APPLICATION OF BALANCED SCORE CARD AND THE PERFORMANCE OF MULTINATIONAL CORPORATIONS LISTED ON THE NAIROBI SECURITIES EXCHANGE

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, THE UNIVERSITY OF NAIROBI

NOVEMBER, 2013

DECLARATION

This research project is my original work and has not been presented for examination to any other university.

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This research project has been submitted for examination with my approval as the university supervisor.

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ACKNOWLEDGEMENT

I would like to extend my appreciation to my supervisor, family, friends and all the respondents who contributed tremendous inputs towards the successful completion of this research project.

Special gratitude and appreciation go to my Supervisor, Prof. Ogutu, for his patience, guidance, support and dedication throughout the study. He was such an inspiration! I truly feel indebted to him.

Secondly, I am grateful to late parents Francis and Teresia, for foreseeing the future and sacrificing so much to prepare and support me, the same extends to my entire family, for cheering me up after every tough day of fieldwork.

Thirdly, I am grateful to all the respondents who provided invaluable data and information. I couldn’t have done it without them!

Finally, I am deeply grateful to the Almighty God who makes all things possible and for giving me strength, good health and sound mind throughout the study period.

DEDICATION

I dedicate this research project to the Almighty God for His grace, mercy and blessings that have seen me through this challenging process.

To my lovely sisters Phylis, Linner, Serafina and Caroline, my Brothers Benson and Ancelim not forgeting my dear friends who gave me hope and encouraged me whenever I felt like giving up.

To my deceased parents, who taught me how to percevere even in very tough times. And finally to my supervisor Prof. Martin Ogutu for his dedicated guidance and availability whenever I needed to consult him.

ABSTRACT

The BSC tool is important in measuring performance of a firm and has been used to remedy the inadequacies of current performance measurement systems which have given more weight to financial measures while others have given more weight to the customer perspective. Indeed, the BSC tool assigns equal weight to all the four perspectives of financial, customer, internal and learning perspectives. This means that the BSC assists managers in ensuring that the performance outcomes as well as key enablers or drivers of future performance like the capacity of human resources, financial resources, technological resources, brand positioning and customer perception are identified to create a complete picture of the strategy. The research objective was application of balance score card and the performance of multinational corporations listed on the Nairobi Securities Exchange. The study adopted a descriptive survey design. The target population for this study consisted of the 60 companies listed on the Nairobi Securities Exchange. The researcher collected both primary and secondary data. The study adopted the purposive random sampling technique in which six major MNCs selected were Nation Media Group, CMC Holdings, Barclays Bank, Jubilee Holdings, East African Breweries and KenolKobil. The findings of the study were that balance score card is used in order to assist in financial measures, customer focus, internal business processes and organizational learning and growth. MNCs have been using balance score card for financial perspective and this results in increased gross profit growth as well as the net income has as a result of measuring the employee performance, increased revenue growth of the firm, increased annual sales growth as a result performance evaluation has been undertaken, decreased operating cost of the firm when employees cost to revenue generated is evaluated, organization selling expense to sales ratio has been reducing after performance evaluation has been undertaken and that stock prices growth in the firm has been achieved. The effect of organizational learning and growth was found to be continuous employment of new manufacturing technologies, increased hours per employee, increased annual training and development budget per employee, under development of new manufacturing processes and enhanced employee education and skills. The study further established that the firms have been focusing on their customers and it results in improved customer retention rate and the number of repeat customers, customer satisfaction with customers handling, satisfactory speed of services delivery, customers perception of order taking is convenient and accurate, customer satisfaction with the cost of goods and products and increased market share in different geographic locations.

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LIST OF ABBREVIATIONS AND ACRONYMS

BSC: Balanced Score Card

FDI: Foreign Direct Investment

MBA: Master of Business Administration

MNC: Multinational Corporation

NSE: Nairobi Securities Exchange

SMEs: Small and Medium Enterprises

USA: United States of America

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The Balanced Scorecard (BSC) is an important tool used in measuring performance of an organization and provides a powerful framework for building and communicating strategy by allowing the business model to be visualised in a strategy map which forces managers to think about cause-and-effect relationships (Kaplan and Norton 1996). This means that the BSC assists managers in ensuring that the performance outcomes as well as key enablers or drivers of future performance like the capacity of human resources, financial resources, technological resources, brand positioning and customer perception are identified to create a complete picture of the strategy (Nordberg 2008). Indeed, across the globe the appropriate use of the BSC tool has been associated with improved strategy communication and execution, better management of information, improved performance reporting, better strategic alignment and better organizational alignment (Samir et al. 2006). A Balanced Scorecard defines an organization’s performance and measures whether management is achieving desired results. It translates Mission and Vision Statements into a comprehensive set of objectives and performance measures that can be quantified and appraised (Darrell 2013).

Multinational Corporations (MNCs) are huge industrial organizations having a wide network of branches and subsidiaries spread over a number of countries. It is an organization that is based in one country and having operations in two or more countries

(Lasserre 2003). Multinational Corporations (MNCs) have played a role in international trade for several centuries. They are engaged in activities ranging from extractive to manufacturing and they account for significant share of world's output. The MNCs originate from different countries including industrially developed countries, newly industrializing countries and developing countries (Nordberg 2008). The current global MNCs own enormous financial resources, proprietary technology and engage the services of highly qualified managers that have been credited for the performance of the MNCs. However, the effectiveness and efficiency of MNCs can be linked to the use of BSC tool in the measurement of performance of the financial, customer, internal and learning perspectives of the organization.

1.1.1 Concept of Balanced Score Card

The BSC is organized through four different perspectives: Financial, Customer, Internal and Learning perspectives. Under the financial perspective the BSC tool provides that for a firm to succeed financially it should meet the demands of the owners (shareholders) through delivery of measurables like financial ratios, customer share and other various cash flow measures (Samir et al. 2006). In the customer perspective, the firm should also meet the demands of the customer dedicating enough time on handling customer orders, queries and complaints and implementing the findings of customer surveys (Kaplan and Norton 1996).

