economic scorecard contributions**



Source: WhyFive Insights – BrandMapp, 2015



### **3.4.3 Is there evidence of added benefits in the collaborative use of scorecard perspectives, between retail businesses and state institutions, to promote socio-economic development?**

Few instances were noted in the literature of institutional collaboration in the development or use of retail business performance scorecards, either between businesses or with state institutions; other than the required submission of transformative data such as employment equity and preferential procurement ratios. By contrast, the South African Mining Industry sector has collaborated in drafting and defining a scorecard for the 'Broad-based socio-economic empowerment Charter for the SA Mining Industry' (Government Gazette 26661, 2004). This sector collaborative scorecard (see Annexure C) was designed to facilitate the application of the Mining and Minerals Industry Socio-economic Empowerment Charter; and includes several performance indicators, ranging from Human Resource Development and Employment Equity, to Beneficiation and Reporting.

Strategic plans and reports of certain business organisations indicate their commitment to membership information sharing, around socio-economic transformation goals and achievements, within the defined vision of the National Development Plan and related legislation. Examples of organisations with retail business membership include:

- The SA Retail Council; whose stated objective is to 'focus on two particular areas that affect the retail industry: economic and legislative affairs; and labour relations'.
- The National Business Initiative; which states that its goal 'in regard to the relationship with its members and the rationale for membership is to maximise the positive contribution of business in society by taking advantage of the NBI value proposition, alongside government and other like-minded institutions, thereby demonstrating responsible and active citizenry'.
- The Black Management Forum: which includes several individual and corporate retail members. A recent BMF press release reflected its determination to 'keep Corporate South Africa in check', with the main purpose of influencing socio-economic transformation in our country, in pursuit of justice, fairness and equity.

### **3.4.4 Are there significant differences in performance scorecard perspectives, socio-economic developmental strategies and outcomes, between retail sub-sectors and company size?**

No comparative literature was noted on this question, apart from the inherent differences in target communities and cause –related marketing objectives, reflected in the corporate

annual reports summarised above. Typically, for instance, strategic scorecards of clothing retailers seek to promote skills development and community reputations in terms of clothing manufacture, fashionability or quality; and supermarket scorecards highlight agri-business sustainability and food provision for disadvantaged communities.

Research papers relating to SME retailers, such as the Soweto study of management and entrepreneurial practices in small businesses (Bureau of Market Research, Unisa 2013), underscore the survivalist nature of emerging enterprises, whose implicit scorecards seek to identify with local community needs and aspirations in a similar trajectory; but within limited resources and scorecard managerial experience.

### 3.5 LITERATURE REVIEW CONCLUSIONS

Analysis of the international and South African literature review reflects a multi-functional approach to organisational performance scorecard design, building on the initial integrated reporting concepts of 'balanced scorecard' and 'triple bottom line' performance indicators.

While the breadth and depth of scorecard reports vary considerably, all the major retail group literature that was reviewed reflects their typical scorecards' need to be recognised by

- Investors; for sound financial performance
- Communities and regulatory agencies; for social investment and community development contributions; and
- Target customers; for product quality, high value, service standards, cause-related marketing and community involvement.

The majority of the South African retail corporate reports reviewed indicate their adoption of the International Integrated Reporting Council (IIRC) 'Six Capitals' integrated scorecard format, namely:

- *Financial Capital*
- *Manufactured Capital*
- *Intellectual Capital*
- *Human Capital*
- *Social and Relationship Capital; and*
- *Natural Capital.*

Several refer to JSE membership accolades and other public image indices, based on their cause-related marketing programmes.

Findings of the Quality of Life Survey: City Benchmarking Report (Gauteng City-Region Observatory 2013), Position Paper on Employment Equity (SA Board for People Practices 2015) and SA Reconciliation Barometer 2015 (Institute for Justice and Reconciliation 2016) underscore the need for retailers to:

- Address the differing expectations of ethnic and generation groups, across the country's socio-economic inequality levels; and to
- Demonstrate their commitment to promoting progress towards a more equitable society.

