ADOPTION OF THE BALANCED SCORECARD IN THE STRATEGIC MANAGEMENT OF STATE CORPORATIONS IN KENYA

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A Management Research Project submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration, School of Business, University of Nairobi.

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

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This research project has been submitted for examination with my approval as the university supervisor.

Signature  
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DEDICATION

To my late mother Rosaleen Asuma Odongo, for being a friend and believing in me when I doubted myself and for instilling in your family the virtues of hard work and education. You were always a source of motivation. This is dedicated to you.

To my late father Timothy Odongo, for the discipline instilled in me in early childhood without which I could not create the time to complete this project, I say thank you.

To my lovely children Cherlene Tina Asuma and Eugene Tim Odongo, for inspiring and giving me the drive to succeed by sitting with me as I worked on this project.
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ABSTRACT

The public sector in Kenya over the years suffered a myriad of problems culminating in poor delivery of services to the citizens. In response to the cry for improved service, the Government of Kenya instituted various public sector reforms. These changes are aimed at improving the efficiency of service delivery to the citizen in addition to increasing democratic accountability. One result of the public sector reforms was the introduction of performance contracts in government ministries and their related parastatals (state corporations). This entails achieving performance targets jointly agreed upon by the contracted and the contractor.

The Balanced Scorecard has over the years emerged as an effective Strategic Management tool that is used both in the private and public sector both for performance management and as a tool that helps align organizational activities to the achievement of its vision and mission. This study aims to determine the extent to which the Balanced Scorecard has been adopted by the state corporations in Kenya and the challenges they faced in the adoption.

The research was designed as a cross-sectional population survey targeting one hundred and twenty two organizations. Data was collected through semi-structured questionnaires using both the drop and pick method and mail system, and analyzed using descriptive methods. The main findings of the research were that majority of the state corporations have adopted the Balanced Scorecard within their performance management system. However, it is not used as a holistic strategy implementation tool. The major challenges in the adoption of the scorecard were found to include resistance to change in the organizations as well as lack of awareness of the concept of the Balanced Scorecard.

This research therefore recommends that there is need to identify the Balanced Scorecard as a tool to organize the Government Performance Contract system to increase the effectiveness and productivity of professional activities. There is also need to increase awareness of state corporations' employees at all levels on the private sector strategic management practices and various strategic management tools that may be adopted in the management of their organizations.
CHAPTER ONE: INTRODUCTION

1.1 Background

Traditional financial reporting systems provide an indication of how an organization has performed in the past but offer little information on how it might perform in the future. Kaplan and Norton (1992) introduced the Balanced Scorecard (BSC) as a concept for measuring whether the activities of an organization are meeting its objectives in terms of vision and strategy. The Balanced Scorecard is a strategic management tool that is used extensively in business and industry, government, and nonprofit organizations to align organizational activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It provides managers with the instrumentation they need to navigate to future success (Kaplan & Norton, 1996a).

Public sector management reforms are a common response to public hostility to government, shrinking budgets, and the imperatives of globalization. Key components include deregulation of line management, conversion of civil service departments into free-standing agencies or enterprises, and performance-based accountability particularly through contracts and competitive mechanisms (Hood, 1991). State corporations in Kenya have been going through a significant reform process particularly in the areas of management, budgeting and accounting in the past five years. The impact of these changes has meant a greater focus on delivering agreed outputs as efficiently as possible. A key process in meeting this challenge has been the adoption of private sector management practices. Trends have shown that public sector organizations are increasingly influenced by the private sector management practices (Rose & Lawton, 1999). With increased demand for better services from the citizenry, state corporations have turned to strategic management as a means of attaining its long term objectives.
1.1.1 The Balanced Scorecard

The Balanced Scorecard (BSC) emerged as a new approach to performance measurement due to problems of short-term outlook and past orientation in financial performance measures (Kaplan & Norton, 1992). While these measures may provide means to determine how well an agency is performing its activities, they fail to provide a comprehensive picture of how well management is preparing an organization to handle current and future challenges (Holmes, Gutiérrez de Piñeres & Kiel, 2006). The BSC concept is based on the notion that managers need a balanced set of measures covering financial, customer, innovation and learning and growth areas to manage effectively. Kaplan and Norton (1996b, p.24) argue that financial measures on their own “are inadequate for guiding and evaluating organizations' trajectories through competitive environments. They are lagging indicators that fail to capture much of the value that has been created or destroyed by managers' actions”. Both financial and non-financial measures must therefore be part of the information system for employees at all levels of the organization.

Kaplan and Norton (1992) divide the BSC into four quadrants of measures: financial, customer, internal business processes and learning and growth. The BSC philosophy assumes that an organization’s vision and strategy are best achieved when the organization is viewed from these four perspectives (Drury, 2004). Kaplan and Norton (1992) argue that adoption of measures from the four quadrants are not mandatory, rather it is the need to establish measures that link them to an organization’s strategy that guides the adoption. An organization may therefore modify the BSC to reflect its unique characteristics, for example cultural aspects, strategic planning horizon and the nature of operations (Hoffecker & Goldenberg, 1994).

The BSC is used to translate an organization’s mission and strategy into a comprehensive set of measures that enable it to track short-term financial results while simultaneously monitoring its progress in building the capabilities that generate growth. In contrast to financial performance measurement systems, the BSC “puts strategy and vision, not
control at the centre. It establishes goals but assumes that people will adopt whatever behaviors and take whatever actions necessary to arrive at the goals.” (Kaplan & Norton, 1992, p.79).

The BSC as a strategic planning and management tool is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals (Kaplan & Norton, 1996b). The BSC can thus provide a bridge between an organisation’s strategy and the annual work program (Griffiths, 2003). It can also be used as a measurement instrument to guide performance as well as a tool to enhance democratic accountability and responsibility (Holmes et al, 2006). In the public sector, Wallace (1998) argues that the BSC, in addition to providing information for management on how an organisation is performing, could be used as the basis of reporting to parliamentary select committees, Ministers or the public.

1.1.2 State Corporations in Kenya

A state corporation has been defined as an entity fully or partially owned and controlled by government, involved in the provision of goods or services for a price (Narain, 1979). State owned corporations are different from government in that they are mainly expected to earn returns from their provision of services, and in some cases, goods. As much as their operations are autonomous, state corporations still fall under government control since the government appoints the boards of directors, and in many instances, the Chief Executive Officer.

State corporations are important players in the economies of developing countries as they utilize a sizeable share of public resources in many countries. However, some of the problems faced by state corporations in their attempts to operate efficiently include conflicting objectives, insufficient autonomy, inadequate performance measurement measures, lack of performance linked incentives and bureaucracy (Shirley, 1983).
Autonomy is compromised generally by government interventions in their operating decisions, with managers eventually not being held accountable for results, or given incentives for good performance. Shirley argues that efficiency is greatest when firms operate in competitive environments under a management that has the autonomy, motivation and the capability to respond to changing environmental conditions.

Kenya, like many other developing countries, began its history as a nation in which the government played a major role in development. This involved stimulating development through extensive investment in industry, infrastructure, marketing and other activities. The government also built an elaborate machinery to regulate commercial activities undertaken by organizations (Gatheru & Shaw, 1998). State corporations in Kenya are established under the State corporations act chapter 446 of the laws of Kenya. They are classified under eight broad categories based on their functional areas. These include Financial, Regulatory, Commercial/manufacturing, Public Universities, Training and Research, Service, Regional Development and Tertiary education/training state corporations (GOK, 2004).

