EFFECTIVENESS OF THE BALANCED SCORECARD IN IMPLEMENTATION OF CORPORATE STRATEGY AT CFC LIFE ASSURANCE LTD

BY:

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OCTOBER, 2010
DECLARATION

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

Signed ………………………… Date ……………………………

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

Signed ………………………… Date ……………………………

Florence Muindi
DEDICATION

To my dear husband Franklin Ombaka and my children Collins, Calvin and Sabrina.

Thank you for your understanding, moral support, patience and prayers that saw me through the entire MBA program.
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I would like to thank the Almighty God for giving me the gift of life and health that enabled me to pursue my dream of the MBA program.

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LIST OF ACRONYMS/ABBREVIATIONS

BSC- Balanced Scorecard
CEO-Chief Executive Officer
CFC- Credit Finance Cooperation
HMOs- Health Management Organizations
KRA –Kenya Revenue Authority
KPMG- Kleinveld Peat Marwick Gordler
UK- United Kingdom
USA- United States of America
Most organizations find it hard turning strategy to reality. The Balanced scorecard (BSC) is a management system approach developed in the early 1990s by Kaplan and Norton. The BSC enables organizations to clarify their vision and strategy and translate them into actions. This study set out to establish the effectiveness of the BSC in implementation of corporate strategy at CFC Life Assurance Limited and to determine challenges faced by CFC Life Assurance Limited during implementation of the balanced scorecard approach. To achieve the above objectives, primary data was collected through the use of an interview guide. Ten managers who were involved in formulation of strategies and implementation of the BSC were interviewed.

It was established that the BSC was an objective oriented approach in achieving the goals of the organization. With the use of the BSC, employees were able to see how they fit in to the bigger picture in the whole organization that leads to success in all areas of the business. The results that accrued from adopting the BSC were: improved employee motivation, improved performance measurement and improved customer service. This is consistent by the literature by Drury (2004) that the BSC approach provides a solution to the need for a comprehensive framework for translating the organization strategic goals in to a coherent set of performance measures by developing major goals which are then translated in to specific measures. Among the challenges faced was achieving a common understanding of the BSC by all employees and cascading to the lower cadre employees. The study recommends that CFC Life Assurance Limited comes up with a system to monitor and evaluate the BSC effectiveness.
CHAPTER ONE: INTRODUCTION

1.1 Background

The organization’s external environment is characterized by turbulence associated with globalization, deregulation of markets, changing customer and investor demands and increased competition. Pearce and Robinson, (2003), content that all organizations are environmental serving and dependant. The environment is highly dynamic and continually presents opportunities and challenges. To ensure survival and success, firms need to develop capabilities to manage threats and exploit emerging opportunities. This requires formulation and implementation of strategies that constantly match organizations capabilities to environmental requirements. There is therefore a growing need for organizations to move beyond solving existing problems to continuously improving in the face of changing conditions (Drucker, 1993). According to Pearce and Robison, (2003), strategy is an organizations game plan for winning. It is management’s game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives. Johnson and Scholes, (2002) state that strategy is concerned with the long term direction of an organization’s strategy to be marched to the resources and activities of an organization in the environment in which it operates.

Business organizations are facing an unprecedented pace of change and competition. They have to constantly adjust to the environment in order to remain in existence. If organizations are to survive in a turbulent environment, they have to continuously create new sources of competitive advantage (Porter, 1985). One of the most challenging tasks
for organizations today is how to turn strategy in to reality. According to (Alexander, 1991), Strategy implementation has attracted much less attention because implementation is less glamorous than strategy formulation. Many managers overlook it because of the belief that anyone can do it. People are not exactly sure what it includes and where it begins or ends. Furthermore, there is limited number of conceptual models of strategy implementation.

Many managers still find it a challenge in finding a measurement tool that reflects the strategy of the business in addition to indicating how well it performs. Most managers realize that financial indicators alone (profits, return on investment and residual income) are inadequate for managing the modern organizations (Thompson, Gamble and Strickland, 2006). Financial indicators are criticized because of focusing on short term objectives (Drury, 2004). They are therefore inadequate for measuring performance as they do not focus on future results that can be expected of present managerial decisions and actions. This view is also supported by (Hirsch, 1994) who states that financial measures alone are deficient because they can be abused and also purport that financial health is the only goal of the organization.

Well stated objectives are measurable and contain a deadline for achievement. Bill Hewlett, co-founder of Hewlett Packard observes that you can not manage what you cannot measure and what gets measured gets done (Thompson et al., 2006). The contemporary trends in competition, technology and management demand major changes in the way organizations evaluate short and long term performance with the challenge of de-emphasizing the financial measures and encourage the use of indicators that are consistent with long term competitiveness and profitability of the firm, the non financial
measures (Johnson and Kaplan, 1978). Kaplan and Norton, (1992) suggests that non financial indicators should be driven by corporate strategy and should include key measures of Manufacturing, Marketing, Research and Development and Human Resources Development.

### 1.1.1 The Balanced Scorecard

The concept of the balanced scorecard was developed in 1992 by Robert Kaplan and David Norton as a measurement tool which helps an organization to translate its vision and strategy through its objectives and measurable goals. The balanced scorecard (BSC) clarifies and brings the organization’s strategy to the average employee. Employees once aware of the organizations strategies can contribute towards the overall goal (Kaplan and Norton, 1993). Drury, (2004) states that the BSC is a management technique for communicating and evaluating the achievement of the mission and strategy of the organization.

Mooraj, Oyon, and Hostettler, (1999), observe that the balanced scorecard is a performance management approach that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to improve strategic performance and results continuously. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise (Chan, 2004).

The experience of implementing the balanced scorecard has been investigated in a number of studies, both in private and public organizations. The results differ in terms of
success and failure, but with an apparent predominance of success (Mooraj et al., 1999; Chan, 2004). Chan, (2004) provides the following list of enablers for successful implementation: top managements’ commitment, middle managers’ and employees’ participation, a culture of performance excellence, training and education, simplifying the BSC, clarity of vision, linking performance with incentives and having resources to implement the balanced scorecard.

The balanced scorecard developed by Kaplan and Norton is made up of four perspectives which comprise their basic model. These are the financial perspective, which addresses how the shareholders view the firm and which financial goals are desired from the shareholders perspective. The customer perspective addresses the question of how the firm is viewed by its customers and how well the firm is serving them in order to meet its financial objectives. The internal process perspective is concerned with the processes that are most critical for satisfying customers and shareholders. The firm must concentrate its efforts on these processes in order to excel. The learning and growth perspective focuses on how the firm must learn, improve and innovate in order to meet its objectives (Kaplan and Norton, 1993).

1.1.2 Corporate Strategy

Strategy is concerned with the long term direction of an organization. Strategic decisions are about trying to achieve some advantage for the organization over competition. It can be seen as the search for a strategic fit within the business environment. The resource based view of strategy sees strategy as creating opportunities by building organizations resources and competencies ((Johnson, Scholes and Whittington, 2005). The strategy of
an organization is affected not only by environmental forces and strategic capability but also by the values and expectations of those who have power in and around the organization.

Strategic decisions are about the long term direction of the organization, the scope of the organizations activities, gaining advantage over competitors, addressing changes in the business environment, building on resources and competencies and taking in to consideration values and expectations of shareholders (Thompson, Gamble and Strickland, 2007). Strategic decisions are therefore complex, are made in situations of uncertainty and affect operational decisions. They require an integrated approach and involve considerable change. Corporate strategy is concerned with the overall scope of an organization and how value will be added to the different business units of the organization. This includes the issues to do with geographical coverage, diversity of products/services or business units and how resources are to be allocated between the different parts of the organization (Johnson, et al., 2005).

1.1.3. Insurance Industry in Kenya

Part one, section 2(1) of the insurance act, CAP 487 of the laws of Kenya defines insurance business as a business of undertaking liability by way of insurance (including reinsurance), in respect to any loss of life and personal injury and any loss or damage, including liability to pay damage or compensation, contingent upon the happening of a specific event…. in return for payment of one or more premiums. Basher, (2002) observes that insurance is the most important form of risk management and defines it as the transfer of risk from one person (or party) to another for a specified premium.
Insurance, he notes plays an important role in the political, social, and economic development of a society by offering diverse benefits to individuals, groups, countries and the world in general.

