

**MIDLANDS STATE UNIVERSITY**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING**

**Midlands State  
University**  
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**AN ANALYSIS OF NON-FINANCIAL INDICATORS AS A TOOL FOR  
ASSESSING THE PERFORMANCE OF A COMPANY. A CASE OF  
BANCABC**

**BY**

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## **DEDICATION**

I dedicate this research paper to my mother for her unwavering love and support.

## ACKNOWLEDGEMENTS

Special thanks and great reverence goes to the Almighty divine providence for the grace and wisdom granted to me in completing this research paper. My gratitude also goes to BancABC for allowing me to conduct this research. Many thanks go to the Accounts Department, Faculty of Commerce Midlands State University for the knowledge and guidance. Last but certainly not least, I would like to express my sincere gratitude to Mr Kazembe for his priceless guidance and patience on this project.

## **ABSTRACT**

Investors as the major stakeholders of organisations have in the past become the sole focus of annual reports. The research investigated the use of alternative performance measurement systems for the purpose of reporting on information that caters for all stakeholders. BancABC has been focusing on financial indicators as a performance assessment tool for reporting purposes. This focus on financial performance has caused problems such as lack of information with a future orientation, an incomplete picture of the organisation and an internally focused reporting structure. Challenges faced in using non-financial indicators were investigated and discovered namely lack of the knowledge, choosing inappropriate indicators and failure to link the measures with organisational goals. The research recommended that management revise the reporting structure to incorporate non-financial performance indicators for all stakeholders.

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# CHAPTER 1

## 1.0 INTRODUCTION

The researcher sought to investigate non-financial indicators of banking performance which can be harnessed by BancABC in its annual reporting to provide investors and other stakeholders with a more holistic view of the bank in a bid to attract investors. Items to be covered include the background of the study, statement of the problem, research objective, significance of the study, limitations and delimitations of the study, definition of terms and abbreviations.

## 1.1 BACKGROUND TO THE STUDY

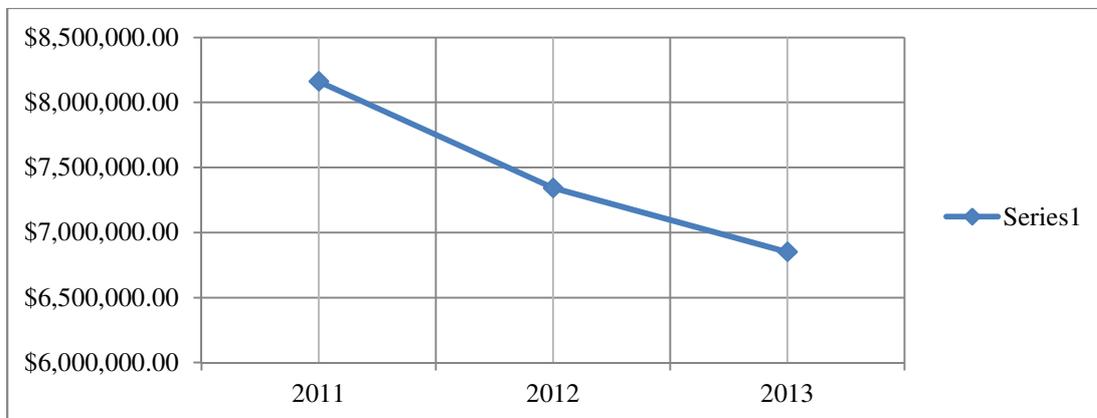
For decades, public companies and others alike have been publishing annual financial reports to stakeholders as part of the accountability and transparency responsibility of stewardship. These companies, including BancABC, NMB Bank, FBC Holdings and other listed banks, produce a set of financial statements mainly for shareholders and potential investors who provide the much needed finances. The bulk of these annual reports comprise of numbers and figures giving the financial performance and financial position of the entities. Investors have until recently invested in companies based on historic financial information ignoring the non-financial performance indicators of banking performance. These stakeholders do not only refer to providers of capital but include also the depositors, government, employees, regulators, business analysts and business partner. This sole reliance on financial indicators and the alternatives is what the researcher sought to investigate.

The main question being whether planning and measuring the bank's financial performance and position based on financial information alone is an adequate approach to a thorough assessment of a company's ability to make profits or there may be need for non-financial indicators. The indicators include market share, customer satisfaction, and employee competence to compliment the financial information. This non-financial information is what may be assessed to ascertain whether the bank is truly capable of sustaining the disclosed level of profitability and performance over the foreseeable future. In the BancABC Annual Report (2013: 21), the social and environmental policy report explained how BancABC

realizes the importance of sustainable development and its dependence on a positive interaction between economic growth, social upliftment and environmental protection.

In a speech presented by Mr. D.T. Munatsi, the former Group CEO of BancABC at the analyst briefing, stated the non-financial performance indicators which the analysts and investors must pay attention to. These indicators include the rise in market share, the number of repeat business, human capital competence level and employee satisfaction to name a few. Analysts responded by inquiring if such information should be included in the financial statements if it is of such importance to note. Despite declining profits, BancABC has increased its market share within the past three years under study as shown in Fig1.1.

Figure 1.1 BancABC Profit after Tax trend (2011 - 2013)



Source: BancABC Annual Financial Reports (2011 – 2013: 21)

Figure 1.1 above shows the decline in profits for the three years under study. In the period ending December 2011 the bank realized a profit of \$ \$8,161,129.01. In 2012 profits declined by 10.03% to \$ \$7,342,129.00. Profits declined further in 2013 to \$ \$6,850,980.00. At first glance an investor may deem the bank an unattractive prospect to invest in, however other non-financial indicators may give a totally different story for instance if BancABC’s market share is compared to other banks as shown in Table 1.1 below.

Table 1.1 Comparative Market Share trend

Bank	2011	2012	2013
BancABC	8.00%	11.00%	17.85%
CBZ Bank	31.58%	28.00%	30.00%
FBC Bank	7.04%	6.00%	5.75%
NMB Bank	4.00%	6.67%	3.00%
Barclays Bank	7.00%	8.60%	6.00%

Source: An In-depth Analysis of the Zimbabwean Financial Sector (2011-2013: 04)

Table 1.1 above shows a rise in the market share of BancABC from 11% in 2011 to 17.85% in 2013. The other banks on the ZSE experienced declining market shares such as NMB Bank with a market share dropping from 4% in 2011 to 3% in 2013. CBZ Bank which is the top competitor to BancABC had a drop in market share from 31.58% in 2011 to 30% in 2013. The same happened for FBC Bank and Barclays Bank. Looking at these performance indicators may lead investors to look beyond the decline in profits and consider investing in the bank. A 9.85% rise in market share over a two year period may also signal a rising level of customer satisfaction with the services provided by BancABC. The researcher aims to investigate the role played by such non-financial performance indicators in a holistic analysis of BancABC's performance.

## **1.2 STATEMENT OF PROBLEM**

BancABC is failing to incorporate non-financial performance information for its investors and other stakeholders. Investment decision making needs financial performance data complimented by non-financial performance measures. This combination gives a more complete and holistic view of the strengths and competitive advantages of the bank in comparison to other banks in the industry. The above mentioned problem has led the researcher to investigate non-financial indicators that will provide information linked not only to BancABC's financial performance but also linked to the better assessment of the bank's overall performance.

## **1.3 MAIN REASEARCH QUESTION**

What indicators can be implemented by BancABC in providing non-financial performance measures in the bank's strategic plans and annual reports for investors and other stakeholders?

## **1.4 OBJECTIVES OF THE STUDY**

- To establish the challenges faced by BancABC in incorporating non-financial indicators in annual reports.
- To determine the non-financial performance indicators needed by stakeholders in annual reports.
- To ascertain the benefits of incorporating non-financial performance indicators for BancABC.
- To suggest ways of incorporating non-financial performance indicators in bank's annual reports.

### **1.4.1 SUB-RESEARCH QUESTIONS**

- What are the challenges faced by BancABC in non-financial reporting?
- What are the key non-financial performance indicators needed by stakeholders?
- What are the benefits of incorporating non-financial indicators of performance for BancABC?
- What frameworks can be used by BancABC to incorporate non-financial performance indicators?

## **1.5 JUSTIFICATION OF STUDY**

### **1.5.1. To the researcher**

- This research is submitted in partial fulfilment of the Bachelor in Commerce Accounting (Honours) Degree.

### **1.5.2. To Midlands State University Accounting Department**

- Research to be used as reference by future students in the department.

### **1.5.3. To BancABC (ABC Holdings)**

- An improved annual reporting approach will help in attracting the much needed investor finances.

- A balanced approach to reporting tells the full story of the bank and allows investors and other stakeholders to better assess profitability and sustainability.
- The research will improve BancABC managements' understanding of the relationship between non-financial indicators and overall profitability.

## **1.6 LIMITATIONS TO THE STUDY**

- The research will focus on NFPIs to provide recommendations which may be adopted voluntarily and are not enforceable by any regulation or legislation in Zimbabwe.
- Financial Constraints – due to financial constraints the researcher could not visit all branches of the bank due to transport costs.
- Confidentiality - The data collected relating to organizational policies were considered private and confidential therefore there was strong reluctance to provide such.
- Time constraints – the researcher had limited time to collect data for research due to having other responsibilities to attend to such as school work.

## **1.7 DE-LIMITATIONS**

- The research will focus on corporate reporting, which will exclude the subject of Corporate Governance, the Audit Practice and Financial Management.
- Research was conducted in Harare at the headquarters where the largest number of staff members is concentrated.
- The researcher managed to convince respondents that the data collected was to be used strictly for academic purposes and all confidential information will be handled with discretion.
- The researcher made use of free time and weekends to conduct research.
- Research will be confined to the period from 01/01/2012 to 31/12/2014.

## **1.8 ASSUMPTIONS**

1.8.1 The research was based on the assumption that all information collected by the researcher through research, BancABC staff member interviews and telephone or other communication media conversations was accurate and correct.

## **1.9 DEFINITION OF KEY TERMS**

- **Business Performance** – ‘The way an entity operates and its results measured against set objectives’, Collin (2007).
- **Holistic view** – ‘The examination of a whole rather than a separation into the different parts’, Oxford Dictionary.
- **Key Performance Indicators** – “a measure used to reflect an organization’s success and progress in relation to a specified objective”, Marr (2008: )
- **Non-Financial Performance Indicators** – “any quantitative or qualitative measure of either an individual’s or entity’s performance that is not measured in monetary terms”, Financial Times Business Magazine (2014: 02)

## **1.10 ABBREVIATIONS**

- BSC – Balanced Score Card
- CSF – Critical Success Factor
- CSR – Corporate Social Responsibility
- KPI – Key Performance Indicators
- NFPIs – Non-Financial Performance Indicators

## **1.11 CHAPTER SUMMARY**

This chapter covered the background of the study, statement of the problem, significance of the study, objective of the study, research questions, delimitations, limitations, assumptions and definition of terms. In the next chapter the researcher looks at the literature review.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.0 INTRODUCTION**

In this chapter, reference was made to work produced by various authors, business financial analysts and business journalist. Through the literature gathered the researcher acquired knowledge on the role played by non-financial performance indicators (NFPIs) in performance assessment. A systematic literature review was carried out in order to establish the best possible ways to incorporate this information in the annual reports. Taylor (2014) defined literature review as the analysis and use of material written by other scholars and researchers on a particular topic or area of study.

### **2.1 CHALLENGES IN INCORPORATING NON-FINANCIAL MEASURES**

Many corporations have become interested in the use of non-financial performance indicators in the day to day assessment of performance and in reporting. “Fluctuations in world economies in the past few years has prompted organizations to rethink the way they define, assess and measure corporate performance”, Zeini (2011: 27). The following challenges may be some of the reasons why most companies refrain from the use of NFPIs.

#### **2.1.1 Identifying the right NFPIs**

One of the most challenging tasks in the use of NFPIs is the selection process of the relevant indicators which reflect performance for that specific organization. “There are a large number of indicators but few are ‘Key’... management needs to set out and define the performance indicators that are truly ‘Key’ and relevant to their organizations”, Zeini (2011: 29). “Businesses make some common mistakes when choosing, analyzing and acting on their non-financial measures. They set the wrong performance targets because they focus too much on short term financial results...”, Ittner and Larcker (2015: 02). Ittner and Larcker further explain that because of these irrelevant performance measures, organizations now fail to demonstrate how the NFPIs actually affect the financial results. Different business models have different performance indicators which are relevant for them. For example a luxury vehicle producer may not be concerned about market share since their products are targeted specifically to a select few, which may be the opposite of other manufacturers.

### **2.1.2 Complexity**

Organizations may shun the use of NFPIs because the directors or management itself may sometimes find the indicators too complex to comprehend. Zeini (2011) brings into perspective the issue of most business leaders actually not having a strong understanding of the KPIs which they decide to use. According to surveys conducted by the International Federation of Accountants (IFAC), a large number of respondents identified complexity as one of the major challenges to non-financial reporting. McKersie (2010) who was one of the conductors added that if because of the complexity of the NFPIs, stakeholders may end up losing confidence in the annual reports. Complex NFPIs are often ignored because of the difficulty in measuring and reporting on them. For instance it may be difficult to measure employee satisfaction and how it may be improved for better financial results.

### **2.1.3 Linking NFPIs to organizational strategy**

Every organization regardless of its size or nature has visions, goals and strategies to achieve these goals and visions. These plans may not be explicitly stated or written down but there is some level of implied goal and strategy consciousness. Ittner and Larcker (2015) noted how many companies have been using NFPIs but have been unsuccessful linking these indicators to their main objective which is profitability. When NFPIs are not connected to organizational objectives, the existence of the performance measures then defeat the whole purpose of ever establishing them. According to Ittner and Larcker (2015: 02), “failure to make such connections has led many companies to misdirect their investments and reward ineffective managers”.