The primary objective of the state corporations was to take economic control of the country and promote Kenyan entrepreneurship while making returns. (IEA, 1994). However, for many years, the Government of Kenya structure suffered problems of overlapping authority and duplication of functions and decision making. Poor governance practices within the public sector contributed to deficiency in service delivery, excessive discretion, and, lack of transparent control systems. In addition to being inefficient, this resulted in conflicting policy formulation, and ambiguous lines of accountability and responsibility (Gatheru & Shaw, 1998) thus undermining economic development in Kenya. The resultant weak mechanisms led to the withdrawal of budgetary support (Njeru, 2003) in addition to the mismanagement of the state corporations.

The various Government ministries and state corporations have therefore undergone changes aimed at improved service delivery to the various stakeholders. Some of these changes include the adoption of private sector practices in their management systems.
These saw the introduction of various Public Sector Reform Initiatives including Performance Contracts in the state corporations. Performance Management in the public sector in Kenya traditionally was the process of financial control, in which the mission and strategy were translated into budgets, and subsequently results were compared with budgets. Performance contracting however, entails performing at levels which are jointly predetermined the contractor and the contracted. The challenges faced with performance contracting in the public sector in Kenya include the absence of clear, well-formulated objectives based on a strategic plan thus making it difficult to assess organizational and individual performance (Kobia & Mohammed, 2006). Further, public enterprises develop strategic plans without involving all stakeholders. This lack of ownership further makes it difficult for the organizations to achieve their strategic objectives.

There are few workable tools to help public officials determine whether, how, and to what extent strategic management can be implemented (Vizant & Vizant, 1996). However, organizations are turning more and more to the BSC (de Waal, 2007; Njiru, 2007). The main reasons for adoption of the BSC, is to get an effective strategic planning system and the need for an improved control system/performance measure (Kiragu, 2005). The choice of the control measures however, depends on the environment in which the organization operates and the requirements of the various stakeholders.

1.2 Statement of the Problem

For the control and evaluation of strategic management, an organization must possess the capacity to collect and analyze data to support the planning and resource allocation process, as well as monitor and report on organizational progress (Vizant & Vizant, 1996; Gatheru & Shaw, 1998). The BSC helps mid and lower level managers to link their departmental objectives to the overall organizational strategy by enabling the selection of targets for departmental scorecards that support the organizations overall objectives. The managerial actions at all levels can therefore be gauged by comparing the scorecard results with the predefined targets (De Busk & Crabtree, 2006). A clear understanding of strategy at all levels of an organization would also allow the employees to align their
activities to the overall strategic objectives (Kaplan & Norton, 1996a). The BSC approach may therefore provide an effective method to achieve the goals of strengthening public agency management (Holmes et al, 2006) as it would provide a bridge between an organisation’s strategy and the annual work program (Griffiths, 2003).

Though planning is used as a method of realizing objectives in the public sector in Kenya (Ndubi, 2006), departmental strategies are not effectively communicated through the hierarchy (Boore, 2005). While there is some understanding of strategy at Departmental Head level, the same is found wanting at junior staff levels. Boore further found that in addition to having poor monitoring systems, the coordination activities in the various departments were weak, with poor liaison between the different stakeholders. Parent ministry projects did not link implementation to end results. This study sought to examine the extent to which the Balanced Scorecard has been adopted as a tool to address such drawbacks.

Initial studies on the Balanced Scorecard were carried out on private firms in the developed world. (Kaplan & Norton, 1992, 1993, 2001, 2008). Studies later shifted to the adoption of the BSC in the public and non-profit sector (Griffiths, 2003; Lang, 2004; Holmes et al, 2006). Most of the past studies on the BSC in Kenya tended to concentrate on its implementation in the private sector. Studies were conducted in various publicly listed companies (Kiragu, 2005; Njiru, 2007); in the telecommunications sector (Mugo, 2007) as well as the banking sector (Odadi, 2002; D'souza, 2007). Studies were also carried out in the non-profit sector (Sang, 2007). In the public sector, a study was done on the implementation of the Balanced Scorecard at the Kenya Revenue Authority (Mwangi, 2006). To the best knowledge of the researcher, no known empirical study had been carried out to determine the extent to which the Balanced Scorecard has been adopted by state corporations in Kenya thus creating a knowledge gap.
1.3 Research objectives

The purpose of this study was to investigate the extent to which state corporations in Kenya have adopted the use of the Balanced Scorecard as a strategic management tool. The objectives of the study were:

i) To establish the extent to which state corporations in Kenya have adopted the use of the Balanced Scorecard.

ii) To determine the challenges faced by the state corporations in adopting the use of the Balanced Scorecard.

1.4 Significance of the Study

This study will benefit a number of interest groups. Managers in the state corporations are able to gain some insight on the extent use of the scorecard as a tool for strategy translation. The study will provide food for thought to policy makers in the Government as they will be able to gain some insight on the internal control mechanisms used in the management of state corporations. Scholars wishing to carry out further studies in the sector will find this study as a useful foundation upon which to carry out studies in the individual categories of state corporations. Further studies on the relationship between the use of the scorecard and performance of the state corporations can also be done.
CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

While it has no single definition, strategy may be seen as a multidimensional concept that embraces all the critical activities of an organization. Lack of a single definition points to the selective attention given to the various aspects of strategy by different authors (Aosa, 1992). Strategy has been defined as a set of decision making rules for guidance of organizational behavior. This involves setting standards through which the organizational performance is measured, rules for developing a firm’s relationship with its external environment, as well as its operating policies (Ansoff & McDonnell, 1990). Ansoff and McDonnell argue that these rules should cover performance targets, operating policies, internal processes and an organization’s relation with its external environment.

Mintzberg et al. (1999) define strategy as the pattern or plan that integrates an organization’s major goals, policies and action sequences into a cohesive whole. They view strategy as a ploy, pattern, position, plan and perspective. Strategy as a ploy is the actions taken by an organization with the intention of outwitting its rivals. As a pattern, strategy emerges without preconception from a series of actions visualized only after the events it governs. Strategy as a position is a means of competitively positioning an organization in its external environment. As a plan, strategy specifies a deliberate course of action designed before the action it governs, while as a pattern, strategy reveals an organization’s perception of the outside world.

Strategy has been defined in terms of competitive moves and business approaches employed in the running of an organization. Thompson and Strickland (2003, p.3) state that “a strategy entails managerial choices among alternatives and signals organizational commitment to specific markets, competitive approaches and ways of operating”. They view strategy as an operational roadmap and as a game plan through which an organization gains sustainable competitive advantage. Porter (1980, 1996) argues that strategy is about achieving competitive advantage through being different. It is the
deliberate choice of a different set of activities to deliver a unique mix of value to customers. A firm achieves competitive advantage through competitively positioning itself, differentiating itself in the eyes of the customer and adding value through activities different from those of competitors.

Strategy has also been viewed as the matching of resources and activities to the environment in which an organization operates. Johnson and Scholes (2002, p.10) define strategy as the “...direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations”. Aosa (1992) argues that strategy is the creation of a fit between the external characteristics and the internal conditions of an organization. Thompson et al. (2007) define strategy as management’s action plan for running an organization and conducting operations. It is about how each functional piece of the organization will operate and how performance will be boosted.

Despite the varying definitions of strategy, there is agreement that strategy is concerned with the match between an organization’s capabilities and its external environment. It provides the organization with a unity of purpose and direction, while helping it align itself to changes induced by its environment (Hax & Majluf, 1996).

