APPLICATION OF THE BALANCED SCORECARD MODEL IN STRATEGY IMPLEMENTATION AT KENYA METHODIST UNIVERSITY

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A Management Research Project submitted in partial fulfillment of the requirements for the award of a Master of Business Administration degree, School of Business, University of Nairobi

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DECLARATION

Declaration by the candidate

This research is my original work and has not been submitted to any other institution for the award of any degree certificate.

Signature: ______________________ Date: 16/11/2010

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Declaration by the Supervisor

This research project has been submitted to School of Business, University of Nairobi by my approval as the candidate's research project supervisor.

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Professor Evans Aosa

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May God bless you all.

DEDICATION

To my late sister Roselyn Claire Bonaneri "Bonny" Osoro

ABSTRACT

Strategy implementation is defined as the actions an organization takes today to deliver the strategy, tomorrow. More than half strategies devised by organizations are never actually implemented. At a time of increasing competition and globalization, shorter lead times and increased customer sophistication, the effectiveness of strategy implementation is even more important. For proper implementation an organization has to choose the right tool or methodology. One such tool/methodology is the balanced scorecard which is a strategic planning and management system that is used to align business activities to vision and strategy of the organization and monitor organization performance against strategic goals.

This research study sought to address the application of balanced scorecard model in strategy implementation at Kenya Methodist University. This research employed the case study as the research design. The instrument of data collection was the interview guide. Two senior members of staff, the Principal and Registrar Administration participated in this study. The qualitative data collected was analyzed using the content analysis technique.

The findings from the study showed that though the balanced scorecard was at the pilot process, it has been able to achieve targets. It has been received positively and management is committed to its application for overall effective management. A major limitation was that the respondents were suspicious that such study could expose their competitive advantage to their competitors. Based on the findings, it is recommended that further research be undertaken on employee perception on

balanced scorecard at Kenya Methodist University and the factors influencing strategy implementation at Kenya Methodist University.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Strategy implementation happens to be a more challenging and delicate task than that of strategy formulation. Strategy implementation is part of the strategic management process. The strategic management process involves a number of stages namely; determining the vision and mission of the firm. This provides direction and guidance for the firm's strategic objectives and strategies. Thus after the formulation, evaluation and choice of strategy, there is the implementation of the strategy (Flood et al, 2000).

Strategy implementation is difficult but worthy of management's attention across all levels of an organization. It is not just a lower-level task. Part of the difficulty of implementation is due to the obstacles or impediments to it. These include the longer time frames needed for implementation, the need for involvement of many people in the implementation process, poor or vague strategy, conflicts with the organizational power structure, poor or inadequate sharing of information, unclear responsibility and accountability in the implementation process and an inability to manage change, including cultural change. For successful implementation an organization needs a model or a set of guidelines outlining the entire process and relationships among key decisions or actions. A "roadmap" is needed to help with the order of execution decisions as management confronts obstacles and takes advantage of opportunities (Hrebiniak, 2005).

1.1.1 Balanced scorecard application in Strategy implementation

A strategy may be good but if its implementation is poor, the strategic objective for which it was intended may not be achieved. Strategy should be effectively operationalized and institutionalized in the organization for effective implementation. Operationalizing strategy involves recasting and translating the strategy into shorter time frames appropriate for implementation while institutionalizing strategy can be seen as matching strategy to the organizational institution of structure, leadership, culture, support systems and processes, and policies (Hrebiniak, 2005).

Selecting the best management tool for strategic implementation is not a "one size fits all" decision. The best approach will depend on the industry, company size, management culture and resources. Organizations also face the challenge of selecting approaches that are popular one day only to be replaced by something else the next day. Staying ahead of the competition requires organizations to take a fresh approach and turn strategic implementation into a competitive advantage.

Strategy implementation calls for the adoption of proper tools of management. One such tool is the balanced scorecard (BSC) methodology. Balanced scorecard is an integrated approach to performance measurement and performance management lined to an organization strategy. BSC includes both financial and non-financial measures. It focuses employees' on achieving an organization's strategic objectives. The BSC is not just a measurement system, it is a management system to motivate breakthrough competitive performance and is most successful when used to drive the process of change (Kaplan and Norton, 1993).

Kaplan and Norton (1996b) say that in BSC application the management shifts from reviewing the past to learning about the future. It can serve as the focal point for the organization's efforts. BSC's widespread adoption and use is well documented for example Kaplan and Norton (2001) cited in Karanthos and Karanthos (2005) reported that by 2001 about 50 per cent of fortune 1,000 companies in North America and 40-45 per cent of companies in Europe were using the BSC.

1.1.2 Higher Education Sector

The higher education sector is relatively well developed. Out of all children in Kenya, about 85 percent attend primary school.75 percent of those who complete primary education proceed to secondary schools and 60 percent of those who complete secondary school proceed to higher institutions of education which include business and vocational institutions, national polytechnics, public and private universities in the country.

There are 30 universities in Kenya, 7 of which are public and 23 private. The seven public universities have a total of twelve constituent colleges, the University of Nairobi being the oldest university in Kenya. Among the private universities, there are 3 categories which are, chartered universities, this are fully accredited universities by CHE and are eleven in number, next are universities which had been offering degrees long before the establishment of CHE, that is operating with Certificates of Registration which are four and lastly universities authorized to operate with letters of Interim Authority which are eight.

Faced with such competition in the education sector, both public and private universities are trying on how best to improve their services in order to be competitive enough. Each of the universities has adopted various strategies and methodologies to achieve their objectives and goals.

1.1.3 Overview of Kenya Methodist University

KEMU is a church sponsored institution of higher learning. It was awarded its charter on June 28th 2006.KEMU came as a logical step toward educational excellence as the focus of the church in pursuance of its holistic gospel. However the university was not established as an isolated project. At least two institutions namely Kaaga Rural Training Center and Methodist Training Institute consecutively formed the basic foundation in form of physical and other infrastructure in the establishment of KEMU.

In 1986 the then presiding Bishop, Rev. Dr. Lawi Imathiu announced a vision to establish a university sponsored by the Methodist Church. In 1987 the Methodist Church in Kenya formed a working party to study the possibility of establishing a Methodist University. It was later in November 1988 that the committee met with CHE to discuss the accreditation procedures. In 1999 the Trust Deed for the establishment of the proposed university was drawn and in 1992 the draft proposal was completed and approved by CHE.

