

**THE BALANCED SCORECARD AS A TOOL FOR STRATEGY  
IMPLEMENTATION AT CHASE BANK KENYA LIMITED**

**BY  
JANET ATIENO OKETCH**

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## DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:.....

Date:.....

**JANET ATIENO OKETCH**

**D61/64725/2013**

This project has been submitted for examination with my approval as the University Supervisor

Signature.....Date.....

**MR. JEREMIAH KAGWE**

Senior Lecturer,

Department of Business Administration

School of Business

University of Nairobi

## **DEDICATION**

I dedicate this project to my loving my dear parents and family. Your support, love, patience, encouragement, sacrifice and prayers have transformed my dreams to the success of this degree.

## **ACKNOWLEDGEMENTS**

First, my sincere gratitude goes to our Almighty God, the most gracious, the most merciful who enabled me to do and complete this study. This far the lord has brought me, it has been a challenging project and I thank God for his guidance every step of the way. In addition, I would also like to thank the individuals who have contributed to the successful completion of this project.

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## **ABSTRACT**

As the organization faces the challenge of strategy implementation, tools to aid this important task cannot be overlooked. The use of balance scorecard as a tool for strategy implementation appears to be increasingly important in determining the success of implementation of strategies. Chase Bank has grown as one of the Small banks build on relationship banking model to maintain and grow its market share. The Bank has adopted several strategic management tools to ensure attainment of its strategic. This study thus sought to evaluate how the Bank has applied balanced scorecard as a strategy implementation tool. The study adopted a case study research design because the unit of analysis is one institution which was Chase bank Kenya Limited. The study used primary data collected by the use of an interview guide. The study targeted 10 senior and middle level managers at Chase Bank because of their key involvement in both strategy formulation and implementation. Data obtained from the interview guide was analyzed using content analysis. The study established that the Chase bank Kenya limited has applied the balanced score card in strategy implementation and performance management. The tool was adopted as means to align performance to strategy and inculcate a performance driven culture and align the individual goals to the overall organizational goals. It was also established that the use of the balanced score card was introduced in order to involve employees in performance management since it was viewed as an objective means of performance appraisal. The study concluded that Chase bank Kenya limited had successfully applied the balanced scorecard method to implement strategy and that the balanced score card has been used as a tool to communicate and clarify strategy and directions within the business, gain consensus and therefore rally the organizational members in the same direction. It also concludes that the Balanced Scorecard is concerned with creating a strategy to drive future direction, building in cause and effect linkages while simultaneously taking into account both financial and intangible resources that can determine success or failure. The study recommends that the Chase Bank should continuously improve on the balanced scorecard technique in order to remain relevant not only to its own operations but also to the changing macro-environmental dynamics. The study recommends that when an organization applies balanced scorecard, it need to take a very close look at the organization structure and evaluate if it supports the strategies.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Successful organizations recognize the importance of strategy as a tool in management and realize that their survival is dependent on how well they adopt new strategies or enhance existing strategies in an attempt to respond to the changes in their operating environment (Beer and Eisenstat, 2000). Major environmental shifts are now demanding a more strategic perspective from those who manage and lead organization. Developments in technology, especially in computing and communications, are leading to greater efficiencies, reduced costs and opportunities to launch new products and services (Pearce and Robinson, 2007). As the organization faces the challenge of successful strategy implementation, tools to aid this important task cannot be overlooked. The use of balance scorecard as a tool for strategy implementation appears to be increasingly important in determining the success of implementation of strategies. Many organizations have in one way or another adopted balanced scorecard in strategy implementation (Sheerer, 2002).

The study was founded on two theoretical perspectives: open system theory and institutional theory. Open systems theory refers to the concept that organizations are strongly influenced by their environment in equal measure that affects it (Scott, 2002). Organizations rely on the environment for resources which they utilize in the generation of outputs which are then released into the environment (Pfeffer and Salancik, 2003). Therefore, in its endeavors, organizations have to consider the environment in their quest to ensure successful future operations (Pfeffer and Salancik, 2003). Any circumstance

that will affect any component of the system will affect the performance of such an organization. The institutional theory considers the processes by which structures, including ethics; rules, norms, and routines, become established as authoritative guidelines for social behavior which is an important aspect in change management (Meyer and Scott, 1992). The approaches adopted by an organization in the implementation of strategies are largely dependent on the institutional framework. The pioneer work of Selznick (1996) established the 'old' institutionalist approach, where the unit of analysis was a single organization. Some of the main issues investigated were values, organization-environment interaction, coalitions, influence, power and informal structures (Greenwood & Hinings, 1996).

