UNIVERSITY OF SAINT LOUIS
Tuguegarao City

SCHOOL OF ACCOUNTANCY, BUSINESS AND HOSPITALITY
First Semester
A.Y. 2024-2025

CORRESPONDENCE LEARNING MODULE
GGSR 1013 – Good Governance and Social Responsibility
AY 2025-2026

Prepared by:

JOHN PAUL LIBAN, MBA
Instructor

Lesson 1: Social Responsibility Framework

Topic:	Corporation and CSR Concepts

Learning Outcomes:	At the end of this module, you are expected to:

1. explain the concepts of corporation and CSR;
2. identify the dimensions that characterized by companies' responsibilities;
3. differentiate the drivers and barriers of CSR; and
4. identify the future of CSR.

LEARNING CONTENT

Introduction:

About the Lesson

Ever wondered what the inherent connection between corporations and society is? It may be a lingering question to you how these add up or work in the larger scheme of things. Let us welcome you to the world of corporate social responsibility and corporate governance. Some may still be foreign concepts, and even for some practitioners, this may always be a topic for polarizing views and perspectives. In this subject, we will uncover the whole schema of its importance and relevance to our lives.

Lesson Proper:

The Corporation

A corporation is a legal entity created by an individual or group of shareholders who have ownership of the corporation (through shares of stocks issued by the corporation) to engage in business activities. Monks and Minow (2011) defines a corporation as a structure established by law to allow different parties to contribute to capital, expertise, and labor or the maximum benefit of all of them. Their ownership of the corporation is generally represented by their holding of common stock (one share one vote). Certain types of shares can have more voting rights or dividend priority, as expressed in the company bylaws. Not all corporations though are formed with the objective of profit-making, such as charitable institutions, nonprofits, or nongovernmental organizations (NGOs). But the majority of corporations are formed to provide a return for their shareholders.

Since the inception of the corporation in the nineteenth century, they have been part of our daily lives as we need the products and services from these corporations (food, utilities, housing, and the like) to survive. It has been a popular form of business organization because of four appealing attributes: limited liability, transferability of ownership, legal personality, and centralized management (Clark, 1986, cited by Monks & Minow, 2011).

Corporations are legal entities and are sometimes defined as "legal persons." Corporations are allowed to perform functions that humans make, such as buying and selling properties, owning copyrights, patents, trademarks, and engaging in any other business activities. Corporations have an indefinite life span that can survive from generation to generation.

Lastly, corporations have the benefit of centralized management. An investor need not worry about the company's daily management and governance since these are under the jurisdiction of executive managers and the board of directors. This also allows a company to operate efficiently without having individual shareholders meddling with corporate affairs. Shareholders would normally look at the stock price as a performance metric.

The Philippine Corporation

According to the 2019 Revised Corporation Code (RCC), there is no minimum number of incorporators (directors) but shall not have more than 20, and each of the incorporators (directors) must own at least one share of stock. Today, a corporation is granted a perpetual corporate term (in lieu of the previous 50-year term). There is also the removal of the required subscribed/paid-up capital, and residency of incorporators was made to keep up with global standards. The most significant change done was the introduction of the One Person Corporation (OPC).

Importance of Social Responsibility and Good Governance

The way a corporation conducts its business has profound effects on individuals in the societies they operate. Corporations have continued to grow and can sometimes influence government policy through political lobbying. Imagine a society where drinking water becomes a problem when its water resources are being polluted by companies dumping their waste into lakes, rivers, and oceans or when you wake up one day to find out that the bank where you have put all your savings into collapsed overnight. Who should be accountable? How do you, as an individual member of society, contribute to good governance? At length in the succeeding chapters, we shall be discussing the various ways in which stakeholders contribute or do their part in addressing these issues.

Corporate Social Responsibility

Corporate social responsibility (CSR) is the responsibility of companies to act and behave ethically to satisfy their various stakeholders' needs. It is an ongoing commitment of organizations to ensure accountability to the stakeholders their existence impacts. The foremost authority on this subject, professor Archie Carroll, views CSR from four different perspectives as illustrated on the next page.

Carroll's Pyramid of Corporate Social Responsibility provides a robust framework for understanding various levels at which a company has responsibility to its stakeholders. It highlights that for a business to be genuinely responsible, it must take a step beyond profit-making and meeting legal requirements of a country. By embracing ethical practices and contributing to societal welfare through philanthropy, businesses can create a positive and long-lasting impact on the world.