In the next chapter, empirical findings from semi-structured dialogic interviews with a purposive sample of retail business sector stakeholders will be summarised, supplementing the literature review which informs the research questions defined above. Together with the literature review, the empirical interview insights will facilitate qualitative analysis of the extent of retail scorecard policies, practices and perceptions relevant to the research questions.

These research questions will also be included in the empirical study which follows, based on semi-structured dialogic interviews with a purposive range of roleplayers in various retail sub-sectors and phases of business growth and performance scorecard maturity.

## CHAPTER 4

### FINDINGS:

#### DIALOGIC INTERVIEW INSIGHTS AND PERCEPTIONS

In order to supplement the retail organisational scorecard data summarised in the literature review; and to complement the research question findings with qualitative empirical insights, a purposive sample of retail roleplayers and organisational stakeholders was interviewed, using the interview guide (Appendix A) as a semi-structured dialogic framework.

##### 4.1 INTERVIEW RESPONSES TO THE RESEARCH QUESTIONS

60 retail business sector stakeholders and roleplayers were interviewed, individually or in small groups. Appendix B shows the range of people interviewed, categorised by their retail stakeholder roles and major urban regions.

Key insights, perceptions and data relevant to the research questions are summarised below, for inclusion in the subsequent analysis and findings.

##### **4.1.1 What is the awareness of literature on the ‘balanced scorecard’ as a management system for planning and monitoring organisational performance strategies?**

The dialogic interviews indicated that knowledge of relevant literature regarding organisational performance scorecards varied, according to the management education role, organisational size and performance measurement culture.

- High ‘balanced scorecard’ and ‘triple bottom line scorecard’ awareness and usage was most evident (70%) amongst retail corporate and franchise owner / management; as well as most sector consultants, with relevant business management education.
- Low ‘balanced scorecard’ awareness was evident amongst most SME owner/managers (10%); although several recognised the operational value of defining their financial and community reputation goals, to motivate staff and measure success.

##### **4.1.2 To what extent is a form of ‘balanced scorecard’ management system used by South African retail organisations in strategising, synergising and evaluating their financial and socio-economic developmental practices?**

The extent of ‘balanced scorecard’ performance management use by South African retail organisations varies considerably, as reflected by stakeholder interview responses.

Overall, 90% of respondents were aware of 'performance scorecard targets' in their organisations, although dialogic interview elucidation indicated that these were usually financial 'bottom line' targets for the branch, department or the individual manager.

After clarification of the concept of a 'balanced' or 'multi-pronged' framework of integrated business scorecard targets, including non-financial community development objectives, the extent of such scorecard usage was evident as follows; illustrated by typical commentary:

- **Always:** 40%      • "It is part of our business planning, but top management does not keep us informed of progress or challenges."
- **Sometimes:** 50%      • "Yes, we have financial targets and we must report empowerment and community projects to boost our company image."
- **Never:** 10%      • "In a small retail business like ours, sales and profit targets and results are discussed every day."

#### **4.1.3 What are the key pressures, opportunities or problems for retail businesses to address socio-economic developmental strategies, as organisational performance indicators?**

In the empirical dialogic interview context, this research question elicited a diverse range of stakeholder responses and motivations, based largely on their business size, organisational maturity, product sub-sector and personal perception of the private sector's role in South Africa's socio-economic transformation.

Perceptions of organisational key performance areas for socio-economic development were typically based on the following criteria:

##### **(a) Pressures**

- **BBBEE**

The most frequently mentioned 'pressure' was that of Broad-Based Black Employment Equity (BBBEE) levels, often perceived to be a mandatory requirement for business licensing and further growth opportunity, subject to Department of Labour assessments and reports.

- **Regulatory Bureaucracy**

Concerns were also expressed about other potential state bureaucracy or further regulatory requirements, which would restrict business entrepreneurship and autonomy.

- **Staff Transformation**

Less formally, but no less perceived as reality, was the requirement to be seen as transforming staff complements; especially in communities where the emerging black middle class represents a significant consumer 'pressure group'.

