

Balanced Scorecards and Shareholder Value Creation Evidence from Egypt

Amira Hasaneen¹ and Wahied Ahmed Abou El Fetouh²

¹Accounting Department, Modern University for Technology and Information

²Management Sciences Department, Akhbar El Yom Academy

Abstract: This study investigates the ability of balanced scorecard (BSC) to create shareholder value among publicly listed firms in Egypt, an emerging economy with a dynamic business environment. The BSC framework, encompassing financial, customer, internal processes, and learning and growth perspectives, provides a multi-dimensional approach to performance measurement and strategic alignment. The study utilizing data from Egyptian non-financial firms listed on the EGX30 Index without real estate sector from 2011 to 2020, employs a fixed-effects model to evaluate the correlation between BSC dimensions and changes in market value, which serves as a proxy for shareholder value. The study uses a fixed-effects model across for 13 firms for ten years, the results, which show that balanced performance across BSC dimensions accounts for approximately 57% of the variation in shareholder value, as indicated by the high within R-squared value. This study provides empirical evidence that the BSC is an effective tool for enhancing shareholder value in emerging markets, advocating for its broader adoption among Egyptian firms to achieve sustainable growth and long-term investor satisfaction.

Keywords: Balanced Scorecards, Shareholder Value Creation, Value Creation, Emerging Markets, Egypt.

INTRODUCTION

The Balanced Scorecard (BSC) has emerged as a prominent strategic management tool for organizations seeking to align performance with vision and strategy (Anand, *et al.*, 2005; Peković, *et al.*, 2020). It provides a comprehensive framework for measuring and managing organizational performance across multiple perspectives, transcending traditional financial metrics to encompass non-financial aspects crucial for long-term success. This literature review aims to explore the relationship between the BSC and shareholder value creation, with a specific focus on the Egyptian context.

The BSC, initially conceptualized by Kaplan and Norton (Anand, *et al.*, 2005), provides a structured approach to performance measurement and management. It moves beyond solely focusing on financial performance to incorporate four key perspectives: financial, customer, internal processes, and learning and growth (Elwy Habib, 2016). Each perspective is linked to specific objectives, measures, targets, and initiatives, creating a comprehensive framework for aligning organizational actions with strategic goals.

The BSC encourages organizations to consider a holistic view of performance, recognizing that financial success is driven by factors beyond short-term financial gains. It emphasizes the importance of customer satisfaction, efficient internal processes, and continuous learning and innovation as crucial drivers of long-term profitability (Hegazy and Tawfik, 2015; De Villiers, *et al.*, 2016).

Study has consistently shown the BSC's effectiveness in enhancing organizational performance (Abdallah, *et al.*, 2015; Ayoub, *et al.*, 2021; Atries, *et al.*, 2021). By aligning performance measurement with strategic goals, the BSC provides a clear roadmap for organizations to achieve desired outcomes. It helps organizations: [Abdallah, A. *et al.*, 2015] Identify and prioritize strategic objectives: The BSC framework encourages organizations to articulate their strategic goals and translate them into measurable objectives. This process ensures clarity and alignment throughout the organization. (Elkhoully, *et al.*, 2015). [Abdelmoneim, Z. *et al.*, 2021] Monitor progress towards strategic goals: The BSC facilitates the tracking of performance against established targets, allowing organizations to assess the effectiveness of their strategic initiatives and make necessary adjustments. (Elbannan and Elbannan, 2014) [Anand, M. *et al.*, 2005] Communicate strategic goals and performance: The BSC serves as a powerful tool for communicating strategic goals and performance to stakeholders, fostering transparency and accountability (Fijałkowska and Oliveira, 2018). [Atries, A. *et al.*, 2021] Improve decision-making: By providing a comprehensive view of performance across different perspectives, the BSC supports informed decision-making, enabling organizations to allocate resources effectively and prioritize initiatives that align with strategic goals (Han, *et al.*, 2015).

The Egyptian market presents a unique context for exploring the relevance and application of the BSC. As an emerging economy, Egypt faces

several challenges, including: [Abdallah, A. *et al.*, 2015] Dynamic business environment: Rapid economic and political changes create a dynamic business environment in Egypt, requiring organizations to adapt quickly and respond to evolving market conditions (Abdallah, *et al.*, 2015; Elbannan and Elbannan, 2015). [Abdelmoneim, Z. *et al.*, 2021] Competition from international players: The Egyptian market is increasingly competitive, with international companies entering and vying for market share. Egyptian organizations need to adopt effective strategies to remain competitive (Ayoub, *et al.*, 2020). [Anand, M. *et al.*, 2005] Limited access to resources: Many Egyptian organizations, particularly SMEs, face resource constraints, making it challenging to implement complex management tools (Giannopoulos, *et al.*, 2013).

Despite these challenges, the BSC has gained traction in Egypt, particularly within the banking, tourism, and manufacturing sectors (Radwan, 2013; Essawy, *et al.*, 2019; Vitale, *et al.*, 2019). Studies have highlighted the BSC's potential to address these challenges, helping organizations: [Abdallah, A. *et al.*, 2015] Adapt to dynamic business conditions: The BSC's flexibility allows organizations to tailor their performance measurement system to changing market conditions, enabling them to respond quickly to new opportunities and threats (Gohar, 2019; Ayoub, *et al.*, 2021). [Abdelmoneim, Z. *et al.*, 2021] Enhance competitiveness: By integrating financial and non-financial measures, the BSC provides a holistic view of performance, enabling organizations to identify and address critical areas for improvement, boosting competitiveness (Elbannan and Elbannan, 2014; Elwy Habib, 2016). [Anand, M. *et al.*, 2005] Optimize resource allocation: The BSC's focus on aligning performance with strategic goals helps organizations allocate resources effectively, maximizing their impact and achieving desired outcomes within resource constraints (Han, *et al.*, 2015).

The BSC's focus on aligning performance with strategic goals directly contributes to shareholder value creation. By improving operational efficiency, customer satisfaction, and innovation, the BSC enables organizations to enhance their financial performance, ultimately increasing returns for shareholders (De Villiers, *et al.*, 2016; Peković, *et al.*, 2020). Several studies have demonstrated the link between BSC implementation and shareholder value

creation: [Abdallah, A. *et al.*, 2015] Improved financial performance: Study has shown that implementing the BSC can lead to significant improvements in financial performance, including increased profitability, return on equity, and market share (Anand, *et al.*, 2005; Elkhoully, *et al.*, 2015; Farag, *et al.*, 2017). [Abdelmoneim, Z. *et al.*, 2021] Enhanced risk management: The BSC's focus on internal processes and learning and growth can improve risk management practices, mitigating financial risks and enhancing shareholder value (Elbannan and Elbannan, 2015; Elkhoully, *et al.*, 2015). [Anand, M. *et al.*, 2005] Increased stakeholder value: The BSC's comprehensive approach to performance measurement can lead to increased value for all stakeholders, including shareholders, customers, employees, and society. This can translate into increased shareholder value through enhanced brand reputation and market share (De Villiers, *et al.*, 2016).

The current study includes five sections including the introduction (the current section), and adopts the quantitative study to analyze evidence from the Egyptian Exchange.

2. LITERATURE REVIEW

This section delves into the theoretical underpinnings of the balanced scorecard (BSC) and its relationship to shareholder value creation, particularly within the context of Egyptian businesses. It explores the key components of the BSC, its integration of financial and non-financial metrics, and the theoretical perspectives linking BSC to shareholder value creation.

