IMPLEMENTATION OF THE BALANCED SCORECARD AT UNDP- SOMALIA

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.

Signed .................................. Date ..................

SANG' LEONARD KIPLANGAT

This management research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This study is dedicated to my parents who have invested and believed in me over the years and helped me to appreciate the importance of hard work, dedication, responsibility and honesty.

My wife Helen and children Michael and Grace who have been patient and supportive as I took time away to complete the project.

I am grateful to my employer ActionAid International-Kenya, for the financial support towards the project, and allowing me to be away from the office from time to time. Also my colleagues Lydia Mumo, Rose Wanjiku, David Mwangangi and April Atieno for their constant encouragement.

And to the Almighty God for the gift of life, strength and inspiration to face each day.
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My wife Hellen, and children Michael and Grace who have been patient and supportive as I took time away to complete the project.

Iam grateful to my employer ActionAid International-Kenya, for the financial support towards the project, and allowing me to be away from the office from time to time. Also my colleagues Linda Miano, Rose Wanjiru, David Mwangangi and John Anampiu for their constant encouragement.

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TABLE OF CONTENTS

Declaration .......................................................................................................................... ii
Dedication ........................................................................................................................... iii
Acknowledgement .............................................................................................................. iv
Table of Contents ............................................................................................................... v
List of Figures .................................................................................................................... vi
Abstract ............................................................................................................................. vii

CHAPTER ONE - INTRODUCTION
1.1 Background................................................................................................................... 1
   1.1.1 Strategy and the Balanced Scorecard (BSC) ............................................................ 1
   1.1.2 United Nations Development Programme (UNDP) ................................................ 2
1.2 Research Problem ......................................................................................................... 3
1.3 Research Objective ....................................................................................................... 4
1.4 Scope of the Study ......................................................................................................... 5
1.5 Value of research .......................................................................................................... 5

CHAPTER TWO - LITERATURE REVIEW
2.1 Strategic Management .................................................................................................... 6
2.2 The Balanced Scorecard (BSC) ..................................................................................... 8
2.3 Four Perspectives of the BSC ...................................................................................... 10
2.4 The BSC versus Strategy ............................................................................................. 14
2.5 Highlights of the BSC implementation .................................................................... 17

CHAPTER THREE - RESEARCH METHODOLOGY
3.1 Research Design ........................................................................................................... 19
3.3 Data Collection ............................................................................................................ 19
3.4 Data Analysis .............................................................................................................. 20

CHAPTER FOUR – FINDINGS AND DISCUSSION
4.1 Background of UNDP/UNDP Somalia ........................................................................ 21
   4.1.1 Operations of UNDP in Somalia ........................................................................... 21
   4.1.2 UNDP/UNDP Somalia strategic plans .................................................................. 21
   4.1.3 Key success factors in UNDP Somalia strategy implementation ......................... 23
4.2 Implementation of the BSC at UNDP/UNDP Somalia ................................................ 24
   4.2.1 Why UNDP adopted the BSC ............................................................................. 24
   4.2.2 Implementation process of the BSC .................................................................... 25
   4.2.3 Challenges during implementation .................................................................... 27
   4.2.4 The perspectives in the UNDP Balanced Scorecard ........................................... 28
   4.2.5 Strategic objectives, indicators and targets under the UNDP’s BSC ................. 29
   4.2.6 Assessment of the BSC implementation ............................................................. 32
4.3 Outcomes of the BSC ................................................................................................. 33
CHAPTER FIVE – SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary ........................................................................................................... 35
5.2 Conclusions ........................................................................................................ 35
5.3 Recommendations .............................................................................................. 36
5.4 Limitations of the study .................................................................................... 37
5.5 Suggestions for further study ................................................................................ 37

REFERENCES ............................................................................................................ 38

APPENDICES

Appendix 1 – Interview Guide .................................................................................. 41
Appendix 2 – Letter of Transmittal ........................................................................... 43
Appendix 3 – UNDP Balanced Scorecard ................................................................ 44
Appendix 4 – Millenium Development Goals(MDG’s) ................................................ 46
LIST OF FIGURES

Figure 1 – The BSC four perspectives .................................................... 13
Figure 2 – The four processes of translating strategy .............................. 16
Figure 3 - The BSC and planning, communicating and monitoring .......... 24
Figure 4 - History of UNDP’s BSC implementation ................................. 26
Figure 5 - The perspectives of UNDP’s Balanced Scorecard .................... 29

The Balanced Scorecard (BSC), developed by Robert Kaplan and David Norton in the early 1990s, has been adopted by various organizations globally. Initially developed as a performance management tool, many organizations upon adopting it, found it to be very useful in terms of translating strategy into short-term objectives and measures. The BSC also developed was to address the weaknesses that existed with the sole reliance on financial performance measures. This was by bringing in three additional measures—customer, internal business processes, learning and growth which altogether with financial, make the four BSC perspectives.

The United Nations Development Programme (UNDP) was among the first public sector organizations to adopt the BSC, and it was introduced in the year 2001. This study sought to establish how the implementation of the BSC has contributed to success in strategic implementation. This was by looking into the reasons why UNDP adopted the BSC, its implementation and the outcomes at UNDP Somalia with an appreciation of its implementation globally.

The study was carried out as a case study to allow for in-depth examination and analysis of various data collected. Primary data was obtained through interviews and discussions with key personnel at UNDP Somalia, Kenya and Corporate planning unit in New York, with the help of a pre-prepared interview guide. Secondary data was obtained in the form of relevant documentation materials on the BSC, strategy process, balanced performance among others. The data, obtained in qualitative form was analyzed through thematic analysis. This approach helps in sorting these of transcripts and information from various interviews into and the already documented data.
ABSTRACT

Strategy implementation poses a great challenge to many organizations and determines the success or failure of that strategy. A study done with selected top firms in the United States of America revealed that less than ten percent of the strategies developed were effectively implemented. The success of a strategy therefore is not on how good a strategy has been crafted but how effectively that strategy has been implemented.

The Balanced Scorecard (BSC), developed by Robert Kaplan and David Norton in the early 1990's has been adopted by various organizations globally. Initially developed as a performance management tool, many organizations upon adopting it, found it to be very useful in terms of translating strategy into short-term objectives and measures. The BSC, as developed was to address the weakness that existed with the sole reliance of financial performance measures. This was by bringing in three additional measures—customer, internal business processes, learning and growth which together with financial, make the four BSC perspectives.

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The study revealed that the BSC was introduced to UNDP for planning, communicating and monitoring with an intention to create a balance between the daily operations and long-term strategic goals. Success has so far been noted since it was adopted through its use to formulate measurable targets on various indicators falling under different strategic objectives. These strategic objectives fall under five BSC perspectives-client (customer), financial resources, internal efficiency, learning and growth and programme quality. The later was added to the BSC perspective with the aim of improving quality of programmes being run by the UNDP. The strategic objectives are derived from UNDP strategic plan-the Multi-Year Funding Framework (MYFF). With the measurable targets, the headquarters is able to monitor performance of various country offices, and there is better planning, improved communication and motivation among staff. The process is not yet concluded and UNDP continues to improve its BSC with each new MYFF.

UNDP needs to build up on successes achieved with BSC implementation through cascading it to all levels of the organization, training and educating staff on the BSC so that they have a better understanding of their day-to-day work versus strategic objectives, and to be in a better position to use the BSC generated information. Lack of awareness about the BSC amongst various staff was noted, which was a limiting factor as it was not possible to get as many views as possible. With staff turnover, it was not possible to get the views of some of the staff who were there during the introduction and implementation.

The study focused on an international organization as a case study. More case studies could be carried out on local entities that have implemented the BSC, as these would be helpful to those organizations intending to implement the BSC in the local Kenya scenario.
CHAPTER ONE
INTRODUCTION

1.1 Background

1.1.1 Strategy and the Balanced Scorecard (BSC)

Strategy has its origins in the army, derived from the word ‘strategos’ which means the art of deploying forces to battle (Mintzberg et al, 1991). Strategy is basically a set of decision making rules for guidance of organizational behaviour (Ansoff 1990) and is a concept that entered the business vocabulary in the 1950s in response to an increasing focus on external discontinuities. Strategy is defined as “the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations” (Johnson and Scholes 2005, p70). Strategic management is basically the process of strategy formulation and implementation (Mintzberg et al 1991).