Carroll's pyramid suggests that corporate has to fulfil responsibility at four levels:

1. *Profitable*
   Economic Responsibility - The lowest level of the pyramid represents a business's first responsibility, which is to be profitable. Without profit, the company would not be able to pay their workers, employees will lose their jobs even before the company starts CSR activities. Being profitable is the only way for a company to be able to survive long term, and benefit society. Additionally, this also means that it is a

company's duty to produce goods and services that are needed/wanted by the customers, at a reasonable price.

2. ***Legal Responsibility -*** The second level of the pyramid is the business's legal obligation to obey the law. This is the most important responsibility out of the four levels as this will show how companies conduct their business in the marketplace. Employment laws, competition with other companies, tax regulations and health and safety of employees are some examples of the legal responsibilities a company should adhere to. Adhering to the laws is not just about compliance but also about displaying a company's integrity and commitment to fair play. Failing to do this could earn a business a nasty reputation and deplete the trust that its stakeholders place in the enterprise.

3. ***Ethical Responsibility -*** The ethical layer of the pyramid is described as doing the right thing, being fair in all situations and also avoiding harm. A company should not only be obeying the law, but it should also do their business ethically. Unlike the first two levels, this is something that a company is not obligated to do. However, it is best for a company to be ethical as this not only shows their stakeholders that they are moral and just, but people will feel more comfortable purchasing goods/services from the company as well. Being environmentally friendly, treating suppliers/employees properly are a few examples of being ethically responsible. At a time when there are numerous corporate scandals coming to light, it is crucial for a company to maintain high ethical standards to ensure a company's long-term success and reputation.

4. ***Philanthropic Responsibility -*** At the top of the pyramid, occupying the smallest space is philanthropy. Businesses have long been criticized for their carbon footprint, their part in pollution, using natural resources and more. To counterbalance these negatives, they should "give back" to the community they take from. Even though this is the highest level of CSR, it should not be taken lightly as many people would want to do business with companies that are giving back to society. Philanthropic Responsibility is more than just doing what is right, but it is something that holds true to the company's values, to give back to society.

A Brief History of CSR

CSR can be traced back to the industrial revolution when there was a growing concern for the well-being of workers and its effect on their productivity. The industrial revolution was responsible for the economic growth of nations. Still, the downside of industrialization that contributed to social problems (such as increased poverty and unfair labor practices, among others) became advocacy for reformers. CSR started as a philanthropic endeavor of successful businessmen who wanted to do good through their donations to help the underprivileged. A rise in nations wealth brought about an increase in philanthropists such as Carnegie and Rockefeller in the United States.

CSR was officially introduced in the early 1950s through American economist and educator Howard Bowen's (1953) seminal work on social responsibility. Bowen paved the way for the succeeding academic research and management practice of CSR. The last 40 years, beginning in the 1970s, saw marked developments in CSR as companies started to be more aware of their social responsibility. In the 1980s and 1990s, more companies became more responsive to the various stakeholders due to social activism. At the turn of the twenty-first century, CSR has become an integral part of organizational strategy and rightfully, so companies do not exist in a vacuum.

In the Philippines, CSR started as donations from various businesses in the 1960s. Activities from this decade were unorganized and sporadic. The 1970s saw more coordinated efforts between companies and intermediaries. The end of the Marcos regime in the 1980s and its adverse effects on the economy led to a closer collaboration between donors and donees. CSR flourished in the 1990s as companies acknowledge their role as social catalysts. And from the 2000s onward, CSR has become an essential part of a company's identity (Roman, 2007). Top companies started to approach CSR as an integrative strategic management tool. CSR now is a universally accepted norm of good corporate governance.

Drivers and Barriers of CSR

How can one strengthen the propagation of CSR? And what are some of the barriers it needs to contend with for companies to embrace it fully?

Below is an illustration of the opposing forces of CSR.

DRIVERS	BARRIERS
Consumer Demand	Short-Term Costs
Reputation and Brand Value	Lack of Resources or Expertise
Legal and Regulatory Pressure	Competing Priorities
Employee Engagement and Retention	Perceived Lack of ROI (Return on Investment)
Financial Performance	Resistance to Change

Drivers of CSR
(Factors that encourage companies to adopt CSR initiatives)

- Consumer Demand: Consumers are increasingly aware of the social and environmental impacts of the products and services they buy. Many prefer to support businesses that align with their values and are socially responsible.

- Reputation and Brand Value: Companies often engage in CSR to enhance their reputation and build a positive brand image. A commitment to social and environmental responsibility can improve customer loyalty and attract new customers.

