

**BALANCED SCORE CARD AS A STRATEGIC MANAGEMENT
TOOL IN THE KENYAN COMMERCIAL STATE CORPORATIONS**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI**

OCTOBER, 2014

DECLARATION

This project is my original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

Signature

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The project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This project is dedicated to my family for support and encouragement.

ACKNOWLEDGEMENTS

I acknowledge the power of God, the maker, and the provider of knowledge for enabling me to complete my Masters in the right spirit. Most importantly, I sincerely wish to acknowledge the support from my supervisor, without whom I could not have gone this far with my project work. To the University of Nairobi for offering me the opportunity to do this study and all my lecturers who contributed in one way or another in quenching my thirst for knowledge, I owe you my gratitude.

I owe a great deal of gratitude to my family members for their unfailing moral support throughout my period of study and for understanding and appreciating the demand of the course. I cannot forget the positive influence of my classmates as a source of inspiration throughout my study and for assisting me in sourcing for information and materials for this project. To you all, God bless.

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ABBREVIATIONS AND ACRONYMS

BSC: Balanced Score Card

PSS: Public Sector Score Card

GoK: Government of Kenya

RBV: Resource-Based View

SAP: Structural Adjustment Programs

CIMA: The Chartered Institute of Management Accounting

IIBS: International Institute of Banking and Finance Services in 2009

ICEA: Insurance Company of East Africa

ABSTRACT

The Balanced Scorecard (BSC) came to the fore following drawbacks from using financial measures only to measure company performance. Managers are using BSC to communicate their strategy, for planning and controlling, for getting feedback and, for performance monitoring. The balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. It provides executives with comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures. Against the background of economic growth that started from an all time low of – 0.3 % GDP in 2001, Kenya has been experiencing positive growth rate that is still not good enough especially with its ambitious vision 2030. At its current economic growth there is still need for boosted strategies to achieve sustained growth of 10%. One of the factors that are and have a great potential to facilitate growth will be the Commercial State Corporations. The general objective of the study was to determine how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial State Corporations. The research design that was used in this study is a cross-sectional survey. The main focus of this study was quantitative. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. The target population of this study consisted of all the Kenyan Commercial State Corporations. According to GoK (2011), there are 31 Commercial State Corporations. The study targeted the executive directors and senior managers of these corporations. The study heavily relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study. Descriptive statistics technique was used to analyze the quantitative data. The study concluded that Kenyan commercial state corporations implemented the BSC because they wanted to have a system that could be used within all departments, in order to get an overview and a better control of what is happening within the organization. The drawbacks associated with the BSC can be seen as the difficulty with the framework is to balance all four perspectives and know which variable (of information) should be included in which perspective. The study recommended that in order for the BSC to be effective, all levels of an organization must be aware of the problems that initially caused the tool to be applied, and then identify their performance goals as solutions to a problem, and not simply management interference or intrusion. The degree to which the BSC will succeed is in direct proportion to the cooperation of the staff, and the extent to which they interpret their goals. The rationale of adopting the BSC is the recognition of the rhetorical and symbolic effectiveness of the use of the BSC in controlling identities, outdistancing the criticisms of logical weaknesses and weak validity, rhetorical persuasion and instrumental-thinking stimulus. In addition, the review of the BSC measures highlights that identity measures are latently embedded in the four perspectives. The effective design of the BSC incorporating identity measures also provides periodic measurement and reporting of performance in order to achieve organizational objectives and interpret evolving identities over time.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic management encompasses the development and management of strategic agenda of a company. It is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives (Pearce & Robinson 2007). Mbogo (2003) defines strategic management as the art of mobilizing resources and the science of formulating, implementing and evaluating decisions that enables an organization to realize its objectives. A strategy is the link between an organization and the external environment thus enabling the organization to position itself in a chosen market, compete successfully, please customers and realize good business performance. Wechsler and Backoff (1986) argues that just like private enterprises, public sector organizations also engage in strategic management as reflected in a variety of policy making and administrative activities. Public sector organizations regularly engage in planning and goal-setting activities, adopt and implement new programs, restructure and continuously seek new sources of funding due to dwindling support from governments.

This study is based on two theories; the stakeholder theory and the resource-based view theory. The resource-based view (RBV) of the firm is an influential theoretical framework for understanding how competitive advantage within firms is achieved and how that advantage might be sustained over time (Barney, 1991; Nelson, 1991; Wernerfelt, 1984). Stakeholder theory is primarily a management instrument. The attributes power, urgency and legitimacy of claims define an organization's stakeholders.

Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders (Mitchell et al, 1997). Stakeholder theory thus contains methods for identifying and managing stakeholders. Kenyan state corporations play a major role in most economies through the provision of public services such as transport and energy.

Despite these important socio-economic gains, most of the Kenyan state corporations are characterized by inefficiency losses and the provision of poor products and services. Subsequently, they have caused heavy budgetary burdens to the public. The Structural Adjustment Programs (SAP) was aimed at reducing government participation in the economic sector and to increase the productivity of Kenyan state corporations including those in the commercial sector. Since then, this intervention has led to the popularization of privatization as a solution to the problems of commercial state corporations even though the exercise did not bring the much coveted efficiency gains. The BSC brings a new vision, in which the indicators for evaluating past performance, are complemented by variables that are intended to measure the effectiveness of competitive factors of future performance.

1.1.1 Strategic Management Tool

Strategic Management practices involves a set of processes that are employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change (Mullins, 1999). Balancing strategic management's outward-, inward-, and forward-looking functions helps develop a vision and a strategy for where and how to move organization reform forward. Balancing these different perspectives is the essence of managing strategically (Kerzner, 1989). Brinkerhoff (1994)

characterizes strategic management practices as looking out, looking in, and looking ahead. “Looking out” means exploring beyond the boundaries of your organization to set feasible objectives, identify key stakeholders, and build constituencies for change. “Looking in” implies critically assessing and strengthening your systems and structures for managing personnel, finances, and other essential resources. Finally, “looking ahead” entails welding strategy with structures and resources to reach policy goals, while monitoring your progress and adjusting your approach as needed.

Since organizations face increased globalization and competition the need for methods to deal with these issues are increasing (Käll, 2005). A large amount of companies today put a substantial amount of effort and focus solely on the financial results (improving and analyzing). However, to succeed in today’s business climate this focus should be broadened to cover other determinants of business success, for instance; employees, customers, and development. The inclusion of these factors into the assessment will enable the management to obtain a more comprehensive view of the organization. This will contribute to the overall design and function of a more capable, consistent firm. A successful management tool will lead to an organizational cooperation, having the same goals, strategies, and vision. The Balanced Scorecard (BSC) may be a capable framework for achieving this.

1.1.2 Balanced Score Card

Balanced scorecard is an integrated strategic planning and performance management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization

performance against strategic goals. It is a tool of performance management that maps an organization's strategic objectives into performance metrics in four perspectives namely: financial, customers, internal processes, and learning and growth. It was originated by Drs. Kaplan and Norton in the early 1990s as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance (Kaplan and Norton, 1992).

In today's information environment, a company can no longer be measured solely on past performance. Although past performance is usually a good indicator of future results, it cannot be the sole base for measurement (Platts, et al, 2006). To better gauge a company's performance, one must balance all areas of the business. By focusing not only on financial outcomes but also on the operational, marketing and developmental inputs to these, the balanced scorecard helps provide a more comprehensive view of a business, which in turn helps organizations act in their best long-term interests. To embark on the balanced scorecard path an organization first must know and understand

1.1.3 Balanced Score Card as a Strategic Management Tool

The Balanced Scorecard is a strategic planning and management system which works for most companies - public as private, small as large (Hannabarger, Buchman & Economy, 2011). The Balanced Scorecard was developed by Robert Kaplan and David Norton in the early 1990's (Hannabarger, Buchman & Economy, 2011). A key problem they identified was that most organizations had a tendency to manage their business solely upon financial measurements (Kaplan & Norton, 1996a; Kaplan & Norton, 1992). While that may have worked well in the past, Kaplan & Norton (1996a) emphasize that

financial measures are inadequate in today's dynamic and changing pace of the market and that businesses require better, more comprehensive measures which also measure where the company is headed and not only where it has been (Hannabarger, Buchman & Economy, 2011). So, it is natural for Kaplan and Norton (1996a) to argue that measurement matters: "If you can't measure it, you can't manage it." (Kaplan & Norton, 1996a).

If businesses measure their success solely on financial measures, much of the value which has been created or damaged in the recent accounting period will not be noticed (Kaplan & Norton, 1996a). Of course financial measurements are important, but there should be some complimentary measures along with it to make sure all of the value in the business is captured and measured (Kaplan & Norton, 1996a, Kaplan & Norton, 1996b). In short, the Balanced Scorecard enables your business to set, track and achieve its key business strategies and objectives (Kaplan & Norton, 1996c). The Balanced Scorecard, therefore, takes into account a general and combined set of measures that links existing customers, employees, internal processes and system performance to long-term financial success (Kaplan & Norton, 1996a; Latshaw and Choi, 2002). This is done through its four perspectives – the financial perspective, the customer perspective, the internal business process perspective and the learning and growth perspective (Kaplan & Norton, 1996b).

