

**EVALUATION OF THE APPLICATION OF BALANCED SCORECARD IN THE
MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE IN
KENYA**

BY

BERNARD ISAAC WEKESA

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DECLARATION

I Bernard Isaac Wekesa hereby declare that this research project is my original work and has not been submitted for examination to any other college, university or institution of higher learning or research for any academic award.

Signed

Date

BERNARD ISAAC WEKESA

Reg. No. D61/68367/2013

SUPERVISORS' APPROVAL

This research project has been submitted by Bernard Isaac Wekesa for examination with my approval as the University Supervisor

Signed

Date

DR. JAMES GATHUNGU PhD, CPS (K)

SENIOR LECTURER

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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DEDICATION

I dedicate this to the memory of my late mother Mellap Namisi who encouraged us to always reach for the sky. Mr. Gaitano Wekesa Opilo (*Harvest*), my dad who imbued the love of books in us at an early stage. My dear wife Joyce, and the children Naswa and Herald. Your prayers, encouragement and unwavering support kept me going. My brothers Edward and Henry, you've always had my back. The rest of the family and friends, your prayers and well wishes energized me.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	iii
DEDICATION.....	iv
TABLE OF CONTENTS	v
ABBREVIATIONS AND ACRONYMS.....	viii
ABSTRACT.....	ix
CHAPTER ONE:INTRODUCTION.....	1
1.1. Background of the Study	1
1.1.1 Concept of Balanced Score Card	2
1.1.2 Performance Management in Kenya.....	4
1.1.3 Ministry of Foreign Affairs and International Trade	5
1.2. Research Problem	6
1.3 Research Objective	8
1.4 Value of the Study	8
CHAPTER TWO:LITERATURE REVIEW.....	10
2.1 Introduction.....	10
2.2 Theoretical Underpinnings of the Study	10
2.2.1 Resource Based Theory	10
2.2.2 Stakeholder Theory.....	11
2.3 The Evolution of the Balanced Scorecard	12
2.4 Application of Balanced Score Card.....	14
2.5 The Balanced Scorecard Perspectives	16
2.5.1 The Customer Perspective	16
2.5.2 The Internal Process Perspective	18

2.5.3 The Learning and Growth Perspective	19
2.5.4 The Financial Perspective	20
2.6 Challenges in the Implementation of the Balanced Scorecard	21
CHAPTER THREE: RESEARCH METHODOLOGY	25
3.1 Introduction.....	25
3.2 Research Design.....	25
3.3 Population of The Study	25
3.4 Data Collection	26
3.5 Data Analysis	26
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS	27
4.1 Introduction.....	27
4.2 Customer Perspective.....	27
4.3 Internal Process Perspective	30
4.3.1 Core Competencies	30
4.3.2 Employee Motivation and Commitment.....	31
4.3.3 Quality of Services.....	33
4.3.4 Adoption of Appropriate Technologies	34
4.4 Learning and Growth Perspective.....	36
4.4.1 Career Development /Continual Improvements	36
4.4.2 Innovation/ Ability to learn/Introduction of New Services	38
4.4.3 Employee Satisfaction and Talent Management.....	38
4.4.4 Employee Development.....	39
4.5 Financial Perspective	40
4.6 Challenges Related to the Implementation of Balanced Scorecard.....	43

4.6.1 Limited Understanding of the Balanced Scorecard	44
4.6.2 Lack of Executive Support.....	45
4.6.3 Lack of Balanced Scorecard Education and Training.....	45
4.6.4 Inadequate IT Support.....	46
4.6.5 Inadequate Personnel	47
4.6.6 Non-Involvement of all Organizational Units	48
4.7 Chapter Summary	49
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS..	51
5.1 Introduction.....	51
5.2 Summary of the Findings.....	51
5.3 Conclusion of The Study	56
5.4 Recommendations of the Study	57
5.5 Implications of the Study	59
5.6. Limitations of the Study.....	59
5.7. Suggestions for Further Research	60
REFERENCES.....	61
APPENDICES	64
Appendix I. Introduction letter to carry out Research from the University of Nairobi	64
Appendix II: Interview Guide.....	65
Appendix III: Ministry of Foreign Affairs & International Trade Organisational Structure.....	68

ABBREVIATIONS AND ACRONYMS

BSC	:	Balanced Score Card
CPPMD	:	Central Planning and Project Monitoring Department
GOK	:	Government of Kenya
NGOs	:	Non-Governmental Organizations
RBM	:	Results Based Management
RBT	:	Resource Based Theory
UN	:	United Nations

ABSTRACT

With an increasingly enlightened and empowered citizenry, the demand on Public Service Organizations to deliver quality services in a cost effective way has never been more pronounced in Kenya than now. Despite most public Sector Organizations developing glossy Strategic Plans, this has not been matched by performance in the, especially in the management of public resources and the delivery of services which is partly attributable to lack of effective strategic Management tools. One of the more popular tools is the Balanced Score Card. This study set out to evaluate the application of the Balanced Scorecard in the Kenyan public Sector. Specifically, the study sought to examine the extent to which the Ministry of Foreign Affairs & International Trade applies the four perspectives of the BSC in its strategic planning and the impact this has on its performance as well as the challenges. Chapter one presents the background of the study and discusses the concept of Balanced Score Card, performance management in Kenya and an overview of the Ministry of Foreign Affairs and International Trade where the research is undertaken. The chapter also sets out the research problem, research objective and outlines the value of the study. Chapter two present both the theoretical and empirical literature. The theoretical foundation of the study discusses the Resource Based Theory and the Stakeholder Theory while the empirical literature focuses on the origins and evolution of the Balanced Scorecard, the Balanced Scorecard perspectives, challenges in the implementation of the Balanced Scorecard and the research gap. Chapter three presents the methodology adopted by the study. The study adopted a case study research design targeting desk officers in charge of Performance Contracting within departments, directorates and units at the Ministry of Foreign Affairs and International Trade. The data was collected using an interview guide and analyzed using content analysis. The study concluded that though the BSC offers a lot of potential for effecting strategic planning, monitoring and evaluation, the Ministry has not optimized assess its strategic planning and generate results that translate into actionable policies. The Ministry of Foreign Affairs and International Trade has been moderately successful in evaluating of customers perspectives, internal processes, learning and growth and financial performance. The study recommends improved understanding of the balanced scorecard across all organizational units, full support of executive on implementation of BSC, more education and training on BSC, adequate IT support, adequate personnel responsible for implantation of BSC, implementation of BSC across all organizational units, employee commitment to performance evaluation.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The Balanced Score Card (BSC) is a performance management tool that is meant to help translate an organization's strategy into clear objectives, measures, targets, and initiatives organized in the four perspectives of financial, customer, business processes, and human resources or innovation and learning (Kassahun, 2010). The Balanced Score Card was originally developed as a performance measurement system in 1992 by Kaplan and Norton at the Harvard Business School. The two later developed it into a performance management tool that can evaluate the performance of an organization by focusing on four perspectives and the linkages between them. By developing indicators for the different factors, the balanced scorecard can provide an organization with the necessary tools for performance measurement and monitoring, directly addressing multiple aspects that support the overall vision and strategy (Kaplan and Norton, 1992). The BSC emphasizes continuous improvement and not just attainment of the set objectives because in the words of Kaplan (2010), if an organization does not continually improve, it will eventually lose out to competitors that do.

This study is underpinned by two theories The Resource Based View Theory and the Stakeholder Theory. The two theories have a close correlation with the four perspectives of the Balanced Score Card. According to Wernerfelt (2004), the Resource Based Theory focuses on internal strengths and weakness of the resources available in an organization and how these can be leveraged on to create sustainable competitive advantage. Though

the internal processes are important to the achievement of business results, the external view from the customers' and market position (Olve et al., 2003) cannot be ignored. On the other hand, the Stakeholder theory focuses on the role of stakeholders in achieving organizational goals especially the relationship between management and other stakeholders (Kaplan & Norton, 2004). The core argument behind the stakeholder theory is that organizations which manage their stakeholder relationships effectively are likely to survive longer and perform better than organizations that don't Freedman (1984).

The Public Sector in Kenya has increasingly come under scrutiny due to poor service delivery and mismanagement of resources. It is for this reason that the Government of Kenya introduced Results Based Management (RBM) in the Public Service in 2004 as a deliberate policy aimed at improving performance, service delivery and governance in the Public Sector (GOK, 2005). To measure the impact of this reform, Performance Contract Reporting was instituted. Performance

Contracting encompasses aspects of the BSC. It measures how different organizational units create value for current and future customers, how they build and enhance internal capabilities, the investment in people as well as systems and procedures necessary to improve future performance.

1.1.1 Concept of Balanced Score Card

The balanced scorecard model was developed as a means for addressing both the strategy development process and to help monitor the achievement the strategy. It does this by translating an organization's mission and strategy into a comprehensive set of

performance measures that provides the framework for strategic measurement and management (Kumari, 2011). Applying measures on these four perspectives moves the evaluation away from being merely a control element towards a tool for putting strategy into action (Kaplan and Norton, 2001).

In its implementation, the four perspectives of the scorecard permit a balance between short-term and long-term objectives, desired outcomes and the performance drivers of those outcomes, and between the objective measures and softer, more subjective measures. According to Niven (2006), the Balanced Scorecard aims to document and test the assumptions which are inherent in the strategy in a cause-and-effect relationship (Olve et al. 1999). The Balanced Scorecard contains a mix of lagging (performance objectives) and leading indicators (performance drivers).