- Legal and Regulatory Pressure: Governments and regulatory bodies may mandate CSR initiatives, particularly regarding environmental sustainability, labor rights, or anti-corruption measures. Companies often engage in CSR to comply with legal requirements or to stay ahead of potential regulations.

- Employee Engagement and Retention: Many employees today seek to work for companies that share their values. CSR initiatives can improve employee morale, attract top talent, and retain staff by providing a sense of purpose and aligning with their personal values.

- Financial Performance: Companies that invest in CSR may see long-term financial benefits. CSR can help improve operational efficiencies (e.g., energy-saving initiatives), reduce risks, and open up new market opportunities.

Barriers to CSR
(Factors that hinder companies from adopting CSR initiatives)

- Short-Term Costs: Many CSR initiatives require an upfront investment that can be seen as a financial burden in the short term, especially for small and medium-sized enterprises (SMEs). This may deter businesses from pursuing long-term CSR strategies.

- Lack of Resources or Expertise: Companies, particularly smaller ones, may not have the necessary resources, knowledge, or infrastructure to implement effective CSR programs. This can include the need for specialized staff or the right technology.

- Competing Priorities: Companies often face conflicting priorities between maximizing profits and investing in CSR. In highly competitive industries, businesses might prioritize short-term financial goals over long-term sustainability initiatives.

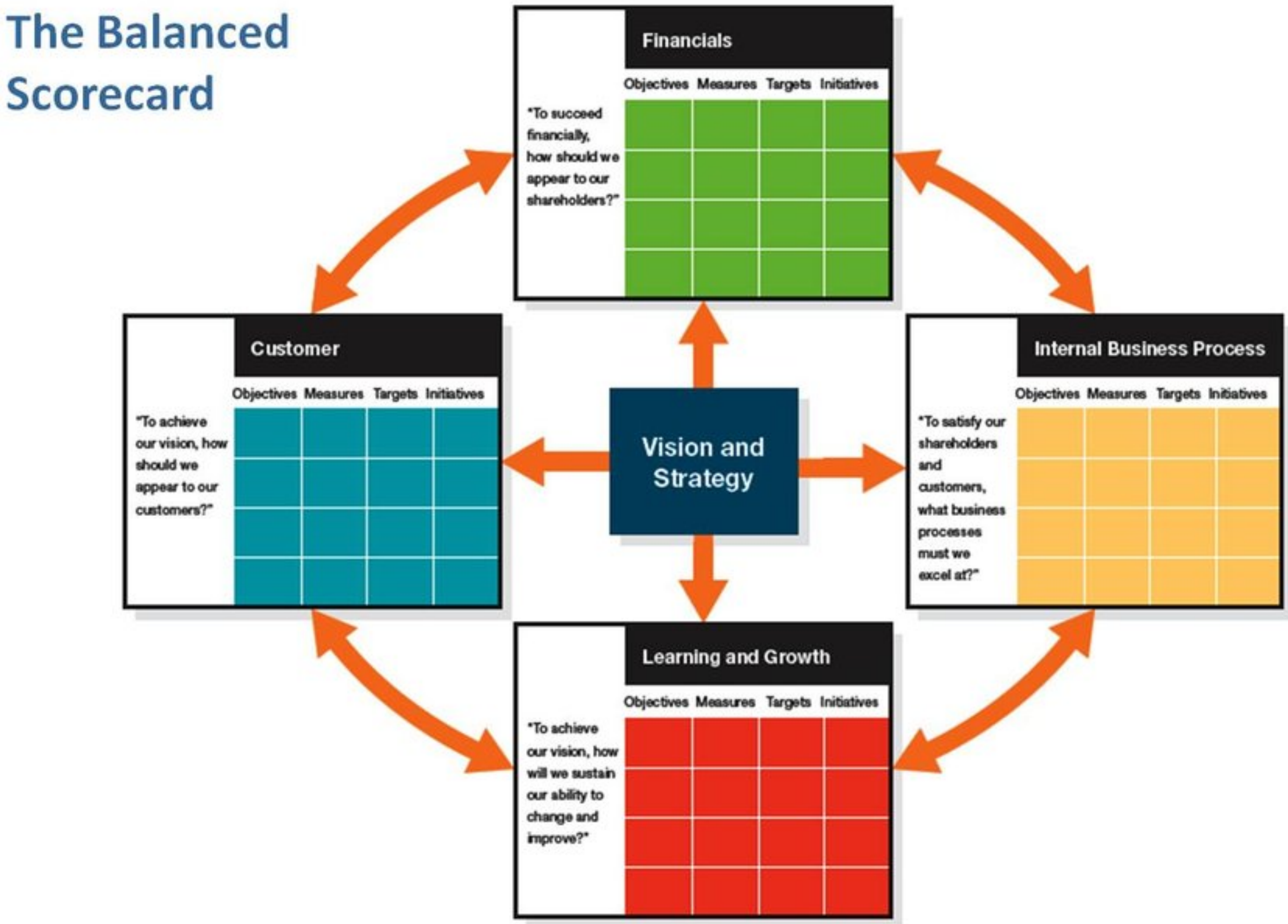
- Perceived Lack of ROI (Return on Investment): Some businesses may struggle to measure the direct impact of CSR on their bottom line. Without clear evidence of how CSR improves financial performance or market position, companies may question its value.