On 9th June 1997 CHE granted letter of Interim Authority giving an approval for the establishment of KEMU. The Authority paved way for the creation of academic programmes, namely certificate, pre-university, diploma, bachelors, masters and PhD programmes. Its headquarters is in Meru town with branches (campuses) in Nairobi, Mombasa, Nakuru and Nyeri. The student population has grown from the initial eleven students in 1998/1999 to over 9000 students.

1.2 Research Problem

Realizing strategic objectives implies proper strategy implementation. Many strategies are not realized in organizations due to poor implementation (Neely and Bourne, 2000). Strategy implementation happens to be a more challenging and delicate task than that of strategy formulation. Many strategies fail because the strategic plans are not translated into measures that managers and employees can understand and use in their daily work. Many organizations both in public and private come up with excellent strategies but very few set to implement them. This is largely attributed to the fact that delicate and sensitive issues are involved in the strategy implementation.

KEMU has adopted the balanced scorecard methodology to implement its strategies. The balanced scorecard methodology v^as adopted in 2009 and has been operationalized to cater to the specific needs of KEMU. The operationalisation is in two parts, part one is the performance plan which takes into account the perspectives of financial, customer, internal business process, learning and growth and corporate social responsibility. Part two takes into account the mitigating factors/areas of development.

Kaplan and Norton (1992), the originators of the balance scorecard, stated that 90% of organizations fail to execute their strategies successfully. A long term study by

Newcastle University, (1973 - 1989) showed that business success is governed more by how well strategies are implemented than how good the strategy is to begin with. Locally there have been a number of studies carried on balanced scorecard application in strategy implementation. Aosa (1992) carried out research on large, private manufacturing companies in Kenya on aspects of strategy formulation and implementation. Mucheru (2006) did research on the application of the balanced scorecard in performance management among commercial banks in Kenya. Kamau (2006) did a study on the application of the balanced scorecard in the implementation of strategy at Kenya Revenue Authority. Another study was done by Macharia (2008) on the challenges faced by the Co-operative Bank of Kenya in integrating balanced scorecard in the performance management process and Mugo (2007) did a study on the balanced scorecard application in strategic management at Flashcom Limited.

There is recognition that there is still a need for further research on tools and methodologies that organizations can use in their strategy implementation. Little research is available on strategy implementation in institutions of higher learning in the country. Thus this study seeks to highlight how Kenya Methodist University is applying the balanced scorecard methodology to implement its strategies. How is KEMU applying the balanced scorecard to improve strategy implementation? What are the challenges in adopting this methodology?

1.3 Research Objectives

This study has two objectives. These are:

i. To establish how Kenya Methodist University is applying the balanced scorecard in strategy implementation.

ii. To determine the challenges faced in the application of balanced scorecard at Kenya Methodist University.

1.4 Value of the study

This is purely an academic research carried out with the purpose of establishing the application of BSC methodology in strategy implementation in an institution of higher learning. There is little literature and research available in the area of balanced scorecard as a performance management tool in institutions of higher learning. The BSC concept is a new approach for strategy development and employment and has entered the management scene during the last decade.

This study will provide variable insight to KEMU on how effective the BSC is in the implementation of its strategic objectives as well as a performance management tool. Further it will highlight areas on which the institution can improve. This research will be used by the researcher as a partial fulfillment for the award of Master of Business Administration in Strategic Management. The study will also form a basis for further research by scholars into the area of BSC a^a management tool that organizations can adopt.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives a picture of the state of knowledge in the area of balanced scorecard in strategy implementation. It shows both the evaluation and limitations of existing research in this field and is organized under the following themes: strategy implementation practices, management tools for strategy implementation, balanced scorecard and strategy implementation, challenges in application of balanced scorecard, history of balanced scorecard, importance of balanced scorecard and factors influencing execution of strategy.

2.2 Strategy implementation practices

Formulating strategy is one thing. Executing it throughout the entire organization well is really the hard part. Without effective implementation, no organization strategy can succeed. Unfortunately, most managers know far more about developing strategy than about implementing it and overcoming the difficult political and organizational obstacles that stand in their way (Hrebiniak, 2008).

Implementing a strategy is a lengthy process that begins with a shift in corporate culture that starts at the top and works its way through the organization. It involves human resources. Employees need to know the new plan, vision statements and missions. Implementation requires that each strategy be tied into the operating and capital expense budget. Furthermore implementation involves working the plan (Swayne, 2010).

Hrebiniak in his work states that, implementation is even more important than many senior executives realize, and sheds powerful new light on why organizations fail to deliver on even their most promising strategies. He offers a systematic roadmap for execution that encompasses every key success factor that is the organizational structure, coordination, information sharing, incentives, controls, change management, culture, and the role of power and influence in the implementation process. Some strategies laid out by Hrebiniak for any successful implementation include building the capabilities and culture that an organization needs to implement knowing how to align the organizations skills, resources, and culture around the strategies the organization is pursuing and integrating long-term strategy with short-term operations. On the other hand, the management must know why managing the short-term is crucial to the success of long-term strategy, ensuring robust coordination up-down and sideways and an effective information sharing and cooperation bringing coherence and focus to execution. Also, there is the issue of managing change including culture change as well as avoiding speed traps.

Quite often, organizations blame their business failures on poor strategy. However, in most cases it's not the strategy or plan for approaching the market place that should be blamed. It's the implementation of that plan and the organization's inability to keep its promise that causes the enterprise to falter.

2.3 Factors influencing execution of strategy

Birnbaum (2004) states that organizations that are successful at strategy implementation effectively manage these supporting factors namely: action planning, organization structure, human resources, the annual business plan, monitoring and control and linkage.

First, organizations successful at implementing strategy develop detailed action plans chronological lists of action steps or tactics which add the necessary detail to their strategies. And assign responsibility to a specific individual for accomplishing each of those action steps. Also, they set a due date and estimate the resources required to accomplish each of their action steps. Thus they translate their broad strategy statement into a number of specific work assignments.