The benefit of developing cause-and-effect relationships amongst the BSC measures has generated conflicting views and practical application difficulties among both practitioners and researchers. Malmi (2001) found out that early BSC adopters did not understand the linkages or relationships between the different measures very well. Much of the failures in implementing the scorecard is attributable to the lack of the 'technical know-how' (Chan and Ho, 2000). The empirical data provides little guidance on how to 'balance' the disparate measures (Malmi 2001). Nevertheless, research relating to the BSC or to 'multi-dimensional performance measurement' approaches is continuing and organizations in the public and not-for-profit sectors have followed the private organizations in adopting the BSC, suggesting that it remains an area under continuous empirical research (Vesty, 2004).

1.1.2 Performance Management in Kenya

One of the key priorities of the Kenya Government is to implement and institutionalize public sector performance whose aim is to have a service that is lean efficient, effective and accountable to the citizens (GOK, 2005). Results Based management was introduced as a key reform intervention aimed at improving Public Sector Performance.

Results Based Management (RBM) is a participatory and team based management approach designed to achieve defined results by improving planning, programming, management efficiency, effectiveness, accountability and transparency (CIDA, 2001). The introduction and institutionalization of the RBM concept in the Public Service was aimed at refocusing the public servants mind-set on results in service delivery to citizens (GOK, 2005).

The Performance Contract is a management tool for measuring performance against negotiated performance targets (Kobia and Mohammed, 2006). Performance Contracts are freely negotiated agreements between the government acting as the owner of an agency and the management of the agency. In the Kenyan context, a performance contract is a written agreement between the government and a 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 (July to June) and performance measured against agreed targets (GOK, 2005).

1.1.3 Ministry of Foreign Affairs and International Trade

The Ministry of Foreign Affairs and International Trade was established after independence, as the External Affairs Department under the then office of the Prime Minister. The offices were located at the then Government House, currently known as State House (Republic of Kenya, 2015). Like all government organizations, the Ministry undergoes the performance contracting process annually. The PC provides a unifying framework within which performance can be managed in the public service to achieve the goals outlined in the Jubilee Manifesto and the government blueprint for development. Performance Contracting is based on the premise that what gets measured, gets done. Over the years, the Ministry has striven to meet and exceed the expectations of its many stakeholders.

The stakeholders in the Ministry include: the Ministry Staff, the County Governments, the Senate, the Kenyan Public, foreign nationals, Kenyans living and travelling abroad, suppliers and merchants, non –state actors such as NGOs, the media, foreign missions accredited to Kenya, foreign governments, the United Nations (UN) and international organizations as well as development partners (Republic of Kenya, 2015).

In the current performance contracting dispensation, the Ministry monitors and evaluates its activities and performance on a quarterly and annual basis (Republic of Kenya, 2015). The design, monitoring and evaluation of the implementation of the strategic is coordinated by the Central Planning and Project Monitoring Department (CPPMD), a division in the Ministry. The rest of the divisions in the Ministry have to work submit

their quarterly reports to the Central Planning and Project Monitoring Department. Through SWOT analysis, the Ministry has singled out weak performance monitoring and evaluation as one of the key challenges to the attainment of the strategic objectives. (Republic of Kenya, 2015).

1.2. Research Problem

Since 1993, the Kenyan Public Sector has undergone a myriad of reforms intended to improve strategy execution and delivery of service to Kenyans in an effective and efficient way (GoK, 2010). One of the key initiatives was the introduction of Performance Contracting as a uniform tool for measuring output and monitoring the attainment of set targets. Performance contracting is a requirement in all government institutions and ministries as part performance management in the public sector (Kobia and Mohammed, 2006). The Performance Contracting process adopts the many aspects of the Balanced Score Card (BSC) as a management technique to develop, implement, and evaluate corporate strategy.

Introduction of the PC has been lauded for the notable improvement in the development of strategies in most public Sector Organizations in Kenya. Nevertheless, the government acknowledges that poor performance in the public sector remains a challenge, especially in the management of public resources which has hindered the realization of sustainable economic growth (GoK, 2010). One of the explanations for this is the discordance between strategy formulation and its implementation on the one hand and the evaluation of the strategy.

Welch and Welch (2005), assert that most companies underperform due to the breakdown between strategy and operations. This holds true even for Public Sector Organizations. Since the BSC has been lauded as an effective tool for translating strategic plans into actionable strategy maps that link performance goals to strategy execution and the overall mission and vision of the Organization, the extend of its application in the Public Sector and its impact is still not well documented.

A lot of research on the Balanced Scorecard has been undertaken in the Private Sector. Most of these agree that the scorecard is an effective strategic management tool but point that that its implementation is bedeviled by many challenges. The challenges include: limited understanding of the Balanced Scorecard (Othman, 2009), lack of executive sponsorship (Niven, 2005), lack of Balanced Scorecard education and training (Niven, 2006), the strategy is not formulated in a strategy map, inadequate IT support (Olive et al., 2003), an inadequate project team (Collins (2001), not involving the whole organization (Othman et al., 2006), inadequate Key Performance Indicators (Olive et al., 2003) and lack of planning and communication (Niven 2005).

Several empirical studies on BSC have been carried out in Kenya. For example, empirical studies have focused on the application of the balanced scorecard by state corporations in the Ministry of Information and Communication (Kinoti, 2011) and companies such as Kenya Electricity Generating Company (Gitachu, 2012) and Kenya Commercial Bank (Otieno, 2010). Cheche and Muathe (2014) carried out critical review of literature on performance contracting in Kenya and concluded that available research is not conclusive on the success of performance management based on small samples that cannot be used

for meaningful conclusions. This study intends to bridge the research gap by evaluating the application of the Balanced Scorecard in the Ministry of Foreign Affairs and International Trade which is as a result of the mandate bestowed on it, is one of the key pillars for the transformation of Kenya into a Middle Income Country by 2030.

The study answered the following research questions: How the Ministry of Foreign Affairs and International Trade applies the BSC to enable it meeting the ever changing needs of its customers, how it uses the BSC tool to continuously improve its internal process as well as its learning and growth and; finally, how the BSC has impacted on its financial performance. The study also seeks to establish the challenges the Ministry faces in the implementation of the Balanced Scorecard as a strategic management and performance tool.

1.3 Research Objective

The study seeks to o evaluate the application of the Balanced Scorecard in the Kenyan public sector.

1.4 Value of the Study

The results of this study will help government institutions to come up with performance evaluation measures that looks at the organization and how it relates to its environment holistically as stipulated in the Balanced Scorecard. The government will use the findings of the study to formulate policies that improve effectiveness and efficiency in performance monitoring and evaluation.

The study will furnish managers and leaders in government and non-governmental institutions with important information on performance management specifically performance evaluation. Managers and leaders will use the study findings to improve performance evaluations in their institutions. Moreover, government and non-governmental institutions will use the findings of the study to formulate effective performance evaluation strategies that will lead to improved financial and non-financial performance.

The study will contribute to the existing body of academic knowledge on performance evaluation. Researcher and scholars in performance management will use the findings of the study as source of reference during further studies on performance monitoring and evaluation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents review of pertinent literature. The chapter covers both theoretical and empirical literature. The chapter is structured into: theoretical review, the origins and evolution of the Balanced Scorecard, the Balanced Scorecard perspectives, challenges in the implementation of the Balanced Scorecard and research gap.

2.2 Theoretical Underpinnings of the Study

The theoretical foundation of the study constitutes the resource based theory and systems theory. The two theories form the basis of performance evaluation in an organization.

2.2.1 Resource Based Theory

The Resource Based Theory (RBT) focuses on the internal strengths and weakness in organizational resources, showing how processes are managed and how the resources are allocated and deployed, all in order to assist in the implementation of the strategies (Wernerfelt, 2004). According to Montgomery (2004) the resource-based perspective therefore means that there is a certain focus on resources owned by the company or by its partners and the various resources that can explain company performance and long term growth or decline. The resource-based perspective aims to give a picture of a company resource before and during decision-making processes and business strategies in company Montgomery (2004).

According to Barney (2003) to successfully implement strategies, resources have to be strategic. The resource based perspective in a contemporary view includes a company's elements such as structure, communication within a team and commitment of the key players in an organization. The effectiveness of firm strategies depends on the utilization and exploitation of existing resources. These resources create unique, firm-specific opportunities for exploitation (Montgomery, 2004) by the organization.

2.2.2 Stakeholder Theory

Management control scholars who apply stakeholder theory to performance measurement, believe performance measurement design starts with stakeholders (Neely and Adams, 2002). The stakeholder approach to performance measurement starts by defining objectives for what each stakeholder group expects from the corporation and how each group contributes to the success of the corporation. Once stakeholder expectations or, even further, implicit and explicit contracts between the stakeholders and the corporation get defined, the corporation then defines a strategy to meet these expectations and fulfill the contracts. Thus, while the Balanced Scorecard approach starts with strategy and then identifies the inter-relationships and objectives for various stakeholders, the stakeholder approach starts with stakeholder objectives and, in a second step, defines a strategy to meet shareholder expectations (Neely and Adams, 2002).

The focus of stakeholder theory asks two core questions of organizations (Kenny, 2003). The first is what is the purpose of the firm? This aimed at encourages managers to articulate the shared sense of the value they create to enable an organization generate

outstanding performance, determined by both its purpose and market place financial metrics. The second questions seeks to understand the responsibility management has towards stakeholders? This pushes managers be clear about the kind of relationships they want and need to create with their stakeholders to deliver on their purpose (Kenny, 2003).