Insurance in the modern form has been practiced in Europe for over one thousand years with the earliest form being marine insurance. However, insurance was unknown in Kenya until the early part of the 20th century. The early European settlers introduced modern insurance in Kenya. In 1904, the London and Lancashire Insurance Company appointed agents for fire business in Nairobi. In 1922, Royal Exchange Assurance opened a branch office in Kenya and was followed by the Commercial Union in 1929 (Wachira, 2008). Until the late 1970s, the Insurance industry in Kenya operated in a rather stable environment. There was little demand for services, the products offered were standardized, government supervision was minimal and competition relatively low. However, following the issuance of the government directive in 1978 which required all foreign insurance companies to be incorporated in Kenya by 1980 and the introduction of the insurance act CAP 487 of the laws of Kenya, the industry has since experienced tremendous challenges.

Many insurance companies sprung up in the 1980s and many more companies were incorporated in the 1990s following the liberalization of the economy. This move has seen the number of registered insurance companies grow from 15 in 1978 to 39 in 2001 and now more than 40. This, together with the collapse of the giant state owned Kenya National Assurance in 1996 has intensified competition in the industry. The industry was also put on the spot when leading medical insurers Mediplus (2003) and Strategies (2005), folded up in controversial circumstances. Competition has further been
aggravated by the spring up of many micro insurance companies such as Health Management Organizations (HMOs) and Pension Administration schemes that provide services that traditionally, were the domain of the insurers. Following the opening up of the Uganda and Tanzania Insurance markets and increased emphasis on globalization and regionalization, the industry now faces greater competition from its neighbors. CFC Life Assurance is not spared from this competition.

1.1.3.1. CFC Life Assurance Limited

CFC Life Assurance Limited, one of Kenya’s premier Life Insurance companies, has provided insurance services to the nation for over 40 years and continues to write a range of Life and Health insurance products including ordinary life, group life, medical, pension and personal accident. The company has been in operation since 1964 and has 450 agents and 150 members of staff. It has an individual client base of over 65,000 and over 270 corporate clients. CFC Life Assurance was a unit within the American Life Insurance Company (Kenya) Limited (ALICO). In the year 2004, ALICO sold the life business to a local Company by the name CFC Life Assurance and the Insurance general division became AIG Kenya Insurance Company Limited.

In June 2008, CFC Life Assurance Company Limited became part of the CFC Stanbic Holdings Group. This was brought about by a merger between Stanbic Bank in Kenya and CFC Bank (CFC Life parent Company). Through the merger, CFC Stanbic Holding Group has a network that offers a complete range of banking, financial services and Insurance products. The companies currently under CFC Stanbic Holdings Group include CFC Stanbic Bank, CFC Life Assurance Company, CFC Stanbic Financial Services,
Heritage Insurance (Kenya) and Heritage Insurance (Tanzania). The mergers have been due to the reorganization of the businesses in order to beat the competition in the insurance sector and develop a competitive advantage thus ensuring survival and success in the environment.

The Vision of the organization is to consistently offer superior life assurance and retirement products in East Africa. It is charged with a mission to be a customer focused provider of relevant and affordable life, health and retirement products. It has highly motivated teams and efficient processes to ensure accessibility of their products while continually growing their market share and maximizing on shareholder value. The organizations’ core values are: responsiveness, integrity, staff empowerment, teamwork, customer loyalty and excellence (Human Resource manual, 2009).

CFC Life Assurance Limited provides life and health insurance products for individuals and corporate clients. Its products include ordinary life, group life, medical, pension, disability, income builder, term insurance, endowment assurance, education and scholar, and personal accident plans. The company also provides mortgage, retirement, and saving and investment plans. It offers its products through agents and brokers in Kenya. As part of the company’s Corporate Social Responsibility (CSR) initiatives, CFC Life offers education bursaries. The grant awards a gifted child with a scholarship to aid on the payment of school fees for their secondary education (CFC Life website).

In the recent past, the organization has scooped many prizes. For instance, during the 2009 fire awards that attracted many participants in the corporate, public and private sectors, CFC Life Assurance Limited scooped the first runner up in the insurance
category for the second year running. The fire awards seek to institutionalize integrity, transparency and credibility in financial reporting process in Kenya, creating confidence to users of financial information and ensuring disclosure standards in Kenya meet internationally recognized benchmarks.

CFC Life Assurance Management is guided by the highest standard of ethical conduct in dealing with customers, intermediaries and service providers. The staff is committed to delivering the highest standards of service to its customers. However, management realized that there was intense competition not only for its products and services but also from poaching its best employees by competitors. The shareholders of the company therefore employed a new Chief Executive Officer (CEO) to strategically position CFC Life as a leading company in the industry by bringing the company to a new level. The CEO unfolded a three year strategic plan for the company. He envisioned that one of the key pillars in achieving the corporate objectives was quality customer service. He also observed that customers were the organizations’ life blood and the reason the company was in business. Therefore customers must remain the organizations number one priority. The challenge was for employees to appreciate how it will relate to their function. Management had to look for a way in which the wider strategic objectives will be broken down to departmental level and targets set for each employee in terms of annual performance objectives.

The CEO envisioned that in order to improve overall company performance, it was critical that individual performance is properly aligned to the company’s strategic plan. The best tool to accomplish this was the Balance Scorecard system of performance management which the organization adopted. Using the four perspectives of Financial;
Customer focus; Internal business processes; and Learning and growth, the company intends to measure and reward the “right things” that will enable it achieve its strategic priorities (Human Resource Manual, 2008).

1.2 Statement of the problem

In the service industry where products are similar, consumers are spoilt for choice. Organizations are realizing that in the face of competition, giving customers an excellent experience and a lasting impression will differentiate them from the other players and give them a competitive advantage. What will keep a company apart from the others is the excellent customer service which is as a result of a motivated staff (Porter 1985). The biggest asset in any business is the customer. However, it is worth noting that customers have a choice. Today’s customer is different, informed and with challenging needs and expectations. In this competitive business world, organizations are aware of how important it is to give the best available customer service. The first impressions are the lasting impressions. Successful customer care involves finding out what the customer wants and satisfying that desire (Ansoff, 1990).

Organizations will not succeed on their own without the input of all the staff. Gone is the time when the top management made decisions without involving the rest of the employees. In order for organizations to succeed, the corporate strategy must be cascaded to all employees. Employees once aware of the organizations strategies can contribute towards the overall goal (Kaplan and Norton, 1993). According to the balanced scorecard collaboration, 95% of a typical workforce does not understand its organizations’ strategy, 90% of organizations fail to execute their strategies successfully, 86% of
Many organizations have excellent strategies but these have failed because of poor implementation. Implementation is the process of turning the strategy into the Vision. Strategy implementation involves allocation of sufficient resources, establishing a chain of command, assigning responsibility for specific individuals and groups and managing the process. This is done through monitoring results, evaluating the effectiveness and efficiency of the process, controlling for deviations and making adjustments to the process as necessary. Implementation is the trickiest part because it involves all the staff and there is always resistance to change (Pearce and Robinson, 2003). The BSC method of Kaplan and Norton, (1996) is therefore a strategic approach and performance management system that enables an organizations vision and strategy implementation through its four perspectives. CFC Life is set to benefit from using this approach.

CFC Life Assurance Limited like many organizations is faced with the challenge of effectively turning strategy into action. Intense competition in the insurance industry coupled with customer preferences has put a lot of pressure on CFC Life Assurance to contest in the market in order to survive in the turbulent environment. Because the environment is forever changing, organizations must react to the changes by adjusting their strategies. Effective strategy formulation and implementation requires organizations to be responsive to the ever changing environment (Porter, 1998). CFC Life Assurance must therefore react to changes in the insurance industry to ensure a fit between its strategy and the environment. It is in this endeavor that CFC Life Assurance developed the customer service strategy to move its business to a new level and establish customer
loyalty. The management decided to adopt the BSC to translate its vision and strategy to easily understood actions. Since the balanced scorecard brings strategy to the average employee who is in touch with the customer daily, management envisioned that the organization would be able to compete effectively in the market place. Previously, tasks were used to measure the performance of management and employees’. This study therefore seeks to find out if the use of the BSC has been effective in the implementation of its corporate strategy.