1.1.4 Kenyan Commercial State Corporations

State Corporations commonly referred to in Kenya as Parastatal are established within the provision of State Corporations Act chapter 446 of the laws of Kenya, and given the autonomy to run and concentrate on specific mandates in order to improve service

delivery to the public. Although they have Board of Directors or equivalent governing bodies to oversee the day-to-day operations, they operate within the general supervision of respective Ministries under which they are created. There are approximately 125 state corporations in Kenya today which are divided into eight broad functional categories based on the mandate and core functions; the eight categories are: Financial Corporations, Commercial Corporations, Regulatory Corporations, Public universities, Training and research Corporations, Service Corporations, Regional development authorities, Tertiary education and Training Corporations. The total number of State Corporations may have changed owing time lapse and creation of new ones.

The guidelines on terms and conditions of service for the state corporations released by office of President in consultation with state Corporation Advisory Committee in November 2004, stresses that state Corporation have no option but to embrace modern business management practices (Government Press, 2011). The guidelines go further to point out that each and every Corporation is expected to have a corporate strategy with clear goals, a set of values, objectives and a mission. State corporations were set up to empower Kenyans economically and Kenyan institutions that were earlier run by the colonialist. They were and still are the platform in which the government is involved in Commercial activity. State corporations have proved to be mindful of their most important resource, the human resource. In the Kenyan context, however, state corporations operate on a pre-determined set of guidelines that govern recruitment and remuneration of staff, and even their own overall general operations of running the Parastatal.

The Kenyan economy has remained predominantly agro-based since independence, with the Commercial state corporations remaining an integral part of the country's development strategies. The Commercial state corporations are an important source of employment for the country's labour force and currently employs about 2.7 million Kenyans in 2007. Over the last 5 years, employment in Commercial has grown at a rate faster than in all other activities. The sector's real value added grew by 6.2% in 2007 compared to 6.3% in 2006. Total value output rose to Ksh 603.7 billion in 2007 from Ksh 558.3 billion in 2006 representing an 8.1% growth (GoK, 2011).

Commercial State Corporations in Kenya have been experiencing a myriad of problems, including corruption, nepotism, and mismanagement (Daily Nation, March 12, 2003; Petiffor, 2001). Commercial State Corporations in Kenya have been experiencing a myriad of problems, including corruption, nepotism, and mismanagement (GoK, 2011). For example, a World Bank (2004) article stated as follows: A key area for corruption-busting reform is the Commercial State Corporations sector. When compared to similar economies, Kenya has an over-abundance of state corporations many of which are a drain on public resources; more to the point, they have been the locus of corruption that thrives in public monopolies, especially when coupled with lax oversight, management and fiduciary control procedures.

An area of Parastatal dominance that cries out for reform is the Commercial sector. For years the Commercial sector was the vehicle for illegal and corrupt transactions, not to mention mismanagement, the result is that the public sector banks are left holding loans, up to 30 percent of which are non-performing, with the result being restricted credit availability to honest individuals.

The growing competition in the market place, the advance of Commercial technologies, and shorter product life cycles has exerted strong impacts on the entire Commercial industry. Under such a dynamic environment, Commercial state corporations have deployed various approaches to reposition their competitive priorities such as cost, quality and delivery so as to achieve the ultimate goal to customer satisfaction (Chen & Yang 2002).

1.2 Research Problem

The balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. It provides executives with comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures. Many companies have vision statements to communicate the fundamental values and beliefs to all employees (Kariuki, 2008). The mission statement as discussed by Simons, (1995), addresses core beliefs and identifies target markets and core products. The Balanced Score Card (BSC) is a strategic management system that gives an organization the ability to plan for the future in a strategic manner, while meeting the day-to-day operational requirements of providing quality services to customers and in the public sector, the citizens.

The BSC allows organizations to develop a logical connection among mission and vision, and the strategies, programs, services, and activities that departments and individuals must manage and implement to be successful. Using a balanced set of strategic and operational performance measures help to translate mission requirements into desired department, team, and individual performance results and build accountability through four perspectives of performance i.e. Customers and Stakeholders (demand for services

by citizens), Financial/Budget (cost effectiveness of programs and services), Internal Business Processes (workflow efficiency), and Learning and Growth (Employee and Infrastructure). Against the background of economic growth that started from an all time low of – 0.3 % GDP in 2001, Kenya has been experiencing positive growth rate that is still not good enough especially with its ambitious vision 2030. At its current economic growth there is still need for boosted strategies to achieve sustained growth of 10%. One of the factors that are and have a great potential to facilitate growth will be the commercial state corporations.

The sectors have faced a number of challenges which include: inadequate financial resource allocations, maintenance and rehabilitation of infrastructure; unfavourable contractual commitments; adverse weather conditions; lengthy procurement procedures leading to protracted court cases; fragmented institutional framework, stringent and inefficient regulatory frameworks and increasing demand for services and resources in other sectors of the economy. These have limited the capacity of the government to expand and maintain existing infrastructural facilities. There have been delays in fulfillment of donor conditions precedent to disbursement of funds leading to delays in project implementation (GoK, 2011).

As part of overall management strategy, the managers of Commercial state corporations need to measure performance to evaluate whether the agency is performing as expected, to ensure that the employees are doing the right things, to motivate line staff/middle managers and the stakeholders to do the things necessary to improve performance, to determine the budgeting priorities such as on which programs the agency should be spending the public's money, to convince stakeholders that the agency is doing a good

job, to learn whether the activities are working, and determine exactly who should do what to improve performance (Behn 2003). Kloot and Martin (2000) found that public sector organizations were using the balanced scorecard focus on financial and community performance rather than organizational change. Numerous surveys have provided evidence as to the BSC's popularity and widespread implementation by different types of organization (Rigby and Bilodeau, 2011).

One such survey was undertaken for The Chartered Institute of Management Accounting (CIMA) by the International Institute of Banking and Finance Services in 2009 (IIBS) (CIMA, 2009). According to this survey, the BSC continues to be one of the most popular management tools and the most likely to be adopted by companies (CIMA, 2009). More recently, a 2011 survey of management tools and techniques conducted by Bain & Company found that the BSC was one of the 25 most popular tools and its use was projected to keep increasing (Rigby and Bilodeau, 2011).

Local studies have been carried out on balance score card as a strategic management tool. For instance, Oyieyo (2011) did a study to establish the use of balance score card as a strategic management tool in the plastic Commercial firms in Kenya. The study found out that the Balanced Scorecard is a very important strategic management tool which helps an organization to not only measure the performance but also decide/manage the strategies which are needed to be adopted/ modified so that the long-term goals are achieved. Waruiru (2013) as well carried out a study on Implementation of the balanced scorecard as a strategic management tool at Insurance Company of East Africa. The study found out that ICEA had used balanced scorecard as strategic management tool, which was implemented by senior managers, all employees, entire management, human resource managers, section heads, line managers and management at all levels. Kabiru

(2013) did a study focused on examining the importance of the balanced scorecard in the implementation of strategy at Gateway Insurance Company. The study established that the balanced scorecard approach makes everyone in the company aware of what each is expected to do. It also established that the balanced scorecard eliminates subjectivity as the procedures and goals to be achieved are made clear.

The study also found out that because of the clarity of goals and responsibilities the strategic goals of the company will be achieved efficiently and effectively. Finally, Gichana (2012) did a survey seeking to establish the application of the balanced scorecard as a strategy implementation tool at Orange Telkom Kenya. This study established that there is need to align individual goals to the vision and mission of the organization. Based on this review, it is clear that the influence of balanced score card as a strategic management tool in Kenyan Commercial state corporations has not been examined, as such, this study attempt to fill the research gap. Based on the above review, the following research question will be addressed; what is the influence of balanced scorecard as a strategic management tool in Commercial state corporations?

1.3 Research Objectives

The general objective of the study was to determine how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial state corporations.

The specific objectives of the study were:

- i. To examine how BSC perspectives influence strategic management of Kenyan Commercial state corporations
- ii. To determine how the use of balance scorecard enhances performance of Kenyan Commercial state corporations.

1.4 Value of the Study

The findings of the study is useful in providing additional knowledge to existing and future organizations on how balanced score card is used and adds value as a strategic management tool in Commercial state corporations to enable them remain competitive. This study may also be beneficial to all state corporations both large and small since they would enhance the realization on strategic management measures that are majorly employed.

The findings may also provide a useful reference document to stake holders in the State Corporation and academic institutions in their endeavors to formulate work plan to meet performance. The benefits according to the Kenyan Commercial state corporations management are the multidimensional view of the organization through the four perspectives in the BSC, and also the fact that they now have a framework which encourage the staff to strive to achieve a unison vision through action plans.