2.3 The Evolution of the Balanced Scorecard

The Balanced Scorecard was developed by Robert Kaplan, a Harvard University professor, and David Norton, a consultant from the area of Boston. In 1990 they started research in several companies with the aim of exploring new methods of performance measurement. Traditionally, industries had been relying mainly on financial measures to indicate performance. Many criticisms arose about using only financial measures to track organization performance. In their study, Kaplan and Norton argue that financial measures were too one sided and not relevant to many levels in the organization and that reliance only on financial measures may affect the ability of organizations to create value (Niven, 2006).

Kaplan and Norton (1992) argue that focusing exclusively on financial performance measurements worked well in the era of industrialization, but in the era where new competences were emerging, financial measurements are not enough. The Balanced Scorecard should therefore provide answers to four basic questions that look at the business from four important perspectives (Kaplan and Norton, 1992): how do customers see the business? (Customer perspective), what is it important to excel in? (Internal process perspective), can the business continue to improve ability and create value?

(Learning and growth perspective) and how do shareholders see the business? (Financial perspective).

From its development as a performance measurement tool, the Balanced Scorecard has considerably evolved. According to Lawrie and Cobbold (2004), the evolution of the Balanced Scorecard may be represented by three generations of Balanced Scorecards. They concluded that the evolution of the BSC was mainly driven by the empirical evidence of weaknesses found in previous generations. In the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid-1990s the focus moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool (Othman et al., 2006).

The main concern of the first generation of the Balanced Scorecard as a performance measurement tool was to solve the measurement problem of balancing the accuracy and integrity of financial metrics with the drivers for future financial success (Niven, 2005). Lawrie and Cobbold (2004) argue that in the original design of the BSC concept, the selection of which measures to include was not sufficiently clear. This was evident in two respects: the organization did not know what measures to include in the Scorecard, and it was not clear which measures should appear for which perspective.

To overcome these weaknesses, Kaplan and Norton (1993) introduced the concept of strategic objectives. In their view, there should be direct mapping between each strategic objective placed in the four perspectives with one or more performance measures. This would provide justification for the selected measures. In addition, they link the strategic

objectives in a tool called a strategy map to show the causality between them (Lawrie and Cobbold, 2004). From a strategic measurement system, the Balanced Scorecard evolved into a strategic management system with the intention of supporting management in the implementation of strategy (Niven, 2005).

The criticism of the second generation of the BSC was based on the lack of interpretation and understanding of the vision and mission statements from lower levels of the organization, which were preserved only for high level management (Lawrie and Cobbold, 2004). Niven (2006) argues that the use of a Balanced Scorecard may be seen as a tool for measuring performance, a strategic management tool, and a tool for communication. Enhancing the communication role of the BSC was the goal of the third generation of its development. According to Niven (2005), company strategy should be understood not only by executives, but it should be transformed into simple objectives and measures understood by all the people in the company and this should lead them to achieve real results. The third generation of the Balanced Scorecard aimed to reach all levels of the organization by cascading high level Balanced Scorecards to lower levels. Further, through the description in the strategy map, the BSC should show all employees what they must do in each of the four perspectives in order to execute the company strategy.

2.4 Application of Balanced Score Card

In the present environment, governments have come under constant and continual pressures from both internal and external sources to demonstrate improvements in performance and achievement of goals and objectives (Hoque and Adams, 2008). As a

result, they now place more emphasis on the implementation of BSC type performance measurement diversity than ever before.

Prior to the development of the Balanced Scorecard, the performance reports of government and non-profit enterprises including the public sector enterprise focused only on financial measures, such as budgets, funds appropriated, donations, expenditures, and operating expense ratios (Vichore, 2013). However, the performance of government including the public sector enterprise cannot be measured by financial indicators. Their success has to be measured by their effectiveness in providing benefits to constituents. The measured improvement in such case is the social impact objective. One additional modification is required to expand the customer perspective. Donors or taxpayers provide the financial resources while the, receive the service. Both constituents (citizens and beneficiaries) and resource suppliers (donors) should be placed at the top of a government strategy map (Vichore, 2013).

The application and implementation of the BSC can be an important measure of government management innovation, and plays an important role in the process of function transition and administrative system reform (Jiang and Liu, 2014). The public sector provides public services, taking public interest as value orientation, so both administrative performance evaluation standards and activities must reflect the social justice and reasonable. Strengthening the service consciousness and cost-benefit concept, the government managers should aware the importance of citizen participation in assessment and performance evaluation of democracy, whose purpose and the endpoint is the power back to the public (Jiang and Liu, 2014).

The benefits of using balanced scorecard as a strategic management system are linked to the structure of a balanced scorecard process. First, there is a lot of evidence supporting an argument that a balanced scorecard translates a strategy into operational terms (Fried, 2010).

Jiang and Liu (2014) argue that the administrative expenditure on non-productive social spending, the funds once used, it will cause the social consumption of material goods. If the government administrative costs too much, the government had to compression for infrastructure investment, economy, education, health and other aspects of the expenditure, thus affecting the entire public goods allocation efficiency. So the financial index should be focus on administrative costs and administrative expenses of the effectiveness and rationality. Select the quantity and quality of public service, public management goals, the policy level and effect, beneficial result of public management stands for financial status.

2.5 The Balanced Scorecard Perspectives

The original Balanced Scorecard designed by Kaplan and Norton identified four perspectives. The four perspectives are: the customer perspective; the internal process perspective; the learning and growth perspective; and the financial perspective.

2.5.1 The Customer Perspective

The customer perspective focuses on how an organization can share the customer interface to increase total customer value (Kaplan, 2010). The Customer Perspective should ask how an organization appears to customers in order to achieve the

organization's vision and mission. Niven (2006) argues that to achieve positive financial results, organizations need to create and deliver products and services which customers perceive as adding value. According to him, the measures in the customer perspective should answer three questions: What are our target groups of customer? What do they expect or demand from us? What would the value proposition for us be in serving them? The value proposition may be chosen within three differentiators (Kaplan and Norton, 2000): Operational excellence (focus on low price and convenience), Product leadership (offer the best product in the market) and, Customer intimacy (focus on long-term customer relationship through a deep knowledge of their needs). The most common measures for this perspective include: customer satisfaction, customer loyalty, and market share (Niven, 2006).

This perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. This will result from price, quality, availability, selection, functionality, service, partnerships and brand value propositions, which will lead to increased customer acquisition and retention (Gekonge, 2005). The BSC demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. Customers' concerns tend to fall into four categories: time, quality, performance and service, and cost. Satisfied customers buy a product again, talk favorably to others about the product, pay less attention to competing brands and advertising, and buy other products from the company (Kotler & Armstrong, 2004). Recent management philosophy has shown an increasing realization of the

importance of customer focus and customer satisfaction in any business (Chabrow, 2002; Holloway, 2002; Needleman, 2003).

2.5.2 The Internal Process Perspective

This perspective focuses on all activities and processes that are critical for the organization in providing the expected value for the customers (Jiang and Liu, 2014). The main condition in obtaining the desired results from process improvements is to assess the organization performance, to identify the possible problems that affect the quality of the products. The internal business process focuses on the internal operations of the organization, enabling managers to evaluate their businesses efficiently. Effectiveness and administrative work of business processes fully reflects the government service, to solve the problem of government function vacancy, offside and dislocation of government functions, the key to social management and public service, safeguard the legitimate rights and interests of the masses, accelerate the process of function change (Jiang and Liu, 2014).

According Gekonge (2005), internal processes perspective focuses on the internal business results that lead to financial success and satisfied customers. To meet the organizational objectives and customers' expectations, organizations must identify the key business processes at which they must excel. These key business processes are monitored to ensure that outcomes will always be satisfactory. The internal processes perspective reports on the efficiency of internal processes and procedures. The premise behind this perceptive is that customer-based measures are important, but they must be

translated into measures of what the organization must do internally to meet its customers' expectations (Gekonge, 2005).

2.5.3 The Learning and Growth Perspective

The next perspective is represented by the Learning and Growth Perspective. By measuring the organization's ability to innovate, improve, and learn, the Learning and Growth Perspective identifies the needed infrastructure to support the other three perspectives. Niven (2006) argues that measures of the Learning and Growth Perspective are the enablers of the other perspectives and represent the foundation of the Balanced Scorecard. Knowledge, employee skills and satisfaction, the availability of information and adequate tools are frequently the source of growth and therefore the most common measures of this perspective (Niven, 2006).

The learning and growth perspective examines the ability of employees (skills, talents, knowledge and training), the quality of information systems (systems, databases and networks) and the effects of organizational alignment (culture, leadership, alignment and teamwork), in supporting the accomplishment of organizational objectives (Gekonge, 2005). Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information and led by effective leadership, are driving them. They will lead to production and delivery of quality products and services; and eventually successful financial performance (Gekonge, 2005).

2.5.4 The Financial Perspective

Although the Balanced Scorecard was developed in part as a reaction against the excessive reliance on financial measures, the financial measures are still an important component of the Balanced Scorecard (Niven, 2006). Measures in the Financial Perspective indicate whether the implementation of the company strategy and its execution are contributing to the improvement of bottom-line results. Focusing resources, energy, and capabilities on customer satisfaction, quality, knowledge, and other factors in the other perspectives without incorporating indicators showing the financial returns of an organization may produce little added value. The Financial Perspective focuses on measures which have the goal of enhancing shareholder value. The most commonly used measures are derived from the objectives of revenue growth and productivity, such as return on equity, return on investment, revenue, gross margin, and other indicators (Niven, 2006).