Several scholars have carried out extensive studies on BSC adoption by Kenyan organizations. However, these studies have focused on different contexts. For instance, Mwangi, (2006) in his research on the application of the balanced scorecard to implement strategy at Kenya Revenue Authority (KRA) found out that adoption of the BSC led to improved understanding of its vision and strategy by employees. Similarly Kiragu, (2005) sought to establish the extent to which the BSC was in use in Kenyan companies and reasons why firms adopted the BSC. He established that 69% of organizations both local and foreign owned had adopted the BSC. The reasons for adopting the balanced scorecard were cited as being both an effective strategic planning and an improved control system. It is one of the measures widely used as a basis for benchmarking executives’ compensation. Mucheru, (2008) sought to establish the application of the balanced scorecard in performance management among commercial banks in Kenya. The results showed that the BSC was used to a great extend and the performance measures used were financial indicators and customer satisfaction. Challenges faced included resistance to change and management being too busy to fully get involved in the process. Macharia, (2008) focused on challenges faced by the corporative bank of Kenya in integrating the BSC in the performance management process.
These studies have focused on BSC application and as a performance measure in state corporations and banks but none has looked at the effectiveness of BSC in implementation of strategy in the insurance sector. To the best of the researchers’ knowledge, no study has been done in this area. A knowledge gap therefore exists regarding effectiveness of the BSC in implementation of corporate strategy at CFC Life Assurance. The study sought to establish the effectiveness of the balanced scorecard in implementation of corporate strategy at CFC Life Assurance Limited in order to bridge the inherent knowledge gap. Specifically, the study sought to address the following research questions: Has the BSC been effective in implementation of strategy at CFC Life? What challenges has the organization faced since implementation of the BSC?

1.3 Objectives of the study

The objectives of this research were as follows:

i) To establish the effectiveness of the balanced scorecard in implementation of corporate strategy card at CFC Life Assurance Limited.

ii) To determine challenges faced by CFC Life Assurance Limited in using the balanced scorecard.

1.4 Importance of the study

The findings from this study will be useful to the following groups:

Top Management of CFC Life Assurance Limited: The results of the study will provide top management of CFC Life with the knowledge base in respect to the effectiveness of implementing strategy using the BSC. Executives and players in the insurance industry will use the findings in formulating policies on the BSC to gain competitive advantage.
The findings and recommendations will help other organizations to avoid BSC implementation pitfalls in future.

Researchers and Scholars: The findings of this research will be beneficial to scholars as it will add to the existing body of knowledge in the field of the BSC and also act as a springboard for further research in the same area and other related areas. Government and other stakeholders: The findings of this research will serve as a source of future reference for state and private organizations aspiring to use the BSC as a management system for strategy implementation.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature available on balanced scorecard and strategy implementation. The first section presents the theoretical framework on the balanced scorecard and strategy implementation. Empirical studies on the BSC will also be reviewed.

2.2 The Balanced Scorecard (BSC)

Robert Kaplan and David Norton developed the balanced scorecard approach in 1992 to fill up the gap left by the financial measures to judge corporate performance. They recognized that it was also necessary to value intangible assets. They urged companies to measure such esoteric factors as quality and customer satisfaction. Thus, the balanced scorecard is a comprehensive framework that translates the company’s strategic objectives into a coherent set of performance measures as in fig. 1 below, (Kaplan and Norton, 1996b). Unlike the financial measures, the balanced scorecard includes the non financial measures such as market share and the extent of innovation (Kaplan and Norton 1996).
Niven, (2003), refers to the BSC as a combination of a measurement system, a strategic management system and a measurement tool. As a measurement tool, the BSC helps an organization to translate its vision and strategy through its objectives and measurable goals. The BSC clarifies and brings the organization’s strategy to the average employee. Employees once aware of the organizations strategies can contribute towards the overall goal. Niven, (2003), further states that the balanced scorecard is a tool that translates an organizations mission and strategy in to a comprehensive set of performance measures that provide the frame work for a strategic measurement and management system. It is an approach for driving organizational improvement towards goals, which keep track of progress through carefully selected measures. It is also an integral management system consisting of three components: strategic management systems, a communication tool and measurement system. It results in a carefully selected set of measures derived from and linked to organizations core strategies. He further contents that organizations are using the BSC to clarify and update strategy, link strategic objectives to long term targets and annual budgets, identify and align strategic initiatives and to conduct performance reviews.

Drury, (2004) defines the BSC as a management technique for communicating and evaluating the achievement of the mission and strategy of the organization. According to Johnsen, (2001), the BSC is a management model that translates the organization’s mission and strategy in to a collection of performance measures. It is a complement of a management by objectives but with more emphasis on feedback and results by formal and integrated performance measurement. Performance measures can not only be based on financial measures but should consider other perspectives (Wilson et al., 2003). Hongren,
(1993), defines the BSC as that performance measure which communicates the multiple linked objectives that companies must achieve to compete based on their intangible capabilities and innovations. The BSC puts strategy, structure and vision at the centre of managements focus. It also emphasizes on performance measures, keeping management focused on the entire business processes and helps ensure that critical current operating performance is in line with long term strategy and customer values.

Kaplan and Norton (2002), both emphasize that the approach is more than just a way to identify and monitor metrics. It is also a way to manage change and increase a company’s effectiveness, productivity and competitive advantage. As Kaplan and Norton put it, an organization that uses the scorecard to identify and realize strategic goals is a strategy – focused organization. By the mid 1990’s, the balanced score card became the hallmark of well run companies. Bran and Company (2003) management tools report, which surveyed more than 6000 global businesses, found that 62% were using a BSC. General Electric, Wall Mart and Mobil are among the well publicized companies using the BSC.

The balanced scorecard is intended to link short term operational control to the long term vision and strategy of the business. In this way the company focuses on a few critical key ratios in meaningful target areas. The company is forced to control and monitor day to day operations as they affect development tomorrow. Therefore, the balanced scorecard concept is based on three dimensions of yesterday, today and tomorrow. What the organization does today for tomorrow may have no noticeable financial impact until the day after tomorrow. The organization focus becomes broadened, and it becomes relevant to keep a continuous watch on non financial key ratios (Niven, 2003).
2.2.1. The Balanced Scorecard perspectives

The BSC translates mission and strategy into objectives and measures organized into four perspectives. These are financial, customer, internal business processes and learning and growth (Kaplan and Norton 1996). The four perspectives (in figure 2 below), were presented as a suggested framework (Kaplan and Norton 1996). Organizations can thus put additional perspectives to meet their requirements while not losing the clarity and conciseness of the presentation which is one of the major benefits of the BSC. The BSC provides a framework, a language to communicate mission and strategy and uses measurements to inform employees of the drivers of current and future success. By articulating outcomes a firm desires and drivers of those outcomes, senior executives hope to channel the energies and abilities of specific people throughout the firm towards achieving the long term goals.
Figure 2: The BSC perspectives

According to Kaplan and Norton (1996), the four perspectives of the BSC permit a balance between short and long-term objectives, between outcomes desired referred to as lagging indicators and the performance drivers referred to as the leading indicators and between hard objective measures and softer more subjective measures. The financial perspective focuses on the shareholders: that is how well a company is doing for its shareholders. This perspective should show the results of the strategic choices made in the other perspectives while at the same time establishing several of the long term goals. It describes what the owners expect of the company in terms of growth and profitability, which financial risks are acceptable, cost and investment strategies to the maximum permissible amount of accounts receivable. The financial perspective serves as a focus for the objectives and measures in all the other scorecard perspectives (Johnsen, 2001). This view is supported by Niven, (2003) who states that the objectives and measures in the financial perspective should tell the organization whether its strategy execution in the other perspectives is leading to improved bottom line results. He further states that the organization could focus all its energy on improving customer satisfaction, quality and capabilities but without an indication of their effect on the organizations financial returns, they are of limited value.

