CHALLENGES OF THE BALANCED SCORE CARD
IMPLEMENTATION AT KENYATTA NATIONAL HOSPITAL,
KENYA

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DECLARATION

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

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

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DEDICATION

This research project is dedicated to God my creator, my loving Amy (Wife), Zawadi (daughter) and Baraka (son), they kept me moving on against all odds to ensure that my efforts come to fruition.
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MAY GOD BLESS YOU ALL
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<tr>
<td>BSC</td>
<td>Balanced Score Card</td>
</tr>
<tr>
<td>C.E.O</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>I.S.O</td>
<td>International Standards Organization for Standardization</td>
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<tr>
<td>I.C.T</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>KEMSA</td>
<td>Kenya Medical Supplies Authority</td>
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<tr>
<td>KMTC</td>
<td>Kenya Medical Training College</td>
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<td>K.N.H</td>
<td>Kenyatta National Hospital</td>
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<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<tr>
<td>N.H.I.F</td>
<td>National Hospital Insurance Fund</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>UON</td>
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ABSTRACT
In the current 21st business arena, companies compete in a complex and challenging context that is being transformed by many factors from globalisation, rapid change in technology, aggressive competitors and political interference. It means that for companies to gain and maintain a competitive edge they must develop and execute strategic plans with precision. Thus the main purpose of the study was to determine the challenges of balanced score card implementation in the health sector and specifically at Kenyatta National Hospital which is a national referral hospital. The findings from this study may particularly be useful in providing additional knowledge to the Hospital and other organizations especially in the health sector on implementation of the balanced score as a strategy implementation tool. The research design that was used in this study was case study. Primary data was collected using interview guide while secondary data was obtained from the Hospitals record. The researcher thus interviewed eight (8) managers in the Executive Management Committee of the Hospital. The researcher used content analysis to analyse the data through describing phenomena, classifying it and seeing how the concepts interconnect. It is established that Kenyatta National Hospital has a well-founded strategic planning system. The hospital has had three strategic plans since 2005. The first two strategic plans were based on log frame framework but the third strategic plan (2013-2018) was based on balance score card approach. The use of the Balanced score card was to align the day to day activities of the Hospital to the vision and mission. The Balanced score card has three additional perspectives over and above the traditional financial perspective. The other perspectives that is, learning and growth, internal business process and customer perspectives are the drivers of the future financial performance. The implementation of the balanced score card has challenges which included but not limited to rigid organizational structure, lack of resources, complaisant organization culture, lack of functional equipment, leadership, lack of effective communication, negative stakeholder influence and cascading. The findings of the study should be understood and valued in light of the limitations of the study. The study is especially useful to Kenyatta National Hospital. The study has also highlighted institutional policy and practice recommendations to overcome the challenges of strategy implementation using balanced scorecard. Also provide are suggestions for further studies.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The Balanced score card (BSC) is a comprehensive strategic planning and performance management system that has been used extensively by firms worldwide to align business activities to the vision and strategy, improve internal and external communications and monitor organization performance against strategic goals (Samir et al 2006). The BSC was introduced following numerous criticism arising from using only financial measures to evaluate the performance of a company. (Kaplan and Norton 2002) proposed that financial measures of a company’s performance be supplemented with other measures that will capture the intangibles of assets of growth. The combination of the two would give an overall and clear picture of a company’s performance.

There are various theories which support that there challenges when implementing strategy in the face of the ever changing business environment to gain competitive advantage. This includes the agency theory where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal’s goals (Judge et al, 1995). The agent in this case advances both the principals’ interests and his own interests in the organization. There challenges would arise when an agent tries to balance his personal interest against those of the principal.

The implementation of BSC in any organization comes with various challenges that must be surmounted so that the organization can reap benefits of the framework according to (Kaplan and Norton, 2001). The challenges encountered on implementation of the framework, how they are surmounted and how performance of an organization is affected add to the pool of knowledge on BSC as a strategy tool.
The application of BSC as a tool of strategy implementation is important to health institutions and especially Kenyatta National Hospital which is a teaching and referral hospital in Kenya. The hospital has a five year strategic plans which adopted the BSC. Also every year there is the performance contract signed by the institution to rate performance. There is need to find out what challenges have been experienced on the implementation BSC and how they have been surmounted as the hospital strives to achieve its vision.

1.1.1 Balanced Score Card
The Balanced Score Card is basically a strategic management system that uses a framework and core principles to translate an organization’s mission and strategy into a comprehensive set of performance measures and strategically aligned initiative (Kaplan and Norton, 2001). The organization’s mission and strategy are translated into strategic objectives and measured around four perspectives: Financial, Customer, Internal processes and Learning perspectives.

The financial perspective of the BSC tool provides for the firm to succeed financially it should meet the demands of the owners (shareholders) through delivery of measurable like the financial ratios, customer share and other measurable cash flow measures (Samir et al.2006). This perspective is what had been used widely to measure a firm’s performance and needed to be balanced with other perspectives.

The Customer perspective concentrates on the firm meeting the demands of its clients. This translates to measuring time dedicated to handling customer issues for example how fast orders are handled, how fast queries are responded to and how fast complaints are handled. It also means that the firm is obliged to carry out periodic customer satisfaction surveys and implement the recommendation of the survey (Kaplan and Norton 1996).
The internal perspective targets to satisfy the shareholders’ and customers by ensuring that the firm chooses the right business policies and processes that would deliver their unique demands to customers. The internal business policies are often classified as mission oriented that focus on organization overall mission processes and support oriented that focuses on repetitive tasks employees carry out in course of their work. This perspective also ensures that the length of time spent prospecting and the amount of rework required is minimized (Samir et al. 2006).

The learning and growth perspective prescribes that the firm should achieve its vision and be able to sustain its ability to change (Kaplan and Norton 1996). It guides the organization on where to focus its training fund. The concentration is on employee training to improve performance. Also this perspective ensures creation and maintenance of corporate culture attitudes that would result in achievement of the vision.

### 1.1.2 Challenges of Implementation of Balanced Score Card

The balanced score card is a powerful management framework that defines the goals of the organization for major stakeholders (Kaplan and Norton, 2001). There are various challenges that arise when implementing the BSC. They could arise from the organization structure not being aligned to strategy.

Indeed (Kaplan and Norton, 2007) observed that challenges facing BSC originate from either design or process failure. The second challenge is resources both financial and human resource, there is also the challenge of organization culture when there is resistance to change, also in tandem with this is the challenge of lack of leadership, followed by the challenge of communication then finally there is the challenge of cascading the BSC.
The challenge of structure would fall under integration (Kaplan and Norton, 1996). Integration basically means getting all the components of the BSC to link in order to deliver the vision. This means that if the structure of the organization is not aligned to strategy then it would hamper communication of the various section of the organization. This will in turn affect employee involvement as measures selected for the BSC would not reflect the organization strategy. The key performance indicators (KPI) would be applied into the four perspectives without screening for the measures that are linked to strategy. This can result to organization strategy not being translated into actions that can be measured. The organization structure therefore should fit with the intended strategies (Birnbaum, 2000).

The second challenge to BSC would be lack of resources to implement and support the intended operations. According to (Marr, 2010) resources are critical for the development and sustenance of the BSC. Without resources it would be impossible to implement anything including the BSC. The financial objective of all departments should be indicated. The strategic plan is linked to the annual business i.e. the budget (Birnbaum, 2000). Budgets or financial plans have to be put in place and adhered to for implementation to be successful. Resource allocation is important and equitable resource allocation and sharing is an important activity that enhances strategy execution. The resources include; financial, physical, human, technological and goodwill resource.

The third challenge is the management of the organization culture to embrace the implementation and adoption of the BSC. For implementation of the BSC change is inevitable (Thompson and Strickland, 2003) argued that in all organization, at all levels, there exists a natural resistance to change. The employees feel threatened by unknown changes and become concerned about loss of jobs or status. They will resist any form of change that they suspect would shake whatever privileges they are enjoying.
Lack of leadership would also affect adversely the implementation of the BSC. The BSC like any other management tool must be embraced by all the employees of a given organization and more so the top management or leadership which make most critical decision regarding funding and giving an organization direction. The top management must be committed to the implementation of the strategy to ensure resources are available and guidance given towards attainment of goals by checking the KPIs. The KPI should be screened so that they link with strategy this would facilitate gauging of performance through targets set. Thus when it comes to BSC if responsibilities are delegated to middle management, focus will be lost since at this level the managers tend to compete with each other for the resources available at the expense of the overall growth of the organization. This according to Norton and Kaplan is one of the main causes of failure to implement the BSC (Kaplan and Norton, 1996).

The fourth challenge is Cascading the BSC from the top management with other members of the organization not aware or familiar with the framework. To be effective the BSC, including strategy and actions to support implementation, must eventually be shared with every members of the organization. There is also the challenge of creating deployment system that breaks high level goals down to the sub process level where actual improvements though out the organization generate bottom line results.