The financial performance measures define the long-run objectives of the business unit (Kaplan, 2010). Financial measures indicate whether the organization's strategy implementation and execution are contributing to bottom-line improvement. A well-designed financial control system can actually enhance an organization's management system. The performance measures in this perspective include improved cost structure and increased assets utilization using the productivity improvement strategy, on one hand and on the other hand enhanced customer value and expanded revenue opportunities through revenue growth strategies. The financial perspective emphasizes cost efficiency,

that is, the ability to deliver maximum value to the customer at minimum cost and sustained stakeholder value (Gekonge, 2005).

2.6 Challenges in the Implementation of the Balanced Scorecard

According to Othman (2009), one reason why BSC initiatives fail is that many initiatives are not Balanced Scorecard programs in the first place. Due to limited budgets or because of the perceived simplicity of the tool, BSC education and training are very often preserved only for high-level managers or only for project team member (Niven, 2006).

Othman (2009) points out that the use of a Balanced Scorecard must be preceded by the formulation of the strategy. Some of the reasons for confusion and contention in developing KPIs are the absence or poor development of a strategy map. In a Balanced Scorecard without a map, people would hardly adopt the KPIs and they would not be committed either to them or to the strategy (Othman, 2009). IT should act as a facilitator and has an important role as support at different stages of the BSC initiative in terms of: preparing the initial stages of the BSC project (Olve et al., 2003). The design of the project team is a fundamental step. Many Balanced Scorecard ambitious initiatives have failed just because they were led by ineffective teams. Without a formal plan showing the implementation path in advance there is the risk of confusion. Even if there is high interest among employees and a readiness to collaborate, a lack of organization may lead to failure (Niven 2005).

2.6.7 Summary of Knowledge Gaps

The table below summarizes the knowledge Gaps in studies undertaken on the Balanced Score Card in both the Private and Public Sector. Among the key findings was that most of the studies did not evaluate the Financial Perspective of the Score despite it being a major component of the BSC. Additionally, one of the studies could not get information on key informants because they were too busy. This cast a doubt on the results of the findings. Nevertheless, most of the studies were unanimous on the usefulness of the BSC as Strategic Management tool.

Table 2.1: Summary of Literature Review and Knowledge Gaps

Study	Focus	Methodology	Findings	Knowledge Gap
Akinyi and Moturi (2015)	To analyze the Balanced Scorecard concept to audit performance of e-Government services at Kenya Revenue Authority	Case study research design Data collected using questionnaires. Judgment sampling techniques	User Orientation Business Value Internal Process Future Readiness	1. The Questionnaire could not capture insights from key informants thus need for an interview guide 2. The study did not evaluate financial and learning and growth perspectives
Gitachu (2012)	To determine the challenges of application of the balanced scorecard as a strategy implementation tool in KenGen	Case study research design Data collected using interview guide Secondary data	Not specified	1. The specific objectives were not specified. 2. Some key informants did not participate in the study due to

		collected Content analysis used		busy work schedule. The study did not look at customization of the balanced scorecard perspectives to suit organizations. 3. Financial perspective was inadequately covered
Ruzita, Azhar and Hasan (2012)	To examine the extent to which performance measures are used in a balanced manner in accordance to BSC	A survey. Data collected using questionnaires. Analysis used descriptive statistics.	Design of BSC Implementation of BSC. Benefits of BSC.	1. The study did not evaluate the perspectives of BSC. 2. No interview of the key informants 3. No qualitative data was collected.
Kinoti (2011)	To examine the adoption of the balanced scorecard by state corporations within the Ministry of Information and Communication in Kenya.	Survey research design. Data collected using questionnaires Secondary data collected. Data analysis using descriptive statistics.	Extent of adoption of BSC. Benefits of BSC	1. No interview of the key informants 2. No qualitative data collected 3. The study did not look at the application and the challenges in the use of BSC

<p>Otieno (2010).</p>	<p>To examine the role of balanced scorecard as a strategic management tool in Kenya Commercial Bank</p>	<p>A case study. Data collected using interview guides. Secondary data collected. Content analysis used.</p>	<p>Not specified</p>	<ol style="list-style-type: none"> 1. The study did not evaluate the perspectives of the BSC. 2. The study recommended that an in depth research needs to be done on junior employees to get how they view the BSC and to understand the challenges they get from top management.
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Source: Researcher

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology adopted by the study. The chapter covers the study design, the target population, the sampling design, data collection methods, and data analysis methods.

3.2 Research Design

The study adopted a case study research design. The study was a case of the Ministry of Foreign Affairs and International Trade in Kenya. The study was carried out at the Ministry of Foreign Affairs and International Trade headquarters in Nairobi, Kenya. The case study research design was selected because it enabled critical analysis and an indepth understanding of the application of the Balanced Scorecard in the Kenyan Public Sector.

3.3 Population of The Study

The target population comprised of desk officers in charge of performance management within departments, directorates and units at the Ministry of Foreign Affairs and International Trade. The desk officers are in charge of quarterly performance reports and evidence which they submit to the Central Planning and Project Monitoring Department (CPPMD). CPPMD handles performance contracting which entails coordination of annual performance targets, implementation and evaluation of agreed targets in the Ministry. The following are the organizational units at Ministry of Foreign Affairs and

International Trade: 16 departments, 10 directorates, 6 units (Ministry of Foreign Affairs and International Trade, 2015). This resulted in a total of 32 desk officers.

3.4 Data Collection

The study used interview guide to collect data from the key informants. The key informants comprised of desk officers in charge of performance management within departments, directorates and units at the Ministry of Foreign Affairs and International Trade. Key informant interviews are qualitative in-depth interviews with people who know what is going on in the community. The purpose of key informant interviews was to collect information from desk officers who are experts with substantial knowledge and understanding on the application of the Balanced Scorecard in the Kenyan public sector.

3.5 Data Analysis

The study collected qualitative data which was analyzed using content analysis. Content analysis is a methodology in social sciences for studying the content of communication (Baxter and Jack 2008). Content analysis determine the presence of certain words on concepts within texts or sets of texts. Researchers quantify and analyze the presence, meaning and relationships of such word and concepts, then make inference about the messages within the text. Qualitative data from interview of Key informants was transcribed and key patterns, trends and themes and concepts drawn out to illustrate and explain the application of the Balanced Scorecard in the Kenyan public sector.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The main objective of the study evaluate the application of the Balanced Scorecard in the Kenyan public sector. Specifically, the study sought to examine the application of BSC in the evaluation of customers, internal processes, learning and growth and financial performance in the Kenyan public sector. The study also sought to establish challenges encountered in the implementation of the Balanced Scorecard in the Kenyan public sector.

4.2 Customer Perspective

The first objective of the study was to examine the application of BSC in the evaluation of customers in the Kenyan public sector. The study established that the application of the Balanced Score Card as performance measurement tool has been moderately successful in the assessment of customer perspectives at the Ministry of Foreign Affairs and International Trade. The respondents stated that performance evaluation using BSC had not been able to contribute to policy transformation towards customer satisfaction at the Ministry of Foreign Affairs and International Trade. One of the respondents cited a recent case in which protesters have been camping at the head quarter of Ministry of Foreign Affairs and International Trade in Nairobi over the detention of five Kenyan in South Sudan. The respondents stated that ministry has not been effective in their communication with the family members leading to a series of protests in which family members request for transparent engagement with the Ministry of Foreign Affairs and

International Trade. A desk officers in the public relations department at Ministry of Foreign Affairs and International Trade stated that if BSC was effective in its contribution to policy development, the Ministry would have been able to institute efficient channels of communication thus avert the public outcry over government's commitment in cases such as that of Kenyans detained in South Sudan and labor challenges encountered by Kenyans working in Saudi Arabia and United Arab Emirates.

The respondents stated that application of BSC at the Ministry of Foreign Affairs and International Trade is yet to contribute to improved service delivery to customers through detailed analysis of what the organization think about what your customers need, generating policy document outlining how the ministry plans to meet customer needs, incorporation of customer feedback in policy formulation,

The study established that the application of BSC has not improved service delivery to customers through capacity building in the human resource. The respondents stated that results from performance evaluation at the Ministry of Foreign Affairs and International Trade have not been translated into executable policies on human resource capacity enhancement towards better customer satisfaction. The results from BSC does not provide a clear roadmap on the customization of training programs on the role of human resource in customer satisfaction. The establishment of the links between information communication technology available at the ministry and training needs among the staff in ensuring high rates of customer satisfaction.

According to the respondents, the application of Balanced Score Card at the Ministry of Foreign Affairs and International Trade has been moderately effective in policy development towards enhancement of service delivery to customers through of availability of new services to customers, reduction of lead time required by the Ministry to meet customers' needs, availability of responsive services that are convenient to customer, on-time service delivery, high quality of services delivered, improved accuracy of the organization's service delivery forecasts. Moreover, BSC has moderately contributed to creation of value to customers visiting the ministry, the translation of goals for time, quality, performance and service into specific measures; development of partnerships with customers, integration of information communication technology in customer services , monitoring and evaluating specific goals on customer needs.

