

**EMPLOYEE PERCEPTION ON THE EFFECTIVENESS OF BALANCED
SCORECARD IN MEASURING PERFORMANCE IN KENYA REVENUE
AUTHORITY**

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DECLARATION

This project is my original work and has not been presented for any award of degree in any other University.

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DEDICATION

I wish to dedicate this project to my dad, mum, brothers Tony and Alex for all the support and encouragement while undertaking the MBA programme. Special dedication to all my colleagues who contributed to the success of this programme through their tireless efforts and continued support

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LIST OF ABBREVIATIONS AND ACRONYMS

BSC	Balanced Scorecard
CPA	Certified Public Accountant
C&BCD	Customs & Border Control Department
CSSD	Corporate Support Services Department
DTD	Domestic Taxes Department
IAD	Internal Audit Department
KRA	Kenya Revenue Authority
SAGA	Semi Autonomous Government Agency
SIRMD	Strategy, Innovation & Risk Management Department

ABSTRACT

The main objective of the study was to establish the employee perception on effectiveness of the balanced scorecard in measuring performance in Kenya Revenue Authority. The study reviewed employee perception, balanced scorecard perspectives and performance measurement. This study was conducted through use of descriptive survey with a population of in five departments in KRA namely; Domestic Taxes Department, Customs Services Department, Corporate Support Services Department, Strategy, Innovation & Risk Management Department and; Internal Audit Department. The population target was 4,339 employees of KRA and the sample size was 351. The researcher used a questionnaire to gather data from the respondents and received a total of 264 questionnaires.

The researcher collected primary data which was obtained through a semi-structured questionnaire with open and closed questions which was administered through electronic mail and pick and drop method and follow up was done through personal visits, telephone calls and emails. Descriptive statistics techniques such as mean, standard deviation, frequency distribution was used to analyse data. Data presentation was done by use of charts, percentages and frequency tables. The study draws a conclusion that thorough training need to be carried out well for the employees whose grades were harmonized to impact them with knowledge and skills on how to improve performance through effective use of the BSC. There is also need for supervisors not to apply subjectivity when conducting appraisals for the employees. The organization also needs to align all the strategies with the BSC in order to cascade the strategies to employees who will need to understand their role in performance of the organization. BSC should be taken as a tool to measure performance but not a threat to employees based on their performance capabilities. Employees should therefore be motivated to improve their performance. Activities that are stated in the BSC should be well stated and cover what employees does intensively. The top management should be committed and lead by example on the usefulness of BSC in measuring performance. Employees should also be involved in formulation of goals and objectives of the organization for exposure. The study also recommends that the organization need to embrace BSC and emphasize its importance to all employees to enable them understand performance measurement in the organisation. Supervisors should ensure that the performance appraisal activities are linked to the BSC for ease of appraisals. The study recommends that the organization also need to embrace innovation in order to improve performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The term performance management has different meanings to different organizations, and tends to vary widely depending upon the complexity or formality of the type of performance management system in use. Many organisations rely on a combination of basic or traditional business indicators such as financial performance, profit goals and subjective opinions or intuition of managers to determine overall performance effectiveness. Proper performance management goes beyond the intuition to the reality of what is happening on the shop floor, and aligns what line staff employees are doing with the core mission of the corporation. When this is achieved in a clear, fair, quantifiable and easily communicated way it is very powerful, identifying performance failures and changing behaviors (Steers, 1977).

In the present environment, government and Non -Profit organisations have come under ostensibly constant and continual pressures from both internal and external sources to demonstrate improvements in performance and achievement of goals and objectives. As a result, they now place more emphasis on the implementation of Balanced Score Card type performance measurement diversity than ever before (Niven, 2006).

Originally proposed by Kaplan & Norton (1996), as a tool to monitor corporate performance, the balanced potential has developed and evolved into a strategic management instrument. Soon after its creation, the concept was widely disseminated and

implemented by executives and the academia throughout the world. The importance of measuring performance include, better management, understanding of the linkages between specific organizational decisions and actions, and the chosen strategic goals. Performance management helps to boost relationships with customers, re-engineering of fundamental business processes and the emergence of a new corporate culture emphasizing team effort among organizational functions to implement the organisation's strategy and achievement of competitive advantage. Retention of staff, career development, improved organization alignment, improved communication both internally and externally, linked strategy operations, more emphasis on strategy and organization results, integrated strategic planning and management also lead to the essence of performance management (Salterio, 2003).

Performance management is informed and supported by goal setting theory and expectancy theory. Goal setting theory is a process theory of motivation which argues that work motivation is influenced by goal difficulty, goal specificity, and knowledge of results. According to goal setting theory, challenging goals can result in higher performance as compared to monotonous goals as most of the jobs can be demoralizing, hence accomplishment of challenging goals will lead to sense of fulfilment from the employee. Therefore, most organisations apply goal setting theory since it will bring about positive results (Locke, 1968). Expectancy theory is classified as a process theory of motivation because it emphasizes individual perceptions of the environment and subsequent interactions arising as a consequence of personal expectations. Expectancy theory model is referred to as valence, instrumentality, and expectancy, respectively (Mitchell and Mickel, 1999).

In Kenya Revenue Authority, the balanced scorecard is used to articulate the vision and strategy; identify the performance categories that best link the organisation's vision and strategy to its results for example, financial performance, operations, innovation and employee performance; establish objectives that support KRA's vision and strategy; develop effective measures and meaningful standards, establishing both short-term milestones and long-term targets; ensure acceptance of the measures in the whole organization; create appropriate budgeting, tracking, communication, and reward systems; collect and analyze performance data and compare actual results with desired performance especially for revenue collection and take action to close unfavorable gaps which hinder performance (KRA, 2015).

1.1.1 Concept of Employee Perception

Perception is defined as the process by which individuals in an organization can organize and interpret sensory impressions in order to give meaning to their environment. Perception can also be interpreted as a process by which individuals organize and interpret their sensory impressions to give meaning to their environment (Bridgets, 2003). Gibson (1996), argues that perception is the process of person perception in understanding the environment that involves organizing and interpretation as stimuli in a psychological experience. One interprets situations or information according to his or her own attitudes and experiences.

Employees give their best if they perceive to be working in an environment which is not contaminated by patronage, maneuvering, when rewards are linked to performance promotions, based on merit and complaints are addressed through the right channels. Positive perception of organization by employees, enables a manager to utilize the system

to help employees develop and achieve their performance objectives. Negative perception leads to a manager's failure to take the process seriously, fail to document performance, or provide feedback to employees (Gallup, 2008).

1.1.2 The Balanced Scorecard

The Balanced Score Card (BSC) is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communication and monitor organizational performance against strategic goals. BSC is a performance measurement tool that considers not only financial measures but also customer satisfaction, business process and learning measures (Johnson, 2005).

The Balanced Scorecard is a way of measuring organizational, business unit or departmental success; balancing long term and short term actions; balancing the following different measures of success; Financial; Customer; Internal Operations; Human Resource Systems and Development (learning and growth); linking the organization's strategy to measures of action. The BSC was developed to communicate the multiple, linked objectives that organizations must achieve to complete on the basis of capabilities and innovation, not just tangible physical assets (Chaudron, 2003).