The BSC, developed by Kaplan and Norton, is a strategic performance management framework that expands beyond traditional financial measures to encompass a broader set of performance indicators. (Anand, *et al.*, 2005) It aims to align organizational actions with strategic goals by measuring performance across four key perspectives: financial, customer, internal processes, and learning and growth. (Ayoub, *et al.*, 2020)

The financial perspective focuses on traditional financial measures such as profitability, return on investment, and cash flow, reflecting the organization's financial performance and shareholder value creation. (Ayoub, *et al.*, 2020) The customer perspective examines customer satisfaction, market share, and customer retention, reflecting the organization's ability to meet

customer needs and expectations. (Ayoub, *et al.*, 2020) The internal processes perspective assesses the efficiency and effectiveness of internal operations, including operational excellence, product quality, and cycle time. (Ayoub, *et al.*, 2020) Finally, the learning and growth perspective focuses on innovation, employee satisfaction, and employee development, reflecting the organization's ability to adapt and improve over time. (Ayoub, *et al.*, 2020)

The BSC is a field that emphasizes the use of accounting information to support strategic decision-making. (Elbannan and Elbannan, 2015) Strategic management accounting recognizes that traditional financial measures alone are insufficient for assessing an organization's overall performance. (Elbannan and Elbannan, 2015) It emphasizes the importance of incorporating non-financial measures such as customer satisfaction, employee morale, and innovation, as these factors can significantly impact long-term value creation. (Elbannan and Elbannan, 2015)

The BSC aligns with this approach by integrating financial and non-financial measures, providing a more comprehensive and holistic view of organizational performance. (Elbannan and Elbannan, 2014) This integrated approach enables managers to identify and address potential performance issues across different areas of the organization, leading to more informed decision-making and improved strategic alignment. (Elbannan and Elbannan, 2014)

The BSC's strength lies in its ability to integrate financial and non-financial performance metrics, creating a comprehensive picture of organizational performance. (Elwy Habib, 2016) It acknowledges that financial performance is not solely driven by financial measures but also by factors such as customer satisfaction, employee engagement, and operational efficiency. (Elwy Habib, 2016) By incorporating non-financial measures, the BSC helps organizations understand the drivers of financial performance and identify potential opportunities for improvement. (Elwy Habib, 2016)

For instance, a study examining the impact of mergers and acquisitions (M&A) on Egyptian firms found that while financial measures such as liquidity and market value showed preferable values before acquisition operations, non-financial perspectives like customer satisfaction, learning and growth, and internal business processes

exhibited improvements after the acquisitions. (Abdelmoneim and Fekry, 2021) This highlights how the BSC can reveal valuable insights into the relationship between non-financial factors and financial outcomes, providing a more complete understanding of performance dynamics. The BSC's relationship with shareholder value creation is grounded in various theoretical perspectives:

- A. Resource-Based View: This theory suggests that firms gain competitive advantage and create value by leveraging their unique resources and capabilities. (De Villiers, *et al.*, 2016) The BSC can be used to identify and measure these resources and capabilities, including human capital, technology, and organizational processes, which contribute to shareholder value creation. (De Villiers, *et al.*, 2016)
- B. Stakeholder Theory: This perspective argues that firms should consider the interests of all stakeholders, including shareholders, employees, customers, and the community, when making decisions. (Elkhouly, *et al.*, 2015) The BSC aligns with this theory by incorporating perspectives that reflect the interests of various stakeholders, such as customer satisfaction and employee engagement. (Elkhouly, *et al.*, 2015) This holistic approach can lead to improved performance and value creation for all stakeholders, ultimately benefiting shareholders.
- C. Agency Theory: This theory examines the relationship between principals (shareholders) and agents (managers) and the potential for conflict of interest. (Peković, *et al.*, 2020) The BSC can help align the interests of managers with those of shareholders by providing a framework for measuring and evaluating performance based on shared objectives. (Peković, *et al.*, 2020) By demonstrating the link between performance and value creation, the BSC can incentivize managers to act in the best interests of shareholders.

On the other hand; Shareholder value creation is a central concept in the BSC framework. (Gohar, 2019) The BSC aims to align organizational actions with strategic goals that ultimately lead to enhanced shareholder value. (Gohar, 2019) This involves maximizing shareholder returns through various means, including increased profitability, improved operational efficiency, and sustainable growth (Gohar, 2019).

The BSC's focus on shareholder value creation is also influenced by stakeholder theory. (Elkhouly, *et al.*, 2015) The BSC recognizes that shareholders are not the only stakeholders whose interests should be considered. (Elkhouly, *et al.*, 2015) By incorporating perspectives that reflect the needs of other stakeholders, such as customers and employees, the BSC promotes a more balanced approach to value creation. (Elkhouly, *et al.*, 2015) This approach can lead to improved performance and increased shareholder value in the long run.

Study on the BSC implementation and effectiveness in Egypt has yielded mixed findings. Some studies have demonstrated the positive impact of BSC on organizational performance and shareholder value creation. For example, a study examining the relationship between corporate governance and performance in Egyptian banks found that governance quality, including board structure and foreign ownership, positively influences bank performance as measured by the BSC (Elbannan and Elbannan, 2014). This indicates that BSC can help align corporate governance practices with improved financial performance and shareholder value creation. However, other studies have highlighted the challenges and obstacles in implementing BSC in the Egyptian context. (Ayoub, *et al.*, 2020) These challenges include a lack of awareness and understanding of the BSC framework among managers, insufficient resources for implementation, and resistance to change within organizations. (Ayoub, *et al.*, 2020)

However; The Balanced Scorecard (BSC) has emerged as a prominent framework for performance measurement and strategic management, gaining widespread adoption across various industries. Its core principle lies in integrating financial and non-financial measures to provide a comprehensive assessment of an organization's performance (Ismail, 2007). This literature review delves into the application of BSCs within the Egyptian context, examining the empirical evidence linking BSC implementation to shareholder value creation. The BSC framework, developed by Kaplan and Norton, transcends traditional financial measures to encompass a broader perspective on organizational performance. It typically comprises four core perspectives:

A. Financial Perspective: This perspective focuses on traditional financial measures, such

as profitability, return on investment (ROI), and shareholder value. (Ismail, 2007)

- B. Customer Perspective: This perspective considers customer satisfaction, market share, and customer retention as key indicators of success. (Abdelmoneim and Fekry, 2021)
- C. Internal Processes Perspective: This perspective focuses on internal processes that drive value creation, including operational efficiency, innovation, and quality. (Hegazy and Tawfik, 2015)
- D. Learning and Growth Perspective: This perspective emphasizes the organization's ability to innovate, learn, and improve, encompassing employee skills, knowledge, and technological capabilities. (Elkanayati and Shamah, 2019)

The BSC framework provides a structured approach for aligning strategic objectives with operational measures, enabling organizations to track progress toward their goals. (Khedr, *et al.*, 2015) It helps to translate the organization's vision and strategy into a set of actionable steps and performance indicators. (Essawy, *et al.*, 2019)

A growing body of Study explores the application of BSCs in Egyptian companies across various sectors. Several studies have examined the impact of BSC implementation on specific industries within Egypt: EI-Deeb and Abdel Megeid (2015) investigated the relationship between earnings management and shareholder value creation in Egyptian pharmaceutical companies, demonstrating the importance of financial practices in driving value. Elkanayati and Shamah (2019) examined the relationship between BSC attributes and quality performance in multinational pharmaceutical organizations in Egypt, finding a positive correlation between BSC implementation and enhanced quality performance, which in turn affects business performance.

Ayoub, *et al.*, (2020) assessed the availability of basic ingredients for BSC application in Egyptian travel agencies, concluding that the obstacles do not significantly affect implementation. Gohar (2019) emphasized the integration of environmental and social perspectives into the BSC to enhance sustainability in Egyptian travel agencies, suggesting that implementing a Sustainable Balanced Scorecard can lead to improved administrative performance and competitive advantage.

Elbannan and Elbannan: (2014) examined the relationship between corporate governance quality and bank performance in Egypt using the BSC approach, finding that governance quality positively impacts bank performance, particularly on employee productivity. Elkhoully, *et al.*, (2015) developed a conceptual framework for measuring the effectiveness of a Banking Risk Balanced Scorecard (BRBS) in enhancing bank value, emphasizing its role in maximizing stakeholders' value, including shareholders.

Hegazy and Tawfik (2015) investigated challenges faced by auditing firms in designing and measuring their performance systems, particularly in the context of the BSC, highlighting the importance of non-financial measures alongside financial measures in performance evaluation. Hegazy, *et al.*, (2014) also examined the challenges faced by auditing firms in Egypt, providing evidence from two firms and discussing how BSC can assist in overcoming performance measurement challenges. But Essawy, *et al.*, (2019) integrated the BSC with Quality Function Deployment (QFD) within the Six Sigma process, demonstrating how specific KPIs, such as scrap costs, impact business performance and shareholder value. Atries, *et al.*, (2021) investigated the impact of Enterprise Resource Planning (ERP) on organizational performance specifically within the rebar sector in Egypt, incorporating the BSC framework.

While the study on BSCs in Egypt provides valuable insights into their application across various sectors, the link between BSC implementation and shareholder value creation remains a complex issue. Some studies suggest a positive relationship:

A. Improved Performance: (Abdallah, *et al.*, 2015) found evidence that BSC implementation leads to improved performance in SMEs in Egypt. (Elkanayati and Shamah, 2019) found that BSC attributes significantly and positively relate to quality performance, which in turn affects business performance. (Gohar, 2019) highlighted the importance of integrating the environmental and social perspective in the balanced scorecard, that helps achieving the sustainability element in the travel agencies strategy and improving the administrative performance.

B. Strategic Alignment: (Abdallah, *et al.*, 2015) emphasized the effectiveness of BSC as a performance measurement system that aligns vision and strategy in SMEs. (Khedr, *et al.*, 2015) highlighted the role of the BSC as a key framework for performance measurement to manage and measure the organizations businesses.