The study established that performance evaluation at the Ministry of Foreign Affairs and International Trade using BSC has not successfully guided policy formulation and implementation regarding customer acquisition, customer satisfaction, customer loyalty and customer retention. The respondent stated that Balanced Score Card at the Ministry of Foreign Affairs and International Trade has not clearly specified the following considerations on customers: The target groups of customer, What the customer expect or demand from the Ministry, What the value proposition would be for the ministry in serving the customers, Operational excellence in terms of convenience to customers, service leadership by offering the best service in the public sector and customer intimacy in regards to focus on long-term customer relationship through a deep knowledge of their needs.

4.3 Internal Process Perspective

The second objective of the study was to investigate the evaluation of internal process perspective in the Kenyan public sector using BSC. The study examined how successful the core competencies of employees, employee motivation, employee commitment, employee performance, quality of services, adoption of appropriate technologies, research and development, financial management and safety incident index.

4.3.1 Core Competencies

The respondents stated that balanced scorecard has been moderately successful in the evaluation of core competencies at the Ministry of Foreign Affairs and International Trade. BSC focuses on the application of job knowledge specific to the technical, professional, and administrative functions as demonstrated through the application of procedures and principles to daily activities. The Ministry of Foreign Affairs and International Trade uses BSC to evaluate decision making and problem solving processes in the organization through focus on the ability to investigate, analyze key issues, benefits, costs, consequences, and to recommend practical solutions.

According to a desk officer the Central Planning and Project Monitoring Department (CPPMD) within the Ministry of Foreign Affairs and International Trade, Balanced Score Card in the Ministry of Foreign Affairs and International Trade focuses on service orientation among the staff by examining the ability to develop positive and supportive working relationships with internal and external clients that are built on trust and

integrity. Balanced Score Card examines whether staff solicits feedback and incorporates clients' perspective in all decisions and actions.

The respondents stated that the application of BSC as a performance evaluation tool at has moderately contributed to the improvement of communication and teamwork or interpersonal skills at the Ministry of Foreign Affairs and International Trade. In regards to communication skills, the ministry apply BSC to evaluate the ability to organize and present information in a concise, understandable, and professional format to a variety of audiences. BSC evaluates teamwork or interpersonal skills by focusing ability to work cooperatively with others to accomplish joint tasks and common objectives and familiarity with team dynamics and ability to foster collaboration. However, the respondents stated that BSC has not been successful in evaluating complementary competencies such as flexibility, adaptability, individual planning and project management at the Ministry of Foreign Affairs and International Trade. The results was emphasized by one of the respondents who stated that the Ministry of Foreign Affairs and International Trade is yet to optimally utilize Balance Score Card in improving individual planning through organized work that maximize time, meet deadlines or other productivity standards, identifying and resolving issues at work and managing resources to achieve the best outcome.

4.3.2 Employee Motivation and Commitment

The study established that the Ministry of Foreign Affairs and International Trade uses BSC to assess employee motivation and commitment to work. The BSC assess whether

the ministry provide motivational support to its employees and strives towards enhancing their commitment to work, recognizes and rewards staff for their achievements, acknowledges and thanks staff for their contributions, identifies and promptly tackles morale problems and organize for talks or presentations that energize staff. According to one of the respondents, there are many reasons why employees in the public sector are not motivated. One explanation is the absence of practical recommendations from performance evaluation methods such as Balanced Score Card. Managers in the Kenyan public sector have to internalize that employee performance, productivity, and retention are all depending notably on their ability to motivate thus the need for effective performance evaluation.

The above statement imply that application of BSC at the Ministry of Foreign Affairs and International Trade and the Kenyan public sector can achieve optimal results on employee motivation if performance evaluation is reviewed to ensure realization of practical recommendation. The respondents further stated that BSC should focus on employee motivation on the basis of harmonization of remuneration across public sector in Kenya. The respondents cited the recent teachers strike as a case of accrued failure in performance evaluation over the years. A respondent observed that while offering rewards, as well as recognition, managers should make sure they do not demotivate unrewarded employees. Therefore, it is important to keep a sense of fairness in the process by basing rewards and recognitions on clear guidelines and by linking them to employee performance. Only then will the rewards and recognitions achieve their full motivational capacity on the one hand, and prevent grievance on the other.

The respondents stated that it is especially important for BSC to evaluate sound behavior-reward linkages when the rewards include promotion or financial bonuses in the Kenyan public sector. This can be realized by using an effective performance appraisal system. However, such a system is often extremely bureaucratic and includes a great amount of paper work as well as in-depth and time consuming appraisal talks. BSC is yet to establish means through which the Ministry of Foreign Affairs and International Trade can streamline efficiency in performance appraisal system.

4.3.3 Quality of Services

The study established that evaluation of service deliver is at the center stage of performance evaluation systems in Kenya. The most important is the Rapid Results Initiatives (RRI) through which the government of Kenya intended to change the poor public perception through improved service delivery and adherence to work ethics in service delivery to the ministries' customers. The focus therefore was on quality and ethical services because majority of the members of the public affected by the corrupt activities were those seeking various services from the ministry's offices down to the grass root level.

According to the respondents, the use of BSC to evaluate service delivery intends to generate results that accelerates implementation of plans and priorities in the Rapid Results Initiatives, builds support for large-scale change efforts by overcoming inertia and resistance to change, helps leaders adapt and refine implementation strategies,

accelerates learning and discovery and reduces hidden risks inherent in long-term strategies.

The respondents stated that BSC has not been successful in measuring the gap between service users' perceptions and expectations across a series of standardized dimensions (such as tangibles; reliability; responsiveness; assurance and empathy) characterizing service in the Kenyan public sector. A respondents stated that critical evaluation of standardized dimensions in the Kenya public sector may provide insufficient focus or detail to account for the uniqueness and realities of specific services or service relationships, and how these are expressed, assessed and interpreted by the both service users and deliverers.

The study established that for service quality measurement to enable improvement, data collected through BSC must be useful. In this context, usefulness can be viewed from the three interrelated perspectives. The study findings correspond to Chi Cui et al., (2003) who emphasized the need to capture perceptions of reality considered important by each party involved within the specific service. Besides, the respondents stated that the success of BSC in the Kenyan public sector depends on well it incorporate sufficient detail to allow a clear understanding of the particular service situation and how it explore the data and the quality improvement agendas derived.

4.3.4 Adoption of Appropriate Technologies

The study established that BSC plays an important role in the evaluation and implementation of government plans on information communication technology. The

quest to improve government service delivery has been an important agenda for Kenyan government. Information and Communications Technology (ICT) and the Internet in particular have opened new possibilities for the government and the public. Successful delivery of online services has rapidly become an important measure of effective public sector management and this has made Kenyan governments to deploy Electronic Government (e-Government) as a tool to achieve this vision.

The respondents stated that the major ICT programme initiated by Kenyan government has been Huduma Centers in Kenya that aims to transform Public Service Delivery by providing citizens' access to various Public Services and information from One Stop Shop citizen service centers called Huduma Centers and through integrated technology platforms. Huduma Kenya provides Efficient Government Services at the Convenience of the citizen. However, BSC has not been applied to such a major ICT programme for the Kenyan public sector. One of the respondents stated that there is a need to apply Balanced Score Card in evaluating the performance of Huduma Centres initiative in Kenya with a view to establish how successful it has been in improving service delivery in the public sector. Specifically, BSC should evaluate the extent to which the m-Huduma platform has enable citizens to access integrated public services via their phones, computers and personal digital assistants.

According to the respondents the effectiveness of BSC as performance evaluation tool at the Ministry of Foreign Affairs and International Trade can be enhanced by detailed focus on aspects such as physical infrastructure, local supply capabilities and access to international know-how through access to worldwide technology networks and

information asymmetry between local users and multinational suppliers. BSC needs to come up with standards that looks into technical and managerial capabilities such as information and computer literacy, managerial attitudes for information management, institutional rigidities and constraints to learning. Moreover, the respondents stated that BSC can be more effective as a performance evaluation tool in the Kenyan public sector by focusing on the public sector capability as information collector and information technology user. Specific focus should be on restrictiveness of policies for public procurement and information sharing practices, development of legal framework for information sharing and intellectual property rights, partnership between government and business entities.

4.4 Learning and Growth Perspective

The third objective of the study was to analyse measurement of learning and growth in the Kenyan public sector using BSC. The study established that the Ministry of Foreign Affairs and International Trade apply Balanced Score Card in assessing career development, continual improvements, ability to learn, introduction of new services, availability of infrastructure to support learning and growth, employee knowledge and skills, talent management, availability adequate work tools and organizational alignment (culture, leadership, alignment and teamwork).

4.4.1 Career Development /Continual Improvements

The respondents stated that balanced scorecard has been moderately successful in the evaluation of career development and continual improvements at the Ministry of Foreign

Affairs and International Trade. BSC focuses on career development as a process by which organizations align their resources, systems and employees to strategic objectives and priorities. The respondents concurred that employees are the only repository of knowledge and therefore the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Failure by organizations to invest adequate funding on training may be disastrous to employee productivity. According to the respondents, BSC as a career development tool is used in the ministry of foreign affairs to measure productivity by awarding ratings on identified key result areas. The final rating is therefore used to chalk out promotion programs for efficient workers who have demonstrated growth in their profession. Inefficient workers are dismissed or demoted. The rating can also be used to determine compensation packages for employees. Just as many would put it “what you measure is what you get” most employees/managers concentrate only on the Key result Areas since they are the ones determining the final rating of the BSC.

However other respondents stated, many at times employees would be heard saying, “I will still get the same rating as everyone else?” or “how can I exceed targets when the department am in is not even meeting its targets?” or “I am the one who does everything here and yet I am rewarded just as everybody else?” These comments indicate that some employees are not comfortable with the BSC as a performance management tool in propagating career development and continual improvements.

