

**CHALLENGES OF THE BALANCED SCORECARD AS A STRATEGY
IMPLEMENTATION TOOL IN LARGE COMMERCIAL BANKS IN KENYA**

BY

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DECLARATION

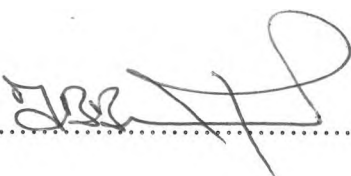
This research project is my original work and has not been presented for a degree in any other university.

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DEDICATION

To Almighty God, who has been my strength and divine inspiration in everything I do.

To my loving husband, Charles Maina, who has been my greatest source of inspiration, has offered me unconditional support and encouragement, always believing in me and that I can do anything that I purpose to achieve through determination.

To my lovely children Joyann Makena and Lisa Wachuka who fill my world with so much happiness and give me every reason to work hard.

To my parents Mr and Mrs Guantai who taught me at a tender age, the virtue of hard work, sacrificed a lot and shaped me to who I am today. To my siblings, for always being there for me.

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God bless you all abundantly.

ABSTRACT

Successful organizations recognize the importance of strategy as a tool in management and realize that their survival is dependent on how well they adopt new strategies or enhance existing strategies in an attempt to respond to the changes brought by the environment. While the quality of strategy is important, we cannot omit the importance of effectively executing it. As the organization faces the challenge of successful strategy implementation, tools to aid this important task cannot be overlooked. The use of balance scorecard as a tool for strategy implementation appears to be increasingly important in determining the success of implementation of strategies. Many organisations have in one way or another adopted balanced scorecard in strategy implementation. This study, using strategy implementation as the theoretical background, sought to contribute to a greater understanding, the challenges of the balanced scorecard as strategy implementation tool. The data was collected by the use of questionnaires filled by respondents from the 6 largest banks in Kenya. The survey data results were analysed and statistics such as the proportion of respondents in favour of a position was reported. The study results indicate large banks have adopted the Balanced Scorecard in strategy management and it has improved business output. Most of perspectives of the balanced scorecard have been applied to a large extent in strategy management. Majority of the respondents felt that it is generally difficult to apply the tool in tasks of strategy implementation. The study results indicate that the main challenges in its application for strategy implementation include; using it for compensation only, having too many strategy indicators, making a quantitative link between non financial leading indicators and expected financial results and the fact that staff has not fully understood and embraced the tool. The study recommends further research on the topic of challenges of the application of balanced scorecard and the recommends that it should be implemented with care in order to reap the intended benefits. Proper implementation of Balance Scorecard can ensure the development of competencies within an organization which help it to develop a competitive advantage without which it cannot expect to outperform its rivals.

TABLE OF CONTENTS

Declaration	ii
Dedication	iii
Acknowledgement	iv
Abstract	v
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the study	1
1.1.1 Strategy Implementation	2
1.1.2 Balanced Scorecard.....	3
1.1.3 The Kenya's Banking Industry.....	4
1.1.4 Large Commercial Banks in Kenya.....	5
1.2 Research Problem	6
1.3 Research Objective	7
1.4 Value of the Study.....	7
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Concept Of Strategy	8
2.3 Strategy Implementation.....	9
2.4 Challenges of Strategy Implementation.....	10
2.5 The Perspectives Of Balanced Scorecard.....	10
2.6 Balanced Scorecard as a Tool for Strategy Implemetation	14
2.7 Challenges of Application of Balanced Scorecard as a Tool for Strategy Implementation.....	15
CHAPTER THREE: RESEARCH METHODOLOGY	18
3.1 Introduction.....	18
3.2 Research Design.....	18
3.3 Data Collection	19
3.4 Data Analysis	19
CHAPTER FOUR: RESULTS AND FINDINGS	20
4.1 Introduction.....	20
4.2 Respondent Profile.....	20
4.3 Balanced Scorecard and strategy Implementation.....	22

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND

RECOMMENDATION32

- 5.1 Introduction.....32
- 5.2 Discussions and Findings.....32
- 5.3 Recommendations.....35
- 5.4 Limitations Of the Study.....37
- 5.5 Suggestions for Further Research38
- 5.6 Implication to Policy theory and practice38

REFERENCES.....40

APPENDICES.....46

- Appendix 1: Letter Of Introduction.....46
- Appendix 11: Questionnaire.....47
- Appendix III: List Of Commercial Banks In Kenya.....52

LIST OF FIGURES

Figure 1: Balanced Scorecard Perspectives.....	11
Figure 2: Contribution of BSC to strategy implementation.....	22
Figure 3: Contribution of BSC in the roles of strategy implementation.....	23
Figure 4: Translation of BSC perspectives of in strategy Implementation.....	24
Figure 5: Impact of BSC on internal business outputs	25
Figure 6: Extent of Challenge in use of BSC as a tool for strategy implementation.....	26
Figure 7: Level of Difficulty in application of BSC in tasks of strategy Implementation	28
Table 8: Challenges of BSC as a tool for strategy Implementation.....	30

LIST OF TABLES

Table 1: Distribution of Respondents.....	19
Table 2: Position held in the organisation.....	20
Table 3: Number of year's organisations have used the BSC.....	20
Table 4: Frequency of use of the balanced scorecard.....	20
Table 5: Challenges of BSC as a tool for strategy Implementation.....	27
Table 6: Challenges of BSC as a tool for strategy Implementation.....	29

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

An organisations strategy serves as a road map to its success, defining its unique images and providing a central purpose and direction to its activities and to the people within and outside the organization. Strategy requires to be taken seriously as a management tool not only for the firm but also for a broad spectrum of the organization (Ansoff, 1990). Proper strategy helps to shape the organizations future (Grant, 1998). Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa, 1992). In their findings, (Johnson and Scholes, 2002) discovered that strategy has a significant effect on performance of business enterprises and provides a long-term direction and development for organizations.

According to Kaplan and Norton (2001), in order for companies to create value for their shareholders and customers they must use strategy maps. Strategy maps are developed in a way which links intangible and tangible assets with objectives in cause-and-effect relationships. Organizations that want to succeed are continually seeking new tools for managing their strategies. The Balance Scorecard organisation homepage highlights that a successful executive manager is one that seeks ways and tools of aligning business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goal (<http://www.balancedscorecard.org>).

One of the tools that have been adopted to ease the process of strategy implementation is the Balance Scorecard (BSC). It is a very important strategic management tool that 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 (Sinha, 2006). The reason behind its gaining popularity is that the organizations have understood the capability this tool has in bringing the desired results to the business by managing the strategies. The tool has tried to fill up the void that exists in most management systems- that is the lack of a systematic process to implement and obtain feedback about the organizational strategy .

A lot of refinement is still required so that it becomes understandable to every stakeholder associated with the organization and the subjectivity is removed to a large extent. While a lot of research have been done focusing on its application and relevance, the focus on its challenges has not been given much focus. This calls for more research in areas pertaining to the challenges around its application in strategy management.

The context of this study is Kenya commercial Banks. The study will focus on the large commercial banks. Most of the large banks in Kenya have been using BSC in strategy management (Wughanga, 2010). Therefore these will best address the research question at hand and help shed light on experience in application of balanced scorecard for strategy implementation.

1.1.1 Strategy Implementation

In implementing strategy, the executive's mission is to go beyond the creation of grand strategy and develop those innovative business solutions that aid and ensure successful execution – only then do they create the legacy of implementation excellence (Perry, 2008). Thompson and Strickland (2003) has urged that the strategy-implementing/strategy-executing task is easily the most complicated and time-consuming part of strategic management. According to Pearce and Robinson (1997), for a strategy to be successfully implemented, it must be institutionalized -must permit the firms day to day life.

Mc Kinsey's (1982) framework describes the seven factors critical for effective strategy execution. Organizations should take into account all the seven factors to be sure of successful implementation of a new strategy. These include Strategy, structure, Systems, Style, Staff, Super ordinate goals and Skills. An overlook of any of the areas can result to failure of effective implementation of a new strategy. Thus implementation is just as critical, if not more so, than the development of effective strategies in the dynamic hyper competitive environment of today (Atkinson, 2006; Higgins, 2005; Kaplan and Norton, 2001).

Strategy implementation is generally believed to be a dynamic activity within strategic management process and the kind of organizational structure that the business adopts is expected to improve performance. Research emphasises strategy implementation is classified by Bourgeois and Brodwin (1984) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success.

Numerous studies have noted very weak relationship of strategy formulation to strategy execution. Fortune Magazine (as cited by Gurowitz 2010) stated that “Less than 10% of strategies effectively formulated are effectively executed”. Perry (2008), observes that moving quickly to overcome implementation constraints maintains the momentum of change and achievement of successful strategic execution. If Fortune is correct, only one of ten companies that do an effective job of formulating strategy are doing equally effective jobs of implementing it. For the rest, presumably, the well-crafted strategy is lost in the press of day-to-day tactical concerns or is left to languish in a report on the CEO’s bookshelf.

