APPLICATION OF BALANCED SCORECARD IN STRATEGY IMPLEMENTATION AT DELOITTE & TOUCHE EAST AFRICA

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A Research Project Submitted in Partial Fulfilment of the Requirements for the Degree of Master of Business Administration (MBA), School of Business, University of Nairobi

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DECLARATION

This research project is my original work and has not been submitted for a degree course in this or any other university.

Sign……………………………………. Date…………………………..

Christopher Kimaro
D61/72371/2011

This project has been submitted for examination with my approval as a university supervisor

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DEDICATION

This project is dedicated to my family, starting with my lovely wife Leorkadia, our daughter Naomi and our little son Neville for their relentless efforts and love throughout my MBA course. Despite so many challenges especially being in a foreign country my wife was behind me with words of encouragement, overwhelming support and love.

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ABSTRACT

The world is quickly becoming a global village due to corporate transformation. Strategic management provides the only option for firms to respond to such challenges. Research indicates that strategy implementation, rather than strategy formulation alone, is a key requirement for superior business performance. In East Africa, the professional service industry is a busy and lucrative one that is attracting many players and threatening the existing status quo. The key players who are already in intense competition are faced by new global competitors who enjoy economies of scale that outmatch them. Deloitte & Touche East Africa is not an exception and have over the recent years been faced with intense competition, intense regulation and the effects of the global credit crunch. Increased competition calls for the sound tools of strategic implementation such as balanced scorecard, among others in order to successfully create a competitive edge. The purpose of this study was to establish the extent of application of balanced scorecard in strategy implementation at Deloitte & Touche East Africa. This research was conducted through a case study. An interview guide with open-ended questions was used to collect in depth information from the key personnel in the four main departments namely Consulting, Audit, Financial Advisory and Tax in the firm. The study was based on two Deloitte & Touche offices within East Africa, Nairobi, Kenya and Dar es Salaam, Tanzania. The qualitative data collected was analyzed using content analysis technique. The study found that balanced scorecard at Deloitte & Touche East Africa is linked to strategic implementation through the assignment of dimension owners to individuals in each of the departments. The study also established that the day-to-day activities of the firm are linked to the four performance metrics through the key performance contribution framework developed at the beginning of the year. The study further established that balanced scorecard enhances operational process in strategy implementation at Deloitte through operational efficiency, knowledge management and customers' satisfaction. As a result of balanced scorecard strategy implementation at Deloitte, the firm has been able to reduce the cost associated with clients' dissatisfaction and exit, and have not spent as much on marketing efforts to attract new customers. The study also concluded that, the balanced scorecard proved its usefulness as a two-way communications tool that enables to pass information more easily to all levels of the organization. Finally the study concluded that the main objective of the balanced scorecard is to bring the different processes mix (finance, internal business processes, learning, growth and clients) together in a uniform system that would enable to measure them in a balanced form derived from the strategic objectives of an organization. The study recommended that organizations should adopt balanced scorecard approach in measuring performance. This owes to the fact that while balance scorecard is an important tool of performance measurement in both financial and non-financial perspectives, a greater number of organizations in public and private sector do not use the same.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The world is quickly becoming a global village due to corporate transformation. Mergers, acquisitions, outsourcing and downsizing are becoming the order of the day. Strategic management provides the only option for firms to respond to such challenges. It needs a framework, which can ensure that decisions concerning the future are taken in a systematic and purposeful way. The task of formulating a successful strategy is one of the most challenging and important activities that is faced by managers in all companies. However, as the advice "effective implementation of an average strategy beats mediocre implementation of a great strategy every time" upholds, implementing the strategy is the challenge of real importance (Sterling, 2003). Still, it is evident that the implementation of strategy is not as well understood as the formulation. Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult (Sterling, 2003).

Recent research indicates that strategy implementation, rather than strategy formulation alone, is a key requirement for superior business performance (Kaplan & Norton 2001) Strategy can be defined as "the direction and scope of an organization over the long-term" (Johnson et al. 2008). Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations. Strategy implementation on the other hand is the process where the formulated strategies are put into action by the organization. Bellhouse and Lyons (2003) define strategy implementation as an integral component of the strategic management process and is viewed as the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy and strategic objectives of the organization are successfully achieved as planned. Porter (1996) acknowledges that these two matters are different, meaning that both strategy and operational effectiveness are vital for superior performance but that they work in very different ways.

In East Africa, the Professional services industry is a busy and lucrative one that is attracting many players and threatening the existing status quo. The key players who are already in intense competition are faced by new global competitors who enjoy economies of scale that outmatch them. Deloitte and Touche East Africa is not an exception and have over the recent years been faced with intense competition, intense regulation and the effects of the global credit crunch. Increased competition calls for the sound tools for the strategic implementation such as balanced scorecard, among others in order to successfully create a competitive edge.

1.1.1 Strategy Implementation

Members of top management are usually more involved in strategy process than employees, but example of Kaplan and Norton (1996) reveals that even they can disagree on the accurate definition of a strategy. According to Atkinson (2006), strategic management systems are developed in order to control a strategy implementation process by providing short-term targets that can deliver long-term goals. One well-known strategic management tool is a balanced scorecard. The effect of implementing balanced scorecard has been studied extensively in recent years (e.g. Ahn, 2001 and Lipe and Salterio, 2000). At first, Kaplan and Norton (1992) developed a balanced scorecard to improve a measurement system by proving four measurement perspectives.

The ability to implement strategies successfully is important to any organization. Despite the importance of the implementation process as mentioned in the preceding paragraph above within strategic management, this is an area of study often overshadowed by a focus on the strategy formulation process. Within the East Africa countries, the implementation of the balanced scorecard do pose some challenges to organizations including leadership, managerial style and bias, poor organizational structures and communication challenges. It is with these challenges that this study will be dedicated to one organisation, Deloitte & Touche, looking at the strategy implementation in detail across the business.