Next, the organizational structure gives those successful at implementing strategy to give thought to their organizational structure. They ask if their intended strategy fits their current structure. Organizations successful at strategy implementation consider the human resource factor in making strategies happen. Further, they realize that the human resource issue is really a two part story. First, consideration of human resources requires that management think about the organization's communication needs. That they articulate the strategies so that those charged with developing the corresponding action steps or tactics fully understand the strategy they are to implement. Second, managers successful at implementation are aware of the effects each new strategy will have on their human resource needs and then will decide whether to allow time for employees to grow through experience, to introduce training, or to hire new employees.

Organizations successful at implementation are aware of their need to fund their intended strategies thus they make use of the annual business plan. And they begin to think about that necessary financial commitment early in the planning process. That way, they link their strategic plan to their annual business plan and their budget. And they eliminate the surprise they might otherwise receive at budgeting time. Monitoring and controlling the plan includes a periodic look to see if you are on course. It also includes consideration of options to get a strategy once derailed back on track. Those options listed in order of increasing seriousness include changing the schedule, changing the action steps or tactics, changing the strategy or as a last resort changing the objective.

Many organizations successfully establish the above five supporting factors by the use of linkage. They develop action plans, consider organizational structure, take a close look at their human resource needs, fund their strategies through their annual business plan, and develop a plan to monitor and control their strategies and tactics. And yet they still fail to successfully implement those strategies and tactics. The reason, most often, is they lack linkage. Linkage is simply the tying together of all the activities of the organization, to make sure that all of the organizational resources are focused in the same direction. It is not enough to manage one, two or a few strategy supporting factors. To successfully implement your strategies, they require linkage both vertically and horizontally. Vertical linkages establish coordination and support between corporate, divisional and departmental plans. Linkages which are horizontal across departments, across regional offices, across manufacturing plants or divisions require coordination and cooperation to get the organizational units pulling in one direction.

Lingle and Schieman (1996) show that whereas strategy is articulated in terms meaningful to top management, to be implemented it must be translated into objectives and measures that are actionable at lower levels in the organization. The balanced scorecard can be cascaded to make the translation of strategy possible. While top level objectives may be expressed in terms of growth and profitability, these goals get translated into more concrete terms as they progress down the organization and each manager at the next lower level develops objectives and measures that support the next higher level. Ultimately, achievement of scorecard objectives would be rewarded by the employee compensation system. The balanced scorecard can be cascaded in this manner to align the strategy throughout the organization.

2.4 Management tools for strategy implementation

Warwick (2010) outlines a number of management tools used in strategy implementation. Identifying core competencies is tool used to formulate strategies. It goes further than identifying strengths. Core competencies are capabilities that add strategic value to a firm's products or services. They are very difficult for competitors to duplicate.

Gap analysis is a tool used for the implementation of strategic plans. It looks at a firm's current position and where it wants to be (its objectives). The operational plan (the implementation phase of the strategic plan) outlines activities and programs designed to close these gaps.

Key Performance Indicators (KPIs) are measures that firms use to assess progress toward strategic objectives. They provide an effective way for firms to monitor how well they are doing. Which measures to use will depend on the industry and a company's objectives. KPIs must be meaningful and the business processes must be in place to track these measures over time.

The balanced scorecard is another approach that uses performance indicators. However, the balanced scorecard selects indicators from different dimensions and groups them to provide a balance of financial and non-financial measures. The four dimensions of the balanced scorecard are financial, customer, operational and employee (learning and growth).

The strategic map integrates the strategic plan with the functional areas of a firm. It is a diagram that links each of the strategic objectives with each of the four dimensions of the balanced scorecard objectives. This process aligns the strategic objectives with performance objectives. This process makes the strategic plan easier to understand and communicate, leading to more effective implementation.

2.5 Balanced scorecard and strategy implementation

Historically, traditional financial reporting systems provided information about past performance and were incapable of offering information about future performance both in financial and non-financial measures. Thus, the balanced scorecard stems from this realization. It has gone ahead to answer the call of a multi-source organization performance management system by including both the financial and non-financial markers in its framework (Rigby, 2001).

The balanced scorecard provides a framework to manage the process of successfully monitoring organizational operations, human capital, finances, and surveying industry state of affairs thus this practice is relevant to the society. It also lets managers see whether they have improved in one area at the expense of another. The balanced scorecard practice is also relevant because as a result of its evolution it is now able to align organization activities to the vision and strategy, therefore able to improve internal and external communications, as well as monitor organizations performance against strategic goals. On the other hand, it is a multi-source organization performance management system based upon the most important organizational measures (Neely, 2000).

The balanced scorecard is a strategic planning and 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 performance measurement framework that adds strategic non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance (Kaplan, 1996).The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The new balanced scorecard transforms an organization's strategic plan from an attractive but passive document into the marching orders for the organization on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies (Norton, 2004).

The balanced scorecard approach provides a clear prescription as to what organizations should measure in order to balance the financial perspective. The balanced scorecard is a management system not only a measurement system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise (Cobbold and Lawrie, 2002).

Kaplan and Norton (2004) stated that the balanced scorecard originally was conceived as an improved performance measurement system. However, it soon became evident that it could be used as a management system to implement strategy at all levels of the organization by facilitating the following functions: Clarifying strategy in terms of the translation of strategic objectives into quantifiable measures clarifies the management team's understanding of the strategy and helps to develop a coherent consensus. Communicating strategic objectives where the balanced scorecard can serve to translate high level objectives into operational objectives and communicate the strategy effectively throughout the organization. Planning, setting targets, and aligning strategic initiatives where ambitious but achievable targets are set for each perspective and initiatives are developed to align efforts to reach the targets. Strategic feedback and learning in which executives receive feedback on whether the strategy implementation is proceeding according to plan and on whether the strategy itself is successful double-loop learning.

These functions have made the balanced scorecard an effective management system for the implementation of strategy. The balanced scorecard has been applied successfully to private sector companies, non-profit organizations, and government agencies (Norton, 2001).