The internal perspective of the BSC tool seeks to satisfy the shareholders and customers by ensuring that the firm chooses the right business policies and processes that would deliver their unique demands. The internal business policies and processes are often classified as mission oriented and support oriented respectively. This perspective also ensures that the length of time spent prospecting and the amount of rework required is minimized (Samir et al. 2006). Lastly, under the learning perspective the BSC tool prescribes that the firm should achieve its vision and be able to sustain its ability to change (Kaplan and Norton 1996).

1.1.2 The Concept of Firm Performance

Firm performance is the deliberate strategic and integrated approach to delivering sustained success to the organization by improving the contribution of the people who work in it and developing the capabilities of teams and individuals. The strategic part of firm performance is concerned with broader issues facing the business and achievement of short term and long-term goals while the integrated approach to delivering sustained success would entail vertical integration, functional integration, human resource integration and integration of corporate and individual objectives (Nordberg, 2008).

Vertical integration entails alignment of the business, team and individual objectives with the business strategy while functional integration involves linking functional strategies and activities with the business strategy. Likewise, human resource integration would entail the building of capacity among the people through reward systems in a bid to increase productivity levels and attain the business strategy. Lastly, integration of corporate and individual objectives would involve mechanisms that create a sense of pride in the individuals as they seek to deliver the business strategy (Pearce and Robinson 2005).

1.1.3 Multinational Corporations in Kenya

The Origin of MNCs in Kenya dates back from 1963 to 1980 when most MNCs originated from Great Britain, Western Europe and the USA. From 1980 onwards, many MNCs have come from Asia Pacific- Japan, South Korea, and China. Very few have come from other developing countries like India and South Africa. The MNCs access the Kenyan market through inward Foreign Direct Investment (FDI) which allows firms to control management and all other policies of the company due to the level of investment. The FDIs include existing MNCs that reinvest their earnings in the country or bring in fresh investment funds from abroad. The second approach is outward FDIs where the MNCs that operate in Kenya would expand their operations to the neighboring countries using Kenya as a base and can export funds earned in Kenyan operations and reinvest in neighboring countries (Nzomo, 2009). Some of the major Multinational Corporations that will be covered in this study are : National Media Group from the commercial and services, CMC Holdings from the automobiles and accessories segment, Barclays Bank from the banking segment, Jubilee Holdings from the Insurance segment, East African Breweries from the Manufacturing and allied segment and KenolKobil from the energy and petroleum segment.

Therefore, Kenyan outward FDIs are Kenya firms that are investing their funds in other countries. Currently, the main recipients of Kenyan outward FDIs are Uganda, Southern Sudan, Ethiopia, South Africa, Somalia, and Tanzania. Generally all MNCs in Kenya seek free markets; peace and security; good infrastructure; availability of commercial services and availability of both managerial and ordinary manpower. An example of inward FDI firms operating in Kenya include CMC Holdings Limited while the outward FDI firm operating from Kenya include East African Breweries.

1.2 Research Problem

The BSC tool is important in measuring performance of a firm and has been used to remedy the inadequacies of current performance measurement systems which have given more weight to financial measures while others have given more weight to the customer perspective. Indeed, the BSC tool assigns equal weight to all the four perspectives of financial, customer, internal and learning perspectives. Although the BSC tool remains the most popular measure of firm performance all over the world more especially in Multinational Companies, it has been criticised for being like the dials in an airplane cockpit because it gives managers complex information at a glance and therefore may not be an effective tool of implementing strategic objectives of an organization (Samir et al. 2006).

Scholars and practitioners have conducted several studies to establish various aspects related to the use of the BSC tool in strategy implementation and as a measurement tool of firm performance. Kabiru (2011) investigated the role of the BSC tool as a strategic management implementation tool by Gateway Limited, a Small and Medium Enterprise (SME). He established that the BSC tool was used to evaluate the attainment of strategic objectives of the firm by comparing the actual performance with the set out parameters in the BSC tool in relation to financial, customer, internal and learning perspectives of the firm. He concluded that the BSC tool was an effcient tool in monitoring and evaluating strategy implementation at Gateway Limited and SMEs in general. Thuo (2012) investigated the challenges in the implementation of the BSC tool at Safaricom Kenya Limited. She found out that the greatest challenge was the complexity of the tool and its prescription of measures that could not resonate with the reality of the Kenyan market. She recommended that the various perspectives of the BSC tool should be customized to fit the industry or firm in which it is to be used. Kinya (2012) also investigated the challenges of the BSC as a strategy implementation tool in large commercial banks in Kenya. The banks that were studied included local banks like Equity Bank Kenya Limited and Kenya Commercial Bank Limited and multinational banks like Standard Chartered Bank Limited and Barclays Bank Kenya Limited. The findings indicated that the BSC tool was applied across all the banks as a strategy implementation tool and as a tool of measuring the attainment of strategic objectives of the firms in relation to financial, customer, internal and learning perspectives of the organizations.

The above scholars have focused on the applications of BSC tool in strategy implementation and measurement of performance of large corporations and SMEs. However, the researcher has not come across a specific study focusing on the applications of BSC tool in MNCs. Hence this study seeks to fill the identified knowledge gap through an indepth investigation into the applications of BSC tool and the peformance of MNCs listed in the Nairobi Securities Exchange. This study shall therefore seek to answer the following research questions: How are Multinational Corporations listed in the NSE applying the BSC tool?; and is the performance of the Multinational Corporations listed in the NSE related to how they are applying the BSC tool?

1.3 Research Objectives

This research addressed the following objectives:

i. To determine how Multinational Corporations listed in the Nairobi Secrurities Exchange apply the Balanced Scorecard
ii. To determine whether the performance of Multinational Corporations listed in the Nairobi Securities Exchange is related to how they are applying the Balanced Scorecard.

1.4 Value of the Study

Firstly, in the spheres of knowledge in Strategic Management, the academia and business researchers may be able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study hopes to make theoretical, practical and methodological contributions. The findings will also contribute to professional extension of existing knowledge in Strategic Management by helping to understand the current applications of BSC tool in measuring the performance of MNCs and its overall effects on the attainment of the strategic objectives of business organizations.

