CHALLENGES OF THE BALANCED SCORE CARD IN STRATEGY IMPLEMENTATION IN ERNST & YOUNG – KENYA

BY

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DECLARATION

This Management Research Project is my original work and has not been presented for a degree in any other University.

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This Management Research Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This research work is dedicated to my dear husband S Kivuva and children Wayne and Abigael who gave me all the support I required throughout the time of my study. The study is also dedicated to my parents Mr and Mrs David Mulu Nthome who have invested and believed in me over the years and helped me to appreciate the importance of hard work, dedication, responsibility and honesty. To my sister and brothers, I am greatly indebted to you all.

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ABSTRACT

Strategy implementation: Strategy implementation is 'where the action is' and is a process concerned with allocating resources to support the chosen strategies. This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals. To effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control systems are essential strategy implementation ingredients. It is important to set up strategic controls to deal with the important steering function during the implementation process. The balance score card approach is essential in integrating strategic and operational control.

The balance score card: The balance score card is an approach linking operational and strategic control, developed by Harvard Business School professors Robert Kaplan and David Norton. It is a performance management tool that enables an organization to translate its vision and strategy into a tangible set of performance measures. However, it is more than a measuring device. The scorecard provides an enterprise view of an organization's overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning and innovation.

Ernst & Young-Kenya: Ernst & Young, is one of the big four auditing firms both worldwide and in Kenya. Auditing firms in Kenya are consultancy organizations managed and run by Certified Public Accountants of Kenya.

The research project focused on the challenges of the balanced score card in strategy implementation and was a case study on Ernst & Young-Kenya, an auditing and consultancy firm.

Challenges of balanced score card in strategy implementation: The ability to implement strategies successfully is important to any organization. Despite the importance of the implementation process within strategic management, this is an area of study often overshadowed by a focus on the strategy formulation process. The implementation of the balanced score card do pose some challenges to organizations including leadership, managerial style and bias, poor organizational structures and communication challenges. The study aimed at finding out how Ernst & Young-Kenya, has applied the balanced score card in strategy implementation across the business and the challenges faced in the application of the balanced score card. The study was presented in five chapters and sections through which the researcher has tried to discuss the above issues. Data collection instrument was an interview guide and observation. 40 respondents were drawn from all levels and functions of the organization. Out of the 40 only 25 were interviewed and responses analysed by using content analysis. The study established that Ernst & Young-Kenya has used the balanced score card to implement its strategies. From the study, a number of challenges were established. The findings of the study should be understood and evaluated in light of the limitations of the study. This study is especially helpful to Ernst & Young-Kenya, Ernst & Young Global and other similar organizations. Institutional policy and practice recommendations to overcome the challenges of strategy implementation using the balanced score card are highlighted. Suggestions for further research are also given.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Implementation is 'where the action is'. It is the strategic phase in which staying close to the customer, achieving competitive advantage and pursuing excellence become realities. Short-term objectives and action plans guide implementation by converting long-term objectives into short-term actions and targets. Functional tactics whether done internally or outsourced to other partners translate the business strategy into activities that build advantage. Policies empower operating personnel by defining guidelines for making decisions. Reward systems encourage effective results.

Today's competitive environment requires careful analysis in designing the organizational structure most suitable to build and sustain competitive advantage. It is of paramount importance to create ambidextrous, virtual, boundaryless organizations designed to adapt in a highly interconnected, lightening speed, global business environment. There can be no doubt that effective organizational leadership and the consistency of a strong organizational culture reinforcing norms and behaviours best suited to the organization's mission are two central ingredients in enabling successful execution of a firm's strategies and objectives. Thus organizations need to nurture effective operating managers in order to become outstanding future organizational leaders.

Because the firm's strategy is implemented in a changing environment, successful implementation requires strategic control - an ability to 'steer' the firm through an extended future time period when premises, sudden events, internal implementation efforts, and general economic and societal developments will be sources of change not anticipated or predicted when the strategy was conceived and initiated. It is important to set up strategic controls to deal with the important steering function during the implementation process. The balance score card approach is essential in integrating strategic and operational control.

1.1.1 Balanced Score Card and Strategy Implementation

The balance score card is an approach linking operational and strategic control, developed by Harvard Business School professors Robert Kaplan and David Norton (2001). Recognizing some of the weaknesses and vagueness of previous implementation and control approaches, the balanced score card approach was intended to provide a clear prescription as to what companies should measure in order to 'balance' the financial perspective in implementation and control of strategic plans.

The balanced scorecard is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals. The balanced score card is a management system (not only a measurement system) that enables companies to clarify their strategies, translate them into action, and provide meaningful feedback.

It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balance score card is intended to transform strategic planning from a separate top management exercise into the nerve centre of an enterprise.

Kaplan and Norton (2001) describe the innovation of the balanced scorecard as follows: "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

According to Pearce & Robinson (2005), the balanced score card methodology adapts the total quality management (TQM) ideas of customer-defined quality, continuous improvement, employee empowerment and measurement-based management/feedback into an expanded methodology that includes traditional financial data and results. The balanced score card incorporates feedback around internal business process outputs, as in TQM, but also adds a feedback loop around the outcomes of business strategies. This creates a 'double-loop feedback' process in the balanced score card. In doing so, it links together two areas of concern in strategy execution-quality operations and financial outcomes that are typically addressed separately yet are obviously critically intertwined as any company executes its strategy.

The balanced score card can be used to :- increase focus on strategy and results, improve organizational performance by measuring what matters, align organization strategy with the work people do on a day-to-day basis, focus on the drivers of future performance, improve communication of the organization's vision and strategy and prioritize projects / initiatives.

The scorecard provides an enterprise view of an organization's overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning and innovation.

The Learning and Growth Perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization. Kaplan and Norton (2001) emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools; also known as "high performance work systems."

The Business Process Perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately.

According to the Customer Perspective, recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups.

In the Financial Perspective, Kaplan and Norton (2001) do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

1.1.2 Auditing firms/industry in Kenya

Auditing firms in Kenya are consultancy organizations managed and run by Certified Public Accountants of Kenya. Certified Public Accountant of Kenya (CPA-K) is the statutory title of qualified accountants in Kenya who have passed the Uniform Certified Public Accountant Examination and have met additional secondary education and experience requirements for certification as a CPA. In Kenya, only CPAs who are licensed are able to provide to the public attestation (including auditing) opinions on financial statements. The primary functions CPA fulfill relate to assurance services, or public accounting. In assurance services, also known as financial audit services, CPAs attest to the reasonableness of disclosures, the freedom from material misstatement, and the adherence to the applicable International Financial Reporting Standards in financial statements. Whether providing services directly to the public or employed by corporations or associations, CPAs can operate in virtually any area of finance including: Assurance and Attestation Services, Corporate Finance (Merger & Acquisition, initial public offerings, share & debt issuings), Corporate Governance, Estate Planning, Financial Accounting, Financial Analysis, Financial Planning, Forensic Accounting (preventing, detecting, and investigating financial frauds), Income Tax, Information Technology, especially as applied to accounting and auditing, Management Consulting and Performance Management, Tax Preparation and Planning and Venture Capital. While some CPAs are generalists and offer a range of services (especially those in small practices) many CPAs specialize in just one area and do not provide all the services listed above.

The accounting profession is dominated by the four largest international accounting firms. These four firms include Ernst & Young, Deloitte & Touche, Pricewaterhousecoopers and KPMG and are the auditors of all the publicly traded companies in Kenya; about 50 companies are listed on the Nairobi Stock Exchange. The partners of these firms—both local and expatriate—actively participate in various committees of the professional body (Institute of Certified Public Accountants of Kenya). Of the two other major firms in the country, one is the associate of a Big 5 international accounting firm and the other is a Kenya-based regional accounting firm. There are more than 100 local firms with clientele concentrated mainly among the small and medium enterprises. Ernst & Young, is one of the big four auditing firms both worldwide and in Kenya.

