

**CHALLENGES FACING THE IMPLEMENTATION OF THE
BALANCED SCORECARD AT KENYA REINSURANCE
CORPORATION**

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DECLARATION

I declare that this research project is my original work and has not been presented for the award of a degree in any University.

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

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DEDICATION

I dedicate this project to the Almighty ever-loving father whose grace has been sufficient and has enabled me to undertake this project and studies and to my parents and siblings for their continual support and encouragement to see this course through.

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ABBREVIATIONS AND ACRONYMS

BSC	Balanced Scorecard
KENYA RE	Kenya Reinsurance Corporation
IT	Information Technology

ABSTRACT

Companies compete in a very complex and challenging context that is as a result of many factors from globalization, aggressive competitors and rapid change in technology among others. For organizations to gain and maintain a competitive edge they must be able to develop and execute strategic plans with precision. One of the major tools that help achieve this is the balanced scorecard. The balanced scorecard was developed in the early 1990's by Kaplan and Norton and was designed to give companies the information needed to effectively manage their business strategy. It has additional perspectives other than the traditional financial perspective which include customer, internal business and learning and growth. The implementation of the tool has however been a challenge to organizations. Hence the main purpose of the study was to determine the challenges of the implementation of the Balanced Score Card in the insurance sector and specifically at Kenya Reinsurance Corporation. The findings from this study may particularly be useful in providing additional knowledge to Kenya Re and other companies especially in the insurance sector on the implementation of the balanced score card as a strategy implementation tool. The research design used in this study was a case study. Primary data was collected using an interview guide while secondary data was obtained from the company's records. The researcher thus interviewed eight staff with four being in managerial positions and the other four in non-managerial positions. The researcher used content analysis to analyze the data by describing phenomena, classifying it and seeing how the concepts in the study interconnect. It was established that the organization has been using the balance scorecard since 2010. Some of the benefits of adopting the tool were that it enabled staff to focus on measurable targets, ease of allocating departmental targets to individual staff, helped focus on key KPIS, ability to focus on key objectives, assisted in putting emphasis on specific key measures, helps in the monitoring of performance, assist in the measurement of set targets and helped in the monitoring of performance. The implementation of the balanced score card has however had challenges which included but not limited to lack of clear understanding of the balanced scorecard and its role as a strategy implementation tool, poor leadership involvement, organizational hindrances that included beauracatic structures, lack of human resources, lack of training to new staff and complex trainings to existent staff, poor IT support especially for non-financial perspectives, project team specific to the BSC did not include representatives from all key departments, lack of involvement of all staff and departments, BSC design that didn't show clear link between the various perspectives, poor planning, lack of proper communication, and resistance of the BSC. The findings of the study should be understood and valued in light of the limitations of the study. The study is especially useful to Kenya Reinsurance Corporation. The study highlighted institutional practice recommendations to overcome the challenges of the implementation of the balanced scorecard and also provides suggestions for further studies.

CHAPTER ONE

INTRODUCTION

This chapter will present the background on the challenges in the implementation of the balanced scorecard, the research problem, the research objectives and the value of the study. The concepts on the balanced scorecard, its implementation, challenges in the implementation, the insurance industry and the organization under study will be presented.

1.1 Background of the Study

Formulation, implementation and evaluation of strategies is key for organizations to succeed. Most of the strategies devised by organizations are never actually implemented (Mintzberg, 1994). One of the tools developed to help in implementation of strategies is the Balanced Scorecard. The tool provides a framework for managing the strategy implementation and also allows the strategy itself to evolve in response to the company's competitive market and technological environments that is ever changing. The tool was developed with the aim of aligning organization activities to the vision and strategy and the monitoring of organization performance against strategic goals of the business (Kaplan & Norton, 1996). However, the balanced scorecard implementation has had major challenges.

The theories that supported the study were agency and stakeholders' theory. Agency theory is a management approach where an individual that is the agent, acts on behalf of another that is the principal. The agent is required to advance the goals of the principal (Jean et al., 2002). The agent is put in charge of the resources in the organization .He

advances his interests and the principal's interests. To achieve corporate objectives the interests should be merged. Stakeholder theory states that for organizations to succeed and be sustainable, executives must keep the stakeholder interests aligned (Freeman, 2004). This means that interest of various parties and interest of management should be harmonized to create a synergy that will lead the achievement of the organization vision and mission.

Most firms have formulated great strategies but implementation of the same has not been done (Mintzberg, 1994). The success of Kenya Reinsurance Corporation and the reinsurance industry in general is reflected upon by its performance which highly depends on its strategies. The vision of the organization is to be a global partner in securing the future and its mission is to provide risk management solutions that secure the future and create value for stakeholders.

In this era of stiff competition, what Kenya Reinsurance Corporation requires to achieve its vision and mission, is not only formulation of the right strategies, but also implementing the same. With this reality the organization adopted the balanced scorecard in 2010 to implement its strategies and measure performance. The organization has however faced major challenges in the implementation of the balanced scorecard. It is therefore very important to establish what challenges the organization has faced in the implementation of the BSC so as to facilitate smooth implementation of BSC once the challenges are corrected.

1.1.1 Balanced Scorecard

The BSC was introduced by Kaplan and Norton in the early 1990's. The BSC has considerably evolved since its initiation (Lawrie & Cobbold, 2004). The first generation BSC focus was to develop financial and non-financial measures of performance. However, it wasn't so clear what measures to include in the BSC and which measures should be in which perspective. This led to the second generation BSC in the mid 1990's that focused on aligning measures with strategy.

This saw the introduction of the concept of strategic objectives. This countered the previous weakness, as it led to a direct mapping between the strategic objectives under all perspectives with the performance measures to justify the measures selected. Strategy objectives were then linked to strategy maps to show causality (Lawrie & Cobbold, 2004). However, there lacked the vision and mission statement interpretation and understanding of the BSC from lower levels of the organization. The communication role expected from the BSC saw the development of the third generation BSC which saw the cascading of high level BSC to lower levels through strategy maps that would guide employees on what they ought to do under each perspective to execute the company strategy (Niven, 2006).

Many organizations have adopted environmental and social management systems for the management and control of issues related to sustainability. These management systems however have a lot of weaknesses. These have seen the traditional Balanced Scorecard being developed to the Sustainability Balanced Scorecard (SBSC) which integrates

ecological, social and the economic aspects. Sustainability Balanced Scorecard (SBSC) tool focuses more on the qualitative aspects of social and environmental aspects. It is suitable for the sustainability management and Corporate Social Responsibility (Bieker & Waxenberger, 2002). The SBSC has helped in the detection of key strategic environmental and social objectives of the organization as well as in illustrating the causal relationships between the qualitative aspects and the financial performance (Bieker et al., 2001).

The tool has four perspectives. The financial perspective of the BSC tool provides for the organization to succeed financially it should meet the shareholders demands through delivery of measurable like the financial ratios and other measurable cash flow measures (Samir et al., 2006). This perspective is what had been used widely to measure a firm's performance and needed to be balanced with other perspectives.

The Customer perspective concentrates on the firm meeting the client's demands. This translates to measuring time dedicated to handling customer issues for example how fast orders are handled, how fast queries are responded to among others. It also means that the organization is obliged to carry out periodic customer satisfaction surveys and implement the recommendation from the survey (Kaplan & Norton ,1996).

The **internal perspective** targets to satisfy the shareholders and customers by ensuring that an organization chooses the right business policies and processes that would deliver their unique demands to customers. The internal business policies are often classified as mission oriented that focus on organization overall mission processes and support oriented that focuses on repetitive tasks employees carry out in course of their work. This perspective also ensures that the length of time spent prospecting and the amount of rework required is minimized (Samir et al., 2006).

The learning and growth perspective prescribes that an organization should achieve its vision and be able to sustain its ability to change (Kaplan & Norton, 1996). It guides the organization on where to focus its training resource. The concentration is on the employee training for the improvement of the organizations performance. Also this perspective ensures the creation and maintenance of corporate culture attitudes that would result in achievement of the firm's vision.

1.1.2 Implementation of the Balanced Scorecard

BSC implementation comprises of four processes, translation of vision and strategy, communication system, business planning and feedback and learning (Kaplan & Norton, 2008). Translating the vision and strategy helps build agreement in the organizations vision and strategy and helps employees recognize the long term drivers of success as described in the vision and mission statement. The statement must be discussed by various stakeholders and an agreement reached. This involvement leads to ownership by all parties and enables unity in achievement (Kaplan & Norton, 1998).