(b) Opportunities

- **Marketing strategies**

Across the spectrum of retail enterprise size and maturity, most respondents indicated an ongoing alertness to (and pro-active search for) cost-effective opportunities to align their product mix, sales and CSI activities with community profiles and developmental projects.

For example, programmes to promote healthy eating (by supermarkets) and moderate drinking (by liquor retailers) were cited; as were cause-related marketing programmes by schoolwear and stationery suppliers, and by an optician / eyewear retailer to the 'OneSight' eye testing support programme.

(c) Pressures and Problems

Most frequently cited pressures and problems relating to developing and implementing meaningful socio-economic development strategies in retail business scorecards, were:

- time needed to research the national and/or local community needs and resources;
- 'copy cat' competition when less innovative retailers in the same sub-sector 'steal' promotional ideas, diffuse the project identity and reduce the community impact of the initiative (as was mentioned by a disillusioned respondent);
- additional costs of promoting such community developmental strategies, especially when the inputs (such as education or healthcare promotion) are seen to be the accountability of a 'capable state' and not a role for the business sector to undertake.

#### **4.1.4 Is there evidence of benefits in the collaborative use of balanced scorecard perspectives, between business and state institutions, to promote socio-economic development?**

Empirical analysis of dialogic interview comments regarding the ranking of NDP 'core priorities of socio-economic development'; and of answers to the question relating to benefits which have motivated use of a 'multi-pronged scorecard', indicates that:

- (a) Inter-departmental and/or inter-branch communication and collaboration is often enhanced by the shared use of an organisational scorecard. 90% of corporate retail business

respondents confirmed this benefit, especially when company-wide awareness of socio-economic development projects was created by mutual scorecard use, with regular feedback reports and recognition of efforts and achievements, through company media.

(b) Collaborative socio-economic scorecard use between retail businesses is evident in several retail sector associations, where shared sector benefits are the motivation.

Illustrative examples from dialogic interviews include the following:

- Petroleum Retailers – collaborative promotion of workplace health and safety campaigns, aligned with legislation;
- Clothing Retailers – encouragement of local supplier development;
- SA Small and Medium Enterprise Federation members – supply chain partnerships and workshops, to develop project management skills.

The caution was frequently expressed, however, that such collaboration is focussed on community profiling and socio-economic development projects; and not on business financial goals, which would be undesirable, if potentially interpreted as ‘collusion’ or ‘anti-competitive’.

(c) Collaborative scorecard programmes between retail business and state institutions is evidently unusual, based on interview responses – except where an NDP ‘core priority’ is ranked highly by the retail business sector. In this regard, near unanimity of NDP importance ranking by retail stakeholders was noted:

- |                            |   |
|----------------------------|---|
| • <b>Highest priority:</b> | Improving the quality of education, skills development and innovation.              |
| • <b>Medium priority:</b>  | Raising employment, through faster economic growth.                                 |
| • <b>Lowest priority:</b>  | Building the capability of the state, to play a developmental, transformative role. |

Examples of such private/public scorecard collaboration benefits, as identified by retail sector interviewees, include:

- Clothing Retailers – joint planning with Department of Trade and Industry (DTI), to promote capacity-building of local textiles manufacturers (“important for job creation, cost reduction and new customers”).
- Retail Banking – collaboration with the National Student Financial Aid Scheme (NSFAS), to promote bursaries and financial support for deserving university and college students

(“we must overcome the lack of mutual trust and understanding, if we want to build a stable future”).

- Black Management Forum retail members – an intergovernmental conference, with the theme of ‘Economic transformation requires patriotic business leadership’ (“industry needs a co-ordinated effort, to succeed”).

#### **4.1.5 Are there significant differences in performance scorecard perspectives, socio-economic developmental strategies and outcomes, between retail company size and sub-sectors?**

Company size and sub-sectors certainly generate significant differences in the focus and complexity of enterprise scorecard perspectives, socio-economic developmental strategies and business outcomes, evidenced by responses to the following interview questions:

- (a) To what extent does your organisation use a ‘multi-pronged scorecard’ framework for measuring various indicators of retail business performance?