1.1.2 The Balanced Scorecard

The Balance Scorecard is an important strategic management tool which helps an organization to decide and manage the required strategies so that the long-term goals are achieved (Sinha, 2006). It can be used in any size organization to align vision and mission with customer requirements and day-to-day work, manage and evaluate business strategy, monitor operation efficiency improvements, build organization capacity, and communicate progress to all employees (Howard, 2008). It was first introduced in the early 1990s through the work of Robert Kaplan and David Norton of the Harvard Business School. Since then, the concept has become well known and its various forms widely adopted across the world (Rigby, 2001).

Balanced Scorecard Institute website defines it as strategic planning and management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It is more than a way of keeping score.

It is a system, consisting of people, strategy, processes, and technology (Howard, 2008). It enables executives to truly execute their strategies (Cobbold and Lawrie, 2002). When fully deployed, the Balance Scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise. Thus, in other words, the application of this tool ensures the consistency of vision and action which is the first step towards the development of a successful organization.

Balanced scorecard was originated 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. According to Kaplan and Norton (1996), BSC can translate a company's vision and strategy into a coherent and linked set of performance measures; these measures should include both outcome measures and the performance drivers (the measures that are unique for a particular business unit) of those outcomes. The scorecard should incorporate complex sets of cause and- effect relationships among the critical variables. By this way the organization will have a better idea of how to achieve its potential competitive advantage.

However, one fact is that it is not easy to implement this tool because it involves a lot of subjectivity (Schneider man, 1999). Also, the tool is much more complex compared to the other tools. The measures that need to be taken is contingent upon the kind of environment, industry and the business the organization is in.

1.1.2 The Kenya's Banking Industry

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. (<http://www.pwc.com.ke>). There are 46 banks and non bank financial institutions, 15 micro finance and 48 foreign exchange bureaus currently.

The banks have come together under Kenya Bankers Association (KBA), which serves as a lobby for the banks interests and also addresses issues affecting the members. The industry is dominated by a few banks which are foreign owned and some are locally owned. Nine of the major banks are listed at the Nairobi Stock Exchange (NSE). (<http://www.centralbank.go.ke>).

Key issues affecting the banking industry include: changes in the regulatory framework, where liberalization exists; declining interest margins due to customer's pressure leading to mergers and re-organization; increased demand for non-traditional services and move towards emphasis on the customer rather than the product; introduction of non-tradition players who offer financial services products. (<http://www.centralbank.go.ke>).

The banking services are poised for significant expansion, product and market development that should result in further consolidation of the banking sector. Most of these transformations have been necessitated by the changes in the environment which have forced banks to respond to such changes so as to remain in business

1.1.3 Large Commercial Banks in Kenya

Currently there are 43 licensed commercial banks. The CBK 2011 directory lists these commercial banks and categorises them into peer groups whether Large, Small or Medium. (<http://www.centralbank.go.ke/financialsystem/banks/Register.aspx>). This categorisation is normally in terms of total assets and profits. This study will focus on the large commercial Banks as identified by the Central Bank of Kenya. The large banks are Kenya Commercial bank, Barclays, Standard Chartered, Equity, Co-operative Bank and CFC Stanbic (List of Large commercial banks in Appendix III). They follow a similar order in terms of size (assets and total profits)

Most the above banks have been in operation in Kenya for decades and command a big share of the banking market. These banks are competing on a very dynamic industry and the competition dynamics are ever changing. Most transformations have been necessitated by the changes in the environment which have forced banks to respond to such changes so as to remain in business.

To demonstrate how dynamic the environment is, an example of equity bank, the youngest of the pack shown tremendous growth in the past few years overtaking even the biggest. It is hence very difficult to remain at the top if the individual banks do not invent tools to respond to these. These banks are known to apply the Balance Scorecard in one way or another in strategy management and have taken it seriously as a way of addressing challenges in strategy management

1.1.4 Research Problem

Strategy implementation is one of the key roles of management. Managers the world over are always seeking best tools to help them in this role. BSC is just but one of the tools that has gained popularity in the last two decades. Reviewing BSC literature reveals that it contains numerous publications on the use of BSC as measurement systems in various organizations. These articles have mainly been developed in the context of manufacturing sector. Little attention has been given to financial service sector. However, the development, the use and challenges of BSC as measurement systems in the service sector, and especially banks, differ from those in the manufacturing sector.

Even though BSC is widely adopted as a tool for strategy implementation and control, it remains a controversial one and it needs more research Schneiderman (1999). It is also a very challenging tool to use for strategy implementation hence requires more research. The context of this study is Kenya commercial Banks. There are 6 Large, 14 medium and 23 small commercial banks in Kenya. (<http://www.centralbank.go.ke>). This study will focus on the large commercial banks. Most of the large banks in Kenya have been using BSC in strategy management (Wughanga, 2010). Therefore these will best address the research question at hand. These banks are Commercial bank, Barclays, Standard Chartered, Equity, Cooperative Bank and CFC Stanbic.

There are several unpublished research papers available on the application of the BSC in strategy implementation by Kenyan organisations. A few of these research papers are on its application by banks. (Dsouza 2007, Mucheru 2008, Opiyo, Osoro and Otieno, 2010). They have concentrated more on how the individual banks have adopted BSC in ~~strategy~~ performance management and employee job satisfaction.

None of these studies has looked at the challenges in strategy implementation since the adoption of scorecard in these in the institutions. Macharia (2008) studied challenges faced by one bank in integrating the scorecard in performance management. The extent and challenges of application of the four perspectives of the scorecard is not explored in these studies. These papers are case studies focusing on an individual organisation's application of BSC.

D'Souza (2007) concludes that BSC is perceived very important in strategy implementation by Kenyan banks but difficult to effect in strategy management process. She suggests further research on the challenges of BSC in organisations, both local and multinationals. A cross sectional survey of large banks that have applied BSC in strategy implementation will be useful in shedding light on the challenges in its application in banking industry. Hence the research question, what are the challenges of Balanced Scorecard as a strategy implementation tool in large commercial banks in Kenya?

1.2 Research Objective

The objective of the research will be to establish challenges of the Balanced Scorecard as a strategy implementation tool in Large commercial banks in Kenya

1.3 Value of the Study

The results of this study will bring out several benefits. It will add to the current scope of knowledge and theory in strategy implementation and control. Scholars could therefore use the findings as a basis for further research.

The research will benefit executives and managers as it will bring help in refinement of the usability of the BSC in organisations and commercial banks in particular so that it becomes understandable to every stakeholder associated with the organization and the subjectivity is removed to a large extent.

Policy makers and implementers can use the findings to set guidelines and bench marks for strategy implementation and control in public sectors. The findings will unfold essential and critical learning that policy makers and implementers should be wary of in ~~successful~~ implementation of the strategies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides reviews and summary of empirical studies and literature on strategy implementation and Balance Scorecard. The Chapter is organized as follows; section 2.2 presents the concept of strategy; section 2.3 presents strategy implementation; section 2.4 discusses Challenges of Strategy Implementation; 2.5 discussed The perspectives of the ; section 2.6 as strategy implementation tool; section 2.7 discusses challenges of as a tool for strategy implementation.

2.2 Concept Of Strategy

While it has no single definition, strategy may be seen as a multidimensional concept that embraces all the critical activities of an organisation. Lack of a single definition points to the selective attention given to the various aspects of strategy by different authors (Aosa, 1992). Dessler (2005) describes strategy as a course of action which shows how the enterprise will move from the business it is now , to the business it wants to be in , as stated in its vision, mission and goals, given its opportunities and threats and its internal strengths and weakness.

According to Johnsons and Scholes, 2002 strategy is the direction and scope of an organization over the long term which archive advantage for the organization through its configuration of resources within a changing environment and to fulfil stakeholders' expectations. Strategy is the heart of strategic management for it helps an organization to formulate and implement various tasks in its attempt to prosper (Hussey, 1991).

Mintzberg (1994) defines strategy as a pattern in a stream of decisions and actions of an organization. He defines strategy from a 5Ps approach: a plan, ploy, pattern, position and perspective. As a plan strategy specifies consciously an intended course of action, as a ploy it is a specific manoeuvre intended to outwit competition, as a pattern strategy emerges in a stream of actions over time, as a position strategy means locating an organization in its environment and finally as a perspective strategy gives the organization an identity that reveals how people locate and perceive it.

2.3 Strategy Implementation

Hunger and Wheelen (1995) describe implementation of strategy as the process by which management translates strategies and policies into action through development of programs, budgets and procedures. Implementation is concerned with aligning organisational structure, systems and processes with the chosen strategy. Robbins and Coulter (2002) have mentioned that strategic management is the process that encompasses strategic planning, implementation and evaluation. In their view strategic management process is a way of considering; dealing and realizing already formulated strategies. Kazmi (2002) note that as a process strategic management consists of different phases which are sequential in nature namely: Strategic intent, formulation, implementation, evaluation and control. This division is intended for orderly study as in real life situations, the activities are interlinked and intertwined depending on the nature of strategy, size of organization and environmental factors by a particular organisation.