Communication and linking process follows where managers are expected to communicate strategy at all levels and ensure all stakeholders understand clearly the organization strategy. This helps stakeholders and agents to relate their personal objectives to the organization objectives and departmental. Business planning is the next process which enables the integration of business and financial plans by undertaking only measures that will help in the achievement of long term strategic objectives.

The measures chosen then become the basis for resource allocation (Kaplan & Norton, 1998). The last process is feedback and learning. This focuses on whether the strategic and budgeted financial goals have been met by the company and by individuals. When all the processes are followed and feedback received, the organization learns of weaknesses or challenges in the implementation and hence formulates strategies that counteract the challenges.

Successful BSC implementation should improve the organizations measurable performance by improving its ability to manage its assets. It should also allow for cost reduction through a better understanding of the business environment where the firm operates (Cinquini & Mitchell, 2005). Kaplan and Norton (1996) also adds improvement of controls, improvement of communication and understanding among shareholders of the organization, help in the implementation of change, as well as measurement of the non-financial aspects of the business as major benefits.

1.1.3 Challenges Facing the Implementation of the Balanced Scorecard

Kaplan and Norton (2007) argue that BSC implementation challenges are rooted in either poor design of the balance scorecard or poor organization processes. Poor design of the tool includes, failure to achieve a balance between the lagging and leading indicators and poor organization processes includes inadequate BSC training, limited leadership involvement, minimum involvement of middle and lower level staff, inadequate or limited Information technology support, poor planning and non-effective project teams (Buchachan et al., 2005).

Inadequate training, specific to BSC leads to a limited understanding of the balanced scorecard. Most BSC implementations fail because most staff lacks an understanding of the BSC and its implementation (Othman, 2009). Training can be in the form of workshops and open presentations that help explain the purpose of the BSC and determine the approach to implementation. Such presentations allow the respective units to present their results, get feedback, and learn from one another. A comparison of the BSC implementations was done in several companies by McAdam and Walker (2003), who found that the effect of training on the BSC is a major facilitator of successful implementation.

Limited involvement of leaders in supporting the BSC is another key challenge. Othman (2009) shows that many BSC implementation failed because of lack of commitment from the top management. Niven (2005) argues that no firm initiative irrespective of its potential has a chance of success without top management sponsorship. This also applies

to the BSC implementation. Top management should be in the front line to explain the BSC importance and should have a strong belief that it will improve the company (Olve et al., 2003). If the leaders give little support, the employees will perceive the tool as one that is not worth their time.

Poor strategy maps lead to unsuccessful implementation of the Balance scorecard. Othman (2009) argues that the absence or poor development of strategy maps is the reason for confusion in developing key performance indicators. Poor strategy maps manifest in the lack of consensus on what the most appropriate measures would be under each perspective, a lack of clear responsibility hence no commitment, too many or too few measures that lead to lack of a clear focus, lack of causal linkages between perspectives in the BSC, poor balance between non-financial and financial indicators and measures that do not reflect the organization strategy. Organizations should include only the important links in the strategy maps to prevent a confusing network of causal relation (Norreklit, 2003). The map should be the basis for the key performance indicators development.

1.1.4 Insurance Industry

The insurance industry is inclusive of insurance firms, reinsurance firms, both insurance and Reinsurance brokers and agents. These key players are registered and regulated by the government regulating body, Insurance Regulatory Authority (IRA). Currently there are fifty two insurance companies, one hundred and eighty six registered brokers, nine reinsurance companies, and around five hundred agents (Insurance Regulatory Authority).

The industry deals with health insurance, life Assurance and non-life insurance. Non-life insurance includes property insurance, motor insurance and liability insurance. The country's insurance penetration rate of 2.98%, 1.91% in general business and 1.07% in life business puts the country within the top five insurance markets in Africa. During the period 2010 – 2015, the country's insurance premiums grew at a compounded rate of 17.4% making it one of the fastest growing reinsurance markets. (IRA , 2016).

The insurance industry forms part of the country's financial sector. The sector is key to the economy of Kenya as it aids businesses and individuals in the recovery of financial losses. The insurance industry continues growing amidst the turbulent environment. The insurance industry is represented by a key trade body, Association of Kenya Insurance (AKI). The industry is overseen by a regulator known as Insurance Regulatory Authority (IRA). This case study will be done in Kenya Reinsurance Corporation which is among the key players in the Reinsurance sector.

1.1.5 Kenya Reinsurance Corporation

Kenya Re is the oldest Reinsurer in East and Central Africa. It was established in December 1970 under the State Reinsurance Corporation Act. Reinsurance is where one party (reinsurer) agrees to indemnify another party (insurer) in exchange of a consideration which is referred to as a premium. The primary objectives of the company is underwriting of all classes of reinsurance business and investment activities.

It currently offers a range of reinsurance services across fire, accident, property, marine, aviation, motor, agriculture, energy and life insurance. At inception, it was mandated to grow the local insurance market, regulate the local insurance industry, build local expertise and capacity in insurance and reinsurance, and especially, stem capital flight through local insurers' placement of reinsurance with international reinsurers (www.kenyare.com).

Kenya Re is quoted on the Nairobi Securities Exchange, with 60% of the Corporation owned by the Government of Kenya, and 40% held by private investors. It provides reinsurance to more than 265 companies in over 62 countries in Africa, Middle East and Asia. It has two fully owned subsidiaries; Kenya Re Cote d'Ivoire and Kenya Re Zambia that started their operations in 2015 and 2016 respectively. In 2016 it reported profit before tax of Ksh. 4.2 billion (Kenya Re Published Accounts, 2016).

Its vision is to be a global partner in securing the future, and its mission is to provide risk management solutions that secure the future and create value for stakeholders. It has a fixed five year strategic planning period with the current plan covering 2017 to 2021 with reviews being done .Kenya Re adopted the tool in 2010 which is reviewed every year due to the ever changing environment. Each department has its own tailor made BSC that ties to the overall companies BSC. Its core values are at the center of its strategy implementation. The core values include team work, service culture, learning and innovation, integrity, employee focus and good corporate citizenship (Kenya Re Published Accounts, 2016).

The global insurance market comprises of three markets, the developed market, emerging markets and frontier markets with Kenya Re's current market falling under the emerging and frontier markets. The strategic plan of the company highlights on it the vision statement which is to be a global partner in securing the future. Kenya Reinsurance aims to lead in providing of reinsurance services throughout Africa. The organization aims to be the best in terms of its services over and above its competitors. The company also has a mission statement which is to provide risk management solutions that secure the future and create value for stakeholders. This is to be achieved through customer focus, commitment to growth, profitability and satisfactory returns to its shareholders, engaging in modern technology, attracting, developing and retaining qualified and experienced staff and endeavoring to be socially and environmentally conscious(Kenya Re Strategic Plan,2017).

1.2 Research Problem

The BSC has been a major tool used in the implementation of strategies by most organizations. The tool was created with the aim of helping organizations to implement strategies (Kaplan & Norton, 1996). Many organizations have adopted the tool for the implementation of strategies. However, most organizations using the tool have faced major challenges in its implementation. Kaplan and Norton (1996) explain that the challenges faced in the implementation of the BSC are rooted in either in the design of the BSC or poor organization processes.

The context of the study was in the insurance industry. The insurance industry is diverse in nature with four key players. These are the insurance firms, reinsurance firms, both insurance and Reinsurance brokers and agents. Studies have been carried out in different contexts. Locally Nkatha (2015) did a study on the challenges of implementing the BSC at Novel technologies, Muyeshi (2015) did a study on the challenges of the BSC implementation at Kenyatta Hospital.

Other studies carried out in the insurance industry include Wangombe (2013) who did a study on the balanced scorecard implementation at CIC insurance group, Wayua (2014) who did a study on the balanced score card application and strategy implementation at the ICEA LION group and Elesani (2010) who did a study on the effectiveness of the balanced scorecard in implementation of corporate strategy at CFC Life Assurance Ltd and Wayua (2014) did a study on balanced score card application and strategy implementation at the ICEA Lion group. This study seeks to close this contextual gap by carrying out a study at Kenya Re as no study has been carried out yet.