This leads to another challenge of communication. In organization strategy implementation, information flows in all directions, downwards, upwards and laterally (Chapman, 2004). If there is an impediment in communication then the implementation of the BSC is bound to fail. However, with good communication then the organization has a higher chance of successfully implementing the strategy.
1.1.3 The Health Sector in Kenya

The health sector comprises the public systems which include the Ministry of Health (MOH) and public organisations, and the private sector, which includes private for-profit, Non-Governmental Organisations (NGO), and Faith Based Organisation (FBO) facilities. Health services are provided through a network of over 6,152 health facilities countrywide, with the public sector system accounting for about 51 percent of these facilities. The Government’s three-pillar Vision 2030 and the Second Medium Term Plan (2014-2018) aim to deliver amongst others, accelerated and inclusive economic growth, higher living standards, better education and health care, and through which Kenya aims to attain the Millennium Development Goals (MDGs).

The Kenya Health Policy (2014-2030) defines the country’s long term intent in health. The overall objective of this policy will be to attain universal coverage with critical services that positively contribute to the realization of the overall policy goal. The target of the policy is to attain a level and distribution of health at a level commensurate with that of a middle income country, with specific impact targets of attaining a 16% improvement in life expectancy; a 50% reduction in annual mortality from all causes; and a 25% reduction in time spent in ill health.

The challenges encountered in the health care system include, shortage of resources, poor quality service, inequitable distribution of resources and service, inadequate procurement systems and inefficient supervision coupled with a high disease burden (World Health Organization, 2001; Streefland, 2005). Faced with these challenges the government adopted the performing contract system. This is a written agreement between the government and state agency (local authority, state corporation or central government ministry) delivering services to the public, wherein quantifiable targets are explicitly specified for a period of one financial year and performance measured against agreed targets (Sylvester, 2009). This forms the basis of implementing a tool that would link strategy and performance with the view of continuous improvement.
1.1.4 Kenyatta National Hospital

The Kenyatta National Hospital (KNH) in Nairobi is the oldest hospital in Kenya. Founded in 1901 with a bed capacity of 40 as the Native Civil hospital, it was renamed the King George VI Hospital in 1952. At that time the settler community was served by the nearby European Hospital (now Nairobi Hospital). It was renamed Kenyatta National Hospital – after Jomo Kenyatta – following independence from the British. It is enshrined in the constitution and is currently the largest referral and teaching hospital in the country. KNH has a capacity of 1,800 beds and has over 6,000 staff members. It covers an area of 45.7 hectares which it shares with other stakeholders in health like the University of Nairobi Medical School, the Kenya Medical College (KMTC) and other government agencies.

The hospital like many other public institutions that do not generate income has continued to face challenges relating to inadequate funding, poor quality service, lack of equipment and poor performance measurement systems. This has really affected service delivery to its client resulting to several complaints on patient care which is the core business of KNH.

The hospital like all government agencies was incorporate into performance contracting with the government as an intervention aimed improving performance and increasing accountability. The performance contract has been on for several years and because of its weakness in measuring performance there was need for the hospital to seek for a tool that would give an all rounded view of performance and to align its self to the vision and mission. The Hospital management decided to implement the BSC in the year 2012.
1.2 Research Problem

The BSC is a very important strategy implementation and performance management instrument and has been used by many organizations to measure an all-inclusive performance. This is because most organizations have realized that there other measures of well-being of a company apart from finances and these other factors can impact negatively on any financial gains made by the company. The BSC allocates equal measure to the four main perspectives of customer, finance, internal processes and learning and growth. Though BSC has gained popularity in profit making organization as compared to non-profit organizations it has been criticized for being complex and may not be effective tool of implementing strategy. (Samir et al. 2006).

Kenyatta National Hospital was on a downward trajectory in the 90’s before the Grand Coalition government changed the situation by introducing the performance contract system. The hospital has made a number of strategic plans which have been geared towards improving performance. It is important to examine challenges of incorporating BSC in strategic planning and implementation process. At the moment, no study has been conducted to examine this issue in the hospital.

Studies have been conducted internationally by various scholars to establish the use of BSC as a tool of strategy implementation and performance measurement system. The Northumbria Healthcare NHS foundation Trust in England recognized that to maintain the status of high performance, it was paramount to understand challenges and determine the right strategy to maximize unique business opportunities. This was facilitated by implementation of BSC (Marr and Creeelman, 2010). Studies done by Bloomquits and yeager, at Emory Healthcare in Atlanta indicated that the BSC assisted to build unified system which contributed to success.
Aidenmark and Funck, (2009) found out from studies conducted at (Hogland Hospital Sweden) that BSC as management is a powerful tool that combined financial control with quality improvement, along with clinical staff competence. Thus BSC when implement can lead to success of an organization.

Locally (Kinanu, 2013) investigated BSC as performance measurement tool in Multi-National Corporations listed in Nairobi Stock Exchange. She established that most companies used the tool and with remarkable success in the four perspectives which translated to improved performance, however training of BSC was a must for employees to understand and apply it well. (Thuo, 2012) investigated the challenge in implementation of BSC tool at Safaricom Kenya limited. She discovered that the tool had a challenge because of the complex dash board and recommendations were not connecting with reality in Kenyan Market. Her recommendations were that the various perspectives of the BSC should be customized to fit the industry or company in Kenya.

There are other numerous studies that have been done in Kenya on strategic planning practices and performance in various sectors (Kathama, 2012; Muriuki, 2010; Arasa et al., 2011, among others). The health sector has been largely neglected locally as far as studies on strategic management and specifically the challenges of implementing BSC are concerned. Given the importance of this sector in Kenya, there is need to undertake a study to document challenges experienced when implementing BSC. This study therefore fills in the gap in literature by addressing the following question: What challenges has Kenyatta National Hospital experienced on implementation of BSC as tool?
1.3 Research Objective
To determine the challenges faced by Kenyatta National Hospital in the implementation of Balanced Score Card.

1.4 Value of the Study
First, this study will add on to the growing literature on strategic management and application of BSC in health institutions and specifically in Kenyatta National Hospital by providing evidence on challenges faced when implementing Balanced Scorecard. This will be important for strategic management in expanding the knowledge about BSC in health institutions.

Secondly, this study is important to hospitals in Kenya as the hospital management can use the results of this study as a guide on the challenges they might face while incorporating BSC as a tool of implementing strategy. Thus, hospitals in public sector will understand what challenges they are likely to face while implementing BSC.

The Government of Kenya through the Ministry of Health will be informed on what challenges hospitals will face while implementing BSC in other referral hospitals across the country. This will be important in guiding the ministry on policy initiatives to help streamline the formulation and application of BSC should they decide to do so in hospitals in Kenya.

Lastly, this study is important to researchers, students, and other academicians in the area of Strategic Management as they will use this study as reference point when carrying out related studies. More studies can therefore be carried out on how hospitals have implemented balanced score card and whether the implementation can have an impact in various dimensions of performance.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter presents literature review on the theoretical foundation of the study which is Agency Theory and Stakeholders Theory. It also outlines information available on challenges of application of the balanced score card as strategy implantation tool as well as empirical studies undertaken in the field.

2.2 Theoretical Foundation
A theoretical literature is provided in this section in order to critically understand the concepts used in the study. The major concepts in this study are balance scorecard implementation and performance. These two form the basis of discussion in this section.

2.2.1 Agency Theory
Agency theory is a management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal’s goals (Judge et al 1995). The agent therefore advances both the principals’ interests and her own interests in the organization. A balance of these interests should be merged in order to arrive at the corporate objectives of the organization through the agent because he/she controls the diverse resources of the organization.

These resources could include physical and financial assets as well as employees’ skills and organizational (social) processes (Armstrong & Shimizu, 2007). According to (Laffont and Martimost,2002) contended that the agency theory of strategic Management is so crucial since the action chosen by a particular individual (the agent) affects not only one, but several other parties (the principals). Hence, the agents’ role in BSC implementation and performance evaluation cannot be underestimated.
The Agency theory is relevant to the current study due to the fact that it proves to be superior to any other theory when it comes to BSC implementation hierarchy. This is in the light that at each level of the BSC hierarchy, there has to be an agent charged with the responsibility of representing other stakeholders at other levels. It is therefore prudent to note that there should be synergy using the Agency theory and proper understanding between the principal and the Agent for the organization to be able to conduct a comprehensive evaluation of its performance using the Balanced score card tool.

2.2.2 Stakeholder Theory
The Stakeholders theory states that in order for an organization to succeed and be sustainable over time executives must keep the interests of stakeholders aligned and going in the same direction (Freeman, 2004). This basically translates to having interest of various parties and interest of management harmonized to create a synergy that will lead the organization towards attaining the agreed vision and mission. The task of balancing the interest is not easy but once a synergy is created the movement towards attaining objectives is made smooth.

