

**APPLICATION OF BALANCED SCORECARD IN STRATEGY
FORMULATION AND IMPLEMENTATION AT TELKOM KENYA
LIMITED**

BY

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DECLARATION

This management research project is my original work and has not been presented or defended for a degree in any other University for purposes of examinations or awards of qualifications.

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This management research project has been submitted with my approval as University supervisor.

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DEDICATION

To my late father, Hussein Marjan, you taught me the value of discipline and the need to work hard. My loving mother, Mariam Bilal, and my beloved wife, Mwanahamisi Abdalla, it is through your prayers, support and selfless assistance that this was possible. I will forever remain indebted to you all.

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ABSTRACT

Effective strategy formulation and implementation are key challenges in strategic management. Defining workable strategies and translating them into action is a nightmare to managers of many organizations. As a performance management tool balanced scorecard can assist organizations to focus, align and clarify their vision and strategy and to translate the strategies into action.

The study evaluated the application of balanced scorecard in strategy formulation and implementation at Telkom Kenya Limited. It set out to establish strategy formulation and implementation processes, challenges and how application of balanced scorecard bridged the gap between formulation and implementation. It also set out to establish balanced scorecard implementation process at Telkom Kenya, challenges posed during implementation, and extent of its success.

The study was conducted through interview of ten informants drawn from Telkom senior management group. The primary data was collected and analyzed through content analysis and secondary data was obtained from Telkom strategic plan, annual reports, and management meeting reports. The informants were defined in such a way that they comprehensively cover the four perspectives of the balanced scorecard as prescribed by Kaplan and Norton.

The study showed that Telkom Kenya has used balanced scorecard as a performance management tool to help focus on key strategic objectives and to align departmental and individual objectives to corporate objectives. Telkom also uses performance management system, linked to balanced scorecard, to reward its senior staff as variable portion of their pay. Through management convention the balanced scorecard results are discussed and contentious issues clarified continuously and progressively to staff. Telkom also uses SAIFA (speed, anticipation, initiative, follow-up, and accounting) cultural transformation model to not only change the culture but to firmly embed balanced scorecard by guiding individual actions, aligning them to corporate strategy and linking reward/reprimand to performance.

The study established that even though the balanced scorecard has contributed greatly to achievement of set objectives there were several challenges in implementing the same. Some of

these challenges included: Inadequate skills and hands on knowledge on balanced scorecard implementation; difficulties in formulation of departmental objectives that are aligned to corporate objectives; difficulty in formulation of strategies that ensure delivery of the set objectives; difficulties in setting priorities in a highly volatile and changing environment; having KPIs that are too vague and difficulties arise when measuring and appraising staff performances departmentally - to set targets and to link rewards to the measures, particularly the 'soft' information is impossible; fear of targets by staff; Telkom is a very large organization and therefore ensuring that consistent message is cascaded to all staff and adhered to is not easy; and culture change. All these challenges need to be taken in consideration for organizations using or wishing to use balanced scorecard tool for strategy formulation and implementation for they may affect the outcome seriously.

The study showed that the balanced scorecard tool can be effective in strategy formulation and implementation if it is linked to simple, measurable, achievable, realistic and time-bound objectives. It also recommends periodic reviews of the scorecard to evaluate the existing strategy in order to allow for meaningful amendments. Incentive schemes like variable portion of salary should be linked to the scorecard to reward excellent performance and to reprimand non-performers.

The results of the study are consistent with the existing body of knowledge by various scholars in the field. Further research needs to be done to find out how balanced scorecard can be used to influence change management in organizations. More research also needs to be done to see how effective the balanced scorecard has been in strategy formulation and implementation in companies operating in telecommunication and other industries in Kenya that have adapted it.

ACRONYMS

| | | |
|---------|---|--|
| AIDS | — | Acquired Immunodeficiency Syndrome |
| ARPU | — | Average Revenue Per User |
| BCG | — | Boston Consulting Group |
| BPM | — | Business Performance Management |
| BSC | — | Balanced Scorecard |
| BTS | — | Base Station Transceivers |
| CAPEX | — | Capital Expenditure |
| CCK | — | Communication Commission of Kenya |
| CDMA | — | Code Division Multiple Access |
| CDRs | — | Call Detailed Records |
| CSI | — | Customer Service Index |
| CEO | — | Chief Executive Officer |
| CRM | — | Customer Relationship Management |
| DSO | — | Days Sales Outstanding |
| EBIDTA | — | Earning Before Interest, Dividends and Tax |
| FTG | — | France Telecom Group |
| GMPCS | — | Global Mobile Personal Communications by Satellite |
| GOM | — | Gross Operating Margin |
| GSM | — | Global System for Mobile Communication |
| HIV | — | Human Immunodeficiency Virus |
| ICT's | — | Information Communication Technologies |
| IP | — | Internet Protocol |
| IT | — | Information Technology |
| KP & TC | — | Kenya Posts & Telecommunications Corporation |
| LAN | — | Local Area Network |
| LI.Os | — | local Loop Operators |
| MBO | — | Management by Objectives |
| OPEX | — | Operational Expenditure |
| PCK | — | Postal Corporation of Kenya |
| PSTN | — | Public Switched Telephone Network |

| | | |
|---------------|---|---|
| SAII A | – | Speed, anticipation, initiative, follow-up, and accounting |
| SMART | – | Simple, measurable, achievable, realistic and time-bound |
| SWOT | – | Strength Weaknesses Opportunities and Threats |
| TKL | – | Telkom Kenya Limited |
| ULF | – | Unified Licensing Framework |
| VSAT | – | Very Small Aperture Terminal |
| WAN | – | Wide Area Network |

CHAPTER ONE: INTRODUCTION

1.1 Background

The totality of management decisions that determine the purpose and direction of an organization is important if it is to survive in a turbulent environment. This requires organizations to plan and implement priorities that are essential for its survival. The strategy adopted will determine the direction, goals and activities organization will pursue to achieve its objectives. It will also establish the internal character of the organization, how it relates to the external environment, the range of products and services, and the markets to operate in. The guiding members of the organization are responsible for the sense of its purpose and overall direction. Their important task is mapping-out the future directions that need to be adopted against the resources possessed by the organization (Bannock, Davis, Trott & Uncles, 2002).

Operationalizing strategy is difficult and complex task for guiding members of the organization. It requires them to consider relationship between the business strategy and the organizational structure. To be economically effective they need to adopt an internally consistent set of practices in order to undertake the proposed strategy effectively. This usually involves more than just structure and covers things such as information systems, recruitment, reward, culture and training (Bannock, Davis, Trott & Uncles, 2002). In order to formulate sound strategies and to manage implementation processes organization require tools such as Balanced Scorecard for not only measuring but also managing these important tasks.

1.1.1 Strategic Management

Strategic management is concerned with understanding the strategic position of an organization, strategic choices for the future and turning strategy into action. It is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy

to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment. It is also concerned with how the organization achieves its objectives using its resources, structure, strengths and weaknesses to maximize on the opportunities and mitigate the threats in a dynamic environment. Strategic management can be divided into two phases namely: strategy formulation and strategy implementation (Byars, 1991; Boar, 1993; Johnson, Scholes & Wittington, 2006; Pearce & Robinson, 2003; Aosa, 2007).

Strategic planning is a continuous and systematic process where the guiding members of an organization make decisions about its future, develop the necessary procedures and operations to achieve that future, and determine how success is to be measured (Pfeffer, 1996). It is a systematic process through which an organization agrees on and builds commitment among stakeholders to priorities which are essential to its vision and mission and to be responsive to the operating environment (Aosa, 2007).

Strategy implementation involves translating intended strategy to workable strategies down through the organization (Johnson, Scholes & Wittington, 2006). Creating a strategy-focused organization is a significant, challenging culture change for many organizations. It calls for effective strategy implementation, which results when organization resources and actions are tied to strategic priorities, and when the key success factors are identified and performance measures and reporting aligned (Deloitte & Touche, 2003; Njiru, 2007). It therefore, follows that strategy implementation is likely to be successful when congruence is achieved between intangible assets such as organization structure, culture (shared values), resources (budget) allocation, staff competencies and capabilities, support systems, reward systems, policies and procedures, and leadership style (Aosa, 1992, Peter & Waterman, 1982; Thompson & Strickland, 2003; Njiru, 2007).

Translating strategy into action is far more complex and difficult task. Implementing strategy is a tougher, more time-consuming, challenging than crafting a strategy. It entails converting the strategic plan into action then into results. Similarly, it is always more difficult to do something (strategy implementation) than to say you are going to do it

(strategy formulation) (Thompson & Strickland, 2003; David, 2002). Implementation is said to be successful when company achieves strategic objectives and targeted level of financial performance. What makes it too demanding is the wide sweep of managerial activities that have to be attended to, the many ways manager can tackle each activity, the skill that it takes to get a variety of initiatives launched and moving, and the resistance to change that has to be overcome (Thompson & Strickland, 2003). The strategy implementation challenge is to create a series of tight fits between strategy and organization's competencies, capabilities and structure; between strategy and budgetary allocations; between strategy and policy; between strategy and internal support systems; between strategy and reward structure; and between strategy and the corporate culture (Thompson & Strickland, 2003).

1.1.2 The Balanced Scorecard

The emergence of intangible assets as a source of competitive advantage, calls for measurement tools that describe the knowledge-based assets (Kaplan & Norton, 1996). However, traditional financial measures alone are insufficient to gauge performance and guide organizations in today's rapidly changing complex economic landscape (Kaplan & Norton, 1996). This realization led Kaplan & Norton to develop the Balanced Scorecard (BSC) in the late 1980's and early 1990's as a method for companies to manage their increasingly complex and multi-faceted business environments.

BSC is a management tool which has gained acceptance widely. It has become part and integral tool in strategic planning and implementation. The BSC has been a solution to strategy implementation problems and has been used successfully worldwide (Kaplan & Norton, 1996). Its success has made many companies to adopt it. The BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action (Kaplan & Norton, 1992). It provides feedback around both internal business processes and external outcomes in order to continuously improve strategic performance and results (Aversion, 1998). It is a system of linked objectives, measures, targets and initiatives which collectively describe the strategy of the organization and how the strategy can be achieved (Kaplan & Norton, 1996).

The BSC has helped companies focus and align their executive teams, business units, human resources, information technology, and financial resources to their organization strategy. Previous research done by Kaplan & Norton (2000) on successful balanced scorecard companies' revealed a constant pattern of achieving strategic focus and alignment. Kaplan & Norton (1992) suggested the use of BSC as the main means of making a strategy work in many organizations. The theories from Du Mee (1996), Hers (1998), Van Dijk (1999), Stam (1995), and Gillissen (1996) shows that effectiveness of BSC depends on strong strategic planning; high quality performance measures; and coherent and consistent communication of strategies.