Numerous studies have been carried out in relation to the balanced score card adoption and application with few focusing on the challenges of its implementation. International studies done include Harlem (2002) who did a study on the use of the balanced scorecard to overcome barriers in strategy implementation in Telemark county tax office in Norway, Jenni (2010) did a study on the effect of the balanced scorecard and strategy implementation at Casex Limited in Finland and Tanyi (2011) who studied on the factors influencing the use of the balanced scorecards by managers in Finland companies.

Locally studies done in relation to the BSC include Wayua (2014) who did a study on the balanced score card application and strategy implementation at the ICEA LION group, Elesani (2010) who did a study on the effectiveness of the balanced scorecard in implementation of corporate strategy at CFC Life Assurance Ltd and Wayua (2014) did a study on balanced score card application and strategy implementation at the ICEA Lion group. Studies that were specific to the challenges in the implementation of the BSC include Nkatha (2015) who did a study on the challenges of implementing the BSC at Novel technologies, Muyeshi (2015) who did a study on the challenges of the BSC implementation at Kenyatta Hospital and and Pujas(2010) did a study on the barriers to the successful implementation of the Balanced scorecard in Plava Laguna, Croatia.

Conceptual gaps exist on the concept of the challenges of the implementation of the BSC. Many studies carried out were in relation to the adoption of the BSC as a performance measurement tool and application of the BSC with few studies concentrating solely in the challenges faced by organizations in the implementation of the BSC. The countable studies done on the challenges faced by organizations in the implementation of the BSC however differed from one industry to another and hence the findings can't be used for generalization purposes for the organization under study.

Methodological gaps exist in relation to the data collection. Most studies target respondents were the top management. Non-managerial staffs involved in the implementation of the BSC were not included. Their response will be important as it will add more content to the studies from the perspective of the main implementers of the BSC .The study closed this gap by including them when collecting data on the challenges

facing the implementation of the Balanced Scorecard in Kenya Reinsurance Corporation. A gap does therefore exist to establish the challenges facing the implementation of the balanced scorecard in the Reinsurance industry based on Kenya Reinsurance Corporation. The research question was what are the challenges facing the implementation of the balanced Scorecard at Kenya Reinsurance Corporation?

1.3 Research Objectives

The objective of this study was to determine the challenges facing the implementation of the balanced scorecard at Kenya Reinsurance Corporation.

1.4 Value of the Study

The study is useful to the Kenya Reinsurance Corporation management as it will help them understand the challenges the organization faces in Balanced Scorecard implementation. This will lead to an improvement in the implementation of the tool by addressing the challenges that will be brought out in the study. This then will result to a smooth implementation of the BSC that will ensure implementation of strategies.

The study is useful to other organizations that have adopted the balanced scorecard or are planning to adopt the same. It will increase their knowledge in the challenges they are to expect in Balanced Scorecard implementation and take proactive measures to overcome the same. This will lead to an improvement in the implementation of the tool by saving on time that will otherwise be wasted on the addressing of the challenges. The findings will unfold essential and critical learning points that implementers in organizations should be wary of in formulation and designing of the balanced scorecard.

The study adds to the existent theories the importance of aligning the interests of various stakeholders in an organization and harmonizing the agents and principals' interests for smooth implementation of the balanced scorecard. The study will add knowledge to the theory by showing the importance of the theories in the implementation of the balanced scorecard. The study adds to existent knowledge which will be used by academicians, scholars and researchers as it will form a reference point in examining the challenges of the balanced scorecard implementation more especially in the reinsurance industry. This study can be used as a reference point when carrying out related studies. The study will further contribute to the existing literature in the field of balanced score card implementation in the reinsurance sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides information on the theoretical foundation of the research that is the agency theory and the stakeholder's theory, the literature review on the challenges facing the implementation of the balanced scorecard and the gaps that were presented from each of the study done on the balanced scorecard.

2.2 Theoretical Foundation

This entails the theories that helped in the understanding of the study on the challenges facing the balanced Scorecard implementation. It explained more on its relevance to the research and gave a clear view on the implementation of the balanced scorecard in the organization. This will be the agency and stakeholder theory.

2.2.1 Agency Theory

Agency theory originated in the early 1970s but the concepts behind it have a long and varied history. Some of the scholars involved in the theory in the 1970s were Armen Alchian, Harold Demsetz ,S.A Ross and William Meckling. All organizations have owners. However these owners cannot manage the firms because they may be too many to run a single firm, they may not have technical skills and expertise to run the firm or they may be geographically dispersed and may not have time to run the firm. These shareholders also known as the principals employ managers who will act on their behalf. The managers are the agents.

Judge et al. (1995) explains the theory as where one individual referred to as an agent acts on behalf of another, the principal in advancing the goals of the principal. Key assumption of the theory is that the agent and principal are motivated by self-interest. The agent therefore advances two interests, the principals and his own. The agent should ensure that the two interests are merged so as to arrive at the organization objectives. This merging of interests is very important as the agent is in control of the organization diverse resources.

Laafont and Martimost (2002) argued that the agency theory is key in strategic management since the agents' actions affect other parties. The theory is also relevant to the study because the formulation and implementation of the BSC responsibilities lie with the agent. The agent represents other stakeholders. The principal and the agent should work together and set rules to avoid agency problems.

Agency problems arise when the agent doesn't advance the principals goals. Some of the causes of the agency problem are due to incentive problem where managers have fixed salaries and have no incentive to work hard and maximize the shareholders wealth, consumption of perquisites where directors reward themselves with high salaries that reduces the shareholders wealth, different risk profile between the two and different evaluation horizons. The problems can be minimized through pegging of managerial compensation to performance and direct intervention by shareholders among others. Shareholders may insist on a more independent board of directors, and making recommendations to the management how the firm should be run this will ensure proper understanding of the BSC hence a smooth implementation of the balanced scorecard.

The implications for the theory is that when agency occurs it tends to give rise to agency costs which are expenses that are incurred for the sustenance of an effective agency relationship. The costs may be inherently associated with using an agent an example of a risk that agents will use the company's resources for their own advantage and the costs of techniques that are used to mitigate the problems associated with using an agent or in the employing of mechanism as to align agent and principals interests. This includes offering management performance bonuses to encourage managers to act in the shareholders interest.

2.2.2 Stakeholder Theory

It's a theory of organizational management and business ethics that addresses the organizations management morals and values. It was originally detailed and R. Edward Freeman. It attempts to address the principle of who really counts. The traditional view of the company was that only the owners of the company were important and that the company had one task of increasing value for them. Stakeholder theory argues that there are other parties involved that include employees, customers, communities, the government and suppliers among others who are referred to as the shareholders.

Freeman (2004) explains that for an organization success and sustainability, management should keep stakeholder interests aligned. The interest of various parties and that of management should be harmonized so as to create synergy which is important in the achievement of the organizations vision and mission. All organizations have stakeholders. Stakeholders are individuals who depend on the organization to fulfill their own goals and on whom the organization also depends on (Johnson & Scholes, 2002).

It is necessary for organizations to identify their major stakeholders and their interests. This can be done through stakeholder analysis. An organization can influence stakeholders, only if they know them well. The analysis helps the organization build a personal relationship with the stakeholders that leads to success (Johnson & Scholes, 2002). The focus of the theory is the purpose of firm and management responsibility in relation to stakeholders.

The purpose of the firm requires managers to show the shared values they will create and what will unite the firm with its core stakeholders. Management responsibility requires managers to share how they want to do business. This entails the relationships they should create with their stakeholders so as to deliver on the purpose of the firm. Kenya Re has multiple stakeholders with multiple diverse goals. The management is expected to define the key stakeholders and the specific objectives they seek to attain from each stakeholder.

The stakeholders ought to know how they will benefit from the relationship with the firm. The balanced scorecard is a tool that assists communication of strategies and help in the achieving of goals for stakeholders. In the different perspectives of the BSC, a company ought to know what stakeholders need so as to reduce the challenges that are related with the BSC. Some criticisms of the theory have been the fact that it assumes that the interests of various stakeholders can be at best balanced against each other.

2.2 Balanced Scorecard

BSC has become a popular tool within strategic management and performance management since its initiation in 1992. It has evolved from its use as a performance measurement framework to a full strategic planning and management system. The tool has been adopted by thousands of organizations throughout the world. Initially financial measurement only was used in the determination of measures of success.

Non-financial measures such as intellectual capital and skilled employees were ignored. The reliance of financial measures alone wasn't adequate for the success of organizations and hence the introduction of the BSC by Kaplan and Norton. The BSC is a balance between financial and non-financial measures (Brewer & Speh, 2000). The measures balance the external measures for shareholder and customers and the internal measures for business processes, innovation, learning and growth.