1.1.2 Balanced Scorecard

Balanced scorecard is an integrated strategic planning and performance management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It is a tool of performance management that maps an organization's strategic objectives into performance metrics in four perspectives namely: financial, customers, internal processes, and learning and growth. It was originated by Kaplan and Norton in the early 1990s as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance (Kaplan and Norton, 1992).

According to Kaplan and Norton (1992), the balanced scorecard approach aims to translate strategy into operational action using a coherent set of performance measures and its benefits are that it is based on a 'balanced' set of performance indicators covering the entirety of an organization's mission and goals, rather than just financial indicators.
A number of metrics are specified that must be consistent with the organization's strategy, and a manager is held accountable for the results in his/her unit. In short, balanced scorecards are consistent with responsibility center management, stress both unit and overall organizational objectives, and in many cases, serve as the basis for budget allocations. Those units that accomplish pre-set unit and organizational goals are rewarded; those that fail are not (Kaplan and Norton, 1992).

The balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. It provides executives with comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures. Many companies have vision statements to communicate the fundamental values and beliefs to all employees (Abdullah & Hamzah, 2006). The mission statement as discussed by Salterio (2000) addresses core beliefs and identifies target markets and core products. In today's information environment, a company can no longer be measured solely on past performance. Although past performance is usually a good indicator of future results, it cannot be the sole base for measurement (Platts, et al, 2006). To better gauge a company's performance, one must balance all areas of the business. By focusing not only on financial outcomes but also on the operational, marketing and developmental inputs to these, the balanced scorecard helps provide a more comprehensive view of a business, which in turn helps organizations act in their best long-term interests. To embark on the balanced scorecard path an organization first must know and understand.

1.1.3 Deloitte and Touche East Africa

Deloitte is one of the longest established professional services firms in East Africa which provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. Dedicated since 1907 to the needs of the clients, it have grown with the economy and aspirations of the region into a large and experienced firm, supplying the very best in accounting, taxation and business solutions to some of East Africa's most prominent organizations (www.deloitte.com). With offices in Addis Ababa, Nairobi, Mombasa, Kampala and Dar-es-salaam, Deloitte East Africa serves a wide range of clients from the largest organizations in the region to international lending agencies spanning a wide variety of local and international organizations from all sectors, including manufacturing, retail, financial, distribution, service, agricultural, governmental and non-governmental organizations and charitable bodies.

In the context of professional firm which provide both auditing and consulting services, one can employ balanced scorecard perspectives in the multi-directional performance. Thus balanced scorecard approach gives a bird's eye view to attain progress that is complete in all senses. Through the balanced scorecard, the firm aim to monitor both their current performance and efforts to provide and improve customer services, streamline key processes, provide an environment in which its employees are motivated and developed, and enhance information system. Within this environment the balanced scorecard adoption as a conceptual framework enhance translation of mission and objectives into a set of performance indicators distributed among four perspectives (financial, internal business processes, customer and innovation and learning perspective).

1.2 Research Problem

There is an increasing trend towards implementing balanced scorecard as a set of performance indicators (Zelman, Pink and Matthias, 2003). In the literature review, the feasibility and value of using balanced scorecard to measure performance has been evidenced (Chan and Ho, 2000). As a result, the balanced scorecard concept has attracted a lot of research attention among academicians and practitioners. According to Wiersma (2009) balanced scorecard is the most profound innovation in management accounting along with Activity Based Costing. In most of the developed world there are reports of major corporations experimenting with balanced scorecard (Speckbacher, Bischof and Pfeiffer, 2003).

As part of overall management strategy, managers of organizations including Deloitte need to measure performance to evaluate whether an organization is performing as expected, to ensure that the employees are doing the right things, to motivate line staff / middle managers and the stakeholders to do the things necessary to improve performance, to determine the budgeting priorities such as on which programs the organization should be spending the money on, to convince stakeholders that the organization is doing a good job, to learn whether the activities are working, and determine exactly who should do what to improve performance (Behn, 2003). As a result, there is growing recognition that using performance measures to gauge success is vital to any organisation whether in the private, public or non-profit sectors (Niven, 2005). Measuring performance, however, has been a challenge for both managers and researchers (Maltz et al., 2003) as the process of 'designing and implementing an effective performance management system' involves 'addressing a number of methodological issues' and managing the change process (Poister, 2003).

Early researchers on balanced scorecard focused on understanding the concept and how to implement it (Malmi, 2001). However, in a more recent study Wiersma (2009) has shown that the balanced scorecard concept has actually been endorsed by major Corporations around the world. Also some studies have attempted to pinpoint the business value of balanced scorecard and have benchmarked the performance of balanced scorecard users with those of non-users to see whether their performance differs (Crittenden, 2008). Unfortunately, most of the studies on balanced scorecard adoption have focused only on adoption at the organizational level ignoring to examine the impact to the individual end users. Malmi (2001) pointed out that companies use a package of control tools to manage their operations. Therefore, whether the balanced scorecard supplements or complements the different management control systems in an organization remain to be established. So far, various attempts have been made to actually identify the purposes for using balanced scorecard. For each dimension of the balanced scorecard, organizations need to specify the critical success factors or the factors that are critical to strong performance in each element, the means (measures) by which performance will be measured, the levels of achievement (targets) to be reached in the planning period, and any special actions (initiatives) that need to be taken to help achieve the target (Norreklit, 2003).

The contradicting views of researchers concerning a balanced scorecard implementation constitute an interesting basis for this study. Therefore, need to fill this knowledge gap has provided motivation for this study. The study sought to establish the extent of application of balanced scorecard in strategy implementation at Deloitte & Touche East Africa.

1.3 Research Objective

To establish the application of balanced scorecard in strategy implementation at Deloitte and Touche East Africa.