1.1.3 The Telecommunication Industry

In the days of the old Telecoms Industry the conventional wisdom was that telecoms was an example of 'natural monopoly', that is, due to increasing returns to scale telecoms services could only be provided efficiently by a monopoly provider. Accordingly, in most industrialized countries the network layer was dominated by monopoly network operators (Fransman, 1995). The introduction of liberalization and competition in these countries, however, was at first cautious and tentative. The competitors were given regulatory permission to compete and some were only partially privatized. Liberalization has made tremendous improvement for the telecommunication industry and the winners have been the consumers of the services worldwide (Fransman, 1995).

Historically, the structure of the telecommunication sector in Africa has been influenced by several factors. Using the work of Bourgault (1995), Nwosu (1987), and Pfister (1999) analysis, these factors can be categorized along two dimensions. The first is politically marked by the influence of colonialism and the need for a sound telecommunication structure. The second dimension is the African's economic integration with telecommunications infrastructure as a pre-requisite for economic development.

Reports by communication historians indicate that systems designed largely for colonial governments became the sole form of telecommunications infrastructure in many countries (Bourgault, 1995). This led to the decrease in tele-densities and drastic increase in telecommunication prices. Yet, without the development of the telecommunication

sector, Africa faced the threat of being excluded from the global economy. This threat has played a major part in influencing the development of the communication sector.

Telecommunication industry in Kenya is dominated by three players, that is, Safaricom Limited, Zain Kenya Limited and Telkom Kenya Limited. The services provided are voice and data services. There is move towards provision of convergent services, voice and data, through use of both Public Switched Telephone Network (PSTN) and Internet Protocol (IP). The market structure is divided along fixed line and mobile phone services; and end user retail and interconnection wholesale services (Communications Commission of Kenya, 2009)

The government policy has been a major barrier to market entry for decades, and the industry remained in the control of the former Kenya Posts and Telecommunications Corporation (KP & TC), a government protected monopoly, playing both role of service provider and industry regulator. Liberalization process started in 1997 with a government policy (Government of Kenya, 1997), establishing the industry regulator, Communication Commission of Kenya (CCK), and in July 1999 KP & TC was split into Telkom Kenya Limited (TKL) and Postal Corporation of Kenya (PCK) both 100% owned by government. On 21st December 2007, the Government of Kenya sold off its 51% shareholding to Orange East Africa SA. On the same date, Telkom disposed of its entire shareholding in Safaricom Limited, which was its 100% owned mobile phone operator (Telkom Kenya, 2007).

TKL was licensed to provide fixed line and mobile telephone services, with mobile phone license issued to its subsidiary Safaricom Limited; given a five year monopoly in fixed line services in Nairobi and Mombasa; and in long distance and International services. Five year duopoly was introduced in mobile phone by licensing Kencell Communications Limited (changed to Celtel Kenya Limited and later to Zain Kenya Ltd) in February 2000. The foreign ownership in the industry was initially limited to 40% but later increased to 70% and is to be increased to 80% (Government of Kenya, 2007). A third operator Econet Kenya Ltd was licensed in April 2005. International voice service was

liberalized on 30th June 2006, when two mobile operators were licensed to compete with TKL. (Communications Commission of Kenya, 2009)

One of the first telecommunication sector services in Kenya is fixed telephony. The fixed telephony service is mainly provided by Telkom Kenya Limited (TKL), which was the sole provider of this service up to June 2004 when the firm's five-year exclusivity expired. Since then, the Commission has licensed other operators to compete with TKL in the business segments that were hitherto reserved for Telkom Kenya. In the local loop segment for instance, the Commission had by June 2008 licensed 19 operators to provide fixed telecommunications services at the last mile. Of this, only two I.L.Os - Popote Wireless and Hashcom - are operational. In July 2008, the Commission embarked on the process of implementing the Unified Licensing Framework (ULF) in response to technological convergence (Communications Commission of Kenya, 2009).

The enactment of the Kenya Communications Act, 1998 led to the introduction of competition in the cellular mobile industry. The Communications Commission of Kenya licensed the newly privatized Safaricom Limited and a new market entrant, Kencell Communications, which has since changed its brand name to Celtel Kenya following a 60% shares buy out by Celtel International. This has witnessed a phenomenal growth in the number of subscribers, as well as the geographic expansion of the cellular mobile service in the country. The number of licensed mobile operators in the country has increased to four with the licensing of two additional mobile operators - Telkom Kenya (trading as Orange East Africa SA) and Econet Wireless Kenya. Both Safaricom and Zain (formerly known as Celtel Kenya) have realized tremendous growth in subscriber rollout over the last eight years, which has seen the combined subscriber base of the two operators reach 12.9 million as at June 2008. The combined network capacity for the two mobile operators has also grown from 640,000 in June 2001 to 25,964,700 in June 2008. The mobile network is now over twenty times the size of the fixed network in subscriber numbers (Communications Commission of Kenya, 2009).

Today, owning a cell phone in Kenya, like in most of Africa, is as much a personal decision about how life should be lived as a realization of the age-old idea that prosperity

is built on the ability to establish effective communication (Arunga & Kihura, 2007). Experience worldwide has shown that Information and Communication Technologies (ICTs) have the potential to improve quality of life dramatically by accelerating the rate of economic and social development. In recent years, major advances in ICTs, combined with the rapid growth of global networks such as the internet, have transformed businesses, markets, learning and knowledge-sharing, empowered individuals and communities with new ways of doing things, and created significant wealth and economic growth in many countries. The cell phone revolution has made Telkom to rethink its strategies if it is to stay relevant to the Kenyan Market (Arunga and Kihura, 2007).

1.1.4 Telkom Kenya Limited

Telkom Kenya Limited (TKL) came into existence in 1999 following the enactment of the Kenya Communications Act in 1998, which replaced Kenya Posts and Telecommunications Corporation Act, Cap 411 of the Laws of Kenya. (Telkom Kenya Limited, 2007). This resulted in the break-up of the now defunct Kenya Posts and Telecommunications Corporation (KP & TC) into three separate legal entities namely, Telkom Kenya Limited (TKL), Postal Corporation of Kenya (PCK) and Communications Commission of Kenya (CCK), the sector's regulatory authority. Telkom was established as a public telecommunications operator and incorporated in Companies Act as a wholly owned Government enterprise. It was issued with several licenses in areas in which it is currently operating. Some of these areas include Long distance telecommunications services, Local telecommunications service, International telecommunications services, VSAI services, Internet services, GMPCS telecommunications services, Customer premises wiring, terminal equipment and maintenance repair workshop services, Radio station services, value added services and Internet gateway services (Telkom Kenya Limited, 2007).

Telkom was granted a five year exclusivity period in provision of international telecommunications services, VSAT hub for international connectivity, Long distance telephone services, Internet backbone, interconnect facilities between operators and Nairobi local telephone services. This exclusivity period expired in June 2004. The

company currently has a customer base of about 500,000 customers on both fixed and CDMA wireless with a country-wide presence (Communications Commission of Kenya, 2009). In its network much of the transmission and switching capacity is digital which provides high quality services. The Company had a staff compliment of about 18,000 employees, while the annual accounts of the year 2008 revealed that the Company's business turnover was over Kshs.16.6 billion, with a net asset of over Kshs.38.9 billion (Telkom Kenya Limited, 2008). Current reports reveal that the total number of staff is about 2,300 with majority in technical and sales areas

Economic reforms in Kenya and globalization of the telecommunication industry have exposed TKL to cut throat competition with experienced newly-licensed operators like Safaricom and Zain. The environment in which TKL is operating has drastically changed. These changes have brought pressure on TKL to adapt its operations to meet the new challenges facing it. It is expected that such internal adaptations are taking place in the company. As part of its strategy to enhance company's ability to raise investment capital by bringing in Private Sector Equity participation, Telkom was privatized in December 2007 after Orange East Africa SA, a strategic partner, won the bid and bought 51% shareholding of the company. The Government of Kenya therefore holds the remaining 49% of the stake.

TKL vision was to be among the top five communication solutions providers in Africa by 2010. This vision has since been modified to place more emphasis on customer orientation built around solid relationship amongst all stakeholders in it as it now reads "Together we can do more". The key strategic objective of TKL are: Improving Customer Satisfaction; Growing revenues and profits; Growing the customer base; Changing the Corporate culture; Servicing the company's huge liabilities; Revamping business processes; Improving Staff Morale; Improving and expanding network infrastructure; Rapid rollout of services (Technology); Restructuring; and Stop Vandalism of Network infrastructure. In its bid to achieve the above objectives Telkom adopted the Balanced Scorecard as a vehicle to breaking organizational goals into individual worker goals and hence ensuring that Telkom vision is attainable (Telkom Kenya Limited, 2008a).

1.2 The Research Problem

Strategy formulation is a continuous and systematic process for making decisions about organization's future, developing the necessary procedures and operations to achieve that future, and determining how success is to be measured. It is a systematic process through which an organization agrees on and builds commitment among stakeholders to priorities which are essential to its vision and mission and to be responsive to the ever-changing operating environment.

Strategy implementation involves allocation of sufficient resources (financial, personnel, time, technology and support); establishing a chain of command, assigning responsibility for specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the effectiveness and efficiency of the process, controlling for deviations, and making adjustments to the process as necessary. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with legacy systems. The top management of organizations makes decisions about company's future, develop the necessary procedures and operations to achieve that future, and determine how success is to be measured. However, exclusive reliance on traditional financial measure in management system is causing corporate organizations to do the wrong things (Kaplan & Norton, 2001).

There have been a lot of changes in telecommunication industry since 1997 with liberalization and entrants of mobile operators who have competed with Telkom for the Kenyan market. This coupled with customer preferences and taste changes has put Telkom under a lot of pressure to contest in this market in order to survive. In order for organizations to survive in a turbulent environment, they need strong strategy formulation and implementation processes. If there are shifts in the environment then it is likely that organizations are going to react to those changes by adjusting their strategies. Since effective strategy formulation and implementation requires organizations to be responsive to ever changing environment and to reorganize its resources, monitor key performance

and measure its results to ensure organizational objectives are achieved it is expected that Telkom Kenya Limited is bound to react to changes in the telecommunication environment to ensure a fit between its strategy and those changes and to reorganize its resources and monitor key performances in order to achieve its corporate objectives and to survive.

Studies on balanced scorecard applicability in Kenyan context have previously been carried out by various researchers (Wangechi, 2008; Munmi, 2008; Kiplangat, 2007; D'souza, 2007; Kariuki, 2007; Njiru, 2007). These studies however, focused mainly on challenges and barriers in strategy implementation and the use of balanced scorecard in strategy implementation

Management is sensitive to the context because of environmental (social and cultural, economic, political and legal, infrastructural, and behavioural) and organizational (size, resource base, ownership, management orientation) factors. If any of these two factors or both of them changes then it may lead to variation in strategic planning process. The approach may be the same but if context varies then differences may arise giving justification for study in the same area through passage of time.