1.1.3 Ernst & Young - Kenya

This section looks at what the organization does and how Ernst & Young - Kenya fits into the global firm and into Eastern Africa. Ernst & Young is a leading professional services firm dedicated to helping companies identify and capitalise on business opportunities throughout the world, from emerging growth to global powerhouses that deal with a broad range of business issues. Worldwide, the firm has nearly 103,000 people in 691 offices in over 140 countries, who implement a broad array of solutions in audit, tax, transaction advisory services, technology services and other critical business-performance issues. The firm's professional expertise is engaged by a broad range of organizations, including multi-national corporations, governments, non-profit institutions in both developed economies, and emerging and growth markets worldwide.

Ernst & Young, has a reputation for technical excellence in key services to clients. Its services include the following:- Assurance & Advisory Business Services, Audit of Donor Funded Projects, Tax Compliance and Tax Consulting, Transaction Advisory Services, Public Sector Consulting, Human Capital Consulting, Technology and Security Risk Services (TSRS), Project Management and Corporate Recovery.

Over 140 associated firms came together in five geographic Areas, namely EMEIA (Europe, Middle East, India and Africa), Americas, Far East, Japan and Oceania. Each area is led by an Area Managing Partner, who is a member of the Global Executive. This integrated business model allows the firm to meet the global demands of our clients, as well as the legal and regulatory requirements that impact the organization. These Areas are a powerful driver of the deepening connections between its people and its practices and – through them – it becomes possible to build and strengthen the unique Ernst & Young culture. The focus on driving Area effectiveness has ensured that each country practices are aligned around each of the five strong Areas – creating an enduring foundation for the growth and future success of the global organization. Through the five Areas it becomes possible to bring together the power of the global organization, sharing knowledge and resources, and driving global consistency and quality.

Ernst & Young has been in East Africa for over 75 years and is one of the leading professional services firms in the region. Ernst & Young East Africa is part of the global network of Ernst & Young. Drawing on the knowledge and skills of its 16 partners and over 500 staff serving in various capacities in its network of seven offices throughout the region, the firm builds relationships by providing quality services. Its offices are distributed as follows:- Kenya:(Nairobi, Mombasa and Nakuru), Tanzania: Dar-es-Salaam, Uganda:Kampala, Ethiopia:Addis Ababa, and Rwanda:Kigali. The firm also serves a wider reach of clients in other countries in the region such as Southern Sudan, Burundi, Somalia, Eritrea, Democratic Republic of Congo and Djibouti. The firm has acquired a unique perspective and experience in the region's business practices. This experience, pooled with its global resources, ensures a wealthy pool of knowledge and expertise to deliver the optimum mix of advisory services and add value to its clients.

Kenya's network of Ernst & Young offices is controlled from Nairobi, which also forms the nucleus of the East African practice and ensures prompt and adequate delivery of services throughout the region. It is here that the highest skilled and most experienced professionals are concentrated. This has been done to facilitate the creation, at short notice, of multidisciplinary teams that can provide any professional services to any part of the region. The Kenya practice has three offices in Nairobi, Nakuru and Mombasa and is staffed with 268 professionals, of which over 120 are qualified Certified Public Accountants, and/or possess advanced degrees in their respective professional disciplines.

Ernst & Young aims to deliver innovative yet practical solutions from the concept of 'Quality in Everything We Do' through implementation and measurement. To them, "quality" means getting the right information, making the right decisions, taking the right actions and maintaining public trust. The balanced score card is used to translate long term goals into short term achievable and measurable goals. The balanced score card sets out the annual plans, strategies and measurable targets and is applicable to all members of staff.

1.2 Statement of the Problem

The ability to implement strategies successfully is important to any organization. Despite the importance of the implementation process within strategic management, this is an area of study often overshadowed by a focus on the strategy formulation process.

The balanced score card is a managerial system that can be used as the central organizing framework for key managerial processes. Organizations such as Ernst & Young, Kenya Revenue Authority, Barclays Bank and AAR among others, have used the balanced score card approach to assist in individual and team goal setting, compensation, resource allocation, budgeting and planning, and strategic feedback and learning.

The implementation of the balanced score card do pose some challenges to organizations including leadership, managerial style and bias, poor organizational structures and communication challenges. From studies done on strategy implementation by past researchers, we have identified gaps for further research.

Felix O. Ateng (2007) in his paper focused on challenges of strategy implementation at the Ministry of Finance in Kenya and did not focus on the balance score card. Resper Anyango (2007) examined the challenges of strategy implementation and carried out a survey of multinational manufacturing companies in Kenya. Renato D'Souza (2007) researched on the application of the balance score card in strategy application at Barclays Bank while Sang Leonard Kiplagat (2007) looked at the implementation of the balance score card at UNDP-Somalia.

No attempt has been made on challenges facing the balanced score card implementation. In this study therefore, an understanding of the balanced score card and challenges to its effective implementation constitutes a gap in knowledge that the study seeks to fill. Implementation of the balance score card in Ernst & Young poses many challenges. To what extent has Ernst & Young implemented the balance score card and what are the challenges facing successful implementation of the balance score card?

1.3 Objectives of the Study

This study has two main objectives. These are; to establish how Ernst & Young-Kenya, has applied the balanced score card in strategy implementation across the business and the challenges faced in the application of the balanced score card.

1.4 Significance of the Study

There is little literature and research available in the area of balanced score card as a strategic tool. Little research has been conducted on the balanced score card concept despite considerable interest in the subject. This study will increase existing body of knowledge in the area of strategy implementation and the balanced score card.

Ernst & Young will be able to understand the challenges of strategy implementation and ways to overcome these challenges, thus effectively implementing the balance score card. Thus, the firm will be able to increase focus on strategy and results, improve organizational performance by measuring what matters, align organization strategy with the work people do on a day-to-day basis, focus on the drivers of future performance, improve communication of the organization's vision and strategy; and prioritize projects / initiatives.

This study will also be important to all organizations that are facing challenges in implementing their strategies. The study will also provide an in-depth understanding of the balanced score card as a powerful management tool that organizations can adopt. This research will also be useful to researchers, practitioners and policy makers.

CHAPTER TWO: LITERATURE REVIEW

This chapter reviews available literature on strategy implementation using the balanced score card and its challenges. The review has been done from a general perspective owing to scarcity of literature that has focused directly on strategy implementation using the balanced score card among auditing firms.

2.1 Introduction

Considering the scope of the literature available regarding strategy, it is surprising to find so little that deals explicitly with execution. Well-known authors such as Porter, Minztberg, Ansoff, and other classic strategy authors have a specific focus on the development of strategy. In fact, most of the strategy literature is focused on the articulation and development of strategy. Thus, little has been done to examine the execution of a given strategy, the reasons why strategy execution commonly fails, and under what conditions. There are a few studies that are of importance and it is clear that this is an emerging area of research that will likely be receiving much attention in the coming years.

While occasionally we see organizations experience success with new strategies, most struggle. One need only look at the following statistics to determine that the challenges to executing strategy are becoming increasingly important to understand and avoid:

Beer & Eisenstat (2004) stated that 60 percent of strategy implementation failures are due to ineffective communication among executives, managers and line workers. "85% of management teams spend less than an hour a month on strategy issues and only 5% of employees understand their corporate strategy -- 92% of organizations do not report on lead performance indicators" (Renaissance Solutions Survey, 1999, in J. Sterling, 2003). "Only 11% of companies employ a fully fledged strategic control system" (Goold, 2002). "Nearly 70% of all strategic plans and strategies are never successfully implemented" (Corboy & O'Corrbui, 1999). "The key to executing your strategy is to have people in your organization understand it" (Kaplan & Norton, 2000). Given these assertions, it seems that there exists a breakdown between the formulation of strategy and its implementation.

Communication, management style and alignment are common issues cited for implementation problems, but there is little evidence to support these claims and even fewer reports of rigorous research across multiple organizations that point to any specific and consistent reasons for organizational strategy implementation failure.

2.1.1 The Concept of Strategy and Strategic Management

According to Aosa (2007), strategy is about winning. It is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. Strategy is not purely a matter of intuition and experience. Analysis does play a role in the strategy process of a company. Strategy guides organizations to superior performance through establishing competitive advantage. Strategy also acts as a vehicle for communication and co-ordination within organizations.

Strategic management is about success and failure, about the ability to plan wars and win them. Big mergers—perhaps the most visible sign of strategic management in action—catch the headlines. Effective strategic management can transform the performance of an organization, make fortunes for shareholders, or change the structure of an industry (Scholes, 2002). Ineffective strategic management can bankrupt companies and ruin the careers of chief executives.