Some of the strategies organizations can use in implementing successful balanced scorecard include the following: obtain executive sponsorship and commitment, involve a broad base of leaders, managers and employees in scorecard development and agree on terminology. On the other hand, it is in order for organizations to choose the right balanced scorecard Program Champion ,begin with interactive two-way communication first, work through mission, vision, strategic results, and strategy map first to avoid rushing to judgment on measures or software that could be used. Also, the organization should view the scorecard as a long-term journey rather than a short-term project, plan for and manage change, apply a disciplined implementation framework and get outside help if needed in achieving strategic alignment throughout the organization (Bourne, 2000).

2.6 Challenges in application of balanced scorecard

Davies (2004) states challenges that are associated with application of balanced scorecard and they include lack of a well-defined strategy and an understanding of the linkages between strategic objectives and the metrics. Without this foundation, the implementation of the balanced scorecard is unlikely to be successful.

The use of only lagging measures makes many managers believe that they will reap the benefits of the balanced scorecard by using a wide range of non-financial measures. However, care should be taken to identify not only lagging measures that describe past performance, but also leading measures that can be used to plan for future performance. Also it is not sufficient simply to adopt the metrics used by other successful firms. Each firm should put forth the effort to identify the measures that are appropriate for its own strategy and competitive position.

Norton (2001) outlines reasons why strategy implementation fails as follows. The strategy fails to recognize the limitations of the existing organization. Marketplace strategy makes huge demands on an organization's capabilities and resources. While organizations can certainly transform its capabilities over time, there is a limit to how far and how fast. Recognizing what the organization can realistically deliver before crafting a new direction is essential to the business success.

Next, employees do not know how the strategy applies to their daily work. Most organizations do not communicate strategy broadly or effectively to their employees. If, for example, the strategy is to offer the best service, what does that really mean? What does it mean to the salesperson on the street, to the customer service representative in the call centre and to the marketing manager at headquarters? If the employees do not know how the go-to-market strategy affects their everyday work, they are not likely to implement it properly.

The organization's business systems or processes on the other hand cannot support the strategy. It is thus difficult to implement a new strategy without changing the way the organization works. Does the workflow across the various departments and divisions support the marketplace intent? Can the systems and tools meet the demands of the new strategic vision? Pursuing a new strategy with old capabilities is a recipe for disaster.

Lastly, performance metrics and rewards are not aligned with the strategy. For example, the organization communicating that it wants to be a service leader, but instead it rewards its customer service reps for keeping calls short? Or are they creating measurement tools that make employees feel good about their performance but don't really measure the organization's key success factors. Metrics and rewards must tie back to the specific employee behaviours sought, behaviours that support the organization's strategic vision.

These issues share one common theme the organization's preparedness to implement the go-to-market strategy created. Strategy has to be more than a feel-good presentation shared with the managers, shareholders and the media. It has to be woven into the fabric of the organization.

2.6.1 History of the balanced scorecard

The balanced scorecard was first introduced in the early 1990s through the work of Robert Kaplan and David Norton of the Harvard Business School. Since then, the concept has become well known and its various forms widely adopted across the world (Rigby, 2001). By combining financial measures and non-financial measures in a single report, the balanced scorecard aims to provide managers with richer and more relevant information about activities they are managing than is provided by financial measures alone. To aid clarity and utility, Kaplan and Norton proposed that the

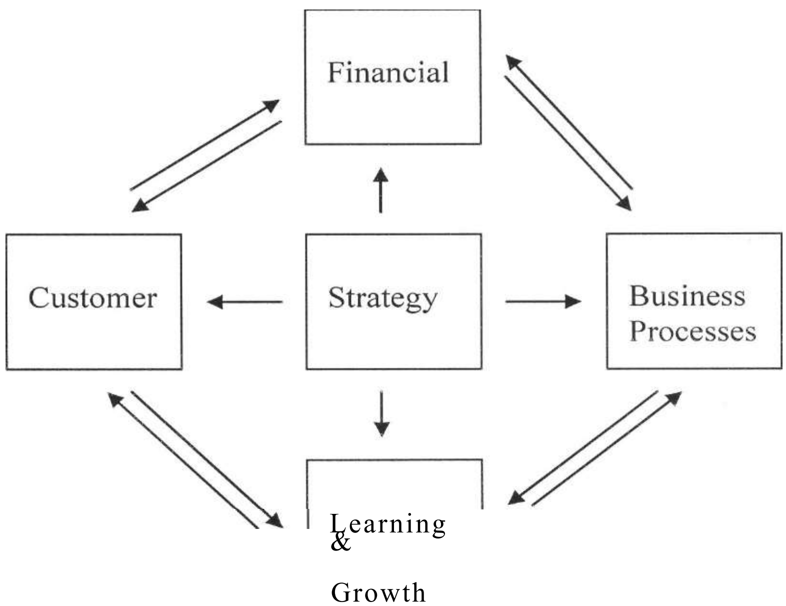
number of measures on a balanced scorecard should also be constrained in number, and clustered into four groups (Kaplan and Norton, 1993).
They proposed that measure selection should focus on information relevant to the implementation of strategic plans, and that simple attitudinal questions be used to help determine the appropriate allocation of measures to perspectives. The evolution changes were in three distinct generations. In the first generation, the balanced scorecard was initially described as a simple 4 box approach performance measurement. In addition to financial measures, managers were encouraged to look at measures drawn from three other perspectives of business: learning and growth, internal business process and customer perspectives, chosen to represent the major stakeholders in a business (Mooraj et al, 1999).

The second generation of the balanced scorecard evolved from being an improvement measurement system to a core management system. One consequence of this change in emphasis was to increase the pressure on the design process to accurately reflect the organization's strategic goals (Kaplan and Norton, 1992).

Third generation balanced scorecard on the other hand was based on the refinement of second generation design characteristics and mechanisms to give better functionality and more strategic relevance. The origin of this developments stem from the issues relating to target setting and the validation of strategic objectives. Key components of the third generation balanced scorecard are destination statement, which aids in making rational decisions about organizational activity and not least set targets for those activities, an organization should develop a clear idea about what the organization is trying to achieve (Senge, 1990; Kottler, 1995).A destination statement describes, ideally in some detail, what the organization is likely to look like at an agreed future date (Olve et al, 1999; Shulver et al, 2000).

The balanced scorecard suggests that organizations view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives as shown in figure 1.