Secondly, the policy makers in the MNCs and the field of Strategic Management in general may use the findings of this study to come up with universally applicable strategies and policies that can improve the use of BSC tool in the strategic and integrated approach to delivering sustained success of the MNCs in Kenya and especially those listed in the NSE, as well as other organizations worldwide.

Thirdly, in guiding management practice for MNCs and other organizations, the findings of this study would be of benefit to staff and management of Coca Cola East Africa, Nestle Kenya Limited, East Africa Breweries Limited and Unilever Kenya Limited since they will shed light on how they should be managing day-to-day activities and what practices ought to be corrected or promoted in order to make the best out of BSC tool of performance management. This will lead to high performance levels and aid in the achievement of the organizations' strategic maps.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to the theoretical and empirical perspectives of the variable adopted by the study. The first item to be discussed is the applications of the BSC tool in the general practice of management. Secondly, the challenges experienced in the application of the BSC tool in guiding management practice in organizations are also explored. Thirdly, the chapter presents the theoretical tenets of the concept and practice of organizational performance. Lastly, the chapter closes by discussing the relationship between the BSC tool and the organizational performance of companies that apply the tool in measuring performance.

2.2 Application of Balanced Scorecard

The BSC tool has been put o use in private, public and non-governmental organizations. There are many uses of the BSC in all these organizations but seven key uses have been established as cutting across all types of organizations: Articulation of the business' vision and strategy; identification of the performance categories that best link the business' vision and strategy to its results (like the financial performance, operations, innovation, employee performance); establishing objectives that support the business' vision and strategy; developing effective measures and meaningful standards (establishing both short-term milestones and long-term targets) ; ensuring companywide acceptance of the measures; creating appropriate budgeting, tracking, communication, and reward systems; collecting and analyzing performance data and comparing actual results with desired performance and taking action to close unfavourable gaps (Kaplan and Norton, 2000)

In articulation of the business' vision and strategy the organizations use the BSC to establish the financial goals, customer expectations, internal weaknesses and strengths and the organizational learning objectives. Once these parameters are established, the BSC is then used to ensure that the accomplishment of each of them is aligned and realigned with the vision of the organization. Therefore, the BSC tool acts as the guide to attainment of the vision, strategy and objectives of the organization at all levels including top management, middle level management and low level management and support functions (Kaplan and Norton, 2002).

Secondly, the BSC tool is applied in evaluating the performance on all the four perspectives of financial goals, customer expectations, internal capabilities and organizational learning objectives. Upon evaluation, the management teams will then proceed to identify the performance categories that best link the business' vision and strategy to its results ranging from the financial metrics, measures of operations efficiency and effectiveness, innovations and employee performance. This separation of performing and non performing systems and processes assists the organizations in pursuing the third application of the BSC tool which is establishment of the objectives that support the business' vision and strategy. In summary therefore, the BSC tool is used in choosing the achievable and realistic objectives and discarding the unachievable and nonrealistic objectives of the organization (Kaplan and Norton, 2004).

The fourth application of BSC tool in organizations entails developing effective measures and meaningful standards (establishing both short-term milestones and long-term targets). This is enabled by the fact that the BSC tool assists organizations in identifying the objectives to be pursued and therefore it becomes easier for organizations to come up with standards and procedures that would assist in the attainment of such objectives. This utility of the BSC tool leads to the fifth application which is the ensuring of companywide acceptance of the measures through proper and adequate communication and use of incentives or threats to ensure compliance with the established standards (Kaplan and Norton, 2005).

The sixth application of the BSC tool entails the creation of appropriate budgeting, tracking, communication, and reward systems. These usually emanate from the feedback processes within the organization and the need for establishment of controls within which the established standards can be adhered to and the required outcomes delivered in a cost effective manner. Lastly, the BSC tool becomes the basis upon which relevant data is collected and analyzed in order to establish the exact level of performance of the organization. This also paves way for the comparison of actual results with the desired performance and taking action to close unfavorable gaps in order to ensure that the organization not only survives but manages to thrive in a consistent and sustainable manner (Kaplan and Norton, 2006).

In conclusion therefore, the BSC tool is used by organizations (including MNCs) in clarifying or updating their business strategies, linking strategic objectives to long-term targets and annual budgets, tracking the key elements of the business strategy, incorporating strategic objectives into resource allocation processes, facilitating organizational change, comparing performance of geographically diverse business units and increasing companywide understanding of the corporate mission, vision and strategic objectives.

2.3 Challenges of Balanced Score Card

The balanced scorecard is a huge part in strategic management, and its main role is the provision of clear prescriptions about the company's measurements. These measurements, be it on internal capabilities or weaknesses, customer relations or organizational learning goals, will help balance the company together with the financials in a manner that ensures that the company attains both effectiveness and efficiency in its operations. In essence therefore, the BSC is not only a measurement system but it is also a management system, which enables clarification of the company's strategy and vision. In addition, this enhances the ability of the organization when it comes to translating the processes and the outcomes so that they can continually improve performance and results as a whole (Niven, 2005a).

In fact, even if any organization understands completely what the balanced scorecard is about, it will still face BSC implementation challenges. For instance the obvious challenge is that whenever the BSC implementation plan seems to be working well and all of a sudden the process fails, it is not always clear where the implementers would run for help! This is aggravated by the fact that the parameters of the BSC touch on various functions of the organization and therefore there is no one authoritative centre of control. Other common challenges include the fear of the management when it comes to using new measurement systems; lack of the general definition of the terms and the meanings that are being used regarding the BSC and loss of momentum, excitement and the drive to stick to the measurements prescribed by the BSC (Niven, 2005b).

The second challenge is lack of a control center from where the implementation of BSC can be controlled, monitored and evaluated touches on the structural and organizational nature of organizations. The need for accountability dictates that every manager has the requisite responsibility over their primary functions. For instance, all matters related to finance should be controlled, monitored and evaluated by the finance function. However, this fete is almost impossible to achieve because most organizations have decentralized their operations and for instance, every department makes its own budget and is entrusted with initiating, executing and reporting of the financial transactions that have occurred. This type of arrangement makes it difficult to assign absolute responsibility to any one individual or team and ends up complicating the uniform application of the BSC measurements (Kaplan and Norton, 2005).