Strategy implementation comes after a strategy has been formulated. It is the most challenging stage and determines the success or failure of a strategy. It is concerned with aligning the organizational structure, systems, and processes with the chosen strategy (Byars et al 1996). Kahihiu (2005) argues that the execution of strategy is more important than the strategy, and quotes a research by Ernst and Young done in the year 1998, which underscored the execution of strategy as being more important than the quality of the strategy itself.

There are a number of challenges an organization faces in implementing strategy. There is need for leadership, which provides direction in strategy implementation from top management to managers at different levels of the organization. The organization structure may affect the organization’s internal capability in terms of delivering on strategy. There is the challenge of availability of adequate financial and human resources among others. One challenge, which will be the area of focus in this study, is the
translation of strategy to the day-to-day operations of an organization. Frigo (2004) notes that it is common to find management focused exclusively on budgets and operating plans, which are often flawed and may not be aligned to the strategy. This may happen due to lack of a framework of translating the strategy into budgets and operating plans.

The Balanced Scorecard (BSC), developed by Robert Kaplan and David Norton in the early 1990s, has over the years proved to be a powerful tool in terms of translating strategy into action. It was initially developed as a performance management tool (Kaplan and Norton 1992). Kahihiu (2005) describes the BSC as a management tool that provides stakeholders with a comprehensive measure of how the organization is progressing towards the achievement of its strategic goals and argues that the BSC should reinforce the objectives of the organization by reinforcing indicators that are important to achieving the strategy. Kaplan and Norton (1996) highlight that most companies' operational and management control systems are built around financial measures and targets, which bear little relation to the company's progress in achieving long-term strategic objectives. Thus the emphasis most companies place on short-term financial measures leaves a gap between the development of a strategy and its implementation. The BSC, in the Kenyan scenario has been generally adopted by sixty-nine percent of the companies in a survey by Kiragu (2005). Some companies were actually found to be implementing the BSC perspectives though not actually calling it BSC.

1.1.2 United Nations Development Programme (UNDP)

The United Nations Development Programme (UNDP) is United Nation's (UN) global development network. UNDP's mission is advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. UNDP has its global headquarters at the New York and operates in one hundred and sixty six countries, working with them to find their own solutions to global and national development challenges. UNDP aims to achieve this through developing local capacity, drawing on the people of UNDP and their wide range of partners. The focus of UNDP's work is helping countries build and share solutions to the challenges of democratic
governance, poverty reduction, crisis prevention and recovery, energy and environment and in HIV/AIDS. UNDP seeks to develop countries attract and use aid effectively and encourages protection of human rights and the empowerment of women. Each UNDP country office is headed by a Resident representative, who normally serves as the development coordinator of development activities for the UN system as a whole. The coordination seeks to ensure that UN and international aid resources are used most effectively (UNDP website, www.undp.org).

The BSC was introduced to UNDP in the year 2001 as a management tool with the intention of communicating the strategic mission of the organization. Good use of the BSC has since been noted in various country offices, with management and staff looking at it together to plan ahead and monitor achievements, including benchmarking with other offices. UNDP has successfully implemented the BSC globally, and has been recognized for successful implementation by the Balanced Scorecard Collaborative Inc. (BSCOL). (BSCOL is a palladium company led by the authors of BSC Kaplan and Norton and is dedicated to the worldwide awareness, use enhancement and integrity of the BSC as a value added management process.). UNDP was selected in the year 2004 by the BSCOL as the only public sector case study and was being considered for nomination to the BSC Hall of Fame, as the first public sector entity (UNDP News 2004). UNDP, the focus of this study is therefore a classic example of a public sector organization that has adopted BSC globally and the area of study will be UNDP-Somalia, the local country for Somalia, whose offices are based in Nairobi, Kenya.

1.2 Research Problem

Organizations often come up with very good strategies but this is not an end in itself. What is more crucial is the implementation of the strategy as formulated. This is often a challenging and involving process and it determines the success or failure of that strategy. Strategy implementation involves allocation of resources, setting objectives in line with the strategy, with strategic leadership playing a crucial role.
The carefully crafted mission statements, which companies come up with, do not easily translate into operational terms for employees to act on the words of those statements. For this to be achieved, they must be expressed as an integrated set of objectives and measures, which describe long term drivers of success. Most companies’ operational and management control systems are built around financial measures and targets, bearing little relation to the companies’ progress in achieving long-term targets. The BSC comes in to complement financial measures by enabling companies to track financial results while simultaneously measuring progress in building capabilities and acquiring intangible assets needed for future growth. This way, a strong link is developed between long-term strategy and short-term actions (Kaplan and Norton, 1996).

Newman (1989) states that effective application of strategic approach is neither simple nor mechanistic, and notes that the difficult part of a manager’s job is conversion of an inspired strategic idea into integrated action throughout the company. Johnson and Scholes (2005) underscore the importance of the BSC in addressing the discrepancy existing in terms of performance indicators, whereby there is no good mix of qualitative and quantitative indicators, the latter dominated by financial analysis.

UNDP offices have adopted the BSC globally. Why and how was it implemented and what are the outcomes of its implementation at UNDP-Somalia?

1.3 Research Objective

The objective of the research study is to assess the implementation of the BSC at UNDP-Somalia.
1.4 Scope of the Study

The area of focus in the study is UNDP-Somalia. The BSC has been adopted globally by UNDP and is managed at its headquarters in New York. The study seeks to establish the extent of its application at the Somalia country office, and broadly how the BSC has contributed to translation of strategy to the organization's operational plans. UNDP Somalia offices are based in Nairobi Kenya, serving as a cross border operation with development interventions mostly established in Somaliland, better emerging in Puntland and sporadic in South/Central. Majority of staff are based in sub offices in-country and other office locations include Hargeisa, Burao, Boroma, Bossaso, Garowe, Mogadishu, Jowhar and Baidoa.

While the study seeks to get an appreciation of the BSC adoption globally, the focus is the Somalia country office as this will help to get a clear picture of the BSC at the local country level and secondly, to show how the BSC cascades from the UNDP international office to the country office.

1.5 Value of research

The research will be useful to organizations, especially those in the non-profit and public sector in considering BSC as a tool for translating strategy to day-to-day operations. Secondly, the research will be useful to UNDP-Somalia to assess its adoption of BSC as a strategic management tool-in terms of its successes and identify areas that need attention/improvement. Finally, the study is expected to update the existing body of knowledge on strategy implementation through application of the BSC.
CHAPTER TWO

LITERATURE REVIEW

2.1 Strategic Management

Strategy is seen as future oriented plans for intersecting with the competitive environment to achieve a company or organization’s objectives. It is seen as a ‘game-plan’, which provides a framework for managerial decisions, though it does not precisely detail all future deployments of organization’s resources (people, finances, material). Johnson and Scholes (2005) define strategy as “the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment and to fulfil stakeholder expectations”. (Johnson and Scholes 2005, p70). Strategy, therefore, is about the long-term direction an organization takes in relation to the environment in which it operates.

Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve an organization’s objectives. This involves formulating the vision and mission, carrying out a situation analysis, to establish its internal capabilities and assessing the external environment. The most desirable options are then selected, evaluating each option in light of the organization’s mission. Long-term grand objectives are selected, with the aim of achieving the most desirable options. This is expected to cascade through development of annual plans and short-term objectives, allocation of resources to achieve those objectives (Pearce II and Robinson 1997).