The study is a source of reference material for future researchers on other related topics; it may also help other academicians who undertake the same topic in their studies. The study may also highlight other important relationships that require further research; this may be in the areas of relationships between balanced score card and strategic management.

Most importantly, it may help the policy makers especially within public and private sector to identify crucial areas in their organizations and make appropriate decisions to ensure that the use of balance score card as a strategic management tool is critically emphasized on. Also, through this study leaders and managers in state corporations may

learn and make responsible strategic management policy decisions that are meant to facilitate and sustain high organizational performance, and manage organizational and national resources so that corporations and societies can benefit from them in the future. The study forms a better understanding of Resource-Based View theory (a theory that contains a variety of management tools and techniques, particularly developed to assist managers operating in complex settings). By acknowledging that resources are heterogeneously distributed across firms, and are not perfectly mobile and that this distribution is long lasting, organizations can use BSC to develop a logical connection among mission and vision, and the strategies, programs, services, and activities that departments and individuals must manage and implement to be successful.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review chapter summarizes the background and context for the research problem. Works and results from other researchers who have carried out their research in the same field of study are presented here. The specific areas covered in this chapter are; the theoretical framework, balanced scorecard and management strategy processes as well as The Public Sector Scorecard.

2.2 Theoretical Foundation

This study will be based on two theories; the stakeholder theory and the resource-based view theory. The resource-based view (RBV) is an influential theoretical framework for understanding how competitive advantage within firms is achieved and how that advantage might be sustained over time (Wernerfelt, 1984).

Stakeholder theory is primarily a management instrument. The attributes power, urgency and legitimacy of claims define an organization's stakeholders. Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders (Mitchell et al, 1997). Stakeholder theory thus contains methods for identifying and managing stakeholders.

2.2.1 Resource Based View Theory

The RBV of the firm was developed in the field of strategic management, and constitutes a theory about the nature of firms, rather than seeking to explain why firms exist "...In effect, the RBV is a statement about how firms actually operate..." (Lockett et al., 2009).

It is based on the assumption that resources are heterogeneously distributed across firms, and that this distribution is long lasting. Developing earlier work by Wernerfelt (1984) and Rumelt (1984) the most prominent proponent of the RBV, proposed that a firm's use of "idiosyncratic, immobile" resources is the source of sustained competitive advantage. This represents a counter-point to the approach of industrial organisation economics, which examines a firm's response to its external rivals, but does not examine the "black box" (Sirmon, 1995) of the internal respective interests in the project management of firm resources. Whereas previous research had assumed that firms within an industry had broadly similar resources (Porter, 1981), Behn (2003) emphasizes the importance of the idiosyncratic attributes of the firm in developing its competitive position.

Resource Based View theory contains a variety of management tools and techniques, particularly developed to assist managers operating in complex settings. Key tenets of the theory include acknowledging that resources are heterogeneously distributed across firms, they are not perfectly mobile and that this distribution is long lasting. It is therefore important to understand a firm's use of "idiosyncratic, immobile" resources in order to maneuver an organization or a project with a minimum of conflict. RBV analysis is particularly useful in combining bundles of tangible and intangible assets; firms can gain a sustained competitive advantage. The RBV analysis thus seems like an appropriate candidate remedy for the complexity related challenges of the balanced scorecard as a strategic management tool.

2.2.2 Stakeholder Theory

Stakeholder theory is primarily a management instrument. The attributes power, urgency and legitimacy of claims define an organization's stakeholders. Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders (Mitchell et al, 1997). Stakeholder theory thus contains methods for identifying and managing stakeholders. In addition, a substantial amount of work has been done on identifying the relative influence of different stakeholders (Mitchell et al, 1997). In order to be able to identify stakeholders, it is important to have a clear notion of what a stakeholder is. Freeman's (1984) definition of stakeholders is still frequently cited and does provide a general understanding of the concept: "...any group or individual who can affect or is affected by the organization's objectives."

From the presented theory, it can be argued that public sector can be characterized as being complex settings with multiple stakeholders that often have multiple, vague and diverging goals. However, no significant evidence have been found that categorically prevents the transfer of functioning ideas, techniques and theories from the private sector to the public sector. Still, the likelihood of successful outcomes of such transfers is assumed to be related to the degree of adjustment to fit the characteristics of the target setting.

The balanced scorecard appears in two flavors: one developed to fit the needs of the private sector and one to match the specific needs of the public sector. Although somewhat different in structure and content, the rationale for using either version is the desire to develop and realize a strategy based on more than just financial measures. Not only does the BSC target financial factors, it provides a basis for determining other

important factors that influence how an organization can work towards its vision. Stakeholder theory contains a variety of management tools and techniques, particularly developed to assist managers operating in complex settings. Key tenets of the theory include acknowledging that any organization or project is surrounded by a variety of stakeholders and that these stakeholders can affect the organization or project.

It is therefore important to understand the interests of key stakeholders in order to maneuver an organization or a project with a minimum of conflict. Stakeholder analysis is particularly useful in mapping key stakeholders of a project and identifying their respective interests in the project. The stakeholder analysis thus seems like an appropriate candidate remedy for the complexity related challenges of the balanced scorecard as a strategic management tool.

2.3 The Balanced Scorecard and Management Strategy Processes

Kaplan and Norton (1996a) argues that the Balanced Scorecard shouldn't be used as a control tool to evaluate past performance, it should be used to communicate the strategy of the business and to help align individual, organisational and cross-departmental initiatives within the business to achieve common goals (Kaplan & Norton, 1996a). Moreover, the Balanced Scorecard should be used as a communication, information and learning system and not as a control system (Kaplan & Norton, 1996a; Olve, Roy & Wetter, 1999).

Further, the Balanced Scorecard communicates this through four different perspectives: the financial perspective, the internal business process perspective, and learning and growth perspective. The perspectives are the major cornerstones of the Balanced

Scorecard and they permit a balance between the business' short-term actions and long-term strategy (Kaplan & Norton, 1996a, Kaplan & Norton, 1996b). Even though Kaplan and Norton (1996a) said that the financial perspective isn't adequate to use by itself, they still claim that it is valuable to use, but, this should however be complimentary with the other perspectives (Kaplan & Norton, 1996a; Kaplan & Norton, 1996b).

It is always useful to know the economic consequences of actions already taken (Kaplan & Norton, 1996a); however, other people argue that the financial part of the business will take care of itself when the operational part is improved by the other perspectives (Kaplan & Norton, 1992). The financial perspective measures and tracks the business' financial requirements and performance (Hannabarger, Buchman & Economy, 2011) it also indicates whether the company's strategy, implementation and execution are contributing to bottom line improvement (Kaplan & Norton, 1996a, Kaplan & Norton, 1992).

Financial measurements typically relates to profitability and shareholder value and is often measured by operating income, return on investment (ROI) or economic value added (EVA) etc. Financial goals can be such as rapid sales growth or generation of cash flow (Kaplan & Norton, 1996a). The customer perspective measures the customer satisfaction and what performance requirements the customer has. It also measures the different market and customer segments of the business; this is measured regardless if the organisation is offering products or services (Kaplan & Norton, 1996a; Kaplan & Norton, 1996c; Hannabarger, Buchman & Economy, 2011).

Kaplan and Norton (1992) also say that customers' concerns have a tendency to fall into four different categories: time, quality, performance and service, and cost. Time measures how long it takes for the company to satisfy the customer's needs, this is often referred to as lead time (Kaplan & Norton, 1992; Kaplan & Norton, 1996a). Lead time is measured from the time the company receives an order to the time the finished product or service is delivered to the customer (Kaplan & Norton, 1992). Quality can be measured by the level of defect rates or it could also be measured by on-time delivery, it could also be measured by both (Kaplan & Norton, 1992). The performance and service is measured by how the company is contributing by creating value for its customers (Kaplan & Norton, 1992).

To get the Balanced Scorecard to work Kaplan and Norton (1992) advocates that the company should now articulate goals for time, quality, and performance and service, they should then translate these goals into detailed measures. Along with quality, time, and performance and service, Kaplan and Norton (1992) mention cost as a concern for customers. By having excellent time, quality, and performance and service management the company can afford to have a slightly higher price of the product since the customer will not incur any extra costs of for example, defect products or late delivery (Kaplan & Norton, 1992). The customer perspective enables the managers of the business to communicate and align the market based strategy; this will, since the perspectives are linked, enhance the financial returns of the financial perspective (Kaplan & Norton, 1996a).