This balance is key for an organization to be successful in its market. The Balance scorecard process entails clarifying and translating the organizations vision and strategy, communicating and linking the strategy objectives and measures, planning, setting and aligning strategic initiatives and lastly enhancing strategy feedback and learning. The importance of the strategy is to define the specific performance measures and standards in the non-financial areas. This process is done at the highest level within the organization.

The BSC considers four perspectives; financial, customer, internal business process and, innovation and learning. The BSC still maintains the financial perspective since the financial measure is key in the overseeing the financial consequences of the strategy actions undertaken. It indicates whether the implemented strategy contributes to improved financial performance. Financial perspective has been a traditional measure over time. It answers the question how do we look at shareholders.

It is more of a check of past performance unlike the three other perspectives which are drivers of future performance. Kaplan and Norton (1992) argues that the achievement of the objectives under the three perspectives are only beneficial when translated in financial terms. An example of this is improved market share and reduced operating expenses among others. Managers should therefore specify how the objectives lead to changes in the financial performance. This can be achieved by linking the measures to the overall strategy (Kaplan & Norton, 1993).

Customer perspective considers the customers' expectations or needs. It answers the question for an organization to achieve its vision how should they appear to their customers. Kaplan and Norton (1992) observed that many companies corporate mission focus on the customer. The perspective provides a view of how the customers see the company. If customers lack satisfaction they will look for other suppliers that will meet their need which will eventually affect the financial measure.

To put the balanced scorecard to work, companies should formulate goals for time, quality and performance and service (Kaplan & Norton, 1996). This should then be translated into specific measures. These are measures of how the company provides value to the customer. An example of this includes price reduction. Price reduction is not enough to sustain a customer. Delivery time and the customer service are also key.

Internal business perspective answers the question to satisfy the organizations stakeholders and customers, at what business process must the organization excel at. It focuses on the effectiveness of internal processes and the use of indicators that only focus on activities that have the greatest impact on operations. The focus of this perspective then is the translation of customer-based measures into measures reflecting the company's internal operations. The highest level in this measurable should be on customer satisfaction and factors affecting variables like quality, employee skills, and productivity. Key goals and measures here should highlight critical skills and competencies, processes and technologies that will deliver current and future organizational (customer/financial) success.

Innovation and learning perspective considers how well an organization can develop and improve on performance, adaptation to change due to the extreme competition and future growth. It answers the question to achieve the organizations vision how the organization will sustain its ability to change and improve. Financial, customers and Internal Business Process perspective shows gaps between actual capabilities of the Human resource, technical resource and procedures and the expected capabilities needed to achieve higher performance. A company's ability to innovate, improve, and learn ties directly to the

company's value (Kaplan & Norton, 2001). The financial perspective deals with the projected value of the company, the innovation and learning perspective sets measures that help the organization compete in an ever changing business environment. The focus for this innovation is in the formation of new or the improvement of existing products and processes. The perspective also focuses on employee satisfaction, development and innovation.

A causal relationship should exist between the four perspectives with innovation and learning being the driving force to deliver success in the internal processes, which then in turn will meet customer and consequently, shareholder needs. Organizations have adopted the BSC to improve its controls, efficiency and strategic learning within the organization, to improve communication and understanding among the organization stakeholders, implement changes in the organization and to measure the non-financial aspects of the business (Kaplan & Norton, 1996).

Geuser et al (2009) in his research also found that the BSC had a positive effect on the performance of the organization as a result of the improved translation of strategy into operational terms and the greater alignment between processes, services, competencies and organization units. Other benefits were increased ability in the control of corporate strategies (Malina & Selto, 2001), increased ability in the clarification and communication of strategy and improvement in the alignment of strategic objectives with actions (Greiling, 2010).

2.3 Challenges in the Implementation of the Balanced Scorecard

There have been many unsuccessful implementations of the Balanced Scorecard as shown by most studies carried out. Kaplan and Norton (2007) explain that these challenges originate from either design or process failure. Design failures consider the weaknesses of the balanced scorecard that affect its successful implementation and the process failures are challenges related to the organization and its resources (human, technical, capital).

Studies have been done in regards to the application, adoption, and implementation of the BSC with few studies majoring on the challenges of the balanced scorecard. Some of the major studies carried out were in Kenyatta National Hospital, Ernst & Young, Novel Technologies and ICEA Lion group with different challenges from the study. Muyeshi (2015) did a study on challenges of the balanced score card implementation at Kenyatta national hospital and found poor organization structure that made decision making and implementation slow, limitation in financial and human resources for implementation, organization culture that was against the culture of performance and accountability that is propagated by the BSC, communication challenges ,stakeholder challenges and the challenge of translating the corporate goals to divisional then up to individual.

The limitations were the study was limited to the two years which the Hospital adopted the BSC which wasn't long enough to adequately establish the major challenges of BSC implementation in the KNH as new challenges were still emerging, unavailability of most interviewees, tendency by informants to volunteer only the positive side of BSC information with further suggestions to studies replicated in other hospitals ,further research on the effect of BSC implementation at KNH to enable a comparison to be made between the challenges and effects of BSC implementation.

Nkatha (2015) did a study on the challenges of implementing the BSC at novel technologies and identified resistance to the use of the BSC, time consuming nature of BSC, lack of full commitment by some of the managers in the implementation, high employee turnover that affects BSC continuity, poor communication of the BSC, as the major hurdles. The research was limited to Novel Technologies (E.A) Limited, Kenya hence findings cannot be used for generalization purposes.

The study focused on interviewing heads of departments who were very busy and data collected from the respondents may have suffered from personal biases of the interviewees. The study suggested for a similar study in the ICT sector to find out whether the same results will be obtained, further studies to include the lower level employees as part of the primary source for data, and a similar study to be carried out after the current strategic plan 2014 to 2016 period to assess the situation.

Mulu (2010) studied on the challenges of the BSC in strategy implementation at Ernst & Young and identified lack of inclusion and consultation in the development of the balanced score card, difficulty in coming up with each department strategic measures and difficulty in tying balanced score card measures and stakeholder's expectations as the major challenges. Major gaps in the study were the study used a case study hence findings cannot be used for generalization purposes, data collection involved randomly selected representative group, biased interviewed respondents and lack of key staff that implemented the balanced score card.

The study further suggested for more research to be conducted in other auditing firms, more researches to establish how the balanced score card can be used to overcome challenges to strategy implementation, to establish whether small and medium sized auditing firms have adopted the balanced score card, and to what extent and to establish the link between the use of the balanced score card and improved decision making or improved financial performance of companies.

Wayua (2014) did a study on the balanced score card application and strategy implementation at the ICEA LION group and identified tool viewed as complex by the staff both top and middle level, resistance of tool due to fear of accountability, training of the BSC seemed complex to the staff, and knowledge gap between low level staff and management in regards to implementation of the BSC as the major challenges. The limitations were the study only concentrated on views got from the top management team and ignored the views of the board of directors and other lower cadre managers and the

inferences made cannot be generalized to fit the entire industry or generalize for all other organizations. The researcher suggested that more studies be done to establish the applicability BSC and performance contract, how effective the balanced scorecard has been in achieving the overall corporate goals as well as the challenges faced during the transition from any other strategy implementation tool.

Harlem (2002) did a study on the use of the balanced scorecard to overcome barriers in strategy implementation in Telemark county tax office in Norway. The study based on Kaplan and Norton (1996), causes of poor strategy implementation .The study found out that, there was no support on the hypothesis that BSC secured that the organization understand their strategies, that the BSC secured that the strategic goals can be acted upon ,that the BSC establishes linkages from the overall strategy to the goals at the departmental team and individual levels, that the BSC secured short term resource allocation linked to long term strategy and that the BSC secures feedback on strategically important processes .The study suggested further studies to investigate how BSC can overcome these barriers when the budget process is better strategically anchored.

Jenni (2010) did a study on the effect of the balanced scorecard and strategy implementation at Casex Limited in Finland. The findings of the study was that strategy participation is linked to the organizations willingness to the promotion or hindrance of strategy participation, and that organizations decision on supporting of strategy participation with the use of a balanced scorecard doesn't impede that. The use of the BSC as a strategic management system facilitates strategy implementation, but doesn't

provide tools for promoting participation. The study also supported other studies by showing that the BSC enabled the organization to align the strategy in their daily duties. The study recommended a study on strategy participation in other organizations, a study that links the idea of controlling strategy with organization culture and a study on the discourses that are linked to a balanced scorecard.