The creation is synergy pushes managers to be clear about how they want to do business, especially what kinds of relationship they want and need to create with their stake holders to deliver purpose (Andrew, 2005). From the presented theory, it can be argued that the public health sector is characterized as being complex setting with multiple stake holders that often have multiple, vague and diverging goals. It is the duty management to clearly define the stake holders they would relate with and what specific objectives they seek to attain from a particular stakeholder. Also the stakeholders should know what they would benefit from the relationship with the firm they are interacting with during a particular business cycle.
The BSC as argued by (Kaplan and Norton, 1996) should not be used as a tool to evaluate past performance but rather be used to communicate the strategy of the business and help align individual, organizational and cross-departmental initiatives within the business to achieve common goals. In order to achieve this there is need to conduct stake holders’ analysis to map out key stake holders of a project and their interests in the project. Thus stake holders’ analysis seems like a remedy for the complexity related challenges of the BSC as a strategic management tool.

2.3 Balanced Score Card

The BSC according to (Pearce and Robinson, 2000) can be described as a set of measures directly linked to the company strategy. It is a management system used to align business activities to the vision statement of an organization. The system has evolved from its use as a performance measurement framework to a full strategic planning and management system. BSC is no longer a passive document that would be used to measure performance rather it has transformed into a framework that not only provides performance measurements, but helps planners identify what should be done and measured. The basic premise behind BSC is mainly measurement motivates. Even if there are no incentives tied to achievement of a particular goal, the simple measurement of it will make people pay attention (Kaplan & Norton, 2001). It also enables executives to truly execute their strategies.

The BSC transcends beyond standard financial measures which tend to create a gap between development of strategy and implementation to include non financial aspects. Specifically the BSC has four perspectives which are: The Financial perspective, customer perspective, the internal process perspective, and the learning and growth perspective (Kaplan and Norton, 2002).
Kaplan and Norton, further suggest that the BSC maintains the financial perspective since financial measure is useful in summarizing the easily quantifiable economic consequences of action already taken. Financial measures indicate whether a company’s strategy implementation is contributing to bottom line improvement. Typical financial measures include operating income, return on capital employed, return on investment.

Kaplan and Norton, (2007) noted that exclusive reliance on financial measures is not adequate due increased intense completion in the market. In order to maintain the competitive edge there was need to study customers; who are they and what they want. Thus the Customer perspective highlights on measures such as customer satisfaction, customer retention and market share in target segments among others, (HBS, 2005).

Customer and finance perspectives must be supported and this introduces the third perspective, internal business process perspective. Kaplan and Norton, (2008) suggested that this perspective involves executives identifying the key internal processes which the organization must excel. It focuses on measures such cost, throughput and quality. The Process will lead to stakeholder satisfaction and will ultimately translate into excellent financial returns. The internal business perspective gives room for deviation from traditional business process, which leads to innovative business process.

According to (Kaplan and Norton, 2007) the fourth perspective of the BSC is Learning and growth. It identifies the infrastructure that the organization must establish to build long term growth improvement. Kaplan and Norton observed that, organizations are unlikely to meet their long term targets for customers and internal
processes using today’s technologies and capabilities. This means that there is need for continuous development of capabilities to deliver value to customers and shareholders. Thus people, systems and organizational procedures are the primary sources of learning and growth.

HBS, (2005) noted that financial, customer and internal business processes perspectives reveal gaps between existing capabilities of individuals, systems, procedures and the required capabilities to achieve breakthrough performance. To fills the gaps have to analyse reports on employee satisfaction, employee retention and skills update.

The BSC has been criticised because it pursues multiple objectives and that an organization cannot pursue multiple objectives at the same time and be successful (Jensen and Meckling, 1992). The many aspects pursued by the framework raises questions whether they really assist he organization achieve. The second criticism is that there could be more to BSC than the four perspectives offered by Kaplan and Norton. However despite the criticism BSC frame work is being adopted widely in all industries as strategy implementation and measurement frame work.

According to (Roach and Allen 1983), the strategic planning practice is the product of best minds inside and outside the corporation. The process considers future implications of current decisions, adjusts plans to the emerging organisation environment, manages the business analytically and links, directs and controls complex enterprises through a practical, working management system.

Studies have been conducted to bring out the relationship between strategic planning understand and performance. Armstrong, (1982) analysed 14 studies which supported the idea that formal planning positively impacted on performance.
Sarason & Tegarden, (2003) focused on the configuration theory and firm’s resource based view to understand the relationship between strategic planning and the firm’s performance. Their findings also provide partial support for a positive relationship between strategic planning and performance.

2.4 Balanced Score Card Implementation

According to (Niven, 2002) the BSC is a set of measures derived from an organization strategy that helps management of the organizations to communicate the outcomes and performance drives by which the organization plans to achieve its mission and strategic objectives. The BSC comprises of four systems, translation of vision and strategy, communication system, a strategic management system and a measurement system. The BSC lets managers introduce four different management processes that, separately and when combined contribute to linking long term strategic objectives with short term actions (Kaplan and Norton, 2008).

Kaplan and Norton, (2008) describe the four processes as firstly, translating the vision and strategy. This helps build consensus around the organizations vision and strategy. It also helps members of the organization to recognize long term drivers of success described in the vision and mission statements. The statements must be discussed and agreed by various stake holders. The consensus reached will create a sense of ownership and will facilitate translation of the same into action by the entire organization and its stake holders who would also benefit from the organizations success.

According to (Kaplan and Norton, 2008) the second is the communication and linking system. This is what allows managers to communicate strategy at all levels, bottom up and up bottom. It ensures the all the stake holders understand the long term organization strategy. From this stakeholders or agents are able to relate their personal
objectives to the departmental and finally the organizational objectives. This then pave way for the strategic management system or business planning. This paves way to the third process which according to Kaplan and Norton is business planning. The process enables organizations to integrate the business plans with financial plans.

The goals set for the balanced scorecard measures are the basis for allocating resources and setting priorities. This ensures that the organization undertakes and coordinates only those initiatives that move them toward achievement of their long term strategic objectives. Kaplan and Norton, (2008) argue that the fourth process is feedback and learning or the measurement system. This process gives organizations the capacity for strategic learning.

Existing feedback and review processes focus on whether the company, its departments, or its individual employees have met both their strategic and budgeted financial goals. With the balanced scorecard, at the centre of its management of systems, a company can monitor short-term results from the three additional perspectives namely; customers, internal business processes, and learning and growth and evaluate strategy in the light of recent performance. According to Kaplan and Norton, the scorecard thus enables organizations to learn from the past mistakes and adjust strategies to reflect the business realities.

2.5 Challenges of the Balanced Score Card Implementation
Kaplan and Norton, (2007) observed that the challenges facing the use of the balanced scorecard can originate from either design or process failures. Design failures occur when companies build poor balanced scorecards. For, example, companies may use too few measures and fail to achieve a balance between the outcomes they are trying to achieve and the performance drivers of those outcomes.
Others include far too many measures and never recognize the vital few. Kaplan and Norton further noted that the most common causes of the balanced scorecard designs. Some examples of poor organizational processes include; organization structure, lack of senior management support, culture change, too few individuals involved in the development of the scorecard, and keeping the scorecard at the top, lack of communication and cascading of the BSC. An organization should be structured in such a way that it can respond to pressure from the environment in order to change and pursue any appropriate opportunities which are spotted. Thompson and Strickland, (2003) noted that strategy implementation involves working with and through other people and institution of change. It is important that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward and should be considered. Strategies are formulated and implemented by managers operating within the current structure. The organization structure therefore should fit with the intended strategies (Birnbaum, 2000).

The structure of an organization is also designed to break down how work is to be carried out in business units and functional departments. People work within these divisions and units and their actions take place within a defined frame work of objective, plan and policies.

The second challenge to BSC would be lack of resources to implement and support the intended operations. According to (Marr, 2010) resources are critical for the development and sustenance of the BSC. Without resources it would be impossible to implement anything including the BSC. The financial objective of all departments should be indicated. The strategic plan is linked to the annual business i.e. the budget (Birnbaum, 2000). Budgets or financial plans have to be put in place and adhered to for BSC implementation to be successful. Resource allocation is important and
equitable resource allocation and sharing is an important activity that enhances strategy execution. True costs include realistic time commitment from staff to achieve a goal, a clear identification of expenses associated with a tactic or unexpected costs overruns by vendors (Olsen, 2005).