Strategic management is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plan (Johnson & Scholes, 2002). It provides overall direction to the whole enterprise. An organization's strategy must be appropriate for its resources, circumstances and objectives. The process involves matching the company's strategic advantages to the business environment the organization faces.

Ansoff (1990) says of the importance of strategic management, "…to position and relate the firm to its environment in a way which assure its continued success and make it secure from surprises". Taylor (1995) says that Strategic management (= Strategic leadership) is about managing radical change to achieve dramatic improvement in performance. Strategic management is key to survival in a turbulent business environment. No industry or company seems able to escape the winds of change. Effective strategic management appears to be the answer to companies in effectively coping with changing environments.

Heene Aime (1997): asserts that in defining a company's strategy, two questions need to be answered:-What has to be done to enhance a company's success and survival? How has this to be done?. While strategy reflects what management of an organization wants, this is constrained by the context in which the organization is operating. Competitive advantage is key to long-term Success and Competition can erode competitive advantage. Mintzberg distinguishes between intended, realized and emergent strategy as follows:- Intended Strategy is strategy as conceived by management, Emergent strategy is strategy that becomes apparent through passage of time, that is, after the events it governs and Realized strategy is the strategy that is observed. It is influenced by both intended and emergent strategy.

Strategic management reflects a company's awareness of how to compete, against whom, when, where, and for what. Strategic management can be seen as a combination of strategy formulation and strategy implementation. (Pearce J.A. II and Richard B. Robinson, Jr. 2004)

2.1.2 The Strategy Process

According to Aosa (2007), the strategy process requires certain elements to ensure successful strategies. It requires objectives that are simple, consistent and long-term. There has to be single-mindedness of goals, unity of purpose and a long-term focus. Good understanding of the competitive environment take account of appreciation of the dynamics of competition and that competition influences choice of strategy.

There should also be an objective appraisal of resources which includes understanding strengths and exploiting them and understanding weaknesses and protecting the organization against them. Another key element in the strategy process is effective implementation which revolves around strategy and structure, strategy and leadership, culture and other internal organizational variables.

Pearce & Robinson (2005) asserts that the strategy process involves the following critical areas:- Determining the mission of the company, broad statements about its purpose, philosophy and goals; Developing a company profile that reflects internal conditions and capabilities; Assessment of the company's external environment, in terms of both competitive and general contextual factors; Analysis of possible options uncovered in the matching of the company profile with the external environment; Identifying the desired options uncovered when possibilities are considered in light of the company mission; Strategic choice of a particular set of long - term objectives and grand strategies needed to achieve the desired options; Development of annual objectives and short - term strategies compatible with long - term objectives and grand strategies; Implementing strategic choice decisions based on budgeted resource allocations and emphasizing the matching of tasks, people, structures, leadership, polices; technologies and reward systems and finally; Review and evaluation of the success of the strategic process to serve as a basis for control and as an input for future decision-making.

2.1.3 Challenges facing effective Strategy Implementation

There are several challenges facing effective strategy implementation which include organizational structure, leadership, organizational culture, communication, resources and strategic control. Organizational structure and culture: Perhaps the most important resource of an organization is its people and so how people are organized is crucial to the effectiveness of strategy (Johnson and Scholes, 1999). One can consequently argue that there is an important connection between strategy and the type of organizational structure that is needed to reach organizational goals effectively and efficiently. At the same time the type of organizational structure is influenced by certain major contingency factors. These include the type of technology used and the organizational size. Besides, the organizational needs to be able to innovate as part of the strategic process. These innovations however should be commercially viable. Ansoff and Mcdonall (1990) have argued that any organizational structure should consider the following basic considerations:- The structure need to be simple enough for everyone in the organizational to understand. The cost should not be so high besides motivating those involved in the context of any proposed changes. The existing culture in the organizational needs to be considered as the way of doing things cannot change overnight. Despite what we do, the first organizational structure will always be short of some nuances and competitiveness found in business firms. Consequently restructuring will always be necessary in all firms irrespective of the Industry.

Leadership: Strategic management is both a skill and an art. Good strategic management requires both clear thought and sound judgment. Strategic management is the formal and structured process by which an organization establishes a position of strategic leadership. Strategic leadership is about the achievement of sustained comparative advantage over the competition. Strategic leadership is the outcome of the strategic management process. It is a state of being rather than a management mechanism. So strategic leadership does not replace strategic management; it results from it. Strategic leadership is crucial for achieving and maintaining strategic competitiveness. Strategic leaders have been repeatedly recognized for their critical role in recognizing opportunities and making decisions that affect innovation process. Strategic leaders, opportunity recognition and exploitation add considerable business value. Today's managers have to deal with the entire business systems – as opposed to dealing with its different parts independently - to impart real energy to the strategic process. They must practice balanced results-based leadership strategies and apply a balanced approach to business systems.

The majority of this section outlines the key research studies that have significant contributions to make to the understanding of strategy implementation, or execution failure. Beer & Eisenstat (2000) reported that the six key "strategy killers" are: Firstly, Top-down or laissez-faire senior management style. Frequently cited characteristics of this style of management include a discomfort with conflict, absences, and the use of a top team for administrative functions rather than strategic discussions and dialogue (Beer & Eisenstat, 2000).

Secondly, Unclear strategies and conflicting priorities. “Conflicting strategies and priorities that battle each other for the same resources produce a rapid failure for both perspectives” (Beer & Eisenstat, 2000, p. 32). Thirdly, Ineffective senior management team. Team members who operate and prioritize within their own “silos” rather than coordinate with other team members and departments quickly kill the collaborative perspective that is required for successful strategy implementation (Beer & Eisenstat, 2000). Fourthly is Poor vertical communication. Employees often feared that senior level managers and executives did not want to hear their observations or interpretations of the problems they were facing. Fifthly is Poor coordination across boundaries. This strategy killer is often a result of killer number two: unclear strategies and conflicting priorities, but can also occur independent of the strategies and priorities that are set. Sixthly is Inadequate down the line leadership skills. Lower-level managers were not developing skills through the new opportunities they were facing, “nor were they supported through leadership coaching or training” (Beer & Eisenstat, 2000, p. 32).

Rummler and Brache (1995) separated the strategy system into two components, (1) strategy formulation, and (2) strategy implementation. In considering this system, it seems clear that auditing practice has contributions to make. Torraco and Swanson (1995) stated: “An entity will only be perceived as having strategic value if it also demonstrates genuine strategic capability” (p. 18). Torraco and Swanson (1995) further stated that there are two ways for an entity to demonstrate its strategic capability. They are (1) through educating organizational leaders about strategic thinking and (2) through direct participation in organizational planning.

While some authors have advocated for a department's participation in strategy formulation, (Provo, Lynham, Ruona & Miller, 1998; Swanson, 1999) Rummler and Brache (1995) have further suggested that departmental professionals have a role in strategy implementation. Therefore, two ways that departmental professionals might demonstrate strategic capabilities in this domain include (1) through educating organizational leaders about implementation processes and (2) direct participation in strategy implementation itself. We can also consider the fact that in today's economy, individual knowledge and expertise are things that can provide an edge.

As an attempt at synthesizing the key reasons for strategy implementation failure cited in the research available, the elements shared in all of the models and supported by the general literature review are: External issues (market changes, effective competitor responses), Lack of focus (unclear goals that don't translate to other organization levels), Misalignment among business processes, units and their goals, Failure to measure progress and hold people accountable and Problems with leadership and commitment to the strategy.

2.2 The Balanced Score Card

The balance score card approach is essential in integrating strategic and operational control. The balance score card is an approach linking operational and strategic control, developed by Harvard Business School professors Robert Kaplan and David Norton. It is a performance management tool that enables an organization to translate its vision and strategy into a tangible set of performance measures.

However, it is more than a measuring device. The scorecard provides an enterprise view of an organization's overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning and innovation.

2.2.1 Use of Balanced Score Card in Strategy Implementation

In an attempt to simplify quite a complex model, Kaplan and Norton (2001) provided key areas that need to be addressed to support successful strategy execution.