- Resistance to Change: Organizational inertia or a lack of commitment from top management can be significant barriers to implementing CSR. Resistance to change can stem from a company's established culture, lack of leadership buy-in, or reluctance to adapt to new practices.

Measuring CSR

The purpose of measurement is to understand what is being measured better and lay the groundwork for improvement. CSR is a management concept that is not easy to measure. Unlike other functional areas where tangible measurements have been developed for quite some time, market share, customer satisfaction, attrition rate, turnaround time, financial ratios, goodwill, loyalty, and social/environmental impact are just some CSR concepts that cannot be accurately measured. But all these intangibles can be translated into measurable variables that can provide indications of relationships and outcomes. Measuring CSR provides several benefits, such as helping organizations make better decisions on allocating resources with the greatest impact, improving processes that will make CSR initiatives more efficient, and providing more support for the business case.

Kaplan and Norton's Balanced Scorecard is an example of an integrated strategic measurement system. Illustrated below is the authors' framework by which companies can include both tangible and intangible measurements that can identify if goals are met in each of the four dimensions (financial, customer, processes, and learning and growth). Metrics must be carefully identified for each objective. Application of this scorecard is also dependent on the specific need or circumstance of a company and may be adjusted accordingly.



Balanced Scorecard (BSC) framework and its significance:

1. **Vision and Strategy (Core of the Framework)**

- ***Purpose:*** Vision and strategy are central to the framework, representing the organization's long-term goals and the plan to achieve them. Everything revolves around ensuring that actions taken in the four perspectives align with this vision.
- ***Key Question:*** "What is our overarching goal, and how can we implement it effectively across all dimensions of the organization?"
- ***Significance:*** By centralizing vision and strategy, the BSC ensures that day-to-day operations and individual efforts contribute to the strategic objectives.

2. **The Four Perspectives in Detail**

- The Balanced Scorecard looks at an organization holistically, rather than focusing solely on financial metrics. Each perspective includes:

A. Financial Perspective (Top)
   - Focus: Achieving financial success and ensuring profitability. This perspective answers to shareholders and investors, making it crucial for sustainability.

B. Customer Perspective (Left)
   - Focus: Understanding and exceeding customer expectations. Satisfied customers are essential for growth, loyalty, and competitive advantage.

C. Internal Business Processes Perspective (Right)
   - ✓ Focus: Identifying and optimizing the internal processes critical to delivering value to customers and achieving financial goals.

D. Learning and Growth Perspective (Bottom)
   - ✓ Focus: Developing the organization's ability to adapt, innovate, and improve. This perspective is about investing in the workforce, technology, and organizational culture.

3. Interconnections and Cause-Effect Relationships

❖ A hallmark of the Balanced Scorecard is the logical flow between perspectives:

- Learning and Growth Drives Process Improvements:
- Example: Upskilled employees (Learning & Growth) streamline production or reduce delivery times (Internal Processes).

- Improved Processes Enhance Customer Satisfaction:
- Example: Efficient operations ensure high-quality products, improving customer experiences (Customer Perspective).

- Satisfied Customers Boost Financial Outcomes:
- Example: Loyal customers increase revenue through repeat business and referrals (Financial Perspective).

- This interconnectedness reinforces the idea that all perspectives must work together to drive sustainable success. Neglecting one area can weaken the entire system.

4. Why the Balanced Scorecard Matters

- ✓ Strategic Alignment: It ensures all departments and teams are working toward the same organizational goals.
- ✓ Balanced Approach: By combining financial and non-financial metrics, it avoids over-reliance on short-term financial performance.
- ✓ Performance Monitoring: Helps track progress toward objectives across all critical areas.
- ✓ Improved Decision-Making: Leaders can identify bottlenecks and adjust strategies proactively.