Strategy implementation is one of the components of strategic management and it refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to archive organizational objectives (Pearce and Robinson, 1997). Johnson and Scholes (2004) noted that strategy implementation is the translation of strategy into actions. It entails institutionalization and operationalisation of strategies and managing the ensuing change. Thompson and Strickland (2003) mentioned that strategy implementation is viewed as the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy and strategic objectives of the organisation are successfully achieved as planned.

Taylor (1995) looks at strategy management and implementation as being able to manage radical change to achieve dramatic improvement in performance. Consistency of vision and action is the first step towards the development of a successful organization. Organisations world over are seeking results oriented tools whose proper implementation can ensure the development of competencies within the organization to help in development of competitive advantage within an ever changing environment. Balanced scorecard is one such tool.

2.4 Challenges of Strategy Implementation

According to a study by Russell and Michael (2000), the six silent killers of strategy implementation are top-down or complacent upper management, unclear strategy and conflicting priorities, ineffective senior management team, poor vertical communication, poor coordination across the enterprise and inadequate middle-manager and supervisor management skills. Training and communication are key to overcoming these challenges.

Most of these strategy implementation challenges revolved around the components applied in implementing the strategy. These include organization structure and design in use, the way information/strategies are communicated and resource planning. Organizational structure and design aspect of the strategy implementation deals with how the human resources in the organization are mobilized and organized to bring about the corporate strategy (Scholes et al, 1999). The way and manner information is passed down or up the ranks poses another challenge. If there is a blockage which impedes the flow of information processes it means that decisions would be made based on outdated or obsolete information.

All in all, translating statements of strategic purpose into critical factors that will make it achievable and ultimately achieved (Scholes et al, 1999) presents even a bigger challenge. The Balanced Scorecard in a big way contributes in addressing challenges of strategy implementation by providing a framework and a system through which all these challenges can be addressed.

2.5 The Perspectives of the Balanced Scorecard

Balanced Scorecard is a strategic planning and management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals (<http://www.ap-institute.com>). The Balance Scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system.

The “new” Balance Scorecard transforms an organization’s strategic plan from an attractive but passive document into the "marching orders" for the organization on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured (Ian Cobbold and Lawrie (2002). It enables executives to truly implement their strategies. This new approach to strategic management was first detailed in a series of articles and books by Drs. Kaplan and Norton (1992).

Recognizing some of the weaknesses and vagueness of previous management approaches, the Balance Scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The Balance Scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.

Kaplan and Norton (1992) identified four generic perspectives that cover the main strategic focus areas of a company. The idea was to use this model as a template for designing objectives and measures in each of the four perspectives.

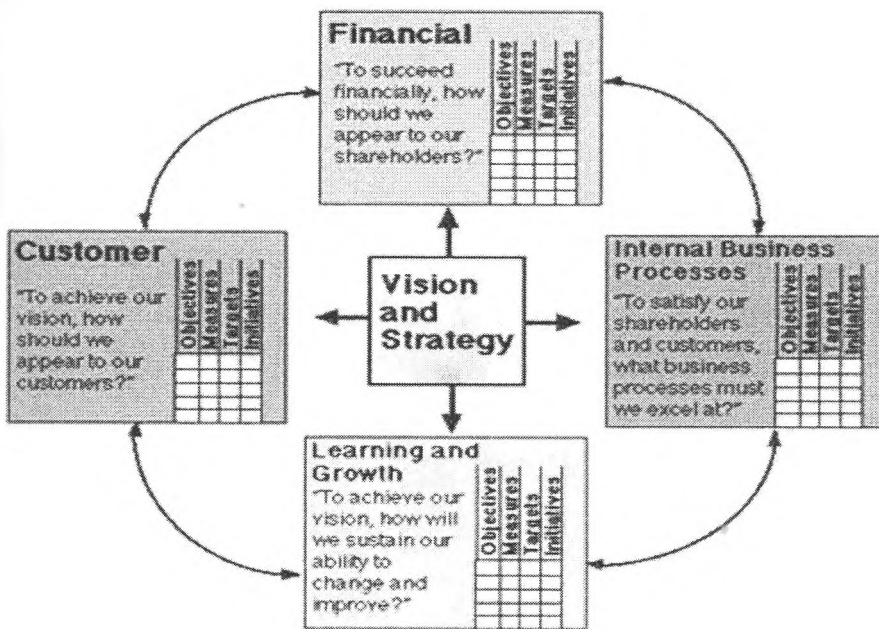


Figure 1 Perspectives of Balanced Scorecard

Source: Robert S. Kaplan and David P. Norton, “Using the Balanced Scorecard as a Strategic Management System,” Harvard Business Review (Jan-Feb 1996). p.76.

According to Kaplan & Norton (1992), the first perspective is the Learning & Growth Perspective which includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people, the only repository of knowledge, are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization. Kaplan and Norton (1992) emphasize that learning is more than training; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools what would be referred to as "high performance work systems."

The second perspective is The Business Process perspective that refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by outside consultants (Kaplan & Norton, 1992). This in the process produces efficiencies across the business and tremendously improves overall performance.

In their work Kaplan and Norton (1992), have also illustrated the customer perspective. Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups (Kaplan and Norton, 1996).

The Financial Perspective is the 4th concept. Kaplan and Norton (1992) do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category (Kaplan and Norton, 1996).

Strategy maps in the Balance Scorecard are communication tools used to tell a story of how value is created for the organization (Kaplan and Norton, 2001). They show a logical, step-by-step connection between strategic objectives (shown as ovals on the map) in the form of a cause-and-effect chain. Generally speaking, improving performance in the objectives found in the Learning & Growth perspective (the bottom row) enables the organization to improve its Internal Process perspective Objectives (the next row up), which in turn enables the organization to create desirable results in the Customer and Financial perspectives (the top two rows) (Kaplan and Norton, 1996)

When fully deployed, the Balance Scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise. Kaplan and Norton (1992) describe the innovation of the Balance Scorecard as follows as "The Balance Scorecard retains traditional financial measures. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology and innovation

2.6 The Balanced Scorecard as a Tool for Strategy Implementation

From the outset, it has been clear that the primary focus of Balance Scorecard is to be a control tool for managers (Kaplan and Norton, 1992). But there are different types of control exercised by managers: Kaplan and Norton appear from the outset to associate the Balance Scorecard with what Muralidharan (1997) calls 'strategic control' rather than 'management. But in practice, considerable academic and practical attention has focused on the application of Balance Scorecard for management control purposes (Lingle and Schiemann, 1996, Frigo, 2000).

In a 2009 Usage Survey by 2GC seeking to examine how organisations are using the Balance Scorecard, respondents reported that actions and behaviours are being influenced by the (s) in their organisation. The results indicated 95% of business Actions was influenced while 65% of behaviour was influenced, Appraisal had 45%, Team rewards and individual rewards showed a 35% influence each. The relatively low impact of BSC on team and individual rewards is consistent with 2GC findings earlier about the role of BSC within organisations. BSC's primary role is to aid to strategic management, informing decision making. Any role Balance Scorecard has in team or individual appraisals or rewards is as a consequence of the primary role, rather than an end in itself.

The key benefits of using a BSC is that it facilitates strategic planning, ensures improved strategy communication and execution, facilitates better management of information, improves performance reporting and brings about better organizational and strategic alignment (<http://www.ap-institute.com>). These are compelling benefits; however, they won't be realised if the Balance Scorecard is implemented half-heartedly or if too many short cuts are taken during the implementation. Proper implementation of Balance Scorecard can ensure the development of competencies within an organization which will help it to develop a competitive advantage without which it cannot expect to outperform its rivals. As Schneiderman (1999) noted it is not easy to implement this tool. It is much complex and involves a lot of subjectivity. The measures that need to be taken is contingent upon the kind of environment, industry and the business the organization is in.

The reason behind its gaining popularity is that the organizations have understood the capability this tool has in bringing the desired results to the business by managing the strategies (Mucheru 2008, Karimi 2010). The tool has tried to fill up the void that exists in most management systems- that is the lack of a systematic process to implement and obtain feedback about the organizations strategy. But, a lot of refinement is still required to be done so that it becomes understandable to every stakeholder associated with the organization and the subjectivity is removed to a large extent.

2.7 Challenges of Application of Balanced Scorecard as a Tool for Strategy Implementation

Several researchers have highlighted challenges of the use of Balance Scorecard in organisations. Kaplan and Norton (2001) identify too few measures (two or three) per perspective as a challenge. A good Balanced Scorecard should have an appropriate mix of outcomes (lagging indicators) and performance drivers (leading indicators) of the company's strategy. Therefore, when the organisation constructs too few measures in each perspective, it fails to obtain a balance between leading and lagging indicators or non-financial and financial indicators. The solution to this would be to obtain a balance between leading and lagging indicators. On the other hand if the organisation adopts too many indicators it tends to be an obstacle (Kaplan and Norton, 2001). In this case, the organisation will lose focus and cannot find any linkage between indicators. The organisation should obtain only the indicators that reflect strategy and are most critical.