The customer perspective looks at how satisfied the organizations’ customers are. This perspective describes the ways in which value is to be created for customers, how customer demand for this value is to be satisfied and why the customer will be willing to pay for it. Therefore, the internal processes and the development effort should be guided by this perspective. This is the health of the scorecard. If the company fails to deliver the right products and services to cost effectively satisfy the customer needs in both the short and long run, revenue will not be generated and the business will wither and die. More
effort should be directed at determining how to increase and ensure customer loyalty. The organization should learn about the customer preferences and behaviors. The process that generates the right form of value for the customers and lends to the fulfillment of shareholders expectations is key in this perspective (Kaplan and Norton 1996b). Kiragu, (2005) further states that the customer perspective captures the ability of the organization to provide quality products and or services, effectiveness of their delivery and the overall customer satisfaction. It is the value proposition that the organization will deliver to the customers in the targeted segments. Porter, (1998) echoes that lack of focus in differentiating the target market will prevent the organization from differentiating itself from the competitors.

The internal business process perspective identifies what the organizations key competencies are and the areas of operational excellence. The organization identifies the company’s processes at the overall level which should describe all the company processes form the analysis of the customer needs through delivery of the product or service. The purpose is to weed out all processes which do not directly create value for the customer. The processes should be described in terms of costs and quality assurance to be able to provide a basis for choosing ways to measure the processes (Kaplan and Norton, 1996). The internal business processes evaluates the efficiency and the effectiveness of the firms processes. He identifies the principals of internal business process as innovation, operation and post service and or sales processes. The measures used are reworks, breakeven time, percentage of sales from new products and time taken to develop next generation products (Drury, 2004).
The learning and growth perspective enables the organization to ensure its capacity for long term renewal, a prerequisite for survival in the long run. The organization should consider not only what it must do to maintain and develop the know how required for the understanding and satisfying of customers needs, but also how it can sustain the necessary efficiency and productivity of the processes which presently create value for the customer (Lynch, 2003). It also helps an organization to know how well it is continuously improving and creating value. It insists on measures related to innovation and organization learning to gauge performance on technological, leadership, product development cycle times and operation process improvement (Kaplan and Norton, 1996). Kaplan Ibid suggests measures as annual employee turnover, and number of suggested improvements per employee.

2.2.2. The BSC as a Management and Measurement tool

Neely, Gregory, & Platts (1995), view performance measurement as the process of quantifying the efficiency and effectiveness of actions where the performance measure represents the metric used to quantify the efficiency and/or effectiveness of this action. Performance measurement system plays an important role in the efficient and effective management of organizations, yet it remains critical and much debated issue. The BSC provides focused implementation of the firm’s vision, mission, objectives and shared values across the firm. Kaplan and Norton (1996) describe how innovative companies use the measurement focus of the scorecard to accomplish critical management processes. These processes are clarifying and translating vision and strategy, communication and linking strategic objectives and measures, planning, setting targets and aligning strategic initiatives and enhancing strategic feedback and learning. The balanced scorecard
highlights the processes that are most critical for achieving breakthrough performance for customers and shareholders. This reveals new international processes that the organization must excel at for its strategy to be successful. Because the scorecard is a team project, it creates a shared model of the entire business to which everyone has contributed. Once all employees understand the high level objectives and measures, they establish local objectives that support the business unit’s global strategy. It becomes easier for employees to plan, set targets, and align strategic initiatives in support of organizational goals (Drury, 2004).

With the growing interest in improving performance management in the organization, the balanced scorecard can be a valuable management tool that meets the need for improvement and change. The balanced scorecard can be an invaluable tool to managers in transforming the organization. The BSC is a customer based planning and process improvement system with its primary focus on driving an organizational change process by identifying and evaluating pertinent performance measures. The BSC is an integral part of the mission identification, strategy formulation and process execution. It emphasizes on translating strategy into a linked set of financial and non financial measures (Chan, 2004).

An organization's vision, Mission, objectives and goals define the strategy in which to carry out its functions and activities. Management commitment and involvement is not only key but also essential in driving the organization's strategy. (Kaplan and Norton, 1996). Senior managers in consultation with other managers and staff establish vision, mission, and values for the organization which clearly identify the long term aims and purpose for the business. The balanced scorecard directs a company to link its own long
term strategy with tangible goals and actions. It is a management system that enables organizations to clarify their strategies, translate them into action and provide meaningful feedback. This feedback is quantitative and states as to whether the strategy is creating value, leveraging core competencies, satisfying the company’s customers and generating a reward to shareholders.

The BSC methodology adapts the total quality management ideas of the customer. These are defined quality, continuous improvement, employee empowerment and measurement. The BSC provides a valuable tool for enabling employees if the organization is to achieve the dynamism it needs to be competitive in the long run. It provides useful documentation for continually developing measures for control which guide the organization towards achieving its goals and vision. As a result, daily operations are founded on a shared view of where the company should be headed in the long run. The course to be taken by the company becomes tangible and understandable reality for everyone. Employees will be more understanding and better motivated, and thus more open to change and forceful in implementing company decisions (Kaplan and Norton, 1998).

Kaplan and Norton (2001), observe the following as factors that lead to a successful scorecard implementation: Strong leadership at the top, translating strategy into a balanced scorecard, cascading the high level strategy down to the operating business units and the support departments, and making strategy everybody’s every day job. These should be reinforced by setting up personal goals and objectives, linking variable compensation to the achievement of these target objectives, integrating the BSC in to organizational processes, building it in to the planning and budgeting process and developing new reporting frameworks as well as new structure for management meetings.
2.2.3. Benefits and limitations of the BSC

Drury, (2004) cites some of the major benefits of the BSC which include: improving communication within the organization and promotion of the active formation and implementation of organizations strategy by making it highly visible through the linkage of performance measures to business unit strategy. The BSC helps managers to consider all important operational measures together. It enables them to see whether improvements in one area may have been at the expense of another.

Kaplan and Norton, (1996) note that the BSC has the capacity to serve a number of purposes. These include: clarifying and gaining consensus about strategy, aligning departmental and personal goals to strategy, linking strategic objectives to long-term targets and annual budgets, identifying and aligning strategic initiatives, and obtaining feedback to learn about and improving strategy. Additionally, they also note that the BSC enables organizations to focus on all strategic areas within the organization, monitor short-term results from the four perspectives, namely financial, customer, internal business process and learning and growth perspectives, and communicate and implement strategies throughout the organization. It also helps to generate superior financial outcomes due to the inclusion of measures for both tangible and intangibles assets. Mooraj, et. al., (1999) observe the BSC as a "necessary good" for today's organization and state that it not only adds value by offering both relevant and balanced information, but creates a learning environment where the causal hypothesis can be tested, and strategies can be modified.
Kaplan and Norton, (1996) also observe the following benefits associated with the BSC. The Balanced Scorecard framework offers a holistic but more focused view of performance measurement that ensures that users are involved in the design process. By helping management teams identify a concise set of operationally focused measures across balanced scorecard perspectives, the framework makes it easier to highlight the key information needed typically reflecting customer satisfaction and the impact of innovation and improvement activities in addition to more typical financial and operational measures. Other benefits arising from using the balanced scorecard for operational control purposes include: Increased understanding, awareness and alignment about operations across the whole management team arising from the discussions during the design process and wider and more effective monitoring of performance improvement initiatives. The Balanced Scorecard helps align key performance measures with strategy at all levels of an organization (Johnsen, 2001).

Most failures of the BSC adoption in many organizations are associated with poor design and application procedures (Cokins, 2005). According to Lynch, (2003), some of the shortcomings are that the BSC lays a strong emphasis on what is measurable, which is not necessarily what is important strategically, rather than gaining commitment and action. There also lacks a standard of understanding among executives of what really is the BSC and its purpose. This is exemplified by different answers one gets when these questions are posed to various executives (Cokins, 2005).
2.2.4. Previous studies on the adoption of the Balanced Scorecard

Research indicates that though the BSC did not emerge until the early 1990s, it is now being used widely in many countries throughout the world (Drury, 2004). A survey by Silk, (1998), estimated that 60% of fortune 1000 firms had experimented with the BSC. In the UK, a survey of large divisionalized organizations by Drury, (2004) indicated that 43% used the BSC at the divisional level. Evidence suggests that by 2001, the balanced scorecard had been adopted by 44% of organizations worldwide (57% in the UK, 46% in the US and 26% in Germany and Austria). More recent data suggests that 85% of organizations will have performance measurement system initiatives underway by the end of 2004 (Silk, 1998; Speckbacher et al, 2003).