2.2 Strategic Management

Strategic Management has been defined as the art and science of formulating, implementing, and evaluating cross-functional decisions with the aim of enabling an organization to achieve its objectives (Mintzberg, 1987). It is the process of specifying an organization’s objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans.

Pierce and Robinson (2004, p.6) define Strategic Management as “the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organization”. Strategic management is concerned with
implementing strategies and measuring performance as well as monitoring trends and identifying emerging issues that might require strategic responses (Poister & Streib, 1999).

The guiding principles in any strategic management process, whether in the public or private sector, are about understanding what changes are needed, how to implement and manage these changes, and how to create a roadmap for sustaining improvements that lead to better performance.

2.2.1 Strategic management in the public sector

The operating environments of public sector organizations differ from those of a business firm. The firm sets strategies for its lines of business by selecting markets or market segments in the industry in which it is located. Strategic managers can test the appropriateness of specific strategies by obtaining feedback on profitability from sales to customers in the marketplace. Public organizations, however, must be responsive to external oversight e.g., elected officials and appointed boards, as well as to their clients in the provision of services. Strategic emphasis, therefore, shifts from simple marketplace dependence to a more complex set of political, economic and legal considerations.

A strategically managed public agency is one in which budgeting, performance measurement, human resource development, program management, and other management processes are guided by a strategic agenda that has been developed and communicated widely within the organization and among external constituencies. (Poister & Streib, 1999). Strategic management in the public sector is concerned with strengthening the long-term health and effectiveness of governmental units and leading them through positive change to ensure a continuing productive fit with changing environments. In contrast to the private sector where true business strategies are not put out for public consumption, public agencies display their strategies as a way of publicly authenticating their sense of purpose and direction. These publicly-enunciated strategies perform two main roles. They give the agency an identity based on its functions while
signaling managerial priorities to clients and other stakeholders (Stewart, 2004). Agencies with clearly articulated functions use strategic statements as a way of describing what they are trying to achieve through these activities.

Effective administration in the public sector in this age of results-oriented management requires public agencies to develop a capacity for strategic management (Poister & Streib, 1999). This is more so since administration is in the process of developing from a clientelistic institution to one with new professional and organizational ethics (Holmes et al., 2006). Changes in societal needs, political trends, intergovernmental relations, fiscal conditions, and citizen expectations are environmental factors affecting the programmatic responsibilities and resource requirements of governments and their agencies. Anticipating these possibly substantial changes and adapting to them productively requires the type of forward-looking, flexible, and effective responses that a strong strategic management capacity can help to provide. In the ongoing rush of activities competing for attention and the press of day-to-day decisions, focusing on a viable strategic agenda as the central source of direction, initiatives, and priorities is of fundamental importance. Poister and Streib (1999) argue that a strong strategic management capability in public agencies provides both short term and long term sense of direction relative to their internal and external environments, which could be shifting continually. They argue that in public agencies of any size and complexity, it is impossible to manage for results in the long or short run without a well-developed capacity for strategic management.

Poister and Strieb (1999) propose a model for strategic management in the public sector which shows the strategic issues that need to be managed adequately for the attainment of long term goals of the public entity. This is depicted in Figure 1 below.
Public organizations must be responsive to external oversight e.g., elected officials and appointed boards, as well as to their clients in the provision of services. Strategic emphasis, therefore, shifts from simple marketplace dependence to a more complex set of political, economic and legal considerations. Strategic management must provide for the implementation of strategies through vehicles such as action plans, the budgeting process, the performance management system, changes in organizational structure, and program and project management.

Stewart (2004) suggests that the concept of strategic management can generate genuine traction in the public sector if it is used as a means of reconstructing the political-bureaucratic relationship in ways which reflect the realities of developments in public management. She argues that three types of strategy are significant in the reconstruction of the relationship. These include policy strategy, operational strategy and managerial strategy.

To the extent that an agency’s strategic objectives relate directly to improvement in the performance of ongoing programs or activities, appropriate measures may already be imbedded in existing performance monitoring systems. Periodically tracking such measures will allow the management not only to tie results to budget allocations but also, more important, to track the agency’s progress in achieving its strategic objectives (Griffiths, 2003). This feedback is critical for confirming success, revising next steps, and/or developing alternative strategies.

### 2.2.2 Strategic Management in the Public Sector in Kenya

Strategic management in all public sector organizations should aim at strengthening and looping linkages with policy, planning and budgeting. Ndubi (2006) found that ministerial departments use planning as a method of realizing their strategies. However, for the control and evaluation of strategic management, an organization must possess the capacity to collect and analyze data to support the planning and resource allocation process, as well as monitor and report on organizational progress (Vizant & Vizant, 1996; Gatheru & Shaw, 1998).

Over the years, the various ministries and state corporations have undergone changes aimed at improved service delivery to the various stakeholders. These resulted in the introduction of various Public Sector Reform Initiatives including the Economic Recovery Strategy for wealth creation (ERS) and the Vision 2030 (GOK, 2007). These initiatives saw the introduction of strategic plans as well as Performance Contracting in
the various state agencies. Managers and individual employees are expected to derive their work plans from the strategic and operational plans respectively. It is this work plan that forms the basis for the performance contract. This relationship is depicted in the figure below.

Figure 2: Performance Management Cycle in the public sector in Kenya

![Performance Management Cycle Diagram](image)

Source: Kobia and Mohammed. (2006). The Kenyan experience with Performance Contracting, p.9

The problems faced with the performance contracting include an absence of clear, well-formulated objectives based on a strategic plan thus making it difficult to assess organizational and individual performance. Secondly, public enterprises develop strategic plans without involving all stakeholders. This lack of ownership further makes it difficult for the organizations to achieve their strategic objectives (Kobia & Mohammed, 2006).

2.3 Balanced Scorecard

The Balanced Scorecard (BSC) can be described as a set of carefully selected quantifiable measures derived from an organization's strategy. These measures give managers a comprehensive view of an organization and represent a tool for managers to use in communicating to internal and external stakeholders the outcomes and
performance drivers by which the organization will achieve its mission and strategic objectives. The BSC includes financial measures that are results of actions already taken and operational measures that drive future financial performance. The term balance implies that objectives and measures of different attributes, assembled together on one sheet, offer a multi-dimensional and qualitatively better view of organizational success. The BSC is therefore a combination of balance between lag and lead indicators of performance, internal and external constituents of the organization or between financial and non-financial indicators of success.

The Balanced Scorecard (BSC) initially emerged as an approach to performance measurement due to problems of short-term outlook of financial performance measures (Kaplan & Norton, 1992). The development of the BSC occurred because organizations realized that focus on a one-dimensional measure of performance was inadequate. Too often, bad strategic decisions were made in an effort to increase the bottom line at the expense of other organizational goals. It was conceived to overcome the deficiencies of past orientation of financial measures of performance by balancing them with the operational drivers of future performance. However, the measures in these systems were usually operational, not strategic, and were used primarily to track production, program operations and service delivery (input, output, and process measures).