The third challenge is the lack of a general definition of the terms and the meanings that are being used regarding the balanced scorecard. Ideally, there should be an organizational explanation and classification about the terms that are associated with BSC. Inconsistent, weak or lack of understanding of such terms, usually leads to a big problem when implementing the BSC. This leads to lack of uniformity in the application of BSC measures across the departments or functions of the organization and ultimately complicates the process of comparing performance levels among the departments or functions. This challenge is usually tackled through institutionalization of adequate communication measures that ensure that everyone understands what the BSC is about and how it is being implemented in the organization (Kaplan and Norton, 2006).

Lastly, the implementers of the BSC tool may suffer from loss of momentum upon the dying down of the initial excitement that usually characterizes the introduction of the BSC tool in any organization. In most cases, upon loss of the excitement and drive to apply the BSC measures, the users will just look for another system of measurement. Thus, in the end, they would have wasted their time and effort when implementing the BSC. This challenge can be managed through creation of a culture of performance measurement and use of promotional and structural facilities to ensure that the use of BSC is inculcated in the Business As Usual (BAU) of the employees. Indeed, such a culture can really aid in combating all the other challenges that face the application of BSC in any organization (Niven, 2005b).

In summary, the challenges of BSC in learning and growth, take on the employee training, the corporate culture attributes and self improvement, knowledge organization and continuous learning for the operations. Internal business processes cover the metrics that will measure the performance of the business operations by ensuring that the company particularly its products and services, agree with the customer requirements and the mission as well. The customer perspectives would focus on the clients and stakeholders by ensuring satisfaction, orientation and meeting points. The employees should be made aware of the fact that if they fail to satisfy the customers, they will look for other suppliers or organizations that will provide them with what they are looking for. Finally, the measure of the financial perspective is based on the monetary data that is accurate and timely through risk assessment as well as the cost benefit analysis of every financial process, procedure or system that is implemented (Kaplan and Norton, 2006).

2.4 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development. Therefore, organizational performance is the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Indeed, even non profit organizations are associated with organization performance through the mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable activities (Nordberg, 2008).

The creation of flexible, high-performing, learning organizations is the secret to gaining competitive advantage in a world that won't stand still. This can be attained through flexible or lean manufacturing methods and associated employment-relation practices. Other essentials of effective organization performance include self-managed teams and decentralization of decision making. In reality therefore, organization performance is an analysis of a company's performance as compared to goals and objectives. Within corporate organizations, the three primary outcomes analyzed include financial performance, market performance, shareholder value performance and production capacity performance (Pearce and Robinson, 2005).

Many of the perspectives that dominated the early thinking concerning organization performance have their roots in traditional economic theory, with an emphasis on market power and industry structure as determinants of performance. This economic theory context emphasizes economies of scale and scope, the optimization of transactions costs across subsidiaries and critical market characteristics to explain different firm-level strategies of performance. This view holds that organization performance is designed through the alignment of resources, knowledge and vision to create competitive advantage by responding with unique capabilities to environmental changes. In other words, organization performance is an alignment of firm strengths with external opportunities (Porter, 2010).

External environmental conditions and industry structure are largely assumed to shape the organization’s performance. In recent years, however, other streams of research emphasizing a resource-based bundle of capabilities perspective on organizational performance have evolved to characterize the firm’s evolution and strategic growth alternatives. The resource-based view of the firm suggests that the firm's internal characteristics, especially the cultural patterns of learning and human capital asset accumulation, have significant impact on the firm's capability to introduce new products and compete within disparate markets. Moreover, these same characteristics define firm heterogeneity through strategic intent and their knowledge base. Consequently, how a firm strategically deploys asset allocation in support of its unique comparative advantage is significant in determining its future strategies (Pearce and Robinson, 2005).

The resource-based view takes this thinking one step further: it puts forward that competitive advantage can be sustained only if the capabilities creating the advantage are supported by resources that are not easily duplicated by competitors. In other words, firms' resources must raise barriers to imitation. Thus, resources are the basic units of analysis and include physical and financial assets as well as employees' skills and organizational (social) processes. A firm's capabilities result from bundles of resources being brought to bear on particular value-added tasks (like design for manufacturing and just-in-time production). The view also holds that organizational factors influence firm performance to a greater extent than economic factors (Porter, 2010).

2.5 Balanced Score Card and Organizational Performance

The BSC tool is used to evaluate organizational performance through a six-step process that involves establishing and defining what the current value gap is for shareholders – or in other words, set the financial objectives, measures and targets. These steps involve determination of how long-term revenue growth and short-term productivity improvements will be pursued. The set targets should be stretching and challenging to the organization. The second step involves reconciling the current value proposition by identifying the current target customer segments, clarifying the value proposition being used, selecting the right measures and reconciling the customer objectives to the goals of financial growth. At this stage, the organization might also decide on a new customer proposition that will generate the desired growth (Biswanath, 2007).

The third step involves establishing the projected timelines. The timelines will stipulate how quickly the new internal processes and themes can begin to generate the kinds of financial results required. This should indicate which goals are achievable and which goals may need further adjustment. The fourth step would be concerned with identifying the key strategic themes – those critical few internal processes which will have the greatest impact on the customer value proposition. It also highlights the internal processes that will be the drivers for those targets and create some linked objectives, measures and targets. The fifth step would involve identifying and aligning the intangible assets – by assessing the level of strategic readiness of each intangible asset. This will then be followed by setting of targets on how to increase each asset’s level of readiness individually. The last step would involve specifying and funding the strategic initiatives required to execute the strategy. This step ensures that there is clarity about the level and sources of funding required (Samir et al, 2006).

