

**THE APPLICATION OF BALANCE SCORECARD AS A
STRATEGIC MANAGEMENT TOOL AT NATIONAL BANK OF
KENYA**

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DECLARATION

This management research project is my original work and has not been presented or defended for a degree in any other University for purposes of examinations or awards qualifications.

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This management research project has been submitted with my approval as University supervisor.

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DEDICATION

I dedicate this research work to my father Parminder Sihra and mother Harvinder Sihra. It is through your support, selfless assistance and prayers that this was possible.

I will forever remain indebted to you.

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ABBREVIATIONS AND ACRONYMS

BSC –	Balanced Scorecard
EDT –	Environment Dependency Theory
KPI –	Key Performance Indicator
NBK –	National Bank of Kenya
SM –	Strategic Management

ABSTRACT

The balance scorecard is a strategic management tool that is used in the alignment of individual goals and objectives to the overall strategy of an organization. As well as that it is used as a performance management tool. The BSC can be used by organizations to manage their strategy over their long run as well as implement strategies across their businesses. The focus of this study was the application of the balance scorecard as a strategic management tool at National Bank of Kenya. As a strategic management tool the balanced scorecard can assist organizations to focus, align and clarify their vision and strategy and to further translate the strategies into action. The study was set out to establish the extent of the adoption of the balance scorecard as a strategic management tool at National bank of Kenya. It was also set out to establish the challenges faced by the bank in the adoption of balance scorecard. The research design that the study adopted was the case study design. The study was conducted through an in depth interview of ten informants drawn from both the head quarters of National bank of Kenya as well as other branches in Kisumu and Nairobi, the interviewees were from the senior management group of the bank. The information that was given by the interviewees was then recorded in written form. The primary data was then analyzed through content analysis. Secondary data was obtained from the strategic plan of the organization, annual reports, meeting reports, various internet sources as well as the official website of the organization. The study established that NBK uses the BSC as a strategic management tool to help align key objectives to various departmental objectives. The BSC is used in each and every stage of the organization when adopting strategy from formulation, implementation and then evaluation and control. It was also established that as well as the numerous benefits of adopting the BSC there were several challenges linked to the same. Some of these challenges include formulation of departmental strategies that are linked to the corporate strategy of the bank. Inadequate skills and knowledge on the BSC, cultural change lead to a lot of confusion within the bank. Another challenge was having KPIs that are too difficult when appraising staff performance departmentally. All these challenges should be taken into consideration by any organization when adopting the BSC as a strategic management tool. The results of the study are consistent with other existing body of knowledge by various scholars in the field. Further research needs to be done to find out how the BSC can be used to influence change management in the organization. The study gave consistent results in comparison to other similar studies done in the country but the results varied with studies done in different countries due to the environment aspect. More research needs to be done to see how effective the balanced scorecard has been in strategic management in organization which involves strategy formulation, implementation and control in other companies in the banking industry in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic Management is a concept that deals with the process of formulation and implementation of strategy which results into long term achievement of the organizations vision, goals and objectives. However, for any organizations to thrive well in this modern contemporary age, there is need for such organization to embrace strategic management in its fullness. This is because the business environment today is one that changes are very rapid due to the effects of globalization, internationalization, increased uncertainty, cutthroat competition, financial crises, digital-based business models, and increasing technological advancement. Hence, firms need to respond faster, control costs better, embrace technological changes and be more proactive in its approach to strategic management (Mucheru, 2008). Balance scorecard (BSC) as a tool in strategic management therefore is central to its effectiveness especially in the banking sector (Ayanda, 2014). Kaplan and Norton (1990) developed the Balance Scorecard with the realization that financials alone would not be enough for organizations attempting to thrive, or even compete in the twenty first century. They organized a research study of a dozen of companies attempting to discern the best practices in performance management and this led to development of the balanced scorecard (Niven, 2005).

Different models can be used to anchor the balance scorecard phenomenon. Environmental dependency theory also known as resource dependency theory and stakeholder theory are key among them. According to Fadare (2013), Resource dependency theory is based on the principle that an organization must engage in

transactions with other actors and organizations in its environment in order to acquire resources. While transactions between organizational and environmental actors are advantageous, they also create dependencies that are not. The focus of the theory is on the relationship between resource acquisition and its related organizational behaviors. (Wagner *et. al*, 2002).

1.1.1 The Concept of Strategic Management

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs (Dauda, 2010)

Although the term strategic management is bantered around a lot in the businesses world, it is not understood very well by most people. Essentially strategic management answers the questions of “where do you want your business to go” (goals), “how is your business going to get there” (strategy) and “how will you know when you get there” (evaluation). The prime task of strategic management is thinking through the overall mission of a business, i.e. asking the question what is our business? This leads to setting of objectives development of strategy and making of today's decision for tomorrow's result. This should be done by balancing the present objectives and needs against those of the future in the light of available resource (both present and future) of men and materials (Dauda, 2010).

Strategic management helps the organization to decide on strategy for the balance scorecard and planning how that strategy is to be put in to effect. It can be thought of as having three elements within it: there is strategic choice stage which is to do with formulation of possible courses of action, their evaluation and the choice between them. Finally, there is a strategic implementation stage which is to do with planning how the choice of strategy can be put into effect. As such, strategic management is core in every business implementing balance scorecard since it helps such organizations to set goals and have clear programs of achieving those goals which are not only financial but also none-financial (Ibid)

1.1.2 The Balance Scorecard

Balanced scorecard is an analysis technique designed to translate an organization's mission statement and overall business strategy into specific, quantifiable goals and to monitor the organization's performance in terms of achieving these goals. Developed by Kaplan and Norton (1992), the balanced scorecard is a comprehensive approach that analyzes an organization's overall performance in four ways, based on the idea that assessing performance through financial returns only provides information about how well the organization did prior to the assessment, so that future performance can be predicted and proper actions taken to create the desired future. (Kaplan and Norton, 1996).

According to Wagner *et. al* (2002) Sustainable balance score card is a comprehensive management measure that incorporates the market and none-market balance scorecard. Essentially, it includes the conventional four components of balance score card as well as environmental and social aspects. The addition of environmental and

social aspects in a sustainable balance scorecard is not outside the balance scorecard as was originally developed. Kaplan and Norton (1997) point out that the firm-specific formulation of BSC may involve a renaming or adding of perspectives. In order to justify an introduction of additional none-market perspective, environmental and social aspects from outside the market system must explicitly represent strategic core aspects for the successful execution of the strategy of the company considered.

The methodology of sustainable balance scorecard must therefore examines performance in six areas: financial analysis, the most traditionally used performance indicator, includes assessments of measures such as operating costs and return on investment; customer analysis looks at customer satisfaction and retention; internal analysis looks at production and innovation, measuring performance in terms of maximizing profit from current products and following indicators for future productivity; learning and growth analysis explores the effectiveness of management in terms of measures of employee satisfaction and retention and information system performance; environmental aspect focuses on all the environmental aspects that impacts a given business entity such as emissions, waste, electric generation, biodiversity among others. Finally, social aspects which is dynamic and include but not limited to social exposure, working conditions, unemployment and even regional development.