Figure 1: The balanced scorecard



Source: Kaplan, R.S and Norton, D.P (2004). Strategy Maps: Converting intangible assets into tangible outcomes. *Boston: Harvard Business School Press.*

The financial perspective addresses the question of how shareholders view the firm and which financial goals are desired from the shareholder's perspective. The specific goals depend on the company's stage in the business life cycle. Among examples of financial metrics measures and objectives include revenue growth for growth objective, return on equity as a measure for profitability objective and unit cost for cost leadership objective.

On the other hand, the customer perspective addresses the question of how the firm is viewed by its customers and how well the firm is serving its targeted customers in order to meet the financial objectives. Generally, customers view the firm in terms of time, quality, performance, and cost. Most customer objectives fall into one of those four categories. In addition, examples of specific customer objectives and measures include percentage of sales from new products, on time delivery, share of key accounts and number of cooperative efforts for new products, responsive supply, to be preferred supplier and customer partnerships objectives.

Business process perspective gives direction on whether internal business process objectives address the question of which processes are most critical for satisfying customers and shareholders. These are the processes in which the firm must concentrate its efforts to excel. Some examples of process objectives and measures include cycle time and yield, engineering efficiency and actual launch date versus the plan measures against manufacturing excellence, increase design productivity and reduce product launch delays objectives respectively.

Learning and growth perspective gives the metrics which address the question of how the firm must learn, improve, and innovate in order to meet its objectives. Much of this perspective is employee-centered. Some examples of learning and growth objectives and measures include time to new process maturity for manufacturing learning objective, percentage of products representing 80% of sales for product focus objective and time compared to that of competitors as a time to market objective.

2.6.2 Importance of balanced scorecard

Implementing a balanced scorecard as performance measurement system can have far-reaching effects on the organization. It can be used for deciding what the key drivers of performance are, defocusing and stimulating activity on these key business drivers and drawing attention to goals and targets .It can also be used for creating a culture of achievement and noticing in advance any trends affecting the business so that changes can be made in good time. In fact, several studies confirm that poor execution is the number-one reason businesses fail in today's marketplace.

Balanced scorecard is a necessary tool in strategy implementation because it does among other things increases focus on strategy and results ,improves organizational performance by measuring what matters and it aligns organization strategy with what the work people do on a day-to-day basis.

On the other hand, balanced scorecard focuses on the drivers of future performance, improves communication of the organization's vision and strategy and prioritizes Projects or Initiatives. The balanced scorecard, subject to the adoption of suitable processes, can address the key problems associated with strategy implementation including communication, the role of middle managers and integration with existing control systems (Atkinson et al, 2006).Balanced scorecard pays close attention on the marketing, financial, operational and process-oriented inputs that need to be evaluated for an effective strategy to be arrived at. It is one of the most effective means through which organizations harmonize both short-term and long term interests (Miller, 2000).

A balanced scorecard helps organizations to be keen on its financial standing. A financial output determines organization business decisions. The market share of the organization ought to be closely monitored therefore why the balanced scorecard is required. A balanced scorecard also helps in ensuring there is sustainability. Every action that the organization community engages in should not jeopardize its existence in the long run through balanced scorecard implementation frameworks, it is easier for unworkable objectives while it is not too late to do anything. The scorecard aids in the formation of a sustainable strategy. It does not act as a process instruction manual for a certain organization end. In fact, scorecards are always designed in a way that that they can co-exist with the existing business management strategies and tools of operation. The importance of the balanced scorecard system can also include: translation of strategy into measurable parameters, communication of the strategy to everybody in the firm, alignment of individual goals with the firm's strategic objectives that is the BSC recognizes that the selected measures influence the behavior of employees and feedback of implementation results to the strategic planning process. Since its beginnings as a performance measurement system, the balanced scorecard has evolved into a strategy implementation system that not only measures performance but also describes, communicates, and aligns the strategy throughout the organization (Michael, 2001).

Ritter (2003) states the following as the benefits that can accrue from the use of a scorecard; it promotes the systematic development and therefore the understanding of how things are going at all management levels. It allows for creation of the organization model specifying the key success factors and their interrelation. It minimizes information overload, by limiting the number of measurement considered.

It forces managers' top focus specifically on a small group of measurements which are critical for the performance of the organization. It makes it possible to recognize the essential adjustment elements of the organization and its management through cause and effect analysis, identifying all activities that act as a trigger to reach established goals and to which it is therefore convenient to allocate the organization's resources. It facilitates top-down communication of objectives and the alignment of key processes to the strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter shows the method and technique which were used in collecting and analyzing data during the research. It is organized under the following themes: research design, data collection and data analysis.

3.2 Research Design

This research study sought to find out the application of the balanced scorecard management tool in strategy implementation at KEMU. Thus the research design used was case study.

A case study is a design where data is collected from one or a few study units only. The basic case study entails a detailed and intensive analysis of a single case. Thus it allows for in-depth exploration of issues in a phenomenon. Case study as a research design has been used in several studies such as in Macharia (2008),Kamau (2006) and Mugo (2007).Data is usually qualitative hence it is characterized by most features of a qualitative study. Qualitative study involves the use of non-numerical data.

Perry (1998) states that qualitative research provides insights and understanding. The researcher seeks to determine the complete picture of the phenomena at any given point in time. The researcher formulated research questions whose answers emerged as data was collected. Jacob (1988) shows that detailed data is gathered through open ended questions that provide direct quotations. The researcher was an integral part of the investigation.

3.3 Data Collection

The instrument of data collection was the interview guide. The interview guide was used to collect primary data while secondary data was obtained through internal publications such as the strategic plan. The researcher interacted on a one to one basis with the interviewees through face to face in order to collect the required data for this particular research.

This meant that the data collection process was more participant oriented than researcher oriented. Implying that the researcher asked a single question at a time, open-ended questions in nature which did not pre-determine the answers, asking from general to specific, broad to narrow (Cohen et al, 1994).Also the researcher avoided sensitive questions, encouraged a free rein but maintained control and established a rapport by respecting the participants' opinions or recognizing their responses through tone of voice, expression or even gestures.