However, other studies highlight the need for caution in linking BSCs directly to shareholder value: Giannopoulos, *et al.*, (2013) acknowledged limited empirical evidence regarding the implementation of BSCs in small companies, suggesting that the majority of small companies in the UK are unaware of BSCs and consequently have low usage levels. Ismail(2007) identified obstacles to the adoption of the BSC in Egypt, which may impact its effectiveness in enhancing shareholder value. But Abdelmoneim and Fekry (2021) found no strong evidence to support a direct relationship between M&A and enhancement of BSC perspectives or shareholder wealth.

3. STUDY METHODOLOGY AND DESIGN

3.1 Research Gap

The Balanced Scorecard (BSC) has become a widely adopted framework for performance measurement and strategic management, moving beyond traditional financial metrics to encompass a broader view of organizational performance (Kaplan and Norton, 2001). In the context of emerging economies like Egypt, understanding the relationship between BSC implementation and shareholder value creation is critical for organizations seeking to navigate a complex business environment. This literature review identifies key gaps in research regarding the application of BSCs and their impact on shareholder value in Egypt, highlighting areas for further exploration.

The BSC framework, originally introduced by Kaplan and Norton (Kaplan and Norton, 2001), emphasizes the importance of aligning organizational performance with strategic objectives. It does this by incorporating four key perspectives: "Financial Perspective", "Customer Perspective", "Internal Processes Perspective", and "Learning and Growth Perspective". The BSC framework suggests that by measuring performance across these multiple perspectives, organizations can gain a comprehensive

understanding of their overall performance and identify areas for improvement. This approach is particularly relevant for shareholder value creation, as it highlights the interconnectedness of financial performance, customer satisfaction, operational efficiency, and employee development.

While the BSC framework has been extensively studied in various contexts, there are significant gaps in the literature regarding its application and impact on shareholder value in Egypt. While several papers explore the BSC in specific Egyptian industries (Elwy Habib, 2016; Gohar, 2019; Ayoub, *et al.*, 2020), there is a lack of comprehensive empirical studies that examine the application of the BSC across different sectors and company sizes in Egypt. This gap limits our understanding of the BSC's effectiveness in the diverse Egyptian business landscape. The Egyptian business environment is characterized by unique cultural and institutional factors that may influence the implementation and effectiveness of the BSC. Research is needed to investigate how these factors impact the adoption and use of the BSC in Egyptian companies. Most research on the BSC in Egypt focuses on specific industries such as telecommunications (Radwan, 2013), travel and leisure (Elwy Habib, 2016), and banking (Elbannan and Elbannan, 2014). More research is needed to explore the application of the BSC in other sectors, such as manufacturing, agriculture, and services, to gain a broader understanding of its applicability in different contexts.

3.2 Study Problem

This study delves into existing research surrounding the implementation of Balanced Scorecards (BSC) in Egyptian firms and explores the challenges, potential benefits, and empirical evidence surrounding their impact on shareholder

value creation. This analysis highlights the unique context of the Egypt exchange. Recognizing that shareholder value creation goes beyond financial performance alone, the studies incorporate non-financial metrics to capture the impact of BSC on other key aspects of organizational success. These metrics often align with the customer, internal processes, and learning and growth perspectives of the BSC. The study question can be formulated as follows: **Can shareholder value creation be explained through the dimensions of the balanced scorecard?**

3.3 Study Hypothesis

This section explores the proposed hypotheses regarding the relationship between BSC and shareholder value creation in the Egyptian context. The hypothesis can be formulated as follows:

H_0 : Balanced performance of Firms can achieve better strategic alignment, leading to shareholder value creation.

The literature suggests that BSC can facilitate strategic alignment by providing a comprehensive framework for measuring performance across multiple dimensions. This alignment between organizational strategy and performance measurement can lead to more effective decision-making, resource allocation, and overall performance improvement.

3.4 Study Models

A significant portion of the reviewed literature utilizes a quantitative approach to assess the relationship between BSC and shareholder value creation. This approach involves collecting numerical data from Egyptian firms and analyzing it using statistical methods. The primary objective is to establish empirical evidence for the impact of BSC implementation on shareholder value.

$$CMV_{I,T} = \beta_0 + \beta_F F_{I,T} + \beta_C C_{I,T} + \beta_I I_{I,T} + \beta_L L_{I,T} + \beta_S S_{I,T} + \beta_{LEV} LEV_{I,T} + e_{I,T}$$

Equation no. 1

Where

- CMV_{I,T} Annual change in market value of common stock of firm (I) in year (T)
- F_{I,T} Financial Perspective of firm (I) in year (T)
- C_{I,T} Customer Perspective of firm (I) in year (T)
- I_{I,T} Internal Processes Perspective of firm (I) in year (T)
- L_{I,T} Learning and Growth Perspective of firm (I) in year (T)
- S_{I,T} Size of firm (I) in year (T)
- LEV_{I,T} Financial Leverage of firm (I) in year (T)
- β₀ The constant part of the relationship
- β_F The slope of the relationship between change in market value of common stock and financial perspective
- β_C The slope of the relationship between change in market value of common stock and customer perspective
- β_I The slope of the relationship between change in market value of common stock and internal processes perspective
- β_L The slope of the relationship between change in market value of common stock and learning and growth perspective
- β_S The slope of the relationship between change in market value of common stock and firm's size
- β_{LEV} The slope of the relationship between change in market value of common stock and firm's financial leverage
- e_{I,T} Random error of firm (I) in year (T)

3.5 Data and Variables Measure

The primary and secondary data source for most studies is publicly listed Egyptian firms (Elbannan and Elbannan, 2015; El-Deeb and Abdel Megeid, 2015; Elkhoully, *et al.*, 2015; Abdelmoneim and Fekry, 2021; Ayoub, *et al.*, 2021). This approach allows researchers to leverage readily available financial information and stock market data,

providing a robust foundation for analyzing performance metrics. The studies examined a range of variables to comprehensively assess both financial and non-financial performance. These variables are aligned with the four perspectives of the BSC framework, including financial, customer, internal processes, and learning and growth.

Table 1: Study variables

Variables		Symbol	Measurement
Dependent variable	shareholder value creation	CMV	Based on Annual change in market value of common stock, The change in the market value of common stock is an efficient measure of shareholder value creation because it consolidates a vast array of financial, operational, and strategic factors into a single metric that is both observable and actionable. By reflecting investor sentiment, incorporating efficient information, aligning with wealth maximization, and providing liquidity and comparability, it serves as a practical, dynamic measure that accurately reflects the health and growth of shareholder value.
Independent variables	Financial Perspective	F	Financial performance metrics, often considered the most direct indicator of shareholder value, are prominently featured in the studies. In this study based on the change of return on equity (ROE), This metric measures the profitability of a company relative to its shareholder equity (Peković, <i>et al.</i> , 2020). It reflects how effectively a company is utilizing shareholder investments to generate profits.
	Customer Perspective	C	Customer satisfaction is a key driver of long-term profitability and shareholder value (Hegazy and Tawfik, 2015). Customer

			satisfaction was measured based on average sales growth over the last three years after excluding the effect of inflation according to the base year.
	Internal Processes Perspective	I	Internal Processes: Studies examine internal processes related to efficiency, quality, and innovation. It is measured on the basis of research and development expenses as well as employee training expenses.
	Learning and Growth Perspective	L	This perspective focuses on the company's ability to learn, adapt, and grow. It was measured based on 100 minus the average the cost of goods sold growth over the last three years.
Control variables	Firm Size	S	Firm size can significantly influence shareholder value creation, shaping a company's ability to leverage economies of scale, access capital, maintain earnings stability, and appeal to different types of investors. While large firms generally provide stability and consistent returns, smaller firms offer agility and growth potential. Each presents unique advantages and challenges, and the impact on shareholder value depends on the specific industry, market conditions, and growth phase of the firm. Measured based on the logarithmic value of the firm's net assets.
	Financial Leverage	LEV	Financial leverage can be a powerful tool for shareholder value creation, but its benefits come with substantial risks. By enabling companies to increase ROE, EPS, and growth potential, leverage can enhance returns when managed wisely. However, excessive leverage can lead to financial strain, increased volatility, and even the risk of bankruptcy, all of which can undermine shareholder value. The key to effective shareholder value creation through leverage lies in maintaining an optimal level of debt that balances growth ambitions with financial stability, aligning debt obligations with the company's cash flow generation capacity and market conditions. Measured based on the company's debt to assets ratio.