The third perspective, which is the internal business process perspective, measures and identifies the critical internal processes in which the organisation must excel (Kaplan & Norton, 1996a, Kaplan & Norton, 1996c), in other words, the objectives of the internal business process perspective highlights the processes which are most critical for the

strategy of the organisation to succeed and to meet customer expectations (Kaplan & Norton, 1992, Kaplan & Norton, 1996a). After all, exceptional customer performance descends from excellent internal processes (Kaplan & Norton, 1992). These processes also enable the business to satisfy the shareholder expectations of the company's financial return (Kaplan & Norton, 1996a). The measures of the internal process perspective should come from the processes within the business that gives the most value to the customers. These processes may for example affect cycle time, quality, employee skills and productivity; the company should also try to identify critical technology needed for the company to gain a competitive advantage within its market niche (Kaplan & Norton, 1992).

While traditional approaches of measuring the internal processes focuses on monitoring and improving existing business processes, the Balanced Scorecard approach focuses on measuring, monitoring and improving the business processes by, when needed, identifying entirely new processes which integrates measures for both the long-term innovation cycle and the short-term operation cycle (Kaplan & Norton, 1996a). Innovation is also incorporated and highlighted in the Balanced Scorecard approach which gives the outcome a long-term innovation-cycle, whilst the traditional approach is focusing mainly on the processes of delivering current products and services to current customers (Kaplan & Norton, 1996a).

The last perspective is the learning and growth perspective, which measures the company's ability to keep their competitive advantage (Kaplan & Norton, 1992; Hannabarger, Buchman & Economy, 2011). The intense global competition of today's world requires the companies to be able to change fast and be innovative (Kaplan &

Norton, 1992). The products and processes need continuous improvement to be able to keep up with the fast pace and this perspective, along with the internal process perspective, focuses on identifying factors of long-term and short-term success (Kaplan & Norton, 1996a).

The main sources of organisational learning and growth are people, systems and organisational procedures (Kaplan & Norton, 1996c). The learning and growth perspective is required to fill the gap between the existing capabilities of these sources, and reach breakthrough performance (Kaplan & Norton, 1996a). Measures in the learning and growth perspective are mostly employee based and similar to the other perspectives, the company need to set goals for the learning and growth perspective and then translate these into measures (Kaplan & Norton, 1992; Kaplan & Norton, 1996c).

It is important to focus on all four of these perspectives to obtain balance and business success (Hannabarger, Buchman & Economy, 2011). They also need constant measurement, improvement and analysis together because if the business is only focusing on some of the perspectives the balance will be lost and the business will not thrive. A properly constructed scorecard therefore creates an organization wide harmony when employees, managers and shareholders tries to achieve the corporate mission, vision, goals and objectives since all measures are directed toward achieving the same strategy (Kaplan & Norton, 1996a, Kaplan & Norton, 1996b).

2.4 The Public Sector Scorecard

Although the BSC has been used successfully in many public sector organisations, Moullin (2007) argues in their article that there are some difficulties with the use of the BSC in public sector organizations. These difficulties arise especially within the

structural design, language and methodology of the BSC. Problems can also occur due to the differences placed on emphasis, as the BSC focuses more on financial results while the PSS puts more attention on the end product of their resources. The authors describe the PSS as a tool based on the BSC that has been individualized for public and voluntary sectors. Both frameworks are flexible and adaptable to the different needs of different organizations. The aim of the PSS is to improve the service, which is crucial in these types of organizations.

The aim is also to ensure that an organisation's strategy, processes and performance measures are connected and that they mirror the needs and expectations of the service users (Moullin, 2007). Moullin (2007) suggests that the main differences of the two are the addition of a "strategic perspective" that focuses on the development of the organization weighed against its main objectives, and its major performance goals. The PSS provides the same ability as the BSC; ensure the alignment between the strategy, processes, and performance measures. The PSS puts more emphasis on factors that are highly relevant to public sector organisations and their stakeholders. For example, service user involvement, working across organisational boundaries, process mapping, service improvement, and risk management.

It focuses on the outcomes, how to achieve these, and the processes that underline them (Moullin, 2007). The focus on outcomes mentioned above is one of the benefits of the PSS. It also helps organizations to re-examine processes to see that they are functioning well (Sheffield Hallam University, 2009).

The intention of the PSS is to compliment the BSC, fitting the culture and values of the public and voluntary sectors. It focuses much more on the outcome and this emphasis is made in the seven different perspectives; Service user/Stakeholder, Strategic key performance outcomes, Financial, Operational Excellence, Innovation and Learning, Leadership, and People, Partnership and Resources. There is a modified framework of the BSC that works in public and non-profit organizations, since PSS focus more on the outcome than the financial perspective. However, the original BSC functions in different organizations since it is an easy framework to modify to specific needs in both public and private organizations.

An analogy they use to describe the BSC is a pilot cockpit whereby, the pilot is presented with a dash board of control buttons to use and steer the plane. Each button is used to measure and control different things (light, altitude or speed etc.) which together enable the plane to fly safely. Likewise, the measures in the balanced scorecard framework help managers to make better decisions that will lead the organization or business unit to succeed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods and tools that were used in collecting the available data. It includes the research design, sampling design, data collection methods and instruments, data processing and analysis.

3.2 Research Design

The research design that was used in this study is a cross-sectional survey aimed at establishing the influence of balanced score card as a strategic management tool in Commercial state corporations. Donald (2006) notes that a research design is the structure of the research, it is the “glue” that holds all the elements in a research project together. Cross-sectional surveys are the most common type of surveys and are more quantitative in approach than qualitative.

Cross-sectional surveys provide a structured approach to data collection that allows for the systematic comparison of variables against each other (Minichiello et al, 2004). The method is preferred because it allowed for prudent comparison of the research findings. The main focus of this study was quantitative. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study.

3.3 Population of the Study

Borg and Crall (2009) described target population as a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. Target population in statistics is the specific population about which information is desired. Population studies also called census are more representative because everyone has equal chance to be included in the final sample that is drawn according to Mugenda and Mugenda (2003).

The target population of this study consisted of all the Kenyan Commercial State Corporations. According to GoK (2011), there are 31 Commercial State Corporations. The study targeted the executive directors and senior managers of these corporations.

3.4 Data Collection

The study heavily relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study.

The researcher personally delivered the questionnaires to the respondents then collected them later through the drop and pick later method. The study sought responses from executive directors and senior managers of the Commercial State Corporations owing to their experience and participation in strategic management in their Organizations.

3.5 Data Analysis

Descriptive statistics technique was used to analyze the quantitative data. Coding was done in SPSS, analyzed and the output interpreted in frequencies, percentages, mean scores and standard deviation. The findings were presented using tables, graphs and pie

charts. This will be enhanced by an explanation and interpretation of the data. A 5 figure Likert scale was used on the questions. The Likert scale is preferred because by using it, coding and analysis of the data collected is easy as it has predetermined categories. It also gives the respondent a wide choice to select from and thus yields more accurate data than other scales like the graphic rating scale and ranking scale.

Inferential statistics such as, regression analysis were also used to establish the significance of balance score card on strategic management in the state corporations. The following model was applied;

Regression model

$$Y = \beta_0 + \beta_1 F + \beta_2 C + \beta_3 I + \beta_4 L$$

Where; Y= strategic management variable, β_0 = Constant Term, β_1 . β_4 (Coefficients), S- Financial perspective, C- Customer Perspective, I- Internal Business process Perspective, L – Learning and growth perspective.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the data that was found on how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial state corporations. The research was conducted on sample size of 150 respondents from executive directors and senior managers of these corporations out of which 132 respondents completed and returned the questionnaires duly filled in making a response rate of 88%. The study made use of frequencies (absolute and relative) on single response questions. On multiple response questions, the study used Likert scale in collecting and analyzing the data whereby a scale of 5 points were used in computing the means and standard deviations. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

4.2 General Information

The study initially sought to inquire information on various aspects of respondents' background that is; gender, age, name of their organization, designation, respondent's years of experience in the corporation and use of Balance Score Card as a strategic management tool in the organization. This information aimed at testing the appropriateness of the respondent in answering the questions regarding how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial state corporations.

4.2.1 Respondents Gender

The respondents were requested to indicate their gender. The findings are as presented in table 4.2 below.

Table 4.1: Respondents Gender

Gender	Frequency	Percentage (%)
Male	87	66
Female	45	34
	132	100

(Source: 2014)

As per the findings, majorities (87) of the respondents were male and the remaining 45 were female. This implies that most of the responses emanated from male respondents.

4.2.2 Respondents Age Bracket

The study also requested the respondents to state their age brackets and the findings are as illustrated in figure 4.1 below.