The system of Balanced Scorecard (BSC) allows the internal as well as the external management to have a perfect view of the performance measurement of the organisation from different sorts of perspectives (Bewer, 2004). This is a positive aspect to give the assistance to the internal management of any company to measure the performance of their organization. On the other side, this helps the managers to get a proper and a comprehensive overview on the overall organization (Brain, 2005).

1.1.3 Employee Performance Measurement

Neely (2002), defined performance measurement as the process of quantifying the efficiency and effectiveness of past actions, and a performance measure was defined as a parameter used to quantify the efficiency and/or effectiveness of past actions. The distinction between performance management and measurement is that performance measurement is the process of determining how successful organizations or individuals have been in attaining their objectives, while the performance management as a closed loop control system which deploys policy and strategy, and obtains feedback from various levels in order to manage the performance of the system. The process of performance measurement is usually determined by the metric of a number of indicators, which include both financial and non-financial indicators (Bititci; Carrie & McDevitt 1997).

The goal of performance measurement is to increase the financial performance. Achieving this result is done by first improving the internal organization. In general, organizations should pay more attention to the internal effects of performance measurement systems. These effects are namely directly affected through performance measurement and drive the organizations to external effects. Overall, effective performance measurement approaches can play an important role in focusing people and resources on a particular aspect of organizational task (Martinez and Kennerly, 2006).

The purpose of measuring performance is not only to establish how an organisation is performing but also to enable it to perform better. The ultimate aim of implementing a performance measurement system is to improve the performance of an organization so

that it may serve its customers better, employees, owners, and other stakeholders. Performance measurement generates data that will inform the users where the business is, how it is doing, and where it is going. A performance measurement system enables an enterprise to plan, measure and control its performance according to a predefined strategy (Okwo and Marire, 2012). Despite benefits gained through effective performance measurement and management, and the fact that organizations using integrated balanced performance management systems tend to compete with their counterparts (Parida and Kumar, 2006).

1.1.4 Kenya Revenue Authority

Kenya Revenue Authority (KRA) is a semi autonomous Government Agency (SAGA) which was established by Kenya Revenue Authority Act; Chapter 469 of the Laws of Kenya and came to existence in 1995. The objective of setting up KRA is to provide operational autonomy in revenue administration and in the process enable the evolution of a modern flexible and integrated revenue collection agency. The establishment of KRA was to enhance efficiency, transparency and accountability in the public sector. The primary objective of establishing KRA was to streamline the public revenue generation function by bringing the relevant agencies under the umbrella of central finance agency, The Ministry of Finance. History on revenue collection was made on Wednesday, 24th June, 2015, conventional Exchequer Revenue stood at Kshs.1,050.7 billion, equivalent to Kshs.1.051 trillion (KRA, 2015).

KRA consists of Board of Directors responsible for approval and policy review, setting strategic direction and goals and monitoring the functions of KRA while Commissioner General is responsible for day to day operations of KRA. He is assisted by five

commissioners, six Heads of Departments and five heads of regions who assist in overseeing functions performed by all the members of staff distributed in various departments countrywide. KRA's strategic goals guiding the Corporate Plan and the future direction are implemented through four key strategic themes such as; developing a dedicated and professional team; reengineering business processes and modernising technology; improving and expanding taxpayer services; enhancing revenue collection and strengthening enforcement .

The vision of KRA is to be the leading Revenue Authority in the world respected for professionalism, integrity and fairness. KRA's mission is to promote compliance with Kenya's tax, trade, and border legislation and regulations by promoting standards set out in the Taxpayers Charter and responsible enforcement, by highly motivated and professional staff thereby maximising revenue collection at the least possible cost for the social-economic well-being of all Kenyans. The strategic plan is established through broad consultation with internal and external stakeholders and alignment to national plans such as vision 2030. The primary objective is to assure relevance in relation to KRA's priorities. The plan's theme which is achieving excellence in revenue administration through organizational renewal, innovation and staff capacity enhancement for better customer focus reflects KRA's ambition to become an efficient, customer and people-centred organization comparable to other counterparts in the emerging economies. This transformation is achieved through further entrenchment of best practices in performance management, service delivery and the use of technology to improve tax administration processes (KRA Corporate Plan, 2015).

Performance monitoring and evaluation framework in KRA is based on the balanced scorecard model. Prior to the beginning of the performance period, the departments prepare departmental work plans based on the Authority's Strategic Plan. Supervisors meet with staff under their direct supervision to discuss and ensure that the objectives and performance targets of the department are understood and annual individual work plans are drawn. The individual work plan describes the performance targets or expected results on specific assignments and activities for which the staff member is responsible during the performance year. The expected results include completion of projects and assignments during the period of assessment. For each assignment to be assessed there is an indication of how success is determined (KRA, 2015).

1.2 Research Problem

The performance management potential of the Balanced Scorecard is based on the assumption that causal links exist between its four dimensions: innovation and learning, internal business processes, the customer, and financial (Brignall, 2002). An entire chain of cause and effect relationships can be established as a vertical vector through the four balanced scorecard perspectives. On the other hand Modell, (2004), argues that the balanced scorecard literature has neglected the relative bargaining power of different stakeholders in determining whose interests will predominate in an organisation and the consequent effects on what aspects of performance are measured, reported and acted upon.

State Agencies making organisations can maximize their impact on using the data generated to refine their services, adjust their fundraising efforts, and train their volunteers and managers more effectively. Bridgets, (2003), explain that employees'

behaviour is based on perception of the reality and may be influenced by the perceivers' attitudes, motives, interests, experience and expectations, factors in the situation that is the work setting, social setting and time and factors in the target that is novelty, motion, sounds, size, background, proximity and similarity. KRA operates under a performance contract, that was introduced in the year 2004 and is currently linked with the organisation's strategic plan through the balanced scorecard as a performance evaluation tool. KRA's performance contract for this financial year is under evaluation by Top Management where a retreat has already taken place in the month of July, 2015 to review progress against the targeted objectives (KRA Report, 2008).

However, the challenges of the Balanced Scorecard in KRA is that every year the parameters for measuring performance keep on varying. On the other hand, KRA has harmonised the grades for various cadre of staff. There is no set criteria on measurement of tasks that employees perform beyond what BSC depicts. New employees and those who are promoted or upgraded from non management to management are not being inducted on BSC, performance contracting and appraisal. The lower cadre of staff has not given keenness on the balanced scorecard due to perception that it is only designed for the senior staff. There is no link between BSC, Performance contracting and Performance Appraisal in a number of appraisal forms. Monitoring implementation of the performance against the BSC for staff at the operational level is done on monthly basis through monthly departmental reports. Despite the various challenges, a survey on performance was conducted in KRA and it indicated that the adoption of balanced scorecard has been widely adopted by KRA employees since this is the basis of performance measurement and the top management staff have embraced BSC (KRA Report, 2008).

Various local studies have focused on performance management. Nyangayo (2014), did a study on Balanced Scorecard and Performance of Co-operative Bank of Kenya. He found out that BSC triggered increased profits, customer base, advanced technology and enhanced professionalism but did not discuss about employee perception on the balanced scorecard. Kiplimo (2014), did a study on Employees Perception on Performance Appraisal process in G4S Kenya Limited. He established that performance appraisals have been embraced in the organisation and target setting has been handled well. However, the performance appraisal is used to assess performance based on parameters of BSC which the researcher has not discussed in the study as part of performance management. Okelo (2013), did a study on Performance Measurement Approaches in Public Partnership in Kenya. The study found that there was effectiveness and transparency in performance monitoring. The study did not discuss the employee perception on performance measurement. Muia (2012), did a study on Employees perception of the effectiveness of performance management practices at Harambee Sacco Limited. The findings of the study indicated that performance review and appraisal, training and development, commitment, reward system, career planning lead to improved performance management. The study did not discuss the concept of BSC as a performance management tool.