The study sample covered the period from 2011 to 2020, where the financial sector (banks - investment companies - non-financial financial services) was excluded, in addition to the real

estate sector, based on the accounting standards that limit the recognition of revenue for these sectors, and based on the EGX30 Index. Table (2) shows the components of the study sample.

Table 2: The study sample

No.	Corporate Name	Reuters Code	Listing Date	Sector
1	Abou Kir Fertilizers	ABUK.CA	12/09/1994	Basic Resources
2	Alexandria Mineral Oils Company	AMOC.CA	22/12/2004	Energy
3	Eastern Company	EAST.CA	27/09/1995	Tobacco
4	Egyptian Chemical Industries (Kima)	EGCH.CA	16/08/1995	Basic Resources
5	Egyptian for Tourism Resorts	EGTS.CA	10/02/1999	Travel & Leisure
6	Egyptian Iron & Steel	IRON.CA	13/11/1958	Basic Resources
7	ELSWEDY ELECTRIC	SWDY.CA	18/05/2006	Industrial Goods
8	Ezz Steel	ESRS.CA	25/05/1999	Basic Resources
9	GB AUTO	AUTO.CA	07/03/2007	Industrial Goods
10	Juhayna Food Industries	JUFO.CA	18/05/2010	Food & Beverages
11	Oriental Weavers	ORWE.CA	14/12/1994	Textile
12	Sidi Kerir Petrochemicals	SKPC.CA	09/03/2005	Basic Resources
13	Telecom Egypt	ETEL.CA	29/12/1999	Communication

According to Table No. (2), it is clear that the basic resources sector is the highest represented in the study sample, while there are 6 sectors

represented by one company. Figure No. (1) shows the relative weight of the sample components according to the sector.

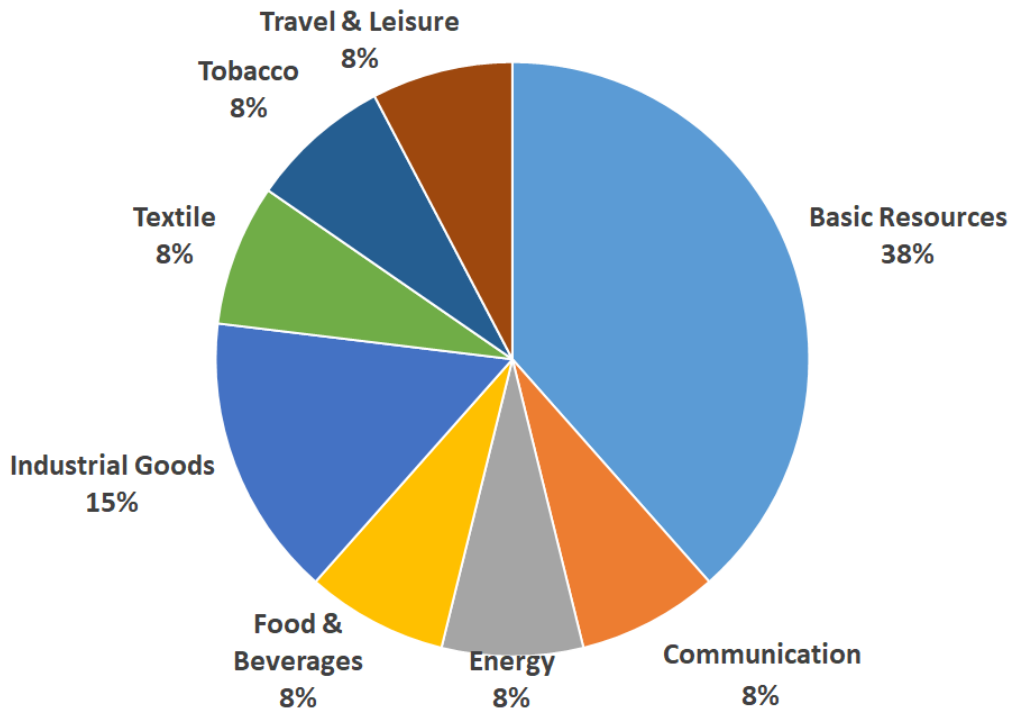


Figure 1: weight of the sample components according to the sector

However, it is essential to acknowledge the limitations of the studies. The focus on publicly listed companies may not fully capture the experiences of smaller or privately held firms. Additionally, the reliance on quantitative data might overlook important qualitative factors that influence BSC implementation and its impact on shareholder value. Future research could address these limitations by expanding the scope of the study to include a wider range of companies and incorporating more qualitative data to gain a deeper understanding of the complexities of BSC adoption and its influence on shareholder value creation in the Egyptian market.

4. DATA ANALYSIS AND HYPOTHESIS TESTING

4.1 Stationarity of Data

The results of the statistical tests indicate that the time series data demonstrates stability at the 5% significance level after the exclusion of extreme values beyond the 2% level. Specifically, by removing these outliers, the data's underlying trend and variance characteristics were preserved without distortion from extreme fluctuations, which may otherwise have biased the results. The statistical tests applied—the augmented Dickey-Fuller (ADF) test for stationarity—confirm that the adjusted series maintains consistent properties over time, supporting its suitability for further analysis under stable conditions. These findings underscore the robustness of the time series once extreme values are mitigated, thereby ensuring reliable inference in subsequent analyses.

4.2 Descriptive Analysis

Figures (2) to (14) show the distribution of returns for the study sample stocks.

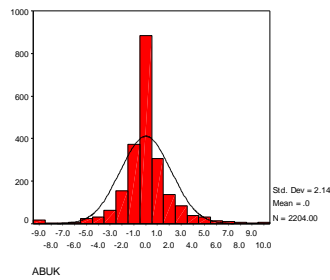


Figure No. (2). The distribution for common stock returns of Abu Qir Fertilizers and Chemical Industries

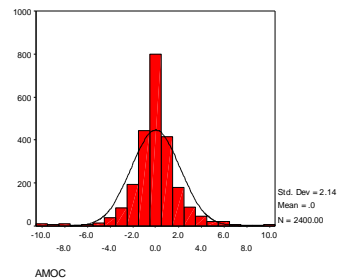


Figure No. (3). The normal distribution for common stock returns of Alexandria Mineral Oils Company

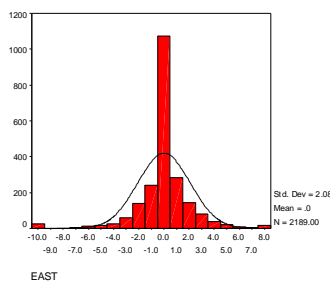


Figure No. (4). The distribution for common stock returns of Eastern Tobacco

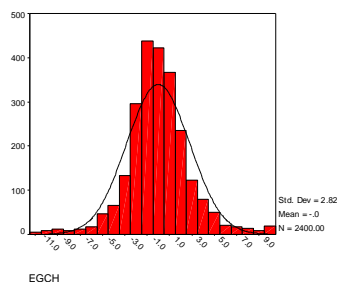


Figure No. (5) The distribution for common stock returns of Egyptian Chemical Industries

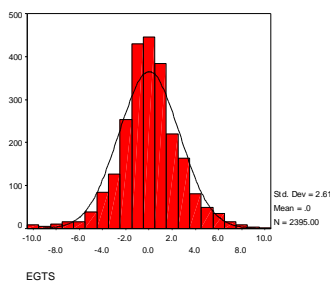


Figure No. (6). The normal distribution for common stock returns of Egyptian for Tourism Resorts

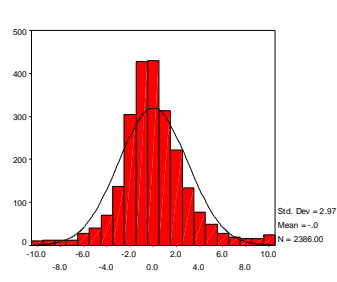


Figure No. (7). The distribution for common stock returns of Egyptian Iron & Steel