***** END of LESSON 1*****

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Lesson 2: Strategic Management of Stakeholder Relationship

Topic:	Strategic Management of Stakeholder Relationship

Learning Outcomes:	At the end of this module, you are expected to:

1. define what is strategy;
2. identify who are the stakeholders; and
3. identify how to create value for a company

LEARNING CONTENT

Introduction:

About the Lesson

From our definition of CSR from the last chapter, it is an ongoing commitment of organizations to ensure accountability to the stakeholders its existence has an impact on. On the other hand, strategic CSR may be explained as a process in which businesses evaluate their various stakeholders' changing demands and how these demands are to be met or satisfied. The process by which to create strategic CSR must involve thought-out planning and execution. Whatever the company's plans have on its CSR, it cannot be effective unless the strategy aligns its stakeholder concerns with corporate goals.

Lesson Proper:

What is strategy?

A ***strategy*** is defined as a plan of action taken to achieve objectives. The process of the strategy involves three steps: formulation, implementation, and evaluation. ***Strategic management*** is a process of creating a competitive advantage over its competitors and sustaining this advantage in the long term. The process of strategic management is illustrated below:

Establish goals: This is initially performed by creating and/or clarifying your business vision/mission and identifying goals/objectives.

- ***Vision***: what the company envisions itself to be in the future or to become
- ***Mission***: describes what the company is all about, who they are, what and how they do things, and for whom
- ***Goals***: desired outcomes of planning, broader than objectives
- ***Objectives***: aimed targets that are needed to achieve goals

1. **Environmental Scanning** - Perform a thorough analysis and assessment of the internal and external environment of the company.
- External: looks at the external opportunities and threats, given the dynamics of a particular industry
- Internal: looks at a company's strengths and weaknesses by assessing its resources
2. **Strategy Formulation** - develops top-level strategies that can be trickled down to the rest of the organization
3. **Strategy Implementation** - executes developed plans by providing detailed objectives and action plans
4. **Strategy Evaluation** - measures and assesses results, and recommends changes for improvement if necessary

Who are the stakeholders?

Stakeholders are individuals or groups of people who can be affected by the activities engaged in by corporations in achieving their goals. Key stakeholders are shareholders (investors, owners, partners, or anyone who has a financial stake in the company), customers, employees, suppliers, and society (government, civil society, institutions).

Stakeholder Theory

One of the key arguments used in understanding CSR is the stakeholder theory. This theory states that companies are responsible for generating reasonable profits for their shareholders but should also be responsible for their stakeholders' well-being. To illustrate, when a manufacturing company produces industrial waste and dumps it into a river, residents affected by this unethical practice will demand the proper disposal of chemicals as it affects their right to clean air and water. Employees of the company may also be exposed to the toxic chemicals in making the product and have the right to demand protective gear and processes that will not be harmful to them. These residents and employees do not have any financial or managerial participation except maybe buying the products or helping produce them, but their concerns should be heard and be a part of the company's decisions. This is a moral claim exercised by a stakeholder, and forms part of a company's desired ethical behavior.

Strategic CSR

Strategic CSR starts within an organization when it embeds and aligns its CSR initiatives as part of the company's overall strategy. This simply means that a company's objectives, strategies, and core values take into consideration the impact its operations have on the stakeholders.

Similar to the process of strategic planning, an effective CSR strategy would entail performing the following steps:

1. ***Identify the goals/objectives of the company.***

2. ***Scan the environment*** by looking at the internal and external situations by which the company operates. The internal assessment looks at the vision, mission, resources, strengths, and weaknesses of the company, whereas external assessment looks at the needs of the stakeholders, considering the given opportunities and threats that are in line with corporate goals and objectives. Step 2 provides a foundation and aids in developing a strategic CSR program.

3. ***Formulate a CSR strategy*** that is aligned with corporate operations. The company must identify how they will approach their CSR initiatives (corporate donation, work with foundations, or intermediaries) and programs (single, focused, or multi-program activities), and understand the needs of your target beneficiaries.

4. ***Implement the CSR program*** with consistency, meaning, programs are aligned with the company's goals/objectives. Cohesiveness of the entire process is an important element of strategic CSR. This would come to fruition when CSR is embedded in its operations.

5. ***Evaluate the program*** if it has achieved its desired objectives and outcomes. Should there be gaps and inconsistencies in the plan and execution of the programs, remedial efforts, or ways to improve, these initiatives should be undertaken.