Kaplan and Norton (2001) offered the following four processes for managing strategy: Translating the vision; Communicating and linking; Business planning; Feedback and learning and Leadership.

2.2.2 Challenges facing the use of Balanced Score Card in strategy implementation

The use of balanced score card in implementation of strategy is not a simple task and there are various challenges that it poses. The balanced score card has been criticized for failing to include important perspectives such as the employee perspective and the environmental perspective (Kiragu, 2005). Kaplan and Norton (2003) however note that the four perspectives simply provide a framework rather than a constraining straight jacket. Companies can therefore omit or include additional perspectives to meet their own requirements but they must however avoid the temptation of including too many perspectives and performance measures as this may result into distortion.

A study by Odadi (2002) found that before embarking on the implementation program, an organization needs to carry out an evaluation of its leadership readiness and organization readiness. An organization must be comfortable with the way in which the balanced score card proceeds, through risk taking, learning and ambiguity. The members of the balanced score card teams must feel empowered to 'break the rules' and to challenge the long standing assumption. The balanced score card should be directed at key business processes and motivated to ensure that the processes are successfully implemented.

According to Kaplan and Norton (2001), one of the challenges facing strategy implementation using a balanced score card is Lack of a well-defined strategy. The balanced score card relies on a well-defined strategy and an understanding of the linkages between strategic objectives and the metrics. Without this foundation, the implementation of the Balanced Score card is unlikely to be successful.

Research documented in "http://en.wikipedia.org/wiki/Balanced_scorecard" finds that one of the challenges of the balanced score card is that the scores are not based on any proven economic or financial theory, and therefore have no basis in the decision sciences. The process is entirely subjective and makes no provision to assess quantities (for example, risk and economic value) in a way that is actuarially or economically well-founded.

The balanced scorecard does not provide a bottom line score or a unified view with clear recommendations: it is simply a list of metrics (Jensen Michael, 2001). Use of generic metrics: It usually is not sufficient simply to adopt the metrics used by other successful firms. Each firm should put forth the effort to identify the measures that are appropriate for its own strategy and competitive positions. However, this challenge only applies to the earlier, KPI-based version of the balanced scorecard rather than later versions that use a strategy map to derive the metrics.

Some people also claim that positive feedback from users of Balanced Score cards may be due to a placebo effect, as there are no empirical studies linking the use of Balanced Score cards to better decision making or improved financial performance of companies. ("http://en.wikipedia.org/wiki/Balanced_scorecard"). The external environment poses challenges such as more rigorous regulation processes, increasingly diverse client need and stiff competition. The internal environment poses challenges such as conflicts between management and client's interests, lack of performance measurement method and inefficient information systems.

According to (http://www.ap-institute.com), one of the challenges is Lack of Senior Management support for the Balanced Score Card. Not having the buy-in and support of key manager and executives can jeopardise the success of any Balanced Score card implementation. It is important that key individuals in an organisation are committed to the strategic objectives and performance indicators identified in the Balanced Score card. The best way to achieve this is to closely engage them in the process of designing the Balanced Score card.

The same applies to Not Involving Staff and External Stakeholders in the Balanced Score card design. The Balanced Score card is often seen as a top management initiative in which they define what needs to be done and what needs to be measured. However, creating a Balanced Score card is a fantastic opportunity to engage with a wider group of internal staff and key external stakeholders. Involving them will yield a better Balanced Score card and most importantly help to create buy-in and support.

Another challenge is Lack of Balanced Scorecard Understanding. Many organisations assume that once senior management have agreed on their Balanced Scorecard, strategic map and their indicators everyone will happily implement it and collect and report the data. The need for training and communication about the Balanced Scorecard initiative and its aims and objectives, should not be underestimated. Again, this is especially important since there are so many different interpretations of what a Balanced Scorecard is and what it is for. Experience has shown that the support of lower and middle tier managers is essential for the success.

One of the main problems with Balanced Scorecards arises when senior managers use the performance indicators identified to apply a command-and-control approach in which they use the indicators to punish or reward people. This creates fear, resistance and cheating. Instead, managers should use their Balanced Scorecards to foster a learning culture where everybody is encouraged to collect performance information to improve future performance.

Using only lagging measures is another challenge. Many managers believe that they will reap the benefits of the Balanced Score Card by using a wide range of non-financial measures. However, care should be taken to identify not only lagging measures that describe past performance, but also leading measures that can be used to plan for future performance. As much as the balanced score card is well designed, its successful implementation can be impeded by the leadership and management style in place, organizational structure and culture, personal bias and communication challenges.

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter is intended to give details of the research design, data collection and data analysis used to achieve the objectives of the study which are to establish how Ernst & Young-Kenya, has applied the balanced score card in strategy implementation across the business and the challenges faced in the application of the balanced score card.

3.1 Research Design

The study was a case study of Ernst & Young-Kenya. The firm has adopted the balanced score card in the implementation of its strategy across its businesses/departments. A case study was deemed to be the most suitable as this will would have the benefit of providing an in depth and thorough investigation on the phenomenon of strategy implementation using the balanced score card as well as the challenges. The case study was chosen as it would provide qualitative evidence which would be of interest to this study. Previous studies of similar nature have successfully used this method (Koske, 2003; Muthuiya, 2004; Machuki, 2005).

3.2 Data Collection

The pertinent primary and secondary data was used to meet the objectives of this study. Primary data was collected by way of personal in depth interviews with members of staff at different levels of the organization. The interview guide consisted of open ended questions designed in line with the objectives of the study. Primary data was also obtained through observation within the organization. The interviews took place within respondent's place of work. These were conducted during less busy times of the day especially after work or early in the morning.

Secondary data was obtained from the firm's strategic plans, magazines and in-house journals. Electronic journals and other internet sources were also used as sources of secondary data. This provided information on aspects of the balanced score card that was not readily available from the respondents. Secondary data was also critical in the formation of the study's literature review. Forty respondents were used in this study, eight from senior management, twelve from middle management and twenty from the support staff. The respondents were drawn from all levels and functions of the organization (senior management, middle management and support staff).

3.3 Data Analysis

The data collected was analysed by way of content analysis. This involved analysis of meanings and implications emanating from the respondents. Nachmias & Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends. Content analysis has been successfully used to conduct similar studies in the past (Koske 2003; Kamau 2006). Mbogo (2003), Nyamweya (2005) and Ochanda (2005) who employed this kind of approach argued that it was useful in gaining fresh materials in even what was thought to be unknown. According to Mugenda and Mugenda (1999), content analysis involves observations and detailed descriptions of objects, items or things that comprise the study. Secondary data analysis gave an overview of the focus of the study.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

This chapter covers the research findings and discussions on the study results. The findings of the research were analysed in accordance with the objectives of the study which was establishing the application and challenges of using the balanced score card in strategy implementation.

A total of forty interview guides were sent out to respondents, out of which 25 responses were received, (62.5%) response rate. This was considered adequate for the data analysis. Specifically, this section describes how Ernst & Young has implemented and applied the balanced score card in its strategy implementation, discusses the findings on the challenges faced during strategy implementation in using the balanced score card and measures/recommendations to the firm to be adopted to cope with the challenges as and when they arise.

4.1 Strategy at Ernst & Young

Ernst & Young uses the balanced score card as a strategic implementation and performance management tool. The strategy implementation aspects include communicating the vision and mission of the organization to all staff and linking the departmental and individual objectives to the firm's strategic objectives. Prior to the implementation of the balanced score card, many employees did not know what the vision, mission and objectives of the organization were. Further, they thought strategy concepts were very complex and hence did not relate to them.

The performance management aspects include the cascading of organization's objectives to the various departments and thereafter to the individual objectives. This is formalized through 'performance annual plans' which are based on the balanced score card. The departmental heads are evaluated on their department score cards, whereas the individual members are evaluated based on their individual score cards. Previously, each departmental manager used to appraise their respective departmental staff during scheduled round table meetings and the system was felt to be too subjective and did not have sufficient focus. In addition, this system did not link the staff performance system to the strategy of the organization.

To obtain a clear understanding of strategy throughout the organization, it has to be communicated. Departmental heads are not involved in the formulation of the Ernst & Young strategy and that is handled by the Africa Sub-Area (ASA) Chief Executive Officer. However, departmental heads are still responsible for the implementation of the resulting strategy.