Tanyi (2011) studied on the factors influencing the use of the balanced scorecards by managers in Finland companies. The findings from the study was that the way managers perceive information from new sources appeared to positively affect the use of the BSC, the managers perception on the simplicity of the BSC largely affects it's their use of the BSC. A limitation for the study was that the study responses were a bit biased. Suggestions for further studies were to establish whether the same factors influencing managers to use the BSC are same across all organizations.

Pujas (2010) did a study on the barriers to the successful implementation of the Balanced scorecard in Plava Laguna, Croatia. The findings from the study were that the major barriers included limited understanding of the balanced scorecard by employees, lack of executive sponsorship, inadequate support from the information technology, inadequate key performance indicators and resistance to change .The study further suggested for the same study in other companies since no two BSC implementations are alike.

2.4 Summary of literature review and Knowledge Gap

Kaplan and Norton (2007) argue that BSC implementation challenges are rooted in either poor design of the balance scorecard or poor organization processes. The major challenges identified by the most of the studies were related to either design of the BSC or poor organization processes. This included too few or too many measures in the tool, failure to achieve a balance between the lagging and leading indicators ,theoretical balanced scorecard, lack of senior management support, lack of involvement of staff, lack of communication, poor organization cultures, lack of resources, limited understanding of the tool, lack of training, lack of strategy maps, inadequate project teams, inadequate information technology support and lack of planning and communication and resistance to the balanced scorecard as the major challenges .

Contextual gaps exist in relation to the studies done .Studies have been done in different industries and few have been carried out in the insurance industry. The insurance industry is diverse in nature with four key players. These are the insurance firms, reinsurance firms, both insurance and Reinsurance brokers and agents. In the Kenya insurance industry no study has been done on the challenges facing balanced scorecard implementation in Reinsurance firms. This study seeks closed the gap as Kenya Re has adopted the BSC and no study had been carried out yet.

Methodological gaps also exist in relation to the data collection. Most studies did not target non-managerial staff when collecting data. The non-managerial staff is key as they are major implementers of the BSC. The study seeks to close this gap by including them when collecting data on the challenges facing the implementation of the Balanced Scorecard in Kenya Reinsurance Corporation. Most studies adopted case studies. However the findings cannot be used for generalization purposes as organizations tend to be unique in their own ways.

Conceptual gaps exist on the concept of the challenges in the implementation of the BSC. Many studies carried out were in relation to the adoption of the BSC, use of the BSC as a performance measurement tool and application of the BSC with few studies concentrating solely in the challenges faced by organizations in the implementation of the BSC. The countable studies done on the challenges faced by organizations in the implementation of the BSC however differed from one industry to another and hence the findings can't be used for generalization purposes for the organization under study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the research methodology that was adopted in the study on the challenges facing the implementation of the balanced scorecard in Kenya Reinsurance Corporation. It described the sequence that was applied, the research design, data collection and data analysis. It describes the research design to be employed, the tools and processes that were used in data collection as well as the interviewees targeted.

3.2 Research Design

Research design refers to the logical steps that will be taken in the linking of the research question, data collection, analysis and interpretation (Hartley, 2004). The study adopted a case study which assisted in thorough investigation of the study. The benefits of a case study in research has been emphasized by Young (1960) who acknowledges it as a great form of qualitative analysis which involves the observation of a social unit, irrespective of what type of unit is under study ,in a careful and complete way.

The case study provides an in-depth description of the phenomenon (Kidder, 1982), a thorough investigation of the topic (Mugenda & Mugenda, 1999) and will place more emphasis on the full contextual analysis of fewer elements (Cooper & Schindler, 2008). This research design was appropriate because the objective of the study required an in depth understanding of the challenges facing the implementation of the balanced scorecard.

Case study is beneficial for the study as no two BSC implementations are completely alike (Niven, 2006). Findings in the different studies cannot be generalized. Kenya Re insurance is a large parastatal and hence the application of the case study design was beneficial as the findings collected were substantial. The design portrayed clearly the challenges facing the implementation of the balanced score card at Kenya Reinsurance Corporation.

3.3 Data Collection

The data for the study was obtained from primary and secondary sources with more emphasis being placed on the primary data. The use of both primary and secondary data is advantageous as it helps in the getting of clear and accurate data (Yin, 2003). The primary data was collected through comprehensive interviews carried out in Kenya Re. Primary data was collected from eight staff using interview guide with unstructured questions for in depth response.

The interview guide was used so as to gain a better understanding of the study on the challenges facing the implementation of the balanced scorecard. The interview guide enabled better and more insightful interpretation of the findings from the study. The guide was devoted to the establishing of the challenges facing the implementation of the balanced scorecard at Kenya Reinsurance Corporation.

The interview guide was used gain information from the respondents and will consist of two parts: Section A that covered the Bio data of the interviewee while section B covered questions pertaining to the benefits of adopting the BSC and section C covered questions pertaining to challenges faced in the implementation of the BSC. Secondary data was collected from the company's strategic plan, published reports and published annual financial statements, corporate scorecard and departmental scorecards. Secondary data is of advantage as it is precise and is sure. The combined data was able to give a clear picture of the study done.

3.4 Data Analysis

The data collected from both primary and secondary sources was edited for completeness and consistency before processing of the data. Emergent themes, ideas and concepts were verified for completeness then analyzed for data interpretation and data presentation. The analysis of the data collected was according to the objective of the study. The nature of data collected was qualitative.

Qualitative data analysis seeks to make general statements on how data categories or themes are related. The data was qualitative in nature which used content analysis to analyze. Mugenda and Mugenda (2003) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. This type of analysis was relevant to this study since it did not set barriers on the respondents' answers, which are the respondent's opinions were fully expressed.

Data was obtained from the Heads of departments and non-managerial staff in different departments and compared against each other to get more information on the issues under study. The research yielded qualitative data from the interview guides and analyzed using content analysis as the study sought to solicit data that is qualitative in nature. Conclusions were drawn when the respondents gave similar information on a related question.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and findings guided by the objective of the study which sought to establish the challenges of the implementation of the balanced scorecard at Kenya Reinsurance Corporation .The research objective was tested by the use of interview guides. The data collected was then analyzed with the use of content analysis. This is a technique for making inferences by systematically and objectively identifying messages characteristics and using the same to relate to trends. It will also interpret the findings from the data collected.

4.2 General Information

The people that were identified for interviews included 9 employees, among them the top management that is General Manager property division, Manager Reinsurance division, Manager legal, manager Life and lower cadre staff that is Underwriter Reinsurance Division, Assistant manager reinsurance division, Assistant manager managing directors division and Underwriter International business, and of these, 8 out of the 9 were interviewed which implied a response rate of 89%.

The respondents were requested to provide information on the number of years they had worked for Kenya Reinsurance Corporation and it was noted that 50% of the respondents had worked for Kenya Re for more than twenty years while 38% had worked for more than 5 years and 12% had worked for less than 5 years .In view of these, most of the

respondents can be said to be experienced employees who have adequate information as well as adequate experience in the Kenya Reinsurance Corporation. They were also asked if the divisions or departments they worked under had their own scorecards and all indicated that there was a balanced scorecard for the department.

4.2 Findings of the Study

The findings from the study on the challenges of implementing the balanced scorecard at Kenya Reinsurance Corporation will be presented in this section. The findings are presented in three sections namely the implementation of the BSC, benefits of the balanced scorecard in Kenya Reinsurance Corporation, challenges of implementing the balanced scorecard in the organization.

4.2.1 Implementation of the Balanced Scorecard at Kenya Reinsurance Corporation

The managers were asked when the company began using the balanced scorecard .It was noted that the BSC was effective in 2010. They further explained that the Balanced Scorecard adoption was informed by the need for a tool for performance evaluation and later on, it was further used in the implementation of the formulated strategic plan. It has been a great tool in both the performance evaluation of the employees and implementation of strategies. The interviewees noted that there were preparations done after it was rolled out with trainings being held for all members both the staff and managers.

Formulation of the corporate scorecard involved the executive and heads of department. The corporate scorecard was then cascaded to each department where each department was involved in formulating their own departmental Balanced Scorecard. The interviewees noted that a strategy consultant was involved in the process due to the complexity of formulating a strategic plan and balanced scorecard.