Kaplan and Norton (2001), highlight that if the measures selected for the scorecard do not reflect the organisation's strategy it tends to limit the success of application of the scorecard. This happens when the organisation tries to apply all their Key Performance Indicators (KPIs) into each perspective without screening only for the measures that are linked to its strategy. Therefore the organisation's strategy is not translated into action and the organisation does not obtain any benefit from the Balanced Scorecard. Kaplan and Norton suggest that organisations should only select measures that are linked to the organisation's strategy.

Schneiderman (1999) and Norreklit (2000) have indicated that when an organisation tries to make a quantitative link between non financial leading indicators and expected financial results becomes a challenge. This is because the financial measures are the dependant variables and are the retrospective, lagging indicators. Some organisations are tempted to make this linkage quantifiable but since lag time is difficult to predict and numerous factors may influence the result, a quantitative link can not be established. Therefore, they should not make a quantitative link between non-financial leading indicators and expected financial results.

Lack of senior management commitment would also be a challenge (Norton and Kaplan, 2001). To be effective, the Balanced Scorecard, including strategy and action to support implementation, must eventually be shared with every member of the organisation. If there is no deployment system that breaks high level goals down to the sub process level where actual improvement activities reside, significant process improvements throughout the organisation fail to generate bottom line results (Schneiderman, 1999). Additionally when too few individuals are involved it becomes a problem (Norton and Kaplan, 2001). The senior leadership team must work together to build and support the implementation of the Balanced Scorecard, including objectives, measures and targets. If not, there can not be the shared commitment which is required to align the organisation.

Another challenge is posed by the implementation time. If the implementation takes too long, it can happen that during the implementation process, the strategy has changed. This results in the fact that some of indicators have become obsolete and requires new indicators (Braam and Nijsen, 2004). Measuring with wrong indicators can distract an organisation from its strategy. The development process should be kept short to remain relevant (Kaplan and Norton 2001).

Over and above these challenges, the focus should not be on compensation. The BSC should not be introduced for compensation purpose only (Kaplan and Norton 2001). Support for the linkage of compensation to strategic measures can only occur effectively when it is part of the process of strategy translation in the organisation.

Many large organisations in Kenya have in one way or another adopted Balanced Scorecard in strategy implementation (Otieno, 2009). There have been challenges in the use of the Balanced Scorecard in Kenyan organisations with the most prevalent being the acceptability of the tool as a key strategic management tool (Macharia, 2008). The alignment between developments in Balanced Scorecard principles and the theoretical aspects of control and management process are a positive indication that the more modern ideas about Balanced Scorecard design processes and structure are indeed ‘better’ than the original concept described by Kaplan and Norton, in so far as they are more likely to have a beneficial consequence for the organisation adopting the tool for strategy management.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the research methodology and procedures followed in the execution of the research work, which entails: the research design, means of data collection and the data analysis method that will be used.

3.2 Research Design

This research was conducted through a cross sectional survey. A survey occurs when data is collected from many or several study units (Mugenda and Mugenda, 2003). The population of study was composed of all large Commercial Banks in Kenya. A sample was selected from each organisation's different levels (Senior management, Middle Management, Supervisory and Non Management Staff). The participants were identified through a judgement sampling methodology (Zikmund, 2003) to achieve a representative sample with the desired respondents' profile.

A cross sectional survey study data is usually quantitative in nature. It relies on quantitative data such as aggregate values of factors, proportion, and other quantitative measures of factors. (Mugenda and Mugenda, 2003). The number or proportion associated with the factors is what is important and not the content of data information. Quantitative data is any data that is in numerical form such as statistics, percentages. This means that the quantitative researcher asks a specific, narrow question and collects numerical data from participants to answer the question. The researcher analyzes the data with the help of statistics. The researcher hopes the numbers will yield an unbiased result that can be generalized to some larger population.

The primary purpose of the study was to determine the challenges of Balanced Scorecard as a strategy implementation tool in Large commercial banks in Kenya. It was deemed the best design to fulfil the objectives of the study and because was expected to enable the researcher define the challenges faced by the selected institutions in application of BSC in strategy implementation.

3.3 Data Collection

To meet the objective of this research, primary data was collected. Primary data was collected using a self administered questionnaire delivered by hand to respondents and collected later (drop and pick questionnaires). A questionnaire is a pre-formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives (Mugenda and Mugenda, 2003). It is an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest. Since each respondent is asked to respond to the same set of questions, it provides an efficient way of collecting responses from a large sample prior to quantitative analysis.

The questionnaires were filled by senior managers, middle level managers, first line managers and Non Management staff within the functions of the identified banks. The questionnaire had relatively structured and predetermined questions covering issues on strategy implementation and the Balanced Scorecard.

3.4 Data Analysis

According to Zikmund (2003), data analysis is the application of reasoning to understand and interpret the data that has been collected. The objective of quantitative data is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena (Given 2008). The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. According to Mugenda and Mugenda (2003) quantitative research is much more focused on the collection and analysis of numerical data and statistics.

The collected data underwent verification, validation and recording before the analysis took place. Data analysis packages were used for this purpose. Since the study is a quantitative based survey, statistics such as the proportion of respondents in favor of a position were reported.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis and findings of the research from questionnaires responded to by the largest banks. The data analysis was designed with the intention of answering the research question of this study described in Chapter one. The analysis of questionnaire outcomes is associated with the questions as per the questionnaire (Appendix II).

4.2 Respondents Profile

The questionnaire respondents were identified through judgement sampling methodology (Zikmund, 2003) that achieved a sample size of 30 with 5 respondents from each of the 6 largest banks. The response rate of 83%, (25 respondents) was achieved with representation from each of the large banks. The sample was selected to study the challenges of the Balanced Scorecard as a strategy management tool in large commercial banks.

The mix of respondent was achieved by selecting from different levels from different departments to give a representation of each of the bank.

Table 1: Distribution of Respondents

Position	Barclays Bank	Standard Chartered	Kenya Commercial Bank	CFC Stanbic	Cooperative Bank
Frequency	5	5	4	5	3
Percentage	20%	20%	16%	20%	12%

There was representation from every bank. Cooperative banks had the least number of respondents whereas BBK, Standard and KCB had 5 respondents replying to the questionnaires.

Table 2: Position held in the organisation

Position	Senior manager	Middle level manager	First line manager	Non mgt Staff
Frequency	5	1	6	2
Percentage	20%	48%	8%	24%

Majority of the respondents were middle level managers representing 48% of the respondents. 20% were senior managers. The rest were first line managers and non management staff.

Table 3: Number of year's organisations have used the BSC for strategy implementation

No. of years	1 to 3	4 to 6	7 to 9	10 to 12	> 12
Frequency	3	9	4	2	6
Percentage	13%	38%	17%	8%	25%

Most large banks have used the BSC for more than 4 years. Table 1 above indicates most large banks have used the Balanced Scorecard in strategy management for over 4 year with over 70% of respondents indicating so.

Table 3: Frequency of use of the Balanced Scorecard

Frequency	Annually	Quarterly	Half Yearly	As Need be	Other /Monthly
Frequency	4	7	6	4	3
Percentage	17%	29%	25%	17%	13%

Table above results indicates that most large banks use the BSC quarterly and half yearly. Others use it at lesser frequencies.

4.3 Balanced Scorecard and strategy implementation

4.3.1 Has BSC improved business strategy implementation in large banks in Kenya?

Respondents were asked to respond to indicate the level of agreement with the statement: BSC has improved business strategy implementation in the organisation. The chart below illustrates the summary of the responses with over 63% agreeing that BSC has improved strategy implementation. 25% strongly agree and the remaining 13% are neutral.

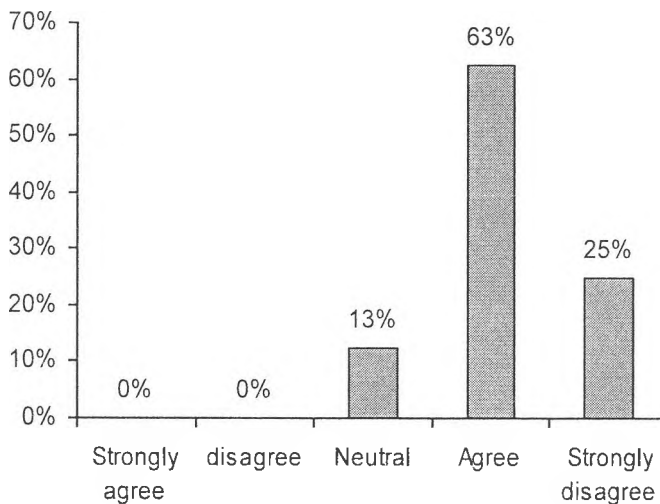


Figure 2:

Contribution of BSC to strategy implementation

Cumulatively, those that are in agreement represent 88% of the respondents. 63% agreeing and 25% strongly agreeing that balance scorecard has improved business strategy implementation. Those who are neutral about their opinion stand 13%. The responses above strongly indicate and confirm that BSC has played a key role in strategy implementation in large commercial banks in Kenya.