The study was seeking to establish employee perception on the effectiveness of the Balanced Scorecard in measuring performance in Kenya Revenue Authority. The study was guided by the question: what is the employees perception on the effectiveness of balanced scorecard in measuring performance in KRA?

1.3 Research Objective

The objective of the study was to assess the employee perception on effectiveness of balanced scorecard in measuring performance in Kenya Revenue Authority.

1.4 Value of Study

The value of this study was to enable managers in KRA understand how to link long term organizational strategies to their operational and short term plans; It helped them understand the importance of balance scorecard; how it helped achieve success as a strategic management tool. KRA recognize the importance of the balanced scorecard as a performance measurement tool on employee performance.

The study helped in formulation of government policies and procedures. Further, it helped employees understand how to relate the strategy of their organizations to their daily activities and assist in overall organizational success by enabling them to have a positive perception on the BSC as a performance measure. The policy makers were able to achieve competitive advantage leading to better understanding of BSC. The other public sectors would tap knowledge on how to link their strategies to performance through the BSC. Taxpayers who were represented by the element of customer understood the mandate of KRA and change their attitudes towards tax compliance.

To the learners, this study was a source of reference material in future on other related topics and lead to diverse thinking. It addressed any further gap that require research, especially in areas of how employees can be convinced to change their perception on balance scorecard and justify the role of BSC in improving performance. Later in the study there was suggestion on the areas of research that needed to be covered. Therefore,

researcher knew what to carry on with next in extension to the employee perception on effectiveness of balanced scorecard as a performance measurement tool. The study was an additional to the body on literature available on balanced scorecard as a performance measurement tool. This enabled building on literature that was necessary as a body on knowledge especially in this field and provide more wide scope of knowledge in different perspectives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review on the balanced scorecard as a performance measurement tool. It is divided into two sections and the first section discusses theoretical foundation of the balanced scorecard which includes goal setting theory and expectancy theory. The second section discusses the balanced scorecard measures which include customer perspective, internal processes perspective, learning and development perspective and financial perspective.

2.2 The Theoretical Foundation of the Study

The underlying conceptual foundations for performance management mainly lie on goal setting theory and expectancy theory. Fenwick (2004), argues that goal setting and expectancy theory are founded on the premise that human beings think in a rational, calculative and individualistic way. He further argues that performance management is based on an extremely rationalistic, directive view of the organisation, which assumes not only that strategy can be clearly articulated but also that the outcomes of human resource processes can be framed in a way that makes clear their links to the organisation's strategic objectives.

2.2.1 Goal Setting Theory

Goal setting theory is a process theory of motivation which argues that work motivation is influenced by goal difficulty, goal specificity, and knowledge of results. According to goal setting theory, challenging goals can result in higher performance as compared to monotonous goals as most of the jobs can be dull, hence by accomplishing challenging

goals will lead to sense of fulfilment from the employee. On the other hand specific goals will stimulate higher level of performance than vague goals. Feedback on past performance is also crucial as employees will appreciate the supervisor's interest in their success and always know what is expected of them (Locke, 1984).

Thus, it is common for an organization to apply goal setting theory as in most cases it will bring about positive results. This theory further suggests that the individual goals established by an employee play an important role in motivating them for superior performance. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic. In case the performance improves it will result in achievement of the performance management system aims (Shalley, 1995).

2.2.2 Expectancy Theory

Expectancy theory hypothesises that individuals change their behaviour according to their anticipated satisfaction in achieving certain goals (Vroom, 1964). This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Salaman, 2005).

As explained by Kreitner & Kinicki (2008), the theory is based on the assumption that people are motivated to act in ways that will be followed by valued and desired outcomes. The theory states that an employee might be motivated when there is a belief

that a better performance will result in a good performance appraisal which will help in the realization of personal goals. The theory focuses on motivation as the combination of valence, instrumentality and expectancy. However, this only works if the employees believe the reward is beneficial to their immediate needs.

2.3 Balanced Scorecard Measures of Performance

According to Lipe and Salterio (2000), only common measures of BSC must be considered to evaluate the managers of business units. If only common measures are considered then there will be uniformity in BSC implemented at different business units and will lead to superior evaluation so that these common measures can uniquely capture business strategy. Banker, (2004), argues that evaluators rely more on the common performance measurement tools than the unique measures.

2.3.1 Customer Perspective Measure of the Balanced Scorecard

It identifies and defines the value proposition for the targeted market segments and measures the company's success in the chosen segments. According to Chen (2004), understanding of customer satisfaction level may help a company to enhance their customer services. As Oliver (1997), stated that customer satisfaction is their evaluation after making purchase of product or service as it is against their expectations. Stivastava et al. (1998), found that high level of customer satisfaction leads to an increase in the volume of cash flows, an acceleration of cash flows as well as risk reduction related to cash flows.

A similar study by Gruca and Rego (2005), also suggested that enhancing customer satisfaction leads to maximization of cash flows and risk reduction connected with cash

flows. Some other researchers have also discovered positive association between overall revenues and customer satisfaction (Loveman, 1998). According to B2B International (2014), most of companies lose 45% to 50% customers in each five years time and winning new customers may be up to twenty times more costly than current customer retention. Dye (2003), argues that poor performance from this perspective is a leading indicator of future decline, even though the current financial status may look good. Conversely, some researchers have indicated that there is no association between improved employee satisfaction and customer satisfaction (Vavra, 2002).

2.3.2 Internal Processes Perspective

This perspective refers to internal business processes and aims at measuring the areas of internal excellence required to deliver customer satisfaction. The internal processes are a mechanism through which performance expectations are achieved (Amaratunga et al., 2001). Further, employees need to feel responsible for the management of those processes in which they are involved and have the requisite experience and expertise to solve problems that may arise. Internal process perspective should not be viewed along the traditional aspects of cost, time and quality only but also include effectiveness, efficiency and people who have an interest in it, in other words stakeholders (Kanji and Sa, 2002).

Apart from regular business processes, organizations need to embrace knowledge management and risk management which should be embedded in the overall business processes. Knowledge management should be regarded as an intervention on the organizations culture. Organizations need to gear themselves to face internal or external

threats even during turbulent situations. The various categories of risk include technical, quality or performance risks; project management risks; organizational risks or external risks (Gooijer, 2000).

Internal process perspective should not be viewed along the traditional aspects of cost, time and quality only but also include effectiveness, efficiency and people who have an interest in it, in other words stakeholders. The process dependent organizations can only remain competitive by applying efficient technology methods and techniques to their development processes. Technological changes in the industry are advancing in leaps and organizations that want to be competitive should not be found to be lagging behind (Kueng, 2000).

French, (1995), conducted a study revealing that the internal business perspective emphasizes the need for service improvement. Through internal business processes, employees may have a shared value system that may be translated into a high degree of business efficiency and procedure rationalization. In an environment of effective internal business processes, different departments cooperate and collaborate better to solve customer related problems in cost efficient and timely manner. The improvement in international business process may prevent external service failures and constructively resolve customer complaints.