TKL has been faced with a lot of performance problems due to changes in the telecommunication environment since 1999. It has adopted the Balanced Scorecard in strategy formulation and implementation since 2007. How and why has Telkom used BSC model and how successful has it been in strategy formulation and implementation?

1.3 The Research Objectives

The study objective is to establish the use of BSC in strategy formulation and implementation in TKL.

1.4 Significance of the Research

TKL has had many challenges over the past decade. There has been an increase in competition, technological advances, globalization, and increased customer demands on quality services in the sector. The emergence of mobile telephony has put TKL under a

lot of pressure in contesting for its market share and growing of its revenues. These challenges have also been compounded by difficulties in turning strategic plans into tangible and intangible results.

The study to be conducted is expected to be of utmost importance to the various stakeholders in the service and technological sector, taking cognizance of the fact that these are very dynamic sectors requiring regular information updates for effective decision making

The study is expected to have direct benefits to all players in the telecommunication industry, scholars for further research in the use of balanced scorecard, top managers in different industries, consultants in the areas of strategic management, potential foreign investors, human resource practitioners, management accountants, marketers and academicians.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Management

David (1989) describes strategic management as the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives. Lamb (1984) on the other hand thought strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment. Chaffee (1985) thought that strategic management is fluid and complex which affects the entire organization by providing direction.

Chandler (1962) showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He recognizes the importance of coordinating the various aspects of management under one all-encompassing strategy. He claims that Prior to 1950s the various functions of management were separate with little overall coordination or strategy. Interactions between functions or between departments were typically handled by a boundary position, that is, there were one or two managers that relayed information back and forth between two departments. Chandler also stressed the importance of taking a long term perspective when looking to the future. He was a firm believer that structure followed strategy.

Drucker (1954) stressed the importance of objectives claiming that an organization without clear objectives is like a ship without a rudder. This evolved into his theory of management by objectives (MBO). He claims that the procedure of setting objectives and monitoring the progress towards them should permeate the entire organization, top to bottom as this was important towards ensuring the implementation of organisations main objectives.

2.2 Strategic Management Processes

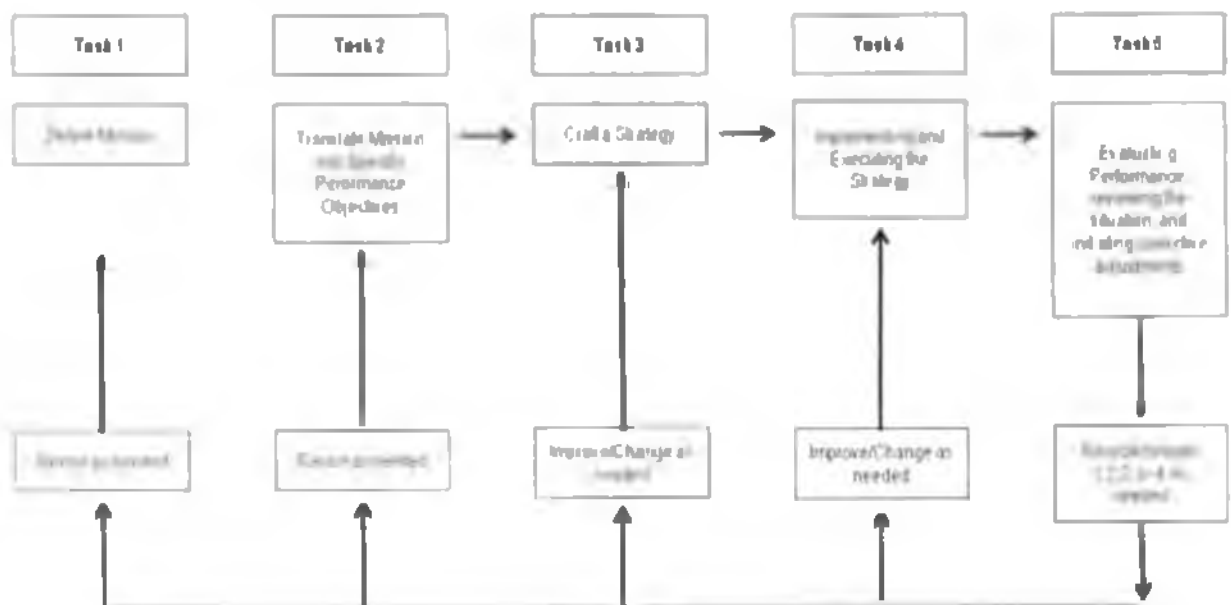
Hamel & Prahalad (1990) thought that before formulation of any strategy an organization should identify their core competency. They showed how important it was for an organization to know their one or two key things that a company does better than the competition. Chaffee (1985) summarized what she thought were the main elements of strategic management included: adapting the organization to its business environment; creating novel combinations of circumstances requiring unstructured non-repetitive responses; formation and implementation of strategies. Hamel & Prahalad (1989) declared that strategy needs to be more active and interactive; less "arm-chair planning" was needed. They emphasized the need to have a strategic intent and strategic architecture for strategy to work.

Lester (1989) identified seven best practices that were key to successful implementation of organization's strategy. These were: Simultaneous continuous improvement in cost, quality, service, and product innovation; Breaking down organizational barriers between departments; Eliminating layers of management; Creating flatter organizational hierarchies; Closer relationships with customers and suppliers. Intelligent use of new technology; Global focus; Improving human resource skills. Lemon Consulting (2000), building from the theories of Drucker (1954); Chandler (1962); and Chafee (1985) suggested that strategic management is a combination of three main processes: strategy formulation; strategy implementation and strategy evaluation. Strategy formulation process involves determining where you are now, determining where you want to go, and then determining how to get there. Strategy implementation on the other hand is concerned with the allocating management with sufficient resources, establishing a chain of command, assigning responsibility of special tasks or processes to individuals or groups, and monitoring and comparing the results with the plan or other bench marks. Strategy evaluation as portrayed in Johnson & Scholes (2005) model is mainly concerned with understanding the suitability, the feasibility and the acceptability of the strategy.

Mintzberg (1988) examined the strategic management process and concluded that it was much more fluid and unpredictable than people had thought. Because of this, he could not point to one process that could be called strategic planning. Instead he concludes that

there are five types of strategies. The five types of strategies Mintzberg (1988) suggested included: Strategy as plan - a direction, guide, course of action - intention rather than actual; Strategy as ploy - a maneuver intended to outwit a competitor; Strategy as pattern - a consistent pattern of past behaviour - realized rather than intended; Strategy as position - locating of brands, products, or companies within the conceptual framework of consumers or other stakeholders - strategy determined primarily by factors outside the firm. Strategy as perspective - strategy determined primarily by a master strategist. Figure 1 shows 5 important tasks of strategic management.

Figure 1: The 5 Tasks of Strategic Management



Source: Adapted from Deloitte & Touche - Telkom Strategic Planning Session (March 2007)

2.2.1 Strategy Formulation

Strategy formulation is the process of determining appropriate courses of action for achieving organizational objectives and thereby accomplishing organizational purpose (Kotelnikov, 2009). Mitchell (2009) sees strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. He argues that diagnosis includes performing a situation analysis

(analysis of the internal environment of the organization including identification and evaluation of current mission, strategic objectives, strategies, and results, plus major strengths and weaknesses); analyzing the organization's external environment, including major opportunities and threats; and identifying the major critical issues, which are a small set, typically two to five, of major problems, threats, weaknesses, and/or opportunities that require particularly high priority attention by management.

Strategy formulation involves coming up with a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organization, and supply the strategies for accomplishing them (Mitchell, 2009). Lemon consulting (2000) building from work of Drucker (1954); Chandler (1962); and Chalce (1985) argue that strategy formulation process involves determining where you are now, determining where you want to go, and then determining how to get there. Burdett (2008) asserts that Strategy formulation is both a leadership skill and a process that leaders use to focus their organizations on where they need to go (positioning the firm), to adapt to their customer needs and to align their team. He thought that Strategy formulation is iterative: the key players assess, decide, act, and review how they are doing. It is where leaders determine how much to stretch, how to create the benefits for customers, how flexible to be, how to measure progress, and how to recognize when the strategy cannot be sustained. The decisions are fundamental to the success of a business and the process prepares key people to take responsibility for the chosen route

Mitchell (2009) argues that there are four primary steps in strategy formulation: reviewing the current key objectives and strategies of the organization; identifying a rich range of strategic alternatives to address the three levels of strategy formulation (i.e. corporate, business and functional levels), doing a balanced evaluation of advantages and disadvantages of the alternatives relative to their feasibility plus expected effects on the issues and contributions to the success of the organization, and deciding on the alternatives that should be implemented. Strategy formulation involves doing a strategic analysis taking into account the internal and external environment. The internal environment encompasses organization resources that may be tangible or intangible, skills and competencies, structures, processes, customers, suppliers, and people from

which it identify its strength and weaknesses. Organizations have reasonable control over its internal environment.

The external environment consists of interaction of various factors which may be very complex. These factors encompass competitors, political, legal, social and technological factors over which organizations have no control. The next step in strategy formulation is for organization to identify opportunities and threats presented by the environment. The aim is for the company to hedge itself against the threats and to take advantage of opportunities using its strengths and possibly make up for its weaknesses. In the process the company will make broad decisions on matters such as the breadth of product line, the geographical scope, the competitive actions chosen, the level of social involvement, the performance objectives sought, and the technology chosen (Pearce and Robinson, 1997; Thompson and Strickland, 1993).

In strategy formulation organizations must choose market segments and capabilities they must develop in order to serve the chosen market effectively. Core capabilities and competencies do not just happen but are deliberately built by organizations over time. A company cannot do everything to customers and must therefore choose what level of quality, cost, flexibility and delivery it will build into its products to keep its chosen markets and customers. These informed choices must be made during strategy formulation in order to integrate them with the organization processes, skills and technology.

Strategy formulation process involves environmental analysis, a definition of the company's vision and mission statement, setting strategic objectives, and making choices. Various scholars have however argued that in practice this process is not well defined, logical, and explicit as various models suggest. Rather, the processes are more unintended, incremental and political.

Environmental analysis is a formal procedure to monitor organizations environment to identify present and future threats and opportunities and to assess criticality of its own strength and weaknesses (Certo, 1995). The environment refers to both internal and external environment within which the organization operates. Keith (1998) concludes that

firms with sophisticated environmental scanning techniques achieve a higher performance than those with less sophisticated systems. Pearce and Robinson (1991) identify various formal environmental analyses. They include strategic group analysis, SWOT analysis as well as political, economic, social, and technological aspects of the environment in relation to the external environment. Value chain analysis and functional analysis are identified as formal internal environmental analysis. SWOT analysis is a systematic identification of the internal strengths and weaknesses and the environmental opportunities and threats facing an organization, and the strategy that reflects the best match between them. It is based on logic that an effective strategy maximizes business strengths and opportunities while at the same time minimizing its weaknesses and threats (Pearce and Robinson, 2002).