Research on the BSC, in general, shows that the BSC helps to improve organizational performance. For instance, subsequent to the introduction of the BSC in their organizations, most of the respondents in Malmi’s (2001) study noticed improvements in a number of areas such as logistics, delivery reliability, real time, changing targets and warehouse turnover. Hoque and James, (2000) also reveal improved performance with a greater usage of the BSC in a sample of Australian manufacturing companies. Their study measured organizational performance in terms of return on investment, sales margin, capacity utilization, customer satisfaction, and product quality. Similar improvements were also found in service industries. For instance, Davis and Albright (2004) studied the BSC in the banking industry in the US and found superior financial performance for branches adopting the BSC compared with the non-BSC adopting branches. Additionally, companies implementing more sophisticated BSCs have been found to claim greater
benefits and satisfaction than those with less developed BSCs (Speckbacher, et. al., 2003).

Despite numerous organizations having successfully implemented some version of the balanced scorecard, many others have failed. Professor Claude Lewy of the Free University of Amsterdam found that 70 percent of scorecard implementations failed. He found out that though many companies are attracted by the power and simplicity of the balanced scorecard concept, they found implementation to be extremely time-consuming and expensive. Lewy admits that the balanced scorecard can be an effective way of translating an overall strategy to the many parts of an organization. However, he stresses that organizations must have a clear idea of what they want to accomplish, and be willing to commit the necessary resources in order to successfully implement the balanced scorecard. Along with Lex Du Mee of KPMG Management Consulting, Lewy conducted a study of seven European companies and came up with what he called the Ten Commandments of Balanced Scorecard Implementation.

In order to ensure an effective balanced scorecard implementation, Lewy and Du Mee recommended that organizations obtain the commitment of a top-level sponsor, as well as relevant line managers. The balanced scorecard initiative must be the organization's top priority if implementation is to succeed. They also emphasized the importance of putting strategic goals in place before implementing the scorecard. Otherwise, the goals and measures included in the scorecard are likely to drive the wrong behavior. Lewy and Du Mee also suggested that organizations try a pilot program before moving on to full-scale implementation. Testing the balanced scorecard in a few key business areas enables managers to make necessary changes and increase support for the initiative before
involving the entire company. It also is important to provide information and training to employees prior to an organization-wide rollout.

Lewy and Du Mee also warn managers against using the balanced scorecard as a way to achieve extra top-down control. Employees are unlikely to support the goals and measures if the scorecard is used as a "gotcha" by management. Another potential pitfall, according to the researchers, is trying to use a standardized scorecard. Instead, they stress that each organization must devote the time and resources to develop its own customized program. Lewy and Du Mee found that balanced scorecard implementation was more likely to fail when companies underestimated the amount of training and communication required during the introductory phase, or the extra workload and costs involved with periodic reporting later on. Even though the balanced scorecard appears to be a simple idea, implementing it is likely to mean huge changes in an organization.

Evidence from three Austrian academics reported that 8% of 174 companies from German speaking countries decided not to implement a performance measurement system (and a balanced scorecard in particular) because they could not see advantages or ‘positive impact’, especially given the implementation effort required (Speckbacher et al, 2003). Another survey conducted in Japan in June 2003 (Marisawa and Korosaki, 2003), found that about a third of the 35 companies that responded to questions about introduction of the BSC approach responded that they felt dissatisfied. The research found out that they were deficiencies in the introduction and early faces of the use of the BSC. The research recommended that unless appropriate measures were taken to correct the deficiencies, it was feared that the concept was going to collapse under the weight of the growing number of failed cases in Japan and be regarded in future as a little more than a passing fad.
2.3 Strategy

According to Thompson et al., (2007), a company’s strategy is management’s game plan for growing the business, staking out a market position attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives. An organization will achieve competitive advantage if an attractive number of buyers prefer its products or services over offerings of competitors and when the basis for this preference is durable. A winning strategy must fit the organizations external and internal situations build a sustainable competitive advantage and improve the company performance. Porter, (1998), observes that without strategy, the organization is like a ship without a rudder going round in circles.

Mintzberg, (2002) defines strategy as a plan, ploy, pattern, position and perspective. As a plan, strategy specifies a consciously intended course of action of an organization. These plans are made in advance of actions to which they apply and they are developed consciously and purposefully. As a ploy, strategy is a specific maneuver intended to outwit an opponent or a competitor. Strategy as a pattern is consistent in behavior whether it is intended or not. As a position, strategy is a means of locating an organization in its environment. Strategy becomes a mediating force between the organization and its environment. Strategy as a perspective consists of a chosen position and an ingrained way of perceiving the world. It gives the organization its personality.

Porter, (1998) argues that competitive strategy is about being different. It is deliberately choosing a different set of activities to deliver a unique mix of value. Strategy is about competitive position, differentiating yourself in the eyes of the customers, adding value
through a mix of activities different from those of competitors. Grant, (1998) argues that for a strategy to be successful, it must be consistent with the firm’s goals and values, its external environment, its resources and capabilities, and with its organization and systems. There must be a fit between the organization, strategy and the environment.

According to Hax and Majluz (1996), strategy is a means of establishing the organizational purpose in terms of its long term objectives, action, programmes, and resource allocation priorities. Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations, Johnson et al (2005). Thompson and Strickland (2003) state that a good strategy is one which is well matched to a company’s external and internal situation. Irons (1993), contents that a good strategy is one that neutralizes threats and exploits opportunities while capitalizing on strengths and avoiding or fixing weaknesses.

According to Pearce and Robinson (1997), strategy helps in providing the long term direction of the firm. This provides a perspective for the various diverse activities over time, which enables organizations perform current activities at the same time viewing in terms of their long term implications for the probable success of the organization. The development of strategy helps managers identify critical tasks that need to be performed in order to define an organizational strategic thrust. Strategy helps an organization to develop a competitive advantage in the market. This in turn enables the organization to outperform their competitors successfully. The goal of strategy is to help secure enduring competitive advantage over competitors (Porter, 1985).
Strategic management gurus contend that there are many definitions of strategy because of its complexity and it being a multidimensional concept in terms of content and substance which embraces all critical activities of the organization providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by the environment. However, most of the authors emphasize on the essence and nature of strategy and agree that strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization (Hax and Majluf, 1996).

### 2.3.1. Levels of Strategy

According to Johnson, Scholes and Whittington, (2005), strategy exists at three levels namely: Corporate strategy, Business level strategy and Operational level strategy.

At the highest level in an organization is the corporate level strategy which is concerned with the scope of organizations strategies and how value will be added to different parts of the organization. This includes decisions about the portfolio of products and/or businesses and the spread of markets, geographical coverage, and how resources are to be allocated between different parts of an organization. Senior corporate executives have the lead responsibility for devising corporate strategy. Business level strategy is about how to compete successfully in particular markets. This concerns the products or services to be developed, in which markets, and how advantage over competitors can be achieved in order to achieve the objectives of the organization. Whereas corporate level strategy involves decisions about organizations as a whole, business level strategies relate to a strategic business unit. There should clearly be a link between strategies at an SBU level and corporate level strategies that both assist and constrain the business level strategies (Johnson et al., 2005).
Operational level strategies are concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people. Successful business strategies depend on decisions that are taken or activities that occur at the operational level. Implementation of strategy is the most demanding and time consuming part of strategy management process. It involves staffing the organization with needed skills and expertise, creating a company culture and work climate conducive to successful strategy implementation, budgets that steer ample resources and tying rewards and incentives directly to the achievement of performance objectives (Thompson et al., 2007).

2.3.2 Strategy implementation and challenges faced

According to Pride and Ferrell, (2003), strategy implementation is the process that turns strategies and plans into actions to accomplish objectives. For it to be successful, the organization should build capability of carrying out the strategic plan, develop strategy supportive budgets and programmes, instill a strong organizational commitment both to organizational objectives and chosen strategy, link motivation and reward structure directly to achieving targeted results, create an organizational culture and a working environment that is in tune with the strategy, develop an information and reporting system to track progress and monitor performance. The organization should exert internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed (Thompson and Strickland, 1997).
However, strategy implementation has proved hard to many organizations’ Chief Executive Officers. Holman, (1999) points out that 80% of organizations directors believe that they have good strategies but only 14% believe they implement them well. Several problems in strategy implementation have been identified and include weak management roles, lack of communication, lack of commitment to strategy and unawareness (Giles, 1991). Camillus, (1999), identified that successful strategy implementation requires linking strategy to performance, communication, incentives, aligning structure to strategy and harnessing the necessary tools and techniques.