3.4 Data Analysis

The analysis technique used was content analysis. Content analysis is a qualitative research technique. It is a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding (Krippendorff, 2004).

Qualitatively, content analysis can involve any kind of analysis where communication content (speech, written text, interviews, images) is categorized and classified. In order to allow for replication, however, the technique can only be applied to data that are durable in nature. Content analysis enabled the researcher to sift through large volumes of data with relative ease in a systematic fashion. Content analysis as an analysis technique has been used in a number of case studies such as in Mucheru (2007).

The researcher then indentified common patterns of meanings that emerged from the data and this represented the key themes in the study. This enabled the researcher develop supporting evidence for the conclusion and findings. The findings were used to determine answers to specific questions raised in the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. The method of data collection was done through an interview guide which was developed in line with the objectives of the study. The research objectives were to establish how Kenya Methodist University was applying the balanced scorecard in strategy implementation and challenges in adopting this methodology. The interview guide was administered to three respondents who were the Vice Chancellor, Principal and Registrar Administration. Out of the three interviewees, two responded and these were the Principal and Registrar Administration. This was an adequate response rate which represented 66.7% of the total response rate and therefore be used as a basis for conclusions.

Data was then analyzed using content analysis technique that helped the researcher organize, categorizes and classify data in order to bring about its meaning and the analysis being summarized.

4.2 Application of the balanced scorecard in strategy implementation

4.2.1 Training

From the findings, two respondents out of three targeted for the study responded to the interview. They showed that they had attended training/workshop on the balanced scorecard and were familiar with this management tool. They indicated that all employees of the institution had received training on this methodology. All employees were aware of its relevance and importance.

The training was critical for the balanced scorecard success. In-depth training was provided to ensure that all employees have the understanding necessary to take full advantage of this methodology. The training took into consideration three conditions which were effectiveness, efficiency and engaging. Effectiveness implied accomplishing the relevant objectives while efficiency was making the best use of the employees' time and energy. Engaging training sessions and workshops drew the employees into the event and ensured their unique experiences were part of the process.

The training sessions took the employees through the history of the balanced scorecard, its uses as a communication tool, a measurement system and strategic management system. Also benefits and relevancy of the scorecard were articulated in the sessions. This ensured that the participants understood the "why" of the balanced scorecard. As management guru Tom Peters states "Companies that don't encourage employee education of all kinds are dumb". This emphasized that training generates tangible benefits. There was 100% awareness of the balanced scorecard methodology.

4.2.2 Execution of the balanced scorecard

The results from the interviews showed implementation to be in pilot process. The implementation started at the top and is cascaded to the lowest level of the institution and at the core involves a balanced scorecard team. This team includes the executive sponsor, balanced scorecard champion (team leader) and balanced scorecard team members.

The implementation has executive support through the executive sponsor who is the Vice-Chancellor of Kenya Methodist University. The scorecard represents a change initiative which involves a change in measurement, management, demonstrating accountability and showing results. This transformation needs total support of senior executives. The executives set the tone for the institution. Without support from the executive, the balanced scorecard initiative will fail.

The Vice-Chancellor owns the balanced scorecard implementation, provides background information to the team on mission, strategy and methodology. He maintains communication with both internal and external stakeholders while committing both human and financial resources to the team. Further the Vice-Chancellor provides support and enthusiasm for the scorecard throughout the institution.

The team leader acted as a partner to the Vice-Chancellor and played the role of change agent in introducing the balanced scorecard. This team leader guides the scorecard process. The leader co-ordinates meetings, plans, tracks and reports team results to all audiences. The leader ensured that all relevant material was available to the team and provides feedback to the executive sponsor and senior management. Also facilitates the development of an effective team through coaching and support. This is emphasized by Bourne (2000) who states that it is in order for organizations to choose the right balanced scorecard programme champion.

The team members are actually the heads of the various departments namely finance, human resource, examination, library, registry, operations, office of distance learning mode, supplies, administration, academic and information technology who provide expert knowledge, act as scorecard ambassadors within their departments and also act in the best interests of the institution as a whole.

The implementation involved cascading the balanced scorecard from the top-level to the lowest level. This was a process of developing scorecards at each and every level of the institution. It gave all employees the opportunity to demonstrate how their everyday actions contribute to long-term goals. In this particular scorecard for KEMU, only measures were cascaded while the strategy map (balanced scorecard) remained the same throughout. Each department has the same strategy map but measures differ to reflect the different functions and services offered by these departments.

4.2.3 Influence of balanced scorecard perspectives on strategy implementation

The results showed that the balanced scorecard perspectives influenced on the way strategy is implemented at KEMU. The KEMU balanced scorecard has five perspectives which are the financial perspective, customer satisfaction perspective, learning and growth perspective, internal business processes perspective and the corporate social responsibility perspective. Each of the perspectives has been given a percentage weighting (out of 100%) to reflect its influence on strategy implementation.

Table 4.1: Influence of scorecard perspectives on strategy implementation

Balanced scorecard perspectives	**% weighting**	**Level of influence on strategy implementation**
Financial	10%	Fair
Customer satisfaction	30%	Greatest
Internal business process	30%	Greatest
Learning and growth	20%	Great
Corporate social responsibility	10%	Fair

From the table, it is noted that customer satisfaction and internal business process perspectives which both have a 30% weighting have the greatest influence on strategy implementation in KEMU. They are followed by learning and growth perspective which at 20% has great influence on implementation of strategy. At 10% weighting both financial and corporate social responsibility perspectives have the least influence on strategy implementation. Implying the institution places a lot value on it customers who are the students and its service delivery.

These perspectives have been designed to balance the internal and external, the financial and non-financial, and the past performance with future performance. Through these five perspectives, the institution is able to decide what the key drivers of performance are, drawing attention to goals and targets and creating a culture of achievement. Further they enable the institution notice in advance any trends affecting its business so that changes are made in good time.

4.2.4 Achieving set targets

The results from the respondents showed that though the balanced scorecard was at the pilot process, it has been able to achieve all the performance targets set. They expected that the pilot results will be replicated to the institution at all times if scorecard is applied appropriately. The application in the institution is very effective and it has been applied appropriately in relation to the institutions strategy implementation objectives.