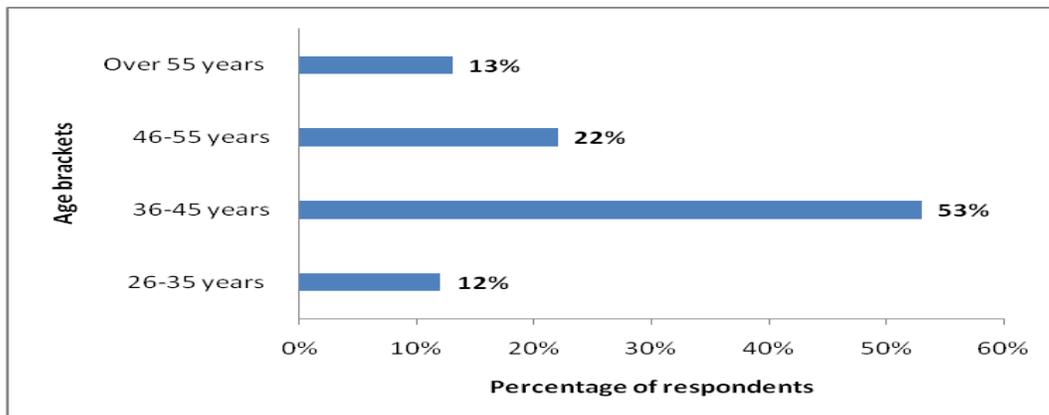


Figure 4.1: Respondents Age Bracket

(Source: 2014)

From the findings, majority (53%) of the respondents were between ages 36-45 years, 22% were between 46-55 years, 13% were over 55 years and 12% were between 26-35 years. This depicts that most of the respondents were above 30 years of age.

4.2.3 Name of the Respondents' Organization

The study requested the respondents to indicate the name of their organization. From the findings, there was a quite an average distribution of the respondents in all the target state corporations, i.e. East African Portland Cement Company, Geothermal Development Company, Telkom Kenya Limited, Agro-Chemicals And Food Company, Chemelil Sugar Company, Kenya Seed Company Limited, Kenya Wine Agencies, Horticultural Crops Development, New Kenya Cooperative Creameries, Kenya Petroleum Refineries Ltd and Kenya Fluorspar Company Ltd. Thus, the respondents from the target Kenyan Commercial state corporations took part in the study.

4.2.4 Respondents Designation

The study sought to determine the respondents' designation. The findings are tabulated below.

Table 4.2: Respondents Highest Academic Qualification

Job Titles	Frequency	Percentage (%)
Executive directors	50	38
Senior manager	82	62
Total	53	100

(Source: 2014)

According to the findings in table 4.2 above, majorities (62%) of the respondents are Executive directors, and the remaining were Senior manager. This shows that all the respondents are in the top management level as targeted.

4.2.5 Respondents Length of Service in the Company

The study sought to establish the period of time the respondents had worked for their Company. The findings are illustrated below.

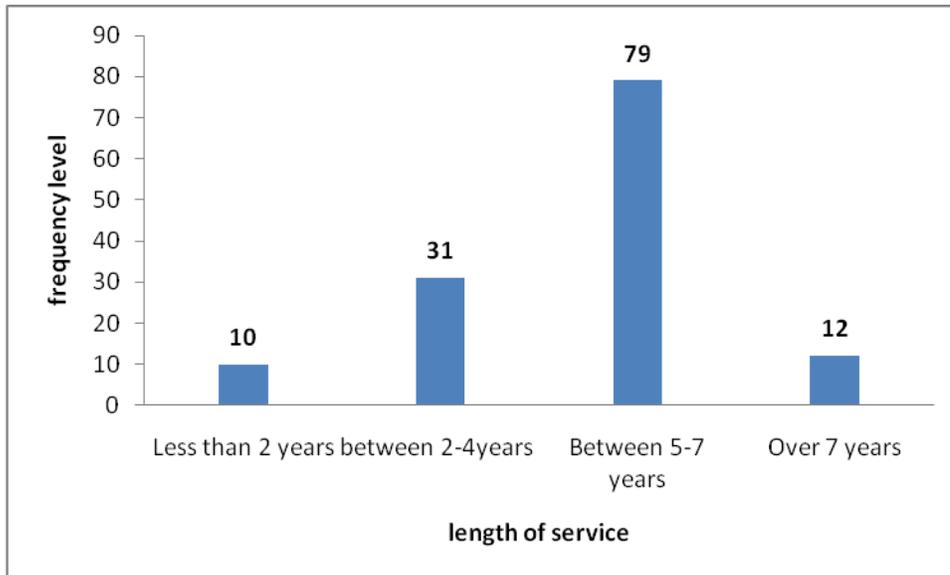


Figure 4.2: Respondents Length of Service in the Company

(Source: 2014)

From the findings in figure 4.2, most (79) of the respondents had worked for between 5-7 years, 31 had worked for 2-4 years, 12 had worked for over 7 years and 10 had worked for less than two years. This illustrates that the respondents have worked at the state corporations for a reasonably long period of time, thus enabling them to better understand how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial state corporations.

4.2.6 Use of BSC as a Strategic Management Tool in Respondents Organization

The respondents were asked to indicate whether their organization uses Balance Score Card as a strategic management tool. The findings are tabulated below.

Table 4.3: Use of The Balance Score Card As A Strategic Management Tool In Respondents Organization

Response	Frequency	Percentage (%)
Yes	95	72
No	37	28

(Source: 2014)

According to the findings, majority (72%) of the respondents' organization use Balance Score Card as a strategic management tool, while 28% said they did not. This depicts that most of the Kenyan Commercial state corporations use Balance Score Card as a strategic management tool.

4.2.6.1 Period Respondent Organizations Have Used the Balance Score Card

The study probed the respondents who agreed that their organizations use Balance Score Card as a strategic management tool on the period of time it has been in use. A summary of the findings is given below.

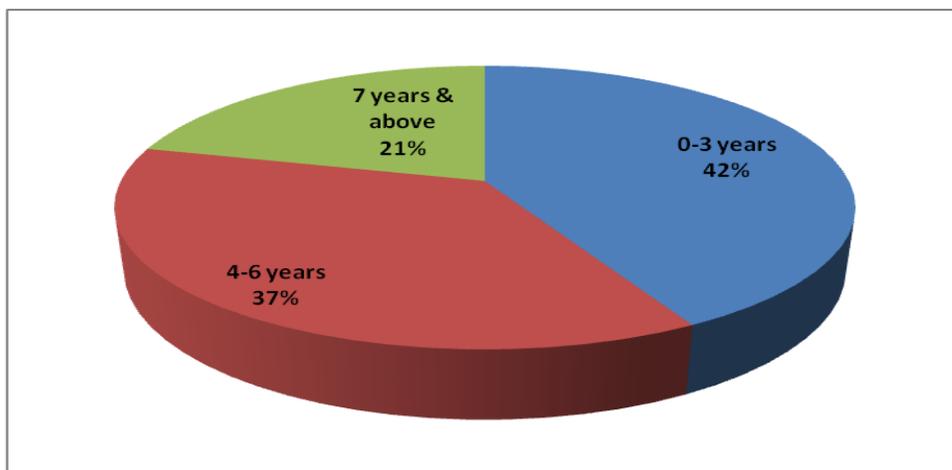


Figure 4.3: Period Respondent Organizations Have Used the Balance Score Card

(Source: 2014)

From the findings, 42% of the respondents organizations have been using Balance Score Card as a strategic management tool 0-3 years, 37% have been using it for 4-6 years and the remaining 21% have been using it for 7 years & above. This implies that the Balance Score Card as a strategic management tool has been in use for 6 years and below in most of the respondents organizations.

4.3 Financial perspective of the BSC

The study sought to identify the significant influences of adoption of BSC on the financial perspectives of the respondents' organization.

Table 4.4: Financial perspective of the BSC

Financial perspective	Mean	Std Dev
Appropriate levels of cash necessary for operations both in the long term and short term are available	2.04	0.491
Top management is satisfied with the customers' profitability levels	2.26	0.421
Target Return on Investment is achieved by all business units	3.64	0.211
The cost of making customer loyal is known by all the employees	3.75	0.216
Actual cost associated with the acquisition of a new customer is known by all employees	3.86	0.167
Profit levels attained in the past year have grown the company or increased shareholder value	4.06	0.220
Based on the results till date, the benefits of the balanced scorecard outweigh the costs	4.09	0.149
Return on Investment is the main indicator used for assessing performance of Customer Relationship Management system	4.21	0.015

(Source: 2014)

The respondents were asked to rate a series of statements on the influence of adoption of BSC on the financial perspectives of the respondents' organization. As shown in table 4.4, most of the respondents agreed that Return on Investment is the main indicator used for assessing performance of Customer Relationship Management system (mean score of

4.21 out of 5. In addition the respondents agreed that Based on the results till date, the benefits of the balanced scorecard outweigh the costs as depicted by a mean score of 4.09; the respondents further agreed that Profit levels attained in the past year have grown the company or increased shareholder value as shown by mean score of 4.06, Actual cost associated with the acquisition of a new customer is known by all employees mean score of 3.86, The cost of making customer loyal is known by all the employees with a mean score of 3.75 and that Target Return on Investment is achieved by all business units as portrayed by a mean score of 3.64.

However they disagreed that Top management is satisfied with the customers' profitability levels as shown by a mean score of 2.26 and that appropriate levels of cash necessary for operations both in the long term and short term are available with a mean score of 2.04. The findings indicate that The BSC expands the business objectives past the financial perspective of short-term performance and incorporates all segments of value that help drive and promote the long-term competitiveness and success of the organization.