1.4 Value of the Study

The study offers an insightful description on how a balanced scorecard is in institutions. The findings of this study will assist the management of Deloitte and Touche East Africa to exercise organizational control by diagnosing their financial, customer, internal business process as well as learning and growth perspectives and their significance in strategy implementation. It will provide information to assist designing effective strategic decisions that are performance oriented.

Other organizations without Balanced Scorecard will be able to understand the significance and use of balanced scorecard and thus prompt them to seek ways through appropriate and proactive policies and regulations to enhance the adoption and implementation of the balanced scorecard methodology in their organizations for effectiveness in strategy implementation.

The study will provide background information to research organizations and scholars who may want to carry out further research in this area. They will also benefit from the findings of this study as they will contribute to the existing literature. The study will, therefore, be of benefit for future researches as a benchmark; as for empirical purposes, source of secondary materials in and literature review as well as for general pedagogical studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the past or previous studies that have been done on application of balance score card in strategy implementation. The chapter is hence broken down into the concept of strategy implementation, balanced scorecard as a strategic management tool, balanced score card perspectives and strategy implementation, and relationship between strategy and balanced scorecard implementation.

2.2 Theoretical Framework

The Agency Theory

Agency theory is a management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal's goals (Jean et al 2002). The agent therefore advances both the principals' interests and his own interests in the organization. A balance of these interests should be merged in order to arrive at the corporate objectives of the organization through the agent because he/she is in charge of the vast resources of the organization. Laffort & Martimost (2002) contends that the agency theory of strategic management is so crucial since the action chosen by a particular individual (the agent) affects not only one, but several other parties (the principals). Hence, the agents' role in strategic formulation and the overall strategic management implementation process cannot be underestimated.

The firm is often characterized as a nexus of both explicit and implicit contracts linking the management and its different stakeholders, including workers, unions, customers, suppliers and the state among others. The Agency Theory holds the view that there should be proper synergy between the management, stakeholders and its customers in order to work towards a common goal. The Agency Theory has also been described as the central approach to managerial behavior. Ross (1987) says that the Agency Theory is used in the managerial literature as a theoretical framework for structure and managing contract, which is among the emerging issues in strategic management. It therefore explains the behavior of principals and agents relationships in performance contracting in management. It is on this premise that the agency theory should be embraced in balanced scorecard strategy implementation where the principals should always co-operate with the agents in formulating the organization's mission, vision and the objectives. All that is done at the strategy formulation to strategy evaluation and control should carry the hopes, aspirations and the values of the principals, the agents and all other stakeholders of the firm.

2.3 Strategy Implementation

Ansoff (1999) views strategy in terms of market and product choices. Porter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort. Pearce and Robinson (2007) defines strategy as the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company's objectives.Johnson and Scholes (2002), view strategy as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment, and fulfil stakeholder's expectations. Strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

More recent articles confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstat's (2000) "six silent killers of strategy implementation". These comprise: a top-down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development (Beer & Eisenstat, 2000).

Al Ghamdi (1998) replicated the work of Alexander (1985) in the UK and found that 92 percent of firms implementation took more time than originally expected, that major problems surfaced in 88 percent of companies, again showing planning weaknesses. He found the effectiveness of coordination of activities as a problem in 75 percent and distractions from competing activities in 83 percent cases. In addition key tasks were not defined in enough detail and information systems were inadequate in 71 percent of respondents. What is interesting is that there is congruence between these findings, which implies that lessons have still not been learned; as Al Ghamdi states, “the drama still continues” (Al Ghamdi, 1998).

2.4 Balanced Scorecard and Strategy Implementation

Lynch and Cross (1995) identify three criteria that must be met by performance management systems if they are to effectively mediate between an organization’s strategy and its day-to-day activities. These “necessary” conditions comprise: that the system must explicitly link operational targets to strategic goals; it must integrate financial and non-financial performance information; and the system should focus business activities on meeting customer requirements. It is asserted that the balanced scorecard model fundamentally meets all of these criteria by providing a “truly strategic control system” (Mooraj et al., 1999, p. 486).

Successful strategy implementation, it is suggested, requires sound mechanisms for directing activity and behavior, especially including effective communication systems as well as appropriate strategic and management controls. The balanced scorecard's four perspectives as manifested in)strategy maps provide “a level of granularity that improves clarity and focus” thereby creating clear direction and, potentially, through the development and publishing of the strategy map, facilitate understanding and coordination across the organization (Goold, 1991).

The importance of enabling sound “two-way” communications within organizations is seen as fundamental to the effective implementation of strategy, with a particular emphasis on facilitating useful feedback and “bottom-up” messages. The process of creating an organizational balanced scorecard essentially commences with a full strategic appraisal and the clear articulation of the organization’s strategic vision and objectives, this process can in itself build consensus and engender learning which can be of enormous value. Through this process of definition and communication of core values throughout an organization, moreover, the Balanced Scorecard provides an effective “boundary” control system (Alexander, 1985; Atkinson and Brander Brown, 2001; Neely et al., 2000).

As the balanced scorecard approach makes explicit the “cause and effect” of a strategy, it also usefully converts strategic aims into tangible objectives and measures. This stage, moreover, if the scorecard is implemented participative with measures identified and targets set cooperatively rather than imposed, actively supports organizational learning and reflection. This encourages “interactive” control through the testing of “cause and effect” relationships. It also enables front line managers to have a “basis for selecting among the diverse opportunities they might face” and resisting the distraction of other activities (Alexander, 1985; Bartlett and Goshal, 1996).

The scorecard approach encourages the establishment of co-ordinate scorecards at every level of an organization which, when implemented properly, engage middle managers. Such a process not only necessitates considerable active communication involving everyone within an organization it also permits the useful integration of such scorecards with management and employee incentive programmes, potentially involving the development of individual/personal scorecards which can be positively utilized to align personal and organization goals and encourage “ownership”. Noble states that, “the degree of involvement across the organization appears to be a predictor of implementation success” the scorecard facilitates this involvement throughout the strategy implementation process (Alexander, 1985; Aaltonen and Ikavalko, 2002; Kaplan & Norton, 1996b; Mooraj et al., 1999; Huckstein & Duboff, 1999).