The main indicators of the direction in which an organization is moving are its vision, mission statement, and strategic objectives (Certo, 1995). Effective strategy making begins with a concept of what the organization should and should not do and vision of where the organizations seems to be headed. A company's business is defined by what needs it is trying to satisfy, which customer groups it is targeting, and the technologies it will use and functions it will perform in serving the target market. Many successful organizations need to change their direction not just to survive but to maintain their success. A well articulated vision creates enthusiasm for the future course management has charted and poses a challenge that inspires and engages members of the organization. A well-worded vision statement gives employees a larger sense of purpose

Strategic objectives represent managerial commitment to achieving specific performance targets within specified time frame. They are statements of results an organization seeks to achieve over a specified period of time. Objective setting needs to be more of a top down than bottom up practice in order to guide lower managers and organization units towards outcomes that support the achievement of overall business and company objectives (Thompson and Strickland, 1998).

Strategic analysis and choice involves evaluating strategies that had been developed earlier for suitability using various criteria chosen for implementation. Various models

have been developed to aid in strategic analysis and choice. These include the BCG Growth share Matrix and Ansoff's – Mission Matrix. Literature on rational strategic decision tends to lean more on the use of analytical techniques arguing that they stand better a chance of selecting an optimal strategy. Keith (1998) provides an insight into this concept that managers will still use gut feeling and intuition in selecting the strategy of a firm. He argues that small firms tend to be less formal in their choices of strategy and that the strong personality of the founder will tend to decrease formality in the decision making process.

Strategy formulation involves several key activities of establishing a framework for the exercise and reaching a consensus on objective, purpose and results, so that it is appropriate. The entire strategy formulation process must have the blessing and active participation of top management. Senior managers should play a leading role in the exercise. However, strategies should be implemented in partnership manner that involves consultation and participation of key stakeholder (Rowe, 1994). Participation is a major concern of the strategy formulation exercise. Top management should devise a staff action plan, which ensures a proper two-way flow of information that gives relevant advice on issues of concern. Various functional groups with often conflicting interests and bargaining power have the opportunity to interact by freely expressing their realities and priorities (Strickland and Thompson, 1996).

Strategy formulation also involves other important consideration such as analysis of the results and generation of reports. The decisions on what alternative strategies to be evaluated should involve the review of the previous formulation work and documentation, trade- offs and convincing reasons as to why certain decision alternatives are more superior to others. This adds pressure for greater accountability and ownership of the formulation process.

A key concern in strategy formulation is to stay focused on the mission and vision of the organization to ensure that they are relevant to the changing environmental situations. The selection of the approach to setting the objectives is the independent choice of the

executive management team, possibly influenced by corporate staff or professional consultants and advisers

2.2.2 Strategy Implementation

Strategy implementation as a component of strategic management refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to achieve organizational objectives (Pearce & Robinson, 2003). Thompson & Strickland (1989) view strategy implementation as acting on what has to be done internally to put the chosen (formulated) strategy into place and achieve the targeted results. Wheelan & Hunger (1988) argues that strategy implementation is a process by which management translate strategies and policies into action through development of programs, budgets, and procedures. The process might involve changes within the overall culture, structure, and/or the management system of the organization. Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant system (Bryson, 1995).

Strategy implementation includes considerations of who will be responsible for strategy implementation; the most suitable organization structure that should support the implementation of strategy (Pettigrew, 1998) the need to adapt the systems used to manage the organization (Johnson & Scholes, 2002); the key tasks to be carried out and desirable changes in the resource mix of the organization as well as the mandate of each department in the organization and the information systems to be put in place to monitor progress and resource planning (Pearce & Robinson, 1997). Implementation may also take into account the need for retraining the workforce and management of change (Johnson & Scholes, 2002).

A brilliant strategy that cannot be implemented creates no value. Effective implementation begins during strategy formulation when questions of "how to do it" should be considered in parallel with "what to do". Effective implementation results when organization resources and actions are tied to strategic priorities, and when key success factors are identified and performance measures and reporting are aligned (Deloitte & Touche, 2003).

Implementing strategy is by and large an administrative activity and successful implementation depends on working through others, organizing, motivating, culture building, and creating strong fits between strategy and the way organization does things (Thompson & Strickland, 2003). It calls for alteration of existing procedures and policies. In most organizations, strategy implementation requires a shift in responsibility from strategist to divisional and functional managers (Kazmi, 2002). The implementers of strategy should therefore be fully involved in strategy formulation so that they can own the process. Management issues to strategy implementation include establishing annual objectives, devising policies, allocating resources, altering an existing organization structure, restructuring and re-engineering, revising reward and incentive plans, minimizing resistance to change, matching managers with strategy, developing a strategy supportive culture, developing an effective human resource function, and if necessary, downsizing (David, 2002).

Translating strategy into action is far more complex and difficult task. Implementing strategy is a tougher, more time-consuming, challenging than crafting a strategy. It entails converting the strategic plan into action then into results. Similarly, it is always more difficult to do something (strategy formulation) than to say you are going to do it (strategy formulation) (Thompson & Strickland, 2003; David, 2003). Implementation is said to be successful when company achieves strategic objectives and targeted level of financial performance. What makes it too demanding is the wide sweep of managerial activities that have to be attended to the many ways manager can tackle each activity, the skill that it takes to get a variety of initiatives launched and moving, and the resistance to change that has to be overcome (Thompson & Strickland, 2003). They further argue that strategy implementation challenge is to create a series of tight fits between strategy and organization's competencies, capabilities and structure; between strategy and budgetary allocations; between strategy and policy; between strategy and internal support systems; between strategy and reward structure; and between strategy and the corporate culture.

Inadequate planning and communication are two major obstacles to successful implementation of strategies (Alexander, 1985). Other obstacles include ineffective coordination of implementation of activities, insufficient capabilities of employees,

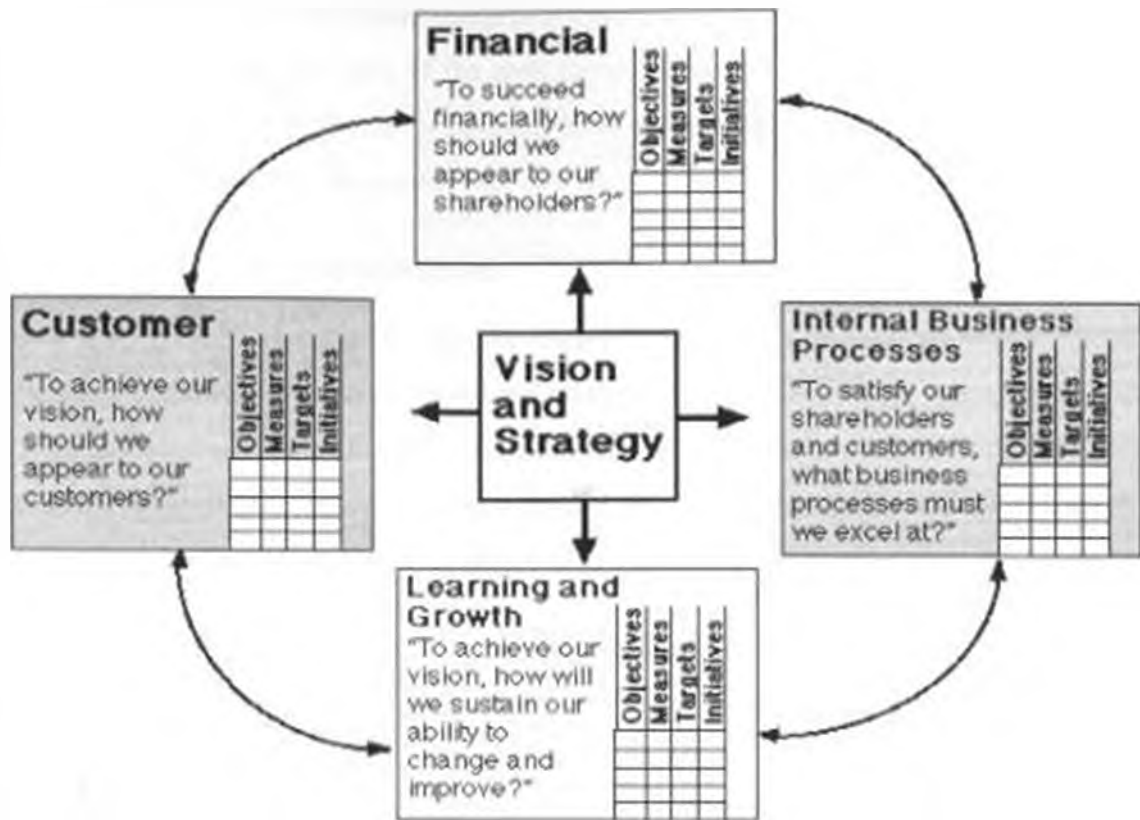
inadequate training given to lower level employees, lack of clear responsibility being fixed for implementation, lack of support from other levels of management etc. (Koske, 2003; Njiru, 2007).

13 The Balanced Scorecard

Kaplan & Norton (1992) introduced the balanced scorecard (BSC) concept for measuring company's activities in terms of its vision and strategies to give managers a comprehensive view of the performance of a business. Recognizing the weaknesses and vagueness of previous management approaches, Kaplan & Norton (1992) introduced the balanced scorecard approach to provide a clear prescription of what companies should measure in order to "balance" the financial perspective. According to Kaplan & Norton (1993) the balanced scorecard tool bridges the gap from strategy formulation to execution as it assist in managing performance through organizational perspectives while linking them to goals and objectives. Balanced scorecard creates balance along a number of axes: it covers four perspectives including Financials, Customer, Internal Business Processes, and Learning and Growth giving a total view of business performance; It provides strategic linkages that illustrate cause and effect between objectives; It is multi-stage operational target capability aligned to long term goals; It focuses on communication, not just reporting; It involves the alignment of resources with business direction, not financial status; and it drives executive management agreement on future business direction. According to Kaplan & Norton (1996), a scorecard should not only be derived from the organization strategy but it should also be transparent back to the strategy.

The BSC provides executives with a comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures (Kaplan & Norton, 1996). It translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. The BSC provides managers with instrumentation they need to navigate to future competitive success. Figure 1 below shows the four perspectives suggested by Kaplan & Norton.

Figure 2: The Balanced Scorecard Framework



Source: Adapted from Kaplan, R. S. & Norton, D. P. (1992). *The balanced scorecard: Measures That Drive Performance*. *Harvard Business Review*, vol. 70, pp. 72.