The third challenge is the management of the organization culture to embrace the implementation and adoption of the BSC. For implementation of the BSC change is inevitable (Thompson and Strickland, 2003) argued that in all organization, at all levels, there exists a natural resistance to change. The employees feel threatened by unknown changes and become concerned about loss of jobs or status. They will resist any form of change that they suspect would shake whatever privileges they are enjoying.

Johnson and Scholes, (2002) noted that culture is a strength that can hinder strategy implementation when important shared beliefs and value interfere with the needs of the business, it’s strategy and its people working on the company’s behalf. A company’s culture also prevents a company from meeting competitive threats or adapting to changing economic and social environment that a new strategy is designed to overcome social processes can also create rigidities if an organizations needs to change their strategy. Resistance to change may be ‘’legitimized ‘’ by the cultural norms.

Lack of leadership would also affect adversely the implementation of the BSC (Kaplan and Norton, 1996). The personal goal and values of Chief Executive Officer strongly influence a firm mission and key long term objective. The right managers must also be in the right positions for in effective implementation of a new strategy (Jones and Hill, 1997).
The BSC like any other management tool must be embraced by all the employees of a
given organization and more so the top management or leadership which make most
critical decision regarding funding and giving an organization direction (Atreya, 2007). The top management must be committed to the implementation of the strategy
to ensure resources are available and guidance given towards attainment of goals by
checking the KPIs. The KPI should be screened so that they link with strategy this
would facilitate gauging of performance through targets set.

Thus when it comes to BSC if responsibilities are delegated to middle management,
focus will be lost since at this level the managers tend to compete with each other for
the resources available at the expense of the overall growth of the organization. This
according to (Norton and Kaplan, 2007) is one of the main causes of failure to
implement the BSC.

The fourth challenge is Cascading the BSC from the top management with other
members of the organization not aware or familiar with the framework. According to
(Mulu, 2010) some of the challenges facing application of the balanced scorecard in
strategy implementation include lack of inclusion and the lack of balanced scorecard
understanding. To be effective the BSC, including strategy and actions to support
implementation, must eventually be shared with every members of the organization.
There is also the challenge of creating deployment system that breaks high level goals
down to the sub process level where actual improvements though out the organization
generate bottom line results.

This leads to another challenge of communication which allows sharing of ideas,
facts, opinions and emotions and above all provides feedback. In an organization
internal communication creates unity and allows for effective transfer of knowledge
from management to employees. In organization strategy implementation, information flows in all directions, downwards, upwards and laterally (Chapman, 2004). According to (Kaplan and Norton, 2001), posit that communication strategy is one of the BSC’s main areas of usage and it applied correctly will aid in the organization’s communication blockade.

The stated challenges have to be surmounted for the bottom line measure of a company’s performance which the shareholder value creation to be achieved. Substantial amount of researches have been done to herald the performance of companies using BSC in both the private and public organizations. BSC could be quite useful in a public setting organizational context. Studies by (DeFeo and Richard, 2007) showed how a city council in public sector was able to use BSC to enhance the planning process, team management and improve the performance of the individual staff.

### 2.6 Summary of Literature Review and Knowledge Gaps

There is overwhelming evidence from various scholars that BSC offers a channel to deliver vision while providing an evaluation system. Whereas success is evident there also challenges and problems associated with BSC as highlighted by (Kaplan and Norton, 1996). The pitfalls included few measures per perspective that can lead to lack of balance between financial and non-financial indicators, adapting too many indicators that can lead to loss of focus and several others.

According to (Mulu, 2010) some of the challenges facing application of the balanced scorecard in strategy implementation include lack of inclusion and discussion in the development of the balanced scorecard, lack of evaluation of the balanced scorecard measures whenever the organization experiences fundamental changes and ensuring that the balanced scorecard measures reflect customer and stakeholder’s expectations.
Kariuki, (2012) investigated balanced score card as a strategy implementation tool at AAR Kenya. In his studies which were based in an insurance firm he found that members of staff have a significant part to play for BSC to be implemented and deliver results. He also found out that for proper measurement of performance there was need to automate balanced score card. He recommended that the study was done in an insurance firm could also be replicated in a different sector like health.

Kathama, (2012) investigated the relationship between strategic planning practices and performance of state corporations in Kenya. The study found that state corporations adopted a number of strategic planning practices that had a positive impact on performance of corporations but the impact was not significant at 5% level of confidence. The study therefore failed to establish a significant effect of strategic planning on firm performance though the model was fit at the same level of confidence. This may suggest that some of the practices could have shown significant impact had the researcher modelled the strategic planning practices individually rather than lump all the practices together into one variable while running the regression model.

Muriuki, (2010) examined the relationship between strategic planning practices and performance of commercial banks in Kenya. The study found that strategic planning practice has a positive correction with performance. The major weakness of this study was the reliance of correlation analysis to detect the relationship between strategic planning and performance instead of more rigorous statistical analyses like regression analysis. The study did not report whether the relationships were even significant or not hence the results cannot be relied upon as robust.
Arasa, Aosa & Machuki, (2011) examined the influence of employee participation on the expected relationship between strategic planning and strategic planning outcomes. The study was carried out within the insurance sector. A structured questionnaire was used to gather the required data from 31 firms. Study findings revealed that employee participation does influence the strength of the relationship between strategic planning and strategic planning outcomes and this influence was statistically significant. This study is important as it shows the moderating effect of employee participation on the relationship between strategic planning and firm performance.

The empirical review has established that there are a lot of inconsistencies as regards to the findings of studies that have related strategic planning incorporation of BSC. Some studies found that strategic planning incorporating BSC influence firm performance; others noted that the relationship was positive while others found negative correlations. There are also studies that found no relationship at all. These inconsistencies need to be addressed. Generally, most studies have shown that there are challenges associated with the implementation of the BSC and there is a superior financial performance for firms that carry out strategic planning and incorporate BSC than the firms that don’t.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes the research methodology to be adopted in the study on the challenges of Balanced Score Card implementation at Kenyatta National Hospital. It starts by discussing the research design, data collection, and research instruments and data analysis.

3.2 Research Design
According to (Hartley, 2004) a research design is the argument for logical steps which was taken to link the research question(s) and issues to data collection, analysis and interpretation in a convenient way.

The study adopted a case study research design which is in depth in nature and gives thorough investigation of challenges of the BSC implementation. (Kidder, 1982) argues that a Case study is a useful method of research because it provides in depth description of a phenomenon, it can be used to test a theory (Pinfield, 1986) or can be used to generate a theory (Gersick, 1988).

A case study also places more emphasis on full contextual analysis of fewer elements and their interrelationship which relies on qualitative data Cooper and (Schindler, 2008). When compared with other social research methods traditionally case studies have been viewed as lacking rigor and objectivity. To counter this care was taken to articulate research design. Despite scepticism about case studies they have been viewed as useful tool the preliminary, exploratory stage of a research project, as a basis for the development of the more ‘structured’ tools that are necessary in surveys and experiments.
3.3 Data Collection
The study used both primary and secondary data. (Yin, 2003) posit that use of multiple sources of data in order to get a clear and accurate insight a study. Primary data was collected from eight senior managers using interview guide with unstructured questions in order to get in depth response. While secondary data was obtained from various records in the institution including financial statements Strategic plans and internal records. The advantage of using such data is that they are precise, quantitative and they existed before the study. The combined data were able to give a clear picture of the study.

The interview guide was used gain information from the senior management team and will consist of three parts: Section A covered the Bio data of the interviewee while section B covers questions pertaining to implementation of BSC and section C covered questions pertaining to challenges of the Hospital. Once the data has been collected it was subjected to analysis before interpretation.

3.4 Data Analysis
The data collected from the interview and records was edited for completeness and consistency. There was need for descriptive statistic and content analysis since there was quantitative and qualitative data. Descriptive statistic was applied on closed questions while content analysis was used to analyse data from open questions. According to (Creswell, 2003), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristic of message and using the same to relate trends. It is preferred because it gives results that are predictable, directed and comprehensive. In the content analysis, different emergent themes, ideas and concepts were verified for completeness then subjected to data analysis that facilitated data interpretation and presentation.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
This chapter presents the findings and analysis of the study established from the questionnaire in determining the challenges of BSC implementation at Kenyatta National Hospital. The chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study.

4.2 General Information
The interviewees comprised of the Executive Management Committee (EMC) members of the hospital. The researcher interviewed eight interviewees as intended in the research design. This included the human resource manager, the information and communication (ICT) manager, nursing, planning manager, Health information, and administration manager.

All the interviewees had worked in the hospital more ten years and were present during the implementation of the BSC as strategy implementation tool. It emerged that two departments were the key drivers of the BSC implementation that is the human resource and the planning departments. The interviewees were knowledgeable and conversant on the subject matter of research and so very useful to realization of research objectives.