### **2.1.4 Information Overload**

In some organizations, the use of NFPIs is perceived as burdensome and too much ‘extra work’ for those charged with monitoring and controlling the chosen NFPIs. “It is also likely that, internally, managers become overwhelmed and frustrated while tracking multiple measures and struggle to enhance them”, Zeini (2011: 29). Others have argued that since accounting information has become more and more complex, more non-financial information may end up being measured and reported to help stakeholders understand. Branwhite (2010: 06) argued that reports become bulky by necessity stating: “As accounting standards themselves become more complex, analysts have needed more information to understand the numbers they are looking at”. This increase in information may cause an overload on users.

Some interviewees in the survey acknowledged that the overloading of information caused by incorporating NFPIs may cause problems for investors who in most cases lack the capability for an accurate examination of the information, IFAC (2010: 04).

### **2.1.5 Manipulation and misuse by managers**

“Self-serving managers are able to choose and manipulate measures solely for the purpose of making themselves look good and earn nice bonuses”, Ittner and Larcker (2015: 03). According to IFAC surveys (2015), study also revealed that the use of complex NFPIs also posed the risk of manipulation may managers for self-serving purposes.

## **2.2 KEY ELEMENTS OF NON-FINANCIAL PERFORMANCE ASSESSMENT**

There are a number of different definitions of non-financial performance indicators in use today. According to the Financial Times article on NFPIs (2014: 01), “non-financial performance measures are any quantitative or qualitative measure of an individual’s or an entity’s performance that is not expressed in monetary units”. Non-financial indicators of performance vary from entity to entity, the most common examples are market share, customer and employee satisfaction, innovation, new products and services and the quality of products/services just to name a few. “Non-financial performance measures are sometimes considered to be the leading indicators of future financial performance whilst current financial performance measures such as earnings and return on assets are considered to be trailing indicators of financial performance”, Lexicon (2015: 01). Due to the large array of performance measures in use across many industries, an analysis of only the key indicators will be done, paying particular attention to those that are relevant to banking institutions in general.

### **2.2.1 Market Share**

In most industries, worldwide, the companies with the highest market share tend to be the most profitable and stable of all players in the industry. “It is now widely recognized that one of the main determinants of business profitability is market share...enterprises that have achieved a high share of the markets they serve are considerably more profitable than their smaller share rivals”, Buzzel et al (2015: 02).

According to the Harvard Business Report (2014) article on market share versus profitability, “there are three possible explanations to why large market share companies are more profitable than low market share rivals; economies of scale, market power and the quality of management”. Not all scholars agree that market share related performance is beneficial to a company’s financial performance. Armstrong (2012) argued that competitor-oriented objectives, such as setting market share targets, are counterproductive. This is as a result of the actions in the pursuit of a larger market share that cause high expenditure in the form of advertising and extensive marketing expenses. Furtwenglar (2013: 01) stated that “companies whose primary goal is to pursue market share often don’t fare well. Why? Their focus is on their own goals and not their customers’ interests”. Furtwenglar (2013: 02) further explains that a large market share and higher profits are by-products of customer oriented strategies. This therefore means investors may find banks with a higher market share more attractive investment prospects than banks with lower market shares.

### **2.2.2 New Products/Services and new Innovations**

The current technological trends prevailing in the global market are such that the survival of companies depends on the innovation and the introduction of new products/services for the customers. “Common examples include measures of customer satisfaction, quality and the number of new products. Non-financial performance measures are sometimes considered to be leading indicators of future financial performance”, The Financial Times (2015: 01). Banks which consistently provide new innovative products and services tend to be more attractive for investors and customers. Innovativeness not only in the view of new products but in the internal processes is equally detrimental to the performance of organizations.

### **2.2.3 Employee Satisfaction**

A greater part of any bank’s success is attributed to the level of employee motivation. “Better employee selection will increase employee satisfaction and performance. These will drive customer satisfaction, purchase frequency and retention - improving growth, earnings and cash flow”, Harvard Business Report (2013: 02). Investors may be interested in the employee retention rate as it reflects the level of satisfaction and dissatisfaction of the workforce. Satisfied employees tend to provide better quality services to the bank’s clientele. This then translates to better customer retention and ultimately a steadily increasing revenue stream.

Melian et al (2015: 921) states that “employee satisfaction is associated with economic performance so firms should measure job satisfaction”. Management should always monitor and be aware of all variables that affect the financial performance of the bank. “The relationship between employee satisfaction and customer satisfaction is one that rarely produces contradictory results”, Jung et al (2015: 72). Studies by Korean scholars, Jung, Moon and Hur (2015), revealed that employees with a high level of job satisfaction are more likely to create a positive mood that affects the customers’ experience and reactions towards the company.

“Traditionally, the main performance measure for staff was cost. However, businesses have started to view staff as a major asset and recognize that it is important to attract, motivate and retain highly qualified and experienced staff”, Kaplan Financial Ltd (2012). Management must consistently look for ways to keep the workforce in a positive state of mind, positive working conditions and also seek effective ways to stimulate employee performance. The mood of the staff members determines the atmosphere experienced by the customers. Non-financial indicators which may be used to observe and govern staff include staff turnover rates, absentee rates, job satisfaction surveys, percentage of job offers accepted and competence surveys just to name a few.

#### **2.2.4 Customer Satisfaction**

Much of all business success is centered on the customers the company serves. The level of customer satisfaction determines the customer retention rate. “By filling in gaps left by financial accounting, nonfinancial measures such as customer loyalty promise to complete the picture of your company’s performance”, Harvard Business Review (2015: 01). The higher the customer satisfaction and retention levels are the better the company is likely to perform financially. By improving customer satisfaction levels this also helps attract new clients for the bank with little effort and no costs because a satisfied client is most likely to share their experiences with peers and spread the good reputation. A good reputation translates to repeat business in turn increasing revenue and return on investments.

Investors would comfortably invest in a company with a good reputation with its customers in the market. This gives investors a sense of a steady population of customers and ability to

attract more future customers, which has a direct relationship with revenue. “While many would say that profits are the reason companies are in business, the reality is that profits are a by-product of enhancing customers' lives. Any company that focuses on profits will inevitably make decisions that place the company's interests ahead of its customers' welfare and lose those profits”, Furtwenglar (2013: 01). However, it may be difficult to incorporate customer satisfaction data in annual reports for investors to see. Results from customer surveys may be of help in collecting such data. This non-financial performance indicator may extensively be used by management and only allow the results to show in the end financial outcome.

### **2.2.5 Corporate Social Responsibility**

According to Perez and Rodrigues del Bosque's (2014) definition of CSR, Corporate Social Responsibility refers to the company activities demonstrating the inclusion of social and environmental concerns in business operations, and in interactions with stakeholders, also according to the ambitions of corporate sustainability”. “It is not only financial competitiveness that a nowadays organization depends on. It is no less relevant for an organization to justify its existence in the eyes of its multiple stakeholders”, Buciuuniene and Kazlauskaite (2012: 05). CSR activities improve an organization's image and reputation in the eyes of the public, a good reputation ultimately helps in attracting prospective customers and retaining existing ones.

The idea of CSR has received mixed criticism in the past decade. Some business leaders are of the opinion that an organization cannot successfully pursue profit maximization and social responsibility, one of the two ultimately suffers. This is evident from the increase in operating expenses which are ultimately transferred to the customers. Johns and Kojastehpour (2014: 334) stated that while CSR activities may increase costs, the higher prices may ultimately affect revenues positively provided customers are aware of the company's CSR activities and willing to pay higher prices.

### **2.3 The benefits of using NFPIs in assessing company performance**

At this stage before the benefits of incorporating NFPIs are listed, it is equally important that a discussion is made on the downsides of relying exclusively on financial information as a tool for assessing the performance of banking institutions.

### **2.3.1 The downsides of financial focus in performance assessment**

#### **i. Short term focus**

Financial performance evaluation and financial strategies are short term in nature. “When companies establish certain financial goals, it tends to create an atmosphere where short-term earnings become more valuable than the factors that cause them”, Akers (2015: 01). Annual reports focus on the current and prior year’s results and financial forecasts often project income and expenditures for the current and succeeding year. “Financial evaluation systems generally focus on annual or short term performance against accounting yardsticks”, Wharton School (2012: 02). The sole use of financial information to assess the performance of a company means that management is oblivious to long-term sustainable profitability. “One disadvantage is that financial ratios provide business owners with a myopic (short-term) review of their company’s performance”, Vitez (2015: 01). In the case of investors assessing a company’s viability as an investment, short-term reach can be disastrous as stakeholders may invest in an entity that lacks long-term strategies.

#### **ii. Internal focus**

Management accountants often base decisions and formulate production strategies after assessing financial data from the company’s processes. This means the company’s strategies lack an outward consciousness of its activities, the outward appeal includes its relationship with customers, the society at large, its own employees to name a few. “The employees may lose sight of their customers’ needs and allow service or satisfaction to suffer in lieu of achieving a certain sales volume”, Akers (2015: 01). Financial professional often forget that it’s the customers who must be satisfied first before any revenue is incurred. Management should include such non-financial elements in the assessment for decision making. Performance measurement systems must involve both inward and outward focus if these systems are to add any value the company.

#### **iii. Susceptibility to manipulation**

The major drawback with relying on financial measures to assess the performance of a company is the risk of manipulation. For example, a bank branch manager may coerce customers to give good service reviews for the branch in order to earn bonuses, Akers (2015). The audit practice acknowledges the high risk of not detecting material misstatements in the financial statements and this means an assessment of financial performance is susceptible to

human manipulation. Some business professionals argue that financial indicators are the closest to an accurate and objective assessment which provide little opportunity of human interference.

iv. Conveyance of incomplete information

A financial performance measurement system gives an incomplete picture of an organisation and its operational performance. “Even though financial ratios can show positive information in comparison with the industry standard, internal business operations may be struggling”, Vitez (2015: 01). Financial statements showing the income, expenses, assets, liabilities, equity and cash flows lacks information on the non-financial measures which reflect the strategic and tactical design of the company which lead to the creation of shareholder wealth. Financial indicators do not give information about the workforce competence levels, interactions with the customers, the social impacts of the company and various non-financial determinants of success.

v. Past focus

Kaplan and Norton (2010), “ These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation”. Financial performance indicators only reveal past results and have no future orientation. “Income-based financial figures are lag indicators. They are better at measuring the consequences of yesterday’s decisions than indicating tomorrow’s performance”, Switzer (2014: 01).

### **2.3.2 The benefits of using a dual approach to performance assessment.**

The use of NFPIs in conjunction with financial performance indicators gives both management and stakeholders a stronger performance assessment system. The benefits will now be discussed in detail.

i. Links actions to the desired financial result

“By supplementing accounting measures with non-financial data about strategic performance and implementation of strategic plans, companies can communicate objectives and provide incentives for managers to address long-term objectives”, Wharton School (2012: 02). Often times, management sets targets for business units and neglects to get involved in making the tactical plans for achieving the targets. Incorporating non-financial data in performance assessment will assist management in breaking down targets to tactical plans on the ground. This level of detail also gives employees clarity on what part they should play and consequently increases motivation.

ii. Internal and External focus

A blend of both financial and non-financial indicators ensures that a company formulates strategies that acknowledge the company’s external environment. The use of non-financial performance measurement systems that incorporate customers and employees give a healthy approach to creating value for shareholders. “To assure future rewards, your organization must be both financially sound and customer oriented. This is possible only with distinctive core competencies that will enable you to achieve your business objectives”, Switzer (2014: 01). This means incorporating financial and non-financial indicators will assure the company’s overall performance in terms of customer and employee satisfaction is presented. Companies usually put shareholder interests ahead of the drivers of long-term profitability and this is harmful to organisations.

iii. Includes measurable and immeasurable information

Non-financial indicators may not always be measureable but they also provide information about a company’s intangible assets such as customer loyalty, employee motivation, etc. Studies by Wharton School (2012: 03) of US companies revealed that non-financial indicators relating to innovation, employee satisfaction, management capability, quality and brand value explained much of a company’s value. Excluding these factors often resulted in investors and management making harmful and even poor decisions.

## **2.4 Tools for incorporating financial and non-financial performance**

The following models have been used in developing performance reporting systems by a lot of companies all over the world. “You won’t fulfill all these requirements by relying on a few measures that represent a narrow perspective. You need a balanced results presentation to measure performance”, Switzer (2014: 02). These models do not dictate the exact manner in which companies must report performance but only provide basic guidelines which must be modified for each and every company to suit its individual range of stakeholder’s needs.

### **2.4.1 Kaplan and Norton’s Balanced Scorecard**

“The balanced scorecard is a strategic management and planning system that is used to align business activities to the vision and strategy of the organization, improve internal and external communications and monitor organizational performance against strategic goals”, Balanced Score Card Institute (2015: 02). The system was created by Robert Kaplan and David Norton in the 1990s as a response to the need for the inclusion of non-financial performance measures to give management a holistic view of the organisations performance. Kaplan and Norton designed the framework to assist in bringing together strategic objectives and the day-to-day activities of the business. The main objective of the balanced scorecard was to balance financial management strategies with non-financial performance indicators for both internal and external communications. The BSC defines four key legs of business performance measurement used to monitor efforts towards attainment of set goals. The 4 perspectives include the learning and growth, the customer leg, internal business processes and the financial leg, Hannabarger et al (2015).

#### **a) Learning and Growth**

According to the Tech Target Network (2010: 03), “learning and growth analysis explores the effectiveness of management in terms of measures of employee satisfaction and retention and information system performance”. The focus is on the interaction between management and employee satisfaction as part of the strategies for achieving the desired financial results. Continuous training has also a favourable result on employee retention rates and customer satisfaction and consequently financial returns.