2.3.3 Learning and Development Perspective

The learning and growth perspective is the foundation of any strategy and focuses on the intangible assets of an organization, mainly on the internal skills and capabilities that are required to support the value-creating internal processes. In organisations possible measures are professional growth of associates, internal promotion levels, associate

satisfaction, associate retention, associate empowerment, managers' and the organization's, training levels and cycle times, cross training levels of associates and line managers, information technology use, access to strategic information, new initiatives explored or implemented, and community participation and knowledge exhibited by general managers (Denton and White, 2000).

Yeung and Berman (1997), provided early evidence of positive outcomes from building employee capabilities within the balanced scorecard system. Their study examined whether the learning and growth perspective and strategic human resource practices were associated with organisational performance, using a predominantly qualitative approach. They found that organisational performance is improved when organisations build their capabilities, such as improving employee satisfaction, which improves customer and shareholder satisfaction. They further suggest an indirect association between employee capabilities and organisational performance.

An organisation's human capital (its people), can learn and innovate, contributing to organisation's value; that is, the wealth added through people. Developing an organisation's human capital contributes to its financial value. The most important component of human capital, 'individual capability' as has five aspects. These are personal capabilities; professional know how; experience; the network and range of personal contacts and; the values and attitudes that influence actions. Technological changes in the industry are advancing in leaps and organizations that want to be competitive should not be found to be lagging behind. For this reason, the key to successful business performance is to reckon processes as a means to transfer knowledge thereby responding to the customers faster than competitors (Sureshchandar, 2005).

2.3.4 Financial Perspective

The financial perspective is considered as the most important perspective among the others, particularly in relation to key strategy implementation and assessment of organizations' performance. The financial perspective seeks to answer the question: to succeed financially, how should we appear to our shareholders? Usually, it occupies the topmost part of the BSC. This is usually actualized through the provisions of the organisations' mission and vision statements and the transformation of financial issues into sustainable goals and minimal cost (Niven, 2011).

Ronchetti (2006), argued that the financial perspective, defines financial strategic objectives and financial performance measures that provide evidence of whether or not the company's financial strategy is yielding increased profitability and decreased costs. He further state that this view also captures how the organization must look to customers in order to succeed and achieve the organization's mission; thus, achieving financial strategic objectives is the primary means to realize the company's mission. Banker, (2004), found that increased profitability was only related to increase in repeat business through customer retention and creation of customer loyalty.

Sureshchander et al, (2002), state that every business exists in order to make profits and it is arguable that in organisations, the importance of the financial perspective would be very much acknowledged. This is because financial performance provides the ultimate definition of an organization's success. However, research conflicts as to whether nonfinancial variables are contemporaneous measures (Behn and Riley (1999), or leading indicators of financial performance Ittner and Larcker (1998). While marketing theory suggests increased profitability is attributed to both increased price premiums and

increased repeat business, Banker, (2004), found that increased profitability was only related to increase in repeat business through customer retention and creation of customer loyalty.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the techniques that were used in conducting the study for it to realize the anticipated results. It highlights the research design and methodology in terms of the population of the study, sampling design, data collection techniques, data analysis and presentation of relevant information with reference to collection of primary data, analysis and presentation of the techniques.

3.2 Research Design

The researcher adopted a descriptive survey design. A descriptive survey is a fact finding enquiries and has the purpose of the state of affairs as it exists at the present since the researcher has no control over variables and can only report what is happening (Kothari, 2004).

3.3 Population of the Study

The Population consisted 4,339 employees of Kenya Revenue Authority in Corporate Support Services Department (CSSD), Domestic Taxes Department (DTD), Customs & Border Control Department (C&BCD), Strategy, Innovation & Risk Management Department (SIRMD); and Internal Audit Department (IAD) to focus on the employee perception on the effectiveness of balanced scorecard at KRA (Human Resource Records).

3.4 Sample Design

The researcher used stratified random for ease of classifying the population into stratas. This was done by random selection of samples from three cadres of staff at Kenya Revenue Authority which include Senior Management, Middle Level Management and Lower Level Cadre as shown in Table 3.1. Krejcie & Morgan (1970), came up with a table for determining sample size for a given population for ease of reference which indicated that population size of 4,000 would have a sample size of 351.

Table 3.1: Sample Design

Department	Population	Percentage of Population (%)	Sample Size
Corporate Support Services	1046	24	84
Domestic Taxes	1509	35	122
Customs & Border Control	1457	33	116
Strategy, Innovation & Risk Management	293	7	25
Internal Audit	34	1	4
Total	4339	100	351

(Source: <http://www.kra.go.ke>)

3.5 Data Collection

The researcher collected primary data which was obtained through a semi-structured questionnaire with open and closed questions. The questionnaire consisted two sections namely; Section A containing bio-data and Section B containing summarized data showing employee perception on effectiveness of the balanced score card in measuring performance. Kenya Revenue Authority staff were the respondents. The questionnaires

were administered through electronic mail and pick and drop method. Follow up was done through personal visits, telephone calls and emails in order to enhance the response rate.

3.6 Data Analysis

Data collected from the completed questionnaires was summarized, coded and tabulated. Descriptive statistics techniques such as mean, standard deviation, frequency distribution was used to analyse data. Data presentation was done by use of charts, percentages and frequency tables.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter describes the research methodology that was used in the study which included data analysis, presentation and interpretation of the findings that were obtained from the data collection exercise. The data presented includes the questionnaires' response rate, the demographic characteristics of the respondents and a presentation of other findings that are geared towards each individual objectives of the study.

4.2 Response Rate

This contains response rate data from the survey. A total of 351 questionnaires were distributed to the respondents. Out of 351 questionnaires, 264 were returned having been duly filled. However, 87 questionnaires were not filled and were not analysed. This represented 75% response rate. According to Mugenda and Mugenda (2003) a response rate of 50% and above represents a good statistical reporting.

4.3 Demographic Characteristics of the Respondents

Demographic characteristics are very important to researchers when they are conducting their research surveys/projects. It helps researchers to determine personal factors that may have influenced the respondents' way of answering questions. The demographic characteristics of the respondents that the researcher addressed in this study include their department, their level of education, their gender and the number of years they have been to KRA.

4.3.1 Gender of the Respondents

Gender of the respondents plays a major role in analysing the demographic profile of the respondents and other variables. It has effect on the perception of the respondents as per the results indicated in Table 4.1.

Table 4. 1: Gender of the respondents

Gender	Frequency	Percentage
Male	146	55.3
Female	118	44.7
Total	264	100.0

The findings in Table 4.1 above shows that the distribution of gender of the respondents was 55.3% male while 44.7% were female. This ascertains that the organization has more male employees than female employees.

4.3.2 Respondents Department

The departments of the respondents are likely to have an implication on employee's perception of the effectiveness of balanced scorecard in measuring performance.

Table 4. 2: Department Respondents Work

Department	Frequency	Percentage (%)
Domestic Taxes	87	33.0
Corporate Support Services	77	29.2
Customs & Border Control	72	27.3
Strategy Innovation & Risk Management	21	8.0
Internal Audit	7	2.7
Total	264	100.0

From Table 4.2 the respondents' responses indicates that majority (33.0%) work at the Domestic Taxes Department, followed closely by 29.2% of them working in the Corporate Support Services Department, then 27.3% work in the Customs & Border

Control Department while the rest (10.7%) work in Strategy Innovation & Risk Management Department and the Internal Audit Department as shown in Table 4.2.