In summary therefore, the steps ensure that passive statements of intent are given substance and relevance. In addition, use of balanced measures at the organizational level, and sharing of the results with supervisors, teams, and employees; managers are able to provide the information needed to align employee performance plans with organizational goals. In other words, through balancing the measures used in employee performance plans the organization performance picture becomes complete (Samir et al, 2006)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology adopted in the study on establishing the applications of the BSC and its uses in the measurement of performance of MNCs listed in the Nairobi Securities Exhange. It starts with discussing the research design of the study. This describes the type of research design and the reason for adopting it. Secondly, the chapter describes the study population in terms of the nature of the population and its relevance to the study objectives. Thirdly, the chapter presents the sample design and explains its application in choosing the sample size of the study. Fourthly, the study presents the types of data to be collected, data collection procedures, and the data collection tools. Lastly, the data analysis techniques, the expected outputs and information presentation methods are discussed.

3.2 Research Design

The research was conducted through a descriptive survey design. According to Kothari (2004) descriptive research includes cross sectional surveys and fact-finding enquiries and describes the state of affairs as it exists at present. A descriptive research design helps to ascertain and be able to describe the characteristics of the variables of interest in a situation and portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility (Kombo and Tromp, 2006).

The descriptive survey design enabled the researcher to collect information that was relevant in establishing a summary on the applications of the BSC tool in the MNCs listed in the Nairobi Securities Exchange. The findings also provided a summarized view on the role that the BSC tool plays in the measurement of performance of MNCs listed in the Nairobi Securities Exchange

3.3 Study Population

According to Mugenda & Mugenda (1999), study population refers to members of a real set of people, events and objects to which a researcher intends to generalise the results of the research. The target population for this study consisted of the 60 companies listed on the Nairobi Securities Exchange. These MNCs consisted of companies engaged in different types of operations ranging from production of consumer goods and industrial goods or provision of services. The targeted MNCs were selected on the basis of their use of the BSC tool in the setting of measures of performance and evaluating the actual performance in their financial, internal, customer service and organizational learning perspectives.

3.4 Sample Design

Secondary data was collected from news bulletins, audited financial reports, news items and any relevant literature material like related academic research projects. These sources shed light on the effects of organizational structure changes on the strategic intent of commercial banks and other organizations. The data collection tools enabled a trade-off between cost, speed, accuracy, detail, comprehensiveness, response rate, clarity and anonymity which are useful for validity and reliability. Permission to administer the questionnaires was sought through an introduction letter.

3.6 Data Analysis

Descriptive statistics were used in the analysis of data. Data analysis begun with editing, coding and tabulation of the data according to the research questions. The data was then entered into the computer using the Statistical Package for Social Sciences (SPSS) and Microsoft Excel 2010 computer software for analysis. Descriptive statistics like mean and standard deviation were used to summarise the findings. while regression analysis was used to establish relationships between the variables.

Frequency tables, bar graphs, means, standard deviation and percentages were used to present the information. The information served two functions in relation to the research objectives: To show how the MNCs in Kenya apply the BSC tool, and, to show the relationship between performance of MNCs in Kenya and the application of the BSC tool.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish application of balance score card and the performance of multinational corporations listed on the Nairobi Securities Exchange. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 18 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 18 questionnaires issued out, only 15 were returned. This represented a response rate of 83%.

4.2 Demographic Profile

The demographic information considered in this study was length of continuous service with the company and duration of company existence.

4.2.1 Length of continuous service

The respondents were asked to indicate the length of continuous service with the company and the results are presented in table 4.1.

Table 4.1: Length of continuous service

Years	Frequency	Percent	Cumulative Percent
Less than 5	2	13.3	13.3
5 – 10	5	33.3	46.6
Over 10	8	53.4	100.0
Total	15	100.0	

The results indicate that 53.4% of the respondents have worked in the respective companies for over 10 years, 33.3% of the respondents have worked for 5 to 10 years while 53.4% of the respondents have worked in their respective companies for over 10 years. The results indicate that the respondents have worked in their respective organizations for a longer duration of time and thus understand the benefits of using balance score card. The findings on the duration in which the multinational corporations have been in existence was indicated to be over sixteen years and they understands what needs to be done in order to have a competitive edge over other companies.

4.3 Balance Score Card Application

The Balanced Scorecard (BSC) is an important tool to all organizations and this was confirmed by all the MNCs, who indicated that they use BSC as a performance evaluation tool. The results are consistent with Kaplan and Norton (1996) findings which was that BSC is an important tool used in measuring performance of an organization and provides a powerful framework for building and communicating strategy by allowing the business model to be visualized in a strategy map which forces managers to think about cause-and-effect relationships.

4.3.1 Measures adopted in balance score card

The respondents were asked to indicate the extent to which balance score card measures were adopted by MNCs in a five point Likert scale. The range was ‘very low extent (1)’ to ‘very great extent’ (5). The scores of very low extent/great extent have been taken to represent a variable which had mean score of 0 to 2.5 on the continuous Likert scale; (0≤ S.E <2.4). The scores of ‘moderate’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤ M.E. <3.4) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; (3.5≤ L.E. <5.0). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents. The results are presented in Table 4.2.

Table 4.2: Measures adopted in balance score card

Measures adopted in balance score card	Mean	Std. Deviation
Financial measures	4.3111	.9260
Internal business processes measures	4.0444	1.1069
Customer focus measures	4.1778	1.1733
Organizational learning and growth	3.8444	1.0861

The results indicate that balance score card was adopted by the MNCs in order to assist in financial measures (mean 4.3111), customer focus (mean 4.1778), internal business processes (mean 4.0444) and organizational learning and growth (mean 3.8444). The low variation of standard deviation indicates that the respondents were unanimous on the measures adopted in balance score card. The results indicate that BSC was being used by the organizations as it assists managers in ensuring that the performance outcomes as well as key enablers or drivers of future performance. The results are in line with Samir *et al.,* (2006) findings which indicated that appropriate use of the BSC tool has been associated with improved strategy communication and execution, better management of information, improved performance reporting, better strategic alignment and better organizational alignment.

4.3.2 Balance Score Card Financial Measures and Performance

The respondents were requested to indicate the effect of balance score card measures on performance.