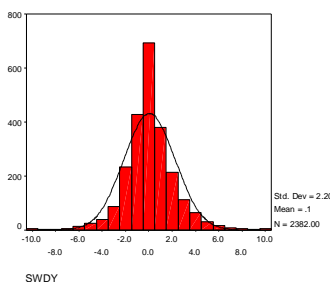


Figure No. (8). The distribution for common stock returns of El Sewedy Electric

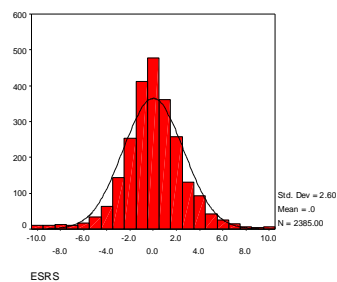


Figure No. (9). The normal distribution for common stock returns of Ezz Steel

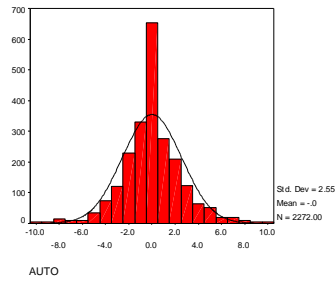


Figure No. (10). The distribution for common stock returns of GB AUTO

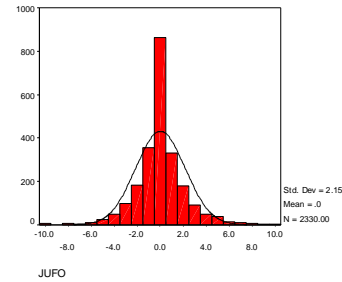


Figure No. (11). The distribution for common stock returns of Juhayna Food Industries

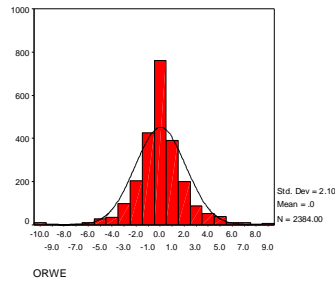


Figure No. (12). The normal distribution for common stock returns of Oriental Weavers

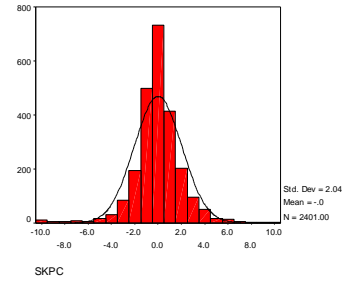


Figure No. (13). The normal distribution for common stock returns of Sidi Kerir Petrochemicals

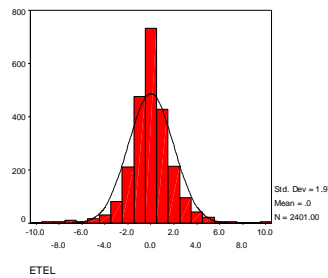


Figure No. (14). The distribution for common stock returns of Telecom Egypt
Through figures (2) to (14) that appear for the study, the pattern of distribution of returns varies among the sample firms.

4.3 Inferential Statistics

Table 3 shows the outputs of the inferential statistics analysis.

Table 3: cross-sectional analysis

Model 1: Fixed-effects, using 130 observations				
Included 13 cross-sectional units				
Time-series length = 10				
Dependent variable: CMV				
	Coefficient	Std. Error	t-ratio	p-value
Const.	-4.23980	0.402501	-10.53	<0.0001 ***
F	2.21703	0.777539	2.851	0.0048 ***
C	1.43150	0.309598	4.624	<0.0001 ***
I	58.0567	4.62779	12.55	<0.0001 ***
L	27.5996	6.87762	4.013	<0.0001 ***
S	-0.883770	0.523188	-1.689	0.0925 *
LEV	0.732958	0.472939	1.550	0.1226
Mean dependent var	5.823300	S.D. dependent var	21.86180	
Sum squared resid	3057.732	S.E. of regression	3.654113	
LSDV R-squared	0.575298	Within R-squared	0.570243	
LSDV F(30, 229)	301.3866	P-value(F)	1.2e-166	
Log-likelihood	-689.3412	Akaike criterion	1440.682	
Schwarz criterion	1551.063	Hannan-Quinn	1485.057	
rho	-0.160086	Durbin-Watson	2.081776	
Joint test on named regressors -				
Test statistic: F(5, 229) = 1493.32				
with p-value = P(F(5, 229) > 1493.32) = 1.50845e-172				
Test for differing group intercepts -				
Null hypothesis: The groups have a common intercept				
Test statistic: F(25, 229) = 8.80369				
with p-value = P(F(25, 229) > 8.80369) = 6.27205e-022				

From Table 3, it is clear that balanced performance explains (57%) of wealth creation for shareholders according to within R-squared that under the significant role of the firm size, while there is no such significance for leverage. The study can explain the insignificance of financial leverage according to the non-linear relationship between the level of use of debt in the capital structure and achieving benefits for shareholders in based on the trade-off between the cost and benefits of debt.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The adoption and effective implementation of the Balanced Scorecard framework in the Egyptian market can significantly contribute to shareholder value creation. Investors should actively evaluate firms based on their BSC usage, understand the link between BSC and firm performance, and engage with companies on their performance measurement practices. By adopting long-term investment strategies linked to BSC effectiveness, utilizing BSC insights to assess risk and return, and supporting firms implementing sustainable business practices, investors can make more informed decisions and potentially achieve better outcomes in the Egyptian market.

The statistical analysis reveals a significant relationship between Balanced Scorecard (BSC) perspectives and shareholder value creation within Egyptian firms. Using a fixed-effects model across a sample of publicly listed companies, the results show that balanced performance across BSC dimensions accounts for approximately 57% of the variation in shareholder value, as indicated by the high within R-squared value.

1. **Financial Perspective:** The financial perspective, measured by return on equity, exhibits a positive and statistically significant influence on shareholder value at a 5% significance level ($p < 0.05$). This finding aligns with expectations, as financial performance directly impacts market valuation and investor sentiment.
2. **Customer Perspective:** The customer perspective also demonstrates a positive effect on shareholder value creation, with a significant coefficient. This result underscores the role of customer satisfaction in driving long-term profitability, particularly in competitive markets like Egypt.

3. **Internal Processes Perspective:** The internal processes perspective shows the highest coefficient among the BSC dimensions, indicating that improvements in operational efficiency and innovation contribute substantially to enhancing firm value. The high significance level ($p < 0.01$) suggests that efficient internal processes are essential for sustainable value creation.
4. **Learning and Growth Perspective:** The learning and growth perspective is positively correlated with shareholder value, highlighting the importance of continuous innovation and human capital development. This result supports the view that organizational adaptability and investment in employee capabilities are critical for competitive advantage and shareholder returns.
5. **Firm Size and Financial Leverage:** While firm size was found to have a marginally negative effect, it was not significant at the 5% level, suggesting that larger firm size does not necessarily equate to higher value creation. Additionally, financial leverage was not statistically significant, implying that in the Egyptian context, leverage may not play a major role in shareholder value, possibly due to high financing costs or risk aversion among investors.

5.2 Recommendations

This study holds significant importance for various stakeholders in the Egyptian economy, [Abdallah, A. *et al.*, 2015] Businesses: Understanding the BSC's potential for improving performance and shareholder value can help Egyptian businesses develop effective strategies for navigating the competitive landscape and achieving sustainable growth. [Abdelmoneim, Z. *et al.*, 2021] Investors: This research can provide investors with valuable insights into the factors influencing the performance of Egyptian companies, enabling them to make informed investment decisions. [Anand, M. *et al.*, 2005] Policymakers: The findings of this research can inform policymakers' efforts to promote corporate governance and sustainable economic growth in Egypt, by highlighting the role of the BSC in enhancing organizational performance and shareholder value. [Atries, A. *et al.*, 2021] Academics and researchers: This research contributes to the growing body of knowledge on the BSC and its impact on organizational performance, particularly in emerging markets like Egypt. The study

providing a comprehensive overview of the BSC and its implications for shareholder value creation in Egypt, this literature review aims to contribute to the development of a more competitive and sustainable Egyptian economy.

5.2.1 Recommendations for regulatory authorities

This section explores potential recommendations for regulatory authorities in Egypt to encourage the adoption and effective implementation of Balanced Scorecards (BSC) within firms, ultimately contributing to improved shareholder value creation.