4.3.3 Level of Education

4.3.3.1 Highest Level of Education

Respondents were asked to state their highest level of education since it may have an impact on their perception on effectiveness of BSC in performance measurement and Table 4.3 indicates their responses.

Table 4.3: Highest Level of Education

Highest Level of Education	Frequency	Percentage (%)
O-Level	11	4.2
College/Diploma/Certificate	51	19.3
Undergraduate Degree	113	42.8
Post Graduate Degree	89	33.7
Total	264	100.0

From Table 4.3 The level of education of the respondents was distributed as follows; 42.8%, of the respondents were undergraduate degree holders, 33.7% were post-graduate degree holders which include Masters and PHD degrees, 19.3% were diploma/certificate graduates while 4% have attained education up to secondary level. This means that the majority of employees at KRA are professionals who have specialised in various fields of professionalism.

4.3.3.2 Other Education Qualifications

In addition the above mentioned qualifications, respondents were asked whether they have achieved any other qualifications to support their secondary/college/university qualifications. From the findings shown in Table 4.4, 10 out of a total of 264 respondents who were interviewed have obtained other qualifications. Among the 10, majority (40%)

of them have obtained qualification of Certified Public Accountants (CPA) while the rest 60% have equally distributed qualifications in A-Level, BSC Communication/PR, CFA, Customer Care, Organisation Refresher Trainings and Professional Certification as shown in Table 4.4.

Table 4.4: Other Education Qualifications

Other qualification	Frequency	Percentage (%)
Certified Public Accountant (CPA)	4	40
A level	1	10
BSC Communication and Public Relations	1	10
Certified Financial Analysts	1	10
Diploma in Customer Care	1	10
Organisation Refresher Trainings	1	10
Professional Certifications	1	10
Total	10	100

4.3.4 Current Grade of the Respondents

Respondents were asked to state their current grade since it might have an impact on their perception on effectiveness of BSC in performance measurement. Due to harmonization of grades, the lower cadre of staff's perception may vary a lot with the senior and middle level management staff who have been conversant with the BSC previously. Table 4.5 shows respondents distribution of their current grade.

Table 4.5: Respondents' Current grade of Employment

Grade	Frequency	Percentage (%)
Grade 1	9	3.4
Grade 2	43	16.3
Grade 3	142	53.8
Grade 4	42	15.9
Grade 5	20	7.6
Grade 6	5	1.9
Grade 7	2	.8
Grade 8	1	.4
Total	264	100.0

From Table 4.5, the current grade of the respondents in KRA was as follows; 3.4% were on grade 1, 16.3% were on grade 2, 53.8% were in grade 3, 15.9% were in grade 4, 7.6 % were in grade 5, 1.9% were in grade 6, 0.8% were in grade 7 and the rest 0.4% were on grade 8. The actual response trend for category for grade 6, 7 and 8 represents respondents (staff) of senior level management, grades 3 and 4 represents respondents (staff) of middle level management and grades 1 and 2 represents respondents/staff of lower level management. This means that the response rate from middle level staff was higher than for senior level management and lower level staff which represent the ideal scenario in most organizations.

4.3.5 Number of Year's Respondents had Served in KRA

The respondents were required to indicate the number of years served in the organization since the length of service might have an implication on their perception on the effectiveness of BSC in measuring performance. Table 4.6 shows respondents' responses with regard to their lengthy of services.

Table 4.6: Years Respondents Had Served in KRA

Years respondents have served in KRA	Frequency	Percentage (%)
Below 3 Years	24	9.1
3-6 Years	38	14.4
7-10 Years	103	39.0
More than 10 Years	99	37.5
Total	264	100.0

The number of years served by respondents in the organization was analyzed and the following were the results as shown in Table 4.6 above; 39% of the respondents had served for a period between 7 to 10 years, 37.5% had served for a period of more than ten years, 14.4% had served for a period 3- 6 years while the remaining 9.1% had served a period of less than three years. This shows that many employees have served in the organization between 7 - 10 years hence they are eligible to develop perception on effectiveness of BSC in performance measurement since they have used it for a couple of years.

4.4. Employee Perception on the Effectiveness of BSC in Performance Measurement

This section covers the employee's perception on the effectiveness of BSC in performance measurement at KRA. It therefore deals with various aspects of employees' perception on the effectiveness of BSC in performance measurement. The researcher listed a number of statements corresponding to the perception of the employees and asked the respondents (KRA Employees) to rate the statements on a linkert scale of 1 – 5 whereby 1=Strongly Disagree, 2=Disagree, 3=Uncertain, 4=Agree and 5=Strongly Agree. The “Means” and “Standard Deviation” for each statement were established in

order to provide a generalized feeling of the respondents on their perception on the effectiveness of BSC in performance measurement at KRA.

The study sought to establish the extent to which the respondents agreed with statements that the researcher used to measure the effectiveness BSC in performance measurement at KRA. An outcome with a mean of 1 and less than 1.5 implied that the respondents disagreed to the activity that the researcher used to rate their perception hence the activity had little or no influence on the effectiveness of BSC in performance measurement at KRA. Means greater than 1.5 and less than 2.5 implied that the respondents were uncertain with the activity that the researcher used to rate their perception hence the activity had influence on the effectiveness of BSC in performance measurement at KRA to some extent. Means greater than 3.5 and less than 4.5 implied that the respondents agreed to the activity that the researcher used to rate their perception hence the activity had influence on the effectiveness of BSC in performance measurement at KRA to great extent. Means that are more than 4.5 implied that the respondents strongly agreed to the activity that the researcher used to rate their perception hence the activity had influence on the effectiveness of BSC in performance measurement at KRA to a very great extent.

On the other hand, Standard Deviation describes distribution of the respondents' feedback in relation to the Mean. It provides an indication of how far the individual responses to each statement deviate from Mean. A Standard Deviation of more than 1 shows that there is no consensus while a standard deviation of greater than 0.5 but less than 1 shows that the responses are moderately distributed. When the Standard Deviation is less than 0.5, it is an indication that the responses are concentrated around the Mean

while a Standard Deviation of more than 1 shows that there is no consensus on the respondents' feedback.

4.4.1 Employee Perception on Balanced Scorecard

The study sought to establish the extent to which respondents agreed with statements that the researcher used in regard to Balanced Scorecard on performance measurement at KRA. The responses of the respondents are as shown in the Table 4.7.

Table 4.7: Employee Perception on Balanced Scorecard

Statement	N	Mean	Std. Deviation
I understand the organization's vision and mission	264	4.31	.757
I possess positive attitude towards performance management improvement	264	4.20	.722
I often work towards achieving organisational goals and targets	264	4.37	.674
BSC has impacted my understanding of organisation's strategy.	264	3.79	.872
I understand the perspectives of the Balanced Scorecard and how they link to performance in the organization.	264	3.83	.892
Average Employee Perception on Balanced Scorecard	264	4.10	0.783

Table 4.7 above shows that respondents all respondents agreed (Mean of 4.31, 4.20, 4.34, 3.79 and 3.83) to great extent that they understand the organization's vision and mission, they possess positive attitude towards performance management improvement, they often work towards achieving organizational goals and targets, BSC has impacted their understanding of organisation's strategy and that they understand the perspectives of the Balanced Scorecard and how they link to performance in the organization. The average mean of the five statements concurs that the respondents agree (Mean of 4.10 and SD of

0.787) that the five statements have influence on the effectiveness of BSC in performance measurement at KRA to a large extent and the standard deviation confirms that the responses that the respondents gave were moderately distributed hence they had a consensus.