Table 4.3: Balance Score Card Financial Measures and Performance

Balance Score Card Financial Measures and Performance	Mean	Std. Deviation
The revenue growth of the firm has increased as a result of adopting the BSC as a performance measure	4.2435	.7433
The gross profit growth as well as the net income has increased as a result of measuring the employee performance	4.4283	.5834
The operating cost of the firm has decreased when employees cost to revenue generated is evaluated	4.0276	.8916
The organization selling expense to sales ratio has been reducing after performance evaluation has been undertaken	3.6421	.7120
The business unit has experienced an increased an annual sales growth in sales as a result performance evaluation has been undertaken	4.0492	.7964
The stock prices growth in the firm has been achieved	3.5778	.7830

The results on table 4.3 indicate that the gross profit growth as well as the net income has increased as a result of measuring the employee performance (mean 4.4283), the revenue growth of the firm has increased as a result of adopting the BSC as a performance measure (mean 4.2435), the business unit has experienced an increased an annual sales growth in sales as a result performance evaluation has been undertaken (mean 4.0492), operating cost of the firm has decreased when employees cost to revenue generated is evaluated (mean 4.0276), organization selling expense to sales ratio has been reducing after performance evaluation has been undertaken (mean 3.6421) and that stock prices growth in the firm has been achieved (mean 3.5778). The findings indicate that balance score card measures influence organization performance. Nordberg (2008) noted that BSC assists managers in ensuring that the performance outcomes as well as key enablers or drivers of future performance like the capacity of human resources, financial resources, technological resources, brand positioning and customer perception are identified to create a complete picture of the strategy.

4.3.3 Effect of internal business process measures on performance

The respondents were asked to indicate the effect of internal business process measures on performance.

Table 4.4 Effect of internal business process measures on performance

Effect of internal business process measures on performance	Mean	Std. Deviation
The organization has the right business policies that helped in the increase of the productivity in the organization	4.4012	.61791
The product manufacturing time has reduced since the organization adopted the BSC	3.7376	.83666
Manufacturing defects has reduced since the introduction of BSC	3.7124	.96818
The order processing time of the firm has become manageable	4.1368	.75679
The quality of products has improved	3.7781	.73512

The internal business process measures were found to influence performance through the right business policies that helped in the increase of the productivity in the organization (mean 4.4012), order processing time of the firm being manageable (mean 4.1368), improved product quality (mean 3.7781), reduced product manufacturing time (mean 3.7376) and that manufacturing defects has reduced (mean 3.7124). The results indicate that balance score card measure of internal business processes affect the performance of the organization and this is consistent with Kaplan and Norton (2002) findings which indicated that BSC tool acts as the guide to attainment of the vision, strategy and objectives of the organization at all levels including top management, middle level management and low level management and support functions.

4.3.4 Effect of organizational learning and growth on performance

The respondents were requested to indicate the effect of organizational learning and growth on performance and the results are presented in table 4.5.

Table 4.5: Effect of organizational learning and growth on performance

Effect of organizational learning and growth on performance	Mean	Std. Deviation
The organization has continually employed new manufacturing technologies	4.3716	.8864
New manufacturing processes are under development	3.7134	1.1000
Employees' education and skills level has been enhanced	3.6261	.7163
Hours per employee training has increased since the organization adopted the BSC performance measures	3.7706	.9266
The training and development budget per employee has increased annually	3.7546	.7433

The results indicate that organizational learning and growth has resulted in the organization continuing employing new manufacturing technologies (mean 4.3716), increased hours per employee (mean 3.7706), increased annual training and development budget per employee (mean 3.7546), under development of new manufacturing processes (mean 3.7134) and enhanced employee education and skills (mean 3.6261). The findings indicate that the learning perspective the BSC tool prescribes that the firm should achieve its vision and be able to sustain its ability to change (Kaplan and Norton, 1996).

4.3.5 Effect of customer focus on performance

The respondents were requested to indicate the effect of customer focus on performance.

Table 4.6: Effect of customer focus on performance

Effect of customer focus on performance	Mean	Std. Deviation
Customers perception of order taking is convenient and accurate	4.0667	.7198
The customers are satisfied with the cost of goods and products	4.0283	.7830
Customers are satisfied with the handling of customers	4.1566	.8245
The speed of services delivery is satisfactory	4.1346	.7567
Customer retention rate and the number of repeat customers has improved with the performance measures	4.2124	.6605
Market share in different geographic locations has increased	4.0163	.9045

The results indicate that customer retention rate and the number of repeat customers has improved with the performance measures (mean 4.2124), customers are satisfied with the handling of customers by the organizations (mean 4.1566), speed of services delivery is satisfactory (mean 4.1346), customers perception of order taking is convenient and accurate (mean 4.0667), that customers are satisfied with the cost of goods and products (mean 4.0283) and that market share in different geographic locations has increased (mean 4.0163). The results are in line with Kaplan and Norton (1996) finding which indicated that in the customer perspective, the firm should also meet the demands of the customer dedicating enough time on handling customer orders, queries and complaints and implementing the findings of customer surveys.

4.3.6 Influence of Balance Score Card Measure

The respondents were asked to indicate the influence of balance score card measure and the results are presented in table 4.7.

Table 4.7: Influence of Balance Score Card Measure

Influence of Balance Score Card Measure	Mean	Std. Deviation
Sale growth	4.4637	.6252
Market share growth	4.2186	.7945
Total cost reduction	4.2859	.7868
Return on investment	4.1536	.6380
Return on assets	4.1762	.8587
Financial liquidity	4.2749	.6613
The reduction of response time for product design change	3.7378	.9145
The reduction of response time for product volume changes	3.8412	.9759
The accuracy of order processing for customers	4.0264	.8916

The results indicate that balance score card results in sales growth (mean 4.4637), total cost reduction (mean 4.2859), financial liquidity (mean 4.2749), market share growth (mean 4.2186), return on assets (mean 4.1762), return on investment (mean 4.1536), accuracy of order processing for customers (mean 4.0264), reduction of response time for product volume changes (mean 3.8412) and reduction of response time for product design change (mean 3.7378). the results indicate that performance in the MNCs is affected by balance score card and the results are consistent with Samir *et al.,* (2006) findings which were that the use of balanced measures at the organizational level, and sharing of the results with supervisors, teams, and employees; managers are able to provide the information needed to align employee performance plans with organizational goals. Through balancing the measures used in employee performance plans the organization performance picture becomes complete