Company size, organisational culture and maturity were certainly the defining factors in the responses to this interview question.

- **Always (60%):** Major corporates, such as those whose Annual Integrated Reports were summarised in the literature review, have typically built ‘multi-pronged scorecard’ awareness and action into their organisations, down to branch level (“It’s a normal part of our business planning process”).
- **Sometimes (20%):** Aspirant corporates, often led by young MBA calibre executives, had introduced a form of multi-pronged scorecard – focused on building their profile and profitability in the target market (“We want to be seen to be doing the right things”).
- **Never (20%):** SMEs and informal traders, inexperienced or in survival mode, seldom have a formal business scorecard, though their community profiles are neighbourly and a daily activity (“Smaller retailers can’t take on this additional burden”).

- (b) In your opinion, should socio-economic development strategies be part of every SA retail business performance scorecard?

75% of stakeholders responded ‘Yes’, all retailers should include some sort of socio-economic transformation goals, to help build their customers and the country; but they recognised (as did the dissenting 25%) that SMEs and historically disadvantaged traders often do not have the necessary time, transport or marketing skills to do so.



*“We need to work together, for collective growth and success”*, was how a group of township traders expressed their need for a shared balanced scorecard system.

- (c) To what extent is your organisation ready to collaborate in a national Retail Sector Charter, committed to a sector scorecard which includes socio-economic development goals? Rank your readiness on the 3-point scale below:

Yes, ready for a Retail Sector Charter	1	Not sure: Need time to consider?	2	No, we see no value in this idea	3
--	---	----------------------------------	---	----------------------------------	---

Again, company and retail sub-sector size and collaborative market culture were empirically significant indicators for typical responses to this strategic question.

- **Yes (40%):** Although only a few respondents (mainly well-established corporates) were evidently confident that participation in developing an industry-wide Retail Charter would add sector and national development value, their confidence was based on successful collaboration in business fora, such as the Business Unity South Africa, National Business Initiative, or sub-sector associations such as the Retail Motor Industry Organisation, Consumer Goods Council and the National Clothing Retailers Federation.
- **Not Sure (50%):** Most respondents indicated concerns regarding the potential value-added of participation, sometimes based on mistrust of state regulations and/or self-centred competitors. Typically, they asked for more detail on the proposed roles, goals and regulatory authority of such a Retail Charter.
- **No (10%):** The time commitment and regulatory suspicion factor alluded to above, caused these respondents to deny any potential transformative value in participation in a Retail Sector Charter forum. When the possibility of representation through SA Small and Medium Enterprises Federation, Business Unity SA or trusted retail sector associations was mooted, several respondents then indicated a ‘Not Sure’ readiness to debate the process further.

## 4.2 SUMMARY OF FINDINGS

The findings of the empirical component of this analysis of integrated ‘balanced scorecard’ transformational performance management strategies by South African retailers reflect that:

- Most of the larger retail corporates are aware of a balanced scorecard approach as a performance indicator to measure business success while smaller retail businesses formally focus on financial performance but did recognise, however, the operational value of goals to improve reputation in the community.
- Financial targets are the dominant indicator and where there are other indicators such as transformation and community projects, managers don't always communicate that to their staff. It is rather done to boost the external image of the business.
- The inclusion of other performance indicators is mainly driven by BBBEE and related transformation pressures.
- Most retailers approach community engagement through the alignment of their marketing strategies with community socio-developmental projects.
- The main problem which retailers experience in broadening their scorecard from purely financial indicators is the time needed for it, the additional cost, as well as the risk of competitors copying their strategies.
- Most collaboration between businesses on social issues is on a sector/industry level; and business leaders prefer to do it through sector associations, to prevent being accused of collusion.
- There is little evidence of collaboration or knowledge-sharing between businesses and governmental institutions on socio-economic issues.

In summary, retail businesses are pragmatically aware of the need to be seen to be contributing to local socio-economic development projects, but with significant variances in scorecard design, effective implementation and sector collaboration.