Culture is as important as strategy for any organizational success. They are highly intertwined and so focusing on one to the detriment of the other will not bring the desired results. Organizations structure should be compatible with the chosen strategy and if there is incongruence, adjustments will be necessary either for the structure or strategy itself (Koske, 2003). Organizational politics also affect strategy implementation. Organizational politics are tactics managers use to obtain and use power to influence organizational goals and change strategy and structure to further their own interests (Hill and Jones 1999). Leadership is needed to effectively implement strategy as it ensures that organizations efforts are united and directed towards achievement of its goals (Pearce and Robison 1998). Others include ineffective communication and sharing of information and inadequate involvement by both managers and employees.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on research design, methods of data collection, sample size, and data collection instruments and procedures.

3.2 Research design

The research design was a case study conducted at CFC Life Assurance Limited. A case study is a careful and complete observation of a social unit - a person, institution, family, cultural group or an entire community and emphasizes depth rather than breadth (Mugenda and Mugenda, 1999). A case study was chosen since it enabled the researcher an intensive investigation of the effectiveness of the BSC in strategy implementation at CFC Life Assurance limited. Previous studies of similar nature that have used this method successfully are (Kamau, 2006; Muhoro, 2004; Nyamweya, 2004).

3.3 Data collection

The study collected both primary and secondary data. The primary data was collected using interviews to attain in depth understanding of the balanced scorecard. The interview guide consisted of questions on strategy formulation and implementation using the BSC and the challenges the organization faced since the adoption of the BSC approach. Parasuraman (1986), contents that personal interviews have the potential of yielding the
highest quality of data compared to other methods because supplementary data may be collected during the interview.

The respondents were the head of planning and strategy implementation, the head of Human resources management and ten functional managers who participated in the crafting and implementation of the BSC. These managers were able to give adequate and accurate information necessary for the research as they were involved in the implementation of the BSC. The secondary source of data was from the organizations strategic plans.

3.4. Data analysis

Data was analyzed using content analysis. Content analysis was used to identify and extract the key themes, concepts and arguments within texts. Nachmias and Nachmias (1996), define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. This type of analysis does not restrict respondents on answers and has potential of generating more information with much detail. Content analysis has been successfully used to conduct similar qualitative studies in the past. These include (Thiga, 1999; Njau, 2000; Koske 2003; Kamau 2006). This being a case study, the responses were qualitative in nature and the researcher sought to make general statements on how categories or themes of data are related.
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This study was designed to achieve two objectives namely to establish the effectiveness of the BSC in implementation of corporate strategy at CFC Life Assurance Limited and the challenges faced during the BSC implementation. To achieve the objectives, managers involved in strategy formulation and implementation were interviewed to provide the data. The findings of the research were analyzed in accordance with the objectives of this study as set out in section 1.3. Ten managers were interviewed out of a sample of twelve. This represented 83% response rate which is acceptable.

4.2. Strategy formulation and implementation using the BSC at CFC Life Assurance Limited.

The study established that adoption of the BSC at CFC Life Assurance was the initiative of the Managing Director. This was very critical to the success of the BSC because according to Drury (2004), top management support is very crucial for the success of the balanced scorecard implementation. A team was appointed by the Managing Director to spear head the adoption of the BSC. A consultant was hired to take all the staff through the BSC concept. A committee with the representatives of all departments was constituted to oversee BSC adoption. All departments constructed their own departmental BSC based on the corporate BSC. This was cascaded to the managers and to the entire staff. The process used to implement the balanced scorecard was comprised of appointing change
champions whose mandate was to help in cascading the objectives and measures from top management to the lower cadre employees.

The study found out that corporate strategy for CFC Life Assurance is a prerogative of the Managing Director and the Board of directors. These are reviewed every three years. In the year 2008, the 2008-2010 strategy was unveiled by the new Managing Director. The aim was to develop strategies that would to push the organization to the top of the industry and achieve excellence in customer service. The managers interviewed were part of the committee that collected data, analyzed, recommended, and came up with the corporate strategy. They include: Head of Planning and Strategy, Head of Operations, Deputy Operations Manager, Customer Services Manager, Head of marketing, Deputy Manager Planning and Strategy, Head of Human Resources, head of Pensions, Underwriting Manager and the finance manager. They analyzed the organization in terms of: where the organization was now and where they wanted to be in three years. They also analyzed competition using the swot analysis.

With regard to the reasons as to why CFC Life Assurance Limited adopted the balanced scorecard approach, the respondents cited the following. The BSC was an objective oriented approach in achieving the goals of the organization. This way, employees were able to see how they fit in to the bigger picture in the whole organization. They were also in agreement that the BSC approach is easier to understand by all employees because it is executed at individual level. The individuals come up with their own objectives, measures, targets and initiatives and so they are focused in achieving them. The study established that the BSC is performance and results oriented. The salary rise is
performance based and so the employees work harder to keep being relevant in the organization. This leads to individuals continuously improving themselves.

It was also established that the BSC focuses on the core business of the organization, that is: objectives and goals and not tasks. With the BSC, task oriented appraisal was changed to performance based appraisal which focuses on results and not tasks that employees perform. Therefore, the BSC removes biases, is more objective, and results oriented making employees to be more focused on Key Performance Indicators. The BSC is easier to manage because the organization does not shift goals every year. It has been tested and approved, has worked for other organizations and is better than other performance management measures. The BSC has an all rounded view of the organization and employees are able to think outside the box.

Respondents pointed out that the organization hired consultants whose responsibility was to take all employees through the balanced scorecard. There was constant communication to get all staff to buy in to the BSC idea. This included training sessions by the change champion teams, weekly briefings by the Managing Director and information slides pinned on notice boards. Change teams were developed to cascade the objectives from the Managing Director to all employees. Support teams were tasked with the responsibility of liaising with consultants to assess the progress and make sure the implementation team was on the right track.
4.3 Effectiveness/ benefits of the balanced scorecard

The study established that top management was in agreement that the BSC approach was the right tool in achieving the organizations objectives. They established that the training of all managers on the BSC which culminated into having the first Corporate BSC helped achieve focus on the organizations objectives. The training of staff on the BSC concept was able to deliver better focus on performance and results as well as enhance the acceptability of the change.

The respondents were in agreement that the balanced scorecard had a positive impact on team’s performance. Every employee was more focused as there was alignment of the individual, departmental and corporate BSC to the strategic plan. Therefore all individuals work towards the achievement of the organizational goals. They also agreed that the balanced scorecard is the best tool in achieving the organizational goals since all departments are focused to achieving the overall strategic goals. This is because, by using the balanced Scorecard, the vision, mission, and strategy at the corporate level are decomposed into different views, or perspectives, as seen through the eyes of business owners, customers and other stakeholders, managers and process owners, and employees.

It was established that employees’ performance had improved as they were motivated because of the process used to appraise them. They were more focused and results oriented as there was no more victimization by the supervisors as the manager’s score is based on the employees score. The respondents noted that employees now prioritize their work according to the objectives that have a great impact on the overall organization performance. The respondents were in agreement that it gives the employees direction in
discharging their duties. The four perspectives of the BSC ensured that the organization is viewed in totality as the objectives, initiatives, measures and targets guide the departments as they carry out their duties. Through cascading, the lower cadre employees are able to see how their daily work contributes to the overall CFC Life goals.

The respondents agreed on the following as the benefits that have accrued from the BSC. Employee morale has greatly improved due to the appraisal process used. They also stated that the organization performance has improved in terms of real time delivery due to employees getting it right the first time. There was also improved customer service/satisfaction due to improved employee morale and cascading to lower cadre employees. Every employee strives to ‘wow’ the customer and this has resulted in to a more satisfied clientele. This ensures that the organization continues to have satisfied and loyal customers in the future and that it continues to make excellent use of resources. The organization has realized increase on return on investment as every employee knows what is expected of them and strives to help achieve the overall corporate strategy. The respondents were in agreement that there was a noticeable reduction in wastage of resources.