#### b) Customer Perspective

This could possibly be the most crucial of the four business performance legs as defined by the BSC. Customer analysis involves customer satisfaction and customer retention.

According to The Balanced Scorecard Institute, if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good.

#### c) Internal Business Process

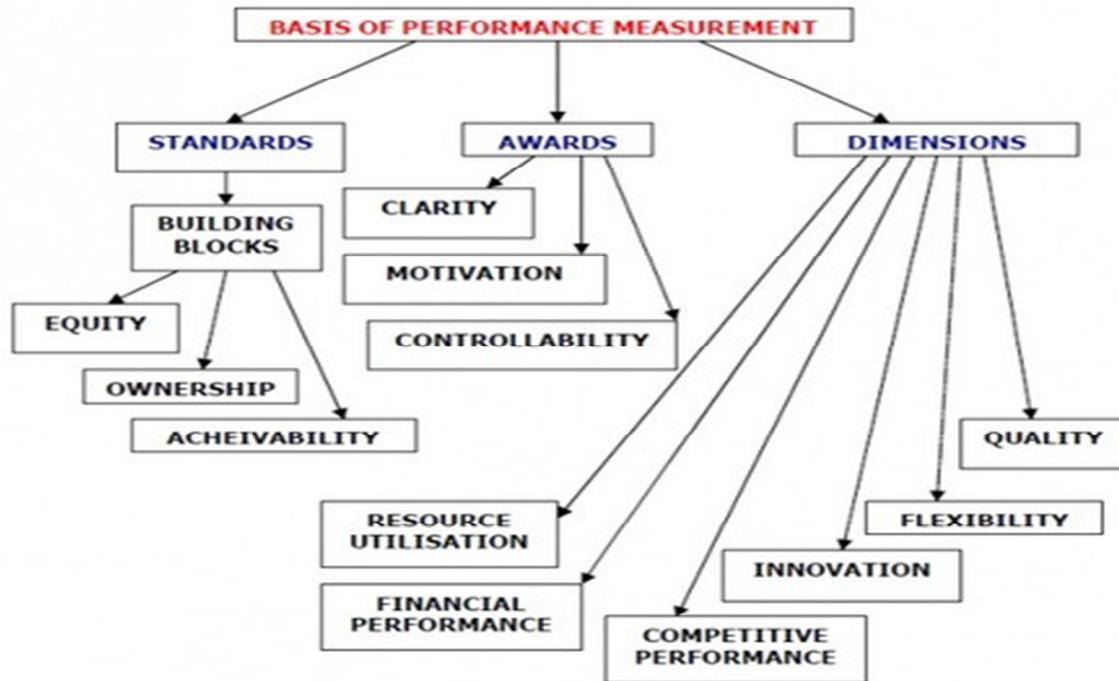
This perspective assesses the company's internal processes in relation to the outside market needs and general environment. "Measures your critical-to-customer process requirements and measures", Hannabarger et al (2015: 05). Internal business performance is critical to the success of a business as it assesses how business processes conform to customer preferences and is the starting line for all adjustments to the processes. This NFPI may be difficult to report on as it may be contradictory to the organization's confidentiality policies. Disclosure on how successful the internal processes and policies have been on the company's performance may be detrimental to investors' opinion on the organization.

#### d) Financial Perspective

The creators of the BSC do not disregard the necessity of financial performance measurement in any business. The BSC actually recognises the importance of financial indicators complimented by non-financial indicators for a more balanced picture of the business, [www.valuebasedmanagement.net](http://www.valuebasedmanagement.net) (2015). This financial perspective involves, "traditionally used financial indicators including assessments of measures such as operating costs and return on investments", TechTarget Network (2010: 02). The BSC acknowledges that reliance may not be placed solely on either financial or non-financial performance indicators hence the need to establish a financial aspect of tracking the achievement of the visions of shareholders. "The balanced scorecard proposed by Kaplan and Norton offers the template for the balanced presentation", Switzer (2014: 02). In conclusion, banks may use the BSC as guiding framework for reporting on NFPIs to its stakeholders.

## 2.4.2 Fitzgerald and Moon's Building Block Model

Figure 2.1 Fitzgerald and Moon's Building Block Model



(Source : [www.mbaknol.com](http://www.mbaknol.com), Accessed 17:25, 13/09/2015)

The Building Block Model is an approach to performance measurement in business services that is based on the three building blocks, Kaplan (2015). This model also makes use of financial and non-financial performance indicators for the effective management and reporting of organization performance. The three building blocks defined by this model are dimensions, standards and rewards.

### a. Dimensions

According to San (2014: 03), “dimensions are the goals i.e. the critical success factors”. These are defined by management as the objectives with which their achievement success is said to be achieved. This presents one major risk that managers often fail to set realistic achievable targets which in turn makes the possibility of failing even higher. A counter measure which is often resorted to is the involvement of workers in setting the targets. This involvement of staff in such decision motivates the teams to achieve targets as they are part of the target setters.

#### b. Standards

These are the standards set by management as measurement benchmarks for financial and non-financial performance. Kaplan Financial Limited (2012) described these standards as the key performance indicators in both financial and NFPIs. Standards set by management according to this model must have three distinct properties. Lanewala (2012) listed the three properties abbreviated as AEO i.e. Achievability, Ownership and Equity/Fairness. Equity relates to the fairness of treatment to all staff members, standards should be equally challenging to every team member and if one perceives favouritism or lax treatment to another, the difference in treatment may fuel discontent amongst the team. Ownership basically means the workers must be involved in setting the specific targets and standards of performance if they are to feel a sense of accountability towards the standards. Achievability states that standards/targets must be realistic and attainable, unrealistic targets usually demotivate staff members.

#### c. Rewards

Rewards play a more motivating role to the workforce and managers in the pursuit of organizational goals. Francis (2013) stated that standards and targets must be clear and these must be related to performance outcomes in the sphere of control of the workers. For example banks may decide to reward staff members with the best comments from customers in a customer satisfaction survey or reward staff members who bring in and retain the highest number of clients in a given period.

### **2.4.3 Conclusion**

Companies need not follow these models down to the finer details, however managers must pick elements that relate to their respective organizations. These models only act as guides for management to develop a unique reporting system. Reporting entities must only make sure the essential non-financial performance indicators are incorporated in the annual reports. The essential NFPIs as mentioned earlier include employee satisfaction and retention, customer satisfaction and retention, market share, CSR activities and lastly innovativeness and new product/services.

The use of NFPIs does not discard the importance of financial performance indicators. In principle, financial indicators remain the most important and most relevant element in corporate reporting. The need of NFPIs is more of a balancing role to financial indicators for a more holistic view of the organization. This type of reporting provides essential information to all stakeholders both internal and external.

## **2.5 Chapter Summary**

In this chapter reference was made to work previously done by other researchers. The work gathered gives an insight of performance assessment strategies that improve financial performance of banking institutions by incorporating non-financial strategies.

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

### **3.0 INTRODUCTION**

This chapter will provide a description of the research design followed in gathering data to achieve the research objectives. A description of the population, the sample sizes and design will also be made in this chapter. The chapter will lay out procedures followed when collecting data, the sources and types of data the researcher collected. Instruments used to collect the data will also be outlined, also giving the reliability and validity of the data. This chapter will end with data presentation analysis, the ethical considerations and the summary.

### **3.1 RESEARCH DESIGN**

Van Wyk (2014: 04) says “research design articulates what data is required, what methods are going to be used to collect and analyse this data, and how all of this is going to answer your research question”. Research design is the overall plan for connecting the research problems to the related research data collected. This study followed a descriptive design for the major part of the study. Although the major design was descriptive in nature, elements of the exploratory design of research were included as the researcher aimed to explore the possible solutions to the problem. In totality the research design followed a more of a dual approach with descriptive design being the dominant design.

#### **3.1.1 Descriptive Research Design**

“Descriptive research is to provide an accurate and valid representation of (encapsulate) the factors or variables that pertain / are relevant to the research question”, Van Wyk (2014: 06). A descriptive design was considered most appropriate for this particular research paper. This study will aim to describe the relationship between two sets of variables i.e. disclosure of an organization’s performance and the type of performance indicators used by management and the company’s stakeholders. The researcher will also describe the major frameworks that can be used for the problem of the study. The descriptive design was most appropriate as the study will also outline the benefits to BancABC of incorporating NFPIs in its performance assessment disclosures.

### **3.2 STUDY POPULATION**

Polit and Hungler (2012: 455) defined a study population as a complete set of objects or persons with the same characteristics as defined by the researcher. The target population was the heads of departments (Corporate Banking, Retail Banking, Marketing, Human Capital, International Banking and the Finance Department) and all employees in each of the departments. Total headcount in the population was 96 individuals. Both management and general staff members were considered as respondents to the research questions as it will provide insight from both ends of the workforce.

### **3.3 SAMPLE SIZE AND DESIGN**

Judgemental sampling was used to draw up a sample for the study. Sampling is the process of selecting a specific number of objects or persons from a defined population, Polit and Hungler (2012: 456). This type of sampling allows the researcher to focus on respondents who are considered to be in the best position to provide the data needed. As stated in the statement on the population the respondents were picked from both management and the general staff to provide data from both spectrums of human resource. The sample included all heads of departments and staff members from each department. Respondents were picked from management for the collection of data on how and what basis do they assess the performance of the bank and its employees, and also on the management decisions e.g. strategic decisions made. Employees provided insight on the management style of the heads of departments who in essence reflect what the owners focus on i.e. their targets, tactical operations and whether their directives incorporate NFPIs or not. The total head count of the sample is 58 individuals.

### **3.4 SAMPLING PROCEDURE**

The researcher used non-probability sampling procedures to draw out a sample from the target population. This type of sampling is where the researcher selects from a predetermined criteria resulting in an unequal chance for each element to be picked, Korb (2012: 02). Non-probability sampling allowed the researcher to exercise discretion on selecting the appropriate respondents the researcher deemed most capable of providing data.

Table 3.1 Research population and sample size

<b>Department</b>	<b>Population</b>	<b>Sample</b>	<b>Interviews</b>	<b>Questionnaires</b>	<b>Percentage</b>
<b>Finance Department</b>	15	10	1	10	10.4%
<b>Corporate Banking</b>	19	15	1	15	15.6%
<b>Retail Banking</b>	30	15	1	15	15.6%
<b>Marketing</b>	10	5	1	5	5.2%
<b>International Banking</b>	15	8	-	5	8.3%
<b>Human Capital</b>	7	5	1	5	5.2%
<b>Total</b>	<b>96</b>	<b>58</b>	<b>5</b>	<b>58</b>	<b>60.3%</b>

### **3.5 SOURCES OF DATA**

The researcher made use of both primary and secondary sources of data. Primary data collected in the form of self-administered questionnaires completed by staff members and management in the target sample. Data collected also mostly comprised qualitative responses with few elements of quantitative data to complement the research objectives.

#### **3.5.1 Primary Sources**

Primary data was collected through questionnaires which were filled out and completed by the members of the target sample. According to Korb (2012: 01), primary data are first hand data collected by the researcher themselves. Questionnaires are ideal for data collection as they are quick and easy to complete taking into consideration that the BancABC staff members are busy and need less time consuming methods to get their cooperation. Data was collected through communications with the respondents via one-on-one interviews. The interviews were conducted with only the heads of departments as it was difficult to make appointments with all the target staff members. Another challenge came about from members of management who were reluctant to provide comments on the strategic issues of the bank which they considered confidential.

### 3.5.2 Secondary Sources

Secondary data is data used by the researcher that already existed, Kelleher (2012). Data from secondary sources was collected from company financial statements, the ZSE, RBZ annual reports and the company website. This study made use of data from the three year period 2012 – 2014. Comparison to other banks was also made for this period which made use of data collected from other banks' websites and financial statements.

## 3.6 DATA COLLECTION INSTRUMENTS

### 3.6.1 The Questionnaire

A structured questionnaire was used for this study. Kumar (2012: 11) defined questionnaires as a set of enquiries which assist the researcher to gather data in response to the research topic. The questionnaire made use of both open ended and closed ended questions. This dual type of questioning will improve the type of responses, where respondents fail to express their views they can explain. Questionnaires face a risk of non-completion, the researcher has provided for that risk by establishing an ample size target sample. The questionnaire was designed using the Likert scale. Bowlby (2012: 02) described the Likert Scale as a five step rating scale used to allow respondents to express they are mind by agreeing or disagreeing to a particular statement. This is easy for respondents to give their opinion without having to put down in writing. The structure is as shown below;

Figure 3.1 Likert Scale

Strongly agree  Agree  Undecided  Disagree  Strongly disagree

### 3.6.2 Interviews

Kelleher (2012) defined interviews as face to face question and answer sessions between the researcher and respondents. Interviews were conducted to touch on aspects which may have been left out or unclear in the questionnaires. Respondents also brought up other views and comments which the researcher had failed to bring up in the study.

### **3.7 RELIABILITY AND VALIDITY**

For purposes of ensuring reliable and valid data is collected, the researcher avoided technical jargon which may confuse the respondents. The researcher also made an effort to make the questions as short and precise as possible, ambiguous questions were omitted from the questionnaires and rephrased to give more specific and clear data. Questionnaires were run through pilot study with individuals excluded from the target sample to weed out inappropriate questions and inconsistencies with the research objectives. Due to the bank's confidentiality policies, questions regarding strategic company policies were discarded and questions to staff members were refined to refrain from prompting staff members to express personal views towards management.

### **3.8 DATA PRESENTATION AND ANALYSIS**

Allmer (2014) defined data presentation and analysis as the process of examining and interpreting data to produce information that answers specific questions. Data collected from the various sources and respondents was analysed and processed through basic mathematical presentation tools e.g. tables. The researcher made use of graphs, pie charts and tables to present the processed information. A descriptive approach of analysis was adopted to describe the range of responses in relation to the variables in the questionnaires and interviews. The researcher made use of percentages to show the results supporting and opposing the opinions presented in the questionnaires.