According to Kaplan & Norton (1996) most organizations use financial measures as a critical summary of managerial and business performance. However, financial measures tells a story of the of the past, an adequate story for industrial age companies for which investments in long term capabilities and customer relationships were not critical for success. Kaplan & Norton (1996) recognizes that the BSC compliments financial measures of past performance with measures of the drivers of future performance. The objectives and measures of scorecard are derived from organization's vision and strategy. The objective and measures view organizational performance from four perspectives; financial, customer, internal business process, and learning and growth

Rogers (1995) said that this solution is introduced in organizations; it is new to the users in those organizations. However, it does not tend to be a radical break and there is a

certain degree of compatibility with existing systems. Koning & Conijn (1997) state that the BSC replaces old-fashioned budgeting cycles and old sets of management accounting reports and makes them part of the new system. Hoogers & Neef (1996) supported the notion saying that the concept is considered as an enrichment of and addition to existing planning and control instruments.

2.3.1 Importance of Balanced Scorecard

The BSC is very important to several organizations. It can be used by organizations to measure activities in terms of vision and strategies. It can also enable managers to obtain a comprehensive view of the performance of the business. According to Kaplan & Norton (1996), management processes built around the scorecard enable the organization to become aligned and focused on implementing the long-term strategy.

Renaissance Worldwide (2005) argue that 90% of organisations believed that a clear, action oriented understanding of their strategies could significantly influence their success. However, less than 60% of senior managers and less than 10% of the total company believe they have a clear understanding of their company's strategy. Less than 30% of senior managers believe their organizations' strategies are effectively implemented. Over 30% of a public companies valuation is determined by non-financial metrics. This would be changed by BSC. Ahn (2001) reports that over 50% of Fortune 1000 firms now use the Balanced Scorecard methodology and that around 85% of organisations have adopted a performance measurement initiative of some form.

Strategic management system forces managers to focus on the important performance metrics that drive success. The BSC fills the void that exists in most management system - the lack of systematic process to implement and obtain feedback about strategy. Vlotman (1999) said that the BSC is associated with a holistic, organic concept for managing strategy. By testing, validating and modifying the hypothesis embedded in a business units' strategy and initiating discussions about connections between strategy and management control and their supposed means-end relationships, the BSC offers a continuous strategic learning system. Van der Meer-Kooistra & Vosselman (2000) considered BSC as a management philosophy, a 'mental' framework that creates cause

and effect mindset. Hers (1998) consider the most important is the discussion about assumptions underlying strategy and relationships with the management system.

Bothof & Van Hest (1999) said that BSC' was used to help people realize what they do and why they do it, while Vlotman (1999) argue that BSC does not provide tailor made solutions or take work off managers' hands, but only clarifies the view on relevant aspects of management and translating words in measures to make the discussions more transparent. Smits (1993) claim that BSC was used to bridge the gap between vision and operations and that these continuous recursive learning processes have to result into action. Bothof & Van Hest (1999) state that the BSC aims to function as an intermediary - an organizing framework and communication mechanism - to motivate and guide change processes

Kieser (1997) claims that BSC is considered acceptable by most organisations these days because: it promises of, preferably substantial performance enhancement; there is a threat of bankruptcy in case of non-adoption; it stress on the concept's universal applicability; it has examples of well-known and successful cases of users; it has a catchy title; the presentation of the concept as timely, innovative and future-oriented, and it has interpretative viability. Roos (2000) BSC is used to indirectly influence and change individual behaviour and corporate culture. Du Mee (1996) argues that BSC is not merely a picture, but it is a about a way of working and in that sense the BSC is more like a philosophy and, BSC' makes clear why an organization has chosen for a certain strategy and the implications this has. This may be very confronting because explicating the strategy and resulting actions implies that, on a deeper organizational level, the underlying norms and values are made clear and have to be complied with. Maybe in the actual culture it is not done to address somebody on his performance.

2.3.2 Implementing Balanced Scorecard

Van den Heuvel & Brockman (1998) say that a successful BSC implementation implies cultural change. They insist that the implementation processes is characterized as inductive, nonlinear and comprehensive. The structured approach the BSC' offers asks for

different way of acting in order to bridge the phase difference in the development of a structure and a matching culture.

Kaplan & Norton (1996) identified a number of stages for implementation of scorecards that make use of planning, interviews, workshops, and reviews. The type, size and structure of an organization determine the detail of the implementation process and the number of stages it entail. Lourens (2000) claims that implementing BSC involved interactive, multiplicative change processes and therefore, interrelated key success factors have to be stressed, such as: commitment of top management and the management style; engagement and motivation of employees; continual willingness to change individual behaviour and corporate culture; and capacity to deal with contingencies. Duin (1997) say that BSC describes the subsequent implementation phases, with per phase pitfalls and suggestions to measure to what extent intended targets are realized. Martinus (1999), claims that the BSC was implemented mainly in projects.

Kaplan & Norton (1996) found that as the scorecard is inextricably linked to strategy, the first requirement is to clearly define corporate strategy and ensure that senior staffs, in particular, are familiar with the key issues. Managers should then identify the company's key strategic objectives and goals aligned around the four perspectives. No more than 15 to 20 key measures in total should be linked to these specific objectives and goals. Significantly fewer measures may not achieve a balanced view; significantly more may become unwieldy and deal with non-critical issues. Based on the four main perspectives suggested by Kaplan and Norton, a list of goals and measures may be developed. Organization can modify or devise their own scorecards to suit their requirements. Further discussions, interviews, or workshops may be required to fine-tune the details and agree strategy, goals, and activities to be measured, taking care of the fact that the measures selected focus on critical success factors. Other important issues to be resolved before implementation include setting of targets, rates or other criteria for each of the measures and defining how, when, and where they should be recorded.

According to Kaplan & Norton (1996), an implementation plan should be produced and communicated to the staff. The scorecard initiatives should not come as a surprise at this

point. Staff should be informed at the beginning of the project and kept up to date on progress. Employees should be made to feel that they have an important part to play in achieving corporate objectives and goals. Conversely they should not feel threatened by the measures. Results of all the measures should be collated on a regular basis – daily, weekly, monthly, quarterly, or as appropriate. The information is likely to eventually comprise a substantial amount of possibly complicated data. Decide whether to circulate partial information on a need-to-do basis. Determine whether the results can best be publicized through meetings, newsletter, the organizations intranet, or other means.

The measure should not be an end in itself. It should act as a guide to organizational performance that may point to areas that needs strengthening. After the first cycle has been completed, review the quality of the information gathered and the success of subsequent actions, and modify the process as required (Kaplan & Norton, 1996)

2.3.3 Factors Affecting Successful use of BSC

Du Mée (1996) argues that the idea of the BSC as an instrument in line with strategy is widely accepted, but experts and authors who write on practical experience - or seem to write so - indicate a range of implementation problems. Obviously the methods and techniques described do not sufficiently serve as implementation guidelines in spite of the step by step recipes; the actual translation of an assumed strategy into operational terms appears to be difficult (Du Mée, 1996). The BSC concept is clear but too vague for concrete interpretations, for that reason you need to have experience with BSC implementations'. Hers (1998) state that strategic objectives are unclear, ambiguous and give insufficient guidance to define performance indicators while Du Mee (1996) argues that performance indicators do not or cannot measure what they should measure Van Dijk (1999), the quality of the underlying data may be questionable or data are not available. Stam (1995) also argues that it is difficult to measure the 'soft' information elements and to set targets and to link rewards to the measures which makes it not valid.

Gillissen (1996) say that causal relationships between different performance measures are not as obvious as suggested. Hers (1998) argues that maybe it is even a fallacy to think that the BSC can make one to one causal relations between the four perspectives with

their performance indicators but the relationships may exist and the perspectives are connected, but not always unambiguous and quantifiable.

Performance Advantage Ltd (2003) claims that poor strategy planning processes at the corporate level result in lack of centrally agreed strategy and no clear direction to drive scorecard development. Other factors include: inappropriate scorecard scope and objectives; trying to primarily drive short-term 'operational' deliverables, using the scorecard as a silver bullet solution for all business performance symptoms; failure to overcome change inertia and significantly impact organizational behaviour; systems projects devised to support BSC rollout hijacking the Business Performance Management (BPM). Booth (1996), states that the BSC process should start with senior management working together on the vision and how it is to be implemented. This linking of the competitive position of the organization to the operational of its processes is necessary to translate strategy into action.

Gekonge (2005) observes that the balanced scorecard is a methodology suited for deploying an organization's strategic direction, communicating its expectation to all employees, and measuring its progress towards agreed objectives. Campbell (1997) explains that the Balanced Scorecard is a concept that can be implemented in many ways. One prerequisite is that it must be adapted, or changed to fit a specific organization. A good scorecard reflects the strategic plan of the organization, provides a framework that helps shape work behaviour, allows each person to measure his/her individual performance and gives data to make changes immediately so that performance is enhanced. Ahn (2001) states that a BSC should be holistic; forward looking; easy to communicate and based on measuring four key dimensions i.e. Learning and Growth, Business Processes, Customer Offerings and Relationships and finally Financial embracing key financial objectives.

2.3.4 The Four Perspectives

Kaplan & Norton (1992) state that BSC needs to consider the four perspective: Learning and Growth which involves people, skills, culture, leadership and information; Business Processes which emphasizes embracing four processes, that is, product delivery,

customer relationships, innovation and adherence to regulatory and broader environmental needs; Customers Orientated strategies which intends at the making the organisations strategy customer focused by considering value addition to both internal and external services and finally finances which mainly is improving shareholders' wealth by increasing revenues and reducing costs. Kaplan & Norton (1996) claim that the grouping of performance measures in general perspectives is meant to aid in the gathering and selection of the appropriate performance measures for the enterprise.

The learning and growth perspective is the foundation of any strategy and focuses on the intangible assets of an organization, mainly on the internal skills and capabilities that are required to support the value-creating internal processes. The learning and growth perspective is concerned with the jobs (human capital), the systems (information capital), and the climate (organization capital) of the enterprise. These three factors relate to what Kaplan & Norton (1996) claim is the infrastructure that is needed in order to enable ambitious objectives in the other three perspectives to be achieved. This of course will be in the long term, since an improvement in the learning and growth perspective will require certain expenditures that may decrease short-term financial results, whilst contributing to long-term success.

The internal process perspective is concerned with the processes that create and deliver the customer value proposition. It focuses on all the activities and key processes required in order for the company to excel at providing the value expected by the customers both productively and efficiently. These can include both short-term and long-term objectives as well as incorporating innovative process development in order to stimulate improvement. In order to identify the measures that correspond to the internal process perspective, Kaplan & Norton (1996) propose using certain clusters that group similar value creating processes in an organization. The clusters for the internal process perspective are operations management (by improving asset utilization, supply chain management, etc), customer management (by expanding and deepening relations), innovation (by new products and services) and regulatory & social (by establishing good relations with the external stakeholders)

The customer perspective defines the value proposition that the organization will apply in order to satisfy customers and thus generate more sales to the most desired (i.e. the most profitable) customer groups. The measures that are selected for the customer perspective should measure both the value that is delivered to the customer (value position) which may involve time, quality, performance and service and cost and the outcomes that come as a result of this value proposition (e.g., customer satisfaction, market share). The value proposition can be centered on one of the three: operational excellence, customer intimacy or product leadership, while maintaining threshold levels at the other two.