Kaplan and Norton (1996) suggest that the balanced scorecard should be viewed as a template and not a strait-jacket. Such a standpoint potentially offers organizations a considerable degree of flexibility to address their unique circumstances while still “pulling” management and employees in the core strategic direction. It is argued by some that strict adherence to the scorecards four perspectives cannot be appropriate (Kaplan & Norton, 1992; Ahn, 2001).

There is evidence to show that organizations' approach to implementing a scorecard is maturing as the business community learns how to get the most out of this “important management tool” and that there is increasingly more guidance on establishing measures and implementing a scorecard) with appropriate implementation processes including top management commitment (Bourne et al., 2002; Beer et al., 1990; Kaplan & Norton, 2001, Kenny, 2003). In essence, control systems can be applied at every level in an organization and they may differ among the organizational levels and situations (Atkinson, *et al*., 1997; Fisher, 1995; 1998). Hence, there are controls at management level, corporate level as well as operational level. While management control applies to midlevel managers and operational control applies to lower echelons of the organization, corporate control on the other hand applies to the CEO and other corporate officers (Fisher, 1995).

Control at the corporate levels tends to rely more on financial measures and is more infrequent compared to control at the operational level (Atkinson, *et al.*, 1997). Nilsson (2001) argued that a control model using both financial and non-financial measures is suitable for strategic management and more useful and appropriate for low levels of organizations. Customers, expectation can be defined as customer’s partial beliefs about a product (Waal, 2003). Expectations are viewed as predictions made by consumers about what is likely to happen during impending transaction or exchange. Perceived performance is defined as customer’s perception of how product performance fulfills their needs, wants and desire (Cadotte et al., 1987). Perceived quality is the consumer’s judgment about an entity’s overall excellence or superiority (Zeithmal, 1988).

Disconfirmation is defined as consumer subjective judgments resulting from comparing their expectations and their perceptions of performance received (Spreng et al., 1996).
balanced scorecard Process improvement heuristics prescribe how a process can be improved. These prescriptions are general, so they can be replicated in any situation or

setting. These heuristics are applied to the current process to improve its performance. Taking the current process as a starting point contrasts sharply with so-called clean-sheet approaches, i.e. where the process is designed from scratch. The 'best practices', as presented in Brown (2000); provide a set of process improvement heuristics which have proved to be useful in improving business processes. To measure the impact of the best practices on performance, they are evaluated qualitatively using the dimensions of the devil's quadrangle.

Internal Business Process Perspective perceptive looks at the internal processes of an organization and how efficiently and effectively operations are conducted (Kaplan & Norton, 2007). The internal business processes can be regarded as the mechanisms by which the organization's performance expectations are achieved (Kaplan & Norton, 2001). The key processes that lead to financial success and satisfied customer expectations are important areas that an organization needs to look at. This perspective gives managers an insight into how well their business is running and whether the products and services conform to the mission which details what the customers want (Sharma, 2009).

The internal business process perspective like other perspectives links the rest to each other. This perspective shows the difference between the traditional approaches that monitor and improve the existing business processes (Dror, 2008). The measures used by organizations assist the mangers in focusing their internal processes that have the biggest impact on customer satisfaction (Al Ghamdi, 1998). In addition to this, they focus on achieving the organizations financial objectives (Geuser & Mooraj, 2009). The internal business perspective aims to identify the processes that are important to for the attainment of the organizational strategy (Iselin, Mia, & Sands, 2008).

The traditional measures worked to attain what the current customers wanted, i.e. delivering products and services today for the current customer (Kaplan 2010). This perspective incorporates both the long wave innovation cycle and the short wave operation cycle that way, managers do not have to loose on area. Learning and growth perspective initiates value creation of the organizations (Kaplan, 2010). This is because it promotes and also enhances internal business processes which are aimed at ensuring that there exists customer satisfaction which would then lead to better financial results (Brown, 2000). This perspective looks at the ability of employees, quality of the information systems and organizational alignment in accomplishing the set organizational goals. Kaplan and Norton, (2009), identified three intangible assets associated with this perspective; human capital, information capital and organization capital.

The learning and growth perspective aims to create long term growth and improvement of the employees (Waal, 2003). Advances in technology, intense competition have made it necessary for companies to ensure that they continually improve their capabilities so as to deliver value to their stakeholders (Ahn, 2001). Learning and growth perspective analyses areas such as people, i.e. employees, the systems, and organizational procedures (Johnson, 2002).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the methodology to be employed in the study. It discusses the research design, data collection and analysis and why they are the most preferred for the study.

3.2 Research Design

This research was conducted through a case study. A case study is preferred because it enables the researcher to have an in-depth understanding of the single instance, Deloitte and Touche East Africa in this case. Case studies place more emphasis on a full contextual analysis of fewer events or condition, and their inter relations (Cooper and Schindler, 2006).

3.3 Data Collection

For the purpose of this study, the researcher used primary data. An interview guide with open-ended questions was used to collect in depth information from the key personnel in four key departments namely Consulting, Audit, Financial Advisory and Tax in the firm. The interviewees in this study included the Chief Executive Officer who is the chief strategist charged with the responsibility of facilitating the implementation of various policies approved by the Board, head of the four departments and one consultant from each department. The study was based on two Deloitte & Touche offices within East Africa, Nairobi Kenya and Dar es Salaam, Tanzania. Secondary data will also be collected in annual reports, newsletters and other firm's publications.