### **3.9 ETHICAL CONSIDERATIONS**

This research study was conducted within all morally accepted and ethical bounds. Polonski (2012) described ethical considerations as a collection of values and principles that guide societal behaviour on what is good or bad in everyday living. Questions which may have been offensive or in all moral considerations deemed inappropriate were excluded from the research questions. Information which was considered confidential to BancABC was discarded and excluded from the study. This study seeks not to defame BancABC but to provide valuable insights which the bank may choose to take as advice and strictly for academic purposes.

### **3.10 SUMMARY**

This chapter gave an outline of the research design and research procedures followed. Questionnaires and mail communications were the main research instruments selected for this research. Judgemental sampling was chosen as most appropriate for the questionnaires and mail communications to obtain data. Data was presented using mathematical/statistical processing and presentation tool i.e. graphs, pie charts and tables.

# CHAPTER 4

## DATA ANALYSIS, INTEPRETATION AND PRESENTATION

### 4.0 INTRODUCTION

Chapter Four will provide an analysis and interpretation of the data collected during the research and consequently the presentation of the information produced. The chapter will provide conclusions on the major research findings and finally the summary.

### 4.1 QUESTIONNAIRE RESPONSE RATE

A total of 58 questionnaires were distributed to 58 individuals employed by BancABC. 45 respondents from the 6 departments (Finance, Corporate Banking, Retail Banking, Marketing, International Banking and Human Capital) completed and returned questionnaires, 13 failed to fill out the questionnaires due to busy schedules. This gave the researcher a 77.58% response rate. Table 4.1 shows the analysis of the response pattern of the questionnaires administered.

Table 4.1 Questionnaire response analysis

Department	Questionnaires sent	Returned	% Returned	Not returned	% Not returned
Finance Department	10	7	12.07%	3	5.17%
Corporate Banking	15	12	20.69%	3	5.17%
Retail Banking	15	12	20.69%	3	5.17%
Marketing	5	4	6.90%	1	1.72%
International Banking	8	6	10.34%	2	3.45%
Human Capital	5	4	6.90%	1	1.72%
<b>Total</b>	<b>58</b>	<b>45</b>	<b>77.59%</b>	<b>13</b>	<b>22.41%</b>

## 4.2 ANALYSIS OF RESPONSES TO QUESTIONS

The research data was analysed following the order of responses to the questions administered. An analysis of the data in tabular form is provided followed by a basic summary of the findings making use of bar graphs or pie charts in any given case.

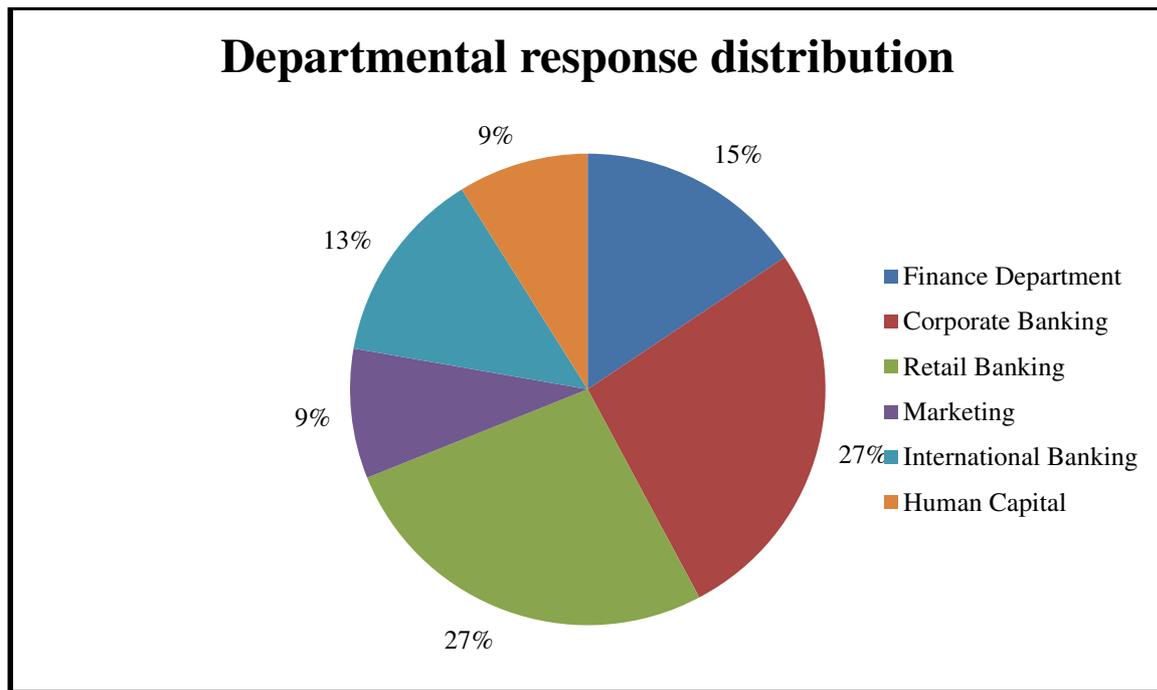
### Question 1: Departmental Response Distribution

The researcher distributed 58 questionnaires amongst six departments. These departments included the Finance department, Corporate Banking, Retail Banking, Marketing, International Banking and Human Capital departments. The 45 respondents who completed and returned questionnaires were spread over these six departments. From the 45 respondents, 12 questionnaires each were completed by Corporate Banking and Retail Banking, 7 questionnaires from the Finance department, 4 questionnaires each from Marketing and Human Capital and lastly 6 were returned by International Banking staff. Table 4.2 and Figure 4.1 below show the distribution of respondents across the various departments

Table 4.2 Departmental Response rate

<b>Department</b>	<b>Returned</b>
<b>Finance Department</b>	7
<b>Corporate Banking</b>	12
<b>Retail Banking</b>	12
<b>Marketing</b>	4
<b>International Banking</b>	6
<b>Human Capital</b>	4
<b>Total</b>	<b>45</b>

Figure 4.1 Departmental response distributions



**Question 2: Length of employment**

Table 4.3 shows the number of individuals in each length of employment bracket. This distribution shows a larger proportion of the respondents having considerable working experience with BancABC to give reliable data. Twenty-six respondents (58%) have been with BancABC for 3 to 5 years whilst 20% of the samples (9 respondents) have been employed for less than 3 years. 8 respondents (18%) have been classified in the 6 – 9 years bracket leaving 2 respondents (4%) over the 10 year bracket. Table 4.3 shows the above mentioned information.

Table 4.3 Duration of employment distribution

Duration	Number of respondents	Percentage
0 - 2 years	9	20%
3 - 5 years	26	58%
6 - 9 years	8	18%
10 + years	2	4%
<b>Total</b>	<b>45</b>	<b>100%</b>

### Question 3: Highest level of education

The sample consisted of a large fraction, 29 out of 45 (64.44%), of respondents with degrees as the highest level of education. 14 respondents possess Masters Degrees making up 31.11% of the sample. Only two respondents out of the whole sample had diplomas. None of the respondents had PhDs and no respondent had qualifications lower than diplomas. This data strengthens the reliability and validity of the responses as they are considerably qualified to participate in the study. Table 4.4 shows the composition of qualifications within the sample.

Table 4.4 Highest level of qualification.

Qualification	Number of respondents	Percentage
O' Level	0	0.00%
A'Level	0	0.00%
Diploma	2	4.44%
Degree	29	64.44%
Masters	14	31.11%
PhD	0	0.00%
<b>Total</b>	<b>45</b>	<b>100.00%</b>

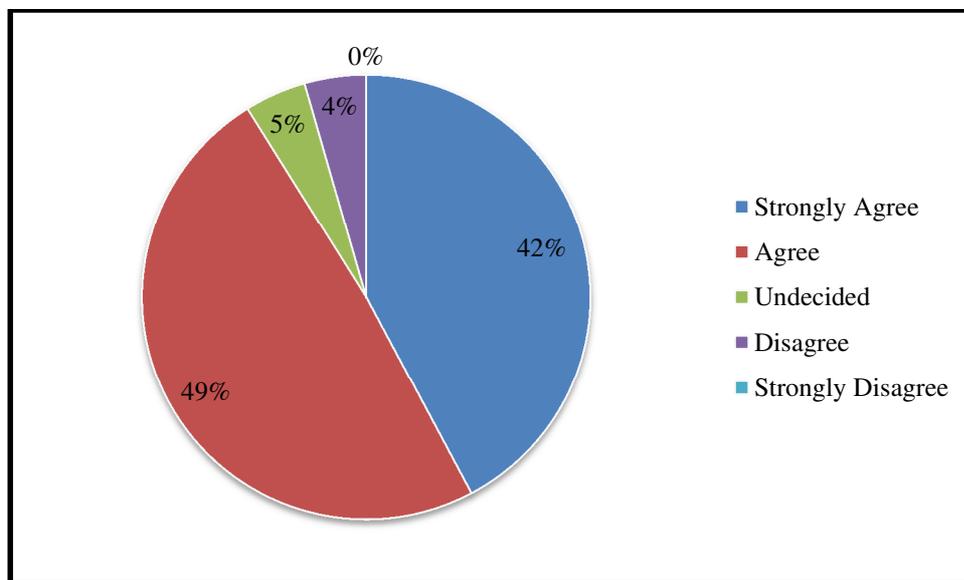
### Question 4.1 “BanABCs annual reporting focuses on the assessment of Financial Performance e.g Income, NPLs, Deposits”.

The aim of this query was to confirm whether BancABC focused on financial indicators of performance in its annual reporting or not. 19 respondents (42%) strongly agreed, accompanied by 22 (49%) other respondents who agreed to the same notion. Only 4% (2 respondents) disagreed whilst 2 more respondents (4%) were indifferent. This serves to confirm the researcher’s statement of the problem concerning BancABCs sole reliance on financial indicators of performance in annual reports. This is in line with San (2014) who stated that many large organisations give their entire focus on financial performance with little or no regard for non-financial performance indicators. Table 4.5 above shows that 91% of the respondents agreed that BancABC’s annual reporting focuses on financial performance indicators. Figure 4.2 gives a basic summary of the analysis of question 4.1.

Table 4.5 BancABC annual reporting focus on financial performance.

Opinion	Number of respondents
Strongly Agree	19
Agree	22
Undecided	2
Disagree	2
Strongly Disagree	0
<b>Total</b>	<b>45</b>

Figure 4.2 BancABC annual reporting focus on financial performance.



**Question 4.2 “BanABCs annual reporting focuses on the assessment of Non-Financial Performance indicators”.**

22% of the respondents agreed that BancABC uses NFPIs in its annual reports. However the majority of the respondents constituting 66.7% of the sample disagreed to this opinion. 5 respondents were undecided on the matter. This serves to enforce the notion that BancABC’s annual reporting places sole reliance on financial performance. This is also in line with San (2014) who stated that many large organisations give their entire focus on financial performance with little or no regard for non-financial performance indicators. Table 4.6 below shows the distribution of responses among the respondents.

Table 4.6 BancABC annual reporting focus on non-financial performance indicators.

Opinion	Number of respondents	Percentage
Strongly Agree	0	0.00%
Agree	10	22.22%
Undecided	5	11.11%
Disagree	27	60.00%
Strongly Disagree	3	6.67%
<b>Total</b>	<b>45</b>	<b>100.00%</b>

### Question 4.3 “BanABCs annual reporting focuses on the assessment of both financial and non-financial performance indicators”

Table 4.7 BancABC annual reporting focus on financial and non-financial performance indicators.

Opinion	Number of respondents	Percentage
Strongly Agree	3	6.67%
Agree	12	26.67%
Undecided	6	13.33%
Disagree	18	40.00%
Strongly Disagree	6	13.33%
<b>Total</b>	<b>45</b>	<b>100.00%</b>

Table 4.7 above shows the different opinions pertaining to the use of financial and non-financial performance indicators in its annual reporting. Respondents had mixed opinions as seen by 34% (15 respondents) agreeing to the current use of both elements of performance. However, 53% constituting the majority (24 respondents) disagreed to the opinion of BancABC using both indicators. This strong stance on the latter opinion shows that BancABC is mostly focused on the reporting of financial performance and little disclosure is given on the non-financial side of performance.

### Question 5 “The current non-financial disclosure is linked to organisational strategy and strengths”

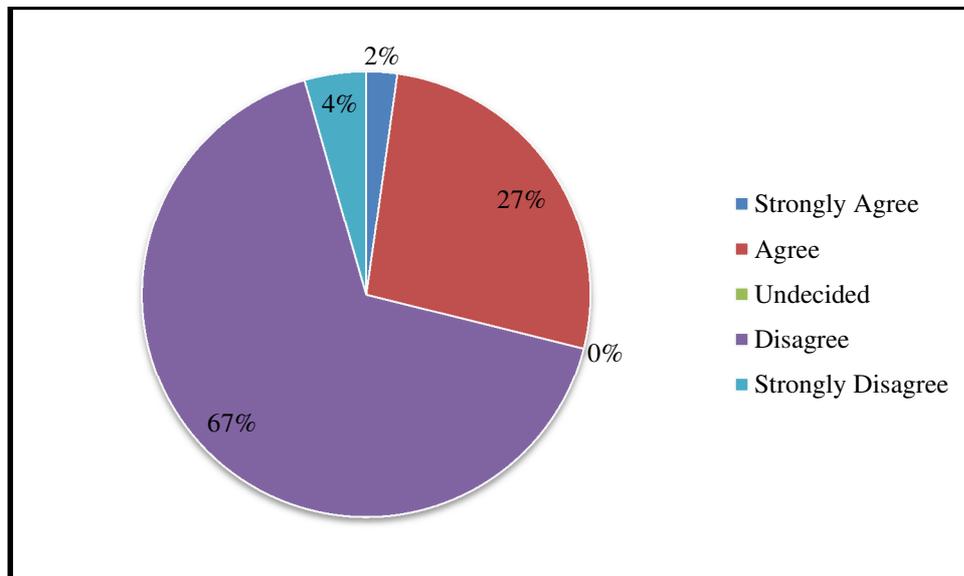
28% of the respondents consisting of 13 individuals seemed to agree that NFPIs are linked to strategy. None of the respondents were indifferent on the matter. The majority of respondents however disagreed to the opinion that NFPIs disclosed are linked to organisational strategies and strengths. 30 respondents (66.67%) disagreed whilst 4.44% (2 respondents) strongly disagreed. These findings are in line with authors Ittner and Larker (2015) who identified this

as one of the major challenges facing organisations in the use of NFPIs. Table 4.8 and Figure 4.3 below show the respective analysis and brief summary of the responses on this opinion.