As a tool for strategic management, sustainable balanced scorecard methodology breaks broad goals down successively into vision, strategies, tactical activities, and metrics. As an example of how the methodology might work, an organization might include in its mission statement a goal of maintaining employee satisfaction. This would be the organization's vision. Strategies for achieving that vision might include approaches such as increasing employee-management communication. Tactical

activities undertaken to implement the strategy could include, for example, regularly scheduled meetings with employees. Finally, metrics could include quantifications of employee suggestions or employee surveys. It follows therefore that the application of balance scorecard as a tool in strategic management is no less profound, however, as to whether all organizations implement balance scorecard as a strategic management tool remains debatable (Kaplan and Norton, 1996).

1.1.3 The Banking Industry in Kenya

Over the last two decades, financial sector reforms, technological advancement and globalization have led to significant transformation of the banking industry in Kenya. The banking industry has experienced unprecedented growth coupled with impressive performance over the same period. The industry has remained largely profitable in spite of the economy performing poorly in some years and facing adverse effects of the global financial crisis in 2008. Profits have grown by close to 400% in a span of 13 years moving from 18.8 billion to 89.2 billion in 2011, making banking the most profitable sector in the economy. In terms of profit share to gross domestic product (GDP), profits before tax have increased their share from 0.3% of GDP in 2000 to 3% of GDP in 2011. Horizontal expansion has led to bank branch networks increasing from 670 in 1997 to 1,161 in 2011. The asset and deposits base have equally grown over the years hitting the Kenya shilling trillion marks, standing at 67% and 49% of GDP respectively at the end of 2011 (Kamau and Were, 2013)

Along with the impressive performance is the positive impact that reforms and technology development have brought to the banking industry. First, improved technology has enabled banks to process data/information faster and efficiently. Technology has also led to increasingly cashless society with rapid growth in use of

plastic and mobile money. Second, the scope and scale of bank operations has widened nationally and regionally, with increased and diversified consumer products. Final, the numbers of employees in the banking sector has grown over the years as well as the quality of employees in terms of level of education and skill has significantly improved (Kamau and Were, 2013)

National Bank of Kenya, also known as National Bank, is a commercial bank in Kenya, the largest economy in the East African Community. It is licensed by the Central Bank of Kenya, the central bank, and national banking regulator. National Bank of Kenya Limited provides corporate, business, retail, and Islamic banking solutions in Kenya. It offers current, savings, transactional, fixed deposit, collection, institutional, professional, lady, student, savers, and children savings accounts; and term deposits. The company also provides personal loans; overdrafts, term loans, insurance premium finance, asset finance, and mortgage products; micro finance; working capital finance; trade finance; and construction financing. In addition, it offers debit and credit cards; transactional solutions, such as payments solutions, collections solutions, liquidity management, and channels and electronic banking solutions; treasury services; and custodial services. Further, the company offers banc assurance products, such as personal, SME/business/corporate, and Takaful solutions, as well as mobile and Internet banking services. It operates through a network of 75 branch outlets and 140 ATMs. National Bank of Kenya Limited was incorporated in 1968 and is headquartered in Nairobi, Kenya (National Bank of Kenya, 2015).

In terms of strategic road map, emphasis has been on financial performance and measurement thereof in terms of operating costs and return on investment. Operating costs are the expenses which are related to the operation of the bank on a continuous

process. They are the cost of resources used by an organization just to maintain its existence. Return on investment on the other hand is the benefit that accrues to the bank as a result of the bank's investment. Balanced Scorecard however emphasizes that financial and non-financial measures must be part of the information system for employees at all levels of the organization and therefore has to be part of the strategic plan in the short term or in the long run (Mwende, 2014).

The National Bank of Kenya has experienced unprecedented growth coupled with impressive performance. Such performance is as a result of dedicated employees and customer satisfaction as well as innovation at the bank. Even though performance measurement is centered on financial measurement, none-financial measures also contribute to impressive performance which is a contribution of balance scorecard. Balance scorecard as a strategic management tool therefore derived from a top-down process driven by the mission and strategy of the business unit which ultimately translate into tangible measures. National Bank however is not the most profitable commercial bank in Kenya (Ibid).

1.2 The Research Problem

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. According to Thompson and Strickland (1993) the use of strategic management enables firms define their strategies which provide a central purpose and direction to its activities to people who work in the firm and often to the outside world. Strategic planning and implementation enables firms to adapt under conditions of external pressure caused by changes in environment. Firms can and

often do create their environment besides reacting to it. Strategic planning and management helps firms develop competitive strategies. In developing strategy, firms carry out an analysis of their environment, their industry and competitors and gauge how they can outperform their competitors. Strategic planning also helps firms focus their efforts and resources on their key success factors and cultivate a culture of being proactive. By implementing strategic plans, firms are able to respond to the turbulent environment in an appropriate manner, to ensure their continued survival and profitability hence providing the shareholders with value for money invested (Afande, 2013)

The balanced scorecard is a complementary strategic model that considers financial and non-financial measures. According to Afande, (2013), balanced scorecard as a management model, that translates the organizational mission and strategy into a collection of performance measures. It is a complement of the Management by Objectives but “with more emphasis on feedback on results by formal and integrated performance measurement”. Performance measures cannot be only based on financial measures but should consider others perspectives (Wilson et al., 2003). Scholars have studied the role of the balanced scorecard in strategy implementation in different sectors. Mucheru, (2008), carried out a survey on the application of the balanced scorecard in performance management among commercial banks in Kenya; Karimi. (2010). carried out a case study of Safaricom, on the use of the balanced scorecard in strategy development and implementation and Ogendo, (2010), carried out a study on the application of the balanced scorecard in strategy implementation by Unilever Tea Kenya Limited. With regard to studies on strategy implementation, Karani, (2009) examined strategy

implementation at KenGen. The above studies did not focus on application of balance scorecard as a strategic management tool.

Although the balanced scorecard has gained a lot of popularity as a strategic management tool, applicability, which this study seeks to identify. Due to the contextual, sectoral and managerial differences among organizations, the application of the balanced scorecard would not be assumed to be similar, unless empirical studies demonstrate as much. Mulu's, (2010).What is the applicability of balance scorecard as a strategic management tool at National Bank of Kenya?

1.3 Research Objectives

The study will be guided by the following objectives

- (i) To establish the extent of adoption of balance scorecard as a strategic management tool at National Bank of Kenya
- (ii) To determine the challenges of applying balance scorecard as a strategic management tool at National Bank of Kenya

1.4 The Value of the Study

The application of balanced scorecard by banks in Kenya is relatively new, the study will provide background information to research organizations and scholars who may want to carry out further research in this area. They will also benefit from the findings of this study as it contributes to the existing literature by building the available theoretical frameworks.

Other banks will be able to understand the effects of balanced scorecard on their respective organizations and the industry as a whole and therefore will be prompted to seek ways through appropriate and proactive policies and procedures to

enhance the adoption and implementation of the balanced scorecard methodology in their organizations and in the industry.