4.4.2 Innovation/ Ability to learn/Introduction of New Services

The study established that the Ministry of Foreign Affairs and International Trade uses BSC to initiate innovation, encourage employee's ability to learn in the event of introduction of new services. The respondents stated that the BSC assist in creating qualified replacements for departing employees, enhancing the organizations ability to adopt new technologies and processes, developing informed/knowledgeable teams, and the ability to ensure trained and experienced employees for potential growth and expansion in the Ministry One respondent observed that BSC provides executives with a comprehensive framework that translates a company's strategic objectives into a coherent set of performance measures. Much more than a measurement exercise, the balanced scorecard motivates breakthrough improvements in such critical areas as customer and market development.

Further respondents stated the BSC enhanced improvements from product and service innovation that would create new sources of revenue and market expansion, as well as from continuous improvement in internal work processes. In order to drive both product/service innovation and operational improvements, a supportive climate of empowered, motivated employees was believed necessary.

4.4.3 Employee Satisfaction and Talent Management

The respondents stated that balanced scorecard had not fully assisted in evaluating employee satisfaction and talent management. The respondents said that an important element of employee satisfaction is the acknowledgement and support of an organization

for the development of their workforce, as every employee in an organization possesses natural or innate abilities that if developed and nurtured could lead to improved work performance and a greater level of job satisfaction. This was not the case at the ministry of foreign affairs and international trade. A respondent stated that most people understand their abilities and what they do well (with greater ease), and also what they tend to have difficulty with. Knowing and understanding this allows employees to have the ability to decide what work is best suited for their skills and abilities in order to derive the most possible satisfaction from it.”

The respondents further stated the Ministry of Foreign Affairs and International Trade does promote this kind of open and honest self-discovery that allows employees to take advantage of related development opportunities, and find higher levels of satisfaction among their workers. Other important leadership skills such as resiliency must also be allowed to develop. Ministries should allow employees the opportunity to occupy positions that require dynamic thought, encouraged development of talent, are fraught with change and make decisions that will lead to a more resilient leader.

4.4.4 Employee Development

According to the respondents, the application of Balanced Score Card at the Ministry of Foreign Affairs and International Trade has been moderately effective in enhancing employees’ development. According to the respondents employee development typically encompasses two main areas: personal development and professional development, and is more long range than traditional training as training typically refers to providing the skill

necessary to effectively do one's current job, or deal with one's current situation. Training that encouraged employee development was offered. One of the respondents observed that one of the key functions of a good employee development program is to select, cultivate, and train future leaders and managers. As employees throughout the organization felt motivated to move up in the organization as they had a chance to be considered for leadership positions. Employees throughout the organization believed that through hard work, motivation, and accomplishment they can achieve leadership positions.

According to the respondents, they felt BSC was used in developing the skills of this carefully chosen staff so as to achieve the organization's business strategy and achieve a high level of worker satisfaction. As one respondent stated continual education for employees is the most vital organizational strategic goals. When organizations hire the best candidates and develop them properly, both the organization and the employees benefit. Which was the case at the ministry of foreign affairs.

The study findings correspond to (Cascio, 1998) who stated when organizations are able to retain quality employees with sharp skills, the economic prospects for the organization improve considerably. Employees throughout an organization should be examined and considered for future leadership positions within the organization.

4.5 Financial Perspective

The fourth objective of the study was to examine the application of BSC in assessing financial management of the ministry of foreign affairs. The study established that the

application of the Balanced Score Card as performance measurement tool has been moderately successful in the assessment of financial management at the Ministry of Foreign Affairs and International Trade. The respondents stated that BSC is used to measure organization level productivity at the Ministry of Foreign Affairs and International Trade. The respondents stated that the Ministry of Foreign Affairs apply Balanced Score Card in assessing, adequacy of financial resources, financial returns, cost efficiency/cost structure, assets utilization and financial reporting. The metrics of financial perspective identify that whether the strategy at the ministry and its execution plays a role in proper utilization of funds allocated by the National Treasury. BSC examines whether ministries define their financial perspective goals in a framework of sustainability, success, and economic boom.

The respondents stated that BSC has not been effective in examining employee benefits packages in the Kenyan public sector leading to difficulty in solving challenges on employees' commitment to work in the public sector. Respondents further stated employees in today's economy expect more than just access to reasonable employer provided medical insurance. One respondent observed that due to escalating costs, family needs, retirement, flexibility and a myriad of other personal desires, an employee's benefits package has become an important part of their job. The ministry should utilize BSC in assessing financial programs in the public sector with a view to formulate sound policies on financial motivation.

The study established that other benefit considerations that BSC should highlight include: short-term and long-term disability insurance, generous vacation, holidays, sick/personal days, pension plans, dependent care, and flextime.

BSC is a feasible and useful tool for those government institutions that have clear, identifiable outputs that can be linked to inputs used. However, the study established that BSC has not been effectively applied in evaluation of bottom up/service user measurements of performance such as the time and cost associated with setting up of new processes at the Ministry of Foreign Affairs and International Trade. According to one of the respondents focus on the outputs and broad performance of public sector organizations rather than linking this data to inputs in a direct manner) they do help provide a picture of what value is being delivered by public services in return for the expenditure supports provided

The study established that public sector entities exist to serve the public and BSC filters this mandate by examining the key characteristics of public sector entities differentiated from less relevant attributes. The objective of financial reporting by a public sector entity is to provide information for accountability purposes. Such information aids in understanding and assessing the performance and financial health of the public sector entities in Kenya. Through BSC, the public sector entities report on their financial accountability to the public and their elected representatives through the provision of information in their financial reports. The financial reports of public sector entities should

present information that is useful in evaluating an entity's financial performance during the accounting period and its financial condition at the end of the accounting period.

Broadly, public sector entities are expected to be accountable for: the extent to which the entity performed in accordance with its financial plan, the extent to which current activities/results have an effect on the activities/results of future periods, and the state of the financial condition of the entity; and more specifically, in the financial statements, public sector entities are expected to demonstrate accountability for eight aspects of financial performance as well as eight other financial aspects primarily related to financial position.

According to the respondents, the financial perspective examines if the company's strategy will contribute to the bottom-line improvement of the company. The financial perspective represents the long-term strategic objectives of the organization and thus it incorporates the tangible outcomes of the strategy in traditional financial terms. The Financial performance is a lag indicator and provides the ultimate definition of an organization's success and describes how to create growth in the shareholder value. Depending on strategy, leaders of the organization follow a combination of growth strategy (i.e., to increase revenues) combined with varying emphasis on productivity strategy (i.e., to cut costs through efficiency).

4.6 Challenges Related to the Implementation of Balanced Scorecard.

The fifth objective of the study was to examine challenges in the implementation of the Balanced Scorecard in the Kenyan public sector. The study establish that the Ministry of

Foreign Affairs and International Trade encounters a number of challenges in the use of BSC as a performance measurement tool. The study findings are presented in the following sub sections.

4.6.1 Limited Understanding of the Balanced Scorecard

The study established that limited understanding of the Balanced Scorecard is setback in its implementation at the Ministry of Foreign Affairs and International Trade. The staff at the ministry have not been familiarized with various aspects of performance evaluation as specified in BSC. The respondents stated that majority of the staff in the public sector do not understand what exactly the Balanced Scorecard is and what its implementation involves.

The respondents stated that majority of employees in the public sector do not understand the importance of the Scorecard in defining the current activities and long-term success. Civil servants are yet to familiarize with the role of BSC in realization of the long-term rewards by translating strategy into terms that are meaningful for the civil servants in their everyday activities. The respondents further stated that benefits of Balanced Scorecards are achievable only if the Scorecards are seen as a tool to: inspire dialogue and communication; picture the strategy, share the strategy aims, assist the implementation of the strategic aims through discussions and through a view from different perspectives.

4.6.2 Lack of Executive Support

The respondents stated that lack of support from top administrators in the Kenyan public sector is a major hindrance to the implementation of BSC. The study established that majority of the top administrators in the public sector do not prioritize BSC initiative leading to mediocre results during performance evaluation. Many government institutions including the Ministry of Foreign Affairs and International Trade do not emphasize the role of BSC as a tool for execution of organizational strategy. The respondents stated that top management should explain to all staff why the BSC is so important. Of course, it is not enough to talk about the benefits the BSC may bring.

According to the respondents, the result of such a lack of leadership involvement is a waste of resources (time, money, energy) and a loss of trust in the leaders by the employees. Sometime BSC initiatives fail because top management delegates the implementation of the BSC to a committee of middle managers. This level of managers does not have the power to coordinate such an initiative in all areas of operation within the Ministry of Foreign Affairs and International Trade. Top managers' personal involvement, understanding, and commitment are necessary to ensure success of BSC in the Kenyan public sector. Top management is responsible for promoting the BSC in a way that differs from past performance measurement processes.

4.6.3 Lack of Balanced Scorecard Education and Training

The study established that application of BSC as a performance measurement tool in the Kenyan public sector due to lack of education and training. Civil servants are not

provided with continuous training on overall performance measurement and utilization of BSC. The Balanced Scorecard is very often introduced because of its attractive design and popularity but government institutions fail to learn more about it through in-depth education and training are needed.

A lack of education of top management and staff members in charge of building the BSC impedes its implantation at mutation at the Ministry of Foreign Affairs and International Trade. Due to limited budgets or because of the perceived simplicity of the tool, BSC education and training are very often preserved for top officers at the Central Planning and Project Monitoring Department leading to poor implementation of BSC initiatives.