Ernst & Young is in the process of embracing regional integration which began three years ago. Due to the ongoing regional integration, strategy is developed by Ernst & Young Global and cascaded down to Ernst & Young Sub-Saharan Africa area head office which is situated in South Africa. Strategy and priorities for each financial year are communicated by the ASA Chief Executive Officer to the respective regional leaders, in the East African region, this comprises of Kenya, Uganda, Tanzania, Rwanda and Ethiopia.

This is done through trainings held in South Africa. The ASA Chief Executive Officer is deeply involved in the formulation and implementation of the balanced score card. This includes refining of the firm's strategy as well as developing suitable goals, measures and targets that would help the firm achieve its strategic objectives. The ASA CEO defines the most critical things that must be achieved during the year (priorities) to aim towards achieving the firm's goals.

Subsequent to this training, another session is held where the Africa Region leader communicates the strategy at the beginning of each financial year to all regional partners and managers. Communication is done during structured training sessions, popularly known as 'the Executive Event'. The training is also facilitated by regional Chief Executive Officer, regional departmental leaders and strategy staff from South Africa. The training emphasises on strategy and key priorities for a particular year. At the end of the training session, pamphlets that highlight the key strategy issues and key priorities are circulated as a regular reminder to each executive.

Subsequent to the 'executive event', the partners and managers communicate the strategy to the relevant departmental staff through briefing sessions. Communication to departmental staff is also done through emails, pamphlets and performance annual plan. Each staff is required to understand the strategy in order to modify their performance annual plans and balanced score card in line with the strategy and priorities for the particular financial year.

The overall firm's strategy is implemented by linking overall firm's objectives with individual objectives through performance annual plans. The performance annual plans are tied to the balanced score card.

4.2 Implementation of the Balanced Score Card at Ernst & Young

The balanced score card was introduced at Ernst & Young basically with a three-fold purpose; planning, communication and monitoring. This was intended to create a balance between the daily operations and the long-term strategic goals. The balanced score card was introduced as a management tool intended to communicate the strategic mission of the organization.

Implementation of the balanced score card was aimed at ensuring that all the activities of the organization and individuals were aligned with the vision and mission. The need to focus on outcomes or results rather than activities was another reason for the implementation of the balanced score card. The balanced score card was also aimed at enhancing team work by getting the entire organization to work towards a common goal. Individuals needed to understand how their role relates to their team's role and how that relates to the organization's goals. The balanced score card was also implemented in response to drastic changes in external environment with intense competition from the other big auditing firms.

The balanced score card was also introduced so as to make it possible for the firm to see the beginning and the end, which is an advantage it has from other management tools such as Total Quality Management (TQM) and Management by objectives (MBO), which are too process-oriented with no end in sight. This would help the Chief Executive Officer to have a 'birds-eye' view of the direction the organization is going according to the performance annual plans and guide him (at regional or country level), in navigating and making critical decisions using several gauges, each standing for a key indicator. Departmental managers would be able to scrutinize the score card and be able to 'drill-down' to a particular perspective/indicator so as to analyze certain problem areas. The score card would be useful also to managers who would make use of results against targets in the score card and which when measured reduces the risk of using subjective information.

The balanced score card was first introduced to Ernst & Young in the year 2007 and has made good progress to date in terms of its implementation. In Ernst & Young, the balanced score card consists of four perspectives namely; market leadership, people, quality and operational excellence. These perspectives are the common themes that link all the firm's objectives to the overall achievement of the organization's strategy. Under each perspective, there is a goal, measure and target that links individual objectives to the overall organization's strategy. The perspectives are defined at Africa Sub-Area level, confirmed and communicated every year, and keep changing from year to year. Each department applies the different perspectives to ensure that all the objectives are aligned to the overall organization's strategy.

The balanced score card was implemented in 2007 following regional integration. The balanced score card was implemented for partners, managers, seniors and assistants. Initially, no intense training was done as the balanced score card was considered simple and self-explanatory, showing few strategic objectives of the organization and how they related to one another, as well as the relevant measures and targets by which the performance would be assessed by the end of the year. The focus of the balanced score card was on performance measurement and little emphasis was laid on linking individual objectives to the overall organizational strategy. Lower levels of the organization had little or no idea of the balanced score card.

However, from the year 2009, the balanced score card was fully rolled out to the remaining (lower) staff of the organization. The Human Resource team also assisted in intense implementation of the balanced score card by holding caravans in all branches (Nairobi, Mombasa and Nakuru) and departments that aimed at creating awareness around the balanced score card. Strategy was also greatly focused in the balanced score card.

4.3 Application of the Balanced Score Card at Ernst & Young

The balanced score card is developed in line with the overall organizational objectives. The perspectives of the score card are agreed and confirmed at the beginning of the year in line with the organization's mission and vision by the ASA CEO. Each department applies the balanced score card to ensure that all objectives are aligned to one's set of core business deliverables.

Ernst & Young adopted and applied the balanced score card in order to obtain an effective strategic planning system and also the need for an improved control system/performance measurement system. The balanced score card was also adopted for employee motivation and due to increased demand by clients/customers for high quality services. The balanced score card approach provides a solution to the need for a comprehensive framework for translating an organization's strategic goals into a coherent set of performance measures by developing major goals which are then translated into specific measures. Ernst & Young has thus integrated the balanced score card into performance annual plans for each individual within the organization. These performance annual plans consist of goals, measures and targets structured around the balanced score card.

The balanced score card perspectives (market leadership, people, quality and operational excellence) constitute the major themes/priorities within the objectives and are designed to be relevant to the particular role (partner, manager, senior, assistant and support staff) that individual is taking. The objectives for each individual are SMART (Specific, Measurable, Achievable, Realistic and Timely).

Ernst & Young endeavours to accurately define the objectives for each individual category (partner, manager, senior, assistant and support staff). Thus each individual depending on grade, has a different and unique balanced score card with distinct objectives. Measures are set for each objective some are quantitative while others are qualitative.

Communication of the balanced score card to managers and partners is done by the ASA CEO. Communication to the seniors and assistants is carried out by departmental managers. Human resource team is responsible for educating and communicating to lower level (support staff) on the balanced score card's purpose, perspectives and benefits. Human resource team is also vested with full coordination of the balanced score card.

The application of the balanced score card is supported by already existing structures and functions and this has simplified the process. For instance for people, there is a Human Resources team, for operational excellence, there is a finance department, for quality, there is Quality & Risk Management team and Audit Quality Programs (AQR) and market leadership is challenged by a weak Business Development Department served by only one staff.

As part of the monitoring process over the application and implementation of the balanced score card, mid-year performance reviews based on individual score cards are conducted. Individuals (counselees) evaluate themselves six months into the financial year and responses are given by the managers/partners (counsellors).

At year end, the counselees carry out a self assessment in a 'Year-End Annual Performance Review', where they document their key engagements/projects and roles, performance against score card goals, performance standards (actual results against compliance expectations at the beginning of the year, counselee's additional contributions which may include (recruiting, leading or participating in internal initiatives, involvement in community organizations, participation in business development efforts and so on), and development needs/plan. The counsellor comments on all the aspects of the balanced score card and updates it in line with the comments issued during the mid-year review. Counsellor also comments on how the counselee has performed in line with the firm's overall goals/strategy.

For each perspective a rating is given, and the ratings range from one to five. The managers converge in a managers' roundtable meeting that assesses each and every staff, in the presence of the human resource leader. Ratings are moderated and results submitted to the partners' roundtable meetings where further ratings moderation is done. The results are sent to Africa Sub-Area Region for final comments and final ratings. Counsellors then make final comments on overall final rating and priorities for future development. Counsellor and counselee sign the final hard copies. However, effective 2010, the results are uploaded in electronic human resource software (EY Leads) and signed by both parties electronically.

Measurable data at individual, departmental and firm's level is obtained from the Finance Department on a regular basis and is used in giving an indication on how the firm is performing, in making critical decisions and in assessing whether the individual/department/firm is performing in line with the organisation's strategy and goals.

4.4 Challenges in the Application of the Balanced Score Card

The balanced score card has served as a powerful tool that enables strategic control and performance management system. However, there are certain challenges that the firm has faced in its application of the balanced score card.