The financial perspective examines if the company's implementation and execution of its strategy are contributing to the bottom-line improvement of the company. It represents the long-term strategic objectives of the organization and thus it incorporates the tangible outcomes of the strategy in traditional financial terms. The three possible stages as described by Kaplan & Norton (1996) are rapid growth, sustain and harvest. Financial objectives and measures for the growth stage will stem from the development and growth of the organization which will lead to increased sales volumes, acquisition of new customers, and growth in revenues amongst others. The sustain stage on the other hand will be characterized by measures that evaluate the effectiveness of the organization to manage its operations and costs, by calculating the return on investment, the return on capital employed, etc. Finally, the harvest stage will be based on cash flow analysis with measures such as payback periods and revenue volume. Some of the most common financial measures that are incorporated in the financial perspective are EVA, revenue growth, costs, profit margins, cash flow, net operating income etc.

According to Kaplan & Norton (2004), the balanced scorecard model is a conceptual framework for translating an organization's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Process, and Learning and Growth.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research problem posed can best be studied using the case study. This method gives an in-depth account of how the TKL has used Balanced Scorecard in strategy formulation and implementation. It also gives a good basis for getting insight on how TKL management implemented balanced scorecard, the extent of its success in strategy formulation and implementation, and challenges they have faced in using BSC. Case study method will allow identification of respondents who can provide an account of in-depth analysis of how BSC has helped TKL in formulation and implementation of its strategies, and challenges it faced in using BSC.

Cooper and Schindler (2003) argue that case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. Sekuran (2006) further the argument by indicating that case studies involve in-depth, contextual analyses of situations in organizations and understanding, and correctly translating the dynamics of changes critical to the problem solving and the case studies provide qualitative rather than quantitative data analysis. The proposed case study is on the use of balanced scorecard in strategy formulation and implementation at Telkom Kenya Ltd.

The limitations of the case study include the danger of false generalization which might be experienced because of lack of set rules to follow in collection of information, it is time consuming and expensive, the research might be subjective and it is used in a limited sphere, not in a big society. Despite these limitations, my study was based in Nairobi and the persons interviewed were ten in number, therefore it was not expensive.

3.2 Data Collection

In-depth interviews were carried out to determine the use of balanced scorecard in strategy formulation and implementation. The study used primary data source to achieve the desired objective. The primary data was collected from Telkom Senior Management in Nairobi through interviews and telephone conversation (see Appendix 2). The

questions were open-ended in order to get an in-depth account of the use of balanced scorecard in strategy formulation and implementation at Telkom Kenya Ltd and extent of its success or failure. The interview guide developed assisted the researcher to focus on achieving the objectives.

The number of informants interviewed was ten (10). This consisted of senior management team responsible for various functions in Telkom Kenya Limited to comprehensively cover all areas of business. The informants where data was collected from to comprehensively cover the four balanced scorecard perspectives were CEO and Head of Finance (Financial Perspective); Head of Marketing and Strategy, Head of Mass Market, and Head of Business Market Sales (Customer Perspective); Deputy CEO and Head of Human Resources (Learning & Growth Perspective); Head of Support Services and Head of IT & Networks (Internal Business Processes).

3.3 Data Analysis

Data analysis was used to establish the application of balanced scorecard in strategy formulation and implementation. The data collected was analyzed to achieve the set objective and to answer the research question using content analysis. Content analysis is a technique for making inferences by systematically and objectively identifying specific characteristics of messages (Nachamias, 1996). The method of collecting qualitative data and using content analysis to analyze and synthesize the information has previously been used in studies done by Gicubi (2006), Kariuki (2007), and Kiplangat (2007) and proved successful.

The qualitative data collected was analyzed and presented in narrative form as discussions. Financial information and other qualitative data relating to the research question and objective was reported in suitable formats and diagrams.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Background

Telkom Kenya Limited (TKL) was formed in 1999 after the split of the defunct Kenya Posts and Telecommunications Corporation into three separate entities. The company provides information communication solutions to its customer and has country-wide presence in Kenya. Its current vision, "together we can do more", places more emphasis on customer orientation built around solid relationship amongst all stakeholders. TKL is committed to connecting every customer through integrated communication solutions that simplify their lives. The company intends to achieve its over arching dream by being a social and business catalyst, liberating, and inspiring people with ideas and services to connect, collaborate, co-create in new and exciting ways.

4.2 Strategy Formulation and Implementation at Telkom Kenya

TKL strategy is influenced by its parent company, France Telecom Group (FIG). Its current strategy covers the period 2009 to 2013. Employees receive communication on the strategy through strategy meetings, management road shows and information presented to them at the beginning of the year. Due to sensitivity and confidentiality of the information certain documents and key information are withheld from employees. The Chief Executive officer confirms the strategy and objectives for the entire organizations and projects to be executed with various sponsors. From the corporate strategy and objectives departmental objectives are prepared. Some of TKL strategic objectives are: improving customer satisfaction; growing revenues; growing the customer base; changing the corporate culture; servicing the company's huge liabilities; revamping business processes; improving staff morale; improving and expanding network infrastructure; rapid rollout of services; restructuring, and stopping vandalism of network infrastructure. Implementation starts with allocation of roles and responsibilities and sponsors for various projects linked to the strategy. The senior management then defines and develops departmental objectives, key results area and key performance indicators that are aligned to the corporate objectives. Sufficient resources are allocated to achieve

the set objectives, monitoring and measuring is done and results communicated to all the staff

Performance management system linked to variable portion of the senior management pay for achievement of the set objectives is used. The informants believe that TKL has been successful in implementing its current strategy and identified several factors as the key contributors to successful formulation and implementation of strategy in Telkom Kenya Limited. Leadership was identified as one of the key success factors by the informants. They explained that within a span of three years there has been a change at CEO level at least annually. The changes creates a lot of instability and changes in strategic directions as each CEO comes with new ideas.

Employee buy-in and consensus on strategy and objectives adopted was another reason for success in strategy formulation and implementation. The informants explained that even though strategy is formulated using top down approach employees are given opportunity to comment on the suitability of the strategy. Departmentally individuals also develop goals and objectives that are aligned to the corporate and departmental objectives. This has made employees to not only know the strategy but also contribute on its suitability.

Market intelligence in terms of behaviour of competitors and customer was noted to be another key success factor in strategy formulation and implementation. The informant cited use of consultants in obtaining relevant information regarding changes in the market which offers opportunity or poses' threat to TKL. The intelligence, together with group wide experience in telecommunication business has contributed to successful strategy formulation and implementation

Prior to TKL privatization the culture that existed was not business oriented. The informants believe that culture change, particularly on customer focus, responsibility and accountability by employees, contributed greatly to successful strategy formulation and implementation. Besides culture change informants believe that TKL, as a technology driven company, has staff complement with knowledge and experience in the industry.

This, they believe is amongst reasons for successful strategy formulation and implementation

The informants cited simplicity of TKL strategy and periodic communication of its results as a contributor to successful strategy formulation and implementation. To get the feelings of staff TKL carries out regular staff surveys, analyze the results and communicate findings to them. The communication also shows how the company will address the contributions by employees.

4.3 Implementation of the Balanced Scorecard in Telkom Kenya

Telkom started implementing balanced scorecard way back in March 2007 during a strategy planning workshop consulted by Deloitte and Touche. The participants in that workshop included all departmental heads. The senior managers, with assistance of the consultant, came up with revised vision and mission statements. The key strategic objectives were organized according to the four perspectives of the balanced scorecard, that is, financial, customer, internal business processes, and learning and growth. The perspectives are defined and confirmed every year and are dependent on the overall business strategy.

In December 2007, Telkom was privatized after Orange East Africa SA, a strategic partner, won the bid and bought 51% shareholding of the company. Orange East Africa SA is a consortium in which France Telecom Group is a major shareholder. The strategic partner secured key positions in the company in order to improve its competitive position in the market and to refocus it. However, TKL continued using balanced scorecard in bridging the gap between strategy formulation and implementation (translating intended strategy into action).

The informants confirmed that France Telecom Group uses balanced scorecard management tool globally. The key steps in implementation of balanced scorecard at TKL according to the informants are identification of business strategy (goal and objectives); identification of the key pillars of the balanced scorecard to support the key objectives; training the staff on balanced scorecard to get buy-in; preparation of the

company scorecard; cascading corporate strategic objectives to formulate departmental and individual scorecards; setting Key Performance Indicators (KPIs); setting up measuring and monitoring tools; setting up communication channels for communicating the results (conference calls, management conventions, workshops, newsletters)

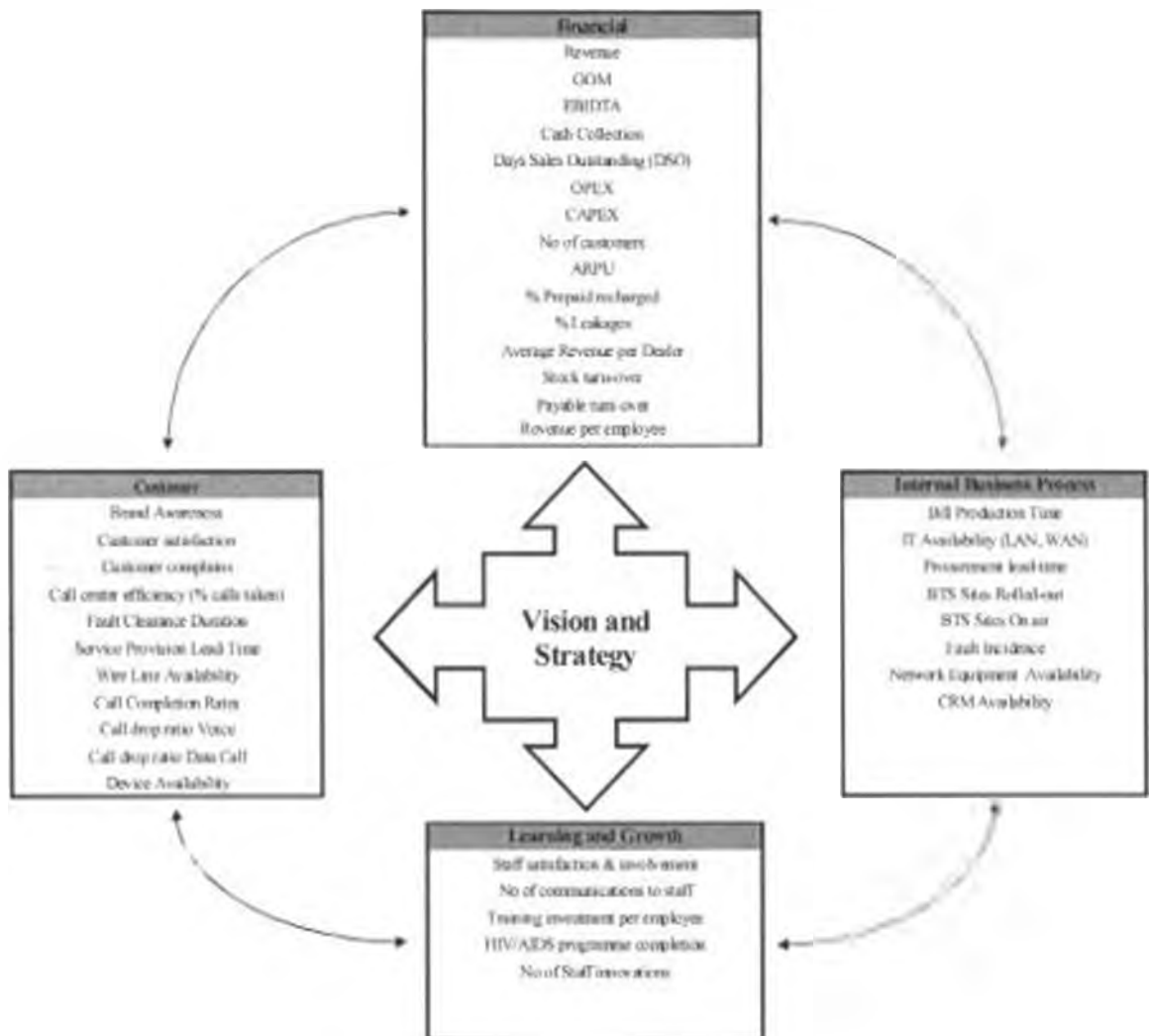
Performance is one of the key factors identified by informants as the reason for adopting the balanced scorecard approach. Other factors identified include need to have SMART (simple, measurable, achievable, realistic and time-bound) approach to running the organization; priority and goal setting; effective management of human resources in a measurable way; performance management; deteriorating service provision to customers; increased competition from existing and new telecommunication service providers; changes in customer tastes and preferences; globalization; and need to optimize company costs. France Telecom group use of the balanced scorecard tool and its worldwide success as a global communication service provider greatly contributed to adoption of the tool in tracking and measuring performance in order to realize the company strategies.