4.3.2 Usefulness of BSC in strategy implementation tasks in large banks in Kenya

Respondents were asked to rate the extent to which BSC has been useful in the roles of strategy management

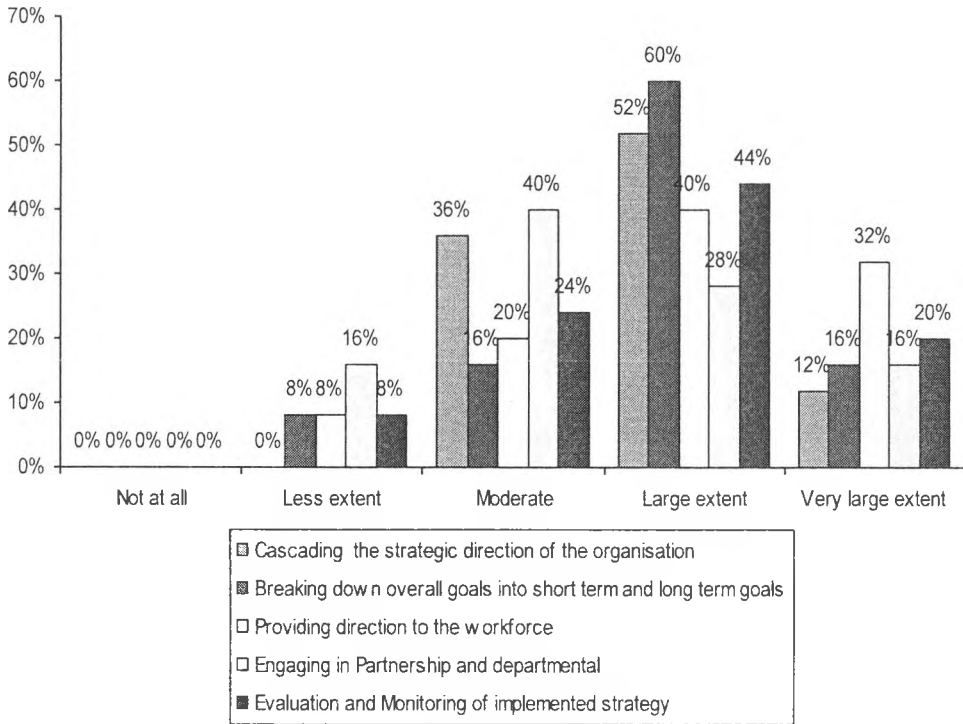


Figure 3: Contribution of BSC in the roles of strategy implementation

The above results indicate that BSC has to a large extent assisted the roles of strategy implementation. 76% of the respondents felt that BSC has assisted in breaking down overall goals into short and long term goals to a large and very large extent while a total of 64% felt that it has assisted in cascading the strategic direction to a large and very large extent. 64% indicated to a large and very large extent, evaluation and monitoring whereas providing direction to the workforce to a large and very large extent with cumulative took 62%. Engaging in partnership features more to a moderate and less extent. This confirms that generally BSC has played significant role in strategy management

4.3.3 Adoption of perspectives of the BSC in strategy implementation in large banks in Kenya

Respondents were asked to rate the extent to their organisations have translated perspectives of BSC in strategy implementation. The four BSC perspectives (Financial, customer, internal business process and learning and growth perspectives) were provided and a rating scale provided.

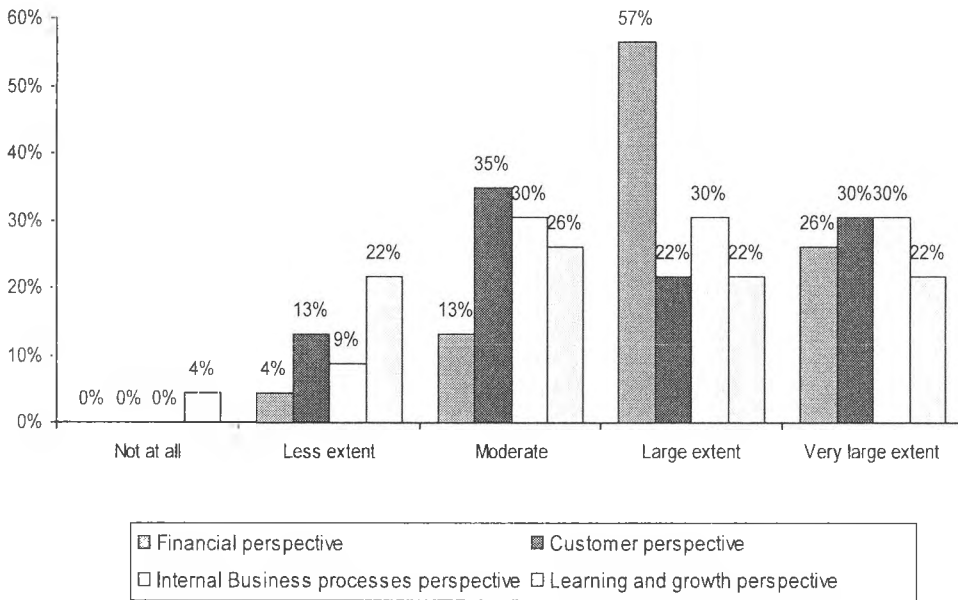


Figure 4: Translation of BSC perspectives of in strategy Implementation

The figure above indicates that perspectives of BSC have been generally translated in strategy implementation to a large and very large extent. The financial, internal business processes perspective and customer perspective feature prominently with a cumulative of 83%, 61% and 52% of respondents indicating that they have been translated to a large and very large extent. Learning and growth perspective on the other hand is more skewed to moderate and less extent rating indicating it's has not been a main focus. This implies that the large banks have significantly adopted the perspectives of the BSC in strategy implementation

4.3.4 Extent to which potential business output has been realised due to introduction of BSC in strategy implementation in large banks in Kenya

Respondents were requested to rate the extent to which business output has been realised as a result of introduction of the BSC . These outputs focused on in this question were efficiency, profitability, employee turnover, employee growth and customer service.

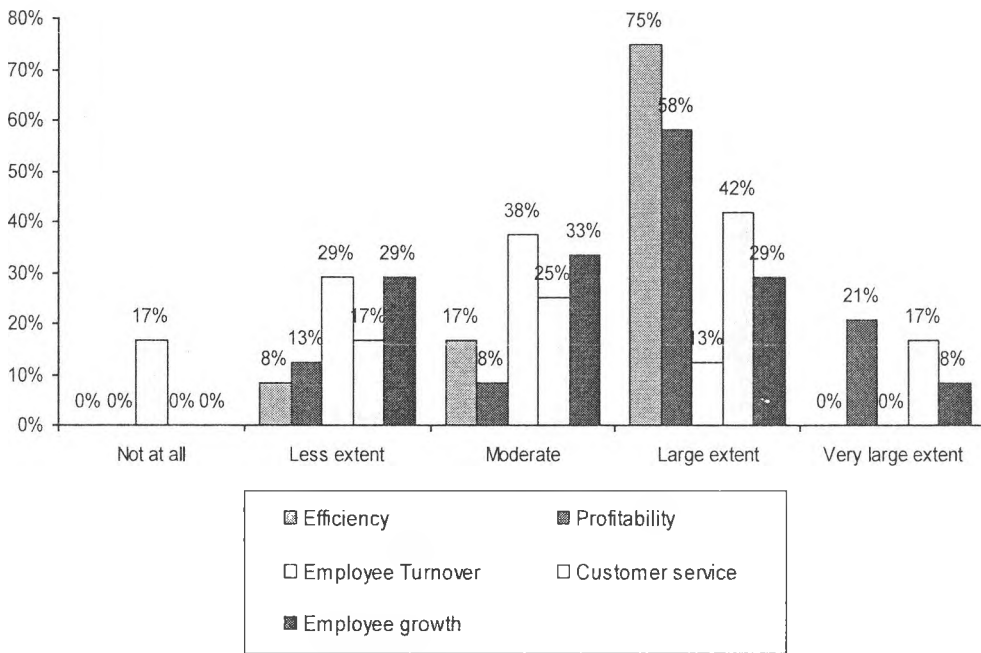


Figure 5: Impact of BSC on internal business

The Profitability, efficiency and customer perspective feature prominently with a cumulative of 79%, 75% and 58% of respondents indicating that they have been realised to a large and very large extent. On the other hand employee turnover has been least impacted (results above shows it’s more skewed towards moderate, less extent and not at all. Customer service is 50% towards large/very large extent.

4.3.5 Level of Challenge in the use of BSC as a tool for strategy management

The respondents were asked to rate the level of challenge in the use of BSC as a tool for strategy implementation. A likert rating scale ranging from not challenging to very challenging was provided.