The respondents observed that the BSC led to improved financial performance. They noted that the usage of the BSC promoted other positive effects such as employee satisfaction and understanding of the business since every employee understood the vision mission and the strategy of the business. They also observed that the use of the balanced scorecard as a performance measurement system improved the decision-making performance of managers and employees.
It was established that the employees generally preferred the balanced scorecard because they found it to be more objective in terms of performance appraisal than the task oriented performance appraisal. The fact that the individual scorecard was cascaded from the manager’s scorecard ensured that there was no discrepancy in objectives and that the whole organization was focused towards a common goal.

The study established that the BSC has helped the organization to be focused on its strategy by prioritizing the objectives to be implemented. The organization is more focused on the core business areas of attracting and retaining customers.

**4.4 Challenges faced by the organization during BSC Implementation**

One of the objectives of the study was to establish challenges faced by the organization during the process of implementing the BSC. The study established that achieving a common understanding/grasp of the concept of the BSC was the greatest challenge faced. It was established that 95% of management and staff lacked understanding of the BSC concept. This made it difficult for the consultants who were training the employees as it took longer than expected. Another issue was that managers needed to practice what they learned, that is, pilot themselves before the staff could be involved. The study established that the cost of BSC implementation was quite high as the organization paid a lot of money to the consultants to get the entire staff buy in. Organizations not willing to sacrifice resources can not implement the BSC successfully.
The study established that the BSC approach was not quick to implement. The process of implementing the BSC was time consuming as there are nine steps from the BSC institute that constitute the process of implementation. This is tiring and if the team is not committed, the process might not succeed. The respondents also established that for the success of the BSC, the Managing Director should run with it. Unless the Managing Director is in the forefront, then there will be no goodwill from the rest of the organization. Another challenge cited was cascading the corporate strategy to the lower cadre employees. Making lower cadre employees understand how they fit in to the whole picture was very challenging. Explaining perspectives and measures into the overall objectives also proved to be tough. Aligning all objectives to strategic objectives also proved to be difficult. For example how to get the messengers and tea girls to align their objectives to the corporate strategy was a challenge.

Another challenge cited by the respondents was resisting the process. Introduction of the BSC was a shift from the norm and this called for change management process. As usual, there is always resistance to change and this process was not exceptional. Monitoring change was done to ensure that everything was on course as this was the way forward for the organization. Limited knowledge on the BSC was also a drawback as the process took more time than had been expected. The organization had to align all systems to the BSC so as to achieve success.

To achieve buy in of the BSC, ownership and accountability, the change teams had to hold several sessions with employees to ensure that all were working towards the same goals. Another challenge was how to measure what the organization wanted to measure e.g. leader’s index, and employee satisfaction. There was also a lack of a framework of
determining and verifying the BSC measures objectively as metrics used to measure were not clear. Implementation of the BSC is extremely time consuming and expensive and the formation of several teams to spear head the process took away employees from their normal duties. Lack of an IT system to support BSC implementation was also a major setback.

The respondents were in agreement that adequate resources in terms of money and manpower were fundamental in the achievement of successful BSc implementation. There was need to hire consultants and print materials and this required a lot of money. Staff to monitor and analyze the progress of the BSC was very crucial without which the BSC implementation would not have been a success. Top management goodwill is a major driver for the success of BSc implementation. Without top management support it is hard for success of the BSC. Common understanding of the workforce on the balanced score card is another area that leads to successful implementation of the BSC. Involvement of experts so that guidance is clear this was demonstrated through the organization hiring consultants to help get employees understand the BSC concept. Continuous training of employees and review of the organizations progress in implementation helps to track the success of implementation.

Given that there are a number of organizations who are currently using the BSC successfully, CFC Life Assurance would have learned from those that have implemented and are using it successfully. This would have saved the organization as it would have learned from their mistakes. The Managing Director should have been a key driver in the sub teams. This would have motivated all the employees to take the BSc with the seriousness it deserves. There needs to be a system to report how far the organization is
achieving with the BSC. Lack of such a system is an impediment as the organization can not be able to tell if it’s achieving its goals.

CFC Life Assurance should have customized their balanced scorecard. For example, the organization should have called it a project name e.g. smart project 2008. This would have given the employees ownership of the BSC. This would have been practical and not theoretical. The measures that should have been undertaken are: Regular monitoring/assessment of the balanced scorecard implementation to assess the progress and correction action taken immediately to speed up the process. The organization should have purchased an IT system to monitor progress.

All the respondents agreed that they would readily recommend the BSC to any organization that was considering adoption of the BSC. They cited the following reasons. The BSC looks at strategy from different dimensions - financial, customer, internal business process, and learning and growth. This is looking at an organization in totality and not on financials only. The BSC approach guides on focusing on what is important. The BSC approach is internalized by the employees and they can see it working for them daily. It’s objective and not subjective. The BSC approach is non competitive as all the departments work towards achieving the corporate objectives. With the BSC, there is no wastage of resources as all the employees are focused on achieving the corporate objectives. The BSC enlarges people capacity e.g. a tea lady is able to appreciate cost management that leads to profitability. The employee’s knowledge about the business improves as cascading ensures that the corporate objectives reach the lower cadre employees.
CHAPTER FIVE: SUMMARY, CONCLUSION, RECOMMENDATIONS, AND LIMITATIONS OF THE STUDY

5.1 Introduction

This chapter provides the summary of study, conclusion and recommendations as well as limitations of the study and suggestions for further study.

5.2 Summary

From the analysis of the data collected, the following are the conclusions and recommendations. The study was guided by two objectives namely, to establish the effectiveness of the BSC in implementation of corporate strategy at CFC Life Assurance Limited and the challenges faced during BSC implementation.

The study established that adoption of the BSC at CFC Life Assurance was the initiative of the Managing Director. This was very critical to the success of the BSC because according to Drury (2004), top management support is very crucial for the success of the balanced scorecard implementation. A team was appointed by the Managing Director to spearhead the adoption of the BSC. A consultant was hired to take all the staff through the BSC concept. A committee with the representatives of all departments was constituted to oversee BSC adoption.

With regard to the reasons as to why CFC Life Assurance Limited adopted the balanced scorecard approach, the respondents cited the following. The BSC was an objective
oriented approach in achieving the goals of the organization. The BSC removes biases, is more objective, and results oriented making employees to be more focused on Key Performance Indicators. The BSC approach is easier to understand by all employees since it is executed at individual level. The individuals come up with their own objectives, measures, targets and initiatives and so they are focused in achieving them. Through cascading, the lower cadre employees are able to see how their daily work contributes to the overall CFC Life goals.

As regards the benefits that have accrued from the BSC, the following were cited. Employee morale greatly improved due to the appraisal process used. There was noticeable improvement in customer service/satisfaction due to improved employee morale and cascading to lower cadre employees. There was an increase on return on investment as every employee knows what is expected of them and strives to help achieve the overall corporate strategy. There was also a noticeable reduction in wastage of resources.

Among the challenges faced during the BSC implementation was achieving a common understanding/grasp of the concept of the BSC was the greatest challenge faced. It was established that 95% of management and staff lacked understanding of the BSC concept. This made it difficult for the consultants who were training the employees as it took longer than expected. Another issue was that managers needed to practice what they learned, that is, pilot themselves before the staff could be involved.

As to whether they would recommend the BSC approach to other organizations, all the respondents agreed that they would readily recommend the BSC to any organization that
was considering adoption of the BSC. This is because the BSC looks at strategy from different dimensions- financial, customer, internal business process, and learning and growth. This is looking at an organization in totality and not on financials only. The BSC approach guides on focusing on what is important. The BSC approach is internalized by the employees and they can see it working for them daily. The BSC is more focused on results and is a well rounded/balanced approach to achieving organizational goals.

For successful BSC implementation, it was established that adequate resources in terms of money and manpower were fundamental in the achievement of successful BSC implementation. There was need to hire consultants and print materials and this required a lot of money. There was need for staff to monitor and analyze the progress of the BSC was very crucial without which the BSC implementation would not have been a success. Given that there are a number of organizations who are currently using the BSC successfully, CFC Life Assurance would have learned from those that have implemented and are using it successfully.