In the final chapter, joint conclusions from the literature review and empirical study will be summarised, within the framework of the five research questions.

## CHAPTER 5

### CONCLUSION

#### 5.1 SUMMARY

Reflecting on the research questions, available evidence, qualitative data and insights gained from the literature review and empirical interviews, a comparative analysis of findings is summarised in Table 5.1 below.

In response to each of the five research questions, the table indicates ratings of High (H), Medium (M) or Low (L) evidence value relative to the questions; and congruence ratings of findings from the literature review and the empirical interviews, as an evidenced-based framework for overall conclusions and recommendations. The congruence ratings in the summary are based on interviewee awareness or endorsement of literature review factors.

**Table 5.1: Overall Summary of Findings**

Research Question	Literature Review	Stakeholder Awareness/Endorsement	Congruence Rating
1. What is the relevant literature on the 'balanced scorecard' as a management system for planning and monitoring a diverse range of organisational performance strategies?	H	L	M
2. To what extent is a form of 'balanced scorecard' management system used by South African retail organisations in strategising, synergising and evaluating their financial and socio-economic developmental practices?	M	M	M
3. What are the key pressures, opportunities or problems for retail businesses to address socio-economic developmental strategies, as organisational performance indicators?	H	M	M
4. Is there evidence of benefits in the collaborative use of balanced scorecard perspectives, between business and state institutions, to promote socio-economic development?	L	L	H
5. Are there significant differences in performance scorecard perspectives, socio-economic developmental strategies and outcomes, between retail company size and sub-sectors?	H	M	M

Based on the above ratings of congruence between literature review and empirical stakeholder interview findings with regard to the research questions, it is concluded that:

- Relevant literature on the origins and retail applications of 'balanced scorecard' and related performance management systems is widely accessible, internationally and in the South African retail context.
- Forms of 'balanced scorecard' management systems are publicly used by retail corporates, with a clear cause-related marketing approach in integrated annual reports. Many smaller enterprises, too, use formal or informal scorecards to focus and motivate staff in planning and monitoring financial targets and community image-building projects.
- Significant pressures and opportunities for socio-economic development scorecard initiatives are typically based on the competitive nature of retailing; when reputations, community image and customer loyalty are energised by the visibility and frequency of socio-economic development projects or programmes.
- Little evidence is currently available for meaningful benefits of collaborative use of balanced scorecards, especially in private/public partnerships. Retailers who have benefitted from collaboration within retail groups or trade associations, seem more open to exploring business/state 'active citizenry' information-sharing and collaboration.
- Retail company culture, maturity and management's motivations (enterprise development or personal values) are often the basis of performance scorecard perspectives, strategies and outcomes. Corporate size and maturity typically reflect management competence and competitive confidence; while SMEs are frequently in 'start up' or 'survival' mode, therefore primarily focussed on financial results and sustainability.

## **5.2 RECOMMENDATIONS**

### **5.2.1 Retail Stakeholder Forum**

Given the broad stakeholder recognition of (a) the pragmatic value of a business performance scorecard, even when informally conceptualised; (b) the wide variances in conceptualisation and implementation of 'balanced' or 'integrated' scorecards with socio-economic developmental indicators; and (c) consequent reservations about readiness to collaborate in a Retail Sector Charter, it is recommended that a retail stakeholder forum of organisational representatives should be convened, to consider the potential value of a 'national retail sector developmental scorecard', as a framework for further collaborative developmental research, nationally and regionally.

### 5.2.2 Reality Check: Scorecard substance or Performance Wishlist?

In the processes of empirical dialogic interviews and Focus Group validation of findings, some stakeholders expressed reservations about the substantive significance of enterprise scorecard design, use and performance management value in some retail organisations. They therefore suggested that further pragmatic research and ‘reality checks’ with regard to actual business value, meaningful performance commitment and sustainability of retail sector balanced scorecard socio-economic development and resource management, should be commissioned, nationally and regionally. This could be done through the National Business Initiative (NBI 2016), which has launched a series of round table scenario discussions with economists, government officials and political analysts on South Africa’s socio-economic future.