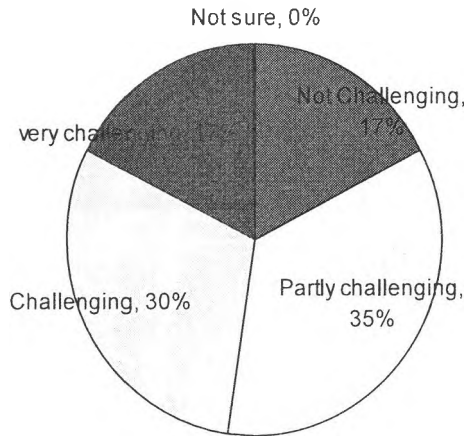


Figure 6: Level of Challenge in the use of BSC as a tool for strategy implementation

17% of the respondents felt that it is very challenging, 30% very challenging and 35% partly challenging. Only 17% were of the opinion that it's is not challenging to use the balance scorecard as a tool for strategy management. None of the respondents was unsure on their position as far as the level of challenge in the use of BSC for strategy implementation was concerned. This confirms that the use of BSC for strategy management is a challenging task.

4.3.6: Level of Difficulty in application of BSC in tasks of strategy Implementation

Respondents were asked to rate the level of difficulty in the application of BSC in the tasks of strategy implementation. The tasks of strategy implementation focused on in this question were Building a capable organization, Linking budgets with strategy Establishing, administrative support systems, Developing an effective reward system, Building a strategy-supportive corporate and culture Exerting strategic leadership

Table 5: Challenges of BSC as a tool for strategy Implementation

Task of strategy management	1	2	3	4	5
Building a capable organization	28%	36%	20%	16%	0%
Linking budgets with strategy	36%	24%	28%	8%	4%
Establishing administrative support systems	24%	36%	20%	12%	4%
Developing an effective reward system	28%	48%	12%	12%	0%
Building a strategy-supportive corporate culture	28%	24%	8%	20%	16%
Exerting strategic leadership	24%	24%	8%	28%	12%

Where 1 = Not difficult 2 = Quite difficult, 3 = Difficult
4 = Very Difficult 5 = Extremely Difficult

Majority of the respondents felt that it is either quite difficult, difficult or extremely difficult to apply BSC in tasks of strategy implementation. Those who felt it is not difficult for each of the tasks listed ranged from 24% to 36%. The task of exerting strategic leadership has the highest weight of responses 48% leaning towards difficult to extremely difficult side. Building a strategy-supportive corporate culture seems to carry the biggest weight towards quite difficult and extremely difficult side

The same results are represented using the figure below. The task of linking budgets with strategy has the highest respondents indicating it is not difficult. Majority of the respondents' responses are skewed toward the quite difficult, difficult or extremely difficult in most of other tasks. This shows that use of BSC as a tool of strategy implementation is not an easy thing to do.

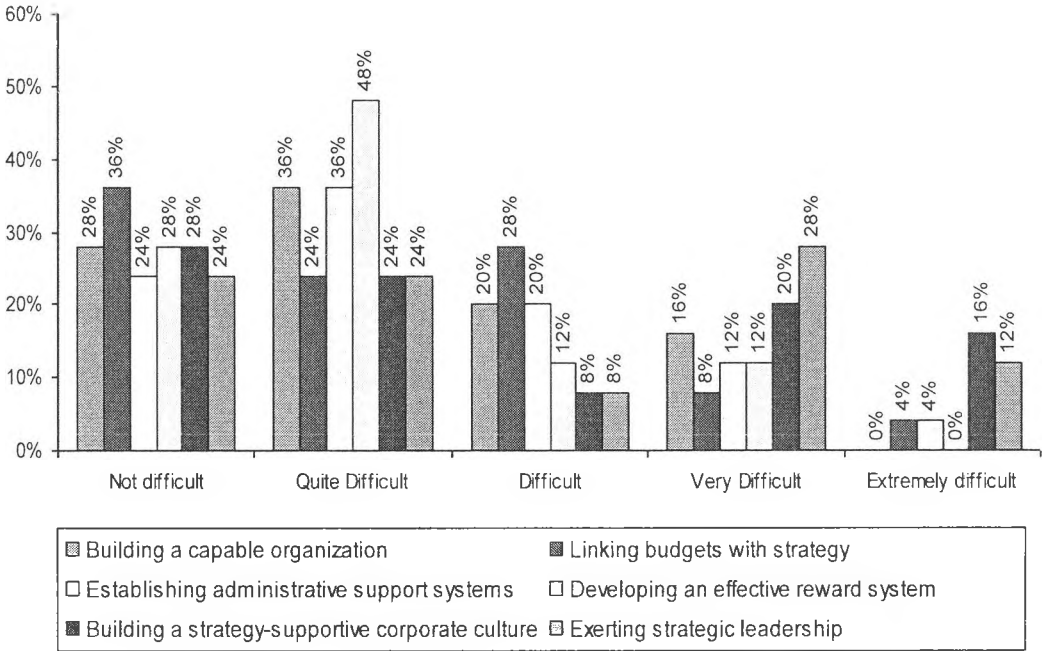


Figure 7: Level of Difficulty in application of BSC in tasks of strategy Implementation

4.3.7: Challenges of BSC as a tool for strategy Implementation

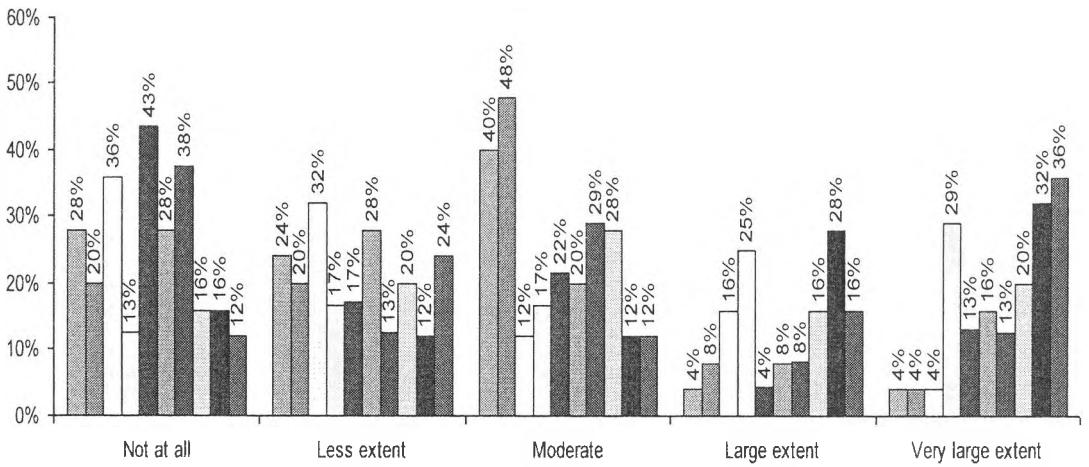
Respondents were asked to rate the extent to which the listed issues were a challenge in the use of BSC as a tool for strategy implementation. A likert scale ranging from not at all, less extent, moderate extent, large extent and to a very large extent was provided and a list of possible challenges identified in the literate review was provided. The table on the next page summarises proportions of the outcomes of the responses.

Table 6: Challenges of BSC as a tool for strategy Implementation

Challenge	Not at all	Less extent	Moderate	Large extent	Very large extent
Too few measures per perspective	28%	24%	40%	4%	4%
Too many strategy indicators	20%	20%	48%	8%	4%
Measures selected for the scorecard do not reflect the organisation's strategy	36%	32%	12%	16%	4%
Making a quantitative link between non financial leading indicators and expected financial results	13%	17%	17%	25%	28%
Lack of senior management commitment	43%	17%	22%	4%	13%
Too few individuals are involved	28%	28%	20%	8%	16%
Keeping the scorecard at the top	38%	13%	29%	8%	13%
The development process takes too long	16%	20%	28%	16%	20%
Introducing the Balanced Scorecard only for compensation	16%	12%	12%	28%	32%
Staff not fully accepted the tool	12%	24%	12%	16%	36%

The table above summarises responses to the extent to which the above are a challenge in the use of BSC in strategy management in large banks. Taking the challenges with the higher cumulative percentages on the large and very large extent categories, the following occur to be more challenging for the large banks: introduction of BSC for compensation (60%), too many strategy indicators (60%). making a quantitative link between non financial leading indicators and expected financial results (54%) and Staff not fully understood the tool (52%).

Lack of senior management commitment, keeping the scorecard at the top level of management and too few measures per perspective lean more to less extent and not at all (cumulative 60%, 50% and 52% respectively) meaning they are not the main challenge for most large banks. Too few indicators and few measures have the highest % on the moderate scale. The same results can be represented using bar graphs as shown in the figure below



- Too few measures per perspective
- Too many strategy indicators
- Measures selected for the scorecard do not reflect the organisation's strategy
- Making a quantitative link between non financial leading indicators and expected financial results
- Lack of senior management commitment
- Too few individuals are involved
- Keeping the scorecard at the top level management
- The development process takes too long
- Introducing the Balanced Scorecard only for compensation
- Staff not fully accepted the tool

Figure 8: Challenges of BSC as a tool for strategy Implementation

The following have more than 50% of the respondents' ratings on the challenging side: Introduction of BSC for compensation, too many strategy indicators, making a quantitative link between non financial leading indicators and expected financial results and Staff not fully understood the tool.