The banking industry in Kenya has been in the upwards trend in terms of development and growth which has brought about an increase in the number of banks in the country and opened an environment for cut throat competition (KBA, 2014). Several banks have joined the Kenyan market while some of the Deposit Taking microfinance institutions have been elevated into full fledged commercial banks. This has increased the level of competition within the banking industry thus calling on commercial banks to critically think of strategic management if they are to remain competitive (KBA, 2014). In order to remain competitive and outperform their competitors, banks have used many strategies. Chase Bank has grown as one of the Small banks build on relationship banking model to maintain and grow its market share. The Bank has adopted several strategic management tools to ensure attainment of its strategic objectives (Chase Bank, 2015). This study thus sought to evaluate how the Bank has applied balanced scorecard as a strategy implementation tool.

### **1.1.1 Strategy Implementation**

Strategy has been defined differently by different scholars. According to Montgomery (1991), strategy is viewed as a means to an end. It is the common thread in an organization giving direction and scope of the organization in the long run (Ansoff 1967). It can also be said to be the unified comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization (Jauach and Gluek, 1984). Strategy implementation is the process of allocating resources to support the chosen strategies. It involves putting strategy into action. The way in which the strategy is implemented can have a significant impact on whether it will be successful or not. Implementation involves organizing, resourcing and employing change management procedures.

Strategy implementation is the process that turns strategies and plans into actions in order to accomplish an organization's strategic objectives and goals (Ansoff, 1999). The first step in strategy implementation is the act of knowing what the strategic plan is. This involves reviewing it carefully, and highlights any elements of the plan that might be especially challenging (Johnson and Scholes, 1998). This enables recognition of any parts of the plan that may be unrealistic or excessive in cost, either of time or money. This stage also requires that one keeps back-up ideas in mind in case the original plan fails.

The second step involves selecting a team of members to help with implementing the strategic plan. This involves establishing a team leader who can encourage the team and field questions or address problems as they arise (Pearce and Robinson, 2007). The next step involves schedule meetings to discuss progress reports. This involves presentation of

the list of goals or objectives, and letting the strategic planning team know what has been accomplished. Whether the implementation is on schedule, ahead of schedule, or behind schedule, assessing the current schedule regularly to discuss any changes that need to be made is important for successful strategy implementation (Beer and Eisenstat, 2000).

### **1.1.2 The Balanced Scorecard**

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It originated by Kaplan and Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance (Kaplan and, Norton 1993). Sheerer (2002) defines BSC as a methodology used for measuring success from financial operations point of view.

The balanced scorecard is an approach for driving organizational improvement towards pre-selected goals which keeps track of progress through carefully selected measures. It is also an integrated management system consisting of strategic management systems, communication tool and measurement system. It results in a carefully selected set of measures derived from and linked to the organization's core strategies. The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcome and performance drivers by which the organization will achieve its mission and strategic objectives (Niven, 2002).

The scorecard is not a stand-alone process. It feeds into and is driven by strategy. Kaplan and Norton (2004) observed that organization's strategy changes to a degree each year and so should each element of the scorecard. The BSC is a measurement system that provides a comprehensive framework that translates a company's strategic objectives into a coherent set of performance measures that motivate breakthrough improvements (Sheerer, 2002). It is a general measurement system to incorporate non-financial measures with traditional financial ones, as well as a central management system to motivate breakthrough competitive performance in implementing a company's strategy, a process of developing interrelated measures that uniquely depicts a firm's strategy in attempting to create competitive advantage by translating business strategy into a linked set of measures that define both the long-term strategic objectives, as well as the mechanisms for achieving and obtaining feedback on those objectives (Norton and Kaplan, 1996).

The Balanced Scorecard holds four different perspectives from which a company's activity can be evaluated: Financial perspective which includes financial measures like: return on investment and shareholder value among other financial ratios; customer perspective which includes customer satisfaction and corporate image; process perspective which covers what processes should the organization use to succeed; and the innovation perspective which has to do with how to go on from lessons learned and sustain the ability to change and improve operations of the organization. It focuses on the attention on measures that are critical for the firm's success and also clarify simply and operationalize the mission and vision of the organization (Harvard Business Review, 1996).

### **1.1.3 The Banking Industry in Kenya**

The Banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK) (CBK, 2013). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the National Treasury docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

The Kenyan banking industry has 44 banks; 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise three banks with significant shareholding by the Government and State Corporations, 27 commercial banks and one mortgage finance institution, Housing Finance (Bank Supervision Report, 2013). The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the bank's interests. KBA serves a forum to address issues affecting members. Over the last few years, the Banking industry in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region and automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products (CBK, 2012). Players in this industry have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

#### **1.1.4 Chase Bank Kenya Limited**

Chase Bank is a privately owned bank incorporated in Kenya in 1996. It is a conventional one stop financial institution with a focus on the SME Market. In addition, Chase Bank has an Islamic window branded Chase IMAN which was introduced in May 2009 and it was licensed and approved by the Central Bank of Kenya as well as the bank competent Shariah Advisory Board. Through the identification of unique and profitable segments such as the SME market which has been directly responsible for the increase in country's GDP, the Bank has positioned itself as the preferred SME Bank. The Bank has uniquely tailored products to suit the needs of SMEs in the country to ensure that they benefit from the varied financing options. The Bank has established partnerships with the aim of capacity building for entrepreneurs and increasing their knowledge in book keeping. Chase Bank focus is to continually deliver a unique banking experience modeled around a one stop financial solutions product offering. Through this, the bank will ensure that the customers financial needs are all met under one roof (Chase Bank, 2012).