4.4 Customer Perspective of the BSC

The study sought to establish the significant influences of adoption of BSC on the customer perspectives of the respondents' organization.

Table 4.5: Customer Perspective of the BSC

Customer Perspective	Mean	Std Dev
Customer needs and expectations are easily identified	3.96	0.317
Customer Relationship Management systems have been implemented in the organization	4.02	0.236
Customer relationship development programs are clear and incorporated in the organization's activities	4.08	0.355
Customer orientation objectives have been formulated and implemented	4.15	0.151
Customers' information is a strategic asset	4.39	0.218
Customer satisfaction is a criteria used to evaluate performance	4.41	0.002
Customer expectations are taken into account in the process of decision making	4.46	0.014

(Source: 2014)

The respondents were asked to rate a series of statements on the influence of adoption of BSC on the Customer Perspective of the respondents' organization. As indicated in table 4.5, most of the respondents agreed that customer expectations are taken into account in the process of decision making (mean score of 4.46 out of 5), Customer satisfaction is a criteria used to evaluate performance as depicted by a mean score of 4.41; Customers' information is a strategic asset as shown by mean score of 4.39, Customer orientation objectives have been formulated and implemented as portrayed by a mean score of 4.15 Customer relationship development programs are clear and incorporated in the organization's activities indicated by a mean score of 4.02 and Customer Relationship Management systems have been implemented in the organization as depicted by a mean score of 4.02. They also agreed that Customer needs and expectations are easily identified with a mean score of 3.96.

The findings indicate that in the customer perspective of the BSC, the organizations identify the customer and market segments in which they have chosen to compete. This perspective enables the firm to position their key customer measurements with the market segments with which they have chosen to compete. The organization of the decisive customer satisfaction indicators lets management form a more coherent strategy concerning the goals of the customer perspective. The key customer outcome measurements are: satisfaction, loyalty, retention, acquisition, and profitability.

4.5 Internal Business Process Perspective of the BSC

The study sought to establish the significant influences of adoption of BSC on the Internal Business process perspectives of the respondents' organization.

Table 4.6: Internal Business Process Perspective of the BSC

Internal Business process Perspective	Mean	Std Dev
The time span between design and launch of products and services into the market can be guaranteed	2.65	0.148
Customers are satisfied with the delivery time of the services	3.67	0.247
All processes in the organization are tailored to customers' expectations	3.71	0.366
Top management is satisfied with the product and service technologies	3.89	0.139
Activities focusing on customers are periodically controlled	4.13	0.089
Customers' views are incorporated in the design and improvement of the products and services	4.23	0.002
Customers' requirements are transposed in the improvement of the products and services	4.28	0.140
Customers' satisfaction indicator is used as the basis for improvement of internal processes	4.33	0.271

(Source: 2014)

The respondents were asked to rate a series of statements on the influence of adoption of BSC on the Internal Business process perspectives of the respondents' organization. According to the findings in table 4.6, most of the respondents agreed that Customers' satisfaction indicator is used as the basis for improvement of internal processes (mean score of 4.33 out of 5), Customers' requirements are transposed in the improvement of the products and services as depicted by a mean score of 4.28; Customers' views are incorporated in the design and improvement of the products and services as shown by mean score of 4.23, and activities focusing on customers are periodically controlled as portrayed by a mean score of 4.13.

They also agreed that Top management is satisfied with the product and service technologies indicated by a mean score of 3.89, all processes in the organization are tailored to customers' expectations with a mean score of 3.71 and Customers are satisfied with the delivery time of the services as depicted by a mean score of 3.67. On the contrary the respondents disagreed that the time span between design and launch of products and services into the market can be guaranteed with a mean score of 2.65. The findings signify the Internal Perspectives accomplish two vital components of an organization's strategy: (1) they produce and deliver the value proposition for customers, and (2) they improve processes and reduce costs for the productivity component in the financial perspective.

4.6 Learning and growth perspective of the BSC

The study sought to ascertain the significant influences of adoption of BSC on the Learning and growth perspectives of the respondents' organization.

Table 4.7: Learning and growth perspective of the BSC

Learning and growth perspective	Mean	Std Dev
All employees are responsible for resolution of customer problems	2.35	0.211
Customer centric training is provided to all employees	3.65	0.148
Reward strategies are according to customer satisfaction levels	3.72	0.387
Employee empowerment is influenced by the Balanced Scorecard	3.99	0.271
Employees are involved in the review of the Balanced Scorecard	4.06	0.325
Employee interests are correlated with those of the customers	4.09	0.442
Training programs increase employee skill levels	4.13	0.229
Staff competence is maintained at all levels	4.18	0.292

(Source: 2014)

The respondents were asked to rate a series of statements on the influence of adoption of BSC on the Learning and growth perspectives of the respondents' organization. From the findings in table 4.7, most of the respondents agreed that Staff competence is maintained at all levels (mean score of 4.18 out of 5), Training programs increase employee skill levels as depicted by a mean score of 4.13; Employee interests are correlated with those of the customers as shown by mean score of 4.09, and Employees are involved in the review of the Balanced Scorecard as portrayed by a mean score of 4.06.

They also agreed that Employee empowerment is influenced by the Balanced Scorecard indicated by a mean score of 3.99, Reward strategies are according to customer satisfaction levels with a mean score of 3.72 and Customer centric training is provided to all employees as depicted by a mean score of 3.65.

Conversely the respondents disagreed that all employees are responsible for resolution of customer problems with a mean score of 2.35. The findings illustrate that the goals of the learning and growth method perspective are to create successful strategies that serve as a road map for achieving the targets of the financial, customer, and internal business process perspectives in the respondents' organization.

4.7 Effect of balance between the four perspectives on strategic management

The study sought to determine how balance between the four BSC perspectives influences strategic management of the organization.

Table 4.8: Effect of balance between the four perspectives on strategic management

The four perspectives	Mean	Std Dev
Perceived usefulness		
Useful in the achievement of profitability goals and objectives	3.96	0.224
Useful in timely delivery of services to stakeholders	3.99	0.251
Useful in ensuring provision of quality products	4.02	0.413
Useful in achievement of market share goals and objectives by identifying the customer and market segments to position the organization in in which they have chosen to compete	4.07	0.189
Useful in achievement of growth goals through creating successful strategies that serve as a road map for achieving the targets	4.12	0.336
Decision making		
BSC perspectives enables one to check thinking against data	3.69	0.116
BSC perspectives enables one to analyze why problems occur	3.74	0.225
BSC perspectives enables one to make sense out of data	3.88	0.007
BSC perspectives enables one to communicate with other people	4.02	0.337
BSC perspectives enables one to improve decision, making effectiveness	4.03	0.218
BSC perspectives enables one to explain their decisions to others	4.09	0.141
BSC perspectives enables one to make explicit the reasons for their decision	4.14	0.003
BSC perspectives enables one to justify the reasons for their decisions	4.19	0.220
Coordinate work with others		
BSC perspectives enables one to coordinate with others in same work group	4.32	0.521
BSC perspectives enables one to exchange information with people	4.29	0.336
To monitor one's own performance		
BSC perspectives enables one to monitor their own performance	3.56	0.229
BSC perspectives enables one to plan their work	3.97	0.134
BSC perspectives enables one to get feedback on job performance	4.05	0.247

(Source: 2014)

The respondents were asked to rate a series of statements on how balance between the four BSC perspectives influences strategic management of the organization. As shown in table 4.8, most of the respondents agreed that BSC is useful in achievement of growth

goals through creating successful strategies that serve as a road map for achieving the targets (mean score of 4.12 out of 5). Moreover the respondents agreed that it is useful in achievement of market share goals and objectives by identifying the customer and market segments to position the organization in (mean score of 4.07), it is useful in ensuring provision of quality products as depicted by a mean score of 4.02; the respondents further agreed that it is useful in timely delivery of services to stakeholders as shown by mean score of 3.99, and it is useful in the achievement of profitability goals and objectives (mean score of 3.96).

In relation to decision making, the respondents strongly agreed that BSC perspectives enables one to justify the reasons for their decisions (with a mean score of 4.19), BSC perspectives enables one to make explicit the reasons for their decision (mean score of 4.14), BSC perspectives enables one to explain their decisions to others (mean score of 4.09), BSC perspectives enables one to improve decision, making effectiveness (mean score of 4.03) and BSC perspectives enables one to communicate with other people (mean score of 4.02). The further agreed that, BSC perspectives enables one to make sense out of data as portrayed by a mean score of 3.88, BSC perspectives enables one to analyze why problems occur (mean score of 3.74) and that BSC perspectives enables one to check thinking against data (mean score of 3.69).