Lack of senior management commitment, keeping the scorecard at the top level of management and too few measures per perspective lean more to less extent and not at all still meaning they are not the main challenge for most large banks. Too few indicators and few measures have the highest % on the moderate scale.

Q8. Other Challenges in the use of BSC as a tool of strategy implementation

Respondents were asked to add any other challenges faced in the use of BSC as a tool for strategy management.

The main additional challenges include: 5 out of the 10 who responded to this question indicated that sometimes the BSC can lose objectivity and end up being applied subjectively. Others indicated that not all organisations value chains can be scoped in the BSC since some aspects are immeasurable.

One other respondent indicated that there it's a challenge to have timely reviews of BSC to evaluate effectiveness and suitability of the intended outcomes. Implementation time should also be observed.

CHAPTER 5

DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter will analyse and interpret the results based on findings as stated in chapter four and the literature review as stated in chapter two. The current study sought to contribute to a greater understanding of challenges of using Balanced Scorecard as a tool for strategy implementation. This paper, using strategy implementation as the theoretical background, is to establish challenges of the Balanced Scorecard as a strategy implementation tool in large commercial banks in Kenya. Quantitative analysis of the data obtained from questionnaires responded to by several respondents from the large banks confirmed that there are various challenges of BSC in strategy implementation.

5.2 Discussion of the findings

The findings of this research indicate that all large banks in Kenya have adopted the use of BSC in strategy implementation. This confirms the findings of earlier studies that many large organisations in Kenya have in one way or another adopted Balanced Scorecard in strategy implementation (Otieno, 2009 and Wughanga, 2010). The reason behind its gaining popularity is that the organizations have understood the capability this tool has in bringing the desired results to the business by managing the strategies. According to the study, BSC is used at different frequencies but it's mainly used quarterly and half yearly in these banks.

The research further confirms that BSC improves business strategy implementation to a large extent. More so, it has assisted these organisations in various roles or tasks of strategy management among which are breaking down overall goals into short and long term goals, cascading the strategic direction, evaluation and monitoring, and providing direction to the workforce. As Sinha, 2006 had extensively covered in his study, BSC is very important strategic management tool that 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.

On the other hand the findings of this study show that application of BSC for engaging departmental partnerships has not been realised or has not been explored in totality. The study findings further indicate that perspectives of BSC have been generally translated in strategy implementation to a large and very large extent in large banks in Kenya. The financial, internal business processes perspective and customer perspective are the main perspective perceived to have been translated to a large extent. On the other hand the study shows that learning and growth perspective has been translated to a large extent. This perspective normally includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement.

In as far as the contribution of Balanced Scorecard in business output is concerned; the large banks appear to be reaping the benefits of the tool for strategy management. Profitability, efficiency and customer service are implied to have been boosted by the use of the Balanced Scorecard. On the other hand employee turnover has been least impacted. This builds on the existing literature on compelling benefits BSC has to any organisation (Kaplan and Norton (2001, Cobbold and Lawrie, 2002). The relatively low impact of BSC on employee turnover is consistent with *2GC Balanced Scorecard Usage Survey of 2009* findings about the role BSC within organisations. Its primary role is to aid to strategic management, informing decision making. Any role Balance Scorecard has in team or individual appraisals or rewards is as a consequence of the primary role, rather than an end in itself.

The respondents felt it's difficult to apply Balanced Scorecard to most strategy implementation tasks in large banks. The main difficult tasks of strategy implementations include building a capable organisation, developing reward system, exerting strategic leadership, linking budgets with strategy, establishing administrative support systems, building a strategy-support corporate culture. According to the study, the most difficult being using it to exert strategic leadership which seemed to carry more weight in the severe side of difficulty. This confirms the finding that use of Balanced Scorecard a tool for strategy implementation is challenging. As Schneiderman (1999) noted it is not easy to implement this tool. It is much complex and involves a lot of subjectivity.

The results of the study further indicate that the main challenges in the use of Balanced Scorecard as a tool for strategy implementation include having too many strategy indicators, making a quantitative link between non financial leading indicators and expected financial results, Staff not fully understood the tool and its use for compensation purposes which at times is applied subjectively losing the intended objectivity. This confirms the earlier studies on challenges of the use of BSC as a tool for strategy implementation Kaplan and Norton (2001).

The study shows that just like the Balanced Scorecard was originated 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 (Kaplan and Norton, 1996), some organisations to date tend to view it for as a tool for performance management and this poses a challenge in its use for strategy implementation. Difficulties around linking financial and non financial measures are confirmed by this study just like previous like Schneiderman (1999) and Norreklit (2000) studies indicated

The findings show that large banks have senior management commitment, and that Balanced Scorecard is widely shared and not kept at the top level of management. This implies that this commitment must have contributed to the success registered in the use of BSC in these organisations. This implies that to be effective, the BSC including strategy and action to support implementation, must eventually be shared with every member of the organisation with support from senior management. When too few individuals are involved it becomes a problem (Norton and Kaplan, 2001).

The measures per perspective are also felt to be adequate as too few measures per perspective are not indicated as a main challenge in large banks. This must also be a success factor that has enabled large banks reap benefits of BSC. This implies that to be effective, the BSC should have adequate measures per perspective-not too few and not too many. If there is no deployment system that breaks high level goals down to the sub process level where actual improvement activities reside, significant process improvements throughout the organisation fail to generate bottom line results (Schneiderman ,1999).

The study also indicates that lack of timely reviews of BSC to evaluate effectiveness and suitability of the intended outcomes is a challenge. This confirms the results of previous studies that this results in the fact that if implementation time is too long some of indicators become obsolete and requires new indicators (Braam and Nijssen, 2004).

5.3 Recommendations

Organisations should embrace Balanced Scorecard in strategy implementation as it contributes/improves the tasks and business output to a large extent. These are breaking down overall goals into short and long term goals, cascading the strategic direction, evaluation and monitoring, and providing direction to the workforce. Profitability, efficiency and customer service are highly enhanced if Balanced Scorecard is used appropriately. When fully deployed, the Balance Scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise. The benefits however, they won't be realised if the Balance Scorecard is implemented without taking note of pit falls. Proper implementation of Balance Scorecard can ensure the development of competencies within an organization which will help it to develop a competitive advantage without which it cannot expect to outperform its rivals.

All the perspectives of the Balanced Scorecard need to be taken into account while using implementing it in organisations. The same focus should be given to all perspectives. The learning perspective of the Balanced Scorecard should be embraced. Organisations should emphasize that learning is more than training; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools what would be referred to as high performance work systems. This should also be given more focus. In a knowledge-worker organization, people, the only repository of knowledge, are the main resource.

While the use of Balanced Scorecard in strategy is very beneficial, there are a host of challenges and areas managers need to be aware of to avoid failure in its application. These include staff failure to understand the Balanced Scorecard fully, its use for compensation purposes only. Additionally the efforts should be made in making a quantitative link between non financial leading indicators and expected financial results. Managers should not make a quantitative link between non-financial leading indicators and expected financial results.

A good balanced should have an appropriate mix of outcomes and performance drivers reflective of the company's strategy. A good Balanced Scorecard should have an appropriate mix of outcomes. When the organisation constructs too few measures in each perspective, it fails to obtain a balance between leading and lagging indicators or non-financial and financial indicators. The solution to this would be to obtain a balance between leading and lagging indicators as suggested in the works of Kaplan and Norton. On the other hand if the organisation adopts too many indicators it tends to be an obstacle. In this case, the organisation will lose focus and cannot find any linkage between indicators. The organisation should obtain only the indicators that reflect strategy and are most critical.

The measures of the scorecard should reflect the organisation's strategy. If not it tends to limit the success of application of the scorecard. This happens when the organisation tries to apply all their Key Performance Indicators into each perspective without screening only for the measures that are linked to its strategy. Therefore the organisation's strategy is not translated into action and the organisation does not obtain any benefit from the Balanced Scorecard.

Having senior management commitment and that sharing BSC at all levels is crucial. There should be shared commitment which is required to align the organisation. To be effective, the Balanced Scorecard, including strategy and action to support implementation, must eventually be shared with every member of the organisation. Additionally when too few individuals are involved it becomes a challenge.

The senior leadership team must work together to build and support the implementation of the Balanced Scorecard, including objectives, measures and targets. If not, there cannot be the shared commitment which is required to align the organisation. Over and above these the focus should not be on compensation only. Support for the linkage of compensation to strategic measures can only occur effectively when it is part of the process of strategy translation in the organisation.

Implementation time should also be observed. If the implementation takes too long, it can happen that during the implementation process, the strategy has changed. This results in the fact that some of indicators have become obsolete and requires new indicators and continuous use of wrong/old indicators can distract an organisation from its strategy.

5.4 Limitations of the study

The study was limited by a number of factors. Due to the large scope of 6 organisations, only a small number of respondents were selected from each organisation and a generalised view taken across all respondents. It could be beneficial if the responses from each bank were analysed deeper using a bigger sample size to compare bank to bank view.