An interview guide was used as it enabled oral administration of questions in a face-to-face encounter therefore allowed collection of in depth data. This involved in-depth discussion through individual meetings with the senior managers. With unstructured questions, a respondent's response gave an insight to his feelings, background, hidden motivation, interests and decisions with gave as much information as possible without holding back.

3.4 Data Analysis

The qualitative data collected was analyzed using content analysis technique. The responses from different respondents was compared and summarized according to the objectives of the study. Content analysis is the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication (Cooper and Schindler, 2006).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and discussions on the application of balance scorecard in strategy implementation at Deloitte and Touche East Africa. Primary data was collected through in-depth interviews of senior staffs from key personnel in four key departments namely Consulting, Audit, Financial Advisory and Tax in the firm. The data was thereafter analyzed based on the objectives of the study and the findings are as presented as per the different classes underlined below.

4.2 Extent of use of balanced scorecard by Deloitte

The purpose of the study was to establish the extent of application of balanced scorecard at Deloitte and Touche East Africa. The interviewees confirmed that Deloitte uses the Balanced score card as its performance management system. The scope of application covers all the four dimensions. At Deloitte, these dimensions are called Clients, Talent, Partnership and Brand. Based on the findings, each of these four dimensions is cascaded down from Partners to Associates.

4.3 Description of strategy formulation at Deloitte

The interviewees were asked to describe the strategy formulation in Consulting, Audit, Financial Advisory and Tax departments. Their response indicated that Deloitte and Touche East Africa has a five year rolling strategic plan which is based on long-term thinking of where the firm would like to be in each of the four balanced score card dimensions. Each year each department holds a strategy refresh workshop in which the strategy targets are discussed and modified based on the prior year's performance.

4.4 Balanced scorecard framework and strategy implementation in the four departments

The study aimed to establish how the balanced scorecard framework is linked to the implementation of strategy in the four departments at Deloitte & Touche East Africa. Based on the findings, balanced score card is linked to implementation through the assignment of dimension owners to individuals in each of the departments. The owners then develop action plans and assign implementation owners and budgets which are they carried out throughout the year. The findings are in line with Deem, Barnes, Segal, and Preziosi, (2010) who noted that proper implementation of the balanced scorecard requires a number of processes: translating the vision, communicating and linking business planning, feedback and learning.

4.5 Extent of use of balanced scorecard as a performance measure

The respondents were asked to indicate the extent to which balanced scorecard is used as a performance measure at each of the four departments at Deloitte and Touche East Africa. The respondents indicated that each individual after the strategy cascade process is assigned key performance indicators which form part of his/her performance contract with his/her department. The individual is then monitored on a periodic basis on how he/she has translated the assigned key performance indicators into tangible performance results. The respondents consider the Balanced Scorecard as one of the best remedies in tackling questions concerning helping to align key performance measures with overall organization strategy at all levels in the four departments of Deloitte & Touche East Africa. This helps to link strategic vision and long-term objectives to short term tactics thereby reviewing the strategic vision in the light of day-to-day operations management.

4.6 Interlink between internal processes and the departments at Deloitte

The respondents identified number of processes which are interlinked to enhance implementation of the strategic goals. The respondents noted that there is performance planning which happens at the beginning of the year. They also noted that there is the engagement reviews which aim at assessing the extent to which individuals address strategic objectives through their various task assignments. Further, the respondents indicated the existence of mid-year review which assesses individuals and departments performance over a half-year period. Finally, the respondents noted the end-year review which examines the performance of individuals, departments and the entire firm at the end of the financial year as well as publication of the financial and non-financial performance results which are shared across departments.

4.7 Information systems and strategy implementation at Deloitte

One of the aims of this study was to establish the extent to which the quality of the information systems influences strategy implementation at Deloitte& Touche East Africa. The respondents indicated that a number of information systems support strategy implementation. These include the practice management system, the human resource information system, the league table, training returns and marketing plan achievements. The respondents identified the infrastructure that the organisation must build to create long-term growth and improvement as intense global competition requires that companies continually improve their capabilities for delivering value to customers and shareholders. The quality of the information systems at Deloitte has made the organization to invest in re-skilling employees, enhancing information technology and systems, and aligning organizational procedures and routines so as to implement the respective strategies.

4.8 How professional services are linked to four performance metrics of the balanced scorecard at Deloitte

The respondents were asked to explain how the day to day activities of the firm, especially in providing professional services to the clients, are linked to the four performance metrics of the balanced scorecard (financial, internal processes, customers and leaning and growth) at Deloitte. It was found that the day-to-day activities of the firm are linked to the four performance metric through the key performance contribution framework that are developed at the beginning of the year. The study established that each individual is assigned key performance targets which form part of his/her performance contract with his/her department. Further, the study found that the individual is then monitored on a periodic basis on how he/she translates the assigned key performance indicators into tangible performance results.

The finding confirms that objectives and measures of Balanced Scorecard are derived from an organization's vision and strategy. The objectives and measures take into account organizational performance from four perspectives: financial, customer, internal business process, and learning and growth. It was establishes that from Balanced

Scorecard, managers measure how business units create value for current and future customers and how they enhance internal capabilities and the investment in people, systems, and procedures to improve the future performance of the organization.

4.9 Consultancy and advisory services on balanced scorecard and value to clients

The respondents were asked to explain whether Deloitte adds value to its clients considering its implementation of the balanced scorecard. The finding showed that Deloitte relies on its expansive knowledge base in identifying performance metrics and benchmarks applicable across diverse industry segments thus adding value to its clients.

4.10 The firm's programs linkage to the four performance matrices of the balanced scorecard such as training, marketing, client services

It was established that the message of the Balanced Scorecard is that it is no longer enough to focus on doing things well, but it is now necessary for successful organizations to focus on doing the right things well. As such, the Balanced Scorecard is a central element in the strategic feedback loop within an organization. Thus every activity that is value adding across the four dimensions is assigned an implementation owner who tracks and reports progress against every plan. This finding is in line with Kaplan and Norton (1992) that the premise of the Balanced Scorecard is that strategy is everybody's business from the CEO to the line worker and that a performance management system is only useful if it supports this objective. In other words, the study established that a performance measure is only useful if it can be explicitly tied to an agreed strategic objective.