Success Indicators: For CSR to be strategic, companies must manage stakeholder relationships effectively, for social responsibility is primarily about stakeholders' well-being.

Alignment of CSR with Business Strategy
In the beginning, some companies may engage CSR on a superficial level, meaning. such activities are of a marginal or secondary position and are not part of their core business strategy. Companies may be needlessly spending on CSR programs but with little impact on stakeholders. Therefore, as discussed in the strategic CSR section above, it is vital that focusing on particular objectives in consonance with corporate strategy will yield the best results: a growing and profitable business and satisfied stakeholders.

Leadership
Leadership has always been a cornerstone of effective organizations. Numerous studies have supported the role of leadership in organizational outcomes, including CSR. Leaders can increase employee involvement through leader performance and how CSR is communicated to the company. Support from top management is also a critical area since resources usually will be coming from the board or executive management's approval.

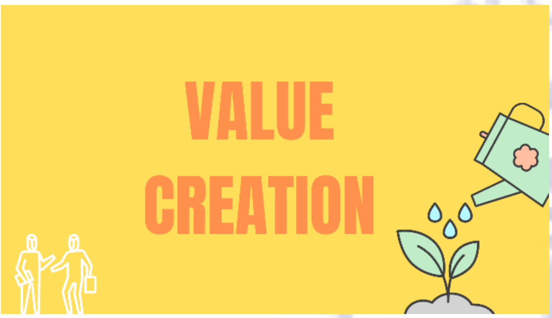
Employee Engagement
One of the ways on how CSR can be strengthened is through employee volunteerism, Companies pave the way for employees to engage in the programs voluntarily, and some companies even give incentives to employees who participate in these activities. A company's CSR activities positively influence employee attitude and behavior at work. Apart from feeling good about helping the community, employees involved in CSR develop better morale and feel proud of their workplace.

Collaboration
CSR is not and cannot be operated and implemented in a vacuum. It will take cooperation from various institutions to make it work effectively and efficiently. The role of government in CSR is to ensure that the very essence of corporations is to provide for the common good, which pertains to stakeholders. Civil society's CSR role is to ensure that they, as stakeholders too, serve as watchdogs in the monitoring and implementation of CSR. Businesses or corporations must be consciously aware of the impact of their activities on the public, including all primary and secondary stakeholders.

Government alone cannot solve and provide the needs of its people and therefore needs partners in doing this. Synergy is needed to allow strategic CSR to come into efficient fruition. Alliances or partnerships with government, civil society, business, and all stakeholders are important sources of legitimacy. Trust is also essential. When organizations opt to work together, they build social capital as relationships develop over time. Social capital is an interconnected network of relationships in society that benefits everyone.

Communication
Success stories must be encouraged. Communication performs an important role in managing stakeholder relationships. By communicating the success of a company's CSR initiatives, It would have an immediate effect on strengthening buy-in within the company and encourage participants to perform better. Furthermore, informing the various stakeholders on these success stories, no matter how small, will increase public trust and legitimacy.

Value Creation



The ultimate goal of business is to create sustainable value for its stakeholders. Companies, now more than ever, must be aware of how they operate in today's volatile and uncertain environment and how they eventually affect our daily lives. It encourages companies to understand their roles in society and their responsibilities to society. The role of business in society is ever-changing because it is going beyond the creation of economic and financial wealth as it is rightfully shaping our values and, importantly guiding public policy.

Engaging in commerce and generating profits is not bad. It is good and needed for human progress and development. The basic problem is when individuals or companies are focused on profit maximization. From this, there are many other issues, such as externalization of operational costs, greed, and corruption among others. Companies that create value for stakeholders through sustainable use of natural resources, risk reduction, reputation, trust, benevolence, transparency, collaboration, and many more value-added initiatives will have truly performed their roles as ethical and legitimate corporations in our society.

***** END of LESSON 2*****

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Legal and Regulatory Pressure	Competing Priorities
Employee Engagement and Retention	Perceived Lack of ROI (Return on Investment)
Financial Performance	Resistance to Change

Drivers of CSR
(Factors that encourage companies to adopt CSR initiatives)

- Consumer Demand: Consumers are increasingly aware of the social and environmental impacts of the products and services they buy. Many prefer to support businesses that align with their values and are socially responsible.

- Reputation and Brand Value: Companies often engage in CSR to enhance their reputation and build a positive brand image. A commitment to social and environmental responsibility can improve customer loyalty and attract new customers.