Employees of National Bank of Kenya will benefit from the findings of this study as performance appraisal will be a very effective tool to improve performance and productivity and to the career development of employees. This is by helping individuals to do better and to raise self-esteem and motivation, resulting in job satisfaction

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature related to the application of balance scorecard as a strategic management tool. In particular, it looks at the theoretical underpinnings of the study. In this sub theme, environmental dependency model and stakeholder approach are discussed. Furthermore, the chapter looks at the strategic management process, the balance scorecard as a strategic management tool as well as summary of knowledge gaps.

2.2 Theoretical Foundation

This section discusses the various theories that anchor the study which include the Environmental Dependency theory as well as the Stakeholder theory. The EDT theory states that the performance of an organization is highly dependent on its environment (Ansoff & Sullivan, 1993).

2.2.1 Environmental Dependency Model

This study will be premised on environmental dependency theory. Environmental dependency theory (EDT) refers simply to the concept that organizations are strongly influenced by their environment. The environment consist of numerous variables which include but not limited to waste, emissions, material input and intensity, energy intensity, noise and vibrations, radiation and land use as well as environmental policy and electricity consumption. Different organizations however operate on different environmental exposures and therefore have different environmental variables and aspects specific to them. For instance, environmental exposure of a textile establishment may include emissions and waste while in the banking industry, it may

include environmental policy statement and electric consumption. The environment also provides key resources that sustain the organization and lead to change and survival (Wagner *et al.*, 2002)

Virtually, all modern theories of organization utilize the environmental dependency approach. As such, environmental dependency theory comes in different flavors. For example, open system theory posits that organizations are influenced by their environment. The environment-according to the theory- consists of other organizations that exert various forces of an economic, political, or social nature. It further posits that if an organization does not pay attention to its environment, it can be costly. If does pay attention, it can be beneficial. On the other hand, contingency model postulates that the organizational structures and control systems that managers choose depend on characteristics of external environment in which the organization operates. The characteristics of the external environment affect an organization's ability to obtain resources. Resource dependency theorists see the organization as adapting to the environment as dictated by its resource providers. Although there is a great variety in the perspectives provided by environmental dependency approach, it share the perspective that an organization's survival is dependent upon its relationship with the environment (Scott, 2002)

Environmental dependency theory is central to organization's legitimacy. This is because, for an organization to operate in any given society, the firm's activities must be regarded as legitimate. A legitimate organization thus is one that does not impact negatively the environment around which it operates. For example, in a textile factory, emissions and wastes have to be disposed in a way that environment is not impacted negatively. Similarly, in the banking industry, environmental policy can be developed to ensure environmental sustainability. For example, a bank can use

renewable source of energy instead of using fossil fuels for its electricity consumption. Organization's environmental performance has been matched to negative social exposures. The mismatch between an organization's value system and the societal value system is known as legitimacy gap, while reporting sustainability performances can be viewed as strategies to gain, repair or maintain its legitimacy as well as to reduce the legitimacy gap. Sustainable balance score card emphasizes none economic aspects of performance measurement of an organization which environmental dependency theory brings on board, thus its suitability for the current study. Environmental dependency theory however fails to classify environmental variables for each organization (Huang et.al., 2014)

2.2.2 The Stakeholder Theory

Whereas environmental dependency theory deals with the environmental aspect of the sustainable balance scorecard phenomenon, the stakeholder model examines the social aspects of the sustainable balance scorecard. Essentially, stakeholder theory argues that the organization has relationships with many constituent groups and that it can engender and maintain the support of these groups by considering and balancing their relevant interests. The theory fosters both instrumental predictions and normative prescriptions. This has therefore proven to be a subject of interest with those interested in profits as well as those interested in issues of ethics (Delmas & Toffel, 2004).

According to Freeman & Evan (1991), stakeholder theory looks at the relationships between an organization and its internal and external environment, how these relationships affect the organization's mode of conducting its activities. Examples of stakeholders of a business include suppliers, customers, stockholders, employees,

government, non-profit community organizations, and the local community among others. An organization can take either a proactive or reactive approach to meet stakeholder demands. Environmental proactivity is associated with higher pressures from organizational stakeholders (for instance suppliers, customers, shareholders, employees) and community stakeholders (for example NGO's, social groups), whereas environmental reactivity is associated with higher pressures from the media and regulatory stakeholders (for instance trade associations, governments). Buisse and Verbeke (2003) introduced the distinction between internal primary stakeholders (shareholders, employees, and financial institutions) and external primary stakeholders (customers and suppliers) and made an observation that only the former group motivates environmental proactivity. This was as a result of studying producers of intermediate products who had scarce consumer contact. Sustainable balance scorecard therefore must proactively engage with the stakeholders to enable the cogs of such organizations to not only flow smoothly but also to be sustainable in the long run.

Social aspects that are strategically relevant can be identified analogous to the environmental aspects. However, due to the great variety and diversity of social aspects and the lack of common foundations in natural sciences as found on environmental aspects, it is very difficult to achieve a comprehensive classification of social aspects. Rather, social aspects heavily depend on preferences and values of different actors involved. It is therefore advisable to classify social aspects not according to their contents but according to actors involved. The stakeholder theory provides a useful framework to classify the actors which are concerned with different social claims. The social issues concerning a business unit can thus be identified

systematically following a comprehensive framework of potentially relevant stakeholder groups (Wagner *et.al.*, 2002)

2.3 The Strategic Management Process

Almost all the authors and scholars who have contributed to the definitions of strategic management process have argued and concluded that the concept is a process which comprises of a series of steps aimed at producing a given result (i.e. the attainment of organizational goals and objectives). These steps are interrelated such that a deviance from a particular step could lead to a breakdown of the entire process. Thus, it has been advocated that for a given strategic plan to work out successfully, organizations must endeavour to adhere to the steps involved therein. A typical strategic management process aims at defining an organization's goals and objectives, assesses its surrounding environment (both the internal and external environment of the business), formulate strategy, implement the strategy, evaluate the impact of the strategy on organization's goals and make adjustments where necessary to stay on track. Thus, a well-conceptualized strategic management process or plan ought to lead to strategic management, all things being equal (Ayanda and Onyinlola, 2014).

The starting point of the strategic management process is the definition of the organization's vision and mission cum its goals and objectives. No organization comes into existence for coming sake. There is always a definite purpose for which a company is established. Therefore, the most basic strategic decisions manager make is to answer the questions which are crucial to their existence, survival and sustenance. These fundamental questions include: who are we, where are we, where do we want to be in the nearest future given our strengths and weaknesses compared to the opportunities and threats surrounding us as a company and how do we get there.

The goals and objectives of an organization stems from the mission and vision of the organization. Organizational goals should be clearly stated and fully communicated to the employees to aid their understanding and influence the direction to which they expend their resources. Goals and objectives are often used interchangeably; however, in a situation where a strategic planning model separates the goals from the objectives, it means that the goals are broad and timeless statements of the end results that the organization considers that they can use to achieve their mission. Thus, objectives are specific, measurable and time bound. They bring into even greater focus the goals of the organization (Ibid).