4.6.4 Inadequate IT Support

The study established that inadequate IT support is a hindrance to implementation of BSC at the Ministry of Foreign Affairs and International Trade and Kenyan public sector at large. To assist the ministry's strategic discussion and learning processes, the Balanced Scorecard should be continually updated with current and operationally relevant information. According to the respondents, IT should act as a facilitator and has an important role as support at different stages of the BSC initiative in terms of preparing the initial stages of the BSC project, defining and linking measures, setting goals and observing performances, managing strategic initiatives and action plans.

The study establish that government ministries and institutions do not utilize IT to make results of performance measurement available to the public and all interested parties. BSC is supposed to boost new behaviors, communication and cooperation. According to

the respondents, failure to have an accessible database on the results of performance evaluation renders the Balanced Scorecard initiative worthless. Even if the needed information has been recorded in the Scorecard and its databases but has never been retrieved and viewed by the people who are supposed to benefit from the system, it will not make any worthwhile contribution to the public sector.

4.6.5 Inadequate Personnel

The respondents stated that implementation of BSC in Kenyan public sector often fail because there are no enough personnel to carry out continuous performance evaluation at every organizational unit. The respondents argued that there is no single individual within any government institution who is aware of everything about the strategy, customers, partners, and competences to build a tailored Balanced Scorecard. To create a Balanced Scorecard that works, that is capable of implementing the company strategy, linking individuals, creating new behavior and enhancing communication, a team of people is needed. Many ambitious initiatives have failed just because they were led by ineffective teams. The respondents stated that all units within the Ministry of Foreign Affairs and International Trade should have qualified personnel responsible for development of the Balanced Scorecard.

The study established that that relying exclusively on more lowly positioned employees to conduct the BSC initiative is a potential reason for failure. They are not always involved in the strategy at a sufficiently deep level to contribute significantly to the development of a BSC. Another problem which comes from assigning the initiative to

staff in lower positions is their indecision and insecurity. Employees at this level are sometime hardly whether sure that the decisions they make will be the right one for the success of the company.

4.6.6 Non-Involvement of all Organizational Units

The study established that failure to involve all organizational units in the development and implementation of BSC is a major hindrance to the success of performance evaluation in the Kenyan public sector. The respondents stated that the staff at the Central Planning and Project Monitoring Department in the Ministry of Foreign Affairs and International Trade should not be the only people involved in the Balanced Scorecard. The Scorecard is a tool which should improve communication within an organization and it should cover the ministry as a whole. Many initiatives have been unsuccessful because public institutions have not recognized the need to address the Balanced Scorecard to all the points where the operational logic, ambitions, and achieved performance are discussed. The respondents emphasized that any successful implementation of Balanced Scorecard must be understood and acted on at every level of the in the Ministry

According to the respondents, involvement of all staff at the ministry will inspire ownership of the measures and commitment to achieve their targets. By showing employees how their performance influences the bottom line, frontline employees are encouraged to act like owners and ensure the future of their jobs. If the importance of employee involvement is not understood, the organization may miss the opportunity to benefit from the employees' knowledge that is directly related to the areas in which they

exert influence. In addition, if not directly involved, employees will not be able to focus on the performance drivers and on the design of initiatives and decisions necessary to achieve the targets.

4.7 Chapter Summary

The chapter has evaluate the application of the Balanced Scorecard in the Kenyan public sector. Specifically, the study sought to examine the application of BSC in the evaluation of customers' perspective, internal processes, learning and growth and financial performance in the Kenyan public sector. The study established that the application of the Balanced Score Card as performance measurement tool has been moderately successful in the assessment of customer perspectives at the Ministry of Foreign Affairs and International Trade.

The of internal process perspective focused on the core competencies of employees, employee motivation, employee commitment, employee performance, quality of services, adoption of appropriate technologies, research and development, financial management and safety incident index. The learning and growth perspective focused on career development, continual improvements, ability to learn, introduction of new services, and employee development.

The study also sought to establish challenges encountered in the implementation of the Balanced Scorecard in the Kenyan public sector. The study established that the application of the Balanced Score Card as performance measurement tool has been moderately successful in the assessment of financial management at the Ministry of

Foreign Affairs and International Trade. The challenges in the implementation of the Balanced Scorecard in the Kenyan public sector include limited understanding of the balanced scorecard, lack of executive support, lack of balanced scorecard education and training, inadequate IT support, inadequate personnel and not involving all organizational units

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings, the conclusions, recommendations and suggestions for further research. The chapter is presented in line with the objectives of the study which was to examine the application of BSC in the evaluation of customers, internal processes, learning and growth and financial performance in the Kenyan public sector. The study also established challenges encountered in the implementation of the Balanced Scorecard in the Kenyan public sector.

5.2 Summary of the Findings

The study established that the application of the Balanced Score Card as performance measurement tool has been moderately successful in the assessment of customer perspectives at the Ministry of Foreign Affairs and International Trade. The application of Balanced Score Card at the Ministry of Foreign Affairs and International Trade has been moderately effective in policy development towards enhancement of service delivery to customers through of availability of new services to customers, reduction of lead time required by the Ministry to meet customers' needs, availability of responsive services that are convenient to customer, on-time service delivery, high quality of services delivered, improved accuracy of the organization's service delivery forecasts. Moreover, BSC has moderately contributed to creation of value to customers visiting the ministry, the translation of goals for time, quality, performance and service into specific

measures; development of partnerships with customers, integration of information communication technology in customer services , monitoring and evaluating specific goals on customer needs.

The respondents stated that performance evaluation using BSC had not been able to contribute to policy transformation towards customer satisfaction at the Ministry of Foreign Affairs and International Trade. The study established that results from performance evaluation at the Ministry of Foreign Affairs and International Trade have not been translated into executable policies on human resource capacity enhancement towards better customer satisfaction. The results from BSC does not provide a clear roadmap on the customization of training programs on the role of human resource in customer satisfaction. BSC is yet to contribute to improved service delivery to customers through detailed analysis of what the organization think about what your customers need, generating policy document outlining how the ministry plans to meet customer needs, incorporation of customer feedback in policy formulation. The study established that performance evaluation at the Ministry of Foreign Affairs and International Trade using BSC has not successfully guided policy formulation and implementation regarding customer acquisition, customer satisfaction, customer loyalty and customer retention.

The second objective of the study was to investigate the evaluation of internal process perspective in the Kenyan public sector suing BSC. The study examined how successful the core competencies of employees, employee motivation, employee commitment, employee performance, quality of services, adoption of appropriate technologies, research and development, financial management and safety incident index. The study

established that respondents stated that balanced scorecard has been moderately successful in the evaluation of core competencies at the Ministry of Foreign Affairs and International Trade. The BSC assess whether the ministry provide motivational support to its employees and strives towards enhancing their commitment to work, recognizes and rewards staff for their achievements, acknowledges and thanks staff for their contributions, identifies and promptly tackles morale problems and organize for talks or presentations that energize staff.

The study established that evaluation of service deliver is at the center stage of performance evaluation systems in Kenya. The most important is the Rapid Results Initiatives (RRI) through which the government of Kenya intended to change the poor public perception through improved service delivery and adherence to work ethics in service delivery to the ministries' customers. The study established that BSC plays an important role in the evaluation and implementation of government plans on information communication technology. Successful delivery of online services has rapidly become an important measure of effective public sector management and this has made Kenyan governments to deploy Electronic Government (e-Government) as a tool to achieve this vision. The major ICT programme initiated by Kenyan government has been Huduma Centers in Kenya that aims to transform Public Service Delivery by providing citizen's access to various Public Services and information from One Stop Shop citizen service centers.

The third objective of the study was to analyse measurement of learning and growth in the Kenyan public sector using BSC. The study established that the Ministry of Foreign

Affairs and International Trade apply Balanced Score Card in assessing: career development, continual improvements, ability to learn, introduction of new services, availability of infrastructure to support learning and growth, employee knowledge and skills, talent management, availability adequate work tools and organizational alignment (culture, leadership, alignment and teamwork). The balanced scorecard focuses on career development as a process by which organizations align their resources, systems and employees to strategic objectives and priorities. Some employees are not comfortable with the BSC as a performance management tool in propagating career development and continual improvements.

The study established that BSC assist in creating qualified replacements for departing employees, enhancing the organizations ability to adopt new technologies and processes, developing informed/knowledgeable teams, and the ability to ensure trained and experienced employees for potential growth and expansion in the Ministry In order to drive both product/service innovation and operational improvements, a supportive climate of empowered, motivated employees was believed necessary. The study established that balanced scorecard had not fully assisted in evaluating employee satisfaction and talent management. BSC does not critically evaluate important element of employee satisfaction such as the acknowledgement and support of an organization for the development of their workforce. The Ministry of Foreign Affairs and International Trade has been moderately effective in assessing personal development and professional development. Some respondents felt that BSC was used in developing the skills of carefully chosen staff.

The fourth objective of the study was to examine the application of BSC in assessing financial management of the ministry of foreign affairs. The study established that the application of the Balanced Score Card as performance measurement tool has been moderately successful in the assessment of financial management at the Ministry of Foreign Affairs and International Trade. The respondents stated that BSC is used to measure organization level productivity at the Ministry of Foreign Affairs and International Trade. The respondents stated that the Ministry of Foreign Affairs apply Balanced Score Card in assessing, adequacy of financial resources, financial returns, cost efficiency/cost structure, assets utilization and financial reporting. BSC examines whether ministries define their financial perspective goals in a framework of sustainability, success, and economic boom.