Johnson and Scholes (2005) underscore importance of strategic position, and strategic choices for the future and translation of strategy into action. To achieve this, issues of structuring, re-sourcing and change management need to be adequately addressed. Strategic management decisions are more value oriented, conceptual, and less concrete, have greater risk, and have a longer time horizons than operational decisions.
Strategy implementation involves translation of strategy into guidelines for the daily activities for the organization’s staff who are involved in bringing it to realization. The strategy and the firm must become one, that is, the strategy must be reflected in the way the firm organizes its activities and in the firm’s values, beliefs and tone. The day-to-day activities by an organization’s staff must have a direct bearing on the strategy and this implies its institutionalization in such a way that it permeates to the firm’s day-to-day life. For this to be achieved, clear action plans and short-term objectives, functional tactics, policies and guidelines need to be created with proper alignment to strategy. There is need for strategic controls that steer the execution of strategy, continuous evaluation to show deviations and corrective actions leading to continuous improvement in the course of strategy implementation. (Pearce II and Robinson 1997).

Strategy implementation is what determines the success of a strategy. A strategy, however well defined and ambitious, will be a total failure if it fails at the implementation stage. Miyake (2002) quotes a study in Fortune magazine (the magazine that ranks top firms in the United States of America), which established that less than ten percent of strategies developed were effectively implemented. In another study, Fortune found that in more than seventy percent of the cases when Chief Executive Officers (CEOs) fail, it's not the strategy, but the execution that was not successful. This concludes therefore that just having a strategy is not enough.

Why is strategy implementation a big challenge in most organizations? Pearce II and Robinson (1997) highlight contributors to successful implementation of strategy as the organization structure, leadership provided by the CEO and key managers, the organization culture and the organization’s reward system. These factors, contribute to successful implementation of a strategy. Miyake (2002), looking at the current business scenario notes that the fast pace of change, frequent technology changes and a more diverse and mobile workforce contribute to the difficulty in implementing strategy. Business and business strategy are fundamentally different today than they were even ten years ago. The industrial age has been replaced by the knowledge age, with transformational effects on the economy and the workplace. Miyake (2002) further
observes that there has been a shift from tangible assets (property, plant and equipment) to intangible assets (brands, intellectual property, and people) with the latter playing a crucial role in today’s economy and very key in today’s market valuation. Management systems, which initially were designed for a stable, incrementally changing world, have not kept up with the pace with the needs of today's dynamic economy. The BSC is a tool that can be effectively used in translating strategy to day-to-day work.

2.2 The Balanced Scorecard (BSC)

Robert Kaplan and David Norton developed the BSC in the early 1990s with the realization that financials alone would not be enough for organizations attempting to thrive, or even compete in the twenty first century. They organized a research study of a dozen companies attempting to discern the best practices in performance management and this led to the development of the BSC (Niven 2005). The BSC is described as “a set of measures that gives top managers a fast but comprehensive view of the business” (Kaplan and Norton 1992, p71). It is compared to the dials and indicators in an airline cockpit, which pilots need for the complex task of navigating and flying an airplane – information on fuel, airspeed, altitude, bearing, destination etc and in this scenario, reliance on only one instrument can be fatal. The complexity of managing an organization today, Kaplan and Norton (1992) point out requires that managers be able to view performance in several areas simultaneously. Niven (2002) describes the BSC as a carefully selected set of measures derived from an organization’s strategy. Kahihu (2005) adds that the measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.

The BSC has four perspectives (Customer, Internal Business, Financial, Learning and Growth). It does not just look at financial performance and so has the three other perspectives. But why limit the BSC to only four perspectives? The idea is to avoid information overload to managers, by limiting the number of measures used. They force managers to focus on the handful of measures that are most critical. Experiences by those
companies that were BSC pioneers showed that it meets several managerial needs. First, the BSC brings together into a single management report, many of the seemingly disparate elements of a company’s competitive agenda. Secondly, the BSC guards against sub-optimization as it forces managers to consider all the important operational measures together. The BSC lets them see whether improvement in one area may have been achieved at the expense of another (Kaplan and Norton 1992). Drury (2004) looks at the four perspectives in terms of lagging and leading measures. The lagging measures are the financial (outcome) measures within the financial perspective that are a result of past actions and which show the financial impact of decisions which were made. Leading measures, on the other hand, are drivers of future financial performance and are non-financial measures relating to the customer internal business processes and learning and growth perspectives.

Niven (2005) supports the argument against sole reliance of financial information, and notes that however important financial measures are, they must be supplemented with other indicators that predict future financial success. He compares the use of financial measures alone, with driving a car by the rear mirror, which only shows a good view of where one has been, but little guidance of the road ahead. A past period with good economic success is no guarantee of future financial rewards. Also, emphasis is now on intangible assets, in some organizations as high as seventy five percent of an organization’s true worth. This calls for a new performance measurement system; one that sheds light on the value of intangibles and allows prediction of future economic success. What is needed is a performance measurement system that balances the historical accuracy and integrity of financial measures with the drivers of future financial success.

It is important to note that the BSC does not a template that can be applied to businesses in general or even industry-wide. Different market situations, product strategies, and competitive environments require different scorecards and hence business units devise customized scorecards to fit their mission, strategy, technology, and culture. (Kaplan and Norton 1993).
The BSC has attracted a number of criticisms. Drury (2004) cites the American Accounting Association of Finance Standards Committee (2002), which has questioned the cause and effect relationship in the BSC as being too ambiguous and lacking a theoretical underpinning of empirical support. The studies did not find evidence of underlying linkages between non-financial data and future financial performance. The other criticism is that with the BSC, there is omission of important perspectives such as environmental impact on society perspective and employee perspective. It should, however, be noted that the four suggested perspectives are a framework rather than a constraining jacket. However, bringing in too many additional perspectives might bring difficulty as the BSC with four perspectives provides for consciousness and clarity of presentation.

2.3 Four perspectives of the BSC

According to Kaplan and Norton (1992), the BSC allows managers to look at the business from four important perspectives. The customer perspective, according to Arverson (1998) arises due to an increasing realization of the importance of customer focus and customer satisfaction in any company. This is one of the leading indicators in that if customers are not satisfied, they will eventually find other suppliers that will meet their needs. If poor performance is recorded from this perspective, it is a future decline irrespective of whether good results are being recorded from the financial angle. In developing metrics for satisfaction, customers should be analyzed in terms of the kinds of customers, and of the kinds of processes for which we are providing a product or service to those customer groups. Looking at the customer in the public sector, Niven (2003), notes that defining the customer in the public sector poses a challenge. In this sector, unlike for the profit world, constituents who are the ultimate beneficiaries are seen as the customers.

The second is the internal business perspective, and Kaplan and Norton (1992) note that while customer-based measures are important, they must be translated into measures of what the company must do internally to meet its customers' expectations. After all,
excellent customer performance derives from processes, decisions, and actions occurring throughout an organization. It is important, therefore for managers to focus on those critical internal operations that enable them to satisfy customer needs. This second part of the BSC gives managers that internal perspective. Arvesron (1998), further adds that the metrics based on this perspective allows managers to know how well their business units are running, and whether the products and services conform to customer requirements. Effective metrics, therefore should be designed by those who know the organizations processes very well so that they are in line with the organization’s mission. Kaplan and Norton (2003) identify two kinds of business processes, in addition to the strategic management processes. These are mission-oriented processes in which many unique problems are encountered and support processes, which are more repetitive in nature and hence easier to measure and benchmark. Niven (2003) states that the key to the BSC success lies in selecting, and measuring, just those processes that will lead to improved outcomes for customers, and ultimately allow working towards the organization’s mission.

The third perspective is that of learning and growth. Kaplan and Norton (1992) note that a company’s ability to innovate, improve, and learn ties directly to the company’s value. This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge worker organization, people are the main resource. Owing to rapid technological change, it is becoming necessary for knowledge workers to learn continuously. Kaplan and Norton emphasize that ‘learning’ is something 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 such as an intranet. Arverson (1998) notes that metrics can be put in place to guide managers in focusing training funds where they can help the most. The ultimate aim is to have progress in learning and growth to further organization’s mission. Learning and growth is especially critical for mission-based organizations, non-profit and public sector agencies. This is because they rely heavily on the skills, dedication and alignment of their staff to achieve their socially important goals. The objectives of
learning and growth are often overlooked, considered “soft stuff” and many organizations tend to ignore. This will only work to the detriment of an organization. This is because motivated employees with the right attitude and operating in an organizational climate designed for sustaining improvements are the key resources in driving process improvements, working within financial limitations and ultimately driving customer and mission success (Niven 2003).