According to the manager respondents, the company improved due to the formulation and implementation of strategies. SWOT analysis was carried out by the organization that enabled the company to identify its strengths, weaknesses, opportunities and threats. Some of the weaknesses of Kenya Re include over reliance on intermediaries, concentration risk as Kenya Re's underwriting revenue stream comprised predominantly the fire industrial class and the government association that involved sixty percent ownership that affects how it runs. The organizational threats included new industry entrants that have increased the level of competitiveness and increased mergers and acquisitions.

4.2.2 Benefits of the balanced scorecard in Kenya Reinsurance

Corporation

The Study sought to identify the benefits of adopting the balanced scorecard to the organization and department. The respondents indicated that there were many benefits that had been realized. The study found out that the company had used the balanced scorecard for the last six years and had reaped considerable benefits. Kenya Reinsurance Corporation BSC entails all the four perspectives that is the internal business process, customer perspective, financial perspective and learning and growth perspective.

The management reported that the tool assisted in the alignment of departments to the organization strategy, the tool enabled staff to focus on measurable targets hence increase in motivation as achievement of targets led to recognition, ease of allocating departmental targets to individual staff and helps avoid subjective performance evaluation with one manager noting that the benefits of using the tool were not so clear.

Non-management staff noted that the tool helped in focusing on key KPIS, monitoring of performance, prioritizing on key areas of the business, ability to know the objectives to be achieved that has led to increased focus on the same, assist in putting emphasis on specific key measures, helps identify specific areas that need improvement, helps in the measurement of set targets with one indicating that the benefits of the tool were not clear.

4.2.3 Challenges of Implementing the Balanced Scorecard

The balanced scorecard has been a useful tool at Kenya Reinsurance Corporation. It has been used for strategy implementation and performance evaluation of employees. However, the implementation of the BSC has had various challenges. The respondents were interviewed on whether some of the major challenges highlighted in the Literature review were still challenges the organization encountered while implementing the BSC. This included challenges in the understanding of the balanced scorecard, leadership involvement, organizational hindrances, resources, training, IT support, project team specific to the BSC, involvement of all staff and departments, BSC design, planning and communication, consultants and challenges in employees.

The researcher sought to identify if understanding of the balanced scorecard had been a challenge in the implementation of the BSC and the kinds of challenges faced .All managerial respondents agreed that it was a challenge and stated the notable challenges. This were that the BSC was not clear to everyone, challenges in the setting of targets ,roles of the BSC not clear especially its role as a strategy implementation tool ,many are treating the tool only as a performance evaluation tool and have not yet clearly understood its role as a strategy implementation tool. The non-managerial staff reported that understanding the BSC was a challenge as there was no clarity on how the BSC would help in achieving the company's mission and vision , lack of a clear link between corporate targets and individual targets, inadequate understanding of the BSC and that the tool was viewed as complex by many staff.

The study sought to find out if leadership involvement was a challenge in the implementation of the BSC. Both respondents agreed that it was a challenge. The managers responded that other leaders kept changing goals already set and that some leaders also lacked a clear understanding of the tool. The non-management staff noted that there was lack of sufficient leadership involvement in spearheading the use of the BSC that led to delays in setting goals early enough to meet business deadlines, some of the leaders seemed not to understand the BSC, leaders lacking flexibility while setting the targets and lack of competencies of managers in the implementation of the BSC

The researcher asked if organizational hindrances were a challenge in the implementation of the BSC. Both respondents agreed that it was a challenge. Managers responded that there was bureaucracy that slowed decision making , poor organization reward system , forced setting of measures to be achieved by staff ,poor organizational culture that does not promote performance and lack of proper coordination of departments for maximum utilization of the BSC . The non-management staff noted that organizational structure was a major hindrance as decision making in regards to BSC implementation was slow, poor reward system, poor structuring, cross functional conflicts, poor organizational culture of treating things casually as the BSC had been treated casually by most employees.

The researcher asked if lack of resources was a challenge in the implementation of the BSC. Both respondents agreed that it was a challenge. Managers noted that lack of human resource skills, inefficient human resource to implement the BSC and lack of proper human resource example of data analysts .The non-management staff noted that most departments were understaffed which hindered the implementation of the BSC and lack of personnel with necessary skills to implement the BSC as the major hindrances under resource availability for the implementation of the BSC.

The researcher sought to find out if lack of training was a challenge in the implementation of the BSC. Both respondents agreed that it was a challenge. Managers noted that lack of proper training to new staff and staff in other Kenya Re branches insufficient training on the BSC and lack of sustained training on BSC for existent staff

as the major hindrances. The non-management staff noted that there was lack of sustained effort to remind employees on regular basis the importance of BSC, lack of continuous training, significant time lapse between training and implementation of the BSC that made staff end up forgetting how to apply and use the tool and that the trainings offered seemed complex.

The researcher asked if lack of information technology was a challenge in the implementation of the BSC. Both respondents agreed that it was a challenge. Managers noted that IT support did not offer significant support for the non-financial perspectives, the implementation of the BSC seemed to be more manual as there lacked an alignment between the IT system and the BSC and that the system was inefficient in data collection especially for non-financial perspectives as the major hindrances. The non-management staff noted that the system was not able to synchronize data collection reports and BSC objectives leading to the use of manual reports often, minimal application of IT by staff in the implementation of the BSC especially for non-financial objectives and implementation of BSC especially on data collection was very manual.

The researcher asked if lack of a project team was a challenge in the implementation of the BSC. Many of the respondents agreed that it was a challenge with one staff reporting not knowing of any team existent. The respondents that agreed said that there was a team though there lacked a full representation of key departments. The lower cadre staff noted that there lacked regular updates from the project team to aid in the implementation of the BSC, the choice of team was biased and lack of commitment in implementing the BSC.

The study sought to find out if lack of involvement of staff and departments was a challenge in the implementation of the BSC. The managers noted that it was not clear how some departments contribute to the BSC implementation with the departments that are clear getting rewarded which was unfair, lack of full involvement as most targets and measures are set by the management, cascading BSC to staff in the department not easy. The non-management staff noted that lack of full involvement on setting BSC objectives, lack of involvement of all staff, inadequate involvement of all staff in the setting of departmental objectives. One staff however felt that they were fully involved.

The researcher inquired if the Kenya Re BSC design was a challenge in the implementation of the BSC. The managers noted that the BSC implementation was time consuming especially when coming up with measures, lack of alignment of individual roles to the BSC targets, challenge in measuring of non-financial perspectives like customer satisfaction . The non-management staff noted that certain aspects of business are given more weight than others without any clear justification, lack of clear BSC measures, BSC measures roles were not clear, BSC perspectives were not clear, the Kenya BSC being complex and required a lot of time to get it right, link between measures not clear, assigning of weights into different perspectives was a challenge and the existence of too many measures in the BSC.

The study inquired if lack of planning and communication was a challenge in the implementation of the BSC. Both respondents agreed that it was a challenge with managers noting lack of clear time plan on the BSC implementation, negative feedback from staff in the usually ignored, changes made to BSC from other managers not

communicated. The non-management staff noted lack of clear articulation on the roles of each staff in implementing the BSC, inadequate communication of the BSC objectives, challenges in object setting and how to achieve some measures not clearly communicated. The researcher sought to find out if the available consultants posed as a challenge in the implementation of the BSC.

Both respondents agreed that it was a challenge with managers noting lack of professionalism that is the consultants were easily influenced in setting objectives, lack of a clear understanding of the organization and hence lacked proper aligning of BSC to the organization, and that the consultants were not available as and when required. The non-management staff noted that the consultants lacked an understanding of some aspects of the business, limited expertise, consultancy fee is extremely high and that the consultants have not yet understood the business well so as to guide in the setting of objectives.

The researcher sought to find out if employees were a challenge in the implementation of the BSC. Both respondents agreed that it was a challenge with managers noting that there was a lot of resistance among staff, staff treat the BSC implementation casually, lack of ownership of the BSC by the staff, a lot of skepticism, resistance on new measures and most staff riding on success of the department with no contribution on their part. The lower cadre staff noted that most staff aren't enthusiastic about the BSC due to lack of transparency of the tool and lack of a fair reward system, lack of team work, some staff have not fully embraced the BSC and resistance by staff.