4.11 Balanced scorecard, operational process and strategy implementation at Deloitte

Another aim of this study was to establish how balanced scorecard enhances operational process in strategy implementation at Deloitte. It was established that the balanced scorecard enhances operational process in strategy implementation at Deloitte through operational efficiency; knowledge management and customers' satisfaction.

4.12 Balanced scorecard and financial objectives

It was found that at Deloitte balanced scorecard enhances achievement of the financial objectives in sales growth; sales in new markets and to new customers; sales from new products and services; maintaining adequate spending levels for product and process development, systems, employee capabilities; and establishment of new marketing, sales, and distribution channels. The balanced scorecard also emphasizes traditional financial measurements, such as return on capital employed, operating income, and gross margin. The study finally established that balanced scorecard helps to maximize return on investment, which may encourage managers to seek additional investment funds based on future return projections.

4.13 Extent to which the balanced scorecard has enhanced client satisfaction in the provision of the professional services at Deloitte

The application of the Balanced Scorecard as part of Performance Management programme has brought tangible improvements and benefits at Deloitte as it serves as a gold standard against which to benchmark long-term goals for business growth and diversification, customer satisfaction, employee engagement, product and service delivery and corporate social responsibility.

It was established that Balanced Scorecard has not only enabled Deloitte to align its strategic objectives but also to undertake measurable performance management initiatives that align people, processes and resources for their most efficient deployment and operational excellence. Further, the interviewees noted that Balanced Scorecard approach has enabled Deloitte to build synergy and co-operation among the different group companies keeping an unwavering focus on Deloitte strategic priorities which has helped in effective management of this diversified entity with a strong geographic footprint across the East Africa. Finally the interviewees assertively stated that Balanced Scorecard programme has enabled Deloitte to improve on customer experience.

4.14 Relationship between customer loyalty and strategy implementation at Deloitte

The study sought to establish the relationship between customer loyalty and strategy implementation at Deloitte. According to the interviewees, customer loyalty encourages strategy implementation as consumers consistently spend a greater share of their resources which has a positive impact on competitive environment leading to strategy implementation. The study also established that as a result of higher customer satisfaction customer loyalty is increased which in turn generates increased revenues and margins. So both customer loyalty and strategy implementation are incorporated into the Balanced Scorecard of the organization.

4.15 Customer retention rates and the use of balanced scorecard in strategy implementation at Deloitte

In this study customer retention is how long a business is able to keep a customer for the purpose serving the customer with repeated businesses. The respondents felt that if balanced score card strategy is implemented a business is able to increase the number of customers it retains year on year. The study also noted that as a result of balanced score card strategy implementation Deloitte has been able to reduce the cost associated with customer dissatisfaction and exit and have not spent as much on marketing efforts to attract new customers. Also, as a result of implementing balanced score card strategy they study noted that retained customers tend to bring in higher annual revenue and margin per customer than do lost or new customers, the total profits of the business should increase.

A company's ultimate goal to succeed is to attract, satisfy and retain target customers. If a company is able to achieve this in an attractive market, the business will produce above-average profit. Regarding customer retention, the interviewees also stated that balanced score card implementation at Deloitte has led to customer satisfaction which has led to customer retention. This confirms the balanced scorecard developed by Kaplan and Norton (1992) that includes the customer perspective that improves on customer service delivery then affects customer satisfaction, which in turn affects customer retention and thereby impacts on the "lifetime value of a customer".

4.16 Relationship between revenue growth and strategy implementation at Deloitte

The study noted that the balanced scorecard seeks to integrate both strategy implementation and financial measures in a cause-and-effect relation where the action on strategy implementation influences the financial measures. Strategy implementation is largely driven by the businesses and functions. In large business organizations (Deloitte), strategy implementation often runs into problems because different business units do not align themselves with corporate strategy

4.17 Communicating balanced scorecard to lower level employees at Deloitte

The study aimed at showing that the various measures of the balanced scorecard are communicated to the employees at lower level in the organization. The study established that while the balanced scorecard has been touted as an effective tool for organizational success, the actual success of balanced scorecard can vary depending on how the various measures of the balanced scorecard are communicated within the organization. The study established that the strategy map and Balanced Scorecard are communicated through newsletters, brochures, bulletin boards, speeches, videos, training, education programs, and the company intranet. The personal behavior of executives reinforces the message across all levels of the organization.

The study further established that for these scorecards to be effective, however, everyone in the organization must understand the strategies for their unit, division, and the overall corporation. The study noted that CEOs understand that they cannot implement strategies by themselves. They need contributions—actions and ideas—from everyone. Finally the study established that individuals far from corporate and regional headquarters create considerable value by finding new and improved ways of doing business.

4.18 Strategy implementation at Deloitte and growth and improvement of employees

The study established that by viewing the employees as customers, the organization provides these individuals with a similar level of customer service extended to the external customers. With the changes in technology and advancement in the same, the study noted that it is vital that employees at Deloitte are on a continuous learning mode so as to be well equipped to help in strategy implementation. At Deloitte the employees are the main resource and as such, the study established that the employees are in a continuous learning mode through training in form of structured on the job training and orienting new employees to the culture of the organization as well as educating employees with respect to business ethics.

4.19 Discussion of the findings

This study focused on the application of balanced scorecard in strategy implementation at Deloitte and Touche East Africa. The study established that balanced scorecard enhances operational process in strategy implementation at Deloitte through operational efficiency; knowledge management and customers' satisfaction. Further the study found that balanced scorecard enhances achievement of the financial objectives in sales growth through; sales in new markets and to new customers; sales from new products and services; maintaining adequate spending levels for product and process development, systems, employee capabilities; and establishment of new marketing, sales, and distribution channels. The study concurs with Alexander, (1985) that financial performance measures for any Balanced Scorecard should define long-run financial objectives for the organization. Alexander noted that many organizations emphasize on profitability.