The BSC has over the years focused on enabling and supporting better strategic control of the organization (Muralidharan, 1997). It emphasizes responsiveness to changes in the strategic environment and increased use of information to anticipate the need for future interventions (Lawrie, et al., 2005). The BSC has therefore evolved into a robust organization-wide strategic planning, management and communications system that aligns the work people do with organization’s vision and strategy. It uses strategic and operational performance information to measure and evaluate how well the organization is performing with financial and customer results, operational efficiency, and organization capacity building. It communicates strategic intent throughout the organization and to external stakeholders, while providing a basis for better alignment of strategic objectives with resources.
2.3.1 Concept of BSC

The BSC was created to supplement "traditional financial measures with criteria that measured performance from three additional perspectives" (Kaplan and Norton 1996, p. 75). The BSC concept is based on the notion that managers need a balanced set of measures covering financial, customer, innovation and learning and growth areas to effectively manage their organizations. The scorecard was positioned as a holistic performance measurement framework, which could provide management with useful information relating to financial performance, internal processes, customer perceptions and internal learning and growth.

The BSC philosophy assumes that an organization's vision and strategy are best achieved when the organization is viewed from these four perspectives (Drury, 2004). The theory of the BSC suggests that rather than being the focus, financial performance is the natural outcome of balancing other important goals. These other organizational goals interact to support excellent overall organizational performance. If any individual goal is out of balance with other goals, the performance of the organization as a whole will suffer. The BSC therefore emphasizes the importance of both financial and non-financial measures in the information system for employees at all levels of an organization.

Kaplan & Norton (1996a) observe that the BSC is a tool used by organizations to manage their strategies over the long run. The scorecard is used to clarify and translate an organization's vision and strategy. It also helps communicate and link strategic objectives and measures through the articulation of short term targets in support of long term goals. Organizations may also use the BSC to plan, set, transfer and align strategic initiatives. The BSC also enhances strategic feedback and learning in organizations. In addition, measurement systems are developed to provide data necessary to know when targets are being achieved or when performance is out of balance or being negatively affected.
2.3.2 BSC perspectives

Kaplan and Norton argue that the BSC should translate an organization’s mission and strategy into a tangible set of measures. “These measures represent a balance between external measures for shareholders and customers, and internal measures of critical business processes, innovation, and learning and growth” (Kaplan & Norton, 1996b, p. 10). Kaplan and Norton (1992) argue that adoption of measures from the four quadrants are not mandatory, rather it is the need to establish measures that link them to an organization’s strategy that guides the adoption. An organization may therefore modify the BSC to reflect its unique characteristics, for example cultural aspects, strategic planning horizon and the nature of operations (Hoffecker and Goldenberg, 1994). The scorecard translates vision and strategy into four quadrants termed perspectives (Kaplan & Norton, 1996).

The Learning and Growth Perspective includes employee training and cultural attitudes related to both individual and organizational improvement. In the current climate of rapid environmental change, it is becoming necessary for workers to be in a continuous learning mode. Government agencies often find themselves unable to hire new technical workers mainly due low compensation levels compared to the private sector. Metrics can be put into place to guide managers in focusing training funds where they can help the most through the BSC.

The Business Process Perspective refers to internal business processes. It is about how to improve on internal processes as a means of delivering the goals of the external stakeholders. Metrics based on this perspective allow the managers to know how well their organization is running, and whether its products and services conform to customer requirements (the mission). Focus in the public sector, is on continuous improvement of work processes to ensure efficient and quality service provision to the citizenry.

The customer perspective is designed solely to measure how well the company is meeting the demands of the customer. There has been an increasing realization of the importance
of customer focus and customer satisfaction in any organization. Dissatisfied customers will eventually find other service providers who will meet their needs. Poor performance from this perspective is thus an indicator of future decline, even though the current financial picture may look good. In the public sector, the organization may be assessed on delivery of services to the citizenry as defined by its mission (Holmes, et al, 2006).

The financial perspective is the most important perspective of the Balanced Scorecard since it is the measurement basis of all the others. It is usually used to represent the long-term goal of an organization. However, since public sector corporations do not generally make a profit, the financial elements of the BSC for the public sector are seen as measures of financial accountability. Focus is thus on how efficiently the organization spends its budgetary allocation.

2.3.3 Role of the Balanced Scorecard in Strategic Management

The Balanced Scorecard has two main uses in the public sector. First, it is used as a measurement instrument to guide performance in public administration, and secondly, to enhance democratic accountability and responsibility. Kaplan and Norton (2008) argue that measurement of progress toward a strategic objective is essential for its management and improvement. They propose that the Balanced Scorecard metrics would allow executives to make better decisions about the strategy and quantitatively assess its execution. By linking each of the four basic BSC measurement elements to the organization’s strategy, management would have a clear means for determining if organizational actions support the organization’s strategy (Kaplan & Norton, 2001; Griffiths, 2003).

Kaplan and Norton (1996b) stress the importance of financial and non-financial measures as part of the information requirements for employees at all levels of an organization. They argue that front line employees must understand the financial consequences of their decisions and actions as much as the drivers of financial successes are understood by senior management of a firm. The Balanced Scorecard emphasizes the linkage of
measurement to strategy and the cause-and-effect linkages that describe the hypotheses of the strategy (Kaplan & Norton, 1993, 1996). By translating their strategy into a logical architecture of a strategy map (Kaplan & Norton, 2004) and Balanced Scorecard, organizations create a common and understandable point of reference for all organizational units and employees. Strategy maps, beyond providing a common framework for describing and building strategies are also are diagnostic tools capable of detecting flaws in organizations’ Balanced Scorecards (Kaplan & Norton, 2001).

Griffiths (2003) found that the role of the scorecard in strategy development and implementation was closely related to the maturity of an organisation’s strategy. The less mature an organisation’s strategy, the greater the role the BSC will have in shaping the strategy.

2.3.4 BSC and strategy translation

When used as a strategic framework for action, the Balanced Scorecard will enable a four-step process for strategic planning, deployment, and feedback. The BSC enables clarification and translation of an organization’s vision and strategy into specific strategic objectives for each of the perspectives of the scorecard (Kaplan & Norton, 1996b). The objectives are determined and measures set for each objective. After clarification and translation of the strategy, the strategic objectives are then communicated to employees at all levels of the organization. The employees are thus informed on the critical objectives to be performed in order to realize the organizational strategy. Informed employees are thus able to align their individual actions to the long term goals of the organization.

As a driver of organizational change, the BSC provides the focus for transformational programs (Kaplan & Norton, 1996b). Once management identifies stretch targets for their strategy implementation, internal processes can be aligned to achieve these objectives. The BSC can be used to break down the stretch objectives into annual work plans which assist in monitoring the organization’s progress towards the strategic objectives. This process defines performance goals and their drivers while establishing the possibility of
performance gaps that may require other strategic initiatives to close. The BSC enables managers to monitor and adjust the implementation of or change their strategy through its enhancement of feedback. This feedback loop is regarded as the most important (Kaplan & Norton, 1996a) as it promotes organizational learning.

2.3.5 Critique of BSC

Despite the positive role played by the BSC in Strategic Management, problems have been experienced in its implementation. Breakdown in communication and difficulty in translating the strategy into action are the main reasons for failure in the implementation of the BSC. It is often difficult for employees to know what to do to improve performance. Measures and targets are often chosen by management and conveyed to the employees. Getting employees involved in picking measures and setting targets can help them to be more committed to reaching the goals.

Linking BSC measures to compensation is difficult, though, and carries some risk. The difficulty comes in determining the relative weights of the various performance measures. However, Formula based systems (De Busk & Crabtree, 2006) and subjective weighting (Kaplan & Norton, 1996b) can assist in setting incentive rewards based on the managerial assessment of the scorecard performance. The large number of performance indicators, may make it difficult for the average manager to handle the BSC. However, despite unique constraints, the BSC has been implemented in various public agencies (Holmes, et al, 2006; Poister & Strieb, 1999).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This research was carried out as a Cross-sectional survey. This design has been recommended (Cooper & Schindler, 2003) for studies carried out at once and representing the same variables at that particular time.