With regard to Coordinating work with others, the respondents strongly agreed that; BSC perspectives enables one to coordinate with others in same work group (mean score of 4.32 out of 5) and BSC perspectives enables one to exchange information with people (mean score of 4.29). In relation to monitoring one's own performance, the respondents agreed that BSC perspectives enables one to get feedback on job performance (mean score of 4.05 out of 4.05), BSC perspectives enables one to plan their work (mean score of 3.97) and BSC perspectives enables one to monitor their own performance (mean score of 3.56).

These findings imply that the BSC has the goal of providing management with a framework, a way to translate the goals of the organization as well as the company's vision into a comprehensible set of performance enhancing measures. The mission statement and desired direction of the organization deemed most effective and profitable by the management team is translated into four different perspectives. The four perspectives provide a foundation in which to communicate with clarity the strategy and intentions of organization while also articulating to the employees the drivers to future success. By clearly expressing the outcomes the organization desires and the drivers of those outcomes, management hopes to energize, encourage and culminate the abilities and initiative of the individuals within the firm to achieving the long-term goals.

4.8 Discussion of Findings

The study found out that most of the Kenyan Commercial state corporations use Balance Score Card as a strategic management tool, with majority having used it for 6 years and below in their organizations.

The study also found out that the BSC expands the business objectives past the financial perspective of short-term performance and incorporates all segments of value that help

drive and promote the long-term competitiveness and success of the organization. This agrees with Baker et al., (2008) that the ability to maintain a focus on financial perspectives along with building and identifying a strategy for long-term success is a key to the successful implementation of the BSC within organizations. In the short term this implementation led to the initiation of projects with the purpose of improving the integration and continuity of care. In the long term this exercise led to a more balanced and data-driven approach to strategic and budget planning for the council.

Additionally, according to Kaplan and Norton (1996), financial objectives represent the long-term goal of the organization: to provide superior returns based on the capital invested in the unit. The BSC does not conflict with this vital goal. They also stated that the implementation of the BSC could make the financial objectives explicit while customizing financial objectives to business units in different stages of their growth and life cycle. Ultimately, all of the objectives within the BSC should be linked with the financial objectives to recognize the long-run goals of the business (Kaplan & Norton, 1996).

In terms of Customer Perspective of the BSC, the study found out that in the customer perspective of the BSC, the organizations identify the customer and market segments in which they have chosen to compete. This perspective enables the firm to position their key customer measurements with the market segments with which they have chosen to compete. The organization of the decisive customer satisfaction indicators lets management form a more coherent strategy concerning the goals of the customer perspective. The key customer outcome measurements are: satisfaction, loyalty, retention, acquisition, and profitability.

The findings concur with (Kaplan & Norton, 1996) who states that when formatting their organizational goals to that of the BSC, the firm will apply the five Core Measures of; Market Share, Customer Acquisition, Customer Retention, Customer Satisfaction, and Customer Profitability. These outcome measures represent the targets for companies' marketing, operational, logistics, and product and service development processes. Once an organization has completed the initial step of identifying their market segment, they can address the issue of objectives and measures to deliver satisfaction to their customers, which in the future will create retention, acquisition and market share.

The study further found out that the Internal Perspectives accomplish two vital components of an organization's strategy: (1) they produce and deliver the value proposition for customers, and (2) they improve processes and reduce costs for the productivity component in the financial perspective. The findings are similar to those of Kaplan & Norton (1992) that the internal measures for the BSC should stem from the business processes that have the greatest impact which are; cycle time, quality, employee skills, and productivity. It is also necessary that companies try to identify their core competencies as well as the critical technologies that are required to safeguard their market share.

The study found out that the goals of the learning and growth method perspective are to create successful strategies that serve as a road map for achieving the targets of the financial, customer, and internal business process perspectives in the respondent's organization. Likewise, Kaplan & Norton (1996) state that for an organization to maintain competitiveness and growth, it is essential that they make continual investments back into their firm. The BSC stresses the importance of investing in not only traditional

areas of investment, such as, equipment and research & development but also advocates investment in their infrastructure. Finally, the study found out that the BSC has the goal of providing management with a framework, a way to translate the goals of the organization as well as the company's vision into a comprehensible set of performance enhancing measures. The mission statement and desired direction of the organization deemed most effective and profitable by the management team is translated into four different perspectives.

The four perspectives provide a foundation in which to communicate with clarity the strategy and intentions of organization while also articulating to the employees the drivers to future success. By clearly expressing the outcomes the organization desires and the drivers of those outcomes, management hopes to energize, encourage and culminate the abilities and initiative of the individuals within the firm to achieving the long-term goals. Olve and Sjöstrand (2006) mean that the BSC has been useful for; "communicating strategic intentions, as companies increasingly need to involve managers and employees, discussing activities that are motivated by strategic aims rather than current necessities, such as development of competencies, customer relationships, and IT, and how these will pay off in the future, monitoring and rewarding such activities"(Olve & Sjöstrand, 2006).

It does not matter how many measures are chosen, it is the consistency of each of the four perspectives within the company's strategy that is important. As to choosing the right indicators it is important to take into consideration the cause-and-effect relationship (Mooraj, Oyon & Hostettker, 1999). Olve and Sjöstrand (2006) state that establishing cause and effect relationships between different measures, within or between the four perspectives, is one of the key challenges in creating a BSC.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial state corporations, the conclusions and recommendations are drawn there to. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

5.2 Summary

The study found out that most of the Kenyan Commercial state corporations use Balance Score Card as a strategic management tool, with majority having used it for 6 years and below in their organizations.

The study also found out that the BSC expands the business objectives past the financial perspective of short-term performance and incorporates all segments of value that help drive and promote the long-term competitiveness and success of the organization.

In terms of Customer Perspective of the BSC, the study found out that in the customer perspective of the BSC, the organizations identify the customer and market segments in which they have chosen to compete. This perspective enables the firm to position their key customer measurements with the market segments with which they have chosen to compete. The organization of the decisive customer satisfaction indicators lets management form a more coherent strategy concerning the goals of the customer perspective. The key customer outcome measurements are: satisfaction, loyalty,

retention, acquisition, and profitability. The study further found out that the Internal Perspectives accomplish two vital components of an organization's strategy: (1) they produce and deliver the value proposition for customers, and (2) they improve processes and reduce costs for the productivity component in the financial perspective. The study found out that the goals of the learning and growth method perspective are to create successful strategies that serve as a road map for achieving the targets of the financial, customer, and internal business process perspectives in the respondents organization.

Finally, the study found out that the BSC has the goal of providing management with a framework, a way to translate the goals of the organization as well as the company's vision into a comprehensible set of performance enhancing measures. The mission statement and desired direction of the organization deemed most effective and profitable by the management team is translated into four different perspectives. The four perspectives provide a foundation in which to communicate with clarity the strategy and intentions of organization while also articulating to the employees the drivers to future success. By clearly expressing the outcomes the organization desires and the drivers of those outcomes, management hopes to energize, encourage and culminate the abilities and initiative of the individuals within the firm to achieving the long-term goals.

5.3 Conclusion

The purpose of this study was to determine how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial state corporations. The study concluded that Kenyan Commercial state corporations implemented the BSC because they wanted to have a system that could be used within all departments, in order to get an overview and a better control of what is happening within the organization.

According to the management, two difficulties may occur when implementing the BSC; managing to make employees at all levels aware of the application of the BSC, and to find the right numerical values. Another difficulty that can arise when applying a tool such as the BSC is a lack of management commitment and support. However, it can be concluded that this is not true in the case of the Kenyan Commercial state corporations; at least it does not appear to be so according to the information received from the interviews.

The possible use of the PSS, the modified version of the BSC, cannot be dismissed in this case, since there may be personal interests involved, meaning that there can be performance distortion, communication blockage, or sabotage.

The benefits according to the Kenyan Commercial state corporations management are the multidimensional view of the organization through the four perspectives in the BSC, and also the fact that they now have a framework which encourage the staff to strive to achieve a unison vision through action plans.

The drawbacks associated with the BSC can be seen as the difficulty with the framework is to balance all four perspectives and know which variable (of information) should be included in which perspective.

The BSC's incentive to increase open communication is not being achieved in the Kenyan Commercial state corporations. This conclusion is built upon the fact that the Top management is not satisfied with the customers' profitability levels, appropriate levels of cash necessary for operations both in the long term and short term are not available and target Return on Investment is not achieved by all business units.

Something that has not been achieved within Kenyan Commercial state corporations is the clear and updated communication throughout the whole organization. The management needs to be aware of the fact that there is some miscommunication within the organization. They need to follow up information to insure that the staff has the knowledge of how the Kenyan Commercial state corporation is working, and how they are expected to work with the tool.

The study also concludes that the management is not lacking in its commitment, however the information seem to become somewhat blurred along the way to the supporting staff. The management believes that the BSC contributes with a way of thinking throughout the entire organization.

5.4 Recommendations

Gurd and Gao (2008) mentioned in their article that it is essential to find organizations that have succeeded with their implementation, since the failure rate was said to be 70 per cent. Therefore organizations need to take some advice from other businesses with experiences of the BSC implementation into consideration before applying it.