- Legal and Regulatory Pressure: Governments and regulatory bodies may mandate CSR initiatives, particularly regarding environmental sustainability, labor rights, or anti-corruption measures. Companies often engage in CSR to comply with legal requirements or to stay ahead of potential regulations.

- Employee Engagement and Retention: Many employees today seek to work for companies that share their values. CSR initiatives can improve employee morale, attract top talent, and retain staff by providing a sense of purpose and aligning with their personal values.

- Financial Performance: Companies that invest in CSR may see long-term financial benefits. CSR can help improve operational efficiencies (e.g., energy-saving initiatives), reduce risks, and open up new market opportunities.

Barriers to CSR
(Factors that hinder companies from adopting CSR initiatives)

- Short-Term Costs: Many CSR initiatives require an upfront investment that can be seen as a financial burden in the short term, especially for small and medium-sized enterprises (SMEs). This may deter businesses from pursuing long-term CSR strategies.

- Lack of Resources or Expertise: Companies, particularly smaller ones, may not have the necessary resources, knowledge, or infrastructure to implement effective CSR programs. This can include the need for specialized staff or the right technology.

- Competing Priorities: Companies often face conflicting priorities between maximizing profits and investing in CSR. In highly competitive industries, businesses might prioritize short-term financial goals over long-term sustainability initiatives.

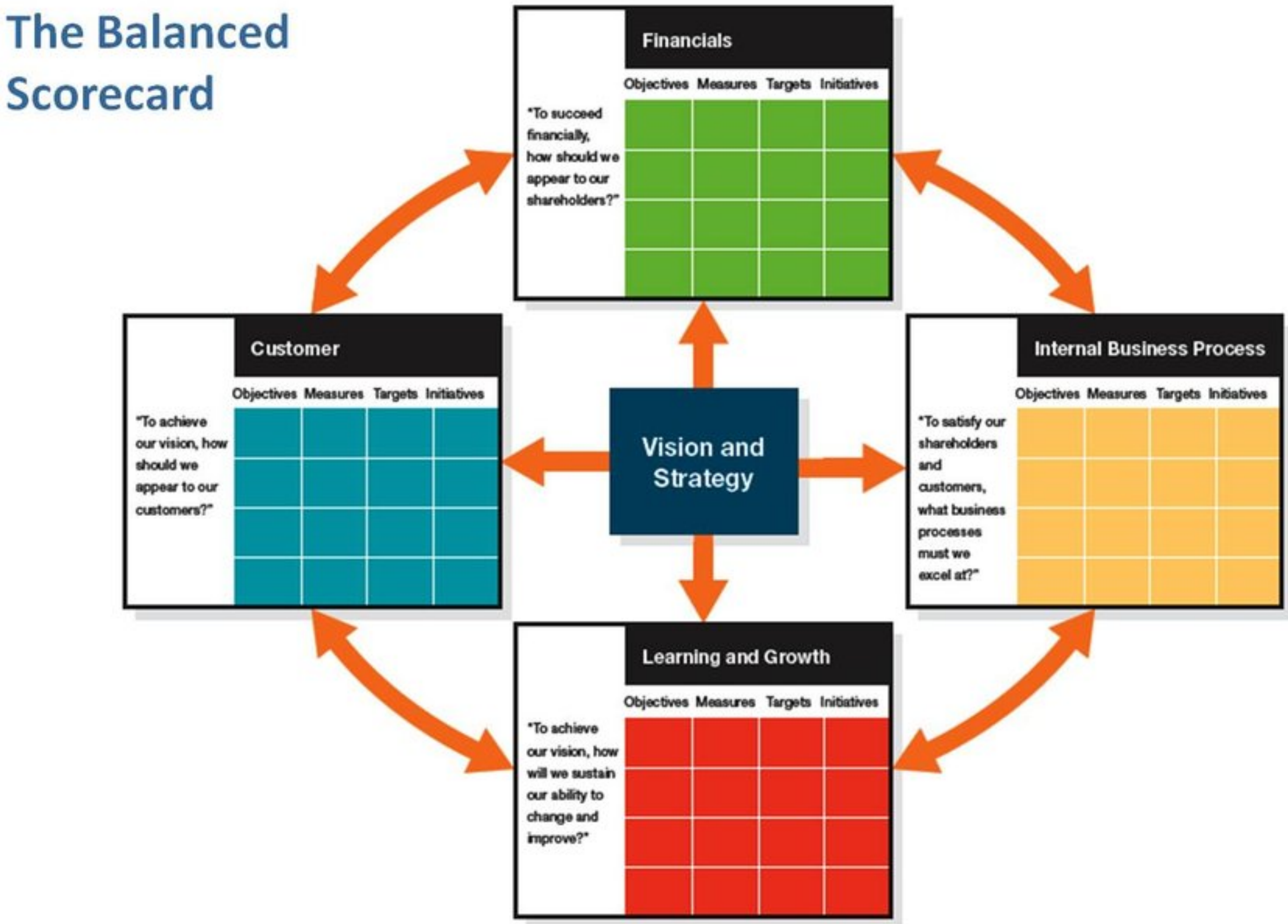
- Perceived Lack of ROI (Return on Investment): Some businesses may struggle to measure the direct impact of CSR on their bottom line. Without clear evidence of how CSR improves financial performance or market position, companies may question its value.