We therefore conclude that Employee Perception on effectiveness of Balanced Scorecard at KRA has influenced to a great extent on the effectiveness of BSC in performance measurement at KRA.

4.4.2 Customer Perspective

The study sought to establish the extent to which respondents agreed with statements that the researcher used in regard to Customer Perspective on the effectiveness of BSC on performance measurement at KRA. The responses of the respondents are as shown in the Table 4.8.

Table 4.8: Customer Perspective

Statement	N	Mean	Std. Deviation
My organisation's service charter is clearly stated and well understood by customers	264	3.45	.981
There are customer service objectives which are clear	264	3.81	.910
Customers can easily access the organisation's information	264	3.63	.990
Feedback mechanisms for customer complaints are in place	264	3.37	.986
Complaints are well handled through proper feedback mechanisms	264	3.32	3.351
Average Employee Perception on Balanced Scorecard	264	3.52	1.444

The findings in Table 4.8 above shows that respondents were uncertain (mean of 3.45, SD of 0.981) that their organization's service charter is clearly stated and well understood by customers. This implies that the customers' understanding of the organization's service charter and its clarity has some influence on the effectiveness of BSC in performance measurement at KRA. On the same note, respondents agreed (Mean of 3.81 and 3.63) that there are customer service objectives which are clear and customers can easily access the organization's information respectively. This implies that clarity of customer service objectives and ease of access to KRA information have influence to great extent on the effectiveness of BSC in performance measurement at the organization. On the same customer service perspective, respondents were uncertain (Mean of 3.37 and 3.32) that the feedback mechanisms for customer complaints are in place and that the complaints are well handled through proper feedback mechanisms respectively.

Overall on customer perspective, we can conclude that the respondents agreed (Average mean of 3.52, SD of 1.444) that at KRA, the service charter is clearly stated and well understood by customers, there are customer service objectives which are clear, customers can easily access the information, feedback mechanisms for customer complaints are in place and complaints are well handled through proper feedback mechanisms. The standard deviation shows that the responses that were obtained were evenly distributed hence they do not have a consensus. However, KRA employees do not have a good take on the customer service charter and feedback mechanisms. Therefore, overall conclusion is that customer service activities at KRA have influenced to a great extent on the effectiveness of BSC in performance measurement at the organization.

4.4.3 Internal Processes Perspective

The study sought to establish the extent to which respondents agreed with statements that the researcher used to measure the effectiveness of BSC on performance measurement at KRA through the internal processes. The responses of the respondents are as shown in the table below.

Table 4.9: Internal Processes Perspective

Statement	N	Mean	Std. Deviation
My organization uses balanced scorecard to align performance of staff through appraisals	264	3.67	.998
Internal processes in my organization are evaluated on need basis to identify need for change	264	3.47	.922
Proper performance is rewarded through use of proper internal processes system	264	2.86	1.061
I understand all the internal processes used in the organisation	264	3.27	1.007
My organization is always ready to benchmark with others to enhance improvement on internal processes.	264	3.41	1.032
Average Employee Perception on Balanced Scorecard	264	3.34	1.004

The findings in Table 4.9 above show that the respondents agree (Mean of 3.67) that their organization uses balanced scorecard to align performance of staff through appraisals. However, on the same internal processes perspective, respondents are uncertain (Mean of 3.47, 2.86, 3.27 and 3.41) that internal process in their organization are evaluated on need basis to identify need for change, proper performance is rewarded through use of proper internal processes system, they understand all the internal processes used in their organization and their organization is always ready to benchmark with others to enhance improvement on internal processes respectively. An average of the means of the five activities that were used to rate the influence of internal processes on the effectiveness of BSC on performance measurement shows that the respondents were uncertain (Mean of

3.34) that indeed internal processes has influence on the effectiveness of BSC on performance measurement although there is some influence but not to great extent.

As a result of the findings above, we conclude that the respondents were generally uncertain (Average mean of 3.34, SD of 1.004) that at KRA, there is use of balanced scorecard to align performance of staff through appraisals, the internal processes are evaluated on need basis to identify need for change, proper performance is rewarded through use of proper internal processes system, all the internal processes used are understood by employees and improvement on internal processes is enhanced by being by the organization's readiness to benchmark with others. The average standard deviation shows that the responses were evenly distributed hence they did not have a consensus. Therefore, internal processes activities at KRA have some influence on the effectiveness of BSC in performance measurement at the organization but not to large extent.

4.4.4 Learning and Development Perspective

The study sought to establish the extent to which respondents agreed with statements that the researcher used in regard to learning and development perspective on the effectiveness of BSC on performance measurement at KRA. The responses of the respondents are as shown in the Table 4.10.

Table 4.10: Learning and Development Perspective

Statement	N	Mean	Std. Deviation
My organization encourages employees in career progression	264	3.58	1.147
There is a clearly set policy on learning and development for organisation	264	3.41	1.039
Innovation is fully embraced in the organization.	264	3.30	1.059
Team building is enhanced through learning and development	264	3.50	1.009
Average Employee Perception on Balanced Scorecard	264	3.45	1.064

Findings in Table 4.10 above show that respondents agree (Mean of 3.58 and 3.50) that their organization encourages employees in career progression and enhance team building through learning and development respectively. On the other hand, the respondents were uncertain (Mean 3.41 and 3.30) that there is a clearly set policy on learning and development for organization and innovation is fully embraced in the organization respectively. Averagely, the respondents are uncertain (Mean of 3.45) that learning and development has influence on the effectiveness of BCS on performance measurement.

In general, we can conclude on the issue of Learning and Development Perspective that the respondents were uncertain (Average mean of 3.45, SD of 1.064) that at KRA, employees are encouraged in career progression, the policy on learning and development for the organization is clearly set, innovation is fully embraced and team building is enhanced through learning and development. The standard deviation of 1.064 confirms that the responses were evenly distributed hence they did not have a consensus. Therefore, learning and development activities at KRA have some influence on the effectiveness of BSC in performance measurement at the organization but not to large extent.

4.4.5 Financial Perspective

The study sought to establish the extent to which respondents agreed with statements that the researcher used in regard to Financial Perspective on the effectiveness of BSC on performance measurement at KRA. The responses of the respondents are as shown in the Table 4.11.

Table 4.11: Financial Perspective

Statement	N	Mean	Std. Deviation
The organization has set clear budget policy	264	3.60	.880
Budgetary control is well implemented and leads to cost cutting measures	264	3.34	.896
The organisation operates on the approved budget	264	3.77	.892
Finance Department works in conjunction with departments to establish every department's expenditure requirements	264	3.77	.877
Average Employee Perception on Balanced Scorecard	264	3.62	0.886

From the Table 4.11, the respondents agreed (Mean of 3.60, 3.77 and 3.77) that the organization has set clear budget policy, it operates on the approved budget and its Finance Department works in conjunction with departments to establish every department's expenditure requirements respectively. This implies that the three activities have influence to great extent on the effectiveness of BSC in performance measurement at the organization. On whether the organization operates on the approved budget, respondents were uncertain (Mean of 3.34) that indeed the organization operates on the approved budget implying that this activity has influence on the effectiveness of BSC in performance measurement at the organization but to some extent.