3.2 Population

The population of interest in this census survey was the 122 state corporations in Kenya as enumerated in the list of parastatals (Appendix III) available in the official website of the Office of the Government spokesman, Republic of Kenya.

3.3 Data collection

Data was collected for two weeks from September 24th 2008 to October 9th 2008 using semi structured questionnaire comprising three sections. The first section dealt with details of the respondent and the organization. The second section covered the extent to which the BSC had been adopted in the organization. The third section attempted to uncover the challenges faced in adoption of the BSC. This type of questionnaire was previously used for similar studies (Nyakoe, 2007; Bii, 1992). The questionnaire was administered using the drop and pick method supplemented by mail. Respondents were Heads of Departments charged with strategy execution, especially Finance and Human Resources as well as Corporate Planning. A team of three research assistants was used under the supervision of the researcher. During the research, the assistants were managed using daily follow-up meetings in addition to frequent telephone contact. At the daily meetings, plans were set for dropping of questionnaires the following day as well as picking the ones earlier dropped. Each successful questionnaire delivery and pickup was reported to the researcher immediately for registration.
3.4 Data Analysis

The data collected was evaluated for completeness. Editing and coding to enable measurement of variables was done, before computation using the Number Cruncher Statistical System (NCSS). The data analysis comprised descriptors like tables, pie charts and percentages for closed questions, as well as content analysis for open ended questions. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same method to relate to trends. These analyses methods were found appropriate due to the descriptive nature of the study and have previously been used in other surveys (Kiragu, 2005).
CHAPTER FOUR: DATA ANALYSIS

4.1 Introduction

The findings of this research were analyzed in accordance to the objectives of the study as set out in section 1.3. A total of 115 questionnaires were given out to respondents as seven (7) potential respondents were unwilling to participate in the survey. Eighty two (2) questionnaires were received back and ten (10) rejected for various reasons giving a 59% response rate. The interpretation and conclusions were arrived at in this context as the response rate was considered adequate.

4.2 Characteristics of the respondents

The respondents under study comprised of state corporations in the various categories as shown in Table 1 below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>5</td>
<td>6.9</td>
</tr>
<tr>
<td>Regulatory</td>
<td>10</td>
<td>13.9</td>
</tr>
<tr>
<td>Commercial/manufacturing</td>
<td>18</td>
<td>25.0</td>
</tr>
<tr>
<td>Public Universities</td>
<td>2</td>
<td>2.8</td>
</tr>
<tr>
<td>Training and Research</td>
<td>7</td>
<td>9.7</td>
</tr>
<tr>
<td>Service</td>
<td>26</td>
<td>36.1</td>
</tr>
<tr>
<td>Regional Development Authorities</td>
<td>4</td>
<td>5.6</td>
</tr>
<tr>
<td>Tertiary education/training</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>72</strong></td>
<td></td>
</tr>
</tbody>
</table>

All respondents were found to have formal strategies which were communicated through strategic plans. All strategic plans had strategic objectives which were linked to the annual work plans of the respondents (Table 8).
The corporations were further grouped in terms of size, determined by the number of employees. As shown in the figure 3 below:

Figure 3: Classification of respondents by number of employees.

All respondents were found to have performance targets set in their annual workplans. However these work-plans were mainly used at organizational and departmental level as shown in table 2 below.

Table 2: Use of annual work-plans

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual work-plan for organization</td>
<td>71</td>
<td>98.6</td>
</tr>
<tr>
<td>Annual work-plan for departments</td>
<td>67</td>
<td>93.1</td>
</tr>
<tr>
<td>Annual work-plan for individual employees</td>
<td>41</td>
<td>56.9</td>
</tr>
</tbody>
</table>

n=72
4.3 Adoption of the Balanced Scorecard

In reply to the enquiry as to whether the organization had adopted the use of the Balanced Scorecard, majority of the respondents replied that their organizations had at least partially adopted the scorecard as shown in figure 4 below:

Figure 4: Proportion of organizations which claim to have adopted the Balanced Scorecard.

The respondents who had partially adopted the use of the Balanced Scorecard claimed to have adopted in within the Government Performance Contract. Some respondents also claimed to have adopted performance contracts and not the Balanced Scorecard. However some of the respondents (18%) were found to be unaware of the term Balanced Scorecard (Table 8).
4.4 BSC as a performance measurement tool

On the role played by the Balanced Scorecard in the organizations, the main response was that it was used as a performance management tool. It was also used as a strategic planning tool as well as to enhance communication and feedback (Table 9). The performance targets in the work-plans of most respondents captured both financial and non-financial measures in varying frequencies as indicated in table 3 below;

Table 3: Targets set in the annual work plans

<table>
<thead>
<tr>
<th>Types of targets</th>
<th>Frequency</th>
<th>Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial targets</td>
<td>72</td>
<td>72</td>
<td>100</td>
</tr>
<tr>
<td>Process improvement targets</td>
<td>57</td>
<td>72</td>
<td>79.2</td>
</tr>
<tr>
<td>Knowledge improvement targets</td>
<td>59</td>
<td>72</td>
<td>81.9</td>
</tr>
<tr>
<td>Customer satisfaction targets</td>
<td>66</td>
<td>72</td>
<td>91.7</td>
</tr>
</tbody>
</table>

4.4.1 Financial perspective

The study revealed that all the respondents had financial targets in their annual work plans. However, the main measures used to measure financial performance include budgetary efficiency as well as revenue generation. Commonly used financial measures are shown in table 4 below:
Table 4: Common measures of financial performance

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary efficiency</td>
<td>40</td>
<td>33.9</td>
</tr>
<tr>
<td>Revenue generation</td>
<td>36</td>
<td>30.5</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>18</td>
<td>15.3</td>
</tr>
<tr>
<td>Development Index</td>
<td>10</td>
<td>8.5</td>
</tr>
<tr>
<td>Pre-tax profit</td>
<td>8</td>
<td>6.8</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>6</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Customer perspective

In terms of performance measures, customer satisfaction rated highly with 92% of the respondents setting targets in their annual objectives (Table 3). The main indicators used are given in table 5 below;

Table 5: Measures of customer perspective

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction Index</td>
<td>60</td>
<td>71.4</td>
</tr>
<tr>
<td>Reduction in complaints</td>
<td>12</td>
<td>14.3</td>
</tr>
<tr>
<td>Increase in clientele</td>
<td>6</td>
<td>7.1</td>
</tr>
<tr>
<td>No measures</td>
<td>6</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
<td></td>
</tr>
</tbody>
</table>
4.4.3 Internal processes perspective

One key to increased customer satisfaction is the improvement of service delivery and quality. Most respondents rated improvement in service delivery as a key measure of their internal processes. Other measures include ISO audits and process improvement as indicated in table 6 below:

Table 6: Measures of internal process improvement

<table>
<thead>
<tr>
<th>Measure</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service improvement</td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td>ISO audits</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Process improvement</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>No measures</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td></td>
</tr>
</tbody>
</table>

4.4.4 Learning and growth perspective

The learning and growth perspective was found to be given less prominence than the other perspectives from which the performance of the organizations was measured. However, measures of employee contributions revealed the dominant use of performance based appraisals. Innovativeness of employees is also used to measure employee performance as shown in table 7.
Table 7: Measures of employee contribution