- Resistance to Change: Organizational inertia or a lack of commitment from top management can be significant barriers to implementing CSR. Resistance to change can stem from a company's established culture, lack of leadership buy-in, or reluctance to adapt to new practices.

Measuring CSR

The purpose of measurement is to understand what is being measured better and lay the groundwork for improvement. CSR is a management concept that is not easy to measure. Unlike other functional areas where tangible measurements have been developed for quite some time, market share, customer satisfaction, attrition rate, turnaround time, financial ratios, goodwill, loyalty, and social/environmental impact are just some CSR concepts that cannot be accurately measured. But all these intangibles can be translated into measurable variables that can provide indications of relationships and outcomes. Measuring CSR provides several benefits, such as helping organizations make better decisions on allocating resources with the greatest impact, improving processes that will make CSR initiatives more efficient, and providing more support for the business case.

Kaplan and Norton's Balanced Scorecard is an example of an integrated strategic measurement system. Illustrated below is the authors' framework by which companies can include both tangible and intangible measurements that can identify if goals are met in each of the four dimensions (financial, customer, processes, and learning and growth). Metrics must be carefully identified for each objective. Application of this scorecard is also dependent on the specific need or circumstance of a company and may be adjusted accordingly.



Balanced Scorecard (BSC) framework and its significance:

1. **Vision and Strategy (Core of the Framework)**

✔ ***Purpose:*** Vision and strategy are central to the framework, representing the organization's long-term goals and the plan to achieve them. Everything revolves around ensuring that actions taken in the four perspectives align with this vision.

✔ ***Key Question:*** "What is our overarching goal, and how can we implement it effectively across all dimensions of the organization?"

✔ ***Significance:*** By centralizing vision and strategy, the BSC ensures that day-to-day operations and individual efforts contribute to the strategic objectives.

2. **The Four Perspectives in Detail**

❖ The Balanced Scorecard looks at an organization holistically, rather than focusing solely on financial metrics. Each perspective includes:

A. Financial Perspective (Top)

✔ Focus: Achieving financial success and ensuring profitability. This perspective answers to shareholders and investors, making it crucial for sustainability.

B. Customer Perspective (Left)

✔ Focus: Understanding and exceeding customer expectations. Satisfied customers are essential for growth, loyalty, and competitive advantage.

C. Internal Business Processes Perspective (Right)
    - ✓ Focus: Identifying and optimizing the internal processes critical to delivering value to customers and achieving financial goals.

D. Learning and Growth Perspective (Bottom)
    - ✓ Focus: Developing the organization's ability to adapt, innovate, and improve. This perspective is about investing in the workforce, technology, and organizational culture.

3. Interconnections and Cause-Effect Relationships

❖ A hallmark of the Balanced Scorecard is the logical flow between perspectives:

- Learning and Growth Drives Process Improvements:
- Example: Upskilled employees (Learning & Growth) streamline production or reduce delivery times (Internal Processes).

- Improved Processes Enhance Customer Satisfaction:
- Example: Efficient operations ensure high-quality products, improving customer experiences (Customer Perspective).

- Satisfied Customers Boost Financial Outcomes:
- Example: Loyal customers increase revenue through repeat business and referrals (Financial Perspective).

- This interconnectedness reinforces the idea that all perspectives must work together to drive sustainable success. Neglecting one area can weaken the entire system.

4. Why the Balanced Scorecard Matters

- ✓ Strategic Alignment: It ensures all departments and teams are working toward the same organizational goals.
- ✓ Balanced Approach: By combining financial and non-financial metrics, it avoids over-reliance on short-term financial performance.
- ✓ Performance Monitoring: Helps track progress toward objectives across all critical areas.
- ✓ Improved Decision-Making: Leaders can identify bottlenecks and adjust strategies proactively.

***** END of LESSON 1*****