4.3 Implementation of the Balanced Score Card at Kenyatta National Hospital
This section of the interview guide sought to establish from the interviewees whether they understood BSC implementation at KNH. The section covered questions on overall strategy of the KNH, implementation of BSC, preparation done before implementation, lead persons or departments on BSC implementation, cascading of BSC and how BSC has been implemented. Basically it was to find out whether the interviewees understood strategy implementation phases, persons involved in the implementation and the involvement of the staff in different stages of implementation.
The findings from the questions on whether the interviewees understood the BSC implementation was that all the eight interviewees answered to the affirmative. The common answers given by the interviewees indicated that all the of them understood the organization’s implementation phases and pointed that the Hospitals priority areas over the current strategic plan of 2013-2018 involve among Optimize patients experience, cost management and revenue diversification, improve processes and management system, improve on equipment and infrastructure and improve human resource capacity.

As noted by the Figure 4.3.1 indicates the corporate strategy map of the Hospital, below, the interviewees pointed that the organization had an implementation management structure where the senior management committee (EMC) of the hospital are members of Implementation Committee with the Planning department that acted as the secretariat. It was noted that after the departure of the CEO who initiated the BSC progress was slowed down to an almost halt. The quarterly reports or implantation of the plans of BSC had been aligned to annual performance contracts. The widespread involvement of all employees through the section heads means that BSC implementation at KNH was an all-inclusive process an attribute that enables every stage to be supported by all the employees. In particular, the involvement of section heads the smallest unit of organization’s management in the implementation stages have ensured that the views of all the members of staff are taken in to consideration. To this effect strategy

The strategy implementation by organizations should be a wholly involving process where all important stakeholders are involved.
Figure 4.3.1: Corporate Strategy Map

The other findings were that KNH appreciates the role played by its employees in the process of developing and eventually implementing its corporate strategy. Indeed a cascading plan was developed as in Figure 4.3.2

SOURCE: KNH, 2013
One of these important internal stakeholders is the organization’s employees because they are the ones tasked with the actual duty of implementing the strategies. The interviewees pointed that in the analysis of the KNH Strengths, Weaknesses, Opportunities and Treats (SWOT) as well as that of the external operating environment, it has become apparent that the KNH must well be aware of its stakeholder’s expectations and what to expect from them, especially in those areas where the organization stands to be judged.

Figure 4.3.2: Cascading Score Card

It was found that employees are involved during the preparation of the work plans, budgets and setting performance targets and later on during performance of their duties to achieve the set targets. They argued that since the employees are involved in the strategy development phase, there will be less level of resistance during the implementation period and this will therefore increase the rate of success.
The practice employed by a firm in implementation of its BSC influences the degree of success during the implementation phase. On the question of what some of the strategic practices employed at the organization comprise, it become apparent that a top-down strategic practice is currently being adopted and that it is the top leadership of the organization that develops the strategies while the activities to be undertaken are cascaded down to the purpose of ownership. In addition, the inaugural plan involves internal stakeholders only while the second review of the work in progress is presented to external stakeholders (Ministry of Health) after the Board had adopted. The annual work-plan are first developed, performance contracts are then developed at institutional level followed by departmental annual work-plan which feed to individual tasks (Kaplan & Norton, 2006).

An organizations’ BSC is long-term in nature and it is expected that the day to day operational plan and annual program should be undertaken in a manner that will ensure that the long term strategic objectives are achieved. Towards this end, the researcher sought to establish whether the organization’s operational and annual programs work in tandem towards the achievement of the overall strategic plan. The interviewees pointed that indeed the organization’s annual programs are develop and performed in line with the overall strategic plan. They also noted that all the work plans and programs are formulated from the strategic plans point of view and any changes made in the period is based on changes in the environment and is usually geared towards realization of the overall objectives set in the strategic plan. Further, all the departments in the organization are involved in developing time-tables that include measurable performance targets linked to the annual work plans and the organization’s vision (Kaplan & Norton, 2006).
4.4 Challenges of Implementing Balanced Score Card

For effective BSC implementation, it must be supported by decision regarding the appropriate organization structure, resources allocation, culture management, leadership communication and cascading. The development of an organization’s the BSC is not enough if the same cannot be implemented and it is therefore necessary that an organization employs an appropriate implementation strategy to actualize the strategic objectives it sort to achieve plan. However, in many organizations, the implementation phase is faced by a number of challenges. This section of the interview guide sought to find out the challenges that KNH faces in implementation of its strategy using the BSC (Kaplan & Norton, 2006).

4.4.1 Organization Structure

The results from the interview with the interviewees show that KNH organizational structure is an impediment to the successful implementation of the strategies. All the interviewees agreed that the existing organization structure resulted in slow decision making and poor communication among various managers. Although it was noted that it took over 25 years to change the old structure that was not responsive to the changing operational environment. The structure created in the year 2012 had led to some improvement on staff moral and service delivery. However, the structure created a perception that implementation of strategy is preserve of the management more so when there was poor communication to other staff in the chain. It was also found that not all the departments are involved in the implementation phase but instead only two functional departments were active, the Human resource and Planning departments. Interviewees agreed that there is need for all the departments to be given a leading role especially on issues relating to their department.
The operations of the Hospital, and by extension its structure, is regulated by the Legal notice of Legal Notice No. 109 of 6th April 1987 which stipulates the broad mandate of the Hospital which was basically to handle referral patients, to train students and to participate in health policy formulation. Since the function of the Hospital is anchored in the law, the interviewees noted that its structure had been slow in adapting to the changing environment. The hospital has been in operation since 1902 and the vertical organization structure has been changed once in the year 2012. Lack of independent legal status has been an impediment of changing the structure to march with the environment. There is need to change it to reflect the present operating environment in which the stakeholders require prompt response and decisions from the hospital.

On the other hand, some of the interviewees were of the opinion that the revised structure at Hospital was not a hindrance to the implementation of the BSC and instead observed that the current structure acted as a complementing factor to the implementation of the strategies through equal representation of all areas of the organization. One other interviewee noted that the structure ensured stakeholders, especially the Ministry of health, Ministry of Finance, University of Nairobi and Kenya Medical Training College participate in the Hospital activities through representation in the board.

They pointed out that the current structure provided managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal cost has led to the enhancement of the organization capacity to optimize patient experience, enhance cost management and increase revenue, improve process and management system, improve knowledge management and innovation, improve equipment and infrastructure and improve human resource capacity.
There was need for KNH to build to build strong institutional foundations in terms of human, financial and technological resources for effective realization of its mandate through adoption of management information systems. All interviewees agreed that challenges emanating from the structure would be greatly reduced if the status of the Hospital was changed from a Legal notice to an Act of parliament. This would allow the Hospital to engage in expansion and resource mobilization initiatives without direct control of the central government. Also it would allow the Hospital to revise payment rates in line with the current rates and not offer services below market price without compensation from the government.

**4.4.2 Resource Allocation**

Limitation of resources was found to be another factor that affected the level of success in implementation of the BSC in the Hospital. All interviewees noted the challenge of resources was in three major areas, which were financial, human resource and equipments to work with. The interviewees emphasised that if these three major items are sorted then BSC implementation would be successful.

The financial limitation was found to be a major challenge in terms of resources since 1987; the Hospital had not received adequate funding from the government. When the strategic plan was drawn using the BSC a financial plan was developed. Table 4.1 indicates the annual projected incomes, capital and expenditure over the strategy implementation period.
The human resource base of the organization is also limited to the extent that some of the critical functions and mandate of KNH have not been achieved. It was found that presently there are fewer employees in the organization as compared to recommended ratios. An example given is that WHO recommends a nurse per patient ratio of 1:1 in intensive care unit (ICU) but the situation is sometimes 1:3. One interviewee the human resource manager indicated that the staff establishment had five thousand five hundred and fifty nine (5,559) employees but the operational or the funded positions was four thousand seven hundred and fifty four (4,754) thus a deficit eight hundred and five (805). In order to increase the number the hospital must seek authority from the MOH and treasury which most of the time is negative.

Also Hospital faces a major challenge in the area of specialized human resource. The number of specialized doctors to operate in the various medical clinics was not adequate. The hospital relies mainly on the specialists in training from the UON for delivery of most clinical duties. When the UON breaks for holidays the hospital is
affected adversely as a major source of labour is greatly reduced. Due to the shortage of specialist, the Auditor General report (2012) indicated that a new cancer patient in the Cancer Treatment can wait for up to sixty three (63) days to see a clinical specialist for the first time. Heart patients on the other hand would wait for thirty four (34) days to see a specialist doctor for the first time patient and one hundred and twelve (112) days to see a multi-disciplinary committee that recommends the mode of treatment for the patient.