This set targets were achieved through an overall performance rating with a score of 1 to 5, where 1 = does not meet targets, 2 = partially meets targets, 3 = met targets, 4 = generally exceeds targets, 5 = exceeded targets by far. Furthermore mitigating factors were taken into consideration with problem area identified/stated, the agreed remedial action and by when the action should have been taken.

This shows that application of the scorecard takes time and effort and that the scorecard provides a framework to manage the process of successfully monitoring organizational operations, human capital, and finances (Neely, 2000). Cobbold and Lawrie (2002) further argue that the balanced scorecard approach provides a clear prescription as to what organizations should measure in order to balance the financial perspective.

The set targets are reviewed quarterly by team members with co-ordination of the program champion. This ensures or keeps track of how well the system is running. Employees score in their respective departments and are also given feedback on how they are scoring towards the overall institution's goals and objectives.

4.3 Challenges in application of balance scorecard

The study did show challenges encountered in the application of the scorecard. Though later positively embraced by employees, initially there was an element of fear and resistance from some employees who did not see the big picture and how this methodology will affect their jobs. Balanced scorecard is all about change.

Another challenge identified was cost. There was the cost implication as all employees were to be trained on all the aspects of this methodology. There was cost in terms of the necessary educational materials/literature and employee time. Further hiring of the team leader as a consultant on the balanced scorecard was another cost. The scorecard is at the pilot process to reduce cost and risk.

Data from the interview indicated that the KEMU balanced scorecard did not have a sixth perspective which is the environmental perspective. Thus was not able to measure or set targets on environmental issues. Nowadays environmental issues are closely linked and an organization needs to measure and monitor the impact they are having.

Results from the interview showed that competitors were ignored. Besides looking at shareholders and customers through the financial and customer satisfaction perspectives, KEMU need to monitor the business environment to track competitor activity and technology. The balanced scorecard is designed to answer the efficiency question "Is the chosen strategy being implemented?" but fails to ask the effectiveness question, "Is the chosen strategy the right strategy for the business". The scorecard does not monitor threats from non-traditional or future competitors.

4.4 Discussion of results

The findings showed that training was an integral part in the application of the balanced scorecard. All the employees from the Vice-Chancellor to the junior staff had attended training on this strategic management tool and there was 100% awareness of its relevance and importance.

The training increased the employees' enthusiasm as well as their skills which they need to make the most of this methodology. This training further helped ease employees' fears and resistance towards this methodology, and enabled them to see the big picture. Through training employees were able to know that usage of the balanced scorecard methodology is widespread as Kaplan and Norton (2005) cited in Karanthos and Karanthos reported tfiat by 2001 about 50 percent of fortune 1000 companies in North America and 40 - 45 percent of companies in Europe were using the BSC. Further it focuses employees on achieving the institution's strategic objectives as noted by Kaplan and Norton (1993), who state that the BSC is not just a measurement system, it is a management system to motivate breakthrough competitive performance and is most successful when used to drive the process of change.

The results showed implementation to be in pilot process and started at the top with the Vice-Chancellor and cascaded to the lowest level. The implementation has executive support through the executive sponsor who is the Vice-Chancellor of the University. The Vice-Chancellor owns the balanced scorecard implementation and provides information on mission, strategy and methodology to the balanced scorecard champion (team leader) and balanced scorecard team members.

Implementation involved the operationalization and institutionalization of the strategic objectives. Hrebiniak (2005) states that operationalization involves recasting and translating the strategy into shorter time frames appropriate for implementation while institutionalization is matching strategy to the organization institution of structure, leadership, culture, support systems and processes, and policies. The team leader acted as a partner to the Vice-Chancellor and co-ordinates meetings, plans, tracks and reports team results to all audiences. The executive support ensures that the balanced scorecard initiative does not fail as shown by Hrebiniak (2008) who notes most managers know far more about developing strategy than about implementing it and overcoming the difficult political and organizational obstacles that stand in their way.

Findings from the study showed that the balanced scorecard perspectives influenced on the way strategy is implemented at KEMU. The perspectives are financial perspective, customer satisfaction perspective, internal business process perspective, leaning and growth perspective, and corporate social responsibility perspective. Out of a percentage weighting of 100%, both customer and internal business process perspectives have 30% weighting, having the greatest influence on implementation of strategy .Next is the learning and growth perspective at 20% weighting which has great influence on implementation of strategy. At 10% both financial and corporate social responsibility perspectives have the least influence on strategy implementation.

This shows that the balanced scorecard provides information not only about past performance but also about future performance both in financial and non-financial measures. As Rigby (2001) indicates, the balanced scorecard has gone ahead to answer the call of a multi-source organization performance management system of including both the financial and non-financial markers in its framework. Further Neely (2001) notes that the balanced scorecard provides a framework to manage the process of successfully monitoring organizational operations, human capital, finances and surveying industry state of affairs. Kaplan (1996) shows that the balanced scorecard is a performance measurement framework that adds strategic non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance.

The study showed that though the balanced scorecard was at the pilot process, it has been able to achieve all the performance targets set. This set targets were achieved through an overall performance rating with a score of 1 to 5, where 1= does not meet targets, 5= exceed targets by far. Cobbold and Lawrie (2002) note that when fully deployed the balanced scorecard transforms strategic planning from an academic excise into the nerve center of an enterprise. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. Norton (2004) indicates that the balanced scorecard transforms an organization's strategic plan from an attractive but passive document into the marching orders for the organization on a daily basis. It provides a framework that not only provides performance measurements but helps planners identify what should be done and measured. It enables executives to truly execute their strategies.

There were challenges encountered in the application of the scorecard. A major challenge was the element of fear and resistance from some employees who did not see the big picture. Training on the balanced scorecard eased the fears and resistance after the employees saw the importance, relevance and benefits of the scorecard. As Peters (2003) states "companies that do not encourage employee education of all kinds are dumb". This emphasized the importance of training and it created 100% awareness of the balanced scorecard.