Telkom uses a dashboard that is updated with results of the key performance indicators and the same presented to senior management meeting on weekly basis. Periodically the results are discussed by all senior managers of the company in management convention through conference calls. During the convention utmost four priority KPIs for each perspective are discussed in detail to understand reasons for achievement or non-achievement. Quality of service to customers is always at the top of senior management minds. The CEO chairs the session and all line managers throughout the country participate and contribute to this discussion that lasts for one to two hours.

The informants feel that the balanced scorecard has been adopted at all levels in the France Telecom group and is at advanced stage. Subsidiaries such as Telkom have been quickly aligned to measurement and reporting system of the group and standards. In Telkom, business plans are in place, performance appraisal is done twice a year, and there has been successful devolution of strategy to departmental KPIs. The key results areas for the group include: revenue; gross operating margin; organic cash flow; capital

expenditure; earnings before interest, dividend and tax; and quality of service. Figure 3 below shows the TKL scorecard used in driving and managing the business.

Figure 3: Telkom Balanced Scorecard Mapping the Key Result Areas



Adapted from: Telkom dashboard for monitoring performance

Economic reforms in Kenya and globalization of the telecommunication industry have exposed TKL to cut throat competition with experienced newly-licensed operators like Safaricom and Zain. The environment in which TKL is operating has drastically changed. These changes have brought pressure on TKL to adapt its operations to meet the new

challenges facing it. Telkom has continued using the balanced scorecard not only as a measurement tool but as a management tool.

The informants believe that commitment from managers was one of the reasons for successful implementation and continued use of balanced scorecard in TKL. The managers were trained on the use of balanced scorecard conceptually and then they came up with refined strategy (vision and mission) and strategic objectives (based on the four perspectives but aligned to the strategy) for the company. This had effect of creating the feeling of belonging to the team that make or break the company. Buy-in from all the staff also contributed to this success. All employees were trained on corporate brand which included training on the company vision, mission, core values and performance management system.

Regular monitoring of the progress and communication of the results is key to implementation and continued use of the balanced scorecard tool. The informants explained that results are communicated to all line managers through conference calls on monthly basis. The line managers' contributions towards improvement of areas requiring notable improvement are taken during these conventions.

Knowledgeable work force and use of strategic information system are other reasons, cited by informants, for successful implementation and continued use of balanced scorecard tool. They explained that TKL is a very huge organization with multiple data sources existing in heterogeneous information systems. The strategic information system that provides timely and relevant information for decision making has made TKL to monitor and respond very fast to changes in the environment. Informants also attributed success in implementation of BSC and continued use to the fact that it places emphasis on TKL critical success factors like cost optimization, quality of service, customer base and revenue growth.

The balanced scorecard as a management tool had a range of implementation problems. According to the informants the actual translation of strategy into operational terms is difficult. They cited inadequate skills and hands-on knowledge on balanced scorecard implementation as one of the problems. From year 2007 to-date TKL has retrenched over

16,000 employees and recruited new ones to fill the gaps created in essential functional areas. This turnover created vacuum in balanced scorecard knowledge.

Difficulty in formulation of strategies that will ensure delivery of the set objectives was amongst the reasons for problems in BSC implementation. This at times is compounded by the fact that formulation of departmental objectives that are tightly aligned to corporate objectives is difficult. Informants explained that difficulties arose mainly from qualitative objectives that were given higher weights and unrealistic quantitative measures.

Environmental changes pose challenge in strategic management process. Informants see difficulty in setting priorities in a highly volatile and changing environment as a challenge in successful implementation of BSC. They explained that telecommunication environment is highly volatile calling for real time strategy. They also felt that some of the KPIs are too vague. Difficulties arise when measuring and appraising staff performances departmentally. To set targets and to link rewards to the measures, particularly the 'soft' information is difficult if not impossible. This is compounded by the fact that employees fear targets since adverse results may lead to their reprimand.

In large organizations the biggest challenge is to ensure communicated information is not distorted. The informants see Telkom as a very large organization and therefore ensuring that consistent message is cascaded to all staff and adhered to is not easy. Other reasons for difficulties in BSC implementation included culture change, high staff turnover and non-involvement of lower cadre staff.

4.4 Outcomes of the Balanced Scorecard

Balanced scorecard has really assisted TKL to have strategies that clarify its vision and the mission statements. The informants believe that implementation of balanced scorecard tool is above average and that it has benefited Telkom and France Telecom Group as whole in several ways. As a management tool it has assisted in coming up with clear goals across the organization and alignment of individual and departmental

objectives to corporate objectives. The ultimate results of these series of cohesion and alignment has been achievement of corporate objectives.

The informants asserted that BSC has helped improve business processes in terms of efficiency and effectiveness in delivery of services. It has also assisted in conceiving projects that have led to process alignment, particularly in priority areas like: cost optimization; operational excellence; quality of service; customer satisfaction and retention; market share; and profitability. The informants also see BSC as contributor of synergistic influence between France Telecom Group and Telkom.

Improvement in staff skills is one of the positive contributors of balanced scorecard management tool. The study showed that BSC has helped achieve focused performance management and reward system. In TKL employees are motivated since growth needs are part of corporate objectives.

Effective communication across the organization is one of the attribute that results to successful implementation of any project. The informants believe that there is a clear link between the balanced scorecard and the strategy of the organization. In Telkom Kenya balanced scorecard results are communicated to staff through internal communication bulletins. The informants explained that the CEO uses conference calls to communicate progressive company results to all senior managers and line managers on monthly basis where everyone participates in the discussion. He also communicates to senior management in management meetings who in turn cascade the same downwards through meetings and emails. BSC results are discussed in departmental meetings during target review meetings that include one-on-one meeting at supervisory level.

The balanced scorecard is very important as it can be used by organizations to measure activities in terms of vision and strategies. It can also enable managers to obtain a comprehensive view of the performance of the business. Management processes built around the scorecard enable the organization to become aligned and focused on implementing the long-term strategy. TKI, informants believe that balanced scorecard has contributed to successful strategy formulation and implementation in many ways.

It has enabled TKL to focus and follow strategies and achievement of specific KPIs. By defining and prioritizing strategic objectives around the four perspectives BSC has greatly contributed to successful strategy formulation and implementation.

As a management tool it has enabled focusing all teams towards common overall objectives. The informants explained that the BSC has not only assisted in establishing priorities but has also aligned customer service, support, and all teams towards common goals by ensuring that departmental and individual goals are aligned to corporate goals. BSC has also greatly contributed to strengthening of staff engagement through active participation and improvement in customer service elements of the strategy.

TKL previously had skewed strategies but informants believe that strategies are now all-rounded as they focus in all areas of Telkom business because the balanced scorecard requires them to come up with priority strategic objectives in all the four perspectives. Additionally, reporting and communication of the balanced scorecard results has enabled active measuring and monitoring of the results and correction of deviation before it is too late. It has also enabled Telkom to increase its customer base, optimize its cost, invest prudently and obtain a decent return on all its current investments

The findings indicate that the balanced scorecard management tool is used for strategy formulation and implementation at TKL. It also shows that balanced scorecard has assisted TKL management to clarify its vision and mission and to assist it in turning its strategies into action. The study showed that using balanced scorecard require thorough training and buy-in by all employees if it is to succeed.

The study has shown that the management practice at TKL of using balanced scorecard has a close fit with existing body of knowledge on balanced scorecard as prescribed by various scholars. It has also shown that there is consistency with previous studies done by various researchers in Kenyan context. The study also showed that balanced scorecard tool, used with other management systems like performance management, cultural transformational models and SMART objectives greatly contributed to positive performance of organizations.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Summary of Findings

The study objective was to establish the use of balanced scorecard in strategy formulation and implementation at Telkom Kenya Limited and extent of its success. The findings of the study indicate that the senior management generally understands the strategy formulation and implementation process. They also understood the current strategy and the period of coverage. The study also revealed that strategies are well communicated throughout the organization. Departmental strategies are crafted by heads of department and aligned to the corporate strategies. The departmental strategies are communicated to staff and goals are set to achieve the strategies. Performance is measured and appraised twice a year and results communicated to staff in the organization. Overall company performance is compared to average individual performance to determine whether difference is reasonable.

The balanced scorecard tool was implemented in March 2007 in a strategy planning session through Deloitte and Touche consultancy. Due to performance problems the tool was adopted to translate the company strategies into action. TKL has continued using this management tool for clarifying its strategy.

In general, the findings showed that the balanced scorecard improved understanding of the company strategy by providing guidance on priority areas for action. Broad strategies are cascaded downwards and departmental strategies, aligned to corporate strategies are defined based on the four perspectives. Head of Finance defines the key financial perspectives, Head of Human Resources define the learning and growth perspective, the Head of Marketing & Sales and Head of Customer Care define the customer perspectives, and the Head of Information Technology & Networks and Head of Support Services define the internal business process perspectives. There seem to be clear indication that the implementation of balanced scorecard has influenced both strategy formulation and implementation.