### 5.2.3 Retail Charter scorecard indicators for collaborative adoption

It is further recommended that the Wholesale & Retail Leadership Chair provides an informative input to such a stakeholder forum. Two examples of scorecard indicators for collaborative adoption could be the *Broad-based Socio-Economic Charter for the Mining Industry* (see Appendix E) and the *International Integrated Reporting Council* ‘six capitals of value creation’ framework, as already in use by several major South African retailers. As was described earlier, the IIRC six factor performance scorecard framework consists of:

- *Financial Capital*
- *Manufactured Capital*
- *Intellectual Capital*
- *Human Capital*
- *Social and Relationship Capital; and*
- *Natural Capital.*

### 5.2.4 Recommendations for further research

In addition to the advocacy actions recommended above, it is also suggested that further research into the topic area is needed to increase knowledge and understanding of retail’s role in socio-economic development. The following are suggested:

- *The importance of including non-financial indicators in retailers’ scorecards.*
- *Socio-economic developmental needs that could be addressed by retailers.*
- *What are retailers doing at the regional and local levels to address the socio-economic needs of their communities?*

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## Appendix A: Interview Guidelines

**INTERVIEW GUIDE: A 'balanced scorecard' analysis of financial & socio-economic developmental success strategies of retail businesses; your opinions and insights about the benefits, opportunities and problems of socio-economic development project inclusion, in retail performance management systems.**

Thank you for participating in this short national survey; we value your retail insights about effective use of a multi-pronged scorecard for business plans, to promote socio-economic developmental priorities.

**1. Your role in the retail business sector:**

- Manager /Owner of a retail business in the following category:

Corporate chain ☐ Franchise ☐ SMME ☐  
• Official in a retail trade association ☐ sub-sector

**2. Please rank the importance of each of these three NDP "core priorities of socio-economic development" for an effective retail business performance scorecard?**

Use the following priority scale: 1=Highest priority, 2= Medium and 3= Lowest priority.

• Raising employment, through faster economic growth.	
• Improving the quality of education, skills development and innovation.	
• Building the capability of the state, to play a developmental, transformative role.	

**3. To what extent does your organisation use a 'multi-pronged scorecard' (please describe) framework for measuring various indicators of retail business performance?**

Always ☐ Sometimes ☐ Never ☐ Describe? \_\_\_\_\_

**4. What BENEFITS or PRESSURES have motivated you to develop your business performance scorecard, including socio-economic development projects?**

Practical Example or Comment? \_\_\_\_\_

**5. What PROBLEMS have you experienced in using your performance scorecard, including socio-economic development projects?**

Practical Example or Comment? \_\_\_\_\_

**6. In your opinion, should socio-economic development strategies be part of every SA retail business performance scorecard?**

No ☐ Yes ☐ Why/Why not? \_\_\_\_\_

**7. To what extent is your organisation ready to collaborate in a national Retail Sector Charter, committed to a sector scorecard which includes socio-economic development goals?**

Rank your readiness on the 3-point scale below:

Yes, ready for a Retail Sector Charter	1	Not sure: Need time to consider?	2	No, we see no value in this idea	3
--	---	----------------------------------	---	----------------------------------	---

Comment: \_\_\_\_\_

Thank you for your participation. Watch our website ([www.wrlc.org.za](http://www.wrlc.org.za)), for the survey report.

## Appendix B

### EMPIRICAL SURVEY MATRIX

Matrix of semi-structured dialogic interviews with retail sector  
roleplayers and stakeholders

Interview Category	Gauteng Region	KwaZulu- Natal Region	Western Cape Region	TOTALS
Retail Management	6	4	28	38
Retail Trade and Business Associations*	4	2	4	10
Retail Sector Consultants & Service Providers	3	2	3	8
National Planning Commission members and staff	2	1	1	4
<b>TOTALS</b>	15	9	36	60

Retail Trade and Business Associations include:

Retail Association, Retail Council, National Clothing Retail Federation of SA, SA Petroleum Retailers Association, SA Small & Medium Enterprise Federation, Wholesale & Retail SETA, Retail Motor Industry Organisation, SA National Council of Co-operatives, Banking Association of SA. Black Management Forum, Institute of Directors, Cape Regional Chamber of Commerce and Industry, Gauteng City-Region Observatory, Trade and Investment KwaZulu-Natal, Business/Partners, SA Board for People Practices.