Moreover, environmental scanning also known as situational analysis is a detailed analysis of the surrounding of a business establishment. SWOT (strengths, weaknesses, opportunities and threats) analysis is often used to analyze the environment. The SWOT analysis studies both the internal and the external environment of a business organization to gather data for analysis which will further be used for strategy formulation. The external environment is often beyond the control of the organization. It includes factors outside the firm's control which can lead to opportunities for or threats to the organization. In other words, they are factors which can influence an organization's performance but over which the organization has little or no influence such as natural, economic, political or cultural. Internal analysis is the process of examining a firm's market and distribution, research and development, production and operations, corporate resources and personnel finance and the accounting to determine where the firm has significant competencies. For a firm to remain competitive, it may need to mitigate the threats and weaknesses while capitalizing on its strengths and opportunities. Environmental scanning is useful in

developing a sound strategic framework around which achievement of the organization mission is embedded (Niven, 2003).

Additionally, strategy formulation is as crucial as any other step in the entire strategic management process. Strategy formulation, which comes after environmental scanning, is the means by which business establishments select the most ideal course of action for the realization of goals and objectives. Given the competitiveness of the business environment, the strategy should be designed such that the problem on the ground is solved and at the same time it should aim to beat the competition. The strategy should meet both the short term as well as the long term goals of the organization and ensure that mission and vision is realized. The strategy should be cascaded across the management levels from the top management through to middle management and finally to the lower management. This creates synergy and team work spirit with the overall goal of every employee being the realization of the organization goals through the strategy formulated and connected thinking (Ibid).

Furthermore, implementation of organization strategy involves the application of the management process to obtain the desired results. Particularly, strategy implementation includes designing the organization's structure, allocating resources, developing information and decision process, and managing human resources, including such areas as the reward system, approaches to leadership, and staffing. Evaluation and control on the other hand seeks to evaluate how well strategic plans are being implemented as well as being able to exercise better control. This means that better plans and improvement on the way implementation of such plans are done (Ayanda and Onyinlola, 2014).

2.4 Balance Scorecard as a Strategic Management Tool

The balanced scorecard is a complementary strategic model that considers financial and non-financial measures. Johnsen (2001) defines the balanced scorecard as a strategic management tool that translates the organizational mission and strategy into a collection of performance measures. Balanced Scorecard therefore, is not only an indicator of appraisal system, but also a strategic management tool. The use of the Balanced Scorecard breaks the traditional single-use financial indicators methods which measure performance. It adds the future drivers in the financial indicators, which is customer factors, internal business processes and employee learning and growth (Wilson et al., 2003).

To realize customer satisfaction, managers confirm the competition's customers and market segments which the organization will take part in, and turn the goal into a set of indicators. Such as market share, customer retention rate, the rate of customers, customer satisfaction, customer profitability level. But in order to attract and retain the target customers and meet the requirements of shareholders about financial returns, managers need to focus on customer satisfaction and those internal processes, and establish measurable indicators. In this regard, BSC is not only paying attention to a simple process to improve the existing operators, but to confirm the request of customers and shareholders as a starting point, and to satisfy customers and shareholders. It confirms an investment which the organization must be carried out in order to achieve long-term performance in the future, including the ability of employees, organization information system and so on. The financial success in organizations must be translated into the ultimate success. Only to translate the improvements of product quality, time to complete orders, productivity, new product development and customer satisfaction into increased sales, reduction of operating

cost and improvement in asset turnover can bring benefits for the organization. It however remains unclear the extent to which the business organizations have applied BSC as a strategic management tool (Kaplan and Norton, 1992).

An impediment of the original BSC, as indicated by Cheney (2001), is the determination and quantification of non-financial performance indicators. The sustainable balance scorecard (SBSC) therefore seeks to close the gap by adding environmental and social aspects to the four conventional BSC. But SBSC approach would experience increased difficulties as social impacts are even more difficult to measure and ultimately quantify. Therefore, many SBSC studies narrowly focus on sustainability indicators which are easily quantified. For example, Dias-Sadinha and Reijnders (2005) evaluate social and environmental performance in their study of 13 Portuguese firms. Their selection of firms focused on those industries that had a significant environmental impact, and the indicators used in their SBSC emphasized pollution prevention and eco-efficiency. Similar applications of BSC (or SBSC) can be found in Moller and Schaltegger (2005), where an environmental perspective is added to the BSC. These applications are still not truly as comprehensive as a sustainability performance evaluation system needs to be, as eco-efficiency counts for only a narrow segment of broader sustainability issues. A comprehensive SBSC should connect all the pillars of sustainability. These studies however fail to indicate that the environmental and social aspects of SBSC are very dynamic and there is no single framework that can be depended upon as a guideline owing to different mode of operations of business establishments.

The strategic implication of both environmental and social aspects of SBSC may be less measurable but no less profound. Environment aspects for instance give the business organization legitimacy. This is because, for an organization to operate in

any given society, the firm's activities must be regarded as legitimate. A legitimate organization thus is one that does not impact negatively the environment around which it operates. Developing an environmental policy for a banking industry is therefore worth considering. On the other hand, social aspects are varied from organization to organization and therefore deals with stakeholders such as employees, suppliers, government, human rights watch among others. The success of the business therefore is dependent on how organization strategy contributes to a better relationship with the said stakeholders (Wilson et al., 2003).

Even though potential benefits offered from an implementation of BSC are numerous, it has been suggested that many of the BSC projects either fail or does not materialize. According to Creelman (1998) half of BSC implementation fails because they fail to live up to the users' expectations. The Balanced Scorecard relies on the concept of Strategy developed by Michael Porter. Porter argues that the essence of formulating a competitive strategy lies in relating a company to the competitive forces in the industry in which it competes. The scorecard translates the vision and strategy of a business unit into objectives and measures in four different areas: the financial, customer, internal business process and learning and growth perspective.

Creelman (1998) asserts that organizations grapple with a problem that would become a core concern for virtually all scorecard users. The design of the classic balanced scorecard reflects the priority of public sector organizations to make money for their shareholders. This is why the financial perspective is at the top. The rules for the operation of public sector organizations are different and arguable more complex. While finance and budgets are perennial preoccupations, other obligations and goals are regarded as taking at least equal, but more commonly greater, precedence. These include satisfying citizen, community or other stakeholder expectations. A cursory

scan of the scorecards in use within public sector organizations shows that customer, or some other stakeholder representation, is typically the top perspective. Next in the scorecard hierarchy is a ‘customer first’ perspective with objectives such as meeting customers’ needs first and provide accessible, local services. Finance is subsumed into an ‘organizational’ perspective, which also includes the conventional internal process perspective.”