Lack of inclusion and consultation in the development of the balanced score card present a challenge in strategy implementation using the balanced score card. Empowering employees to participate effectively in the development and implementation of the balanced score card presents a challenge to the organization. The balanced score card is developed and agreed at the most senior level which is Africa Sub Area level. No consultation is made with staff in the different countries and balanced score card is simply communicated to the regional Chief Executive Officer then to each country's senior partner and departmental managers to implement. The ASA CEO might not be well versed with the Eastern Africa markets and thus the South African scenarios are forced down into the Eastern Africa markets which may not be appropriate. There is the challenge of ensuring that each department/individual has its own strategic measures in the balanced score card, that matter most to them.

With the integration, though no resistance to its use amongst the countries/regions has been noted, the overall feel is that it would be more accepted were they to be involved in its development and implementation.

Ensuring the balanced score card measures are reviewed whenever the organization experiences fundamental changes presents a challenge to the organization. Auditing firms operate in a turbulent environment and therefore their balanced score card should be dynamic and continually reviewed, assessed and updated to reflect new competitive, market and technological conditions. Otherwise, this may lead to it being outdated and not help the organization achieve its objectives in order to survive in the business environment.

The Ernst & Young balanced score card has four different perspectives (market leadership, people, quality and operational excellence). However, there is a challenge in ensuring that the balanced score card measures reflect customer and stakeholder's expectations. In addition, more emphasis is given to certain perspectives such as quality and operational excellence resulting in less emphasis on key perspectives such as market leadership. Market leadership perspective has greatly been overlooked. The business development department is served by one staff whose overall responsibility is co-ordination of market growth activities. Although the market leadership perspective is included in the balanced score card and goals and measures given, the intended activities to be carried out to meet the goal are not defined or emphasised thus leaving a grey area.

A challenge faced in the use of the balanced score card in strategy implementation is subjectivity in evaluating some of the perspectives. Some aspects of the balanced score card such as operational excellence and growth are quantitative. However, aspects such as people and quality are qualitative thus prone to subjectivity. This also creates a challenge is establishing a link between the financial measures and non-financial measures.

Another challenge is directly linking the balance score card performance indicators to the expected outcomes. Here, employees at all levels would not know what and how their contributions lead to the achievement of the overall strategy. This will cause them not to focus on the local activities that have the most direct effect on the strategic measures and objectives.

The use of the balanced score card to assist in decision making process is another challenge. Balanced score card should encourage the use of metrics in assessment and planning efforts and also influence the annual business planning and budgeting process. If the balanced score is not able to assist, the organization may not be able to define the resources needed to accomplish the strategic goals.

Another challenge is in using the balanced score card measures to highlight the training needs of the employees. The balanced score card should also highlight the training needs of the employees. If it does not, then employees would have it difficult to establish areas of work that need to improve and areas that need to continue in the same way in order to achieve the objectives of the organization.

Choosing the right strategic measures that each department or individual can use can challenge the application of the balanced score card. The challenge being, measuring the wrong things especially those that are easy to measure like the financial ones without identifying those that need to be measured and are absolutely vital to the department/individual.

Another challenge faced has been internet connectivity. Most of the measures are input, processed and measured in software that is only operational in the presence of internet. The internet connectivity has been cited to be either slow or on outage most of the time impeding the operationality of the key processes. Time sheets cannot be done on time. Fee notes take long before processing. GAMX (CAATS) is slowed down by internet connectivity, thus posing a challenge to team work and client work delivery. The internet connectivity has also affected EY Leads thus electronic learning and training cannot be carried out effectively. The process of preparing and completing the balanced score cards, performance annual plans, mid-year reviews and Year end performance assessment review coupled with the feedback and reward is all processed in EY Leads, which has been greatly challenged by internet connectivity. There is need to solve all the internet connectivity challenges in order to streamline the organization's operations.

During the feedback process, another observed challenge is that of overlooking the balance score card in the reward system. The individual performance ratings are said to have been compared with the peers in the region, yet regional comparisons may not be feasible. Some staff are promoted yet the balanced score card targets are not achieved, this de-motivates staff across the business. Some staff meet all the balanced score card targets yet are not rewarded for their efforts. These disparities in the feedback and reward system tend to thwart the whole essence and implementation of the balanced score card and as such make the staff to focus on leaving the organization and not to focus towards achieving organizational goals/strategy.

The balanced score card system has threatened to degrade the culture of the organization. The organizational staff and human resources team are very engrossed in meeting the balanced score card targets until the human aspects of the work have lost value. For instance, staff are issued with warning letters for failing to complete their balanced score cards on time (by a day) and this could have been caused by internet connectivity or circumstances beyond reasonable control. Failure to complete timesheets affects the operational excellence perspective and staff's rating is reduced downwards by one. For staff whose ratings are two and one, a rehabilitation plan is organised for six months after which staff are terminated. In the previous system, the weak staff used to be subjected to rigorous counselling subsequent to which the top management would help them secure employment in other organizations, the word 'termination' was unheard of.

The other challenges facing the use of the balanced score card in strategy implementation can be stated as follows; Aligning individual financial targets to departmental financial through the balanced score card, using the balanced score card to see the correlation among the four perspectives of performance, using the balanced score card to identify the needs and improvements to the organization's systems in order to improve the performance of the other perspectives, balanced score card being complex and cumbersome because it has too many measures and using balanced score card to translate goals to lower levels of the organization.

Other challenges include using the balanced score card to monitor performance and take appropriate action, linking the balanced score card measures to the reward system, ensuring that there is equity in the reward system such that outstanding performers are appropriately rewarded, ensuring that the objectives/targets set for each and every department are SMART and challenging, inculculating the culture of ownership of the system to the entire staff as some still feel that the previous system was better than the balanced score card(dealing with change management), balanced score card being subjected to the bell's curve that human resource department has put in place for appraisers to use hence being unfair to the appraises (employees), balanced score card not capturing all performance because they cannot be measured hence providing a grey area which can be interpreted anyhow, and also the challenge of how to properly measure the behavioural part of the balanced score card.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

In conclusion, which is the final chapter on this study, the findings on the research are summarised and discussed focussing on the main objectives of the study, which included to establish how Ernst & Young-Kenya has applied the balanced score card in strategy implementation across the business and the challenges faced in the application of the balanced score card. The chapter also highlights the recommendations, limitations of the study, and suggestions for further research and recommendations for institutional policy and practice.

5.1 Summary

The findings of the research are that the balanced score card has been applied in Ernst & Young for all employees. Despite the effective application of the balanced score card in the organization for its strategy implementation, certain challenged have been encountered. This summary section will discuss the findings on application of the Balanced Score Card in Ernst & Young and also examine the challenges faced in the application of the balanced score card in strategy implementation.

5.1.1 Application of the Balanced Score Card at Ernst & Young

The balanced score card was implemented and applied to the organization in the year 2007. It was first applied by the senior staff and latter implemented to the lower (support) staff. The balanced score card has successfully been rolled out across the entire organization and it is applied as a strategy implementation tool and also as a performance management tool.

Communication of the balanced score card is done through trainings, staff briefings and email communications. The Human resource team are vested with the responsibility of co-ordinating the balanced score card in the organization.

5.1.2 Challenges in the Application of the Balanced Score Card

Lack of inclusion and consultation in the development of the balanced score card present a challenge in strategy implementation using the balanced score card. Empowering employees to participate effectively in the development and implementation of the balanced score card presents a challenge to the organization. If an organization does not empower its employees to participate effectively in the development and implementation of the balanced score card, employees would not own the balanced score card, instead they will resist its successful implementation into the performance management process. Also, if employees are not involved in determining the measures into the balanced score card, they are likely to respond to measures in a very different way than was intended by management, leading to poorer results.

Ensuring the balanced score card measures are reviewed whenever the organization experiences fundamental changes presents a challenge to the organization. The Ernst & Young balanced score card has four different perspectives (market leadership, people, quality and operational excellence). However, there is a challenge in ensuring that the balanced score card measures reflect customer and stakeholder's expectations. In addition, more emphasis is given to certain perspectives such as quality and operational excellence resulting in less emphasis on key perspectives such as market leadership. Market leadership perspective has greatly been overlooked.