<table>
<thead>
<tr>
<th>Measure</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance based appraisal</td>
<td>38</td>
<td>50</td>
</tr>
<tr>
<td>Idea generation and implementation</td>
<td>14</td>
<td>18.4</td>
</tr>
<tr>
<td>Employee Satisfaction Index</td>
<td>10</td>
<td>13.2</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>10.5</td>
</tr>
<tr>
<td>No measurement</td>
<td>6</td>
<td>7.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>76</strong></td>
<td></td>
</tr>
</tbody>
</table>

4.5 BSC in strategy implementation

The study found that 95% of the respondents got some feedback from their measures of performance. However, the feedback was treated with varying degrees of importance as shown in figure 5 below:

Figure 5: Impact of performance feedback on decision making

Feedback was equally received from the implementation of the strategic plan as shown in figure 6 below.
However, the organizations appear to rely more on the feedback from performance measures for decision making as opposed to feedback from the strategy implementation. There was no mention of the use of the Balanced Scorecard in mission and vision clarification as this was mainly done through brochures and open displays. Most corporations develop departmental targets, which are then incorporated into the overall organizational plan. Strategic objectives are communicated by the cascading effect and through meetings during which the individual departments plan and set their targets.

4.6 Challenges faced in adoption of the Balanced Scorecard

On the question of the challenges faced in the adoption and implementation of the Balanced Scorecard (Table 10), resistance to change was identified as the biggest challenge. The resistance was both systemic and behavioral. Lack of training in the application of the Balanced Scorecard affects the transformation and adaptation of the scorecard thus resulting in slow pace of implementation.
5.1 Summary and conclusions

The objective of this research was to establish the extent to which State corporations in Kenya have adopted the use of the Balanced Scorecard and to determine the challenges they faced in adopting the Scorecard. Out of the one hundred and twenty two state corporations in the population under study, the research was able to get response from seventy two (72) representing a percentage of fifty nine (59%). These corporations operated in seven out of the eight broad categories under which state corporations in Kenya operate. Most of the corporations operated within the service sector as well as the manufacturing/commercial sectors, respectively representing 36% and 25% of the respondents. Of the respondents, most were found to be fully government owned (95%) with the rest having majority government ownership.

From the result of the data analysis, it is evident that all the state corporations had embraced the use of strategic plans for more than three years, with these plans being formally communicated in the organizations. The corporations were found to have clearly stated strategic objectives in their strategic plans. All the corporations were found to use annual work plans as a means of attaining their strategic objectives. However, these work plans were mainly used at organizational level (99%) as well as departmental level (93%). All state corporations under study were found to have performance targets in their annual work plans.

Most state corporations (94%) were found to receive feedback from their performance measures. A lower proportion (87%) was found to receive feedback from their strategy implementation process. However the impact of the feedback from performance measures on future decisions was found to be higher that that from the strategy implementation process. This seems to point towards reliance on feedback to enable reporting to external stakeholders as opposed to generating feedback to enable better strategy implementation and control.
Most of the respondents (83%) were found to have heard about the Balanced Scorecard. On the question of adoption of the Balanced Scorecard, over half of the respondents were found to have adopted the Balanced Scorecard with thirteen percent (13%) claiming partial adoption. Full adoption was claimed by forty percent (40%) of the respondents, while 43% claimed that their organizations had not adopted the BSC. This can be visualized in figure 4. However from table 2, it is evident that the state corporations had adopted the use of financial measures (100%), customer satisfaction measures (92%), employee learning measures (81%) and internal process improvement measures (79%) in their performance management. The adoption of this combination of financial and non-financial measures of performance point towards a higher extent of adoption of the Balanced Scorecard in the state corporations than stated by the respondents. This may be attributed to lack of awareness of the concept of the Balanced Scorecard.

The Balanced Scorecard was found to be used mainly as a performance measurement tool (43%) and as a strategic planning tool (17%). No organization was found to have adopted a holistic view of the strategy implementation process thus confirming the use of the Balanced Scorecard mainly as a performance measurement tool. No respondent was found to use the Balanced Scorecard as a basis for generating reports to external stakeholders. Challenges encountered in the adoption of the Balanced Scorecard among the state corporations include resistance to change by staff and management (36%) and the lack of sufficient training on the concept of the Balanced Scorecard (24%). These may be considered significant factors that result in the non-adaptation of the Balanced Scorecard to suit the needs of the independent organizations as well as the slow pace of adoption. From the findings of this research, it may be concluded that majority of the state corporations have adopted the use of the Balanced Scorecard within their performance management system as opposed to adopting it as a holistic strategic management tool.
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5.2 Recommendations

This research found that there is a need to identify the BSC as a tool that may be used to not only as a performance measurement tool but as a strategic management system. Griffiths (2003) found that the role of the Balanced Scorecard in strategy development and implementation was closely related to the maturity of an organisation's strategy. It is therefore the recommendation of this research that the Balanced Scorecard be identified as a tool that may be used to organize the Government Performance Contract system to increase the effectiveness and productivity of professional activities. There is also need to increase the awareness of employees at all levels in state corporations on the private sector strategic management practices and various strategic management tools that may be adopted in the management of public sector enterprises.

5.3 Limitations of study

The census survey limited the capacity of the researcher to control who the respondents would be. This was mainly due to the necessity of using mail questionnaires as a result of the difference in geographical locations of the respondents. Non-willingness of certain potential respondents to participate in the research also affected the response rate. Non-response was further caused by excessive bureaucracy in certain organizations, preventing the collection of questionnaires within the duration in which the survey was being carried out.

5.4 Suggestions for Further Study

Limitation of information on the adoption of the Balanced Scorecard in the public sector in Kenya inhibited the scope of this research. However, more detailed studies may be carried out on the adoption of the Balanced Scorecard in the different categories of public sector corporations. There may be a need to examine the factors associated with the adoption of the Balanced Scorecard in various categories. Further studies may also be carried out to determine how the reward system can be modified using the Balanced Scorecard to guarantee a sufficient level of social support.
and security for public sector employees, as well as to stimulate their effectiveness and productivity. There is also a need to demonstrate the effect of the adoption of a Balanced Scorecard on the performance in the public sector.
REFERENCES


APPENDIX I:

Letter of introduction

Henry A. Odongo
P.O. Box 12815-00100
Nairobi.
Tel: 0721102435

To...........................................
 ........................................
P.O. Box ...................................
 ........................................
Date........................................

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH PROJECT

I am a post-graduate student undertaking a Master of Business Administration (MBA) degree at the School of Business, University of Nairobi. I am currently carrying out a research on "ADOPTION OF THE BALANCED SCORECARD IN THE STRATEGIC MANAGEMENT OF STATE CORPORATIONS IN KENYA" as a requirement for the completion of my course.

I intend for my approach in this survey to be collaborative and that it will ensure minimal disruption to your schedule of activities. I kindly request you to participate in this research by responding to the questions in the questionnaire. The information required is purely for academic purposes and will be with strict confidentiality.

Please be assured that neither your name nor that of your organization will be mentioned in the report, a copy of which will be made available to you upon request. I thank you in advance and pray for your cooperation.

Yours faithfully,

Henry A. Odongo
MBA student, University of Nairobi
APPENDIX II:

QUESTIONNAIRE

PART A

1. Personal details of the respondent (Optional)
   a) Names ..........................................................
   b) Designation .............................................
   c) Responsibilities ........................................