Other challenges noted by the managers were that the BSC was not up to date as it didn't incorporate the changing environment, evaluation of staff by the use of the BSC isn't clear, delayed rewards to those that have successfully achieved the required targets in the implementation of the BSC, delays in getting data indexes for non-financial perspectives. The non-management staff noted that cascaded targets don't match with ones roles clearly; BSC seems to be very subjective and non-relevant measures at departmental levels.

4.2.4 Recommendations for smooth implementation of the Balanced Scorecard

From the study the researcher identified that the company had numerous challenges while implementing the BSC. Recommendations from the employees themselves will be very beneficial to the study as it gives some of the solutions to be adopted to ensure a smooth implementation of the BSC. The researcher sought to find what recommendations would be advised for smooth implementation of the BSC in Kenya reinsurance from the respondents.

Managers noted that there was need of proper training for new staff, continuous training, full involvement of staff, change of organizational culture so as to allow full employee ownership and commitment, transparency in the reward system, proper alignment of targets and measures to the roles of each staff member, regular review of the BSC to take into account the changes in the business environment, bottom up approach of setting measures and targets to reduce the resistance by staff and regular monitoring.

Non-management staff recommended that there should be early planning and setting of objectives so that there is sufficient time for implementing the BSC, staff be engaged when setting objectives, full involvement of staff in setting the objectives, setting of clear and measurable targets, managers to avoid rigidity and unrealistic expectations from staff, proper communication of expected objectives in the BSC, departments should agree on weightings that are appropriate, fair reward system for the achievements of measures in the BSC, departments to do away with non-relevant measures.

4.3 Discussion of Findings

The study found out that Kenya Re had implemented BSC in strategic planning of 2017-2021. According to Niven (2002), the BSC is a set of measures that are derived from the strategy of an organization which assists the company's management to communicate the outcomes and performance drives by which the company plans to achieve its mission and strategic objectives. The adoption of the BSC has been beneficial. However, the implementation of the BSC has had challenges that were established in the study. This included the organization structure, lack of human resources, lack of full involvement of staff and resistance of the tool.

The findings indicated that there were various benefits of adopting and implementing the BSC. The study reported that the tool assisted in the alignment of departments to the organization strategy, enabled staff to focus on measurable targets hence increase in motivation as achievement of targets led to recognition, ease of allocating departmental targets to individual staff and helps avoid subjective performance evaluation with one manager noting that the benefits of using the tool were not so clear, helped in focusing

on key KPIS, monitoring of performance, prioritizing on key areas of the business , ability to know the objectives to be achieved that has led to increased focus on the same, assist in putting emphasis on specific key measures, helps identify specific areas that need improvement and that it helps in the measurement of set targets .

In addition to the above findings the study indicated that though Kenya Re had benefited from the BSC, a great number of challenges hindered the smooth implementation of the BSC. The study indicated that there was a limited understanding BSC, leadership involvement lacked in terms of most leaders did not understand the tool, organizational hindrances majorly or poor structures that did not support smooth implementation, lack of enough resources majorly on the Human resource and lack of continuous training.

Other challenges in the IT support majorly on ineffective when it comes to the non-financial measures reporting, challenges on the project team majorly on lack of representation of key departments, lack of full involvement of all staff especially on the setting of targets, challenges of the Kenya Re BSC design as it seemed complex to most respondents especially on the measures, lack of proper planning and communication, challenges by consultants as they did not understand the business fully and employees reported as the hindrance to the implementation as they resisted and lacked ownership of the tool.

The findings from the study further indicated other challenges in the implementation of the BSC as that the BSC was not up to date as it didn't incorporate the changing environment, evaluation of staff by the use of the BSC wasn't clear, delayed rewards to those that have successfully achieved the required targets in the implementation of the BSC and delays in getting data indexes for non-financial perspectives. The non-management staff noted that cascaded targets did not match with roles clearly, BSC seemed to be very subjective and existence of non-relevant measures at departmental levels.

The findings of the study were in line with the findings from other scholars. Kenya Re's organization structure posed as a challenge for successful implementation of the Balanced Score card. The making of decisions was slowed down as the approach in the organization was the top down approach. Kaplan and Norton (2007) indeed observed that the challenges facing the implementation of the BSC originated from either design or process failure and indicated that the organization should support the implementation of the BSC. The situation in Kenya Re also confirms Birnbaum (2000), observation that when the organization structure is not aligned to the strategy there would be a challenge of implementation.

The study also established that lack of resources as a challenge to BSC. This was manifested in the human resources and also lack of enough support from the IT. This was in accordance with the observations by Marr (2010), who argued that resources are essential for the BSC development and sustenance. However, to minimize the challenge of lack of resources Kenya Re has a consultant who advises on the BSC and its implementation.

The study confirmed that though Kenya Re had communication channels there were challenges as feedback given by staff was usually overlooked. This agreed with Kaplan and Norton (2008) who argued that communication systems were key in the implementation of the BSC and when ineffective it would pose as a challenge to BSC implementation. The study also agreed with Chapman (2004) who stated that in the case of effective communication, information should flow in all directions, downwards, upwards and laterally. When this lacks it becomes a challenge when implementing the BSC as was the case in Kenya Re.

The study also established that organization culture was a hindrance in the implementation of the BSC. This agreed with Mulu (2010) who identified culture as a challenge to the BSC implementation. The Kenya Reinsurance culture of complacency resulted to the slow implementation of Balanced Score Card. This also agreed with Johnson and Scholes (2002) who noted that culture can hinder implementation when important shared beliefs and value interfere with the needs of the business.

The challenge of cascading the Balance Score Card to the various departments as indicated in the finding was as observed by Mulu (2010), in his study at Ernst & Young where he explained that for the successful implementation of the BSC, the tool must be cascaded to all employees. Kaplan and Norton (2008) explained that the cascading of the BSC should be an all-inclusive activity .When BSC is not properly cascaded, implementation becomes a challenge.

From the findings, there is need for frequent simplified trainings on the balanced scorecard to both existent and new staff, ensuring transparent and fair reward systems that in turn affects the BSC implementation of set targets, leaders to avoid rigidity while setting measures ,change of organizational culture so that employees fully own the BSC and be fully committed to the BSC, regular review of the BSC to take into account any changes in the business environment both internal and external, regular monitoring and evaluation and updating senior management on performance especially on the areas underperforming and also suggesting the strategies to mitigate this under performance and allow flexibility while setting measures.

The balanced scorecard is a strategic planning and management system that has wide applications with the main aims of aligning business activities to the vision and strategy of the organization, improvement of internal and external communications, and monitoring of organization performance against strategic goals (Kaplan &Norton, 2007). From the findings, Kenya Reinsurance Corporation uses the balanced scorecard as a strategy implementation tool and a performance evaluation tool.

The study agreed also with the Agency theory, a management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal's goals (Judge et al., 1995). The management worked on behalf of the Kenya Re Board to deliver the goals and interests of the principal. However, it was noted from the study that there existed a conflict of interest between managers which is explained in the agency theory as when a conflict arises due to the assumption of all parties having their own interests. The interests should be merged to achieve the common

vision of the organization by implementing the BSC. The study also established the challenges faced by the different stakeholders. The Stakeholders theory states that for a company to succeed and be sustainable in the long run, executives must keep the interests of various stakeholders aligned and going in similar direction (Freeman, 2004). The various stakeholders' interest had to be analyzed and catered for to reduce the challenges of the implementation of the BSC. It was noted that not all stakeholders interests had been taken care of ,an example of staff complaints that had been ignored.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter gives a summary of the study, conclusions from the study and recommendations drawn from the study. All this will be based on the data collected from Kenya Reinsurance Corporation. The chapter will also highlight the limitations of the study and give suggestions for further research in regards to the Balanced Scorecard tool.

5.2 Summary

The objective of the study was to determine the challenges of implementing the balanced scorecard at Kenya Reinsurance Corporation. The study was a qualitative kind of study where content analysis was used to analyze the challenges of implementing the balanced scorecard from the data collected by interviewees from the different departments.

The study interviewed eight people, the General Manager -Property division, Life insurance manager, Local manager, legal manager, finance department staff, life insurance staff-underwriter, life insurance assistant manager, risk and compliance staff. Collection of secondary data was from Kenya Reinsurance strategic plan, published annual financial statements, corporate scorecard and departmental scorecards.

The interviewees understood the BSC implementation stages and the challenges that the organization was facing towards the realization of its main objectives. Most of them had worked in the organization for more than 5 years. The organization BSC is reviewed every year it is expected that daily operational plans are carried out in a way to ensure that the long term strategy objectives are achieved.