The study recommends that in order for the BSC to be effective, all levels of an organization must be aware of the problems that initially caused the tool to be applied, and then identify their performance goals as solutions to a problem, and not simply management interference or intrusion. The degree to which the BSC will succeed is in direct proportion to the cooperation of the staff, and the extent to which they interpret their goals.

5.5 Area for Further Studies

For studies in the future within this field we would suggest to take this study a step further, and make a deeper analysis of each of the four perspectives. This thesis is about how balanced score card is used and adds value as a strategic management tool in Kenyan Commercial state corporations. Digging more into each one of the four perspectives would allow the researcher to gain more knowledge of the interaction between the different levels within the organization, and also to understand how the employees perceive the BSC, if the management view and expectations fits with the employees. Also, one could then come up to a solution on how and where in the chain the BSC can be improved, or the other way around, where the BSC can improve the different divisions of the chain.

Instead of using semi-structured interviews one can tackle the subject using quantitative methods. Getting in touch with more people at different levels would also mean that one can draw more general assumptions, by comparing the information.

A comparative study is recommended on how balanced score card is used and adds value as a strategic management tool in other counties across Kenya such as Mombasa, Kisumu and Nakuru which operate in highly competitive environment, to ascertain the validity of the research findings.

5.6 Implications of the Study on Policy, Theory and Practice

The rationale of adopting the BSC is the recognition of the rhetorical and symbolic effectiveness of the use of the BSC in controlling identities, outdistancing the criticisms of logical weaknesses and weak validity, rhetorical persuasion and instrumental-thinking

stimulus. In addition, the review of the BSC measures highlights that identity measures are latently embedded in the four perspectives. The effective design of the BSC incorporating identity measures also provides periodic measurement and reporting of performance in order to achieve organizational objectives and interpret evolving identities over time.

In the identity construction process, the strategic thinking regarding the level of customization of the BSC can directly reflect and represent desired identities as identity products, and influence behaviours, identity patternings and the direction and strength of identification. The BSC, playing multiple roles as a management control system, creates obtrusive control as well as a concertive pressure on organisations and members to reflect themselves negotiate reality and transform identities through performance measurement activities and communication.

The study formed a better understanding of Resource-Based View theory (a theory that contains a variety of management tools and techniques, particularly developed to assist managers operating in complex settings). By acknowledging that resources are heterogeneously distributed across firms, and are not perfectly mobile and that this distribution is long lasting, organizations can use BSC to develop a logical connection among mission and vision, and the strategies, programs, services, and activities that departments and individuals must manage and implement to be successful.

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APPENDICES

Appendix I: Questionnaire

I'm a postgraduate student undertaking a Master of Business Administration (MBA) degree at the school of business, University of Nairobi. I am currently carrying out a research on "Influence of balanced score card as a strategic management tool in selected Kenyan state corporations". The information will be used exclusively for academic purposes.

Section A. General Information

1. Gender

Male

Female

2. Please indicate your age bracket

Below 25 years

26-35 years

36-45 years

46-55 years

Over 55 years

3. Name of your organization.....

4. Designation.....

5. For how long have you worked in the organization?

Less than 2 years between 2-4years

Between 5-7 years Over 7 years

6. Does your organization use Balance Score Card as a strategic management tool?

Yes [] No []

If your answer is yes, please state how long your organisation has been using BSC as a strategic management tool.

.....

Section B: Financial perspective of the BSC

7. Please indicate your level of agreement with the following statement concerning the extent to which adoption of BSC influences the financial perspectives of the organization. Where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree, and 5= strongly agree.

Financial perspective	1	2	3	4	5
Profit levels attained in the past year have grown the company or increased shareholder value					
Appropriate levels of cash necessary for operations both in the long term and short term are available					
Actual cost associated with the acquisition of a new customer is known by all employees					
The cost of making customer loyal is known by all the employees					
Return on Investment is the main indicator used for assessing performance of Customer Relationship Management system					
Top management is satisfied with the customers' profitability levels					
Target Return on Investment is achieved by all business units					

Based on the results till date, the benefits of the balanced scorecard outweigh the costs					
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Section C: Customer Perspective of the BSC

8. Please indicate your level of agreement with the following statement concerning the extent to which adoption of BSC influences the customer perspectives of the organization. Where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree, and 5= strongly agree.

Customer Perspective	1	2	3	4	5
Customer Relationship Management systems have been implemented in the organization					
Customer orientation objectives have been formulated and implemented					
Customer satisfaction is a criteria used to evaluate performance					
Customer expectations are taken into account in the process of decision making					
Customer needs and expectations are easily identified					
Customers' information is a strategic asset					
Customer relationship development programs are clear and incorporated in the organization's activities					
Customer Relationship Management systems have been implemented in the organization					

Section D: Internal Business process Perspective of the BSC

9. Please indicate your level of agreement with the following statement concerning the extent to which adoption of BSC influences the Internal Business process perspectives of the organization. Where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree, and 5= strongly agree.

Internal Business process Perspective	1	2	3	4	5
Activities focusing on customers are periodically controlled					
Customers are satisfied with the delivery time of the services					
All processes in the organization are tailored to customers' expectations					
Customers' views are incorporated in the design and improvement of the products and services					
Customers' requirements are transposed in the improvement of the products and services					
Customers' satisfaction indicator is used as the basis for improvement of internal processes					
The time span between design and launch of products and services into the market can be guaranteed					
Top management is satisfied with the product and service technologies					

Section E: Learning and growth perspective of the BSC

10. Please indicate your level of agreement with the following statement concerning the extent to which adoption of BSC influences the Learning and growth perspectives of the organization. Where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree, and 5= strongly agree.

Learning and growth perspective	1	2	3	4	5
All employees are responsible for resolution of customer problems					
Employees are involved in the review of the Balanced Scorecard					
Customer centric training is provided to all employees					

Employee interests are correlated with those of the customers					
Reward strategies are according to customer satisfaction levels					
Employee empowerment is influenced by the Balanced Scorecard					
Training programs increase employee skill levels					
Staff competence is maintained at all levels					

Section F: Effect of balance between the four perspectives on strategic management

11. Please indicate your level of agreement with the following statement concerning the extent to which balance between the four BSC perspectives influences strategic management of the organization. Where 1=strongly disagree, 2= disagree, 3= Neutral, 4= agree, and 5= strongly agree.

The four perspectives	1	2	3	4	5
Perceived usefulness					
Useful in the achievement of profitability goals and objectives					
Useful in achievement of market share goals and objectives by identifying the customer and market segments to position the organization in which they have chosen to compete					
Useful in achievement of growth goals through creating successful strategies that serve as a road map for achieving the targets					
Useful in timely delivery of services to stakeholders					
Useful in ensuring provision of quality products					
Decision making					
BSC perspectives enables one to analyze why problems occur					
BSC perspectives enables one to check thinking against data					
BSC perspectives enables one to make sense out of data					

BSC perspectives enables one to communicate with other people					
BSC perspectives enables one to explain their decisions to others					
BSC perspectives enables one to justify the reasons for their decisions					
BSC perspectives enables one to make explicit the reasons for their decision					
BSC perspectives enables one to improve decision, making effectiveness					
Coordinate work with others					
BSC perspectives enables one to coordinate with others in same work group					
BSC perspectives enables one to coordinate with others in different work group					
BSC perspectives enables one to exchange information with people					
To monitor one's own performance					
BSC perspectives enables one to monitor their own performance					
BSC perspectives enables one to plan their work					
BSC perspectives enables one to get feedback on job performance					

12. In your opinion what other influence has BSC had on the strategic management of your organization?

.....

.....

.....

Thank you for your cooperation.

Appendix II: The Kenyan Commercial State Corporations

1. East African Portland Cement Company
2. Geothermal Development Company
3. Kenya Airports Authority
4. Kenya Electricity Generating Company
5. Kenya Ports Authority
6. Kenya Pipeline Company
7. Kenya Power and Lighting Company
8. Kenya Railways Corporation
9. Postal Corporation of Kenya
10. Telkom Kenya Limited
11. Agro-Chemicals and Food Company
12. Chemelil Sugar Company
13. Kenya Seed Company Limited
14. Kenya Wine Agencies
15. National Housing Corporation
16. National Cereals and Produce Board
17. National Oil Corporation of Kenya
18. Nzoia Sugar Company
19. Pyrethrum Board of Kenya
20. South Nyanza Sugar Company
21. University of Nairobi Enterprises and Services Limited
22. Agricultural Development Corporation
23. Kenya Medical Supplies Agency
24. Kenya Ordinance Factories Corporation
25. Numerical Machining Complex
26. School Equipment Production Unit
27. Export Processing Zones
28. Horticultural Crops Development
29. New Kenya Cooperative Creameries
30. Kenya Petroleum Refineries Ltd
31. Kenya Fluorspar Company Ltd

(Source: GoK, 2011)