Table 4.8 The current non-financial disclosure is linked to organisational strategy and strengths”

Opinion	Number of respondents
Strongly Agree	1
Agree	12
Undecided	0
Disagree	30
Strongly Disagree	2
<b>Total</b>	<b>45</b>

Figure 4.3 The current non-financial disclosure is linked to organisational strategy and strengths”



### Question 6.1 “BancABC performance disclosures incorporate customer satisfaction

Table 4.9 “BancABC performance disclosures incorporate customer satisfaction”

Opinion	Number of respondents	Percentage
Strongly Agree	0	0.00%
Agree	4	8.89%
Undecided	10	22.22%
Disagree	30	66.67%
Strongly Disagree	1	2.22%
<b>Total</b>	<b>45</b>	<b>100%</b>

Table 4.9 above shows the distribution of responses to the opinion that BancABC discloses information on customer satisfaction in its annual reports. Only 4 respondents making up 8.9% agreed to this opinion, with 10 more respondents showing indifference to the opinion. The majority of respondents disagreed to the notion, rather enforcing the opinion that BancABC neglects to disclose such non-financial information to its stakeholders at large. The findings in this question support Furtwenglar’s argument that large organisations tend to focus primarily on profits and give little disclosure on the aspects that drive the profits such as customer satisfaction.

**Question 6.2 “BancABC performance disclosures incorporate employee satisfaction”**

Only 2 respondents (4.44%) out of the 45 agreed that employee satisfaction was reported on in the annual reports, with 22.22% showing indifference to the matter. This gives very little support to the notion that BancABC discloses such information to its stakeholders. On the other hand, 31 respondents making up approximately 69% of the sample disagree to the opinion. This is in line with the findings of authors Melian et al (2015) who acknowledged employee satisfaction as a crucial piece in the performance of an organisation which makes entitles the stakeholders to some sort of disclosure on the subject. Table 4.10 and Figure 4.6 below show an analysis and summary of the responses to the query.

Table 4.10 “BancABC performance disclosures incorporate employee satisfaction”

<b>Opinion</b>	<b>Number of respondents</b>	<b>Percentage</b>
Strongly Agree	0	0.00%
Agree	2	4.44%
Undecided	10	22.22%
Disagree	28	62.22%
Strongly Disagree	3	6.67%
<b>Total</b>	<b>45</b>	<b>100%</b>

**Question 6.3 “BancABC performance disclosures incorporate innovation”.**

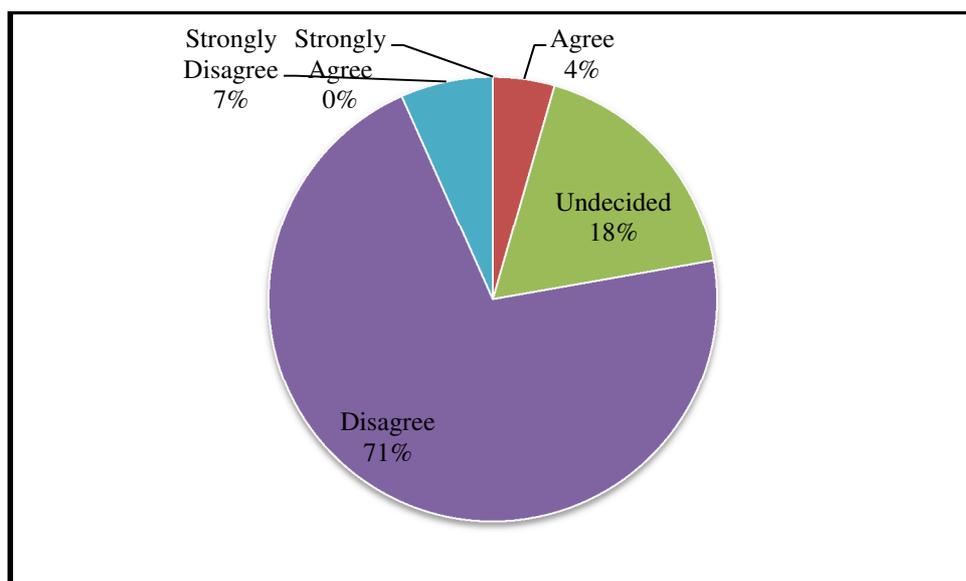
Table 4.11 below shows the pattern of responses on the opinion of BancABC disclosing information about innovations in the organisation. Only 2 respondents supported the opinion that BancABC discloses information about innovations both internally and externally. 17.8 % of the respondents (8 individuals) were undecided and could not make any comments. A total of 35 respondents disagreed making up approximately 78%. Table 4.11 below gives an analysis of the pattern of responses.

Table 4.11 “BancABC performance disclosures incorporate innovation”

Opinion	Number of respondents
Strongly Agree	0
Agree	2
Undecided	8
Disagree	32
Strongly Disagree	3

Table 4.11 shows that the majority of responses indicated that BancABC does not disclose information on the significant innovations which affect profitability. According to an article on NFPIs by the Financial Times (2015) innovations which affect survival of an organisation need disclosure to the interested parties. These findings confirm the need for BancABC to include such information. Figure 4.4 below shows the basic summary of responses pertaining to this matter.

Figure 4.4 “BancABC performance disclosures incorporate innovation”



**Question 6.4 “BancABC performance disclosures incorporate new products”.**

10 respondents making up 22.22% agreed that BancABC discloses information on new products and services. This is on the premise that BancABC disclosed such information to its valued depositors and shareholders when the bank launched its ‘Free banking for schools and churches’ product. The bank however does not report this information in its annual reports as part of the non-financial side of performance. On the other hand, 71.11% of the total respondents disagreed on the opinion. It is not part of the reporting style of the bank to disclose NFPIs to the various stakeholders. This is in line with Furtwenglar (2013) who advocated to customer oriented performance such as the continuous improvement of existing and new products. The author argued that such information makes one organisation stand out from the rest if such disclosures are made. Table 4.12 below gives a brief analysis and summary of the responses to this query.

Table 4.12 “BancABC performance disclosures incorporate new products”

<b>Opinion</b>	<b>Number of respondents</b>	<b>Percentage</b>
Strongly Agree	1	2.22%
Agree	9	20.00%
Undecided	3	6.67%
Disagree	27	60.00%
Strongly Disagree	5	11.11%
<b>Total</b>	<b>45</b>	<b>100%</b>

**Question 6.5 “BancABC performance disclosures incorporate market share”.**

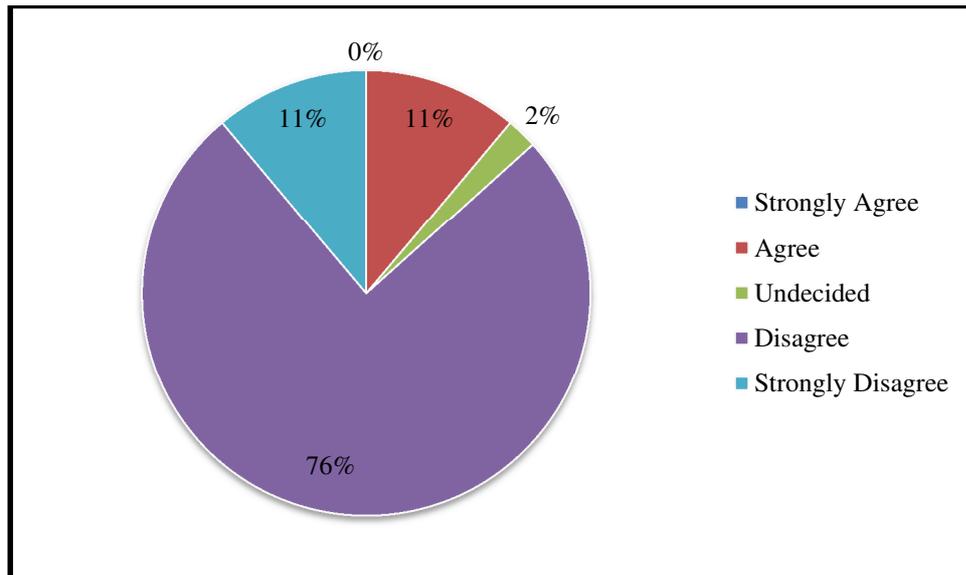
Table 4.13 “BancABC performance disclosures incorporate market share”

<b>Opinion</b>	<b>Number of respondents</b>
Strongly Agree	0
Agree	5
Undecided	1
Disagree	34
Strongly Disagree	5
<b>Total</b>	<b>45</b>

Table 4.13 above, showing an analysis of the responses to the opinion that BancABC discloses information about its market share to investors and other stakeholders. 88% of the respondents, making up the bigger portion of the sample disagreed to the opinion. Only 11% of the respondents (5 individuals) agreed to the opinion.

Respondents pointed out that management are of the belief that such disclosures bring about no benefit to the organisation. Armstrong (2012) pointed out that managers neglect to include such disclosures as they fail to see the benefits of reporting market share related information to stakeholders. Those that agreed to the opinion added that they agree because the bank disclosed these details to investors and journalists at the annual analyst briefing. Information on market share trends is however left out in the annual reports.

Figure 4.5 “BancABC performance disclosures incorporate market share”



### Question 7.1 “Potential and existing investors make use of market share”.

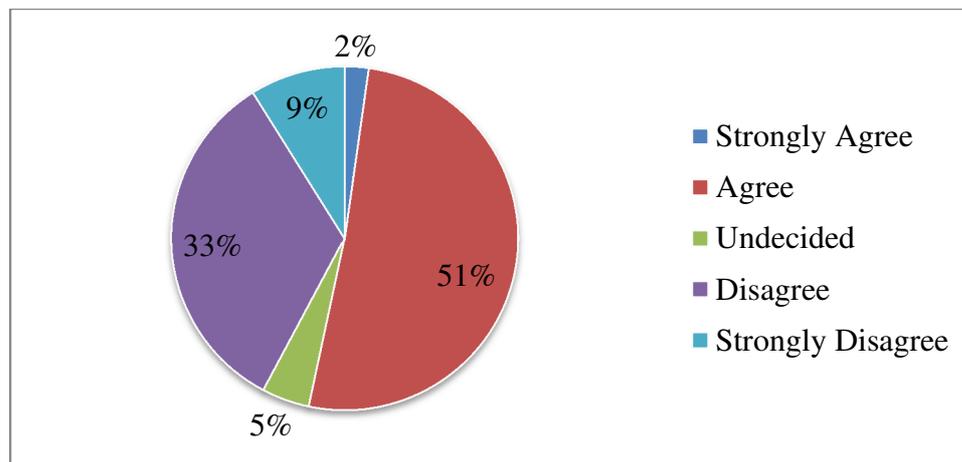
This section of the questionnaire aimed at obtaining an understanding of the train of thought of the managers and staff members of the bank in relation to the needs of stakeholders. 24 respondents (53.3%) from the sample agreed to the opinion of stakeholders making use of market share statistics in making their assessment of BancABC. This is the notion pointed out by Buzzel et al (2015) that investors, customers and other stakeholders perceive organisations with a high market share as the more profitable option to its rivals. This opinion is based on the premise of information needed by stakeholders in making investment decisions such as providing capital and customers having confidence to deposit hard earned money into the bank. Only 4.4% of the respondents were indifferent on the opinion.

19 respondents (42%) disagreed to the opinion of stakeholders making use of market share statistics. This group of respondents supported Furtwenglar’s notion that stakeholders may perceive high market share as counterproductive. A large market share may signal to stakeholders that the bank lacks a quality customer base. Table 4.14 and Figure 4.6 below give an analysis and brief summary of the responses form the target sample.

Table 4.14 “Potential and existing investors make use of market share”

Opinion	Number of respondents
Strongly Agree	1
Agree	23
Undecided	2
Disagree	15
Strongly Disagree	4
<b>Total</b>	<b>45</b>

Figure 4.6 “Potential and existing investors make use of market share”



**Question 7.2 “Potential and existing investors make use of employee satisfaction”.**

53% of the respondents (23 individuals) agreed that investors make use of information on employee satisfaction. This opinion is supported by Moon and Hur (2015) who argued that investors are interested in the working conditions and the level of motivation of the staff. Investors understand that a well-motivated workforce provides better service internally and externally and this has a direct effect on profitability. It would paint a better picture of the bank if such disclosures were included in the annual reports.

18 respondents (40%) disagreed that investors paid attention to such non-financial performance indicators. 3 respondents (6.67%) were indifferent on the opinion. Table 4.15 below gives an analysis and brief summary of the responses.