On financial perspective, we therefore conclude by saying that the respondents agreed (Average mean of 3.62, SD of 0.886) that at KRA, there is a clear budget policy that had

been set, budgetary control is well implemented leading to cost cutting measures, only approved budget runs the operations of the organization and the Finance Department works in conjunction with other departments to establish every department's expenditure requirements. The standard deviation of 0.886 indicates that the responses were moderately distributed hence they had a consensus. Therefore, financial activities at KRA all have influence on the effectiveness of BSC in performance measurement at the organization to a great extent.

4.5 Discussion of the Findings

The study had the objective of establishing Employee Perception on the Effectiveness of Balanced Scorecard in Measuring Performance in Kenya Revenue Authority which according to the research problem has been found to be related to organisational performance. The study established that understanding of organisation's mission and vision, possession of positive attitude toward performance management improvement and working towards achieving organisational goals and targets have influenced employee perception on effectiveness of BSC in performance measurement to great extent. These results are consistent with Gallup (2008) findings that employees give their best if they perceive to be working in an environment and positive perception of organization by employees, enables a manager to utilize the system to help employees develop and achieve their performance objectives.

In KRA the customer service has an influence on effectiveness of BSC in performance measurement to great extent. This is due to the fact that KRA needs to have a better take on customer service charter, feedback mechanisms of complaints and complaints systems. This is in line with B2B International (2014), which states that most of the

companies lose 45% to 50% customers in each five years time and winning new customers may be up to twenty times more costly than current customer retention. Therefore, KRA need to continue rendering satisfactory services to customers in line with the organization strategies in order to retain most of the customers. Especially when handing complaints by providing proper feedback mechanisms since handing of customer registered the lowest mean among the activities that were used to measure customer services.

In view of the internal processes, most respondents were generally uncertain that they have much impact on the employee perception on effectiveness of BSC in performance. This supports Amaratunga et al., (2001), who assert that internal processes are mechanisms through which performance expectations are achieved. Therefore, KRA should not view internal processes along with the traditional aspects of cost, time and quality only but also include effectiveness and efficiency as stated by Kanji and Sa, (2002). KRA need to improve on overall internal processes in order to continue increasing efficiency especially by rewarding proper performance through use of proper internal processes system which registered the lowest mean alongside other activities.

Learning and Development plays a very significant role in performance and retention of employees as indicated by respondents where most respondents were uncertain that activities in learning and development have a great influence on effectiveness of BSC in performance measurement in KRA. This is in line with Yeung and Berman (1997) stated that organization performance is improved when employees build their capabilities, such as improving employee satisfaction, which improves customer and shareholder satisfaction. Uncertainty of employees implies that KRA needs to put more effort on

learning and development especially through setting a clear policy on learning and development for organization and fully embracing innovation in the organization both of which registered lower mean scores compared to other learning and development activities.

Financial Perspective of the organization is equally significant to employees' performance. From the findings of the study, the respondents agreed to a great extent that financial perspective has an influence on employee perception on the effectiveness of BSC in performance measurement. This is in line with Sureshchander et al, (2002) who states that every business exists in order to make profits and it is arguable that in organizations, the importance of the financial perspective would be very much acknowledged because financial performance provides the ultimate definition of the organisation's success. In KRA organization has set clear budget policy, budgetary control is well implemented leading to cost cutting and the finance department works in conjunction with departments to establish every department's needs. The major area of improvement will be on the implementation of budgetary control that leads to cost cutting measures which registered low mean score compared to other financial activities.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusion and recommendations of the study aligned with the purpose of the study which aimed at determining employee perception on the effectiveness of balanced scorecard in measuring performance in Kenya Revenue Authority.

5.2 Summary of Findings

The objective of the study was to establish employees' perception of the effectiveness of Balanced Scorecard in Measuring Performance in Kenya Revenue Authority. The respondents were employees of Kenya Revenue Authority. On the demographic characteristics of the respondents, the study revealed that there were more male than female employees. It was established that Domestic Taxes Department had the highest percentage of respondents which is 33%.

The study established that highest level of education of most respondents was undergraduate degree meaning the respondents had the requisite academic credentials to understand the employee practices that organization need to make employees become more committed and achieve good performance. On other education qualifications 40% of employees were Certified Public Accountants and 60% had A Level, Organisation Refresher Trainings, Communication and Public Relations, Certified Financial Analysts and Professional Certification. The response rate from middle level employees was

higher than from senior level management and lower level employees which represented ideal scenario. In the analysis of length of service most of the respondents served in KRA between 7-10 years hence they are eligible to develop perception on the effectiveness of BSC in performance measurement.

Study findings on the perception of employees on the effectiveness of BSC on performance measurement at KRA are as discussed hereafter. First, is the Employee Perception on Balanced Scorecard which findings conclude that the perception has influence to great extent on the effectiveness of BSC in performance measurement with an average mean score of 4.10. The average a standard deviation is 0.783 which implies that the findings were moderately distributed hence there was a consensus amongst the responses.

Second is the customer perspective which findings conclude that customer service activities at KRA have influence to great extent on the effectiveness of BSC in performance measurement at the organization. The respondents' average mean is 3.52 which means that they agreed to great extent that at KRA, the service charter is clearly stated and well understood by customers, there are customer service objectives which are clear, customers can easily access the information, feedback mechanisms for customer complaints are in place and complaints are well handled through proper feedback mechanisms. The average standard deviation is 1.444 implying that the responses that were obtained were evenly distributed hence they don't have a consensus.

Third, findings conclude that internal processes activities at KRA have some influence on the effectiveness of BSC in performance measurement at the organization but not to large

extent. This is due to the fact that the respondents were generally uncertain (average mean of 3.34) that at KRA, there is use of balanced scorecard to align performance of staff through appraisals, the internal processes are evaluated on need basis to identify need for change, proper performance is rewarded through use of proper internal processes system, all the internal processes used are understood by employees and improvement on internal processes is enhanced by being by the organization's readiness to benchmark with others. The average standard deviation was 1.004 meaning that the responses were evenly distributed hence they did not have a consensus.

Fourth, findings conclude that learning and development activities at KRA have some influence on the effectiveness of BSC in performance measurement at the organization but not to large extent. This is because the respondents were uncertain (average mean of 3.45) that at KRA, employees are encouraged in career progression, the policy on learning and development for the organization is clearly set, innovation is fully embraced and team building is enhanced through learning and development. The average standard deviation of 1.064 confirms that the responses were evenly distributed hence they did not have a consensus.

Lastly, employees' perception the effectiveness of BSC on performance measurement at KRA is the focus on financial perspective where the findings conclude that financial activities at KRA all have influence on the effectiveness of BSC in performance measurement at the organization to a great extent. This is due to the fact that respondents agreed (Average mean of 3.62) that at KRA, there is a clear budget policy that had been set, budgetary control is well implemented leading to cost cutting measures, only approved budget runs the operations of the organization and the Finance Department

works in conjunction with other departments to establish every department's expenditure requirements. The average standard deviation of 0.886 indicates that the responses were moderately distributed hence they had a consensus.

5.3 Conclusion

The study sought to establish the employee perception on effectiveness of the Balanced Scorecard in Kenya Revenue Authority. The findings of the study deduced that most employees had served in KRA between 7 – 10 years which is an eligible timing to gauge the employees perception on the effectiveness of BSC as a measure of performance. Training and sensitization on BSC should be conducted for employees to enable them understand the BSC perspectives, the organisation's strategies and how they link to BSC. Understanding of organisation's mission and vision, possession of positive attitude towards performance management improvement, working towards achieving organisational goals and targets leads to performance improvement.