2. Organization details
   a) Name of Organization ..................................
   b) Number of employees ................................
   c) Category in which your organization operates (Please tick one)
      i. Financial ............................................
      ii. Regulatory ........................................
      iii. Commercial/manufacturing ..................
      iv. Public Universities ............................
      v. Training and research ........................
      vi. Service ...........................................
      vii. Regional Development Authority ........
      viii. Tertiary education/training ............... 
      ix. Other (Please specify) ........................
   d) Organization Ownership (Please tick one)
      i. Fully Government owned ......................
      ii. Majority Government ownership .......... 
      iii. Minority Government ownership .........
PART B

Strategic management

1. Does your organization have a strategy department?
   Yes ( )  No ( )

2. Does your organization have a written strategic plan?
   Yes ( )  No ( )

3. If yes, for how long has your organization had a strategic plan?
   i. Less than 1 year ( )
   ii. 1-2 years ( )
   iii. 2-3 years ( )
   iv. over 3 years ( )
   v. Other (Please specify)

4. Has the strategic plan been officially communicated to you?
   Yes ( )  No ( )

5. Do you understand the mission of your organization?
   Yes ( )  No ( )

6. Are strategic objectives clearly stated in your strategic plan?
   Yes ( )  No ( )

7. Do you have an annual work plan
   a). For the organization? Yes ( )  No ( )
   b). For the different departments? Yes ( )  No ( )
   c). For individual employees? Yes ( )  No ( )

8. Is the annual work plan linked to your strategic objectives?
   Yes ( )  No ( )

9. Do you have performance targets in your annual work plan?
   Yes ( )  No ( )
10. Please indicate if you include the following as targets in your annual work plan.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial targets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process improvement targets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. Which of the following do you use to judge the performance in your organization? Please tick appropriately.

<table>
<thead>
<tr>
<th></th>
<th>Organization</th>
<th>Department</th>
<th>Individual employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial measures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of internal processes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. Please indicate the specific measures that you use to measure the following in your organization.

- Financial success
- Internal process improvement
- Customer satisfaction
- Employee contribution
- Any Other (Please specify)

13. Do you get any feedback from your performance measures? YES ( ) NO ( )

14. How would you rate the impact of this feedback on your decision making?
   - No Impact ( )
   - Low Impact ( )
   - Medium Impact ( )
   - High Impact ( )
   - Extreme Impact ( )

15. Do you get feedback from the implementation of your strategy?
   Yes ( )  No ( )
16. How would you rate the impact of this feedback on your decision making?
   No Impact ( )
   Low Impact ( )
   Medium Impact ( )
   High Impact ( )
   Extreme Impact ( )

17. Please explain how you perform each of the following:

   a. Clarify your vision to ensure it is understood by all employees
   b. Communicate your strategic objectives
   c. Link the strategic objectives of the departments
   d. Plan and set targets in your organization

PART C
18. Have you ever gone for training since you joined your organization?
   Please explain

19. Have you heard of the Balanced Scorecard? Yes ( ) No ( )

20. Have you adopted the Balanced Scorecard in your organization’s management system?
   Please explain

21. What in your opinion is the specific role of the Balanced Scorecard in your organization?

22. What is your opinion on the challenges you have faced in the adoption of the Balanced Scorecard?

23. Any suggestions that you feel may be of use to this research?

THANK YOU FOR YOUR COOPERATION!
### APPENDIX III:

#### Table 8: Summary of responses

<table>
<thead>
<tr>
<th>Measure</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of strategic plan</td>
<td>72</td>
<td>0</td>
<td>72</td>
<td>100</td>
</tr>
<tr>
<td>Link between strategic objectives and annual work plan</td>
<td>72</td>
<td>0</td>
<td>72</td>
<td>100</td>
</tr>
<tr>
<td>Are there performance targets in annual work plan</td>
<td>72</td>
<td>0</td>
<td>72</td>
<td>100</td>
</tr>
<tr>
<td>Financial targets in annual work plan</td>
<td>72</td>
<td>0</td>
<td>72</td>
<td>100</td>
</tr>
<tr>
<td>Internal process improvement targets in annual work plan</td>
<td>58</td>
<td>14</td>
<td>72</td>
<td>80.6</td>
</tr>
<tr>
<td>Knowledge improvement targets in annual work plan</td>
<td>60</td>
<td>12</td>
<td>72</td>
<td>83.3</td>
</tr>
<tr>
<td>Customer satisfaction targets in annual work plan</td>
<td>67</td>
<td>5</td>
<td>72</td>
<td>93.1</td>
</tr>
<tr>
<td>Financial measures of organizations performance</td>
<td>70</td>
<td>2</td>
<td>72</td>
<td>97.2</td>
</tr>
<tr>
<td>Financial measures of departmental performance</td>
<td>36</td>
<td>36</td>
<td>72</td>
<td>50</td>
</tr>
<tr>
<td>Financial measures of individual employee performance</td>
<td>9</td>
<td>63</td>
<td>72</td>
<td>12.5</td>
</tr>
<tr>
<td>Process improvement measures of organizations performance</td>
<td>54</td>
<td>18</td>
<td>72</td>
<td>75</td>
</tr>
<tr>
<td>Process improvement measures of departmental performance</td>
<td>50</td>
<td>22</td>
<td>72</td>
<td>69.4</td>
</tr>
<tr>
<td>Process improvement measures of employee performance</td>
<td>16</td>
<td>56</td>
<td>72</td>
<td>22.2</td>
</tr>
<tr>
<td>Customer satisfaction measures of organization’s performance</td>
<td>70</td>
<td>2</td>
<td>72</td>
<td>97.2</td>
</tr>
<tr>
<td>Customer satisfaction measures of departments’ performance</td>
<td>33</td>
<td>39</td>
<td>72</td>
<td>45.8</td>
</tr>
<tr>
<td>Customer satisfaction measures of employee performance</td>
<td>18</td>
<td>54</td>
<td>72</td>
<td>25</td>
</tr>
<tr>
<td>Measures of employee skills in organization</td>
<td>38</td>
<td>34</td>
<td>72</td>
<td>52.8</td>
</tr>
<tr>
<td>Departmental measures of employee skills</td>
<td>31</td>
<td>41</td>
<td>72</td>
<td>43.1</td>
</tr>
<tr>
<td>Individual measures of employee skills</td>
<td>38</td>
<td>34</td>
<td>72</td>
<td>52.8</td>
</tr>
<tr>
<td>Feedback from strategy implementation</td>
<td>63</td>
<td>9</td>
<td>72</td>
<td>87.5</td>
</tr>
<tr>
<td>Feedback from performance measures</td>
<td>68</td>
<td>4</td>
<td>72</td>
<td>94.4</td>
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<tr>
<td>Has respondent heard of the Balanced Scorecard</td>
<td>60</td>
<td>12</td>
<td>72</td>
<td>83.3</td>
</tr>
</tbody>
</table>
### Table 9: Role played by the Balanced Scorecard

<table>
<thead>
<tr>
<th>Role</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance management tool</td>
<td>15</td>
<td>42.9</td>
</tr>
<tr>
<td>Strategic planning tool</td>
<td>6</td>
<td>17.1</td>
</tr>
<tr>
<td>Enabling feedback</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>Enabling communication</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>Balance between key strategic areas</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Communicating to stakeholders</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Internal control tool</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Linking activities to strategic objectives</td>
<td>1</td>
<td>2.9</td>
</tr>
</tbody>
</table>