5.2.1.1 Fostering a Supportive Regulatory Environment

Regulatory frameworks should explicitly support the adoption of BSC methodologies in firms. (Peković, *et al.*, 2020) This can be achieved by incorporating BSC principles into existing corporate governance regulations and guidelines. (Elbannan and Elbannan, 2014) For instance, regulatory authorities can encourage the inclusion of non-financial performance indicators within mandatory corporate reporting requirements. (Elbannan and Elbannan, 2015) Such measures would incentivize firms to adopt a more holistic approach to performance measurement, aligning with the multi-dimensional perspective of BSC. (Elwy Habib, 2016)

5.2.1.2 Providing Guidance on Best Practices

Authorities are encouraged to provide clear and accessible guidance on best practices for BSC implementation. (Ayoub, *et al.*, 2020) This guidance should address various aspects, including:

- A. Selecting appropriate performance indicators: The guidance should highlight the importance of aligning KPIs with organizational goals and strategies, emphasizing the need for both financial and non-financial measures. (Khedr, *et al.*, 2015)
- B. Developing a robust measurement system: The guidance should provide frameworks for constructing a comprehensive BSC, including the selection of appropriate metrics for different perspectives, such as financial, customer, internal processes, and learning and growth. (Ayoub, *et al.*, 2021)
- C. Integrating BSC with existing systems: The guidance should emphasize the importance of aligning the BSC with existing management systems, such as Enterprise Resource Planning (ERP) systems and Human Resource

Management (HRM) practices. (Atries, *et al.*, 2021)

5.2.1.3 Promoting Transparency and Disclosure

Encouraging transparency and disclosure practices among firms can enhance investor trust and facilitate informed decision-making. (Elbannan and Elbannan, 2015) This can be achieved by:

- A. Mandating the disclosure of BSC information: Regulatory authorities can require firms to disclose key BSC metrics within their annual reports or other public filings. (Elbannan and Elbannan, 2015) This would provide investors with valuable insights into a firm's strategic direction and performance beyond traditional financial measures. (Sweiti and Lele, 2016)
- B. Establishing standardized disclosure guidelines: Clear and standardized guidelines for BSC disclosure can ensure consistency and comparability across firms, making it easier for investors to evaluate performance. (Hegazy and Tawfik, 2015)

5.2.1.4 Investing in Training and Development

Training programs for financial managers on BSC principles should be established to enhance their understanding and implementation capabilities. (Ayoub, *et al.*, 2020) This training should cover:

- A. Fundamentals of BSC: Providing a comprehensive overview of BSC principles, its four perspectives, and the role of KPIs. (Elwy Habib, 2016)
- B. Practical application of BSC: Offering hands-on training on designing, implementing, and reporting on BSC within different industries and contexts. (Khedr, *et al.*, 2015)

5.2.1.5 Providing Incentives for BSC Adoption

Incentives for firms that successfully implement BSC could be considered to promote its adoption. (Ayoub, *et al.*, 2020) This could include:

- A. Tax benefits: Offering tax incentives for firms that demonstrate a commitment to BSC implementation and achieve significant performance improvements. (Hegazy and Tawfik, 2015)
- B. Regulatory recognition: Providing public recognition to firms that demonstrate exemplary BSC implementation, highlighting their commitment to good corporate governance and shareholder value creation. (Elbannan and Elbannan, 2015)
- C. Access to funding: Prioritizing firms that utilize BSC for performance measurement when allocating government funding or grants. (Gohar, 2019)

5.2.1.6 Assessing Corporate Governance Practices

Regular assessments of corporate governance practices in relation to BSC usage are recommended. (Elbannan and Elbannan, 2014) These assessments should:

- A. Evaluate the effectiveness of BSC implementation: Assess how well firms are utilizing BSC to achieve their strategic goals and improve performance. (Peković, *et al.*, 2020)
- B. Identify potential gaps in BSC practices: Identify any areas where firms are not fully leveraging the benefits of BSC, such as a lack of integration with existing systems or inadequate communication of results. (Atries, *et al.*, 2021)
- C. Monitor compliance with disclosure requirements: Ensure firms are adhering to mandatory BSC disclosure guidelines and providing investors with accurate and transparent information. (Elbannan and Elbannan, 2015)

5.2.2 Recommendations for corporate

This section explores actionable recommendations for Egyptian companies seeking to leverage the Balanced Scorecard (BSC) framework for enhanced shareholder value creation. The analysis draws upon insights from various studies examining BSC implementation in diverse sectors within Egypt. While the direct relationship between BSC and shareholder value is not explicitly examined in every paper, the findings consistently highlight the potential for BSC to contribute to value creation through improved performance, strategic alignment, and stakeholder engagement.

5.2.2.1 Invest in Targeted Training and Development

Companies should prioritize investing in comprehensive training and development programs specifically tailored to BSC methodologies. This approach ensures that employees at all levels possess the necessary knowledge and skills to effectively implement and utilize the BSC framework. The study by (Ayoub, *et al.*, 2020) found that a lack of awareness and understanding of BSC principles was a significant obstacle to its successful application in Egyptian travel agencies. Training programs can address this challenge by providing a deep understanding of the BSC's four perspectives: financial, customer, internal processes, and learning and growth

(Abdelmoneim and Fekry, 2021; Ayoub, *et al.*, 2021). By equipping employees with the knowledge and skills to interpret and apply these perspectives, companies can facilitate a more effective and strategic utilization of the BSC.

5.2.2.2 Regularly Review Implementation Effectiveness

Companies should establish a system for regular and rigorous reviews of BSC implementation effectiveness. This involves assessing the alignment of BSC measures with strategic goals, evaluating the accuracy and relevance of performance indicators, and identifying areas for improvement (Khedr, *et al.*, 2015). The research by (Khedr, *et al.*, 2015) highlights the need for a robust measurement framework that effectively connects performance measures with organizational strategies. Regular reviews can ensure that the BSC remains a dynamic and relevant tool for managing performance, adapting to changing market conditions, and driving strategic alignment.

5.2.2.3 Engage Shareholders through Transparent Reporting

Transparent and comprehensive reporting of BSC outcomes is crucial for engaging shareholders and building trust. Companies should provide clear and concise information on key performance indicators, progress towards strategic goals, and the impact of BSC implementation on shareholder value (Elbannan and Elbannan, 2015). The study by (Elbannan and Elbannan, 2015) found a positive association between bank risk disclosures and market valuation, suggesting that increased transparency can enhance shareholder confidence and improve valuation. Companies should leverage annual reports, investor presentations, and other communication channels to effectively communicate BSC results to shareholders.

5.2.2.4 Customize BSC Frameworks to Egyptian Contexts

Firms should recognize the unique characteristics of the Egyptian business environment and customize their BSC frameworks accordingly. This involves considering factors such as regulatory landscape, cultural nuances, and specific industry challenges (Hegazy and Tawfik, 2015; Gohar, 2019). (Hegazy and Tawfik, 2015) emphasize the need for tailored BSC implementation that acknowledges the unique challenges faced by auditing firms in Egypt. Similarly, (Gohar, 2019) argues for the integration of sustainability considerations into the BSC

framework for Egyptian travel agencies. By adapting the BSC to the specific context of their operations, companies can maximize its relevance and effectiveness.

5.2.2.5 Collaborate with External Consultants or Experts

Firms can benefit significantly from collaborating with external consultants or experts in BSC methodologies. This collaboration can provide valuable insights, support with implementation, and offer objective perspectives on best practices (Elkhouly, *et al.*, 2015). The study by Elkhouly, Ibrahim, El Frargy, and Kotb (2015) emphasizes the role of expertise in navigating the complexities of implementing a Banking Risk Balanced Scorecard. External consultants can offer a fresh perspective, facilitate knowledge transfer, and help companies overcome potential challenges in BSC implementation.

5.2.3 Recommendations for investors

This section explores key recommendations for investors interested in understanding the impact of Balanced Scorecard (BSC) implementation on shareholder value creation in the Egyptian market. Based on the reviewed literature, investors should consider the following:

5.2.3.1 Evaluating Firms Based on BSC Usage

Investors should actively evaluate companies based on their adoption and implementation of BSC frameworks. While the BSC is widely recognized as a valuable tool for performance management (Elwy Habib, 2016; Farag, *et al.*, 2017; Peković, *et al.*, 2020), its application in the Egyptian market presents unique opportunities and challenges. Investors can gain insights into a firm's strategic focus, commitment to long-term value creation, and overall performance management by examining the following:

- A. BSC Framework: The specific framework adopted by the company and its alignment with the company's overall strategy. (Elwy Habib, 2016; Gohar, 2019)
- B. Key Performance Indicators (KPIs): The KPIs selected to measure performance across different perspectives (financial, customer, internal processes, and learning and growth). (Essawy, *et al.*, 2019; Ayoub, *et al.*, 2021)
- C. Integration with Other Management Tools: How the BSC is integrated with other tools like Quality Function Deployment (QFD) or sustainability initiatives. (De Villiers, *et al.*, 2016; Essawy, *et al.*, 2019)

- D. Implementation Process: The company's approach to implementing the BSC, including stakeholder engagement, training programs, and data collection methods. (Elkhouly, *et al.*, 2015; Ayoub, *et al.*, 2020)
- E. Measurement and Reporting Practices: The company's transparency in measuring and reporting performance, particularly non-financial metrics. (Elbannan and Elbannan, 2015)

By analyzing these elements, investors can gain a deeper understanding of how a company is using the BSC to drive performance and value creation.