## LETTER OF INFORMATION AND INFORMED CONSENT



### Wholesale & Retail Leadership Chair

*"Collaboration opens the window to a world of opportunities"*



8 January 2016

## LETTER OF INFORMATION AND INFORMED CONSENT:

### Research Project 2016/19:

**"A Balanced Scorecard Analysis of National Development Plan-aligned socio-economic development strategies of retail businesses; benefits and pressures to include them in the evaluation of business success"**

Dear Participant

I am currently undertaking a research project on behalf of the Wholesale & Retail Leadership Chair at Cape Peninsula University of Technology. This national study aims to produce an objective position paper, reflecting the current use by retailers of a Balanced Scorecard approach to planning and implementing socio-economic strategies in support of National Development Plan objectives.

*Would you please agree to complete a research questionnaire (or be interviewed) for this study?* The questionnaire/interview will take approximately 20 minutes. **Participation is voluntary and you are free to refuse to participate at any time without giving reasons, and without prejudice.** The information you give will be used for research purposes only, and will be aggregated with other responses, so that only the overall or average information will be used. Your identity and individual answers will be kept confidential. If any quotations are used, these will remain anonymous, unless you consent to specific quotations in the paper. To discuss this request further, please feel free to contact me on the number below; or the W&R Leadership Chair, Professor Roger Mason, on [masonr@cput.ac.za](mailto:masonr@cput.ac.za) or 021 460 3040.

By completing the questionnaire or being interviewed, you are confirming that the purpose of the study has been adequately explained to you, that you understand that you may withdraw from it at any time without giving reasons; and that you are taking part voluntarily.

***Your professional input will be greatly appreciated, to assist in the preparation of a meaningful position paper & recommendations, for the Wholesale & Retail Leadership Chair at CPUT.***

Yours faithfully

Dr Bill Sewell

Cell number: 084 748 7674

Fax number: 086 600 1982

Email address: [bill@peopleandperformance.co.za](mailto:bill@peopleandperformance.co.za)

---

**"Informed Consent" to participate in this CPUT Wholesale & Retail Leadership Chair research project:**

---

Name

Date

Signature

## Appendix D:



P.O. Box 1906 • Bellville 7535 South Africa • Tel: +27 21 4603239 • Email: zoultyr@cput.ac.za  
Symphony Road Bellville 7535

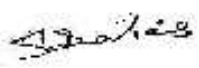
Office of the Chairperson Research Ethics Committee	Faculty: <b>BUSINESS</b>
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At a meeting of the Research Ethics Committee on 03 December 2015, Ethics Approval was granted to DR BILL SEWELL for research activities Related to the WRLC (Wholesale & Retail Leadership Chair) within the RETAIL BUSINESS MANAGEMENT DEPARTMENT, Business Faculty at the Cape Peninsula University of Technology

Title of Project:	Socio-economic strategies of South Africa wholesale and retail business towards a Balanced Scorecard evaluation of sustainable Return on Expectations, in support of the National Development Plan's socio-economic vision and governance goals  Supervisor: Prof R Mason
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Comments:

Decision: **APPROVED**

 Signed: Chairperson: Research Ethics Committee	03 December 2015 Date
Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No: 2015/PEREC328