Table 4.15 “Potential and existing investors make use of employee satisfaction ”

Opinion	Number of respondents	Percentage
Strongly Agree	3	6.67%
Agree	21	46.67%
Undecided	3	6.67%
Disagree	16	35.56%
Strongly Disagree	2	4.44%
<b>Total</b>	<b>45</b>	<b>100%</b>

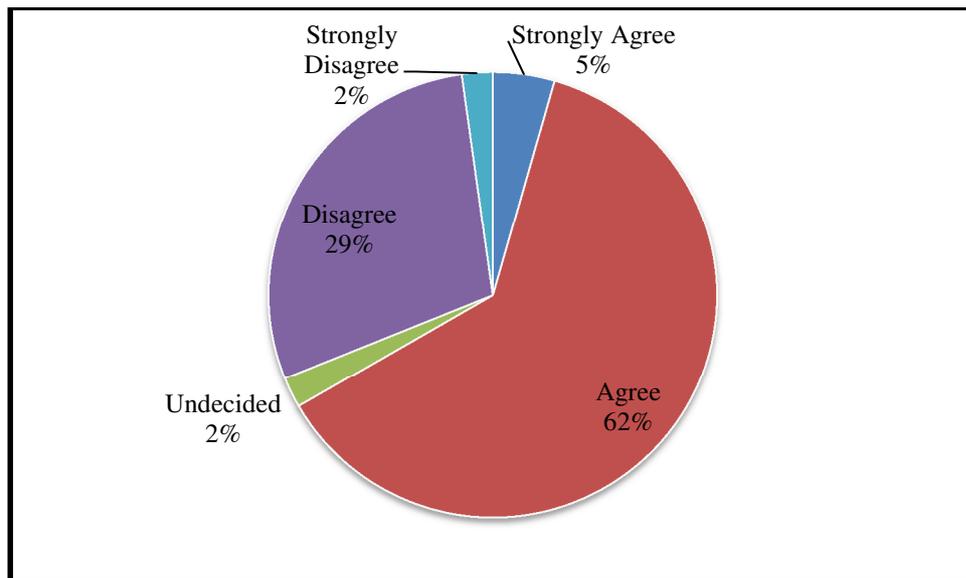
**Question 7.3 “Potential and existing investors make use of customer satisfaction”.**

Table 4.16 “Potential and existing investors make use of customer satisfaction”

Opinion	Number of respondents
Strongly Agree	2
Agree	28
Undecided	1
Disagree	13
Strongly Disagree	1
<b>Total</b>	<b>45</b>

Table 4.16 above shows the pattern of responses on the opinion of investors making use of the information on customer satisfaction surveys. 30 respondents (66.4%) agreed in support of the opinion. This is in line with literature from the Harvard Business Report (2014) on customer satisfaction and profitability. The report pointed out that investors paid attention to an organisation’s ability to satisfy its customers and retain the customer base. Only 30% disagreed pointing out that investors only care about the final financial result of business activity. Figure 4.7 below shows a brief summary of the pattern of responses.

Figure 4.7 “Potential and existing investors make use of customer satisfaction”



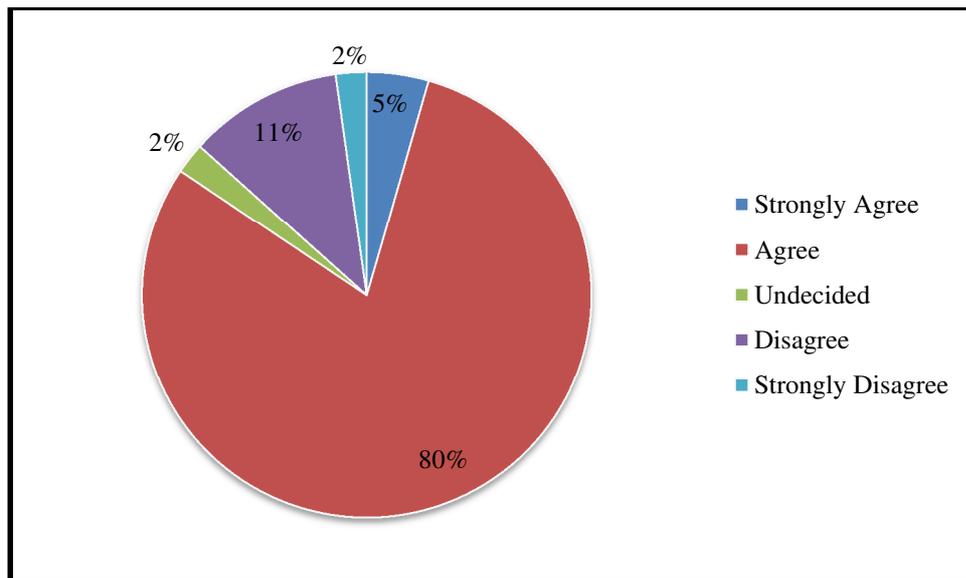
**Question 7.4 “Potential and existing investors make use of CSR information”.**

Investors and the general public have always perceived CSR as a sign of giving back to the community. Successful and profitable organisations are usually the leaders in CSR activities. Responses to the questionnaires show that BancABC is deeply involved in CSR activities and this has attracted the attention of its stakeholders. 84.4% of the respondents agreed to the opinion that investors make use of CSR information in company reports. This support is in line with the argument by Kazlauskaite (2012) stating that stakeholders pay attention to such details. CSR disclosures also help the organisation to attract investors and customers and to also retain existing ones. Only 13% of the respondents disagreed to the opinion of investors paying attention to CSR activities. One respondent remained indifferent to the opinion. Table 4.17 and Figure 4.8 below give an analysis and brief summary of the response to the subject.

Table 4.17 “Potential and existing investors make use of CSR information”

Opinion	Number of respondents
Strongly Agree	2
Agree	36
Undecided	1
Disagree	5
Strongly Disagree	1
<b>Total</b>	<b>45</b>

Figure 4.8 “Potential and existing investors make use of CSR information”



**Question 7.5 “Potential and existing investors make use of information on new products/innovations”.**

Table 4.18 “Potential and existing investors make use of information on new products and innovations”

Opinion	Number of respondents	Percentage
Strongly Agree	1	2.22%
Agree	22	48.89%
Undecided	2	4.44%
Disagree	16	35.56%
Strongly Disagree	4	8.89%
<b>Total</b>	<b>45</b>	<b>100%</b>

Table 4.18 above shows the pattern of responses on the suggested opinion. Approximately 51% agreed that investors make use of information on new products and/or services. A Financial Times (2015) article on NFPIs stated that organisations which are continuously producing new products and/or services are more attractive to investors. This is in line with the majority of respondents agreeing to the use of such data by investors. 44% of the respondents (20 individuals) showed disagreement to the opinion. This group is of the opinion that investors only worry about the final financial result and the past performance of the organisation.

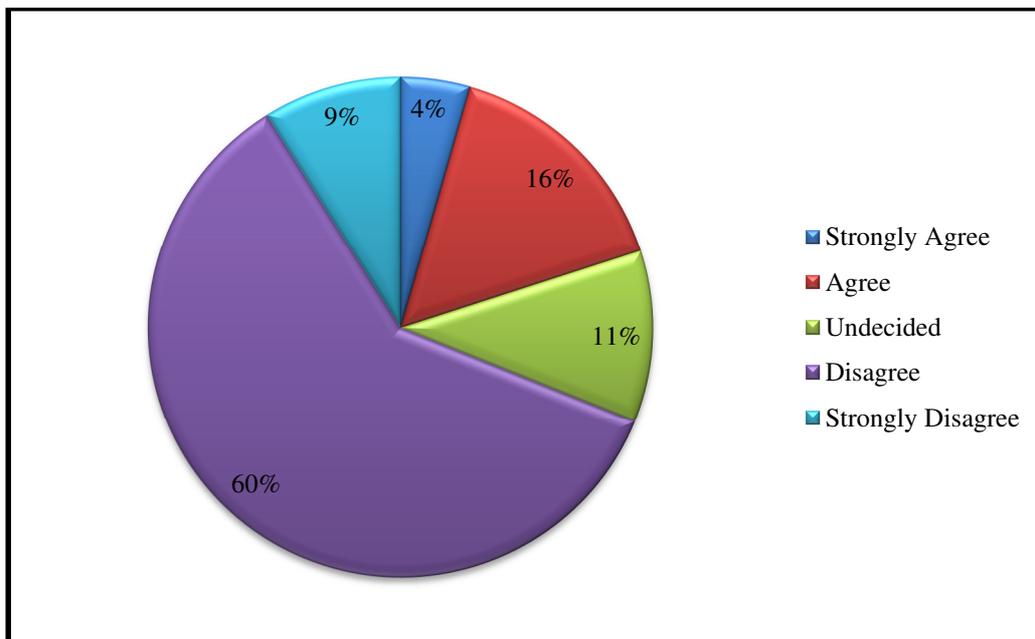
**Question 8 “Current level of disclosure of non-financial information is adequate for all stakeholders.”**

Table 4.19 “Current level of disclosure of non-financial information is adequate for all stakeholders.”

Opinion	Number of respondents
Strongly Agree	2
Agree	7
Undecided	5
Disagree	27
Strongly Disagree	4
<b>Total</b>	<b>45</b>

2 out of 45 strongly agree, 7 out of 45 agreed, 5 were undecided, 27 disagreed and 4 out of 45 strongly disagreed that current levels of disclosure of non-financial information is adequate for all stakeholders. 68.89% of the respondents are disagreeing to that the current levels of disclosure of non-financial information is adequate for stakeholders. This shows that the current level of disclosure of NFPI’s is not adequate for stakeholders. This is in line with what Switzer (2014) pointed out that organisations need a balance between financial and non-financial information rather than focusing solely on financial information.

Figure 4.9 “Current level of disclosure of non-financial information is adequate for all stakeholders.”



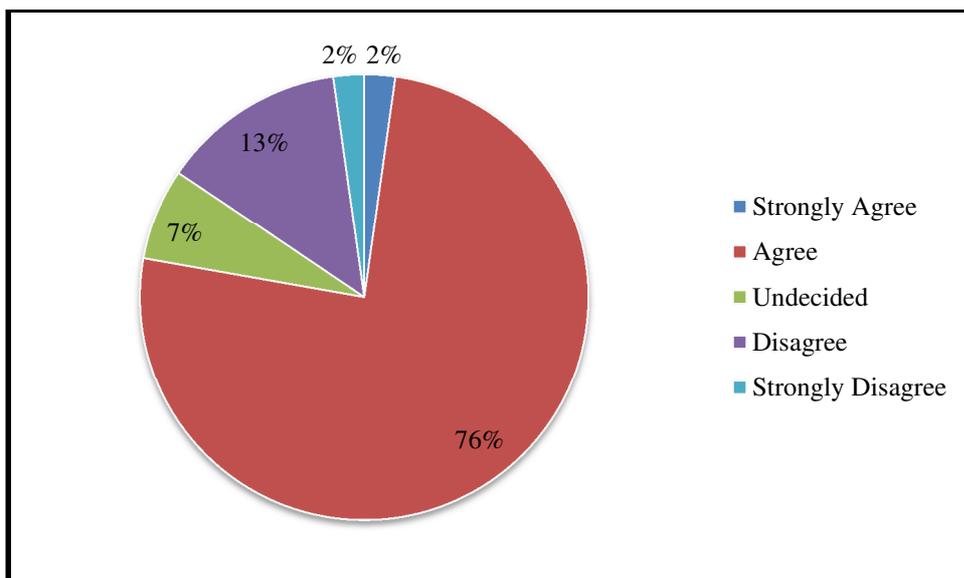
**Question 9.1 “The challenges and risks faced by BancABC in incorporating non-financial performance: complexity of NFPIs”**

Table 4.20 “Complexity of NFPIs”

Opinion	Number of respondents
Strongly Agree	1
Agree	34
Undecided	3
Disagree	6
Strongly Disagree	1
<b>Total</b>	<b>45</b>

1 out of 45 strongly agreed, 34 agreed, 3 were undecided, 6 disagreed and 1 strongly disagreed that complexity of NFPIs is one of the challenges faced by BancABC in incorporating non-financial performance indicators. 77.78% of the respondents agreed that the complexity of NFPIs is a challenge faced by BancABC in incorporating non-financial information. This means that complexities of the chosen NFPIs hindered the bank from disclosing such information in the annual reports. This is in line with Zeini (2011) who stated that some variables cannot be measured with reliability in as much as stakeholders may need the information. For example, it may be next to impossible to measure customer satisfaction.

Figure 4.10 “Complexity of NFPIs”



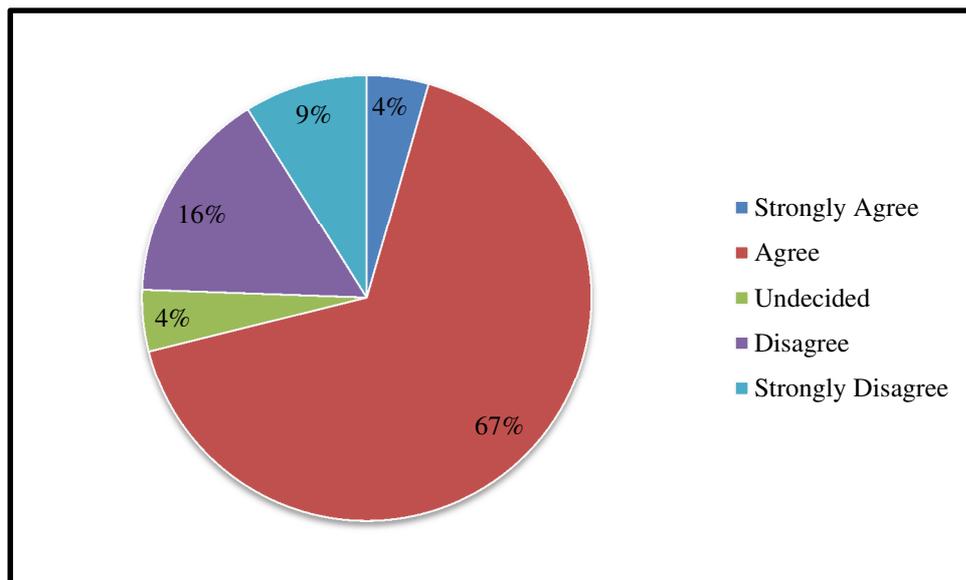
**Question 9.2** “The challenges and risks faced by BancABC in incorporating non-financial performance: information overload”

Table 4.21 “The challenges and risks faced by BancABC in incorporating non-financial performance: information overload”

Opinion	Number of respondents
Strongly Agree	2
Agree	30
Undecided	2
Disagree	7
Strongly Disagree	4
<b>Total</b>	<b>45</b>

2 out of 45 strongly agreed, 30 agreed, 2 were undecided, 7 disagreed and 4 strongly disagreed that the overloading of information is one of the challenges faced by BancABC in incorporating NFPIs in annual reports. The mode, 71% agree to the above mentioned opinion, showing that the overloading of information is one of the challenges hindering BancABC from disclosing non-financial information. This is in line with Branwhite (2010) who stated that annual reports may end up becoming too bulky.