A challenge faced in the use of the balanced score card in strategy implementation is subjectivity in evaluating some of the perspectives such as people and quality and this creates a challenge is establishing a link between the financial measures and non-financial measures. Another challenge is directly linking the balance score card performance indicators to the expected outcomes.

The use of the balanced score card to assist in decision making process is another challenge. Another challenge is in the using the balanced score card measures to highlight the training needs of the employees. Choosing the right strategic measures that each department or individual can use can challenge the application of the balanced score card. Another challenge faced has been internet connectivity. There is need to solve all the internet connectivity challenges in order to streamline the organization's operations.

5.2 Limitations of the Study

This study involves only one organization and this cannot be used for generalization purposes. One organization is uniquely different from others in the industry and findings from one organization might differ in other organizations hence cannot generalise the findings. Another limitation is that the case study methodology requires intense response to the phenomenon being studied which sometimes can bias the study findings.

The study was undertaken within a short period of time and there was limited time to seek opinions from every employee in the organization. The data was only collected from a randomly selected representative group. The respondents in this study were dispersed across the entire country (Nairobi, Nakuru and Mombasa), thus making it time consuming and costly to obtain information from different respondents. Most of the interviewed respondents were based in Nairobi, hence leaving out valuable contribution from Nakuru and Mombasa.

There are also those staff who were there during the balanced score card implementation but have since left the organization and their experiences around the application and challenges of the balanced score card in strategy implementation, could not be incorporated in this study. Considerable time was also spent arranging for appointments with the respondents. Some of the respondents were not readily available forcing those interviews to be carried out on phone. This had a great impact on the cost of the study.

5.3 Suggestions for Further Research

The balanced score card is a multifaceted tool with various applications in strategic management. This study may be useful for reference to future research work on challenges of the balanced score card in strategy implementation.

Other researches could be conducted in other auditing firms as the findings would greatly contribute to strategy implementation challenges using balanced score card literature. More research needs to be done to establish how the balanced score card can be used to overcome challenges to strategy implementation.

Research could also be done to establish whether small and medium sized auditing firms have adopted the balanced score card, to what extent and challenges faced across the industry. Research could also be carried out to establish the link between the use of the balanced score card and better decision making or improved financial performance of companies.

5.4 Conclusion

Strategy implementation is no doubt the most difficult part of strategic planning process and many strategic planning processes and many strategies fail at the implementation stage. For an organization to successfully implement its strategy, it must ensure the existence and alignment of all strategy supportive aspects of the organization. There must be a fit between strategy and organizational structure, organizational culture, resources, systems and leadership. It is important to set up strategic controls to deal with the important steering function during the implementation process. The balance score card approach is essential in integrating strategic and operational control.

The balanced score card when formulated and implemented can assist an organization to increase focus on strategy and results, improve organizational performance by measuring what matters, align organization strategy with the work people do on a day-to-day basis , focus on the drivers of future performance, improve communication of the organization's Vision and Strategy and Prioritize Projects / Initiatives.

However, an organization should remain cognizant of the challenges facing use of balanced score card in strategy implementation. These include lack of employee involvement is strategy and balance score card formulation and development, balanced score card measures not reviewed whenever the organization experiences fundamental changes, non-inclusion of customer and stakeholder's expectations in the score card, subjectivity in evaluation perspectives such as people and quality, failure to link the score card performance indicators to the expected outcomes, inability of the score card to influence annual business planning and budget process, non-inclusion of the training needs of the employees and internet connectivity.

5.5 Implication on Institutional Policy and Practice

This section examines the implication of the research on the policy and practice specific to Ernst & Young-Kenya and to auditing firms in Kenya. The section gives the key recommendations that can be implemented by Ernst & Young-Kenya and to auditing firms in Kenya to ensure the balanced score card challenges during strategy implementation are minimized or avoided.

5.5.1 Implication on Policy and Practice specific to Ernst & Young

From this study, it is clear that Ernst & Young has implemented its strategies using the balanced score card. For Ernst & Young to implement its strategies using the balanced score card effectively, it is recommended that all staff should be involved in strategy development (formulation) and balanced score card development stage. Non-involvement of all staff may be the reason why documented strategies and the balanced score card are not fully implemented.

It is important therefore to note that separation of strategy development and implementation may lead to a situation where critical issues may be left out of consideration during formulation stage. In order to correct the situation, the organization should involve its staff in the formulation of its strategies and the balanced score card. The organization should also ensure that the staff discuss the strategies already formulated and the balanced score card developed, for them to own the process.

Ernst & Young should come up with an effective documented reward policy with reward structure linked explicitly and tightly to actual strategic performance and communicated to all staff. Decisions on salary increases, promotions and on who gets which key assignments and on the ways and means of awarding praise and recognition should be the organization's foremost attention getting, commitment generation devices. Also, staff should see how their careers can be advanced by involvement in implementation efforts.

A comprehensive Ernst & Young research policy needs to be put in place to further quality and relevant research for the fulfillment of the organization's strategies. The organization should establish a research department that carries out more research work on strategy and implementation aspects such as between strategy and balanced score card, strategy and culture among others. This is because, all the strategy supportive aspects of an organization are critical and must be aligned with the strategy of an organization to experience successful strategy implementation hence consequential sustainability and prosperity of the organization. The organization should also link strategy to budgets and the budget should be used as a tool for control and resource allocation.

It is evident that the organization has been experiencing internet connectivity problems. It is recommended that the organization should source for adequate reliable resources. A reliable Internet Service Provider (ISP) should be sourced. The organization should thus formulate financial plans and policies that will enable the organization sufficient funding to support better Information Technology systems geared towards efficient implementation of strategies using the balanced score card.

The study reviewed that employee training undertaken does not effectively enhance strategy implementation. For Ernst & Young to successfully implement its strategies, it is recommended that all its trainings should be geared towards strategy implementation. There is therefore need to set out training objective to ensure that the training is appropriate. Where possible, training should be tied to specific targets. Finally, the organization needs to review periodically whether strategy milestones are being achieved.

5.5.2 Implication on Policy and Practice to Auditing Firms in Kenya

It is evident from the study that challenges faced when using the balanced score card in strategy implementation cut across auditing firms in Kenya. It is therefore recommended that the auditing firms should be proactive when developing their strategies. Organizations in one way or the other should anticipate such challenges and should therefore during the formulation of strategies try to identify the likely internal and external challenges that might affect the strategy implementation process. For this, a plan of action should be drawn with required/identified contingencies.

During the implementation process, efforts should be made by auditing firms to identify the challenges after which a faster corrective action should be initiated to resolve them before they adversely impact the organization. In order to achieve this, there should be regular and specific reviews to determine the progress of the implementation of the strategy using the balanced score card. Auditing firms need to bench mark against best current practices and adopt the lessons learnt from other auditing firms or similar firms regarding using the balanced score card in strategy implementation.

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INTERVIEW GUIDE

University of Nairobi

School of Business

Department of Business Administration

NB The information gathered will be treated confidentially and will not be used for any other purpose other than academic

For Senior Management

SECTION A: General Information

1. Interviewee Name (Optional)	
2. Grade	
3. Function	

SECTION B: Strategy at Ernst & Young

1. What is the vision and mission of Ernst & Young?
2. How is the overall business strategy communicated to you?
3. How do you go about communicating the overall business strategy to your respective business area?
4. How do you ensure that the overall business strategy is implemented within your respective business area?

SECTION C: Application of the Balanced Score Card at Ernst & Young

1. What do you understand by the Balanced Score Card?
2. What is the main purpose behind the Balanced Score Card?
3. In your opinion, is there any relationship between the Ernst & Young Balanced Score Card and the Ernst & Young overall business strategy?

(a) Yes

(b) No

Please explain...

4. How is the balanced score card used in the implementation of strategy at Ernst & Young?
5. In what way has the balanced score card improved your understanding of strategy?
6. What are the benefits of applying the balanced score card at Ernst & Young?

SECTION D: Challenges of application of the Balanced Score Card

1. In your opinion, has the balanced score card been effective in implementing strategy within your business area?

(a) Yes

(b) No

Please explain..

2. What are the challenges of adopting the Balanced Score Card at Ernst & Young?
3. What would you recommend to improve the balanced score card at Ernst & Young?