4.4 Application of Balanced Scorecard and Performance of Multinational Corporation at NSE

The effect of the application of the balance scored in the performance of the multinational firms operating at the NSE was established through the use of a regression equation. From Table 4.9 below, the established multiple linear regression equation becomes:

$$Y= 24.835 + 3.052X_1 + 2.313X_2 + 0.726X_3 + 3.961X_4$$

Table 4.8: Results of General Least Square

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	24.835	12.878		0.940	0.350		
X_1	3.052	9.435	0.094	0.916	0.363	0.902	1.109
X_2	3.313	2.324	-0.100	-0.998	0.321	0.934	1.071
X_3	0.726	0.469	0.009	0.086	0.932	0.833	1.201
X_4	3.961	2.902	0.075	0.717	0.476	0.854	1.171

Source: Researchers' computation

The coefficient of intercept C has a value (24.835) and is significant. The coefficient of all the independent variables is positive at ά. = 5% except, and implies that the increase in the independent variables i.e balance scored measures results in an increase in the performance of the MNC firms at the NSE. From the coefficients, it can be deduced that the most critical factor which affects an organizations performance is the customer focus. This implies that the organizations should seek to adopt better customer service since this will increase their financial performance.

Table 4.9: Model Summary for Supply chain performance with Control Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F -statistic
1	.726	.5207	.439	.2296886	49.4

Source: researchers' computation

The R^2, also called the coefficient of multiple determinations, is the percentage of the variance in the dependent variable explained uniquely or jointly by the independent variables and is 52.07%. This means that 52.07% of the changes in the firm's perforamnce is explained by the changes in the independent variables in the model. The remaining 47.93% of the changes in the Y is explained by other factors not in the model. The C is the constant, where the regression line intercepts the y axis, representing the amount the dependent y will be when all the independent variables are 0. Here C is 24.835; the probability of the coefficient is significant. The F statistic is used to test the significance of R. Overall; the model is significant as F-statistics is 49.4 since the higher the value of R, the more significant the model.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter represents the summary of the findings, conclusion, limitations and recommendations of the study.

5.2 Summary of Findings

The study established that majority of the respondents have worked in the MNCs for a longer period of time and therefore they understand the organizations' needs of balance score card in order to assists managers in ensuring that the performance outcomes as well as key enablers or drivers of future performance like the capacity of human resources, financial resources, technological resources, brand positioning and customer perception are identified to create a complete picture of the strategy. Balance score card is important in measuring performance of a firm and has been used to remedy the inadequacies of current performance measurement systems and in the MNCs, balance score card is used in order to assist in financial measures, customer focus, internal business processes and organizational learning and growth.

The study showed that the MNCs have been using balance score card for financial perspective and this results in increased gross profit growth as well as the net income has as a result of measuring the employee performance, increased revenue growth of the firm, increased annual sales growth as a result performance evaluation has been undertaken, decreased operating cost of the firm when employees cost to revenue generated is evaluated, organization selling expense to sales ratio has been reducing after performance evaluation has been undertaken and that stock prices growth in the firm has been achieved.

The study established that balance score card affects organizations internal business processes as it results in right business policies that helped in the increase of the productivity in the organization, manageable order processing time of the firm, improved product quality, reduced product manufacturing time and manufacturing defects has reduced. The effect of organizational learning and growth was found to be continuous employment of new manufacturing technologies, increased hours per employee, increased annual training and development budget per employee, under development of new manufacturing processes and enhanced employee education and skills. The study further established that the firms have been focusing on their customers and it results in improved customer retention rate and the number of repeat customers, customer satisfaction with customers handling, satisfactory speed of services delivery, customers perception of order taking is convenient and accurate, customer satisfaction with the cost of goods and products and increased market share in different geographic locations.

5.3 Conclusion of the Study

In today’s fast paced global competition, organizations are in need of greater responsiveness, so as to rapidly meet customer needs. Moreover, responsiveness on all dimensions within the organization is needed for total responsiveness of the firm. The study established that all the MNCs use balance score card with full application of the four aspects of BSC which are financial, internal processes, customer focus and organization learning and growth and thus in order for the firms to achieve competitive advantage has to have capabilities that create the advantage and supported by resources that are not easily duplicated by competitors. The performance of the MNCs therefore is achieved through the alignment of resources, knowledge and vision to create competitive advantage by responding with unique capabilities to environmental changes.

5.4 Recommendation of the Study

This study makes several recommendations for policy implementation and also suggest for further research.

Foremost, the study established that all the MNCs uses balance score card as a performance tool, it is recommended that in order to ensure that BSC achieves the intended objective the management teams of MNCs to should introduce training programmes among the employees to enhance inculcation of the applications of BSC tool and its relevance in enhancing the performance of the organizations.

Secondly, the study found out that the adoption of BSC by the MNCs results in several befits and it therefore recommended that the firms should ensure that their BSC measures are customer centric, market driven, suitable to specific markets, technologically updated and futuristic in nature if they are to achieve their strategic objectives and be able to adapt to the changing business environment.

Lastly, the study established that the use of BSC by the firms results in improved performance and it is therefore recommended that the management to align their BSC tool measurements with strategic objectives and to allow for efficiency in customer service and create an enabling environment for organization learning and growth to occur.

5.5 Limitations of the Study

This study is limited to the sample of multinational corporations listed on the Nairobi Securities Exchanges. The findings of this study could only be generalized to firms similar to those that were included in this research. In addition, sample size is small. The scope of further research may be extended to local firms as well as incorporation of more control variables.

5.6 Recommendations for further research

The study confined itself to selected MNCs from their respective segments as listed on the Nairobi Securities Exchange. It is therefore recommended that the study should be replicated in all the companies trading in the stock exchange and the results be compared.

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APPENDICES

APPENDIX 1: LETTER TO THE RESPONDENT

Dear Sir/Madam,

You are kindly requested to answer all questions in this research questionnaire. The information that you will provide shall be treated with a high level of confidentiality and strictly used for the purpose of this research study. This study aims at relating the application of Balanced Scorecard tool with the performance of multinational corporations listed in Nairobi Securities Exchange.