Yet even when finance is relegated down the perspective hierarchy to be replaced by more important outcomes for public sector organizations, there are still other challenges to overcome (Creelman, 1998). For instance, while it is relatively straightforward to identify a single, and unifying, outcome of private sector performance – such as profit (which is well understood and simple to measure), strong laws and policies that compel organizations to implement non-financial aspects of the sustainable balance scorecard are lacking. Besides, this literature fails to point out all the challenges of applying balance scorecard as a strategic management tool

2.5 Summary of Knowledge Gaps

To achieve a competitive edge, and to retain customers; organizations should be innovative to fulfill the ever changing needs of their customers. Innovation leads to customer satisfaction. This in turn strengthens the financial position of the organization. Therefore, organizations should develop sound strategies to maintain not only strong financial positions, but also non-financial aspects. This makes balance scorecard an integral strategic management tool. Strategies may very well be drawn and presented, but the problem is that strategy is not normally very well communicated to people involved in the execution process. Although strategy

execution is everyone's business in every business organization, the final result is poor strategy execution in many organizations. Top management formulates strategy, but the execution is a bottom up process yet balance scorecard has been touted as a bankable strategic management tool (Evans, 2005).

The Balanced Scorecard (Kaplan and Norton, 2001) is a performance measurement tool that uses a strategy map to connect an organization's day-to-day processes to its organizational goals. Rather than capture how an organization currently operates, the Balanced Scorecard is concerned with creating a strategy to drive future direction, building in cause and effect linkages while simultaneously taking into account both financial and intangible resources that can determine success or failure. Balanced Scorecard is therefore, not only an indicator of appraisal system, but also a strategic management tool. The use of the Balanced Scorecard breaks the traditional single-use financial indicators methods which measure performance. It adds the future drivers in the financial indicators, which is customer factors, internal business processes and employee learning and growth. It however remains unclear the extent to which the business organizations have applied BSC as a strategic management tool (Wilson et al., 2003).

Issues concerning sustainability have attained a high level of social awareness, with climate change, corporate social responsibilities and the impacts of corporate business activities frequently making media headlines. Modern corporations now face a newly-emerging business phenomenon, known as Sustainability Performance Management, which addresses the social, environmental and economic (performance) aspects of corporate management and corporate sustainability management. Sustainability reporting is regarded as an attempt by many business organizations to account for the social and environmental impact of their operations. This accountability has become a

central concern for businesses in modern society and many organizations now claim that they recognize the social and environmental impacts resulting from their economic activities. Many researchers have however use SBSC as a tool for performance measurement but not as a tool for strategic management that incorporate all the six components of SBSC (Schaltegger & Wagner 2006).

Organizations grapple with a problem that would become a core concern for virtually all scorecard users. The design of the classic balanced scorecard reflects the priority of public sector organizations to make money for their shareholders. This is why the financial perspective is at the top. The rules for the operation of public sector organizations are different and arguable more complex from those private sector organizations yet balance scorecard is not tailor made for private or public companies. While finance and budgets are perennial preoccupations, other obligations and goals are regarded as taking at least equal, but more commonly greater, precedence. These include satisfying citizen, community or other stakeholder expectations. A cursory scan of the scorecards in use within public sector organizations shows that customer, or some other stakeholder representation, is typically the top perspective. Next in the scorecard hierarchy is a 'customer first' perspective with objectives such as meeting customers' needs first and provide accessible, local services. Finance is subsumed into an 'organizational' perspective, which also includes the conventional internal process perspective. This literature also fails to explore all the challenges of applying balance scorecard as a strategic management tool (Creelman, 1998)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that will be used in this study. It focuses on the research design, population of study, sample and sampling techniques, data collection methods and comes to a conclusion with the data analysis and data presentation.

3.2 Research Design

The study employed a case study design to examine the application of balance scorecard as a strategic management tool at National Bank of Kenya. This design is most appropriate for a single unit of study because it offers a detailed in depth analysis that gives valuable insights to phenomena.

This study was conducted through a case study and it is considered suitable as it will allow an in-depth study of the subject on investigating the application of balance score card as a strategic management tool. According to Gerring (2005), Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is the subject of the inquiry was an instance of a class of phenomena that provided an analytical frame, an object within which the study will be conducted and which the case illuminates and explicates. The case study design was also chosen as it provided qualitative evidence which were of interest to this study. Studies that have been done previously used the same method successfully.

3.3 Data Collection

The study used primary data collected from the management and staff members of National Bank of Kenya. Interview guide was therefore used to interview six top level management, eight middle level management and five lower level management staff. The interview focused on Kisumu Branch since operations of the bank is standardized and decentralized across the branches. The researcher engaged research assistants who were trained on data collection techniques using interview guides. The core business areas from which the samples were drawn are: human resource department, finance department, marketing department, customer care department, business development department and credit/loan department.

The interview guide had unstructured questions which were used to encourage the respondent to give an in-depth response without feeling held back in revealing any information. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

Secondary data was also obtained from the banks strategic plan, performance development articles; in house electronic journals as well as internet sources can also be used to gather information. The official website of National Bank was also used to gather data and other critical information that would be used for the study.

3.4 Data Analysis

The data that was used was qualitative in nature, due to this fact, content analysis was used to analyze the data. Mugenda and Mugenda (2003) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

The data was obtained from the various management team members belonging to different departments and will be compared against each other in order to get more revelation on the issues under study. This research yielded qualitative data from the interview schedules and analyzed using content analysis because this study seeks to solicit data that is qualitative in nature. Analysis of data collected was compared with the theoretical approaches and documentations cited in the literature review.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter entails data analysis and interpretations of the study findings. The main objective of the study was to establish the extent of the adoption of the Balance scorecard at National Bank of Kenya. The other objective of the study was achieved through determination of the challenges faced by National Bank of Kenya in the adoption of the balance scorecard as a strategic management tool.

Data was collected using interview guides administered to departmental heads in charge of department of treasury, credit department, accounts operations, marketing and corporate affairs. The study targeted to interview 10 staff of the National Bank of Kenya out of which 4 were senior level managers, 3 were middle level managers and 4 for non management staff. 9 managers were interviewed out of 10. Secondary data was captured using the organizations strategic plan as well as from the official website of the organization. Some information was also obtained from other internet sources.

4.2 Strategic Management at NBK

The study established that the adoption of the BSC at NBK was the initiative of the managing director at the time the organization was undergoing strategic change. A team was appointed by the managing director to head the application of the BSC. A consultant was hired to train all the staff on the use of the balance scorecard. All the departments in the bank had the BSC in line with the corporate BSC. Change agents were hired to cascade the objectives and measures from top management to the lower cadre employees. The overall business strategy is implemented by linking overall

business objectives with individual objectives through performance development plans. These personal development plans are tied to the balance scorecard. Each strategic business unit develops its own strategies based on the corporate strategies.

The study stated that most of the interviewees gave a repeated reason as to why the BSC should be adopted and which was the need to align individual goals to the vision of the organization to become a top tier bank by the year 2017. They noted that before the adoption of this tool, staff performed their duties but there was no clear link between those duties and the overall strategy of the bank. The bank had previously been involved in formulation of strategy but there was lack of alignment which caused the staff to pull in different directions.

The bank first implemented the BSC in the year 2012 when it underwent major change and restructuring program. The BSC was in use before this but only by the top management but not all the employees. In the year 2012 -2013 strategy was unveiled by the new managing director. The aim was to develop strategies that would push the organization to the top of the industry. The managers and staff that were interviewed were part of the committee that came up with the corporate strategy. They include Head of operations, Customer Service Manager, Head of treasury and Head of Human Resource.