The study is also in line with Norton and Kaplan who that recommended the simplification of the financial perspective measurement selection pool to identify the stages in an organization's, which are rapid growth which involves considerable investments to develop and enhance new products and services, to construct and expand production facilities, to build operating capabilities, to invest in systems, infra-structure, and distribution networks that will support relationships, and to nurture and develop customer relationships. Sustainability organisations are required to earn excellent returns on their invested capital to maintain their existing market share and grow.

The study also found that if balanced score card strategy is implemented a business is able to increase the number of customers it retains year on year. The study also found that as a result of balanced score card strategy implementation Deloitte has been able to reduce the cost associated with customer dissatisfaction and exit and have not spent as much on marketing efforts to attract new customers. Also, as a result of implementing balanced score card strategy they study found that retained customers tend to bring in higher annual revenue and margin per customer than do lost or new customers, the total profits of the business should increase. This confirms the balanced scorecard developed by Kaplan and Norton (1992) that includes the customer perspective that improves on customer service delivery then affects customer satisfaction, which in turn affects customer retention and thereby impacts on the "lifetime value of a customer".

The study further found out that the balanced scorecard seeks to integrate both strategy implementation and financial measures in a cause-and-effect relation where the action on strategy implementation influences the financial measures. The study also found that strategy implementation is largely driven by the businesses and functions. In large business organizations like Deloitte, the study found out that strategy implementation often runs into problems because different business units do not align themselves with corporate strategy. The study findings are in line with Kaplan and Norton who noted that, successful strategy implementation requires the alignment of financial measures/components since financial measures and strategy implementation provides the yardsticks for success in any organization.

Finally the study found out that balanced score card is linked to strategy implementation through the assignment of dimension owners to individuals in each of the departments. The owners then develop action plans and assign implementation owners and budgets which are they carried out throughout the year. The study findings are in line with Deem, Barnes, Segal, and Preziosi, (2010) who noted that proper implementation of the balanced scorecard requires a number of processes: translating the vision, communicating and linking, business planning, feedback and learning.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusions and recommendations of the study. This study focused on the application of balance scorecard in strategy implementation at Deloitte and Touche East Africa.

5.2 Summary of the findings

From the findings, Deloitte and Touche East Africa has a five year rolling strategic plan which is based on long-term thinking of where the firm would like to be in each of the four balanced score card dimensions. The study also found that each year each department holds a strategy refresh workshop in which the strategy targets are discussed and modified based on the prior year's performance.

From the findings, balanced score card at Deloitte and Touche East Africa is linked to implementation through the assignment of dimension owners to individuals in each of the departments. The owners then develop action plans and assign implementation owners and budgets which are they carried out throughout the year. The study findings are in line with Deem, Barnes, Segal, and Preziosi, (2010) who noted that proper implementation of the balanced scorecard requires a number of processes: translating the vision, communicating and linking, business planning, feedback and learning.

The study found out that each employee is assigned key performance indicators which form part of his/her performance contract with the department. The individual is then monitored on a periodic basis on how he/she has translated the assigned key performance indicators into tangible performance results. The study also found out that there is performance planning which happens at the beginning of the year and there are engagement reviews which aim at assessing the extent to which individuals address strategic objectives through their various task assignments.

The study also identified the infrastructure that the organisation must build to create long-term growth and improvement as intense global competition requires that companies continually improve their capabilities for delivering value to customers and shareholders. The study also found that the quality of the information systems at Deloitte has made the organization to invest in re-skilling employees, enhancing information technology and systems, and aligning organizational procedures and routines so as to implement the respective strategies.

The study established that the day-to-day activities of the firm are linked to the four performance metric through the key performance contribution framework that are developed at the beginning of the year. The study indicated that each individual is assigned key performance indicators which form part of his/her performance contract with his/her department. Further, the study indicated that the individual is then monitored on a periodic basis on how he/she translates the assigned key performance indicators into tangible performance results.

The study also found that Deloitte does and rely on its expansive knowledge base in identifying performance metrics and benchmarks applicable across diverse industry segments as a result adding value to its clients. It also found that the message of the Balanced Scorecard is that it is no longer enough to focus on doing things well, but it is now necessary for successful organizations to focus on doing the right things well. As such, the Balanced Scorecard is a central element in the strategic feedback loop within an organization.

The study further established that balanced scorecard enhances operational process in strategy implementation at Deloitte through operational efficiency; knowledge management and customers' satisfaction. The study also established that at Deloitte balanced scorecard enhances achievement of the financial objectives in sales growth through; sales in new markets and to new customers; sales from new products and services; maintaining adequate spending levels for product and process development, systems, employee capabilities; and establishment of new marketing, sales, and distribution channels.

The study aswell found that Deloitte has attained several impressive milestones in customer satisfaction through the application of the Balanced Scorecard, Since the application of balanced scorecard as the vital driver in the provision of the professional services, Deloitte has recorded an improvement in overall performance in the four departments recording a 20% increase between the years 2010 and 2012. It has also brought tangible improvements and benefits at Deloitte as it serves as a gold standard against which to benchmark long-term goals for business growth and diversification, customer satisfaction, employee engagement, product and service delivery and corporate social responsibility. It also found that Balanced Scorecard has not only enabled Deloitte to align its strategic objectives but also to undertake measurable performance management initiatives that align people, processes and resources for their most efficient deployment and operational excellence. The study also found that balanced scorecard approach has enabled Deloitte to build synergy and co-operation among the different group companies keeping an unwavering focus on Deloitte strategic priorities which has helped in effective management of this diversified entity with a strong geographic footprint across the East Africa.