Figure 4.11 “The challenges and risks faced by BancABC in incorporating non-financial performance: information overload



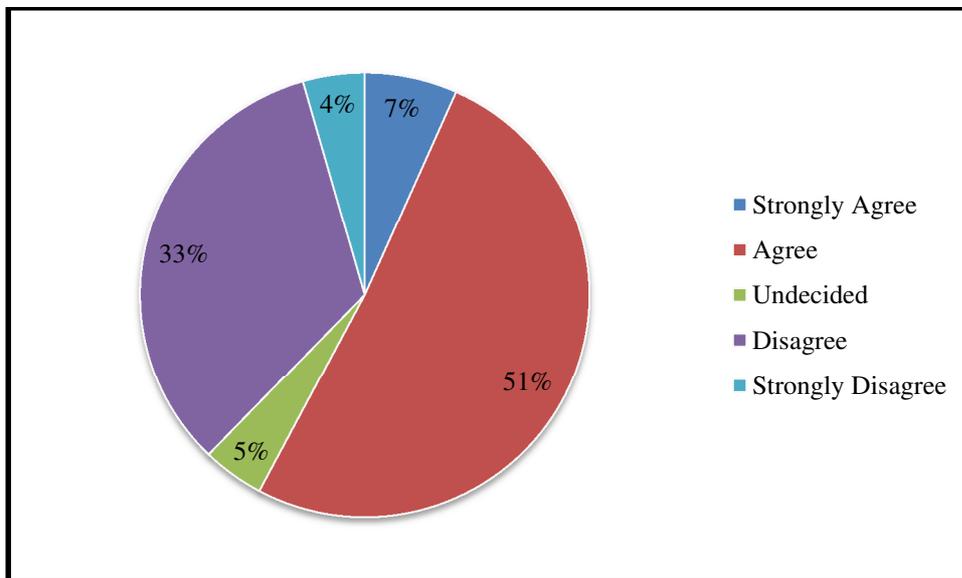
**Question 9.3** “The challenges and risks faced by BancABC in incorporating non-financial performance: limited knowledge”

Table 4.22 Limited knowledge.

Opinion	Number of respondents
Strongly Agree	3
Agree	23
Undecided	2
Disagree	15
Strongly Disagree	2
<b>Total</b>	<b>45</b>

3 out of 45 strongly agreed, 23 agreed, 2 were undecided, 15 disagreed and 2 strongly disagreed. The mode, 57.78% agreed that limited knowledge is one of the challenges faced by BancABC in non-financial reporting. This is in line with Zeini (2011) who stated that managers tend to lack the strong understanding of the non-financial performance indicators in use.

Figure 4.12 Limited knowledge



**Question 9.4** “The challenges and risks faced by BancABC in incorporating non-financial performance: linking profitability to NFPIs”

Table 4.23 “The challenges and risks faced by BancABC in incorporating non-financial performance: linking profitability to NFPIs”

Opinion	Number of respondents	Percentage
Strongly Agree	2	4.44%
Agree	36	80.00%
Undecided	1	2.22%
Disagree	6	13.33%
Strongly Disagree	0	0.00%
<b>Total</b>	<b>45</b>	<b>100%</b>

2 out of 45 strongly agreed, 36 agreed, 1 was undecided, 6 respondents disagreed and none strongly agreed. The mode being 84.44% agreed that one of the challenges hindering BancABC from incorporating NFPIs in annual reports was the failure to link the indicators to profitability. This is in line with Ittner and Larcker who pointed out failure to link NFPIs to profitability as one of the major challenges facing organisations in non-financial reporting. The Wharton School’s business publication on NFPIs (2012) agree to this as the report pointed out that organisations need to link the NFPIs to the desired financial result in order to derive the full benefit of using them.

**Question 9.5** “The challenges and risks faced by BancABC in incorporating non-financial performance: manipulation by managers”

Table 4.24 “The challenges and risks faced by BancABC in incorporating non-financial performance: manipulation by managers”

Opinion	Number of respondents	Percentage
Strongly Agree	8	17.78%
Agree	25	55.56%
Undecided	9	20.00%
Disagree	3	6.67%
Strongly Disagree	0	0.00%
<b>Total</b>	<b>45</b>	<b>100%</b>

8 strongly agreed, 25 agreed, 9 were undecided, 3 disagreed and none strongly disagreed. The mode being 73% shows that respondents agreed that the use of NFPIs face the challenge of manipulation by managers. This is in line with Akers (2015) who pointed out that NFPIs are very susceptible to the fraudulent influence of greedy managers who have self-serving intentions.

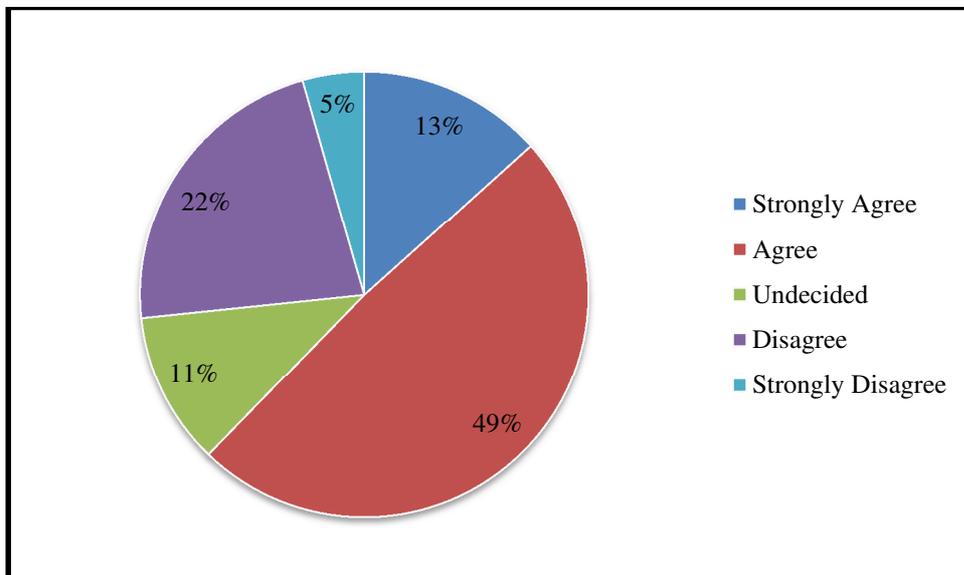
**Question 9.6** “The challenges and risks faced by BancABC in incorporating non-financial performance: manipulation by staff members”

Table 4.25 “The challenges and risks faced by BancABC in incorporating non-financial performance: manipulation by staff members”

Opinion	Number of respondents
Strongly Agree	6
Agree	22
Undecided	5
Disagree	10
Strongly Disagree	2
<b>Total</b>	<b>45</b>

6 out of 45 strongly agreed, 22 agreed, 5 were undecided, 10 disagreed and 2 strongly disagreed. The mode being 62.22%, 28 respondents agreed that NFPIs also face the risk of manipulation by staff members for personal gain. This is also in line with Akers (2015) who stated that not only managers are capable of manipulating NFPIs to receive large bonuses but also staff members.

Figure 4.13 Manipulation by staff members



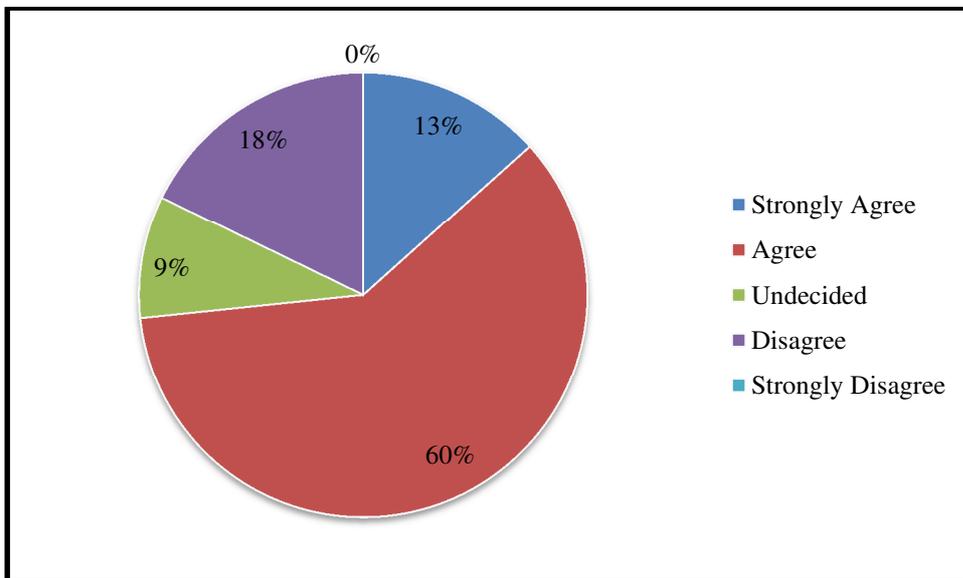
**Question 10** “Financial information should be integrated with non-financial performance indicators”

Table 4.26 “Financial information should be integrated with non-financial performance indicators”

Opinion	Number of respondents
Strongly Agree	6
Agree	27
Undecided	4
Disagree	8
Strongly Disagree	0
<b>Total</b>	<b>45</b>

6 strongly agreed, 27 agreed, 4 were undecided, 8 disagreed and none strongly disagreed. The mode being 73.33% agreed that financial information should be integrated with non-financial performance indicators. This means that the respondents support the opinion that information should be integrated i.e. financial and non-financial. This is in line with Switzer (2014) who stated that annual reports need to include disclosure from both spectrums of performance to convey a complete picture to all of an organisation’s stakeholders.

Figure 4.14 Financial information should be integrated with non-financial indicators.



**Question 11.1** “BancABC makes use of The Balanced Scorecard format.”

Table 4.27 “BancABC makes use of The Balanced Scorecard format.”

Opinion	Number of respondents	Percentage
Strongly Agree	7	15.56%
Agree	34	75.56%
Undecided	2	4.44%
Disagree	2	4.44%
Strongly Disagree	0	0.00%
<b>Total</b>	<b>45</b>	<b>100%</b>

7 out of 45 strongly agreed, 34 agreed, 2 were undecided, 2 disagreed and none strongly disagreed. The mode, 91% agreed that BancABC makes use of the Balanced Scorecard for its non-financial reporting. Respondents however highlighted that this model was primarily used for internal reporting purposes and never used for external reporting. This is in line with Hannaburger (2015) who pointed out the need for a framework to guide an organisations assessment of non-financial performance.

**Question 11.2** “BancABC makes use of The Building Blocks Model”

Table 4.28 “BancABC makes use of The Building Blocks Model”

Opinion	Number of respondents	Percentage
Strongly Agree	0	0.00%
Agree	0	0.00%
Undecided	5	11.11%
Disagree	31	68.89%
Strongly Disagree	9	20.00%
<b>Total</b>	<b>45</b>	<b>100%</b>

None of the respondents agreed or strongly disagreed, 5 were undecided, 31 disagreed and 9 strongly disagreed. The mode, 88.89% disagreed that BancABC makes use of the Building Blocks model for its non-financial reporting. This means that at present, the bank solely makes use of the Balanced Scorecard Model.

**Question 11.3** “BancABC makes use of a blend of the two frameworks”

Table 4.29 “BancABC makes use of a blend of the two frameworks”

Opinion	Number of respondents	Percentage
Strongly Agree	0	0.00%
Agree	0	0.00%
Undecided	2	4.44%
Disagree	24	53.33%
Strongly Disagree	19	42.22%
<b>Total</b>	<b>45</b>	<b>100%</b>

None of the respondents agreed or strongly agreed, 2 were undecided, 24 disagreed and 19 strongly disagreed. The mode being 95.5% disagreed that BancABC uses a model created from the blending of the two above mentioned models. This means that BancABC currently does not have a model built from using the two above mentioned frameworks to guide its non-financial reporting. This is in line with Francis (2013) who stated that organisations are reluctant to use the various model at their disposal to create a model incorporating all frameworks because of the time and effort involved in the process.

**Question 11.4** “BancABC makes use of a unique model specifically aligned to its vision”

Table 4.30 “BancABC makes use of a unique model specifically aligned to its vision”

Opinion	Number of respondents	Percentage
Strongly Agree	0	0.00%
Agree	1	2.22%
Undecided	16	35.56%
Disagree	19	42.22%
Strongly Disagree	9	20.00%
<b>Total</b>	<b>45</b>	<b>100%</b>

None of the respondents strongly agreed, one agreed, 16 were undecided, 19 disagreed and 9 strongly disagreed. The mode, 62.22% disagreed that BancABC makes use of a unique model for its non-financial reporting specifically aligned to its vision. This is in line with Switzer (2014) who stated that organisations need a unique model for non-financial reporting which is tailor made for its specific vision and strategies.