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**GENERAL NOTICE**

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**Notice 1639 of 2004**

**SCORECARD FOR THE BROAD BASED SOCIO-ECONOMIC  
EMPOWERMENT CHARTER FOR THE SOUTH AFRICAN  
MINING INDUSTRY**

**Introduction**

- The proposed scorecard gives effect to the provisions contained in the Broad Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry.
- The Scorecard is designed to facilitate the application of the Charter in terms of the Mineral and Petroleum Resources Development Act requirements for the conversion of all the “old order rights” into new rights within a five-year conversion window period, but recognising the full 10-year period.
- In adjudicating the scorecard the Minister of Minerals and Energy will need to take into account the entire scorecard in decision making.
- The scorecard is intended to reflect the “spirit” of the Broad-based Socio-Economic Empowerment Charter for the Mining Industry
- Progress by stakeholders in achieving the aims of the Charter as enunciated in the Scorecard can be measured in two ways:
  - The specific targets set in the Charter
  - The targets set by companies

## Appendix F

No. 26661 GOVERNMENT GAZETTE, 13 AUGUST 2004

### **ANNEXURE A: SCORECARD FOR THE BROAD BASED SOCIO-ECONOMIC EMPOWERMENT CHARTER FOR THE SOUTH AFRICAN MINING INDUSTRY**

NOTES	DESCRIPTION	5 YEAR TARGET		10 YEAR TARGET
1.	<b>Human Resource Development</b>			
	<ul style="list-style-type: none"> <li>Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2055 and are employees being trained?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the company implemented career paths for HDSA employees including skills development plans?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the company developed systems through which empowerment groups can be mentored?</li> </ul>	Yes	No	
2.	<b>Employment Equity</b>			
	<ul style="list-style-type: none"> <li>Has the company published its employment equity plan and reported on its annual progress in meeting that plan?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the company established a plan to achieve a target for HDSA participation in management of 40% within five years and is implementing the plan?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the company identified a talent pool and is it fast-tracking it?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the company established a plan to achieve the target for women participation in mining of 10% within the five years and is implementing the plan?</li> </ul>	Yes	No	
3.	<b>Migrant Labour</b>			
	<ul style="list-style-type: none"> <li>Has the company subscribed in government and industry agreements to ensure non-discriminations against foreign migrant labour?</li> </ul>	Yes	No	
4.	<b>Mine community and rural development</b>			
	<ul style="list-style-type: none"> <li>Has the company cooperated in the formulation of integrated development plans and is the company co-operating in the implementation of these plans for communities where mining takes place and for major labour sending areas? Has there been effort on the side of the company to engage the local community and major labour sending area communities? (Companies will be required to cite a pattern of consultation, indicate money expenditures and show a plan.)</li> </ul>	Yes	No	
5.	<b>Housing and Living conditions</b>			
	<ul style="list-style-type: none"> <li>For company provided housing has the mine, in consultation with stakeholders established measures for improving the standard of housing, including the upgrading of the hostels, conversion of hostels to family units and promoted home ownership options for mine employees? Companies will be required to indicate what they have done to improve housing and show a plan to progress the issue over time and is implementing the plan?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>For company provided nutrition has the mine established measures for improving the nutrition of mine employees? Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and is implementing that plan?</li> </ul>	Yes	No	
6.	<b>Procurement</b>			
	<ul style="list-style-type: none"> <li>Has the mining company given HDSA's preferred supplier status?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the company identified current level of procurement from HDSA companies in terms of capital goods, consumables and services?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the mining company indicated a commitment in a progression of procurement from HDSA companies over a 3-5 year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?</li> </ul>	Yes	No	
7.	<b>Ownership and Joint Ventures</b>			
	<ul style="list-style-type: none"> <li>Has the mining company achieved HDSA participation in terms of ownership for equity or attributable units of production of 15 percent in HDSA hands within 5-years and 26 percent in 10-years.</li> </ul>	15%	26%	
8.	<b>Beneficiations</b>			
	<ul style="list-style-type: none"> <li>Has the mining company identified its current level of beneficiation?</li> </ul>	Yes	No	
	<ul style="list-style-type: none"> <li>Has the mining company established its base level of beneficiation and indicated the extent that this will have to be grown in order to qualify for an offset?</li> </ul>	Yes	No	
9.	<b>Reporting</b>			
	<ul style="list-style-type: none"> <li>Has the company reported on an annual basis its progress towards achieving its commitment in its annual report?</li> </ul>	Yes	No	