The study established that BSC has not been effective in examining employee benefits packages in the Kenyan public sector leading to difficulty in solving challenges on employees' commitment to work in the public sector. The other benefit considerations that BSC should highlight include: short-term and long-term disability insurance, generous vacation, holidays, sick/personal days, pension plans, dependent care, and flextime. BSC has not been effectively applied in evaluation of bottom up/service user measurements of performance such as the time and cost associated with setting up of new processes at the Ministry of Foreign Affairs and International Trade.

The fifth objective of the study was to examine challenges in the implementation of the Balanced Scorecard in the Kenyan public sector. The study establish that the Ministry of Foreign Affairs and International Trade encounters a number of challenges in the use of

BSC as a performance measurement tool. The challenges include limited understanding of the balanced scorecard, lack of executive support, lack of balanced scorecard education and training, inadequate IT support, inadequate personnel and not involving all organizational units.

5.3 Conclusion of The Study

The study concludes that BSC has not been optimally used to assess prefaces in the Kenyan public sector and generate result that translate into actionable policies. The Ministry of Foreign Affairs and International Trade has been moderately successful in evaluating of customers perspectives, internal processes, learning and growth and financial performance. The Ministry of Foreign Affairs and International Trade uses BSC to asses service delivery to customers through of availability of new services to customers, reduction of lead time required by the Ministry to meet customers' needs, availability of responsive services that are convenient to customer, on-time service delivery, quality of services delivered, accuracy of the organization's service delivery forecasts.

The main aspects of internal process perspective in the Kenyan public that BSC focuses on are core competencies of employees, employee motivation, employee commitment, employee performance, quality of services, adoption of appropriate technologies, research and development, financial management and safety incident index. The learning and growth perspective focuses on career development, continual improvements, ability to learn, introduction of new services, availability of infrastructure to support learning

and growth, employee knowledge and skills, talent management, availability adequate work tools and organizational alignment. The financial perspective evaluates adequacy of financial resources, financial returns, cost efficiency/cost structure, assets utilization and financial reporting. BSC examines whether ministries define their financial perspective goals in a framework of sustainability, success, and economic boom.

The study concludes that BSC has not been able to contribute to policy transformation towards better management of customers, internal process, learning and growth and finances. The results from BSC have not been utilized to design a clear roadmap on business reengineering in the Kenyan public sector. The main challenges that hinder success of BSC in Kenyan public sector include limited understanding of the balanced scorecard, lack of executive support, lack of balanced scorecard education and training, inadequate IT support, inadequate personnel and not involving all organizational units.

5.4 Recommendations of the Study

The study recommends that evaluation of customer management in Kenyan public sector can be improved through prioritization of the following aspects during performance evaluation: reduction of lead time, availability and efficiency of feedback mechanisms, customization of services according to various segment of customers, provision of quality and timely services to all customers.

The study recommends that the development and application of BSC in evaluation of internal processes in the Kenyan public sector should focus more on competencies of employees, motivational strategies and employee commitment, non-financial aspects of

employee performance, the quality of service delivery, adoption of appropriate technologies, research and development, financial management and safety incident index.

The application of BSC in evaluation of learning and growth perspective in the Kenyan public sector can be improved through comprehensive examination of effectiveness of career development programs, learning gaps, restructuring of service provision, the availability of infrastructure to support learning and growth, talent management and alignment of learning and growth programs to the strategic plans.

The study recommends improved evaluation of financial management by focusing more on adequacy of financial resources, financial returns, cost efficiency, assets utilization and financial reporting. BSC should critically examine expenditure by ministries with a view to establish avenues leading to misuse of public fund and come up with recommendations optimal financial management in the public sector.

The study recommends the following success factors in ensuring successful application of BSC in the Kenyan public sector: improved understanding of the balanced scorecard across all organizational units, full support of executive on implementation of BSC, more education and training on BSC, adequate IT support, adequate personnel responsible for implantation of BSC, implementation of BSC across all organizational units, employee commitment to performance evaluation; involving a broad base of leaders, managers and employees in scorecard development, starting with and maintaining effective two-way communication among all stakeholders.

5.5 Implications of the Study

The study findings imply that BSC applied in the Kenyan public sector has not been optimally used in the assessment of performance and generation of result that translate into actionable policies. The study findings points towards policy review with aim to restructure performance management so that all the four perspective of BSC (customer perspectives, internal processes, learning and growth and financial performance) are effectively examined.

The study findings also point towards a need for more academic research on the gaps that exist in the process of transformation of BSC results into actionable policies in Kenyan public sector. Specifically more focus should be on the mitigation of challenges such as limited understanding of the balanced scorecard, lack of executive support, lack of balanced scorecard education and training, inadequate IT support, inadequate personnel and not involving all organizational units.

5.6. Limitations of the Study

This study had a number of limitations. For a start, undertaking the interviews was tedious and time consuming. This was mainly attributable to the busy schedules of the officers. The interviews would be at times be interfered with and had to be rescheduled for another time. Nevertheless, despite taking long to go through the interviews, I managed to collect quite detailed material. Another major limitation of this study was that it was purely qualitative and limited to the thirty two (32) interviewees. This makes it difficult to make broad generalisations and inferences on the Application of the BSC in

the Public Sector. However, the study findings are of great relevance to the Ministry of Foreign Affairs and International trade as related to planning and evaluation of its performance. Finally, analyzing the large volume of material collected from the interviews was quite challenging, especially without the use of quantitative techniques. This limitation was overcome by the nature of the interview which was able to pick out both verbal and non-verbal responses to the interview questions thus giving the findings a more believability.

5.7. Suggestions for Further Research

The study recommends further research on the role that the availability of performance evaluation results in ensuring effectiveness of BSC in Kenyan public sector. Further research will complement the findings of this study by recommending measures to ensure transparency and accountability on the translation of performance evaluation results into actionable policies.

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APPENDICES

Appendix I. Introduction letter to carry out Research from the University of Nairobi



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE...11/09/2015

TO WHOM IT MAY CONCERN

The bearer of this letter ... BERNARD ISAAC WEKESA


Registration No. D.61/68367/2013

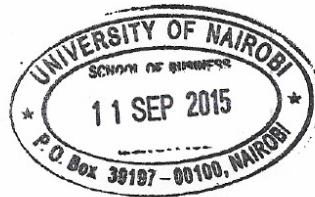
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



Appendix II: Interview Guide

Section A: Customer Perspective

1. How successful does the Ministry of Foreign Affairs and International Trade apply Balanced Score Card in assessing the following aspects on customers
 - a) Availability of new services to customers
 - b) Lead time required by the Ministry to meet customers' needs.
 - c) Responsive services that are convenient to customer
 - d) Quality of services
 - e) Speed of service delivery
 - f) Creation of value for customers
 - g) The translation of goals for time, quality, performance and service into specific measures
 - h) Development of partnerships with customers
 - i) Development of innovative services tailored to customer needs
 - j) Monitoring and evaluating specific goals on customer needs
2. Which other customer perspectives are incorporated in the Balanced Score Card at the Ministry of Foreign Affairs and International Trade?
3. To what extent has BSC been successful in addressing the customer needs?

Section B: Internal Process Perspective

4. How successful does the Ministry of Foreign Affairs and International Trade apply Balanced Score Card in assessing the following aspects of internal process?
 - a) Core competencies of employees
 - b) Employee motivation
 - c) Employee commitment
 - d) Employee performance

- e) Quality of services
 - f) Adoption of appropriate technologies
 - g) Research and development
 - h) Financial management
 - i) Safety incident index
5. Which other internal process perspectives are incorporated in the Balanced Score Card at the Ministry of Foreign Affairs and International Trade?
 6. To what extent has BSC been successful in addressing the internal processes at the ministry?

Section D: Learning and Growth Perspective

7. How successful does the Ministry of Foreign Affairs and International Trade apply Balanced Score Card in assessing the following aspects of learning and growth?
 - a) Career development
 - b) Continual improvements
 - c) Ability to learn
 - d) Introduction of new services
 - e) Availability of infrastructure to support learning and growth
 - f) Employee knowledge and skills
 - g) Talent management
 - h) Availability adequate work tools
 - i) Organizational alignment (culture, leadership, alignment and teamwork)
8. Which other learning and growth perspectives are incorporated in the Balanced Score Card at the Ministry of Foreign Affairs and International Trade?
9. To what extent has BSC been successful in addressing learning and growth at the ministry?

Section E: Financial Perspective

10. How successful does the Ministry of Foreign Affairs and International apply Balanced Score Card in assessing the following aspects of financial management?
 - a) Adequacy of financial resources
 - b) Analysis of the goal of enhancing shareholder value
 - c) Financial returns
 - d) Financial reporting
 - e) Cost structure
11. Which other financial perspectives are incorporated in the Balanced Score Card at the Ministry of Foreign Affairs and International Trade?
12. To what extent has BSC been successful in addressing financial management at the ministry?
13. Which benefits has the Ministry of Foreign Affairs and International Trade gained from performance evaluation using Balanced Score Card?
14. Which challenges impede the implementation of Balanced Scorecard at the Ministry of Foreign Affairs and International Trade?
15. Recommend measures that will improve the implementation of Balanced Scorecard at the Ministry of Foreign Affairs and International Trade?

Thank you for your participation

Appendix III: Ministry of Foreign Affairs & International Trade Organisational Structure