Interviewees also indicated that most of the middle level and some top level managers do not possess adequate skills on BSC implementation. The interviewees noted that since BSC implementation is done in stages with different levels of activities at each stage, the staff involved are always overworked due to the many activities they are expected to perform at each of the implementation stages, thereby slowing the pace at which the implementation moves from one phase to the other or leaving some tasks incomplete. Lack of adequate and functional equipment was a major challenge for the implementation of the BSC.

A study done by the office of the Auditor General, (2012) revealed that cancer patient waited for four months before attending radiotherapy session. The Hospital had two (2) chemotherapy treatment machines which operate twenty four hours and a breakdown would result to backlog. In renal department where cases of kidney related ailment requiring dialysis has greatly increased the waiting time of patient is below the recommended international standards due to lack of dialysis machines. It is recommended that patients should be dialyzed for four (4) hours three (3) times in a week which translates to twelve (12) hours in a week. The Hospital is targeting eight (8) hours in a week. However, patients are dialyzed once a week, four (4) hours in a week.
The interviewees noted that issue of lack resources can be sorted by multi facet approach. One of the possible solutions was to request for an increase of GOK funding in the Hospital for equipment and infrastructure. The Hospital also would lobby for various arms of government to assist. The National Hospital Insurance Fund (NHIF) would facilitate by paying promptly bills by patients who are members. Kenya Medical Supplies Authority (KEMSA) would be approached to support in purchase of medical equipment, indeed one of the responded noted that KEMSA was instrumental in the construction of a bunker for cancer treatment. The other approach would be through public private partnership (PPP). Through this initiative several institutions have facilitated the hospital buy equipment. An example is the National Bank Limited purchased three (3) dialysis machines for renal patients in the year 2013. The ICT board was approached to develop and support the ICT master plan which was launched in the year 2013.

4.4.3 Organization Culture

The interviewees agreed that the organization culture at KNH was a challenge in the implementation of its BSC. The cultural factors that were identified by the interviewees were varied and included the deep entrenched “public sector” complacency culture where some members of staff perceive helping a client as being a favour rather than the service for which the client pays for. This culture contradicts the culture of performance and accountability that is propagated by the BSC. The other cultural related challenge is the resistance to change and the fear of the unknown. Four of the interviewees indicated that when employee were used to a given way of life or doing thing normally new idea were seen as a threat to the existing culture and they would naturally resist the same.
The research also wished to get from the interviewees how they overcame the challenge posed by the value and belief shared by the organization employees and still ensured the performance culture. The interviewees indicated that there was need to reinforce the core values as stipulated in the strategic plan, the core values were, customer focus, professionalism and integrity, teamwork, equity and equality, employee empowerment and environmental safety. Also involvement of the Board of Management in BSC implementation by communication through training and sensitization were important in influencing change. Three of the interviewees noted that whenever the organization took the employee through the benefit of changing a particular item in the BSC, they encountered less challenge in its implementation. In addition, the interviewee recommended the openness of abroad meeting to create an all-inclusive process where not only the staff but also the customers could feel as part and parcel of the process. As a result, the interviewee also indicated customer-centric approach together with education and innovation as core to overcoming these challenges.

4.4.4 Leadership

The researcher also wished to establish from the interviewees if leadership and management was a challenge to BSC implementation. However the interviewees agreed the leadership was not a problem at KNH as conflict between the top management and the lower cadre employee were not common. They pointed out that the top managers encouraged teamwork in all areas of operation and fast conflicts resolution mechanism through departmental disciplinary committees comprising all the managers, Human resource and union representatives. They also noted that the top managers attend many capacity building seminars and workshop that involve other stakeholders to equip them with additional knowledge and ideas for different phase of BSC implementation.
4.4.5 Communication

For BSC to be implemented communication of KNH strategies and the actions to be undertaken to achieve the desired results came up as one of the ingredients necessary for success. An organization should endeavour to adopt appropriate communication channels. The selection of the appropriate means of communication will depend on the sector coverage, sensitivity of the information and also the urgency of communicating the same. The findings of the study were that communication affected the BSC implementation. It was pointed that due to the organization structure at KNH, information has to be passed from top to bottom and bottom up for evaluation to be done effectively.

It was also found that the due to the large number of staff were working in shifts there was challenge of communicating to every staff member at the same time. The communication channels were limiting. This affected the way staff would understand the BSC and also reduce the resistance to BSC due lack of communication. The preferred form of communication was circulars from management from time to time and departmental meetings that would be conducted monthly.

The interviewees pointed out that there was need to improve management information software systems in order to enhance communication within and also with external bodies. They also noted that most of the processes and procedures in the organization were lengthy and laborious as they were not fully automated. They indicate that most records are kept in ledgers and manual reports that are filed in a registry, with each department having a registry for its operations.
The interviewees concurred that there were measures that were put in place to improve communication. These measures included, introduction of monthly CEO meeting with managers, quarterly CEO forum with all staff, strengthening the ICT to improve on outlook communication, purchase of close user phone for management and key members of staff. These measures have increased the level of communication in the hospital as urgent communication is done via short text messaging services or outlook while general communication can be done during departmental meetings and CEO forum for strategic communication.

4.4.6 Other Stakeholders

For BSC to be implemented the challenges occasioned by the various stake holders had to be analysed. All the interviewees agreed that there were various challenges that came up from various stakeholders who had different expectations as per table 4.4.4 which is a summary of high impact stakeholders and mitigating action by the Hospital. The greatest challenge was the GOK as a stake holder since most of the projects were funded by the GOK and lack of full support was a challenge.

One of the interviewees from finance indicated that the government focused so much at the Medium Term Expenditure Framework (MTEF) budget at the expense of any other budget presented. This had affected implementation of the BSC adversely. The other stakeholders were the trade unions who represented the various staff interest. Indeed, at some point the trade union had threatened to reject the BSC in total.
## Table 4.2: High Impact Stakeholders Analysis

<table>
<thead>
<tr>
<th>STAKEHOLDER</th>
<th>What they expect from KNH</th>
<th>Expectations of KNH from them</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients</td>
<td>- Quality health care</td>
<td>- Cooperation</td>
</tr>
<tr>
<td></td>
<td>- Compliance with service charter</td>
<td>- Compliance to rules and regulations, and prescribed treatment</td>
</tr>
<tr>
<td></td>
<td>- Compassion, courtesy</td>
<td>- Payment of bills</td>
</tr>
<tr>
<td>College of Health Sciences (UON)</td>
<td>- Good facilities</td>
<td>- Comply with rules and regulations</td>
</tr>
<tr>
<td></td>
<td>- Conducive environment for teaching</td>
<td>- Comply with KNH standards</td>
</tr>
<tr>
<td></td>
<td>- Research facilities</td>
<td>- Settle shared utility bills</td>
</tr>
<tr>
<td></td>
<td>- Good facilities</td>
<td>- Control student numbers</td>
</tr>
<tr>
<td>Kenya Medical Training College (KMTC)</td>
<td>- Good facilities</td>
<td>- Comply with rules and regulations</td>
</tr>
<tr>
<td></td>
<td>- Conducive environment for teaching</td>
<td>- Comply with KNH standards</td>
</tr>
<tr>
<td></td>
<td>- Research facilities</td>
<td>- Settle shared utility bills</td>
</tr>
<tr>
<td></td>
<td>- Good facilities</td>
<td>- Control student numbers</td>
</tr>
<tr>
<td>Ministry of Health / Government of Kenya</td>
<td>- Implementation of health policies and standards</td>
<td>- Budgetary support</td>
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<td></td>
<td>- Prudent resource management</td>
<td>- Policy guidelines</td>
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<tr>
<td></td>
<td>- Professionalism, ethics and integrity</td>
<td>- Timely response to KNH’s needs</td>
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<td></td>
<td>- Good corporate governance</td>
<td>- Maintain primary and secondary healthcare facilities</td>
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<td></td>
<td>- Disaster management</td>
<td>- Enhance national referral system</td>
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<td></td>
<td>- Participation in health planning and policy</td>
<td>- Equitable distribution of resources</td>
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<tr>
<td></td>
<td>- Implementation of health policies and standards</td>
<td>- Enactment of KNH Bill</td>
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<tr>
<td></td>
<td>- Prudent resource management</td>
<td>- Facilitate bi-lateral and multi-lateral development partnerships</td>
</tr>
<tr>
<td></td>
<td>- Professionalism, ethics and integrity</td>
<td>- Involvement in policy formulation</td>
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<tr>
<td></td>
<td>- Good corporate governance</td>
<td>- Mutually beneficial collaboration</td>
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<tr>
<td>Development partners</td>
<td>- Fair treatment</td>
<td>- Meet contractual obligations</td>
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<tr>
<td></td>
<td>- Prompt payment</td>
<td>- Integrity</td>
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<tr>
<td></td>
<td>- Planned procurement</td>
<td>- Customer care</td>
</tr>
<tr>
<td></td>
<td>- Integrity</td>
<td>- Competitive pricing</td>
</tr>
<tr>
<td></td>
<td>- Customer care</td>
<td>- Quality goods and services</td>
</tr>
<tr>
<td>Suppliers</td>
<td>- Administrative support</td>
<td>- Timely delivery of goods and services</td>
</tr>
<tr>
<td>Health Professional Bodies</td>
<td>- Compliance to standards</td>
<td>- Enforce Professionalism</td>
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<tr>
<td></td>
<td>- Compliance to statutory requirements</td>
<td>- Provide update on professional development</td>
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<tr>
<td></td>
<td>- Administrative support</td>
<td>- Development of standards in health care</td>
</tr>
<tr>
<td></td>
<td>- Fair treatment of all employees</td>
<td>- Advisory role</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>- Compliance with CBAs</td>
<td>- Clear and timely communication</td>
</tr>
<tr>
<td></td>
<td>- Timely remittances of member contributions</td>
<td>- Cooperation</td>
</tr>
<tr>
<td>Health insurance providers</td>
<td>- Quality healthcare</td>
<td>- Industrial peace</td>
</tr>
<tr>
<td></td>
<td>- Honour contracts</td>
<td>- Partnership</td>
</tr>
</tbody>
</table>