The fourth perspective of the BSC is the financial perspective, without which, Niven (2003) argues that the BSC would be incomplete. This is because no organization can successfully operate and meet customer requirements without financial resources. According to Kaplan and Norton (1992), financial performance measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement. Typical financial goals have to do with profitability, growth, and shareholder value. Financial measures in the non-profit and public sector can be seen as either enablers of customer success or constraints within which the group must operate. Financial measures are consistent with service delivery and achieving the organization's mission. When services are performed at least cost, or with great efficiency, a program will likely attract more attention and warrant even greater investment from the donors (Niven 2003). Arverson (1998) notes that Kaplan and Norton do not disregard the traditional need for financial data and timely and accurate funding data should always be a priority. With increased automation of financial data processing, focus should now be on financial issues that lead to an unbalanced situation with regard to other perspectives. There will also be need to include additional financial related data, such as risk assessment and cost-benefit data, in this category.
Figure 1: The BSC four perspectives

The BSC was initially developed as a performance management tool due to the weaknesses existing in reliance of only one performance measure, mainly financial. In the course of its adoption, it became clear that it could be used as an effective way of translating an organization's strategy into operational terms i.e. short-term objectives and outcomes, which are in line with the overall strategy. Kaplan and Norton (1996, p17) note: "None of the 10 most significant strategic issues in business today are sufficiently critical to the success of the business that we can ignore them and expect to succeed". This is seen in numerous organizations reporting success in using BSC to align strategy with market focus and identifying key business processes towards meeting strategic goals. They further note: "One of the greatest advantages of using the balanced scorecard is that it helps people understand the link between daily activities and organizational outcomes".

2.4 The BSC versus Strategy

The BSC was initially developed as a performance management tool due to the weaknesses existing in reliance of only one performance measure, mainly financial. In the course of its adoption, it came out very clearly that it could be used as an effective way of translating an organization's strategy into operational terms i.e. short-term objectives and measures, which are in line with the overall strategy. Kaplan and Norton (1996), p77 note:

"None of the 100 organizations that we have studies or with which we have worked implemented their first balanced scorecard with the intention of developing a new strategic management system. But in each one, the senior executives discovered the balanced scorecard supplied a framework and thus, a focus for many critical management processes: departmental and individual goal setting, business planning, capital allocations, strategic initiatives and feedback and learning. Previously those processes were uncoordinated and often directed at short-term operational goals. By building the scorecard, the senior executives started a process of change that has gone well beyond the original idea of simply broadening the company's performance measures."

Lyons and Gumbus (2004) point out how the BSC has evolved since its introduction in the early 1990's from a performance measurement tool to a strategic management tool. This is seen in numerous organizations reporting success in using BSC to align strategy with operations and measuring progress towards meeting strategic goals. They further argue that the BSC enables managers to measure progress against a company's strategy in a simple, straightforward manner and helps align employees to the organization's goals, linking daily activities to desired organizational outcomes.

A strategy is usually abstract, long-term, complex yet for it to be successfully implemented it has to cascade down the organization. Those at the operational level should be able to fully understand the strategy and align their day-to-day work to that it is successfully implemented. Kaplan and Norton (1996) argue that most companies'
operational and management systems are built around financial measures and targets, which bear little relation to the company’s progress in achieving long-term strategic objectives. Hence, the emphasis most companies place on short-term financial measures leaves a gap between the development of a strategy and its implementation.

Miyake (2002), describes the BSC as the "strategic chart of accounts" for an organization because it captures both the financial and the non-financial elements of a company's strategy and discusses the cause-and-effect relationships that drive business results. It allows an organization to look ahead - using leading indicators - instead of only looking back using lagging indicators. The BSC hence puts strategy at the center of the management process. Kaplan and Norton (1993) assert that the BSC measures are grounded in an organization’s strategic objectives and competitive demands as opposed to the myriad operational and physical measures many companies have for local activities which are bottom-up and are derived from ad-hoc processes.

Gekonge (2004) views the BSC a performance measurement technique which can help management in strategy formulation and implementation, integrating employee concerns, customer satisfaction, production, innovation processes and finance. What comes out very clearly however, and which differs slightly from Gekonge’s argument is that the BSC adoption comes in very handy in implementation of an already formulated strategy, and not as a tool for strategy formulation.

Kaplan and Norton (1996) have suggested four management processes that separately and in combination contribute in linking long-term strategic objectives with short-term actions. The first process is translating the vision to ensure that managers come to a consensus around the organization’s mission and strategy. The outcome of this process is clear terms that will help employees realize the organization’s vision. The second process is communicating and linking objectives and measures to all levels of the organization so that all employees understand the long-term strategy and as a result have their departmental and individual objectives aligned with it. Communicating the BSC thus promotes commitment and accountability to the business’ long-term strategy. Lyons and
Gumbus (2004) underscore the importance of communication with experience in the Unilever, whereby the BSC provides a common language for all levels of the organization, aligns various disciplines and stakeholders around common strategic goals, and offers a uniform approach to managing the company's daily and longer-term operations. It will also be useful to link rewards to performance measures.

The third process is business planning whereby companies integrate their business and financial plans. The BSC comes in very handy to companies, in the integration of their strategic planning and budgeting process. Short-term plans and targets are identified and aligned to the long-term objectives. The fourth process is feedback and learning, which gives companies the capacity for strategic learning. Managers are able to monitor and adjust the implementation of the strategy, and make any fundamental changes along the way to ensure its successful implementation. One benefit of this process is giving a reality check to management on whether the strategy is in fact working or not so that they make the necessary decisions.

Figure 2: The four processes of translating strategy

2.5 Highlights of BSC Implementation

A study carried out by Manoj et al (2005) revealed an adoption rate of the BSC by forty five percent of the Indian companies selected, which compared favorably with forty four percent in the United States. The same study found financial perspective to be the most important perspective followed by customer’s perspective, then internal processes perspective, lastly learning and growth perspective. A study by Silk (1998) found that sixty percent of Fortune 1000 companies in the USA have had experience with the BSC. Chenhall and Smith (1998) found eighty eight percent adoption rate of the BSC in the Australian firms. Malmi (2002) in a survey of one hundred and twenty eight Finnish companies found the BSC to be extremely popular.

Kiragu (2005) in a study of selected Kenyan companies found that sixty nine percent of the companies use financial and non-financial measures of performance in measuring organizational performance. Also evident was that although many Kenyan companies do not call their performance measurement tool by the name “Balanced Scorecard”, their practices in performance measurement do model those of the BSC.

A number of organizations have successfully implemented the BSC. The United States army, working closely implemented the BSC, later named as the Strategic Readiness System (SRS), and this resulted in improved overall communication, accountability and performance against the army’s strategic vision (BSCOL Report 2006). Mobil Oil (now Exxon Mobil), upon implementing the BSC recorded an increase in profitability between years 1993 to 1995, and there was noted improvement of the companies’ measurement and analyzing of metrics to determine its achievement of strategic goals (Berkman 2002). Another example is SAP, a business solutions enterprise, whose adoption of the BSC has seen positive results in achieving strategic advantage and provision of a framework for dividing strategy into its operative business processes making it executable (Bronze 2005). Another example is Endesa, one of the largest European electric utilities, whose implementation of the BSC has helped staff to share a common view of strategy, becoming the most important tool for communicating and executing it. The BSC has
become the backbone of the planning process in the company, providing vital link between strategy, strategic objectives, major initiatives, compensation systems and the budget (Howrie Jr. 2005).

The Kenya Revenue Authority (KRA) has noted successful results with the BSC, according to a report by the Commissioner-General released in February 2005. Some of the initiatives in the KRA’s BSC include improved revenue collection through enhanced quality service to stakeholders, modernisation of the internal processes and revitalisation of the organization’s workforce. The targets in the BSC are closely linked to the organization’s long-term objectives.