With regard to the reasons as to why NBK applied the BSC approach, the interviewees cited the following. The BSC was an objective oriented approach in achieving the overall vision of and goals of the organization. The study established that the BSC is performance and results orientated.

The study also established that the BSC focuses on the core business of the organization, that is: objectives and goals and not tasks. With the BSC the focus is

now on performance based appraisal and not task based appraisals. This makes the employees more focused on key performance indicators. Since organizational goals do not change every year the BSC is easy to adopt in comparison to other performance management measures.

The interviewees pointed out that when the BSC was adopted at NBK consultants were hired to take the employees through the balanced scorecard and train them on how it will be used. There was communication between the top management and employees at lower levels to explain the BSC concept. Change teams were developed to cascade the goals and objectives from the managing director to all employees. Support teams together with the change consultants were used to ensure that the implementation team was on track.

Trainings are carried out from time to time to remind individual staff on their individual goals and to monitor if the BSC is being used in the correct way to attain the organizations goals and objectives.

4.3 Application of the Balance scorecard at National Bank of Kenya as a Strategic Management Tool

The study explored the application of the balance scorecard as a strategic management tool at National Bank of Kenya. The study established that NBK has a balance scorecard strategic planning and management system. The respondents stated that the balanced scorecard combines the best attributes of customer service and corporate organizations and seeks to point out the organization towards improved performance. Subsection 4.3.1 presents the BSC and formulation of strategy at NBK.

4.3.1 Balance Scorecard and Formulation of Strategy

The study established that the balance scorecard gave direction to the top management of NBK in terms of attaining their vision, goals and objectives. Individual employees worked towards the vision of the organization through the use of the BSC. The study also stated that by using the balance scorecard the vision, mission and strategy at the corporate level are decomposed into different views, or perspectives as seen through the eyes of business owners, customers and other stakeholders, managers and process owners. The BSC assists in breaking down the overall corporate vision into daily measurable targets for employees.

The interviewees affirmed that the balanced scorecard had been used to formulate strategy. This derives from the fact that each year, the senior management forum of the bank formulates the CEOs balanced scorecard (the BSC of the bank) which sets the agenda for the following year. By constructing the BSC as a team, they are able to agree on what activities are important for the attainment of the vision. The BSC is derived from the vision, mission, core values and objectives of the bank and the areas of emphasis vary from year to year. The CEO then cascades his scorecard to the deputy CEOs that report to him. They use it to prepare their own scorecards. This process flows until it gets to the individuals forming the various units who construct their scorecards with reference to their immediate senior. The CEO confirms the strategy and objectives for the entire organization and from the corporate strategy and objectives departmental objectives are prepared.

The senior management then defines and develops departmental objectives, key performance indicators, targets that are aligned with the corporate objectives.

Sufficient resources are allocated to achieve the set objectives, monitoring and measuring is done and results communicated to all the staff.

Employees' views and consensus on strategy and objectives adopted was another reason for success in strategy formulation and implementation. The informants explained that even though strategy is formulated at the higher level the employees are given opportunity to comment. Departmentally individuals also develop goals and objectives that are aligned to corporate objectives.

Prior to the formulation of strategy the culture at the bank was different; the employees explain that the culture was not business oriented. The interviewees believe that the culture change, particularly on customer first focus, responsibility and accountability by employees contributed to the successful strategy formulation.

4.3.2 Balance Scorecard and Strategy Implementation

NBK first implemented strategy in the year 2012 when it was undergoing a major strategic change. The study established that the top management was in agreement that the BSC approach was the right tool in achieving the organizational objectives. The training of staff on the BSC approach was able to deliver better focus on performance and results. The key strategic objectives were organized according to the four perspectives of the balanced scorecard, which are the financial, customer, internal business processes and learning and growth. The perspectives are defined and confirmed every year and are dependent on the overall business strategy. The four perspectives of the BSC ensured that the organization is viewed in totality as the objectives, initiatives, measure and targets guide the departments as they carry out their duties.

The response from the interviewees showed that they were in agreement that the balanced scorecard had a positive impact on the performance of the NBK team. All employees at any level were focused because individual and departmental objectives were in line with the strategic plan of the organization. The study also established that the employees' performance had improved as they were motivated to work harder because of the appraisal process. They also stated that there was no longer any biasness by the supervisor as the performance of each employee was clear. There was no more victimization by the supervisor as the managers score is based on the employees score. The BSC application as stated by the respondents has greatly improved employees morale due to the appraisal process. There was also improved customer service/satisfaction due to improved employee morale.

National Bank of Kenya uses a dashboard that is updated with performance results for each department that is presented to senior management as well as every member of staff in that particular department on weekly basis. Periodically the results are discussed by all senior managers of the company in management convention through conference calls. During the convention four priority KPIs for each perspective are discussed in detail to understand reasons for achievement or non achievement. Customer service quality is the top of most managers minds.

The interviewees say that the BSC has been adopted at all levels of the organization and performance is appraised quarterly. There has been successful devolution of strategy to departmental KPIs. National bank of Kenya places emphasis on BSC as a daily way of life for the employees. Branches and departments are required to hold daily morning meetings to review day to day performance. Employee individual scorecards are reviewed quarterly and communication from the managing director is also made on the BSC and its perspectives.

The informants believed that the successful implementation of the BSC at National Bank of Kenya was due to the commitment from the managers. The managers were trained on the BSC and they came up with refined strategy and strategic objectives based on the four perspectives. Buy-in from all members of staff contributed to the success of the BSC.

4.3.3 Balance Scorecard and Strategy Monitoring, Evaluation and Control

Regular monitoring of the progress and communication of the results is key to implementation and continued use of the balanced scorecard tool. The interviewees explained that results are communicated to all line managers through conference calls on a monthly basis. The line managers' contributions towards improvement of areas requiring notable improvement are taken during these conventions. The BSC as a strategic management tool is used to review performance quarterly and to ensure that individual targets and goals are being met in line with the overall strategy of the bank.

Periodic reviews of the performance of staff will enable the organization to evaluate whether the BSC has been successfully adopted or not. The BSC as a strategic management tool has to be reviewed from time to time to ensure it is working well in alignment with the strategy of the bank or if any changes have to be made to improve it.

4.4 Challenges of the Balance Scorecard as a Strategic Management Tool at National Bank of Kenya

The study had two objectives and one of them being establishing the challenges faced by the organization during the process of implementing the BSC. One of the greatest challenges was the time involved in training the staff on the concept of the balanced

scorecard. The management and staff up to 80% lacked understanding on the BSC which made it difficult for the consultants who were training the employees. It was also established that the implementation of the BSC was costly as a lot of money was paid to the consultants.

4.4.1 Challenges in Formulation of Strategy

One of the challenges in formulating strategy was creating the awareness of the BSC concept in the organization. The BSC as a strategic management tool is a relatively new concept in many organizations therefore introducing it to the employees required a lot of training and explaining so as to familiarize them with the aspect. The culture in the bank was such that it did not make it easy for the formulation of strategy. Since most of the employees were getting to know about the BSC concept for the first time there was a lot of resistance to change.