### **4.3 INTERVIEW RESPONSE RATE**

The researcher had scheduled 5 interviews with 5 heads of departments. Only 4 interviews were carried out. This implies a participation rate of 4 out of 5 (80%).

#### **4.3.1 What are the challenges faced by BancABC in non-financial reporting?**

Of the 4 interviews carried out, the majority of the responses were similar across all interviewees. 3 out of 4 participants pointed out the issue of cost-benefit element of collecting and processing non-financial data. For example, the costs incurred to conduct surveys on customer/employee satisfaction for the purpose of reporting such information. This also raised the issue of the complexity of the information to be reported. This is in line with McKersie (2010) who stated that complexity of the data involved may cause real problems for practitioners. Another challenge raised by the majority is the issue of reporting structures and regulations. Public companies such as BancABC are mandated to follow strict rules and regulations concerning annual reporting. The authorizers of annual reports may deem such information unnecessary and causing information overload. This is also in line with Branwhite (2010) who argued that NFPIs may cause annual reports to become bulky and too long.

#### **4.3.2 What are the key non-financial performance indicators needed by stakeholders?**

All respondents gave similar contributions regarding NFPIs. All of them pointed out market share as the leading performance indicator. 3 out of 4 added customer satisfaction and employee retention rate. 2 out of the 4 respondents also pointed out corporate social responsibility as an indicator of successful enterprise. All these contributions are in line Lexicon (2015) who defined NFPIs as any qualitative or quantitative measure used as a yardstick to gauge the performance of an organisation. One interviewee pointed out the level of staff skills i.e. the types of skilled people working for an organisation. For example, usually successful businesses tend to attract highly skilled people such as chartered accountants and actuaries, whereas small unsuccessful organisations cannot afford their services.

### **4.3.3 What are the benefits of incorporating non-financial indicators of performance for BancABC?**

3 out of 4 interviewees expressed the same views on the future sustainability focus of NFPIs. They pointed out that NFPIs can reveal to stakeholders the strengths that allow the business to continue making profits in the foreseeable future. This is in line with Kaplan and Norton (2010) who stated that with the use of NFPIs, annual reports become forward focused and also providing data on past performance. All 4 respondents pointed out that NFPIs help convey a complete picture of the bank. This is in line with Vitez (2015) who pointed out that non-financial information fills in the gaps left by the vague financial data.

### **4.3.4 What frameworks can be used by BancABC to incorporate non-financial performance indicators?**

3 out of 4 interviewees pointed out the Blanced Scorecard as a strong model for non-financial reporting. This is in line with Kaplan and Norton (2010) who advocated for the model created by the two as a tool for assessing and reporting on NFPIs. 2 out of the 4 respondents introduced a new framework to the researcher named “Integrated Reporting”. This framework is a new model used for non-financial reporting and may soon be the preferred option over the Balanced Scorecard.

## **4.4 SECONDARY DATA**

Secondary data was inspected and analyzed to ascertain the whole range of information disclosed in BancABC’s annual reports to stakeholders. The annual reports consisted of the prescribed financial statements as per IFRSs and disclosures on accounting policies. Annual reports (2011 – 2013) showed little to no disclosures on the non-financial performance indicators relevant to the bank. Only a few details of the CSR activities undertaken by the bank were mentioned in the chairman’s report.

Minutes of the 2014 analyst briefing event hosted by BancABC revealed the interests of potential investors in the non-financial side of the bank’s performance. One business analyst raised a question about the bank’s increasing market share and its relationship to the profit levels trend. Business analysts also commended the bank for introducing new products and

services which have had a positive impact on the profitability of the bank. Such products include free banking for schools and churches and the increase in business hours to accommodate customers. BancABC is the only bank in Zimbabwe which is open for business until 1600hours during week days and opens both days of the week until 1200 hours. These non-financial indicators of performance took the interest of stakeholders.

#### **4.5 SUMMARY**

The chapter provided analyses and presentation of data gathered via questionnaires and interviews. Information was presented using tables, graphs and pie charts. Major research findings were outlined, on which conclusions and recommendations will be made in the final chapter to follow.

# **CHAPTER 5**

## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.0 INTRODUCTION**

Chapter five will give a summary of the study and the major research findings contained therein. The chapter will end with recommendations to BancABC on the incorporation of non-financial performance indicators in annual reports.

### **5.1 SUMMARY OF THE STUDY**

Chapter One covered the background of the study, statement of the problem and significance of the study. This chapter also introduced the objectives of the study and the sub research questions which form the structure of the study. Chapter One ended by describing the delimitations, limitations, assumptions and definition of terms.

Chapter Two made reference to work previously done by other researchers. The work gathered gave insight on the different performance assessment strategies that guide organisations in improving financial performance of banking institutions by incorporating non-financial indicators. The major authors in the literature review were Ittner and Larcker (2015), The Harvard Business Report (2015) and The Financial Times (2014).

Chapter Three gave an outline of the research design and research procedures followed. Questionnaires and interviews were the main research instruments selected for this research. Judgemental sampling was chosen as most appropriate sampling method for the questionnaires and interviews to obtain data. Data was presented using mathematical/statistical processing and presentation tool i.e. graphs, pie charts and tables. The major authors in Chapter Three were Polonski (2012), Allmer (2014) and Van Wyk (2014).

Chapter Four provided analyses and presentation of data gathered via questionnaires and interviews. Information was presented using tables, graphs and pie charts. Major research findings were outlined, on which conclusions and recommendations will be made in this final chapter.

## **5.2 Major Research Findings**

### **5.2.1 To establish the challenges faced by BancABC in incorporating NFPIs in annual reports.**

Information obtained by analyzing the data from questionnaires and interviews revealed the challenges hindering BancABC from reporting on NFPIs. The challenges include the complexity of the applicable indicators, limited knowledge of the purpose and benefits derived from the use of NFPIs, the risk of information overload and finally the risk of manipulation of the non-financial data by managers and staff members alike.

### **5.2.2 To establish the key non-financial performance indicators needed by stakeholders.**

The key NFPIs needed by stakeholders to compliment the financial data information in annual reports are: market share, customer satisfaction, employee satisfaction and employee retention statistics, new products and/or services, internal and external innovations and finally disclosures on corporate social responsibility.

### **5.2.3 To ascertain the benefits of incorporating NFPIs to BancABC**

The research findings revealed a number of benefits to using NFPIs. The benefits include the ability to link day to day activities with the desired financial result. Another benefit is that annual reports will become both past and future focused. Annual reports will meet the needs of a larger range of stakeholders rather than focusing on information to providers of capital i.e. customers, employees and trading partners' needs are also met. The use of NFPIs will also help BancABC to include essential immeasurable information in annual reports.

5.2.4 To suggest ways of incorporating NFPI in BancABC's annual reports.

Through the responses in the research, it was noted that BancABC currently makes use of The Balanced Scorecard for internal reporting. BancABC does not currently have any reporting framework in use for external non-financial reporting..

### **5.3 Conclusion of Findings**

Research was conducted successfully despite facing numerous limitations. The researcher managed to collect sufficient relevant data to conclude that BancABC is facing challenges in reporting on non-financial performance in annual reports and its effect on the stakeholders. Along the research process, possible solutions to the problems were discovered.

### **5.4 Recommendations**

The researcher recommends that BancABC should revise its annual reporting practice and incorporate non-financial performance indicators as part of the complimentary information to financial statements. Zeini (2011) stated that world economies are changing and companies should change the way they define and assess success to incorporate non-financial measures in their assessment. Buzzel et al (2015) explained the importance of NFPIs stating that these indicators differentiate the high performers from the mediocre companies, which is an important aspect for stakeholders. Care should be taken to choose NFPIs wisely and relate to profitability and the bank's critical success factors (CSFs) as defined by shareholders. The bank should engage specialists to help create a reporting model from the two prescribed models, which is specifically aligned to the strengths and visions of the organisation.

BancABC should shift from an investor focused reporting mindset to providing information that is useful to the wide range of stakeholders including employees, customers and the general community among others. Akers (2015) stated that companies need to adopt a reporting style which caters for all its stakeholders and not solely for equity participants. A shift from focusing on past performance to a future focus will also force management to keep track of the organisations performance in relation to its original vision. NFPIs will also help ensure that the bank will not lose focus of its long-term goals. Vitez (2015) recommended that companies include NFPIs because they give a long-term focus to annual reporting.

### **5.5 Areas of Further Study**

The importance of non-financial reporting has recently become the focus of many large companies especially in developed countries. A number of reporting frameworks are currently under development and some of which are already recommended for voluntary adoption. Further research into the significance and effects of adopting such reporting frameworks on companies' performance should be conducted. Frameworks for non-financial reporting which need further research include The Performance Prism, The Performance Pyramid, The Balanced Scorecard, Building Blocks model and Integrated Reporting (IIRC).

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APPENDIX I

# Midlands State University

Established 2000



Midlands State University  
Private Bag 9055  
Senga  
Gweru

09 October 2015

BancABC Zimbabwe  
1 Endeavour Crescent  
MtPleasant Business Park  
Mt Pleasant  
Harare

Dear Sir/Madam

**RE: APPLICATION FOR AUTHORITY TO CARRY OUT RESEARCH**

My name is Albert T. Takaendesa, a fourth year student at Midlands State University. I am carrying out research entitled “**An analysis of non-financial indicators as a tool for assessing the performance of a company. A case of BancABC**”. The research is submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting (Honours) Degree at Midlands State University that I am currently pursuing. The information provided in this research will be treated as highly confidential and used strictly for academic purposes only.

Your support is greatly appreciated.

Yours faithfully

Albert T. Takaendesa  
Student Reg. No. R12898W

APPENDIX II

Midlands State  
University

Established 2000



Midlands State University  
Private Bag 9055  
Senga  
Gweru

09 October 2015

BancABC Zimbabwe  
1 Endeavour Crescent  
MtPleasant Business Park  
Mt Pleasant  
Harare

**Dear Respondent**

**RE: REQUEST FOR ASSISTANCE WITH RESEACRH**

I am a fourth year student at the above mentioned institution. I am kindly requesting for your assistance in carrying out research on “**An analysis of non-financial indicators as a tool for assessing the performance of a company. A case of BancABC.**” The research is submitted in partial fulfillment of the Bachelor of Commerce Accounting (Honors) degree which I am currently pursuing.

Kindly assist by completing the questionnaire to the best of your knowledge. Please be advised that any data obtained will be treated as highly confidential and used strictly for academic purposes. Respondents to the questionnaires will be kept anonymous.

Your cooperation is greatly appreciated

Yours faithfully

Albert T. Takaendesa  
R12898W

## APPENDIX III

### QUESTIONNAIRE

#### Instructions to respondents

Read the questions in the questionnaire and tick in the box with the answer of your choice.

#### Questions

1. Please indicate your department.....and position.....

2. Please indicate on the scale below the length of employment at BancABC .

0-2years       3-5years       6-9years       10+ years

3. May you please indicate your highest level of qualification?

'O'-Level       'A'-Level       Diploma       Degree   
 Masters       PhD

4. Give a comment on the following opinions, “BanABCs annual reporting focuses on the assessment of the following”;

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Undecided</b>	<b>Disagree</b>	<b>Strongly disagree</b>
4.1 Financial Performance e.g Income, NPLs, Deposits					
4.2 Non-Financial Performance e.g Customer service					
4.3 Both Financial and Non-Financial Performance					

5.0 Give an opinion on the following statement; “The current non-financial disclosure is linked to organisational strategy and strengths”;

Strongly agree     Agree     Undecided     Disagree     Strongly disagree

**6.0** Give an opinion on the following statement, “BancABC performance disclosures incorporate the following”;

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Undecided</b>	<b>Disagree</b>	<b>Strongly disagree</b>
6.1 Customer satisfaction					
6.2 Employee satisfaction					
6.3 Innovation					
6.4 New products					
6.5 Market share					

**7.0** Give an opinion on the following statement; “Potential and existing investors make use of the following information”;

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Undecided</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
7.1 Market Share					
7.2 Employee satisfaction					
7.3 Customer satisfaction					
7.4 Corporate Social Responsibility					
7.5 New products and innovation					

**8.0** Give an opinion on the following statement; “Current levels of disclosure of non-financial information is adequate for stakeholders.”

Strongly agree  Agree  Undecided  Disagree  Strongly disagree

**9.0** Give an opinion on the following statement, “The challenges and risks faced by BancABC in incorporating non-financial performance are .....”;

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Undecided</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
9.1 Complexity of non-financial indicators					
9.2 Information overload					
9.3 Limited knowledge of use of non-financial indicators					
9.4 Linking to profitability targets to non-financial indicators					
9.5 Manipulation by managers for personal gain					
9.6 Manipulation by staff members for personal gain					

**10.0** Give an opinion on the following statement; “Financial information should be integrated with non-financial performance indicators”?

Strongly agree  Agree  Undecided  Disagree  Strongly disagree

**11.0** Kindly provide a comment on the use of established frameworks for non-financial performance indicators by your organisation.

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Undecided</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
11.1 BancABC makes use of The Balanced Scorecard format.					
11.2 BancABC makes use of The Building Blocks Model					
11.3 BancABC makes use of a blend of the two above mentioned frameworks					
11.4 BancABC makes use of a unique model specifically aligned to its vision					

Any other comments;

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**Thank you for your time and contributions, your cooperation is greatly appreciated.**

**Regards**

## **APPENDIX IV**

### **Interview Guide**

1. What are the challenges faced by BancABC in non-financial reporting?
2. What are the key non-financial performance indicators needed by stakeholders?
3. What are the benefits of incorporating non-financial indicators of performance for BancABC?
4. What frameworks can be used by BancABC to incorporate non-financial performance indicators?