Your's Faithfully

Prisca Kinanu Francis

APPENDIX II

QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

PART A: DEMOGRAPHIC AND RESPONDENTS PROFILE

1. Name of the company:……………………………………………………….

2. What is your designation at the organization………………………………………..

3. Length of continuous service with the organization?

a) Less than five years ( )

b) 5-10 years ( )

c) Over 10 years ( )

4. For how long has your company been in operation?

a) Under 5 years ( ) b) 6 – 10 years ( )

c) 11 – 15 years ( ) d) Over 16 years ( )

PART B: APPLICATION OF THE BALANCE SCORECARD IN THE ORGANIZATION

5. Does your organization use the balance scorecard as a performance evaluation tool?

Yes ( ) No ( )

6. The following are the four measures adopted in the balance score card, please indicate the extent that you use each of the measures

Key: Very great extent 4) Great extent 3) Moderate extent

2) Low extent **1) Very low extent**

		5	4	3	2	1
1	Financial Measures					
2	Internal business processes Measures					
3	Customer Focus Measures					
4	Organizational Learning and Growth					

7. Please tick appropriately the extent to which your organization has been practicing the following balance score card measures and their effect on the performance of your organization. (use the scale below to tick the most appropriate response).

5) Strongly agree; 4) Agree; 3) Moderate extent; 2) Disagree; 1) strongly disagree

	BSC Measure	**5**	**4**	**3**	**2**	**1**
	Financial Measures					
1	The revenue growth of the firm has increased as a result of adopting the BSC as a performance measure					
2	The gross profit growth as well as the net income has increased as a result of measuring the employee performance					
3	The operating cost of the firm has decreased when employees cost to revenue generated is evaluated					
4	The organizations selling expense to sales ratio has been reducing after performance evaluation has been undertaken					
5	The business unit has experienced an increased annual growth in sales as a result performance evaluation undertaken					
6	The stock prices growth in the firm has been achieved	**5**	**4**	**3**	**2**	**1**

	Internal business processes Measures					
1	The organization has the right business policies that helped in the increase of the productivity in the organization					
2	The product manufacturing time has reduced since the organization adopted the BSC					
3	Manufacturing defects has reduced since the introduction of the BSC					
4	The order processing time of the firm has become manageable					
5	The quality of products has improved					
	Measures of Organization Learning and Growth					
1	The organization has continually employed new manufacturing technologies					
2	New manufacturing processes are under development					
3	Employees' education and skills level has been enhanced					
4	Hours per employee training has increased since the organization adopted the BSC performance measures					
5	The training and development budget per employee has increased annually					
	Customer Focus Measures					
1	Customers perception of order –taking is convenient and accurate					
2	The customers are satisfied with the cost of our goods and products					
3	Our customers are satisfied with the handling of customers					
4	The speed of services delivery is satisfactory					
5	Customer retention rate and the number of repeat customers has improved with the performance measures					
6	Our market share in different geographic locations has increased					

The statements below describe the effect of the various balance scorecard measures on organizational performance. Please indicate the extent to which your organization performance has been influenced by the BSC measures adopted.

Key:

5) Very great extent ( ) 4) Great extent ( ) 3) Moderate extent ( )

1) Low extent ( ) 1) Very low extent ( )

		5	4	3	2	1
1	Sale growth					
2	Market share growth					
3	Total cost reduction					
4	Return on investment					
5	Return on assets					
6	Financial liquidity					
7	The reduction of response time for product design change					
8	The reduction of response time for product volume changes					
9	The accuracy of order processing for customers					

THANK YOU FOR YOUR TIME

APPENDIX III : LIST OF COMPANIES LISTED ON NAIROBI SECURITIES EXCHANGE

AGRICULTURAL

Eaagads Ltd

Kapchorua Tea Co. Ltd

Kakuzi

Limuru Tea Co. Ltd

Rea Vipingo Plantations Ltd

Williamson Tea Kenya Ltd

COMMERCIAL AND SERVICES

Express Ltd

Kenya Airways Ltd

Nation Media Group

Standard Group Ltd

TPS Eastern Africa (Serena) Ltd

Scangroup Ltd

Uchumi Supermarket Ltd

Hutchings Biemer Ltd

Longhorn Kenya Ltd

TELECOMMUNICATION AND TECHNOLOGY

AccessKenya Group Ltd

Safaricom Ltd

AUTOMOBILES AND ACCESSORIES

Car and General (K) Ltd

CMC Holdings Ltd

Sameer Africa Ltd

Marshalls (E.A.) Ltd

BANKING

Barclays Bank Ltd

CFC Stanbic Holdings Ltd

Diamond Trust Bank Kenya Ltd

Housing Finance Co Ltd

Kenya Commercial Bank Ltd

National Bank of Kenya Ltd

NIC Bank Ltd

Standard Chartered Bank Ltd

Equity Bank Ltd

The Co-operative Bank of Kenya Ltd

INSURANCE

Jubilee Holdings Ltd

Pan Africa Insurance Holdings Ltd

Kenya Re-Insurance Corporation Ltd

CFC Insurance Holdings

British-American Investments Company (Kenya) Ltd

CIC Insurance Group Ltd

INVESTMENT

City Trust Ltd

Olympia Capital Holdings ltd

Centum Investment Co Ltd

Trans-Century Ltd

MANUFACTURING AND ALLIED

B.O.C Kenya Ltd

British American Tobacco Kenya Ltd

Carbacid Investments Ltd

East African Breweries Ltd

Mumias Sugar Co. Ltd

Unga Group Ltd Ord 5.00

Eveready East Africa Ltd

A.Baumann CO Ltd

CONSTRUCTION AND ALLIED

Athi River Mining

Bamburi Cement Ltd

Crown Berger Ltd

E.A.Cables Ltd

E.A.Portland Cement Ltd

ENERGY AND PETROLEUM

KenolKobil Ltd

Total Kenya Ltd

KenGen Ltd

Kenya Power & Lighting Co Ltd