The BSC, therefore from the studies carried out and the examples given among others has been implemented widely, with notable results with examples at the global and the local Kenyan scene. It is quite evident that it is a tool that organizations can use in effective implementation of their strategic objectives.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research design

The research was carried out as a case study. This was to allow for collection of in-depth information regarding the implementation of the BSC at UNDP Somalia. This then would help in understanding of various situations and processes, as it would entail obtaining all relevant information and seeking various clarifications on those areas that did not initially come out clearly.

UNDP was among the first public sector organizations to implement the BSC and by using case study method; their experiences and learnings would be better captured. Furthermore as the process is still on going, it is only those respondents who have so far had experience with the BSC, and not all the organization's staff who would be able to give the information required A case study approach hence was more appropriate as opposed to other research methods.

3.2 Data collection

Both primary and secondary data, in qualitative form was collected for the study. Primary data was mainly collected through interviews and discussions with the help of interview guide, which was developed in line with the research objective (appendix 1). The questions were prepared in line with the literature review and were pre-tested for appropriateness before doing data collection. The questions were open-ended to allow for collection of as much information as possible from the respondents. A total of six UNDP staff were interviewed, four from UNDP-Somalia, the rest from UNDP-Kenya and Corporate planning unit in New York.

Secondary data was obtained from a review of the already documented publications, strategy papers, and in-house publications. Most of the documentation obtained was from the UNDP intranet and also from UNDP Somalia and Kenya offices in Nairobi. These
were materials on UNDP strategies and documented information on the BSC implementation and use since its introduction in the year 2001 and the various guidelines and BSC reports prepared for management use.

3.2 Data analysis.

Analysis for data collected was done through content analysis. Being a case study, this approach was helpful in getting areas of consensus and disagreement from various interviews done and with the already documented data. Content analysis is described as “any technique for making inferences by systematically and objectively identifying specific characteristics of messages”, (Nachamias and Nachamias, 1996, p 327). Conclusions were then drawn from the analysis and documented in line with the research objective.
CHAPTER FOUR
FINDINGS AND DISCUSSION

4.1 Background of UNDP/UNDP Somalia

4.1.1 Operations of UNDP in Somalia

UNDP Somalia operates as part of UNDP globally and is currently a cross-border operation from Nairobi, Kenya owing to the conflict situation in Somalia. There is a possible relocation to Somalia in future when the situation improves. Somalia central government collapsed sixteen years ago and there has been a complex conflict since then. The in-country offices are in Hargeisa, Burao, Boroma, Bossaso, Garowe, Mogadishu, Jowhar, and Baidoa.

UNDP Somalia’s programme thematic areas are peace building, poverty reduction, governance and the rule of law. The conflict situation has had impact on the strategies adopted by the organization and usually are formulated for two-year periods due to the turbulent that the organization operates in.

4.1.2 UNDP/UNDP Somalia strategic plans

UNDP has a global strategy, referred to as the Multi-Year Funding Framework (MYFF), which covers a period of four years. The MYFF is designed to be a key instrument for the strategic management, monitoring and accountability of the UNDP internally as well as for stakeholders.

The current MYFF 2004-2007 was endorsed in the year 2003 and describes five strategic goals and service lines to be pursued by the organization and details the organizational strategies that will be followed over the MYFF period. The goals are achieving the millennium development goals (MDGs - pledges made by world leaders to be achieved by 2015--appendix 4) and reducing human poverty, fostering democratic governance, managing energy and environment for sustainable development, supporting crisis prevention and recovery and responding to HIV/AIDS. Service lines represent specific
areas in which the UNDP will contribute to development results in the country level.

UNDP has applied strict criteria in selecting thirty service lines in MYFF 2007-08, placing great emphasis on responding to country office demands in a way that both reinforces and reconciles strategic focus at the field to corporate levels (MYFF 2007-2008).

The first MYFF was presented in 1999, covering the period 2000-2003 and consisting of a strategic results framework and an integrated resources framework. Since then, results orientation has strengthened the way UNDP plans and reports on its achievements. At the moment, UNDP is developing the 2008-2011 MYFF and as part of the process, it is examining ways to make the MYFF a better tool. The plan will provide an opportunity for UNDP to align and communicate its activities and role in a strengthened UN response to today’s development challenges and will be the primary management and communications tool for the next four years. The project began in mid 2006 and was to culminate in the submission of Strategic plan 2008-2011 to the Executive Board for approval in September 2007 (www.intra.unp.org).

UNDP commissions on an annual basis the Human development report which focuses the global debate on key development issues, providing new measurement tools, innovative analysis and often controversial policy proposals. The global report's analytical framework and inclusive approach carry over into regional, national and local Human Development reports.

UNDP Somalia is currently operating under the "UNDP Country Programme for 2007-2008" with focus on four strategic lines of action. These are strengthening security for peace and development, state building, enhancing democracy and pro-poor policies and MDG focused local initiatives. These lines of action will be pursued in three areas of operation of UNDP which are the rule of law and security, governance and poverty reduction/sustainable livelihoods. Under these, five cross-cutting themes of peace building, human rights, gender equality, HIV/AIDS, information and communication technology (ICT) will be integrated. UNDP Somalia operates in a rather turbulent
environment hence the reason for shorter-term periods in terms of its strategy. It is hence informed by the situations on the ground, the MYFF and also the UN transition plan derived from Joint needs assessment initiated in 2005 and concluded in 2006.

4.1.3 Key success factors in UNDP Somalia strategy implementation

The success of strategy implementation at UNDP Somalia is due to a number of factors. Most important is the ability to respond to the changing environment due to the conflict situation in Somalia. The Somalia country office faces more challenges compared to other country offices operating in relatively more stable political environments.

Success is also contributed by dedicated and highly skilled staff operating in difficult circumstances, and who often face various challenges and frustrations in the course of their work. Their dedication is seen through their efforts to bring change through their work however difficult the environment. Staff therefore need for staff to be very clear on the organization strategic goals.

The other factor is good relationships with other partners, which include the civil society and private sector. Finally, strategy implementation has been made possible because of resource mobilization with such support coming from the UN member states, government and institutions such as the European Union (EU), World Bank, Zayed Foundation, USAID, Global Fund for AIDS, tuberculosis and malaria among others.

The environment in which the organization operates calls for high standards of efficiency and accountability of its resources. This, combined with the need to have clear focus on strategic goals in day to day work led UNDP to adopt new ways of doing things and that is how the BSC came to be adopted.
4.2 Implementation of the BSC at UNDP/UNDP-Somalia

4.2.1 Why UNDP adopted the BSC

The BSC was introduced to UNDP 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 as highlighted in an UNDP Balanced Scorecard (Management Results Framework) 2003. In an interview in UNDP News (2004), the UNDP Director of the Bureau Management indicates that the BSC was introduced as a management tool intended to communicate the strategic mission of the organization.

Figure 3: The BSC and Planning, Communication and Monitoring

![Diagram of Balanced Scorecard]

Source: UNDP Balanced Scorecard, Nov 2005, Office of planning and budgeting

It was also in response to drastic changes in external environment with massive drop in Overseas Development Assistance (ODA) that UNDP saw the need to borrow some
concepts from the private sector. This is according to the UNDP Director of Planning and Deputy Director of the Bureau of management in an interview with UNDP News 2000. There was need for change by UNDP to be more business-like, combining the planning function with resource allocation, and this was against a background of a bureaucratic environment. The BSC focal person at UNDP Somalia supports this by indicating that there was need for the organization to be more efficient and accountable to the various partners.

The BSC was introduced so as to make it possible for UNDP to see the beginning and end, which is an advantage it has from other management tools—total quality management (TQM), management by objectives (MBO) which are too process-oriented with no end in sight. This would help the UNDP Administrator (Chief executive officer) to have a "birds-eye" view of the direction the organization is going according to the business plans and guide him/her in navigating and making critical decisions using several gauges, each standing for a key indicator. The Administrator would have to look at one scorecard, and also be able to "drill-down" to a particular indicator so as to analyze certain problem areas. The scorecard would be useful also to other managers who would make use of results against targets in the scorecard, and which have been measured, and this reduces the risk of using subjective information.