The findings reveal that TKL used balanced scorecard together with other tools like performance management system and cultural transformational model in strategy implementation. Through these integrated tools SMART objectives are developed for departments as well as for individuals and appraisal done semi annually.

Telkom has used balanced scorecard as management tool for formulating strategy by defining clearly the key strategic objectives based on the four perspectives, measuring and monitoring results and obtaining feedback on how well the strategy was performing through management conventions. The tool has been used to break down the company vision to strategy objectives inside the four perspectives. The balanced scorecard has made it easier to clarify the vision into specific reality based on strategies that staff understand and work with.

Several benefits are accrued through the use of balanced scorecard. Despite these benefits, TKL faced several challenges in its implementation. One of the major difficulties was ensuring that consistent message is cascaded and adhered to by all staff. This is attributed to the fact that TKL is a very large organization with over 2,300 employees currently.

Some of the four perspective components that TKL uses are qualitative and are aimed at measuring 'soft' information. This forced use of rating scales making the results affected by biasness due to level of subjectivity involved. When measures are not mutually agreed upon at the beginning of the period some employees end up being unhappy with the results.

Inadequate skills and hands-on knowledge on balanced scorecard implementation was another problem. Since year 2007 TKL retrenched almost 16,000 of its employee as a strategy to turnaround the ailing company. Due to staff retrenchment, recruitment meant that the newly recruited employees had to be trained in order to gain experience on the use of balanced scorecard

Lack of line management participation in the development of the company scorecard had a big challenge in Telkom Kenya. The company scorecard is developed and agreed upon

by TKL senior management and then pushed downward for implementation. The line managers then develop departmental and individual scorecards that are aligned to corporate scorecard.

TKL places a lot of emphasis towards certain perspectives making strategy in different functions skewed towards certain areas. It lays more emphasis on financial and customer perspectives that are easy to measure and monitor. This has resulted to internal business process and learning and growth perspectives receiving less attention.

5.2 Limitation of the study

The informants in this study were senior management and most of the time they were engaged due to their tight schedule and nature of their work. This made it difficult to have an exhaustive interview session with them to answer the entire questions. It therefore, took considerable long period of time to gather enough data.

Considerable time was also spent arranging for appointments with the informants. Most of the time informants were not available forcing the interview to be carried out on phone. The informants were all in headquarters and the sample size was small but data collection ended up taking more time than expected.

The study focused only on application of balanced scorecard in strategy formulation and implementation at Telkom Kenya and may not be a representative of all organizations in Kenyan context. Telecommunication industry in Kenya is dynamic and growing so fast. To give a detailed account of use of balanced scorecard in strategy formulation and implementation in Kenyan context the study needs to be extended to other organizations in the telecommunication and other industries.

5.3 Recommendations of the Study

The recommendations of the study include suggestion to the management of TKL as well as other organization that wish to use the balanced scorecard as a management and measurement tool to formulating and implementing strategy. The balanced scorecard should be linked to SMART objectives. Periodic reviews on the scorecard should be conducted to evaluate the existing strategy so as to allow for meaningful amendments.

Incentive schemes linked to the scorecard should be put in place to reward excellent performance and to reprimand non-performers.

As much as possible the perspectives with qualitative measures should be agreed upon to avoid resistance by employees. This can be done through consultation and dialogue with different stakeholders when developing the scorecard. Communication of strategy within the organization is crucial if the strategy is to be effectively implemented. IKL needs to communicate and cascade the balanced scorecard particularly to the lower levels of the organization. This involves training especially of the lower cadre staff to improve understanding of the balanced scorecard.

Telkom needs to put emphasis on all perspectives to ensure that the strategy is not skewed towards one area. It should focus on all areas of the balanced scorecard so as to achieve the overall long term objectives. Review on all aspects of the scorecard should be conducted frequently.

5.4 Suggestions for Further Research

This study found out that the balanced scorecard improves understanding of strategy. It also showed it can be used to formulate and implement strategy. There is clear indication that the balanced scorecard has influenced strategy formulation and implementation.

Further research needs to be done to find out how balanced scorecard can be used to influence change management in organizations. More research also needs to be done to see how effective the BSC has been in strategy formulation and implementation in other telecommunication companies in Kenya that have adapted it.

5.5 Conclusions

This study established that the application of the balanced scorecard has greatly influenced the strategy formulation and implementation at Telkom Kenya Limited. The balanced scorecard is a management tool and not just a measurement tool. After crafting of the strategy the strategic objective are developed around the four perspectives. The key strategic priorities are measured, monitored and communicated throughout the

organization and corrective actions taken. With this it is clear that implementation of balanced scorecard influenced both strategy formulation and implementation.

The balanced scorecard provides better and more complete management information. It is a tool for solving strategy implementation problems. Due to its simplicity and comprehensiveness it represents a readily available prescription for organizations that are willing to use it to achieve the desired strategic objectives.

Equal emphasis on all perspectives on the balanced scorecard is necessary if the organization is to align individual objectives towards common goal. Focus on one perspective has a risk of directing efforts towards only one area to the detriment of other areas of strategy. The balanced scorecard when integrated with performance management system can direct efforts towards achievement of the desired strategy. However, proper communication and cascading of the scorecard lower cadre staff is necessary if it is to receive organization-wide acceptance.

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APPENDICES

Appendix 1: Letter of Introduction

Date

Dear Informant,

MBA RESEARCH PROJECT

This questionnaire is designed to study the use of balanced scorecard in strategy formulation and implementation in Telkom Kenya Limited. The study is being carried out for a management research project paper to be submitted in partial fulfillment of the degree of Master in Business Administration at the School of Business, University of Nairobi

The information will help in providing an in-depth understanding of the use of balanced scorecard in strategy formulation and implementation in Telkom Kenya Limited and the extent of its success. Because you are one of the executive management responsible for the strategic directions of the company you can give correct account of why and how Telkom used balanced scorecard for strategy formulation and implementation and extent of its success.

Your responses will be used for academic purposes only and will be treated strictly confidential and in no instance will your name be mentioned in the report.

Thank you very much for your assistance and time spent in responding to the questions. We truly appreciate the help provided in furthering the research.

Yours Sincerely

Marjan Hussein

MBA STUDENT

Professor E. Aosa

SUPERVISOR

Appendix 2: Interview Guide

Research Objectives: to establish the use of BSC in strategy formulation and implementation in TKL and the degree of its success or failure.

With Top Management

- First understand the background of Telkom Kenya
- Understand Telkom performance history.
- Factors affecting Telkom Business (internal and external)
- Understanding of ideal strategy formulation (theories)
- Understanding of strategy formulation process in Telkom
- Comparatives between his ideal and Telkom
- Areas of weakness of Telkom strategy formulation and implementation and how to improve if any
- Interviewees basic understanding of Balanced Scorecard
- When and How has it been implemented in Telkom
- Understand how it affect business unit performance
- Understand how successful it has been in strategy implementation

Background on Telkom Kenya Limited

1. When was Telkom Kenya Ltd formed?
2. What is the vision and mission of Telkom Kenya? What period does the current strategy covers?
3. What are some of the key success factors in successful formulation and implementation of strategy at Telkom Kenya Ltd.?
4. How successful has Telkom Kenya been in implementing the current strategy?

Implementation of the BSC in Telkom Kenya

5. When was the BSC implemented in Telkom Kenya?

6. Telkom Kenya is part of France Telkom group. Does the group use BSC globally?
7. What are the key steps in the implementation of BSC at Telkom Kenya?
8. What is the level of implementation in the Group?
9. What are the main factors that led to the adoption of BSC by Telkom?
10. What have been the key success factors in implementing BSC in Telkom?
11. What challenges were encountered in implementing BSC?
12. The BSC has four perspectives (Financial, Customer, Business Processes and Learning and Growth). Are all these perspectives in use?
13. Are there any other traditional perspectives used by Telkom apart from the four perspectives? What are the reasons for inclusion of the additional perspectives?
14. How do you rate the implementation of the BSC at Telkom Kenya in overall?

Outcomes of the BSC:

15. What are the key benefits of the BSC to Telkom and FT group?
16. Is there a clear link between the BSC and Telkom strategy?
17. In which specific ways has BSC contributed to success in strategy formulation and implementation in Telkom Kenya?

Appendix 3: Telkom Kenya BSC for Year 2008

| Perspective | Strategic Objectives | Key Performance Indicators |
|---------------------------|--|--|
| Financial | <ol style="list-style-type: none"> 1. Revenue 2. Collection 3. ARPU 4. Number of customers | <ol style="list-style-type: none"> 1. 12 billion 2. 95% of current billing 3. Kshs3,000 on PSTN and Kshs100 on GSM 4. 1.2million |
| Customer | <ol style="list-style-type: none"> 1. Brand awareness 2. Customer satisfaction 3. Customer complaints | <ol style="list-style-type: none"> 1. Visibility in major towns 2. CSI index of 4 3. Complaints resolved within one week |
| Internal Business Process | <ol style="list-style-type: none"> 1. Bill production time 2. Sourcing lead time 3. BTS on air | <ol style="list-style-type: none"> 1. 5 days on receipt of meter tapes and C'DRs 2. weeks after raising requisition 3. 500 sites at the end of the year |
| Learning & Growth | <ol style="list-style-type: none"> 1. Staff Training 2. Staff satisfaction and involvement 3. innovations | <ol style="list-style-type: none"> 1. Training investment per employee 2. Number of staff communication 3. Number of innovations |

Appendix 4: Document Analysis Plan

A brief History of Telkom Kenya

Main strategies in the recent years: 1999-2008

Could be growth strategies, (sales and prices); cost cutting-survival; expansion strategies – other markets, regions; diversification.....or any other related

Management changes: Govt ownership to planned privatization to strategic partners

Previous vision and mission statement

Current vision and mission statement

Challenges facing TKL in delivery of its strategies

Include work force; organization structure and all internal matters

Key financial indicators for TKL.

- a. Revenues trends; 99 to date (Elaborate on main operation, other significant income streams, and newly found income streams)
- b. Cost trends;
- c. P&I. trends
- d. Balance sheet trends: Total assets; investment in technology; equity trends;
- e. Ratio trends: ROA, ROE, CI, Staff cost Operating costs; any liquidity ratio

Source: Companies financials, newspapers features, policy documents, internet etc

Nature of competition,

Productivity trend vis-a-vis the industry 1999-2008

Internal processes vis-a-vis Industries innovations trends 1999-2008

Source: Peer Reviews

Other factors

Customer satisfaction surveys findings 1999-2008

Employee satisfaction surveys findings 1999-2008

What have/will BSC address in TKL.? Has it been introduced? If yes, when & why was it introduced? : Source: Policy Documents, workshop presentations.