Some respondents interpreted BSC to be more of a performance measurement tool while answering the questions. Additionally not all respondents were aware of the concept of use of BSC in strategy implementation and a there was a bit of bias to performance measurement in some instances. It was difficult to get respondents cooperation and had to change the initially intended respondents. Most top executives who would have a clearer picture of challenges of the use of the BSC in strategy management were not willing to assist in the questionnaires.

5.5 Suggestions for further research

The study was looking into the challenges of the BSC as a strategy implementation tool in large banks in Kenya. For future research, this study can be replicated in other organisations that have adopted BSC in strategy management. The same could also be replicated in each of the organisations sampled to validate the generalised view of the large banks in Kenya. It could be beneficial to compare the large banks against each other since their stage, scope and extent of using BSC could be different. The same can show if there are differences between the local and foreign banks.

More studies could be done to expound on some areas that do seem impacted by the BSC as per findings of this study. E.g. the fact that employee turnover has been least impacted by use of BSC in large banks in Kenya. Studies focusing on the learning perspective of the BSC should be done to enhance studies and recommendations around the importance of the perspective aspects e.g. employee training and corporate cultural attitudes related to both individual and corporate self-improvement since people are key resources.

The level of difficulty in using BSC to exert strategic leadership could be explored further and recommendations made on how to optimise it for this purpose. More focused case studies and surveys could be done with the smaller local organizations and companies'. The learning and experiences from these organizations can then be used by those organizations intending to use BSC in implementing strategy.

5.6 Implication on policy, theory and practice

This research project has provided a comprehensive review of strategy implementation and Balanced Scorecard in an attempt to answer the research question and meet the research objective. The researcher established that organizations should be aware on the challenges of the BSC as a tool for strategy implementation. While it's an important tool of implementing strategy, it should be used carefully to reap the desired benefits given the complexity nature of the strategy implementation. The importance and the complexities around the use of Balanced Scorecard cannot be ignored.

Policy makers and leadership should be aware of the critical challenges faced in this process. They must be identified depending on the complexity and nature of the organisation strategies. The balance scorecard should be used for compensation only. A good Balanced Scorecard should have an appropriate mix of outcomes and performance drivers of the company's strategy.

The study has confirmed that when an organisation tries to make a quantitative link between non financial leading indicators and expected financial results becomes a challenge. This is because the financial measures are the dependant variables and are the retrospective, lagging indicators. Some organisations are tempted to make this linkage quantifiable but since lag time is difficult to predict and numerous factors may influence the result, a quantitative link cannot be established. Therefore, they should not make a quantitative link between non-financial leading indicators and expected financial results.

The results of this study have added to the current scope of knowledge and theory in strategy implementation and control. Scholars could therefore use the findings as a basis for further research. The research recommendations will benefit executives and managers as it will bring help in refinement of the usability of the BSC in organisations and commercial banks in particular so that it becomes understandable to every stakeholder associated with the organization and the subjectivity is removed to a large extent.

Policy makers and implementers can use the findings to set guidelines and bench marks for strategy implementation and control in public sectors. The findings have unfolded essential and critical learning that policy makers and implementers should be wary of in successful implementation of the strategies

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APPENDICES
APPENDIX I
LETTER OF INTRODUCTION

Dear Sir/Madam,

RE: REQUEST FOR RESERCH INFORMATION

I am a student at the University of Nairobi pursuing a Master degree in Business Administration (MBA). I am undertaking a research project on challenges of balanced scorecard as a strategy implementation tool in Large Commercial banks in Kenya as part of the academic requirements for the award of the stated degree.

I would be grateful if you could spare a moment of your time and fill in the attached questionnaire, to help me gather the necessary information. The information you give shall be treated with utmost confidentiality and shall be used solely for this research problem. A copy of the same shall be availed to you on request.

Any additional information you might consider necessary for this study will be highly appreciated.

In case of any queries pertaining to this research project, do not hesitate to call me on Tel: 0721572860.

Thank you in advance.

Yours sincerely

Esther Kinya Guantai

APPENDIX 11
QUESTIONNAIRE

**QUESTIONNAIRE FOR STRATEGY IMPLEMENTATION AND BALANCED
SCORECARD IN LARGE COMMERCIAL BANKS IN KENYA**

SECTION A: GENERAL QUESTIONS

- 1 Name of the organisation _____

2. Position held in the organisation. (Tick Where Applicable)
 - a) Senior Manager
 - b) Middle-level-manager
 - c) First-line manager
 - d) Non Management Staff

3. Department.(Tick Where Applicable)
 - a) Human Resource
 - b) Finance/Treasury
 - c) Sales & Marketing/Research & Development
 - d) Risk Management
 - e) Operations
 - f) Administration and IT

4. Number of years the organisation has used the balanced scorecard for strategy implementation
 - a) 1 to 3 Years
 - b) 4 to 6 Years
 - c) 7 to 9 Years
 - d) 10 to 12 Years
 - e) > 12 Years

5. Frequency of the use of the balance scorecard in your organisation in strategy implementation?
 - a) Annually
 - b) Quarterly
 - c) Half yearly
 - d) As need be
 - e) Other (indicate) _____

SECTION B: BALANCED SCORECARD AND STRATEGY IMPLEMENTATION

1. Please answer the following about the balanced scorecard in your organisation.
 'Balanced scorecard has improved business strategy implementation in the organisation' (Tick what applies)

Strongly Disagree Disagree Neutral Agree Strongly Agree

2. Rate the extent to which the balanced scorecard has assisted in the following roles of strategy implementation in your organisation

Role in strategy implementation	1	2	3	4	5
Cascading the strategic direction of the organisation					
Breaking down overall goals into short term and long term goals					
Providing direction to the workforce					
Engaging in Partnership and departmental					
Evaluation and Monitoring of implemented strategy					

Where 1 =Not at all, 2=Less Extent 3=Moderate extent
 4=Large Extent 5=Very large extent

3. Rate the extent to which your organisation has translated the following perspectives of the balanced scorecard in strategy implementation

Perspectives of Balanced Scorecard	1	2	3	4	5
Financial perspective					
Customer perspective					
Internal Business processes perspective					
Learning and growth perspective					
Other 1 State _____					
Other 2 State _____					

Where 1=Not at all 2=Less Extent, 3=Moderate extent,
 4=Large Extent 5=Very large extent

4. Rate the extent to which the following potential internal business outputs has been realised by your Organisation since the introduction of BSC in strategy implementation (tick where applicable)

Internal Business output	1	2	3	4	5
Efficiency					
Profitability					
Employee Turnover					
Customer service					
Employee growth					

Where 1 =Not at all 2=Less Extent 3=Moderate extent
 4=Large Extent 5=Very large extent

5. Rate the level of challenge in use of balanced scorecard as a tool for strategy implementation (Tick what applies)

1=Not sure 2=Not challenging
 3=Partly Challenging 4=Challenging
 5=Very challenging

6. Rate the level of difficulty in the application of balanced scorecard in the following tasks of strategy implementation in your organisation

Task of strategy management	1	2	3	4	5
Building a capable organization					
Linking budgets with strategy					
Establishing administrative support systems					
Developing an effective reward system					
Building a strategy-supportive corporate culture					
Exerting strategic leadership					

Where 1 = Not difficult 2 = Quite difficult, 3 = Difficult
 4 = Very Difficult 5 = Extremely Difficult

7. The following are some of the challenges of the use of balanced scorecard as a tool of strategy implementation. In a measure of 1 to 5, please tick to indicate the extent to which they are a challenge in your organisation

Challenge	1	2	3	4	5
Too few measures per perspective					
Too many strategy indicators					
Measures selected for the scorecard do not reflect the organisation's strategy					
Making a quantitative link between non financial leading indicators and expected financial results					
Lack of senior management commitment					
Too few individuals are involved					
Keeping the scorecard at the top					
The development process takes too long					
Introducing the Balanced Scorecard only for compensation					
Staff not fully accepted the tool					

Where: 1 =Not at all 2=Less Extent 3=Moderate extent,
 4=Large Extent 5=Very large extent

8. What other challenges do you face in the use of the balanced scorecard as a tool for strategy implementation

THANK YOU FOR YOUR PARTICIPATION

LARGE COMMERCIAL BANKS IN KENYA

1. Barclays Bank of Kenya Ltd. (Large)
2. CFC Stanbic Bank Ltd. (Large)
3. Co-operative Bank of Kenya Ltd. (Large)
4. Equity Bank Ltd. (Large)
5. Kenya Commercial Bank Ltd (Large)
6. Standard Chartered Bank Kenya Ltd (Large)

Adopted from Commercial Banks & Mortgage Finance Companies directory as at December 2011 <http://www.centralbank.go.ke/financialsystem/banks/Register.aspx>



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DATE: 8/8/2012

TO WHOM IT MAY CONCERN

The bearer of this letter..... ESTHER GUANTAI

Registration No. 061172818/2009

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