4.2.2 Implementation process of the BSC

The BSC was introduced in UNDP in the year 2001 and is managed globally from its headquarters in New York. The Corporate planning unit oversees the BSC and was involved in its introduction and roll-out to the various country offices. The BSC was first introduced as a tool to monitor the progress made in the Administrator's (CEO) Business plan 2000-2003.

The second BSC was designed in line with the UNDP's organizational strategies articulated in MYFF 2004-2007. Since its introduction, the BSC data has been used for planning, monitoring and assessing country office performance as well as for the annual report for the Executive board.
Figure 4: History of UNDP’s Balanced Scorecard implementation

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestone</th>
<th>BSC/MRF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>UNDP’s BSC established based on the Administrator’s Business Plan</td>
<td>BSC 2001-03 MRF</td>
</tr>
<tr>
<td>2002</td>
<td>Indicator definitions improved</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>BSC 2001-2003 closed</td>
<td></td>
</tr>
</tbody>
</table>
- Indicator definitions improved  
- Links with Atlas and other systems strengthened | BSC 2004-07 MYFF |
| 2005 | BSC 2005 rolled-out | |
| 2006 | Inclusion of the 5th Perspective “Programme Quality” | |
| 2007 | | |


The BSC was implemented in UNDP as a generic set of indicators across all country offices. There is a plan to have a complete revamping of the scorecard across the board and implemented up to the headquarters level and this is projected for the year 2008. The BSC was first introduced to UNDP Somalia in the year 2004 and has made good progress to date in terms of its implementation.

According to UNDP Operations bulletin 2000, the BSC did not add any reports to what was already being produced by UNDP units. Most of the data can be captured from the system, mainly from Peoplesoft’s enterprise resource planning (ERP) software. What came in as a new process was the target setting required from UNDP units, and targets
would be set once a year as part of an ongoing process such as the country office management plan. No training was expected on the BSC as it was considered simple and self-explanatory, showing twenty to thirty strategic objectives of the organization and how they relate to one another, as well as the relevant indicators by which the performance would be assessed by the end of the year. What the headquarters would have to do was assist units in setting targets and making sure individual targets add up to corporate targets.

Each country office has a BSC focal person who coordinates the information required based on the BSC indicators and ensures that the data required from the country office is regularly updated. The BSC focal person also generates reports for management use from the BSC that are required from time to time, and is answerable regarding any BSC issues in the country office. BSC results are available at the UNDP intranet and staff are able to view scorecards at the country level, bureau level and headquarters level.

The implementation of BSC was supported by the already existing structures and functions and this simplified the process. For instance for learning and growth perspective, there were already learning units and managers in the different country offices and individual learning plans in place. Another example is use of financial information already being generated from finance system for the finance perspective, while programme operations supported the internal efficiency perspective.

### 4.2.3 Challenges during BSC implementation

The major challenge in introduction of the BSC to UNDP, as would any public sector agency was how to establish a clear link between its management strategy and its mission. Development results are, by nature, qualitative, intangible, demand-driven, shared with many other partners, and sometimes materialize only after many years. This contrasts with the indicators captured in the BSC, which need to be quantifiable, frequently updateable, responsive to sudden changes in the strategy, and accepted by all
managers for performance accountability. This was mainly addressed through introduction of the additional perspective on programme quality.

4.2.4 The perspectives at the UNDP’s Balanced Scorecard

All the four perspectives of the BSC are in use with the UNDP Balanced scorecard. The customer perspective as ‘client Satisfaction’, internal efficiency perspective addressing what business processes UNDP must excel at, learning and growth perspective focusing on how UNDP will sustain ability to improve, financial perspective as ‘financial resources’ with a focus on how to operate financially.

A fifth perspective – Programme quality was introduced in the year 2006. This was part of continuous efforts to strengthen performance assessment and it was following intensive discussions on its improvement. It is based on assessment of programme performance, derived from MYFF annual results reporting.

The programme quality perspective was introduced to improve the quality of the programmes being run by UNDP. This is through focus on results expected to be achieved by various measures undertaken. These measures are in line with the Country programme document and the MYFF and the MDG’s.

The UNDP’s BSC helps clarify vision and strategy, and translate them into action by giving a one-page snapshot of the office’s status vis a vis corporate strategies. Each of the five perspectives has strategic objectives, targets and results (appendix 3)
UNDP under the Office of Planning and Budgeting has developed an “Indicator definition package” for use per staff and which details strategic objectives, indicators, targets, source of data, acceptable ranges for each target. The strategic objectives are grouped under the five perspectives and there are fourteen objectives specified in the 2006 BSC Indicator definition package. Under these objectives there are twenty five indicators and each has been assigned measurable targets.

The client perspective has two strategic objectives, improvement of client satisfaction and strengthening of communication function. The indicators for the latter are government and other partner satisfaction. It is informed by partner surveys and results measured against set targets. In terms of strengthening communication function, the indicator is updating of the country office website to reflect key UNDP priorities. To measure this, an ideal website has been identified and set by the headquarters with targets against which the country office is gauged.

The internal efficiency perspective has four strategic objectives. The first objective is enhancing oversight and accountability through implementation of audit recommendations. The second objective is strengthening ability to deliver with two indicators of administrative to expenditure ratio and financial data quality. For these indicators, the country office sets the ratios and financial data quality target is set by the headquarters with the use of Atlas system from which financial information is derived. The third objective is strengthening people management with two indicators of staff perception informed by global staff survey done every year and female/male ratio in professional positions and the targets are set by the headquarters. The fourth objective is to strengthen and support UN coordination and reform. Here, the indicator is joint programmes with other UN agencies and the target is set by the country office.

The learning and growth perspective has two objectives. One is to increase learning and training, the indicator being learning programme participation by staff. UNDP has an online learning programme and each country is required to develop learning plan for staff in line with it. The headquarters has set a target of the proportion of staff who should participate on an annual basis. The other objective is provision of knowledge services which has two indicators, knowledge network participation and knowledge sharing between country offices. UNDP has web-based knowledge networks through which staff in various country offices do cross-sharing of experiences, ask questions and all this contributes to the learning and growth. Staff contribute to these knowledge networks a minimum standard has been set by the headquarters for the number of staff as a percentage of total staff in a country office who should participate annually. Knowledge
sharing is facilitated through secondments and visits by staff to other country offices, though it may also entail sharing of information without necessarily any physical movement.

The financial resources perspective has three objectives. The first is achievement of targeted resource mobilization effort whose indicator is the percentage of non-core resources mobilized. Expenditure is expected not to rely only on core resources as this is considered ‘seed money’. The second objective is increase of cost-recovery whose indicators are costs recovered from programme country cost sharing and those recovered from trust funds and third parties. The costs recovered are then used to maintain office operations and the headquarters sets the percentage targets. The third objective is delivery whose indicator is delivery volumes in terms of disbursements from core and non core resources. For delivery volumes, the country office sets targets in line with the strategic goals.

The programme quality perspective has three objectives. The first is improvement of strategic focus with the indicators of number of service lines and expenditure ratio within practices. The service lines indicator is designed to ascertain strategic focus by tracking the extent to which a programme endeavors to concentrate on a minimum set of interventions and measures the number of service lines under which a country programme is active, and the target is set by the headquarters. Expenditure ratio within practices measures the ratio of total programme expenditures within the five practice areas and the data is obtained from Atlas system which shows the ratio in a country office against set targets. The second objective is improvement of annual targets achieved which is measured by the rates of annual targets achieved against targets set every year by the country office.

The third objective under programme quality perspective is improvement of contributions to development effectiveness. There are six development drivers (developing of national ownership, enhancing national ownership, advocating for and fostering and enabling policy environment, seeking south-south solutions, promoting gender equality and
forging partnerships for results) which act as indicators, measuring the quality and effort undertaken in emphasizing each of them in pursuit of country programme outcomes. A country office is required to respond to a series of questions, indicating emphasis placed on each driver, when reporting against each annual target, a score from 1 to 4, 4 being the highest. The results are then used to show how each country programme is performing against targets set.