KRA's service charter should be clearly stated and well understood by customers, have clear customer service objectives, ease of access of information by customers, feedback mechanisms for customer complaints, proper handling of complaints can help to attract and retain customers at KRA. For internal processes, KRA has ensured proper performance is rewarded through use of proper internal processes system although not to large extent like others since the mean for this item is 2.86 which imply little extent, employees understand all the internal processes used and KRA is always ready to benchmark with others to enhance improvement on internal processes. KRA needs to embrace innovation in order to improve performance. Setting of clear budget policy, proper budgetary control and Finance Department working in conjunction with other

departments, to establish every department's expenditure requirements will help to improve performance. Overall conclusion is that the findings of the study confirm previous studies of employee perception and BSC (Nyangayo 2014; Kiplimo 2014; Okelo 2013; Muia 2012).

5.4 Recommendations

Based on the findings and discussion on the employee perception on the effectiveness of the BSC in measuring performance in KRA the researcher recommends that KRA need to embrace BSC and emphasize its importance to all employees to enable them understand performance measurement starting from top management. A thorough training need to be carried out well for the employees whose grades were harmonized to impact them with knowledge and skills on how to improve performance through effective use of the BSC. Supervisors should ensure that the performance appraisal activities are linked to the BSC for ease of appraisals. The study recommends that the organization need to embrace innovation in order to improve performance.

Academically, this study has important implication for studies aimed to establish how performance can be improved and this study highlights how employees perception can impact on the effectiveness of BSC in performance measurement. To the other government agencies, the study provides insights on how employee perception and BSC can enhance performance. Many organizations use BSC as a performance measurement tool due to its effectiveness.

5.5 Limitations of the Study

The researcher experienced various limitations while undertaking the study. As stated in the findings, there was resistance in receiving responses from the respondents. The researcher experienced difficulties while during introduction to respondents in the targeted departments where respondents were ignorant when they heard it was about BSC especially the lower cadre respondents. Due to even distribution of the respondents there was a problem of follow up especially for those in revenue departments where they were not available at all since they undertake tasks which pertain to going to the field. There was also a financial implication while preparing and printing of questionnaires since the sample size of 351 was large to achieve 75% of the response. The respondents also took too much time to respond.

5.6 Recommendations for Further Research

The scope of research carried out was limited only to Kenya Revenue Authority. Therefore other researchers should conduct research in all the government agencies to find out the perception of employees on the effectiveness of BSC in performance measurement. Further gaps to be filled could be in reaching; how the employees' attitudes and perception on the BSC can be improved for them to take it positively instead of a threat to the organization with can help in improving performance in the organisation.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION



KENYA REVENUE
AUTHORITY



Ref: 6044

30th June, 2015

Catherine Njuguna
Officer
Administration & Logistics

Thro' Chief Manager A&L

*Forwarded
22
1/7*

Dear Madam,

RE: RESEARCH PROJECT

Reference is made to your letter dated 29th June, 2015 on the above subject.

We are pleased to inform you that approval has been granted for you to undertake research on, *'Employee Perception on Effectiveness of the Balanced Scorecard in Measuring Performance in KRA.'*

The research you intend to undertake should be for academic purposes only and any data or information given should be treated with utmost confidentiality. It will be necessary to forward to this office the questionnaire you intend to use for our perusal as you embark on the data collection

Please submit a copy of your research report for retention in the Library.

Yours faithfully,


Elijah M. Nyaribo
For: Deputy Commissioner- Human Resource

Tulipe Ushuru Tujitegemee!

Times Tower Building
Hella Salasie Avenue, P.O. Box 48240-00100 Tel: 310900 Fax: 316872



APPENDIX II: LETTER TO RESPONDENTS

All Staff

Kenya Revenue Authority

Dear Respondents

Data Collection

I am a postgraduate student at the University of Nairobi undertaking Masters of Business Administration specializing in Human Resources. One of the academic requirements of the programme is a research project and in this regard I have chosen the research topic “Employee Perception on the Effectiveness of the Balanced Scorecard in Measuring Performance in KRA.

This is to kindly request you to assist me in data collection by responding to the questionnaire that will be issued to you. Please be assured that data obtained herein will be used exclusively for academic purposes and will be treated with utmost confidentiality.

Your assistance would be highly appreciated.

Yours sincerely,

Catherine Njuguna

D61/68666/2013

APPENDIX III: QUESTIONNAIRE

Questionnaire for data on Employee Perception on the Effectiveness of Balanced Scorecard in Measuring Performance in Kenya Revenue Authority

INSTRUCTIONS

Please READ each question carefully.
Fill ONE suitable option for each question.

Section A: Bio-Data

1. Gender Male () Female ()

2. Department

Domestic Taxes	Customs & Border Control (C&BC)	Corporate Support Services (CSS)	Strategy Innovation & Risk Management (SIRMA)	Internal Audit

3. Highest Level of Education

Primary	O-Level	College/Diploma/Certificate	Undergraduate Degree	Post Graduate Degree

Other (specify)

4. Current grade:

Grade 10	Grade 9	Grade 8	Grade 7	Grade 6	Grade 5	Grade 4	Grade 3	Grade 2	Grade 1

5. How many years have you served in KRA?

Below 3 Years	3-6 Years	7-10 Years	More than 10 Years

SECTION B: Employee Perception on Balanced Scorecard

Indicate the extent to which you agree or disagree with the following statements by selecting the response that you feel is appropriate

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
I understand the organization's vision and mission					
I possess positive attitude towards performance management improvement					
I often work towards achieving organisational goals and targets					
BSC has impacted my understanding of organisation's strategy.					
I understand the perspectives of the Balanced Scorecard and how they link to performance in the organization.					

Customer Perspective

Indicate the extent to which you agree or disagree with the following statements by selecting the response that you feel is appropriate

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
My organisation's service charter is clearly stated and well understood by customers					
There are customer service objectives which are clear					
Customers can easily access the organisation's information					
Feedback mechanisms for customer complaints are in place					
Complaints are well handled through proper feedback mechanisms					

Internal Processes Perspective

Indicate the extent to which you agree or disagree with the following statements by selecting the response that you feel is appropriate

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
My organization uses balanced scorecard to align performance of staff through appraisals					
Internal processes in my organization are evaluated on need basis to identify need for change					
Proper performance is rewarded through use of proper internal processes system					
I understand all the internal processes used in the organisation					
My organization is always ready to benchmark with others to enhance improvement on internal processes.					

Learning and Development Perspective

Indicate the extent to which you agree or disagree with the following statements by selecting the response that you feel is appropriate

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
My organization encourages employees in career progression					
There is a clearly set policy on learning and development for organisation					
Innovation is fully embraced in the organization.					
Team building is enhanced through learning and development					

Financial Perspective

Indicate the extent to which you agree or disagree with the following statements by selecting the response that you feel is appropriate

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
The organization has set clear budget policy					
Budgetary control is well implemented and leads to cost cutting measures					

The organisation operates on the approved budget					
Finance Department works in conjunction with departments to establish every department's expenditure requirements					

Give an overall view of the balanced scorecard effectiveness in Performance Measurement

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.....

END

Thank You