**SOURCE: KNH, 2013**
4.4.7 Cascading the Balanced Score Card

The interviewees were asked whether the hospital experienced any challenges while cascading the BSC from the corporate to the individual level. From the responses it was clear that there was the challenge of translating the corporate goals to divisional then up to individual. Most of the individual goals were derived from the annual performance contract that the Board of Management signs with the MOH and not necessarily form the objectives as stipulated in the BSC. There was the challenge also of merging the annual performance contract objectives and the BSC objectives.

It was also noted from the strategic plan 2013-2018 and performance contract 2013/2014 that some departments were able to merge the objectives in the BSC and the Performance contract. Indeed, departmental or team leaders were evaluated based on their individual scorecard. There were key Performance indicators (KPIs) that were used as a measure of attainment of the specified objectives. This was a resolution to the challenge of cascading, merging the performance contract and the BSC.

4.5 Discussion of Findings

The study found out that KNH had implemented BSC in its third cycle of strategic planning of 2013-2018. The BSC, according to Niven, (2002) is a set of measures derived from an organization strategy that helps management of the organizations to communicate the outcomes and performance drives by which the organization plans to achieve its mission and strategic objectives. The implementation of the BSC has had challenges that were established in the study and included, organization structure, resources allocation, culture management, leadership, cascading and stakeholders interests.
The study confirmed that KNH organization structure was critical for successful implementation of the BSC and posed a challenge. Decision making was slow and no room had been made for market dynamic and internal growth. Indeed (Kaplan and Norton, 2007) observed that challenges facing BSC originate from either design or process failure. The structure of the hospital by design was rigid and not responsive to the environment this was manifested in staff shortages and delay in service delivery. The situation in the Hospital also confirms the finding of Birnbaum (2000) that when the structure is not aligned to strategy there would be a challenge of implementation.

The study also established that lack of resources as a challenge to BSC. This was manifested in three major areas, that is financial resources, human resource and lack equipment. The lack of resources was a challenge and it agreed with the works of Marr, (2010) who argued that resources are critical for the development and sustenance of the BSC with limited resources implementation targets of most objectives could not be attained. However, to reduce the impact of lack of resources the Hospital had put in place initiatives like the cost sharing.

The study confirmed that though the hospital had communication channels they were not effective to reach all staff to engage them in the BSC implementation. This was in tandem with what Kaplan and Norton, (2008) highlighted that communication systems were very critical in BSC implementation and when poor it would pose as a challenge to BSC implementation. The study also corroborated with what Chapman, (2004) stated that in the case of effective communication, information flows in all directions, downwards, upwards and laterally. When this does not happen it becomes a challenge to implement BSC as was the case in the Hospital.
The study also established that organization the culture affected the implementation of the BSC. In agreement with Mulu, (2010) also identified culture as a challenge to BSC implementation; the Hospital culture of complacency resulted to slow implementation of BSC. This is also in concurrence with what Johnson and Scholes, (2002) noted that culture is a strength that can hinder strategy implementation when important shared beliefs and value interfere with the needs of the business.

The study also confirmed with what Atreya (2007) had established that internal leadership is needed to drive strategy implementation process towards the right direction. In his study argued that the subordinates need to be informed and accept what leadership is saying.

The Study also in agreement with the Agency theory is a management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal’s goals (Judge et al 1995). The management worked on behalf of the Board which was working on behalf of the GOK to deliver well people in the society.

The challenge of cascading the BSC was as established in the study was a confirmation of the finding by Mulu, (2010) in his study at Ernst & Young where he explained that the BSC must be cascaded to all employees for it to be effective. This was also noted by Kaplan and Norton, (2008) who clarified that cascading by translating the vision and strategy should be an all-inclusive activity. When BSC is not cascaded implementation becomes a challenge.
The study also established the significance of stakeholders. The Stakeholders theory states that in order for an organization to succeed and be sustainable over time, executives must keep the interests of stakeholders aligned and going in the same direction (Freeman, 2004). The various stakeholders’ interest had to be accounted for to reduce the challenge of implementation.

This chapter has looked at the information concerning the challenges of balanced scorecard implementation at Kenyatta National Hospital from interviewees and other primary documents that included strategic planning 2013-2018. This information formed a basis for recommendations and conclusions.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter provides a summary of the study findings and draws conclusion in line with the objective of study which was to determine the challenges faced by Kenyatta National Hospital in the implementation of Balanced Score Card. It also gives the recommendations, limitations of the study and finally suggestions for further studies.

5.2 Summary of Findings
The researcher interviewed eight interviewees from core divisions of the organization. They comprised the follows: Human resource Manager, Planning manager, Finance manager, Administration, Nursing, Health Information, ICT Manager, and Corporate Communications Manager. All the interviewees had worked in their respective position for at least four years and had attained university education at master’s degree in the respective fields.

The interviewees understood the BSC implementation stages and phase in the organization as well as the challenges that the Hospital was facing toward the realization of the its objectives of ensuring optimal patient experience, enhanced cost management, increased revenue, improved process and management system improved knowledge management and innovation, improved equipment and infrastructure and improved human resource capacity. The organization BSC is long-term in nature and it is expected that daily operational plans and annual program are undertaken in a way that ensure that the long term strategy objective are achieved.
The departments in the organization are therefore involved in the development of the strategy maps and time table that include measurable performance target linked to annual work-plans and the organization vision. KNH organization structure was critical for successful implementation of the BSC. Decision making was slow and no room had been made for market dynamic and internal growth. Also the structure created a perception that strategy implementation is a preserve of the top management. Only the two departments in the organization were involved in institution–wide reporting to management and the board. The operations of the Hospital are governed by the Legal Notice of 1987 and the one change on the structure does not reflect the present operating environment where stakeholders require prompt guidance and response. That number of staff was very small and access to the Chief Executive Officer was not easy.

There was the lack of resources as a challenge to BSC which was manifested in three major areas, that is financial resources, human resource and lack equipment. For financial resources it noted that there were other sources of revenue which included income from cost sharing, private public partnership (PPP) and donors. However, the Hospital still depended on the government to allocate financial resources which were not enough to ensure that the BSC is implemented effectively. The government has been allocating to the Hospital a small fraction as required budgetary support leaving the Hospital with a huge deficit that is hard to bridge, resulting in un-attainment of some of the set targets. Furthermore the BSC implementation effort appear not to be matched with adequate human resource and working equipment and this has resulted in ambition plans with the expectation that the government will allow the Hospital to recruit and purchase capital items and this was also challenge to the implementation of the BSC.
The Hospital communicated its strategies and plans on the implementation of the BSC in form of circulars, monthly departmental meeting and quarterly C.E.O forum. It made the use of balance score card which form the basis of annual performance management as well as under taken performance reporting which assist in amending the implementation plan where needed. The hospital had established outlook, closed user telephone communication and open door policy to encourage staff to share ideas which can assist in realizing the strategy objective during the implementation stages of the BSC. The feedback on the progress of the work done was usually passed during departmental meetings which were held monthly and during the C.E.O forum. It also established that BSC implementation was perceived as a function of the top management since top down approach was used to implement strategy.

The study also established that organization the culture affected the implementation of the BSC. It was clear that the hospital through consultation with various stakeholders developed the core value that were to drive the culture of performance in BSC implementation the same had not been fully received since the culture of complacency and lack of urgency was still prevalent. To counter these challenge interviewees had proposed training, sensitization and involvement of Board members in the process.