The lack of involvement of staff in the formulation stage is a challenge. NBK should ensure that the staff discusses the strategies before they are implemented. This will ensure that any challenges in the implementation stage are minimized since what is formulated had already been discussed and agreed upon. Non involvement of staff is the reason as to why some of the documented strategies and the BSC are not fully implemented therefore pose as challenge.

There was difficulty in formulation of strategies that will ensure delivery of the key objectives was amongst the reasons for problems in BSC implementation. This at times is compounded by the fact that formulation of departmental objectives that are tightly aligned to corporate objectives is difficult. Informants explained that difficulties arose mainly from qualitative objectives that were given higher weights and unrealistic quantitative measures.

4.4.2 Challenges in Implementation of Strategy

A major challenge that was established from the study was resistance to the entire process. Introduction of a major strategic management tool like the BSC called for change management. This process was resisted by the employees and the lack of knowledge of the tool was a draw back on the implementation process. The organization had to align all systems to the BSC so as to achieve success.

The qualitative aspects of the balance scorecard for example the customer service perspective cannot be measured in numerical terms. The operations side of the bank is more of qualitative than quantitative therefore making measurement difficult and was a challenge in the implementation process. Given that there are many organizations that are already using the BSC as a strategic management tool, National Bank of Kenya would have learnt from those that have implemented and are using it successfully

Another challenge faced by NBK during the process of implementing the BSC was the common understanding of the concept of BSC. The study established achieving a common understanding/grasp of the concept of the BSC was the greatest challenge faced. This made it difficult for the consultants who were training the employees as it took longer than expected. The study established that the BSC approach was not quick to implement. A nine step procedure had to be followed so as to complete the implementation process. The staff had inadequate skills and hands-on knowledge on balanced scorecard implementation. Staff had to be trained in order to gain experience on the use of balanced scorecard.

The study established another challenge was cascading of the balanced scorecard. Communication of the BSC to the lower cadre employees and making them understand how they fit into the whole picture was challenging.

The implementation of strategy at NBK faced another challenge which was subjectivity in evaluating some of the perspectives such as people and this creates a challenge in establishing a link between the financial measures and non financial measures. The challenge is directly linking the balance scorecard performance indicators to the expected outcomes.

4.4.3 Challenges in Monitoring and Evaluation of Strategy

The bank had no system in place that will review the effectiveness of the BSC from time to time therefore a challenge in evaluating the strategy in place with the BSC. An effective system has to be put into place so as to review whether the BSC is effective or not.

The environment in which the bank operates is not static therefore making it difficult to evaluate the strategy in place. The organization operates in an ever changing environment which makes it difficult to evaluate the strategy that was put in place sometime ago.

4.5 Discussion of Findings

The BSC has really assisted NBK to have strategies that clarify its vision and the mission statements. As a strategic management tool it has assisted in coming up with clear goals across the organization and alignment of individual and departmental objectives. The ultimate results of these series of cohesion and alignment has been achievement of corporate objectives.

The study also established that the BSC has helped improve business processes in terms of efficiency and effectiveness in delivery of services. It has led to improvement in quality of service, customer satisfaction, market share and profitability.

Communication is an essential factor that results to the successful implementation of any project. The interviewees believe that there is clear link between the balanced scorecard and the strategy of the organization. The results are communicated to everyone through internal communication bulletins. Communication on the weekly activities in different branches is done through a weekly newsletter known as linked and wired. The CEO communicates to senior management on monthly basis either through meeting or video calls. BSC results are discussed in departmental meetings during target review meetings that include one-on-one meeting at supervisory level.

The BSC can be used by organizations to measure activities in terms of vision and strategies. It can enable managers to obtain a comprehensive view of the performance of the business. Management processes built around the scorecard enable the organization to become aligned on the long term goals and objectives. As a management tool it has enabled teams in all departments to work towards a common goal and objective. It has ensured that departmental and individual goals are aligned to corporate goals and objectives.

The findings indicate that the BSC strategic management tool is used for strategy formulation, implementation and evaluation at NBK. It also shows that the balanced scorecard has assisted NBK management to clarify its vision and mission and to assist it in turning its strategies into action. The study showed that using the BSC require thorough training and buy-in from employees if it is to be successful.

The study has shown that the management practice at NBK of using the balance scorecard has a close fit with existing body of knowledge on BSC as prescribed by various scholars. It has also shown that there is consistency with previous studies done by various researchers in the Kenyan context. The study might slightly differ from similar studies done in other countries because of the environmental aspect. The BSC in combination with other performance management tools greatly contributed to positive performance of NBK.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the study, conclusion and recommendations as well as limitations of the study. Suggestions for further study are made in this chapter. The findings of the study are further discussed in this chapter. The final chapter discusses the findings based on the major objectives of the study.

5.2 Summary of Findings

The objective of this study was to determine the application of the balanced scorecard as a strategic management tool at National Bank of Kenya. The study was guided by two major objectives which are the extent of the adoption of the BSC at NBK and the challenges involved in the adoption of the balanced scorecard.

The study established that the adoption of the BSC at NBK was an initiative of the new managing director. This is a crucial aspect of the success of the program because it requires support from top management to ensure it is well implemented. My findings indicate that the interviewee group did understand the concept of strategy. It was also communicated that the management level was familiar with the BSC concept.

The balanced scorecard was fully implemented in the year 2013 across the whole organization and was communicated to all the employees with the help of the human resources department. It was implemented with the fact that every individual effort should be directed towards the strategic goals of the bank.

In general, the findings show that the BSC assists the organization in understanding its vision and objectives better. Broad strategies are cascaded downwards and are aligned to individual and departmental strategies based on the four perspectives. There seems to be clear indication that the adoption of BSC has influenced strategy formulation, implementation and control.

5.3 Conclusion

This study found out that the application of the balanced scorecard as a strategic management tool has greatly influenced strategy formulation and implementation at National Bank of Kenya. The most important factor is that the BSC had improved the understanding of strategy in an organization. The BSC provides guidance for action.

After the formulation of strategy, the BSC must be broken down into understandable strategies within each of the different perspectives. There is an indication that the implementation of the BSC has influenced both strategy development and the ability to act upon these strategies.

All the perspectives of the balance scorecard have to be given importance so as to align individual goals and objectives to the corporate overall strategy of the bank. When one area is concentrated on and the other ignored strategy will be skewed towards one direction.

The BSC as a strategic management is used for strategy implementation in an organization as well performance measurement and employees motivation. Since it is a simple and comprehensive tool it is used by organizations that are willing to in moving in the desired strategic direction.

From the results of the study, it can be concluded that the National Bank of Kenya has successfully applied the balanced scorecard technique to effectively implement strategy as well as a performance measurement tool. The BSC had most importantly improved the understanding of strategy within the organization. It enables the organization to clarify their vision and strategy and translate them into actions.

The BSC provides substantial guidance for action. After strategy has been formulated it must be broken down into different perspectives. This means that the implementation of the balanced scorecard has not only helped in the development of strategy but also to act upon the strategies.