For Middle level Management

SECTION A: General Information

1. Interviewee Name (Optional)	
2. Grade	
3. Function	

SECTION B: Strategy at Ernst & Young

1. How is the strategy communicated to you in your own business area?
2. How do you go about developing strategy for your respective business area?
3. How do you go about communicating the business strategy objectives to your respective team members?
4. How do you go about implementing the strategic objectives within your respective business area?

SECTION C: Application of the Balanced Score Card at Ernst & Young

1. What do you understand by the Balanced Score Card?
2. What is the main purpose behind the Balanced Score Card?
3. In your opinion, is there any relationship between the Ernst & Young Balanced Score Card and your respective business strategy?

(c) Yes

(d) No

Please explain……………………………………………………………

4. How do you use the balanced score card in the implementation of strategy in your business are/function?

5. In what way has the balanced score card improved your understanding of strategy?

6. What are the benefits of applying the balanced score card at Ernst & Young?

SECTION D: Challenges of application of the Balanced Score Card

1. In your opinion, has the balanced score card been effective in implementing strategy within your business area?

(c) Yes

(d) No

Please explain.......................................

5. What are the challenges do you face in using the Balanced Score Card within your business area?

6. What would you recommend to improve the balanced score card at Ernst & Young?

For Support staff

SECTION A: General Information

1. Interviewee Name (Optional)	
2. Grade	
3. Function	

SECTION B: Strategy at Ernst & Young

1. Are you aware of the overall E&Y Business Strategy?
2. How are the strategic business objectives communicated to you within your respective business area/function?

SECTION C: Application of the Balanced Score Card at Ernst & Young

1. Have you ever heard of the overall Balanced Score Card?

(a) Yes

(b) No

Please give details………………………………………………

2. In your opinion, is there any relationship between the Ernst & Young Balanced Score Card and your respective strategic objectives?

(a)Yes

(b)No

Please explain………………………………………………………

3. How do your team leaders use the balanced score card in the implementation of strategy in your business area/function?

4. What role does the Balanced Score Card play in executing your duties at Ernst & Young?
5. In what way has the balanced score card improved your understanding of strategy?
6. What are the benefits of applying the balanced score card at Ernst & Young?

SECTION D: Challenges of application of the Balanced Score Card

1. In your opinion, would you say that the balanced score card is a useful management tool?

(a)Yes

(b)No

Please explain...

2. What challenges do you face in using the Balanced Score Card in executing your day to day duties?
3. What would you recommend to improve the balanced score card at Ernst & Young?

Appendix I: Introduction letter from University of Nairobi

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE ... 03 September 2010 ...

TO WHOM IT MAY CONCERN

The bearer of this letter Anne . Kamai . mulu

Registration No: .. D61/8421/05 ...

is a Master of Business Administration (MBA) student of the University of Nairobi.

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 if you assist him/her by allowing him/her to collect data in your organization for the research.

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

Appendix II: Letter of Introduction for data collection

03 September 2010

Anne Kanini Mulu
P O Box 1220 – 00100
NAIROBI

The Chief Executive Officer
Ernst & Young
P O Box 44286 – 00100
NAIROBI
Dear Sir,

RE: REQUEST FOR USE OF ERNST & YOUNG INFORMATION
I wish to undertake a research study on the Challenges of the balanced score card in strategy implementation in Ernst & Young –Kenya, in partial fulfilment of the requirements of the degree of Master of Business Administration from the School of Business at University of Nairobi.

This letter is to request your permission to obtain and use information from Ernst & Young through interviews with fifty staff at Ernst & Young.

Your responses are important, as they will enable me to conclude my study appropriately, and come up with positive recommendations and highlight areas form improvement, and also create a basis for further research.

Please note that all information obtained will be regarded as highly confidential and will only be used for academic purposes. A copy of the final research report will be availed to you on request.

Your cooperation will be highly appreciated.

Yours faithfully,

Akanini

Anne Kanini Mulu
Assurance and Advisory Business Services, Nairobi

Appendix III: Specimen Balanced Score Card

Strategic Priority	Annual Plan Goals	Indicators of success
	SENIOR MANAGER	**SENIOR MANAGER**
1. Build an integrated African firm **(Markets)**	• Work as one team across Africa, actively engaging sector and country leaders, and involving other service lines in your account • Position the firm as the most connected and relevant in Africa	• Evidence of building one diverse team across Africa for our clients • Growth of proportionate revenues of other service lines in your portfolio • # of new clients worked on with cross-Africa operations
2. Accelerate transformation to create a diverse and inclusive firm **(People)**	• Enhance the development and accelerate the progression of at least two individuals from diverse backgrounds • Actively support the firm's D&I agenda and accelerate progress across the sub area	• Career progression of at least two individuals, or retention of two specific people • Positive feedback from mentoring / coaching diverse and/or female employees • Positive scores on MSF items related to creating an inclusive environment • Participation in at least one D&I program and/or service line discussions • Ensure participation of people from diverse backgrounds in informal team and client activities • Build a formal succession plan to ensure a diverse pipeline on your accounts
3. Build a market leading firm in our priority sectors and geographies **(Markets)**	• Embrace best practice in account leadership, including the use of facilitated client sessions with your clients • Build new relationships with fast growing entrepreneurs. • Enhance the frequency and quality of the interaction with key client executives, engage them on their key business issues and bring to bear, where appropriate, the full spectrum of the firm's knowledge and collateral • Achievement of financial metrics pertaining to revenues, growth and pipeline created.	• Your attendance and participation in the number of account planning sessions per client, including one per client with client present • # of new relationships with fast-growing entrepreneurs • Evidence of broadened and deepened client relationships, 85% of clients rating 4 or 5 on ASQ question "demonstrating insight into your business and industry issues", existence of co-developed client relationship calendars • Evidence of use of collateral (campaign material, thought leadership) and firm platforms (such as Africa Business Centre & Cube) with clients (# of physical client interactions) • Participation in A&BD projects and active involvement in new proposals • Achieve revenue, growth and pipeline targets – need metrics

Strategic Priority	Annual Plan Goals	Indicators of success
4. Build our people to attract and develop the best people **(People)**	• Develop the competencies and skills of all members of my team through access to learning, experiences and coaching • Help achieve local recruitment targets to support revenue growth • Demonstrate visible leadership through regular engagement of staff and foster an environment where our values are lived every day	• Support the firms learning programme by freeing up engagement team members to attend core learning programmes, connect quarterly with counselees, create new experiences for counselees or team members and receive positive feedback from regular on-the-job coaching • Participation in experienced hire recruitment, and referral of diverse candidates to the firm As per previous is this relevant • Positive scores on Multi Source Feedback items related to demonstrating our values and developing our people • 90% attendance at Service Line and firm-wide people, strategy and learning sessions • Ensure Assistants have at least 1 engagement in Tax Services
5. Improve the profitability of our business **(Operational Excellence)**	• Improve account profitability • Drive operational improvements to achieve a lower cost of service delivery • Ensure financial targets are met	• Improvement in average account profitability of 5% through a combination of fee negotiation, pricing strategy and increased efficiencies • Embed project management as a core competency • Support implementation of Global Talent Hub and maximise other efficiency enablers such as EY Engage • Maximise leverage within account teams by delegating an additional 10% of tasks to Managers / Assistant Managers • Utilisation 72% • Achieve at least 90% recovery on all assignments • Achieve Debtors cycle of 60 days
6. Deliver quality **(Quality)**	• Support initiatives to enhance Service Quality • Achieve successful regulatory and EMEIA reviews through implementation and application of Quality & Risk Management processes • Meet expectations in respect of quality work and compliance with risk management requirements to ensure transparency with our clients and regulators	• Increased level of ASQ participation and improved results • Improved results from Quality Reviews • Adherence to regulatory requirements • No significant findings reported from regulatory and EMEIA reviews • Minimal Q&RM failures and sanctions imposed • Zero prohibited services/engagements or audit committee pre approval breaches • Zero non-compliance with prohibited services, confirmations completion of training • Minimum mandatory Global Q&RM measures as set out on QMT achieved • Completion of Engagement Reviews for every staff member for no less than 15 assignments in FY11