The study established that there was no challenge in leadership in the implementation of the BSC especially since top managers encouraged teamwork in all areas of operation and fast conflict resolution. Also, they had received training on BSC from various consultants thus the knowledge on implementation was there. Though challenge to the leadership came from stake holders like the trade union and the GOK. The union had threatened to stop the process of BSC implantation through mobilization of its members for a strike. On the other hand the GOK posed as a challenge because partial funding the BSC implementation.
The Hospital cascaded the BSC marched the corporate strategic goals to departments then individuals. This was a challenge because the staff had perceived BSC a management tool though some departments had successfully cascaded the BSC to link corporate to individual objectives like the Human resource department.

5.3 Conclusions
The objective of this study was to determine the challenges of BSC implementation at Kenyatta National Hospital. It was clear from the study that the Hospital desire to operate at optimum levels led to the development of strategic plan 2013-2018 that had incorporated the BSC as strategy implementation and performance measurement tool. This was in anticipation that the tool would assist the Hospital management achieve its strategic objectives and eventually deliver the vision.

From the results of the study, was clear that Kenyatta National Hospital had been able to interact and react to its environment. Hospital had adopted BSC which can support continuous monitoring and evaluation of the implementation progress by generating quarterly and annual progress report, capturing various aspects of KPI. The top management of the Hospital was found to be playing its role effectively by guiding the organization and liaising with the central government as it sort to achieve the mandate of the Hospital.

The Hospital struggled to achieve its objective due to various challenges that inhabited the achievement of it BSC implementation plans, these challenges include rigid organization structure, lack of resources, complaisant organization culture, lack of functional equipment, leadership, communication structure, other stakeholder influence and cascading of the BSC. It was also concluded that the organization structure should be flexible to change with the changing environment.
The issue of GoK was strong especially on resources where there was need to continuously engage the Government and other stakeholders to enhance resources. The BSC should involve employees in making decision on matter focusing on implementation. Therefore, KNH management should be inclusive in all matters focusing on BSC implementation. It should allow stakeholders like the workers union and all the staff members to participate fully from the formulation until the evaluation of BSC.

Effective communication channels should be put in place for the Hospital to progress as a one towards attainment of its vision. The organization should also put in place measure for tracking down progress, facilitate learning and decision making in a quick manner and therefore increase the chance of achieving the same strategies. In an effort to improve monitoring and evaluation, an external consultant should incorporate to give independent opinion and guidance toward the achievement of the same objective.

5.4 Recommendations
The study established that there were challenges of BSC implementation that need to be surmounted before the hospital can enjoy the benefits of a good strategic plan. It is recommended that at the start of any of the implementation phase, the structure of the organization should be aligned to strategy and yet be flexible enough to change with the changing environment because this creates harmony among various stakeholders and enhances communication within and outside the organization. In tandem with this it would be prudent to include a human resource audit to assess the capacity of the staff to be involved in implementation of a new strategy and give recommendation. The basis of doing this relies on the principle of having the right people on board, and then the problem of managing and directing them is minimized.
Human resource management system should be improved and key staff trained on administration of the system. Review of the job and personnel policies in order to have a motivated workforce. The study established that resource was a key factor that affected the successful implementation of the BSC and it is recommended that the government increases its resource allocation to the Hospital so that enough employee can be hired and adequate assets or equipment purchased to enable the Hospital undertake its mandates effectively.

The Hospital should also consider sourcing for funds from cost sharing, PPP and donors to strengthen BSC implementation capacity through facilitation of training of employees for proper implementation, staff motivation and improvement of communication between the BSC formulator and implementers. The study also established that the top management of the Hospital influenced successful implementation of BSC in the Hospital and it is therefore recommended that the management ensure that there is effective coordination and sharing of responsible in the Hospital.

It is further recommended that there should be adequate and frequent communication to the employees by the management on new developments affecting BSC implementation so that they understand the progress of implementation. The employees should also be rewarded for successful implementation of the strategy. In addition the issue of communication should be dealt with by a multi throng approach, the use of outlook, short messaging services, departmental meetings and forums. In order to implement the BSC more efficiently, there was need to do culture assessment in order to come up with strategies that would facilitate culture of performance and at the same time drive fear away from the employees. The culture of complacency and fear of change have created some resistant by some members of staff.
This translated to the BSC implementation not getting the full support of all employees. This if not addressed can lead to total failure in the implementation of the BSC. Finally it is recommended that the cascading plan that was put in place must be implemented. The means that from the corporate strategy, divisions need to pick the divisional objectives cascade up to individual level. Then based on urgency theory every member of the team must be able to understand his obligations towards management and the Board even as they achieve their personal objectives. The cascaded objectives must also be aligned to the commitments of the performance contract signed by C.E.O for them to be implementable.

5.5 Limitations of Study

KNH is the largest referral hospital and is entrenched in the constitution; it became a parastatal under the legal notice of Legal Notice No. 109 of 6th April 1987. The study was limited to the two years which the Hospital adopted the BSC. This period is not long enough to adequately establish the major challenges of BSC implementation in the KNH as new challenges are still emerging.

The second outstanding challenge was the availability of informants. Most interviewees were too busy and when available interviews would stretch to more than two hours due to official interruptions. Then again there was the tendency by informants to volunteer only the positive side of BSC information. However the informants were reassured that the interviews are of academic use and there will be no wide circulation of the findings. However, the limitations did not have any adverse effects on the findings of the study.
5.6 Suggestion for Further Research Studies

The study confined itself to Kenyatta National Hospital (KNH). It can be replicated in other hospitals so that comparison can be made on the challenges of BSC implementation. This would assist the Ministry of Health to come up with the solutions to the challenges facing hospitals that would be taking the BSC approach or any other strategy implementation tool. Further research is required on the effect of BSC implementation at KNH to enable a comparison to be made between the challenges and effects of BSC implementation to assist the Hospital in making amendments where necessary in order to achieve the desired performance and remain sustainable.
REFERENCES


Mulu, A.K (2010). Challenges of the balanced scorecard in strategy implementation in Ernst & Young - Kenya (unpublished MBA project) University of Nairobi, Kenya


APPENDICES

Appendix I: Introduction Letter

TO WHOM IT MAY CONCERN

The bearer of this letter, Rowland Mwesigye, 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 available to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

DATE 23 SEP 2015
Appendix II : Interview Guide

I am a student at the School of Business, University of Nairobi. I am conducting a study on Balanced score card Implementation and Performance of Kenyatta National Hospital. This academic questionnaire is prepared purposely to assist in collecting data at Kenyatta National Hospital for academic purpose only. As one of the key identified interviewees / informants, you are hereby kindly requested to complete it. Any information given with respect to this request shall be treated with strict confidentiality.

SECTION A: GENERAL INFORMATION

1. Name of interviewee (optional)
2. Gender ............Male...............Female.
3. Age ..........( years)
4. Position held.................................................................
5. Number of years you have worked at Kenyatta National Hospital........
6. Division currently working.............................................

SECTION B: IMPLEMENTATION OF BALANCED SCORE CARD AT KENYATTA NATIONAL HOSPITAL

7. What is the overall business strategy at Kenyatta National Hospital?
8. How has balanced scorecard been incorporated in corporate strategy at Kenyatta National Hospital?
9. What informed the implementation of balanced scorecard at Kenyatta National Hospital?
10. Prior to the implementation of balanced scorecard what preparations were done in terms of?
    a) Organization structure
b) Culture change

c) Infrastructure

d) Human resource

e) Finance

11. Is there a lead person/department at Kenyatta National Hospital’s balanced score card project?

12. How has balanced score card been cascaded downwards in your division?

13. How has implementation of Balanced score card been carried out in Kenyatta National Hospital?

SECTION C: CHALLENGES OF IMPLEMENTATION OF BALANCED SCORE CARD AT KENYATTA NATIONAL HOSPITAL

14. Does structure in Kenyatta National Hospital pose any challenge to balanced score card implementation?
   a) What kind of challenge and how was it dealt with?

15. Does the hospital face constraints on resources that hinder balanced score card implementation?
   a) What kind of resources in particular?
   b) How was the issue of resources resolved?

16. Do organizational culture (shared beliefs and values) at Kenyatta National Hospital pose as a challenge in the balanced score card implementation?
   a) What challenges are bought by culture and how do you were they surmounted?

17. Is leadership a challenge to balanced score card implementation?
   a) What kinds of challenges were faced?
   b) How were they dealt with?
18. Were there any challenges in relation to communication while implementing the balanced score card?
   a) What were the challenges experienced?
   b) How were they dealt with?

19. What challenges were brought by other stakeholders while implementing the balanced score card and how were they addressed?

20. Were there any challenges while cascading the balanced score card Yes ( ) No ( )? If yes, what were the challenges and how were they resolved?

21. What recommendations would you give for improvement of the balanced scorecard at Kenyatta National Hospital?

22. Is there any other information you would like to share regarding the Challenges faced while implementation balanced score card?