5.2.3.2 Understanding the Link Between BSC and Firm Performance

The reviewed literature demonstrates a strong link between BSC implementation and improved firm performance, both financial and non-financial. (Abdallah, *et al.*, 2015; Elkhouly, *et al.*, 2015; Essawy, *et al.*, 2019; Ayoub, *et al.*, 2021; Atries, *et al.*, 2021), Investors should consider the following aspects to assess the relationship between BSC and firm performance:

- A. Financial Performance: Look for improvements in key financial metrics like profitability, return on equity, and market share. (Radwan, 2013; Elbannan and Elbannan, 2015; Peković, *et al.*, 2020)
- B. Non-Financial Performance: Evaluate progress in areas like customer satisfaction, employee engagement, innovation, and sustainability. (Abdallah, *et al.*, 2015; De Villiers, *et al.*, 2016; Ayoub, *et al.*, 2021; Abdelmoneim and Fekry, 2021; Atries, *et al.*, 2021)
- C. Causality: Understand the causal relationships between different BSC perspectives and their impact on both financial and non-financial performance. (EI-Deeb and Abdel Megeid, 2015; De Villiers, *et al.*, 2016)
- D. Long-Term Impact: Analyze the company's track record of BSC implementation and its long-term impact on shareholder value. (Radwan, 2013; Abdelmoneim and Fekry, 2021)

Investors should consider the specific context of each company and its industry when evaluating the relationship between BSC and performance. While the BSC has demonstrated success in various sectors (Giannopoulos, *et al.*, 2013; Hegazy and Tawfik, 2015; Khan, 2016; Farag, *et al.*, 2017), the effectiveness of its implementation can vary.

5.2.3.3 Engaging with Companies on Performance Measurement Practices

Investors should actively engage with companies to understand their performance measurement practices and the role of the BSC in their strategic decision-making. (Gohar, 2019; Peković, *et al.*, 2020), This engagement can take various forms:

- A. Shareholder Meetings: Pose questions related to BSC implementation, KPIs, and performance measurement during shareholder meetings.
- B. Direct Communication: Contact the company's investor relations department or board of directors to request information on their performance measurement practices.
- C. Analyst Reports: Review analyst reports that specifically address the company's performance measurement systems and their impact on shareholder value.
- D. Industry Conferences: Attend industry conferences and events to learn from experts and other investors about best practices in performance measurement and the role of the BSC.

By engaging with companies, investors can gain valuable insights into their performance measurement practices and how they are using the BSC to create value for shareholders.

5.2.3.4 Long-Term Investment Strategies Linked to BSC Effectiveness

Investors should consider adopting long-term investment strategies that align with the effectiveness of BSC implementation. Companies demonstrating a strong commitment to BSC principles and achieving significant performance improvements through its application may offer attractive investment opportunities. (Radwan, 2013; Abdelmoneim and Fekry, 2021), Investors should consider the following factors:

- A. Consistency of BSC Implementation: Look for companies that have consistently used the BSC over time and have shown evidence of its effectiveness in driving performance. (Abdallah, *et al.*, 2015; Ayoub, *et al.*, 2021; Atries, *et al.*, 2021)
- B. Strategic Alignment: Evaluate the company's commitment to aligning the BSC with its strategic objectives and its ability to adapt the framework to changing market conditions. (Elwy Habib, 2016; Gohar, 2019)
- C. Transparency and Communication: Assess the company's transparency in reporting performance data and its willingness to communicate its BSC implementation strategy to investors. (Elbannan and Elbannan, 2015)

- D. Risk Management: Consider how the company's BSC framework addresses key risks and opportunities, particularly in the context of the Egyptian market. (Elbannan and Elbannan, 2015; Elkhoully, *et al.*, 2015)

By focusing on companies that effectively implement the BSC and demonstrate a commitment to long-term value creation, investors can potentially achieve higher returns and mitigate risk.

5.2.3.5 Utilizing BSC Insights to Assess Risk and Return

The BSC framework can provide valuable insights into a company's risk profile and its potential for future returns. (Elbannan and Elbannan, 2015; Elkhoully, *et al.*, 2015), Investors should consider the following:

- A. Risk Identification: The BSC can help identify key risks and opportunities across different perspectives, allowing investors to assess a company's overall risk profile. (Elkhoully, *et al.*, 2015)
- B. Risk Management: Analyze the company's strategies for managing identified risks and its ability to mitigate potential threats. (Elbannan and Elbannan, 2015; Elkhoully, *et al.*, 2015)
- C. Return Potential: Evaluate the company's performance against its BSC targets and its potential for achieving higher returns in the future. (Radwan, 2013; Abdelmoneim and Fekry, 2021)
- D. Competitive Advantage: Assess how the company is using the BSC to develop and maintain a competitive advantage in the market. (Gohar, 2019)

By using the BSC framework as a tool for assessing risk and return, investors can make more informed investment decisions and potentially achieve better outcomes.

5.2.3.6 Support for Firms Implementing Sustainable Business Practices

Investors should actively support companies that are implementing sustainable business practices, as this aligns with the long-term health and profitability of the business. (De Villiers, *et al.*, 2016; Gohar, 2019), Investors can support sustainable businesses by:

- A. Investing in Companies: Allocate capital to companies that demonstrate a strong commitment to sustainability and have implemented robust sustainability strategies. (De Villiers, *et al.*, 2016; Gohar, 2019)

- B. Engaging with Companies: Pose questions about sustainability practices during shareholder meetings and communicate your support for their sustainability initiatives. (De Villiers, *et al.*, 2016)
- C. Advocating for Sustainable Practices: Encourage other investors to consider sustainability factors in their investment decisions and promote the importance of responsible business practices. (De Villiers, *et al.*, 2016)

Supporting firms implementing sustainable business practices is not only ethically responsible but also strategically sound. Sustainable businesses are better positioned to manage long-term risks and opportunities, attract and retain talent, and ultimately create more value for shareholders. (De Villiers, *et al.*, 2016; Gohar, 2019)

5.2.5 Recommendations for future studies

This literature review has revealed valuable insights into the implementation and impact of Balanced Scorecards (BSC) in the Egyptian context, particularly in relation to shareholder value creation. While the current body of research provides a foundation for understanding BSC's potential, several areas warrant further investigation to deepen our understanding of its applicability and effectiveness in the Egyptian market., Identification of Areas for Further Research on BSC

One prominent area for further research is the identification of specific BSC metrics that directly correlate with shareholder value creation in the Egyptian context. (Elbannan and Elbannan, 2014) While several studies have demonstrated the link between BSC implementation and improved financial performance, (Abdallah, *et al.*, 2015; Ayoub, *et al.*, 2021; Atries, *et al.*, 2021) a more detailed exploration of which metrics are most impactful for shareholder value creation in the Egyptian context is needed. This could involve analyzing the relationship between specific BSC perspectives (financial, customer, internal processes, learning and growth) and key financial metrics such as return on equity (ROE), return on assets (ROA), and market capitalization. (Radwan, 2013; Elbannan and Elbannan, 2015; Peković, *et al.*, 2020)

Furthermore, the impact of different BSC implementation strategies on shareholder value creation requires further exploration. (Ayoub, *et al.*, 2020) Studies could compare the effectiveness

of top-down versus bottom-up approaches, or the benefits of tailored BSC models versus standardized frameworks. (Ayoub, *et al.*, 2021) Investigating the influence of leadership support, organizational culture, and employee involvement in BSC implementation on shareholder value creation would also provide valuable insights. (Elkhouly, *et al.*, 2015; De Villiers, *et al.*, 2016)

The majority of the reviewed studies have focused on short-term impacts of BSC implementation. (Frag, *et al.*, 2017; Abdelmoneim and Fekry, 2021) To better understand the long-term impact of BSC on shareholder value creation, longitudinal studies are crucial. (Radwan, 2013) These studies should track changes in financial performance and shareholder value over an extended period following BSC implementation. (Elbannan and Elbannan, 2015) Such longitudinal research would allow for a more robust assessment of the long-term benefits of BSC adoption and its ability to foster sustainable shareholder value creation. (Vitale, *et al.*, 2019)

The reviewed studies have focused on specific sectors in the Egyptian economy, such as banking, (Elbannan and Elbannan, 2014; Elkhouly, *et al.*, 2015) telecommunications, (Radwan, 2013) and travel and leisure. (Elwy Habib, 2016; Gohar, 2019; Ayoub, *et al.*, 2020) Future research should explore the applicability of BSC across a wider range of sectors and industries in Egypt. (Khan, 2016) This could include examining the use of BSC in manufacturing, (Essawy, *et al.*, 2019) retail, healthcare, and other sectors. (Anand, *et al.*, 2005) By analyzing the challenges and successes of BSC adoption in different industries, researchers can develop more nuanced recommendations for its implementation in Egypt.