Cost was another challenge identified. The cost of the training, educational literature employee time and hiring of the team leader. The issue of cost was overcome through executive sponsorship. The executive sponsor who is the Vice-Chancellor committed both human and financial resources to the process. As noted by Swayne (2010) who indicates that implementing a strategy involves human resources. Employees need to know the new plan, vision statements and missions. Implementation requires that each strategy be tied into the operating and capital expense budget

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of this study was to establish how Kenya Methodist University is applying the balanced scorecard in strategy implementation and challenges in adopting this methodology. In chapter one the research problem was indentified and briefly discussed, the justification for this study established, research objectives and questions raised and the framework of the project outlined and developed. Chapter two involved the review of the literature review.

In chapter three an appropriate research design was selected. The research design was case study and interview guide used as principal research instrument. In chapter four data from the interviewees was analyzed and presented. This chapter gives a summary of the findings together with the conclusion and recommendations.

5.2 Summary

Out of three senior staff members who were to be interviewed by the researcher, two or 66.7% responded. The findings of the study indicate that though the application of balanced scorecard methodology in strategy implementation is in the pilot process, it has been able to achieve the set targets.

5.2.1 How Kenya Methodist University is applying the balanced scorecard in strategy implementation

The balanced scorecard is about change. Change starts at the top with senior executives. Change is brought by training. Application of balanced scorecard involves training. Through training on the aspects of the balanced scorecard all employees from the Vice-Chancellor to the lowest are aware of its relevance and importance, its uses as a communication tool, a measurement system and a strategic management system. The training articulates benefits of the scorecard.

The Vice-Chancellor being the senior most executive is the executive sponsor who executes the balanced scorecard. The Vice-Chancellor owns the scorecard execution process, committing both human and financial resources. With the help of the program champion who guides the scorecard process and balanced scorecard team members who are departmental heads, the application of the scorecard is kept in track. The balanced scorecard is cascaded form the top-level to the lowest to give all employees the opportunity to demonstrate how their everyday actions contribute to long-term goals. This is captured through the five perspectives with both customer satisfaction and internal business process perspectives at 30% weighting having the greatest influence on strategy implementation, followed by learning and growth perspective at 20% and lastly both financial and corporate social responsibility at 10% weighting having the least influence on strategy implementation.

The set targets are measured through a performance rating with a score of 1 to 5, with a score of 1 being the least (does not meet targets) and a score of 5 being the highest (exceeded targets by far). These set targets are reviewed quarterly by balanced scorecard team members with co-ordination of the programme champion. In this way the University is able to apply the balanced scorecard in implementing its strategies.

5.2.2 Challenges faced in application of balanced scorecard at Kenya Methodist University

There are a number of challenges/shortcomings encountered in the application of the scorecard. One major challenge was fear. There was an element of fear and resistance from some employees who were not sure how this methodology will affect their jobs. They did not see the relevance and importance of balanced scorecard. The cost factor was and is still another challenge. The cost implication of training all employees, educational materials and employee-time. Furthermore the high cost of hiring the program champion has slowed application of the scorecard which is at the pilot process to reduce cost and risk.

The KEMU balanced scorecard has only five perspectives which are financial, customer satisfaction, internal business processes, learning and growth, and corporate social responsibility leaving out the environmental perspective yet environmental issues are of utmost importance in today's business world. Also the scorecard did not factor in the competitors. The design of the scorecard looks at the efficiency question "Is the chosen strategy being implemented" and leaves the effectiveness question "Is the chosen strategy the right strategy for the business". The efficiency question takes into account stakeholders and customers leaving out competitors by not monitoring threats from non-traditional or future competitors.

5.3 Conclusion

A strategic plan can help a firm succeed in its business and survive during economic downturns. Firms spend internal resources, contract labor and funds to write a well-drafted strategic plan. Implementing that plan company-wide is where firms fail to complete the strategic planning process.

Implementing a strategic plan is an overwhelming, lengthy process that begins with a shift in corporate culture that starts at the top and works its way through the organization. For the implementation to be effective a firm will have to apply the appropriate methodology in the implementation process.

This study has shown that application of balanced scorecard methodology in strategy implementation at Kenya Methodist University is effective. Though the application is in the pilot phase, it is noted that the methodology is able to achieve targets, and that management through the Vice-chancellor who is the executive sponsor is fully committed to the application of balanced scorecard thus providing the sustained top level support for its success. Such support will provide the necessary funding and an eagerness to meet challenges associated with balanced scorecard methodology and for overall effective management.

5.4 Limitations

The unwillingness of the respondents to supply the right and full response was a limiting factor. The respondents were suspicious that such study could expose their competitive advantage to their competitors. Furthermore the interviewees were very busy and did not adequately respond to the interview questions.

Equally some of the respondents were jittery about exposing their identity for fear that the institution would not be comfortable with such an exposure of the institution's strategy.

5.5 Recommendations

Recommendations are based on the findings and conclusions made and provide suggestions for future improvements. It is recommended that further research be undertaken on areas of employee perception on balanced scorecard at KEMU and the factors influencing strategy implementation at KEMU.

5.6 Implication on policy and practice

More than half strategies devised by organizations are never actually implemented. At a time of increasing competition and globalization, increased customer sophiscation, the effectiveness of strategy implementation is even more important.

Thus KEMU needs to put in place a research and development department to enable it in studying internal environment specific tools which influence its strategy implementation. This is necessary foT purpose of creating a competitive advantage for the institution in terms of sustainable competitive service delivery. It is also important for KEMU to explore the possibility of constantly improving on its work environment, culture, management and leadership styles. It is by doing so that KEMU will remain relevant in the current competitive global area.

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APPENDIX 1: INTERVIEW GUIDE

Organizational Information

1. Have you attended any training /seminar on BSC?

2. Are you satisfied with BSC usage in the institution?

3. If yes, how important has it been to the institution?

4. In your opinion is BSC application effective?

5. If effective, how has it improved on?

    (i)Financial perspective

    (ii)Customer satisfaction

    (iii)Learning and growth

    (iv)Internal processes

    (v)Corporate Social Responsibility

6. If ineffective, what are some of the shortcomings that BSC usage has generated?

7. Are you adequately involved in deciding performance goals through BSC?

8. If yes how many times?

9. Are you satisfied with the performance measures set by BSC?

10. Has the usage of BSC improved on strategy implementation in the institution?

11. Has the BSC application helped achieve the set targets?

12. Briefly explain your answer above.

Thank you.