5.3 Conclusions

From the study, the researcher concludes that the BSC is a management system approach that enables organizations to clarify their vision and strategy and translate them into actions. Top management support is very crucial for the success of the balanced scorecard implementation. The BSC was an objective oriented approach in achieving the goals of the organization. The BSC removes biases, is more objective, and results oriented making employees to be more focused on Key Performance Indicators. Achieving a common understanding/grasp of the concept of the BSC was the greatest challenge faced. Another
challenge cited was cascading the corporate strategy to the lower cadre employees. Making lower cadre employees understand how they fit in to the whole picture was very challenging. The study established that the cost of BSC implementation was quite high as the organization paid a lot of money to the consultants to get the entire staff buy in.

5.4 Recommendations of the study

Based on the findings and conclusions, the study recommends that in order to address the challenges on implementation of balanced scorecard, CFC Life Assurance Limited needs to come up with a system to monitor and evaluate the BSC effectiveness. This will enable the organization to know whether it is still on track or has deviated. The organization needs to include BSC in the Staff orientation program so that the employees are aware of the BSC right from the beginning. Refresher courses should be organized for staff to ensure continuity. The study recommends that the organization comes up with metrics of cascading to ensure the goals don’t loose meaning as they are cascaded to lower cadre employees.

5.5 Limitations of the study

The study focused on managers who were involved in strategy formulation and implementation using the BSC and left out the rest of the employees who would also have given their views on the BSC approach. Therefore the study lacks input of lower cadre employees. The study focused on the head office managers and left out other country wide branches whose contribution would have gone along way in enriching the study. The study focused on CFC Life and therefore findings cannot be generalized as organizations are unique from each other.
5.6 Suggestions for further study

This study concentrated on CFC Life Assurance Limited. More studies should be undertaken on other organizations already using the BSC to establish how effective the BSC has been in achieving their corporate goals and challenges they are facing.
REFERENCES


Kiragu, D. N. (2005). *A survey on the adoption of the balanced scorecard by selected companies in Kenya*, unpublished MBA project, UON.


APPENDICES

Appendix 1: Letter to respondents

Beatrice Boge,
P.O Box 3863-00200
Nairobi.
Tel. 0721336288

Dear respondent,

Re: Request for participation in research work

I am a postgraduate student pursuing a master of Business Administration (MBA) degree at the University of Nairobi, School of Business. As part of the requirements for the award of the degree, a student is expected to carry out and submit a management research project. I am currently conducting a case study on the effectiveness of the Balanced Scorecard in implementation of corporate strategy at CFC Life Assurance limited.

The information will be treated with utmost confidentiality and will only be used for academic research purpose. Should you require the findings of this research, I will not hesitate to provide the information. Your participation is highly appreciated.

Yours faithfully,

Beatrice Boge
MBA Student

CC: Florence Muindi.
Supervisor.
Appendix 2: Interview guide

The interview guide has been designed to gather information from senior managers at CFC Life Assurance Limited and is meant for academic purpose only. All information will be treated in confidence.

Part A – Strategy formulation and implementation Using the BSC

1. What is your current job title?
2. Please describe your role in strategy formulation at CFC Life Assurance?
3. Please describe your role in strategy implementation using the BSC?
4. Please describe how the BSC concept was communicated to the entire organization?
5. Please describe the process used to implement the BSC at CFC Life Assurance?

Part B- Effectiveness of the BSC in implementation of Corporate Strategy

1. Do the top management prefer the BSC and why?
2. To what extend has the adoption of the BSC influenced your teams’ performance?
3. How is your assessment of the BSC in achieving organizational goals?
4. What are the benefits the organization is enjoying since adoption of the BSC?
5. Do the employees in your department prefer the balanced scorecard approach? Please explain.
6. In what areas of operation has the BSC had an impact on?
Part C – Challenges encountered during BSC Implementation

1. Please indicate challenges encountered when using BSC as a tool of implanting corporate strategy.

2. In your view, what are the factors that influence successful implementation of the BSC?

3. In your view, what would CFC Life have done better in the adoption of the BSC?

4. Please suggest measures that can be undertaken to solve challenges stated above.

5. Share any other information about your experience of using the BSC?

6. Would you recommend the adoption of the BSC to any other organization as a tool for strategy implementation? Please explain your answer.

7. Any other comments you would like to share?
Balanced Scorecard
Health Insurance Department

DEPARTMENT :-
Health Insurance

CORPORATE VISION :-
To consistently offer superior life assurance and retirement products in East Africa.

DEPARTMENTAL MISSION :-

We are the health division with a promise to deliver excellent services to our customers. Our team is highly motivated and the processes are efficient to deliver stakeholder value.

DEPARTMENTAL PRIORITIES :-

1. Grow revenue by x%
2. Improve customer satisfaction to 90%
3. Process re-engineering
4. Cost management
5. Employee training and development
6. Grow underwriting profit margin by y%
<table>
<thead>
<tr>
<th>Perspective</th>
<th>Objectives</th>
<th>Measures</th>
<th>Target</th>
<th>Initiatives</th>
</tr>
</thead>
</table>
| Financials  | Cost management | 1. Claims loss ratio (retained)  
2. Departmental operating expense ratio  
3. Acquisition expense ratio | 65% | • Healthcare provider utilization review  
15% • Case management  
12% • Healthcare provider management  
1% • Review commission structure  
1% • Review departmental expense lines |
|            | Grow revenue | 1. % premium growth  
2. Close ratio  
3. Retention rate | 25% | • Develop sales and marketing capacity  
1.5% • Broker relationship management  
90% • Review commission structure |
|            | Increase underwriting profits | 1. Underwriting profit margin | 65% | • Risk assessment  
Double contributions follow |
|            | Claims management | 1. Claims loss ratio (gross)  
2. % Excess over benefits on total claims paid (%)  
3. Utilization rate reduction  
4. Average claims costs reduction | 65% | • Develop 75% utilization benefit level and excesses  
0% • Member education seminars  
2% • Case management  
2% • Healthcare provider management |
| Customer profitability | 1. Claims loss ratio (earned)  
2. Utilization rate reduction  
3. Renewal analysis rate | 65% | • Product re-design  
2% • Pricing review  
100% Double contributions follow up  
2% • Member education seminars  
2% • Case management  
2% • Healthcare provider management |
| Customer retention | 1. Retention rate | 90% | • Product survey  
Product re-design  
Service and feedback review  
Market survey |
| Customer relations | 1. Satisfaction index  
• Policyholder index  
• Healthcare provider index  
• Intermediaries index  
2. % increase in close ratio | 85% | • Benefit and utilization reviews  
85% • Healthcare provider utilization review  
50% • Member education seminars  
50% • Case management  
50% • Healthcare provider management  
50% • Service and feedback review  
50% • Conduct satisfaction index  
50% • Market survey |
| Customer acquisition | 1. % increase in policies  
2. % increase in members | 10% | • Develop sales and marketing capacity  
10% • Broker relationship management  
10% • Review commission structure |
# Balanced Scorecard
## Health Insurance Department

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Objectives</th>
<th>Measures</th>
<th>Target</th>
<th>Initiatives</th>
</tr>
</thead>
</table>
| Internal Business Processes | Process streamlining | 1. % improvement on turn around time  
2. % decrease in error rate  
3. % decrease in re-work rate  
4. # of closed credit facilities | 20%  
50%  
50%  
0 | Re-engineer key business processes  
Benchmark with Liberty Health |
| | Process standardization | 1. % of automated processes  
2. Availability of business operating manuals | 75%  
All | Implementation of the Medware system  
Integration of various systems |
| | Leverage technology | 1. % utilization of Medware  
2. % of automated processes | 75%  
75% | Implementation of the Medware system  
Integration of various systems |
| | Strategic partnership | 1. Number of successful partnerships | 1 | Explore the mobile-telephony  
Explore various levels of partnering with Liberty Health |
| Learning & Growth | Employee training & development | 1. Training days per employee  
2. # of staff trained | 5  
All | Job rotation  
Training need analysis  
Experiential learning with Liberty Health |
| | Employee satisfaction | 1. Employee satisfaction index | 85% | Effective team building  
360 feedback  
Job rotation  
Conduct satisfaction survey |
| | Improve performance management | 1. Successful implementation of BSC | 100% | Coach team on BSC  
Cascade the corporate BSC to the individual BSC |