While the BSC is a popular performance measurement tool, it is not the only one available. Future research should compare the effectiveness of BSC with other performance measurement tools in the Egyptian context. (Khan, 2016) These comparative studies could examine the strengths and weaknesses of different approaches, such as traditional financial metrics, (Anand, *et al.*, 2005) Key Performance Indicators (KPIs), (Han, *et al.*, 2015) and other frameworks like the Value Based Management (VBM) model. (Radwan, 2013) This would provide a more comprehensive understanding of the most effective performance measurement tools for different types of organizations and their specific objectives. (Hegazy and Tawfik, 2015)

The role of technology in BSC implementation is an increasingly important area for research. (Hegazy and Tawfik, 2015) Future studies should examine the impact of technology on BSC adoption, effectiveness, and its influence on shareholder value creation in Egypt. (De Villiers, *et al.*, 2016) This could involve exploring the use of data analytics, (Elwy Habib, 2016) cloud computing, (Elkhouly, *et al.*, 2015) and other technological advancements to improve BSC performance and reporting. (Han, *et al.*, 2015) The research could also investigate the challenges and opportunities associated with integrating technology into BSC implementation, such as data security, system integration, and user training. (Gohar, 2019)

Finally, future research on BSC and shareholder value creation in Egypt should adopt an interdisciplinary approach, drawing insights from various fields such as accounting, finance, management, and economics. (Elkhouly, *et al.*, 2015) This interdisciplinary perspective can provide a more comprehensive understanding of the complex relationship between BSC, shareholder value, and other organizational factors. (Elbannan and Elbannan, 2014) For example, researchers could explore how BSC implementation impacts corporate governance, (Elbannan and Elbannan, 2014) organizational culture, and employee motivation. (Peković, *et al.*, 2020) Additionally, incorporating insights from behavioral economics and psychology could shed light on the behavioral aspects of BSC adoption and its impact on shareholder value creation (Hegazy and Tawfik, 2015).

By addressing these research gaps and adopting interdisciplinary perspectives, future studies can contribute to a more complete and nuanced understanding of the role of Balanced Scorecards in enhancing shareholder value creation in the Egyptian context. This will help organizations in Egypt effectively leverage BSC as a strategic tool to achieve their goals and foster sustainable growth.

REFERENCES

1. Abdallah, A., Hegazy, I. R. & Amin, H. "An investigation of the effects of balanced scorecard (BSC) implementation on small and medium-sized enterprises (SMEs) performance: Quantitative and qualitative approaches (a case of Egypt)." *SSRN*, 2015. Available at SSRN 3154266.
2. Abdelmoneim, Z. & Fekry, M. A. "Using managerial and market tools to measure the impact of acquisition operations on firm performance." *Investment Management & Financial Innovations*, 18.1 (2021): 315.
3. Anand, M., Sahay, B. S. & Saha, S. "Balanced scorecard in Indian companies." *Vikalpa*, 30.2 (2005): 11–26.
4. Atries, A., Ragab, A. A., Ragheb, M. A. & Wahba, M. "The effect of enterprise resource planning on the organizational performance of organizations through HRM practices: An applied study on the reinforcing steel sector companies in Egypt." *The Business & Management Review*, 12.1 (2021): 41–56.
5. Ayoub, F. S., Abd Eljalil, S. G. & Elias, W. A. "Strategic performance measurement and balanced scorecard approach in Egyptian travel agencies: A proposed empirical model." *International Journal of Tourism and Hospitality Management*, 4.1 (2021): 1–28.
6. Ayoub, F. S., El-Jalil, A., Gaber, S. & Elias, W. A. N. E. D. "Applying a balanced scorecard approach in Egyptian travel agencies: Opportunities and obstacles." *International Journal of Heritage, Tourism and Hospitality*, 14.1 (2020): 202–214.
7. De Villiers, C., Rouse, P. & Kerr, J. "A new conceptual model of influences driving sustainability based on case evidence of the integration of corporate sustainability management control and reporting." *Journal of Cleaner Production*, 136 (2016): 78–85.
8. EI-Deeb, M. S. & Abdel Megeid, N. S. "Impact of earning management on investor's sensitivity using shareholders' value creation." *Journal of Accounting Thought*, 19.5 (2015): 1–35.
9. Elbannan, M. A. & Elbannan, M. A. "Corporate governance and accounting performance: A balanced scorecard approach." *Accounting and Finance Research*, 3.2 (2014): 60–76.
10. Elbannan, M. A. & Elbannan, M. A. "Economic consequences of bank disclosure in the financial statements before and during the financial crisis: Evidence from Egypt." *Journal of Accounting, Auditing & Finance*, 30.2 (2015): 181–217.
11. Elkanayati, R. M. & Shamah, R. "Could the balanced scorecard enhance pharmaceutical organisations' quality performance?" *Industrial and Commercial Training*, 51.4 (2019): 256–276.

12. Elkhoully, S. M., Ibrahim, M. M., El Fragy, M. M. & Kotb, A. S. "Measuring the effectiveness of banking risk balanced scorecard in enhancing bank value." *International Journal of Economics and Finance*, 7.6 (2015): 139.
13. Elwy Habib, E. "Measuring the alignment of BSC with the Egyptian travel & leisure organizations." *The Scientific Journal of Business and Environmental Studies*, 7.2 (2016): 679–722.
14. Essawy, M. H., Attia, E. A. & El-Assal, A. M. "An integrated model for achieving business strategic objectives with a case study." *International Journal of Six Sigma and Competitive Advantage*, 11.4 (2019): 253–276.
15. Farag, E., Elkady, M. & Hussainey, K. "The integration of the third generation balanced scorecard with a student loyalty model to enhance financial performance in higher education." *International Journal of Accounting, Auditing and Performance Evaluation*, 13.4 (2017): 339–360.
16. Fijałkowska, J. & Oliveira, C. "Balanced scorecard in universities." *Journal of Intercultural Management*, 10.4 (2018): 57–83.
17. Giannopoulos, G., Holt, A., Khansalar, E. & Cleanthous, S. "The use of the balanced scorecard in small companies." *International Journal of Business and Management*, 8.14 (2013): 1–22.
18. Gohar, E. A. "Sustainable balanced scorecard: A new approach to vision and implementation of a sustainable strategy in Egyptian travel agencies." *International Journal of Tourism and Hospitality Management*, 2.2 (2019): 98–126.
19. Han, D. S., Yoo, I. K. & Lee, S. H. "Development of an evaluation system of a LOS-based balanced scorecard for road infrastructure asset management." *International Journal of Highway Engineering*, 17.3 (2015): 13–25.
20. Hegazy, M. A., Tawfik, M. & Hegazy, K. "Challenges facing performance measurement systems in auditing firms."
21. Hegazy, M. & Tawfik, M. "Performance measurement systems in auditing firms: Challenges and other behavioural aspects." *Journal of Accounting in Emerging Economies*, 5.4 (2015): 395–423.
22. Ismail, T. H. "Performance evaluation measures in the private sector: Egyptian practice." *Managerial Auditing Journal*, 22.5 (2007): 503–513.
23. Kaplan, R. S. & Norton, D. P. "Transforming the balanced scorecard from performance measurement to strategic management: Part II." *Accounting Horizons*, 15.2 (2001): 147–160.
24. Khan, H. U. Z. "Multi-dimensional performance measurement practices in developing countries: A literature review and future research direction." *Corporate Ownership & Control*, 13.2 (2016): 497–517.
25. Khedr, A. E., Abdel-Fattah, M. A. & Solayman, M. M. "Merging balanced scorecards and business intelligence techniques: An applied case on the IT subsidiary company in the Egyptian Civil Aviation." *International Journal of Computer Applications*, 121.11 (2015).
26. Peković, J., Zdravković, S. & Pavlović, G. "The role of balanced scorecard models in the assessment of board of directors performance." *Economic Analysis*, 53.2 (2020): 121–132.
27. Radwan, A. "Applying Pablo Fernandez model of created shareholder value in the Egyptian market: A case study of telecommunications industry 2008–2012." Available at SSRN 2356569 (2013).
28. Sweiti, I. & Lele, U. "Impact of balanced scorecard implementation on financial performance of Saudi listed companies." *Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport*, 4.1 (2016): 8–12.
29. Vitale, G., Cupertino, S., Rinaldi, L. & Riccaboni, A. "Integrated management approach towards sustainability: an Egyptian business case study." *Sustainability*, 11.5 (2019): 1244.

Source of support:: Conflict of interest: Nil.

Cite this article as:

Hasaneen, A. and El Fetouh, W.A.A. "Balanced Scorecards and Shareholder Value Creation Evidence from Egypt." *Sarcouncil Journal of Economics and Business Management* 1.1 (2022): pp 42-60..