All the perspectives of the balanced scorecard have to be taken into consideration especially if individual goals have to be aligned with the overall strategy of the bank. Focus on just one perspective can make other areas of strategy suffer.

5.4 Implications of the Study

This section examines the implication of the research on the policy and practice specific to NBK and to other banks in Kenya. The section gives the key recommendations that can be implemented by NBK and to other banks in Kenya to ensure that the challenges faced by these organizations during the adoption of the balance scorecard are minimized or avoided.

5.4.1 Implications for Theory

The findings of the study match with the key postulations of the theory that anchors the study. The Environmental dependency theory states that organizations behaviour and performance is strongly influence by its environment and the indications of the study state that the results that were achieved were also highly dependent on the environment, for example if the same study was carried out in a different context the

results would vary. Therefore in conclusion the postulations of the Environmental Dependency Theory do match with the results of this study (Scott, 2002).

The other theory that underpins the study is the stakeholder theory which looks at the relationship between an organization and its internal or external environment. Therefore both the postulations of the study are in agreement with the key findings of the study. The operations of NBK are highly dependent on its environment and therefore the need to rebrand and restructure due to the increased competition in the industry.

5.4.2 Implications for Policy

From this study, it is clear that NBK has implemented its strategies using the balanced scorecard. From the findings of the study it is clear that the staff was trained after the strategy was already implemented, to avoid the kind of resistance that was initially shown by the staff of NBK the employees can be involved in the strategy formulation process. This will avoid issues like documented strategies not fully implemented.

It is also important to note that separation of strategy development and implementation may lead to a situation where critical issues may be left out of consideration during the strategy formulation stage. In order to correct the situation, the organization should involve its staff in the formulation of its strategies and the BSC.

The study also established that employee training does not necessarily mean effective strategy and BSC implementation. National Bank of Kenya needs to cascade and communicate the balanced scorecard particularly to the lower levels of the organization. This involves training of the lower level staff so as to understand the

whole concept better. As well as training the staff refresher courses should be organized for staff.

The organization needs to come up with a system to monitor and evaluate the effectiveness of the balanced scorecard. This will help NBK to know whether it is on track or changes have to be made. Reviews on all aspects of the scorecard should be conducted frequently.

5.4.3 Implications for Practice

It is evident from the study that challenges faced when using the balance scorecard as a strategic management tool cut across many banks in the banking industry in Kenya. It is therefore recommended that the banks should be proactive when developing their strategies. Organizations in one way or the other should anticipate such challenges and should therefore during the formulation of strategies try to identify the likely internal and external challenges that might affect the strategy implementation process. An action plan should be required to solve this.

The study shows that the adoption of the BSC at NBK concentrates on the employees' aspect and the other perspectives of the BSC are not taken into consideration much. Therefore for successful implementation of strategy all the perspectives of the BSC have to be given equal importance.

During the implementation process, efforts should be made by banks in the industry to identify the challenges after which a faster corrective action should be initiated to resolve them before they adversely affect the organization. In order to achieve this, there should be regular and specific reviews to determine the progress of the implementation of strategy using the balance scorecard. Banks need to bench mark

against best current practices in the industry and adopt the lessons learnt from other banks in the industry.

Another recommendation made is that NBK has to put equal emphasis on all the perspectives of the balanced scorecard so as to ensure that strategy is not skewed towards a particular direction. It should focus on all areas of the balanced scorecard so as to achieve the long term goals and objectives.

The recommendations of this study are made both to the management of National Bank as well as other organizations within the industry or not that wish to use the balance scorecard approach as a strategic management tool.

5.5 Limitations of the Study

The interviewees in this study were senior management and most of the time they were engaged due to their tight schedule and nature of the job. This made it difficult to have an exhaustive interview session with them to answer all the questions that were required to be attended to. Some of the interviewees were not readily available to meet face to face for an interview therefore the interviews had to be carried out on phone and through video conferencing. This had a great impact on the cost of the study.

Another limitation of the study was the objectivity of the interviewees. Most of them would answer the questions with some biasness. The answers given by some of the respondents were more of their personal perceptions instead of factual information. The respondents had personal views on the concept of the BSC which was introduced to the bank therefore the exact position cannot be known.

This study involves just one organization which is NBK and therefore cannot be used for purposes of generalization. One organization is uniquely different from others in the industry and findings from one organization might differ in other organizations hence cannot generalise the findings. Another limitation is that the case study methodology requires intense response to the phenomenon being studied which sometimes can bias the study findings.

5.7 Suggestions for Further Study

This study found out that the BSC seems to improve the understanding of strategy and how it can be used as a strategic management tool.

The BSC had mostly been adopted by multinationals and large Organizations in the country however research has to be done to see how indigenous Kenyan organizations have used the BSC as a strategic management tool.

This study concentrated on National Bank of Kenya. More studies should be undertaken on other organizations already using the BSC to establish how effective the BSC had been in achieving their corporate goals and objectives.

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APPENDICES

Appendix 1: Introduction Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
KISUMU CAMPUS

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Kisumu, Kenya
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P.O Box 19134-40123
Kisumu, Kenya

Date: 21st July, 2015.

TO WHOM IT MAY CONCERN

The bearer of this letter Sihra Kirandeep Kaur

REGISTRATION NO: D61/71490/2014

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, she is expected to carry out a study on "**Application of the balance scorecard at National Bank of Kenya.**"

She has identified your organization for that purpose. This is to kindly request your assistance to enable her complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

Sincerely,

MR. CHARLES DEYA
ADMINISTRATOR, SOB, KISUMU CAMPUS

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Appendix II: Interview Guide

University of Nairobi

NB: *The information gathered will be treated confidentially and will NOT be used for any other purpose other than academic*

Balance scorecard in strategy formulation

How did the BSC help facilitate?

- How did the BSC help facilitate formulation of the strategic direction of the bank in terms of the vision, mission, goals and core values.
- How did the bank apply the BSC in the development of strategic objectives
- How did the BSC facilitate the choice of strategies to help achieve the objectives

Balanced scorecard in strategy implementation

How does the balanced scorecard help/facilitate?

- Development of action plans
- Defining performance indicators for the various activities?
- Assigning responsibility for carrying out various activities
- Estimating resource requirements and application

How does the BSC help align the strategy to?

- The structure of the organization
- The systems and procedures
- The developments of skills

- The recruitment and placement of staff
- The development of leadership
- The culture of the organization

Balanced scorecard in strategy monitoring and evaluation

- How has the bank applied the BSC in monitoring performance?
- Does the bank rely on the BSC when it is evaluating the implementation of strategy
- How does the bank fit within the strategy evaluation framework of the bank
- Does the bank use the BSC to develop controls to help address deviations in strategy implementation

Section B: challenges of the application of the Balanced Scorecard

1. What challenges do you face in using the balanced scorecard in executing your day to day duties?
2. In your opinion would you say that the balanced scorecard is a useful management tool?
 - a) Yes
 - b) No

Please explain.....

3. What would you recommend to improve the balanced scorecard at National Bank of Kenya?