### Table 10: Challenges faced in adopting the use of the Balanced Scorecard

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resistance to change by management and staff</td>
<td>9</td>
<td>36</td>
</tr>
<tr>
<td>Lack of sufficient training on the Balanced Scorecard</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Slow pace of implementation</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Generic version of the scorecard in use without adaptation</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Setting or performance targets</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>
APPENDIX IV:

List of State corporations


List of State Corporations

1. Agricultural Development Corporation
2. Agricultural Finance Corporation
3. Agro-Chemical & Food Company Ltd
4. Athi Water Services Board
5. Bomas of Kenya Ltd
6. Capital Markets Authority
7. Catchment Area Advisory Committee
8. Catering Tourism and Training Development Levy Trustees
9. Central Water Services Board
10. Chemilil Sugar Company Limited
11. Coast Development Authority
12. Coast Water Services Board
13. Coffee Board Of Kenya
14. Coffee Research Foundation
15. Commission for Higher Education
16. Communication Commission of Kenya
17. Consolidated Bank of Kenya
18. Cooperative College of Kenya
19. Council for Legal Education
20. Deposit Protection Fund Board
22. Egerton University
23. Ewaso Ng'iro South Development Authority
24. Export Processing Zone Authority
25. Export Promotion Council
26. Gilgil Telecommunications Industries
27. Higher Education Loans Board
28. Horticultural Crops Development Authority
29. Industrial and Commercial Development Corporation
30. Industrial Development Bank
31. Investment Promotion Centre
32. Jomo Kenyatta University of Agriculture and Technology
33. KASNEB
34. Kenya Agricultural Research Institute
35. Kenya Airports Authority
36. Kenya Anti-Corruption Commission
37. Kenya Broadcasting Corporation
38. Kenya Bureau of Standards (KEBS)
39. Kenya Civil Aviation Authority
40. Kenya College of Communication & Technology
41. Kenya Dairy Board
42. Kenya Electricity Generating Company
43. Kenya Ferry Services Limited
44. Kenya Forestry Research Institute
45. Kenya Industrial Estates
46. Kenya Industrial Property Institute
47. Kenya Industrial Research & Development Institute
48. Kenya Institute Of Administration
49. Kenya Institute of Public Policy Research and Analysis
50. Kenya Literature Bureau
51. Kenya Marine & Fisheries Research Institute
52. Kenya Maritime Authority
53. Kenya Meat Commission
54. Kenya National Assurance Company
55. Kenya National Examination Council
56. Kenya National Library Service
57. Kenya National Shipping Line
58. Kenya National Trading Corporation Limited
59. Kenya Ordinance Factories Corporation
60. Kenya Pipeline Company Ltd
61. Kenya Plant Health Inspectorate Services
62. Kenya Ports Authority
63. Kenya Post Office Savings Bank
64. Kenya Railways Corporation
65. Kenya Re-insurance Corporation
66. Kenya Revenue Authority
67. Kenya Roads Board
68. Kenya Safari Lodges & Hotels
69. Kenya Seed Company Ltd
70. Kenya Sisal Board
71. Kenya Sugar Board
72. Kenya Sugar Research Foundation
73. Kenya Tourist Board
74. Kenya Tourist Development Corporation
75. Kenya Utalii College
76. Kenya Water Institute
<table>
<thead>
<tr>
<th>No.</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>Kenya Wildlife Service</td>
</tr>
<tr>
<td>78</td>
<td>Kenya Wine Agencies Limited</td>
</tr>
<tr>
<td>79</td>
<td>Kenyatta International Conference Centre</td>
</tr>
<tr>
<td>80</td>
<td>Kenyatta University</td>
</tr>
<tr>
<td>81</td>
<td>Kerio Valley Development Authority</td>
</tr>
<tr>
<td>82</td>
<td>Lake Basin Development Authority</td>
</tr>
<tr>
<td>83</td>
<td>Lake Victoria South Water Service Board</td>
</tr>
<tr>
<td>84</td>
<td>Local Authority Provident Fund</td>
</tr>
<tr>
<td>85</td>
<td>Maseno University</td>
</tr>
<tr>
<td>86</td>
<td>Masinde Muliro University</td>
</tr>
<tr>
<td>87</td>
<td>Moi University</td>
</tr>
<tr>
<td>88</td>
<td>National Aids Control Council</td>
</tr>
<tr>
<td>89</td>
<td>National Bank of Kenya</td>
</tr>
<tr>
<td>90</td>
<td>National Cereals and Produce Board</td>
</tr>
<tr>
<td>91</td>
<td>National Council for Law Reporting</td>
</tr>
<tr>
<td>92</td>
<td>National Environmental Management Authority</td>
</tr>
<tr>
<td>93</td>
<td>National Hospital Insurance Fund</td>
</tr>
<tr>
<td>94</td>
<td>National Housing Corporation</td>
</tr>
<tr>
<td>95</td>
<td>National Irrigation Board</td>
</tr>
<tr>
<td>96</td>
<td>National Museums of Kenya</td>
</tr>
<tr>
<td>97</td>
<td>National Oil Corporation of Kenya Ltd</td>
</tr>
<tr>
<td>98</td>
<td>National Social Security Fund(NSSF)</td>
</tr>
<tr>
<td>99</td>
<td>National Water Conservation and Pipeline Corporation</td>
</tr>
<tr>
<td>100</td>
<td>National Co-ordinating Agency for Population and Development</td>
</tr>
<tr>
<td>101</td>
<td>New K.C.C</td>
</tr>
<tr>
<td>102</td>
<td>NGO's Co-ordination Bureau</td>
</tr>
<tr>
<td>103</td>
<td>Numerical Machining Complex</td>
</tr>
<tr>
<td>104</td>
<td>Nyayo Tea Zones Development Corporation</td>
</tr>
<tr>
<td>105</td>
<td>Nzoia Sugar Company</td>
</tr>
<tr>
<td>106</td>
<td>Pest Control Products Board</td>
</tr>
<tr>
<td>107</td>
<td>Postal Corporation of Kenya</td>
</tr>
<tr>
<td>108</td>
<td>Pyrethrum Board of Kenya</td>
</tr>
<tr>
<td>109</td>
<td>Retirement Benefits Authority</td>
</tr>
<tr>
<td>110</td>
<td>Rift Valley Water Services Board</td>
</tr>
<tr>
<td>111</td>
<td>School Equipment Production Unit</td>
</tr>
<tr>
<td>112</td>
<td>South Nyanza Sugar Company</td>
</tr>
<tr>
<td>113</td>
<td>Sports Stadia Management Board</td>
</tr>
<tr>
<td>114</td>
<td>Tana and Athi Rivers Development Authority</td>
</tr>
<tr>
<td>115</td>
<td>Tea Board of Kenya</td>
</tr>
<tr>
<td>116</td>
<td>Tea Research Foundation Of Kenya</td>
</tr>
<tr>
<td>117</td>
<td>Teachers Service Commission</td>
</tr>
<tr>
<td>118</td>
<td>Telkom (k) Ltd</td>
</tr>
<tr>
<td>119</td>
<td>University of Nairobi</td>
</tr>
<tr>
<td>120</td>
<td>University of Nairobi Enterprises &amp; Services Ltd</td>
</tr>
<tr>
<td>121</td>
<td>Water Resources Management Authority</td>
</tr>
<tr>
<td>122</td>
<td>Water Services Regulatory Board</td>
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</table>