The study also established that customer loyalty encourages strategy implementation as consumers consistently spend a greater share of their resources which has a positive impact on competitive environment leading to strategy implementation. Further the study established that as a result of higher customer satisfaction customer loyalty is increased which in turn generates increased revenues and margins. So both customer loyalty and strategy implementation are incorporated into the Balanced Scorecard of the organization. From the findings, if balanced score card strategy is implemented a business is able to increase the number of customers it retains year on year. The study also noted that as a result of balanced score card strategy implementation Deloitte has been able to reduce the cost associated with customer dissatisfaction and exit and have not spent as much on marketing efforts to attract new customers. The study also found that the balanced scorecard seeks to integrate both strategy implementation and financial measures in a cause-and-effect relation where the action on strategy implementation influences the financial measures.

Based on the findings, strategy map and Balanced Scorecard are communicated through newsletters, brochures, bulletin boards, speeches, videos, training, education programs, and the company intranet. The personal behavior of executives reinforces the message across all levels of the organization. The study also found that for these scorecards to be effective, however, everyone in the organization must understand the strategies for their unit, division, and the overall corporation.

Finally the study found out that by viewing employees as customers, the organization provides these individuals with a similar level of customer service extended to the external customers. With the changes in technology and advancement in the same, the study noted that it is vital that employees at Deloitte are on a continuous learning mode so as to be well equipped to help in strategy implementation.

5.3 Conclusion

This study focused on the application of balanced scorecard in strategy implementation at Deloitte and Touche East Africa. In line with the findings the following conclusions are drawn; this study concludes that Balanced Scorecard is definitely a useful tool to renew an organization's mission and strategic objectives. The study also concludes that, the Balanced Scorecard has proven its usefulness also as a two-way communications tool that enables to pass information more easily to all the members of an organization, as every member's task in formulating the core business information is certainly much higher than in the case of centralized strategic management systems. At the same time, the Balanced Scorecard simplifies the analysis of monthly performance review and compares the results of the review with strategic objectives.

The study further concludes that, Balanced Scorecard turns the activities of an organization much more efficient as its every member is more aware and committed to the strategy. In the end, Balanced Scorecard avoids performing many tasks that are not in line with objectives and members start to diminish less important assignments that do not contribute to goals. Finally the study concludes that the main objective of the Balanced Scorecard is to bring the different perspectives (financial, internal business processes, learning and growth, and clients,) together into a uniform system that would enable to measure them in a balanced way that is derived from the strategic objectives of an organization.

5.4 Recommendations

The study recommends all organizations should adopt balanced scorecard approach in measuring performance. This owes to the fact that while balance scorecard is an important tool of performance measurement in both financial and non-financial perspectives, a greater number of organizations public and private do not use the same.

5.5 Limitation of the Study

The other limitation of this study was the limit of time and scale of the research, which was done only at Deloitte and Touche East Africa. Therefore, the limit of sampling chose Deloitte and Touche East Africa in Nairobi Kenya and Dar es Salaam, Tanzania. Meanwhile, Deloitte and Touche East Africa does not represent for the vast majority of East Africa companies, thus the findings of this research may not be generalized to other enterprises in the region. Due to time constraint, just a few of the metrics were selected for each of the four main perspectives to demonstrate the power of the balanced scorecard. In the event of a more corroborative research work between the academia and industry, the number of metrics under each perspective could be increased.

5.6 Areas of further Research

The study recommends that further research should be done on the ministries and State Corporation other than private organizations. This would augment this study for whereas organization performance is similar in these organizations; little studies have been done on the same.

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APPENDIX

INTERVIEW GUIDE

This interview guide was designed and used to collect information on Deloitte & Touche's application of balanced scorecard in strategy implementation.

1. To what extent does Deloitte use balanced scorecard?

2. Describe the strategy formulation in each of the four key departments at Deloitte i.e. Consulting, Audit, Financial Advisory and Tax.

3. How does the balanced scorecard framework linked to the implementation of strategy in the four departments?

4. To what extent the balanced scorecard is used as a performance measures on the achievement of the strategic goals at the firm's level and at each of the four departments?

5. Describe the various internal processes available within Deloitte and how are interlinked within the departments to enhance implementation of the firm's strategic goals?

6. Does the quality of the information systems at Deloitte influence strategy implementation?

7. How does the day to day activities of the firm especially in providing professional services to the clients are linked to the four performance metrics of the balanced scorecard ie financial, internal processes, customers and leaning and growth?

8. As the consultant firm in the provision for advisory services on balanced scorecard does Deloitte add value to its clients considering its implementation of the balanced scorecard?

9. To what extent are the firms program's linked to the four performance matrices of the balanced scorecard such as training, marketing, client services etc

10. How does balanced scorecard enhance operational process in strategy implementation at Deloitte? This should refer to the day to day operations of each of the four departments.

11. Does the organization provide an annual report that depicts major strategic issues such as financial performance, client satisfaction, employees' development and operational excellence?

12. How does the balanced scorecard enhance achievement of the financial objectives as contained in the firms and departmental strategy?

13. Describe the customers (clients) base at Deloitte.

14. To what extent the balanced scorecard has enhanced the client satisfaction in the provision of the professional services in the four departments? Or Explain how customer satisfaction affect strategy implementation at Deloitte

15. Is there relationship between customer loyalty and strategy implementation at Deloitte? Explain

16. How do customer retention rates influenced by the use of balanced score card in strategy implementation at Deloitte?

17. Is there relationship between revenue growth and strategy implementation at Deloitte? How the financial measures improve strategy implementation?

18. How are the various measures of the balanced scorecard communicated to the employees at lower level? How their performance is measured in related to the balanced scorecard?

19. How does ability of employees influence strategy implementation at Deloitte?

20. How does the growth and improvement of the employees influence strategy implementation?