Although the balanced scorecard has been a great tool in the implementation of strategies and performance evaluation, Kenya Re has encountered various challenges in its implementation. The study established the challenges faced to be lack of clear understanding of the balanced scorecard and its role as a strategy implementation tool, poor leadership involvement with leaders setting unrealistic targets for staff, organizational hindrances that included beauracritic structures, lack of financial and human resources ,lack training to new staff and complexity in trainings ,poor IT support especially for non-financial perspectives , project team specific to the BSC did not include representatives from all departments, lack of involvement of all staff and departments, BSC design that didn't show clear link between the various perspectives , poor planning and lack of proper communication when changes come up, consultant that isn't always available and challenges in employees like resistance of the BSC.

5.3 Conclusion

Implementation of strategy has been one of the most challenging phases of the strategic management process. This has resulted to many organizations selecting and adopting strategy implementation tools that will aid and ensure effective implementations of their strategy and achievement of their vision. The balanced scorecard approach is one such tool of strategy implementation which assists in integrating short term operational concerns of organizations with the long term strategic direction. The study establishes that successful balanced scorecard implementation must involve the whole organization in the implementation process. The implementation processes of the balanced score card must be efficient to enhance performance.

Kenya Re has benefited from the use of the balanced scorecard to implement its strategic plan and measuring of its performance. Some of the benefits are better alignment to organization strategies, ease in the allocation of departmental targets to staff that is targets were clearly defined for each employee, avoidance of subjective performance evaluation, ability of staff to focus on measurable targets that also led to their motivation once the targets were achieved, improvement of management of resources, improvement on the performance measurement, increased ability to implement organization strategic objectives ,improved employees efficiency and effectiveness, improvement of internal business processes as the processes were clearly defined with their measurements.

This study also established that the company faced challenges in implementing its balanced scorecard. Some of the challenges identified are unique to the organization and some common in other organizations that are implementing the balanced scorecard. The company needs to identify specific ways of overcoming those challenges in the implementation of the balanced scorecard.

5.4 Recommendation

To enhance understanding of the balanced scorecard, employees should be continuously trained on the purpose of the BSC as a strategy implementation tool, the BSC perspectives and the link between the perspectives be made clear. The organization should ensure comprehensive training to the management team, existent staff and new staff. A sustained effort to train and remind the employees on a continual basis on the use and importance of BSC should be done. Employees in the organization should understand the tool well also through individual efforts.

Leaders should ensure they are fully committed, have a clear understanding of the tool, spearheading the BSC use, and setting of specific, measurable, achievable, realistic and timely goals. They should motivate staff by ensuring that once the targets are met and surpassed the employees are rewarded that is on merit. They should work hand in hand with staff to set goals that are realistic..

The organization should also be supportive by having flexible structures that facilitate empowerment and team work and faster decision making, fair reward systems that focus on all set of measures, coordination between departments, improved organizational culture of doing things that facilitates ownership of the BSC by individual staff, clear divisions roles and measures. The company should also ensure hiring and retention of personnel with the necessary skills and allocation of a considerable amount of budget for training. The IT support system should be effective and efficient in BSC implementation. It should support efficient data collection and reporting systems that cater for nonfinancial data for the non-financial perspectives.

The project team that is available should involve a team of right people, with all key departments represented. It is better that all top management is involved to spearhead the project. No bias should be used when choosing the team. The organization should also ensure that the whole organization is involved (Kaplan, 1996) as stakeholders are key for all organizations. The project team should assist in the cascading of the BSC to all key departments and it should be clear to all departments what their expected contribution is.

The BSC should be clear to all in terms of the perspectives, the related measures and the links involved. A strategy map is of great help in this (Kaplan, 1996). The BSC implementation should include a plan on who is to do what and when it is to be done and how. It should then be communicated the lowest level of staff that all may understand how their actions contribute the BSC.

Kenya Re has employed a consultant to help in the BSC implementation. The consultant's role should be clear to him and he or she must be fully committed in the roles given. The company should hire consultants that are professional, who have the right skills to partner with the organization to ensure smooth implementation of the BSC.

The study will be useful to the Kenya Reinsurance Corporation management as it will help them improvement in the implementation of the tool by addressing the challenges that have been brought out in the study. This then will result to a smooth implementation of the BSC that will ensure implementation of strategies. The study will also be useful to other organizations that have adopted the balanced scorecard or are planning to adopt the same as it will increase their knowledge in the challenges they are to expect in Balanced Scorecard implementation and take proactive measures to overcome the same. This will save on time that would otherwise be wasted on the addressing of the challenges.

5.5 Limitations of the Study

This was a case study and therefore the research was limited to Kenya Reinsurance Corporation. The study involved only one organization therefore the findings cannot be used for generalization purposes. This is because of the uniqueness of every organization in its own respect. Organizations are uniquely different from others, even in same industries.

The study focused on interviewing heads of departments and general managers who are usually very busy. Scheduling of appropriate interview timings was a great challenge. The data collected from the respondents may have suffered from personal biases of the interviewees and may therefore not fully represent the opinion of Kenya Reinsurance Corporation.

The study also included staff. It was established that not most of the staff had appreciated the BSC and therefore were reluctant to reschedule me for interviews. Many viewed the tool as complex in nature and feared even participating in the interviews. Most staff seemed not to have appreciated the role of the tool as a strategy implementation tool.

5.6 Suggestion for Further Study

This study has reviewed challenges of implementing the Balanced Scorecard at Kenya Reinsurance Corporation. The same study should be carried out in other organizations in the reinsurance industry so as to establish if the results obtained will be of a similar nature. Further studies should include the lower level employees as part of the primary source for data in companies where the tool has been appreciated so as to get more information from them.

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APPENDICES

Appendix I: Introduction letter



**UNIVERSITY OF NAIROBI
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P.O. Box 30197
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DATE... 9/ October / 2017

TO WHOM IT MAY CONCERN

The bearer of this letter Catherine Amwayi

Registration No. D61/61164/2013

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



**PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS**

Appendix II: Interview Guide

I am a student at the School of Business, University of Nairobi. I am conducting a study on challenges facing Balanced score card Implementation at Kenya Reinsurance Corporation. This interview guide is prepared purposely to assist in collecting data at Kenya Reinsurance Corporation for academic purpose only. Any information given shall be treated with strict confidentiality.

SECTION A: GENERAL INFORMATION

- 1. Name of interviewee (optional)
- 2. GenderMale.....Female.
- 3. Current Position
- 4. Number of years you have worked at Kenya Reinsurance Corporation.....
- 5. Division currently working.....
- 6. Does the division have its own Balanced scorecard.....

SECTION B: ADOPTION OF THE BALANCED SCORECARD

- 1. What have been the benefits of adopting the Balanced Scorecard to your department and /you?

SECTION C: CHALLENGES FACING IMPLEMENTATION OF THE BALANCED SCORECARD AT KENYA REINSURANCE CORPORATION

1. What kind of challenges have you faced in understanding of the balanced scorecard in the implementation of the BSC?
2. What kind of challenges have you faced in relation to leadership involvement in the implementation of the balanced scorecard?
3. What are some of the organizational hindrances to the implementation of the balanced scorecard?
4. What kind of challenges have you faced in relation to resources in the implementation of the balanced scorecard?
5. What kind of challenges have you faced in relation to training in the implementation of the balanced scorecard?
6. What kind of challenges have you faced in relation to IT support in the implementation of the balanced scorecard?
7. What kind of challenges have you faced in relation to the project team specific to the BSC in the implementation of the balanced scorecard?
8. What kind of challenges have you faced in relation to involvement of all staff and departments in the implementation of the balanced scorecard?
9. What kind of challenges have you faced in relation to the BSC design in the implementation of the balanced scorecard?
10. What kind of challenges have you faced in relation to planning and communication in the implementation of the balanced scorecard?
11. What kind of challenges have you faced in relation to consultants in the implementation of the balanced scorecard?

12. What kind of challenges have you faced in relation to the employees in the implementation of the balanced scorecard?
13. What other challenges has the organization/Department faced while implementing the Balanced Scorecard?
14. What recommendations would you give for the improvement of the balanced scorecard at Kenya Reinsurance Corporation and in your department?

Appendix III: Kenya Re-insurance Corporation Organogram



Figure 1: Kenya Re's Organogram