The strategic objectives under each perspective fall into either lead indicators or lag indicators. Lead indicators are delivery volume, non-core resources mobilized, cost recovery, administrative to total expenditure ratio, financial data quality, and female/male ratio. Lag indicators on the other hand include government perception, other partner’s perception, and communication, implementation of audit recommendations, joint programmes, learning, knowledge network participation and knowledge sharing between country offices. The BSC is monitored throughout the year and a strategic objective such as delivery volume is assessed on a quarterly basis.

4.2.6 Assessment of the BSC implementation

Globally, the UNDP has been quite successful in implementing the BSC. The development of the BSC to translate strategy into a coherent set of performance measures for both country offices and headquarters units has been receiving recognition as a best practice. UN organizations are turning to UNDP for advice on how to implement a balanced scorecard. Outside the UN, UNDP has entered into a partnership with the African Development Bank (ADB) to help them to develop their own balanced scorecard to implement their new strategic plan. This is according to UNDP report on the implementation of the Business Plans 2000-2003

According to the BSC focal person at UNDP Somalia, the country office has since the BSC inception in 2004 been able to successfully implement the BSC with reports used for management use being generated from the BSC. Within the organization, the BSC is seen mainly as a management tool and staff’s involvement in most cases is through provision of information required for BSC indicators. Although various documents and
articles on the BSC has been posted in the intranet, most staff are not yet very familiar with what the BSC is all about, why UNDP adopted it and the benefits accruing from it in terms of linking their day to day work to organization's strategy.

UNDP has made considerable progress with BSC implementation and sees it as a vital tool in future in terms of planning, communicating and monitoring performance against strategic goals. It will continuously be improved to suit organization's needs and especially that the BSC was not originally intended for non-commercial enterprises. This continuous improvement will help in maximizing on the benefits being reaped through BSC and the corporate planning unit at the headquarters takes lead in its improvement in liaison with the various country offices. This is especially as the implementation period of MYFF 2004-07 comes to an end, and the ushering in of the next strategy MYFF 2008-2011.

4.3 Outcomes of the BSC

UNDP has had a number of benefits due to BSC implementation, both at the global and country office level. It is used in planning for whereby targets are set based on indicators derived from the various strategic objectives. The headquarters sets some targets and others left for the country office to set. Information derived from the BSC assists in budget allocation since clear targets to be achieved are defined.

The BSC helps in performance assessment and in particular inputs to the performance assessment of Resident representatives. Hence, it makes it possible their objective evaluation of performance and that of the country office. This is because all country offices are gauged based on standard measures across the board, which had been initially agreed upon.

At UNDP Somalia, the BSC has helped the organization in knowing at any point in time where it is in terms of performance against strategy. This is because the measures set beforehand have specific indicators which show exactly where the organization is, whether above, at acceptable limits or below those targets.
Another benefit is that it has brought meaning to the work being done as the staff are able to see the big picture in terms of the work they do on a day-to-day basis to the overall organization strategy. This as a result has led to improved communication within the organization as staff are able to know clearly what is expected of them and the targets they need to work towards. This makes them very much aware that they are doing is in line with the development drivers. According to the UNDP Resident Coordinator in Saudi Arabia, upon the introduction of BSC, staff recognized its importance and felt committed to the achievement of goals and results, which were positioning UNDP as a renewed and successful organization.

Management and staff in the various country offices are using the BSC to plan ahead and monitor achievements and also benchmarking with other offices. This is according to the Director of Bureau of management who mentions that with the help of the various BSC indicators, staff have a good concept of where the organization is going. In addition, Administrator and the senior management team are using it to monitor the implementation of business plans (UNDP News 2004).

The BSC has helped improve the organization’s performance management since at the end of a period, staff performance is measured against targets earlier agreed upon. Also on performance management, the measures in the BSC forms the basis of what the staff will plan to do in a particular time period. Staff motivation has been noted through staff seeking information, participation in knowledge networks.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

UNDP introduced the BSC with the aim of translation of Strategy into day-to-day operations. This was in line with the positive results noted by those organizations that had implemented the BSC after its development in the early 1990’s. This was due to challenges the organization was facing and especially the need to be more accountable and efficient hence had to look for methods adopted by commercial enterprises.

The organization has noted various successes in line with its original intention of using it as a tool for planning, communicating and monitoring. The key benefit is the ability to have measurable targets under the UNDP Balanced Scorecard with indicators under various strategic objectives. UNDP-Somalia has also successfully implemented the BSC since its introduction in the year 2004. This has resulted in benefits to the organization in terms of having clear link between its operations and strategy, clear focus on work being done, better ways of measuring performance and better communication and staff motivation.

5.2 Conclusions

The benefits reaped through implementation of the BSC in UNDP Somalia shows that the BSC is an excellent tool in terms of translation of strategy to day-to-day operations, which is in line with the experiences of the organizations that pioneered the BSC implementation.

Looking at the various phases of BSC implementation at UNDP, the BSC 2001-03 and BSC 2004-07 were derived from the organization’s strategy (MYFF) and this shows that the BSC is very useful in translating strategic objectives into targets and indicators which
are measurable and shown in quantifiable form. Staff, working towards these targets in the various indicators hence are able to translate their day-to-day operational work to the overall strategic goals of the organization.

The BSC initially was adopted mainly by commercial enterprises. The experience with UNDP shows that it can also be applied in non-commercial enterprises. UNDP's success was noted by the BSCOL and was later on approached by other organizations such as the other UN agencies and Africa Development Bank (ADB) to help during their implementation of the BSC.

One of the questions coming up on why the BSC has only four perspectives has come up and this is addressed with the introduction of a fifth perspective (programme quality) by BSC. The question has been if an organization should only be limited to the four perspectives, or come up with others as deemed necessary. The BSC methodology does no restrict introduction of other perspectives if necessary to address organization's needs as seen in the study.

5.3 Recommendations

The BSC has been implemented at UNDP with good success noted. What came out from the study however was that the BSC is mainly used at the senior management level at UNDP-Somalia, the focal person coordinating the BSC at Country office level. The staff at the lower level and those who do not deal directly with the BSC hardly know what the BSC is all about. They however contribute to the various BSC measures with or without full knowledge of the BSC.

The BSC needs to be rolled out to all levels in the organization. This will help all staff to get the big picture and take ownership of the BSC as a strategic management tool. This will improve the planning process and help staff even have a clearer picture on how their day-to-day operations contribute to the overall strategic objectives and ultimately contribute to the successful implementation of strategy.
The BSC, as noted from the BSC focal person is a bit technical and needs extra effort on the part of the staff to understand. UNDP regularly posts BSC information in the intranet, which staff can access but use of the information cannot be optimized if staff do not clearly understand the BSC. It will therefore be important to train and educate all staff on the BSC methodology and its benefits. It will also be useful to share periodically with staff the BSC reports so that at any point in time they are fully aware about the organization’s performance against strategic objectives.

5.4 Limitations of the study

The study was limited by a number of factors. Not all staff were aware of the BSC as it is only the focal persons in country offices who directly handle the BSC. Most staff at the lower level were not in the picture and the senior management staff mainly handle final reports generated from the BSC hence do not have a first-hand experience. Hence, it was not possible to get as many views as possible regarding the implementation of the BSC apart from the few staff who have handled the BSC.

Owing to the nature of the UNDP work, it was not possible to interview staff who had to travel and were away on official duties and it was not possible to interview them. There are also those staff who were there during the BSC implementation but have since left the organization and their experiences could not be incorporated in the study.

5.5 Suggestions for further study

The study was looking into BSC implementation by a public based international organization. Previous studies have been done on a survey of the BSC adoption by Kenyan companies and another as a case study with the Kenya Revenue Authority.

More case studies could be done with the local organizations and companies which have adopted the BSC in Kenya. The learnings and experiences from these organizations can then be used by those organizations intending to implement the BSC.
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APPENDIX 1

INTERVIEW GUIDE

Research Objective: To assess the implementation of the Balanced Scorecard (BSC) at UNDP-Somalia

Background information on UNDP-Somalia

1. When did UNDP start operations in Somalia?

2. What is the vision and mission of UNDP? Does UNDP-Somalia have a local country strategy? What period does the current strategy cover?

3. What are some of the key success factors in successful implementation of strategy at UNDP-Somalia?

4. How successful has UNDP been in implementing the current strategy?

Implementation of the BSC at UNDP-Somalia

5. The BSC has been implemented globally by UNDP. What is the level of implementation at UNDP-Somalia?

6. What were the key steps in the implementation of the BSC at UNDP/UNDP-Somalia?

7. What is the level of implementation of the BSC in other country offices?

8. What are the main factors that led to the adoption of the BSC by UNDP as an organization?

9. What have been the key success factors in implementation of the BSC:
10. What challenges have been encountered during the implementation of the BSC?

11. The BSC has four perspectives (Customer, Business processes, Learning and growth, Financial) Are all the four perspectives in use at UNDP-Somalia?

12. Which other perspectives, outside the traditional four perspectives have been introduced at UNDP-Somalia? What were the reasons of inclusion of additional perspective(s)?

13. In overall terms, how do you rate the implementation of the BSC at UNDP/UNDP-Somalia?

Outcomes of the BSC

14. What are the key benefits of the BSC both to UNDP globally and to UNDP-Somalia?

15. Is there a clear link between the BSC and UNDP/UNDP-Somalia strategy?

16. In which specific ways has the BSC contributed to success in strategy implementation / Strategy processes at UNDP-Somalia?
APPENDIX 2
LETTER OF TRANSMITTAL

19th June 2007

The Resident Representative
United Nations Development Programme-Somalia
Nairobi, Kenya.

MBA RESEARCH PROJECT

I am a student at the University of Nairobi, pursuing MBA degree in Strategic Management. I am now in the final stages, working on the research project, with the proposed topic “Implementation of the Balanced Scorecard at UNDP-Somalia”

The Balanced Scorecard is my area of interest in the project and I got to learn about its implementation in UNDP during my literature review. The focus of my research will be UNDP-Somalia and this will involve interviews with members of the Senior Management team and use of already existing information in form of Strategy papers, documentation on the BSC, among others.

I kindly seek your authority to conduct the research at UNDP-Somalia through interviews and use of relevant documents. I have enclosed an introductory letter from the University.

Yours faithfully

Leonard Sang
P.O Box 44718, Nairobi.
Email: kl_sang@yahoo.com
<table>
<thead>
<tr>
<th>Perspective</th>
<th>Strategic Objective</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Satisfaction</td>
<td>Improve client satisfaction</td>
<td>Government Satisfaction</td>
<td>75 points or more</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UN, IFI, Donor &amp; Other partners Satisfaction</td>
<td>75 points or more</td>
</tr>
<tr>
<td></td>
<td>Strengthen comm. function</td>
<td>Website Updated and Reflects Key UNDP Priorities</td>
<td>9 points or more</td>
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<tr>
<td>Enhance oversight and accountability</td>
<td>Enhance oversight and accountability</td>
<td>Implementation of Audit Recommendations</td>
<td>75% or more</td>
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<tr>
<td>Strengthen ability to deliver</td>
<td>Administrative to Total Expenditure Ratio</td>
<td>100% or less (Set by CO)</td>
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</tr>
<tr>
<td></td>
<td>Financial Data Quality</td>
<td>1.6 points or less</td>
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<tr>
<td>Internal Efficiency</td>
<td>Strengthen people management</td>
<td>Staff Perception</td>
<td>75 points or more</td>
</tr>
<tr>
<td></td>
<td>Female/Male Ratio in Professional Positions</td>
<td>40%-60%</td>
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</tr>
<tr>
<td></td>
<td>Strengthen and support UN coordination &amp; reform</td>
<td>Joint Programmes</td>
<td></td>
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<tr>
<td>Increasing learning and growth</td>
<td>Increase learning &amp; training</td>
<td>Learning Programme Participation</td>
<td>75% or more</td>
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<tr>
<td></td>
<td>Provide knowledge services</td>
<td>Knowledge Network Participation</td>
<td>25% or more</td>
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<tr>
<td></td>
<td></td>
<td>Knowledge Sharing between CO’s</td>
<td>4 times</td>
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<tr>
<td>Financial sources</td>
<td>Achieve targeted resource mobilization effort</td>
<td>Non-core Resources Mobilized</td>
<td>100% or more (Set by CO)</td>
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<tr>
<td></td>
<td>Increase cost-recovery</td>
<td>Cost Recovered From Programme Country Cost Sharing</td>
<td>3% or more</td>
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<td>Cost Recovered From Trust Funds and Third-party Cost Sharing</td>
<td>5% or more</td>
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<tr>
<td></td>
<td>Delivery</td>
<td>Delivery Volume</td>
<td>100% or more (Set by CO)</td>
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<tr>
<td>Improve strategic focus</td>
<td>Number of Service Lines</td>
<td>10 or less</td>
<td></td>
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<td>------------------------</td>
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<td></td>
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<tr>
<td></td>
<td>Expenditure Ratio within Practices</td>
<td>90% or more</td>
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<td></td>
<td>Rates of Annual Targets Achieved</td>
<td>80% or more</td>
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</tr>
<tr>
<td>Improve the number of annual targets achieved</td>
<td>Developing National Ownership</td>
<td>80 points or more</td>
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</tr>
<tr>
<td></td>
<td>Enhancing national ownership</td>
<td>80 points or more</td>
<td></td>
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<tr>
<td></td>
<td>Advocating for and fostering and enabling policy environment</td>
<td>80 points or more</td>
<td></td>
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<tr>
<td></td>
<td>Seeking South-South solutions</td>
<td>80 points or more</td>
<td></td>
</tr>
<tr>
<td>Improve contributions to development effectiveness</td>
<td>Promoting gender equality</td>
<td>80 points or more</td>
<td></td>
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<tr>
<td></td>
<td>Forging partnerships for results</td>
<td>80 points or more</td>
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**Source:** UNDP 2006-Balanced Scorecard Indicator Definition Package
APPENDIX 4
MILLENIUM DEVELOPMENT GOALS (MDGs)

GOAL 1: HALVE EXTREME POVERTY AND HUNGER

1.2 billion people still live on less than $1 a day. But 43 countries, with more than 60 percent of the world’s people, have already met or are on track to meet the goal of cutting hunger in half by 2015.

GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION

113 million children do not attend school, but this goal is within reach; India, for example, should have 95 percent of its children in school by 2005.

GOAL 3: EMPOWER WOMEN AND PROMOTE EQUALITY BETWEEN WOMEN AND MEN

Two-thirds of the world’s illiterates are women, and 80 percent of its refugees are women and children. Since the 1997 Microcredit Summit, progress has been made in reaching and empowering poor women, nearly 19 million in year 2000 alone.

GOAL 4: REDUCE UNDER-FIVE MORTALITY BY TWO-THIRDS

11 million young children die every year, but that number is down from 15 million in 1980.

GOAL 5: REDUCE MATERNAL MORTALITY BY THREE QUARTERS

In the developing world, the risk of dying in childbirth is one in 48. But virtually all countries now have safe motherhood programmes and are poised for progress.

GOAL 6: REVERSE THE SPREAD OF DISEASES, ESPECIALLY HIV/AIDS AND MALARIA

Killer diseases have erased a generation of development gains. Countries like Brazil, Senegal, Thailand and Uganda have shown that we can stop HIV in its tracks.

GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY

More than one billion people still lack access to safe drinking water; however, during the 1990s, nearly one billion people gained access to safe water and as many to sanitation.

GOAL 8: CREATE A GLOBAL PARTNERSHIP FOR DEVELOPMENT, WITH TARGETS FOR AID, TRADE AND DEBT RELIEF

Too many developing countries are spending more on debt service than on social services. New aid commitments made in the first half of 2002 alone, though, will reach an additional $12 billion per year by 2006.

Source: www.un.org/millenniumgoals