Chase Bank objective is to provide the client with exceptional service through product diversification, and relationship creation. Today the intricate branch expansion strategy has seen the Bank grow from a one branch bank into a strong institution that now has branches located in strategic urban and peri-urban centers within the country. Chase Bank Branches are located in five major towns mainly Nairobi, Nakuru, Mombasa, Kisumu, Eldoret, Malindi and Thika (Chase Bank, 2012). In its quest to remain competitive in the banking industry in Kenya, Chase Bank Kenya Limited would find this study important as it will assess the gains made in the usage of balanced scorecard as a tool for strategy implementation.

## **1.2 Research Problem**

The balance scorecard is a performance measurement and strategic management tool that translates an organization mission and strategy into a balanced set of integrated performance measures to fit in the theory of business in a chain of cause and effect relationship. Johnson and Scholes (2005) underscores the importance of the BSC in addressing the discrepancy existing in terms of performance indicators, whereby there is no good mix of qualitative and quantitative indicators, the latter dominated by financial analysis.

The Banking industry in Kenya has witnessed several changes which have necessitated the development and implementation of strategies to ensure the competitiveness of specific banks. Chase Bank being a small and relatively new bank founded in 1996 has faced several challenges in its quest to expand its market presence on the Kenyan market. The Bank witnessed great competition as more and more Deposit taking Microfinance were licensed into full fledged commercial banks. This meant that the Small and Medium Enterprises' market it had targeted became very competitive. In addition, well established commercial banks also set up departments specifically concentrating on the SMEs market.

Several studies have been conducted on the use of the balanced scorecard as a strategy implementation tool. For instance, Miano (2011) examined the Balanced Scorecard as a strategic implementation tool in National Social Security Fund. The findings revealed that NSSF had not greatly benefited from the implementation of balanced scorecard due to the influence from the external environment and more so the government and political interference. These study findings may not apply to the case of Chase Bank because these

were applied in the context of public office subject to political interference. Gitonga (2013) examined balanced scorecard and performance of Consolidated Bank of Kenya. Again, Consolidated Bank of Kenya is a Bank which has Government as the majority shareholder hence may not experience challenges similar to privately owned bank like Chase Bank Kenya Limited.

Mwaura (2013) studied strategy implementation at Chase Bank, Kenya. The research found that the bank faces the challenge of strategy implementation time being underestimated in and thus most of the implementers have a deadline that is merely an approximation due to the occurrence of unexpected developments and also delays by external business partners in providing the expected support in time. This study only examined strategy implementation and not application of BSC. The current study therefore sought to provide information specifically applicable to the use of the balanced scorecard as a tool for strategy implementation at Chase Bank Kenya Limited by answering one research question: How is the balanced scorecard used as a tool for strategy implementation at Chase Bank Kenya Limited?

### **1.3 Research Objective**

To determine the extent of use of balanced scorecard as a tool for strategy implementation at Chase Bank Kenya Limited.

### **1.4 Value of the Study**

The findings of this study would be important to several stakeholders. First, the findings of this study would be valuable to researchers and scholars in banking industry in Kenya

as it would specifically suggest areas for further research where scholars and researchers can expand knowledge while at the same time act as source of reference material.

Secondly, the findings of this study would also be important to the government in policy formulation especially the Central Bank of Kenya and fair Competition regulators. More specifically, the findings of this study would be valuable to the ministry of Finance through the Central Bank of Kenya in the formulation of relevant policies governing the operations of financial institutions for a stronger banking sector in the country.

This study would also be important to the managers in the banking industry especially commercial banks because they would be in a better position to understand how to apply the balanced scorecard as a strategic management tool with the aim of attaining bank objectives. It would also assist managers in other sectors to appreciate the importance of measuring performance whilst implementing strategic programs in their respective industries.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter highlights the review of various literatures in the fields that the study is based on. It is divided into different sections. The first section features the various theories that the study is anchored on. Also featured is an in depth look at the use of balance scorecard as a tool of strategy implementation and finally the benefits of using balanced scorecard in strategy implementation.

#### **2.2 Theoretical Foundation of the Study**

The study is founded on two theories: open systems theory and institutional theories. Open systems theory requires that organizations interact with their environment for resources (inputs) and release outputs (products & services) to the environment. Institutional theory requires that organizations are founded on strong institutional framework if they are to be successful in what they do.

##### **2.2.1 Open Systems Theory**

Open systems theory provides managers with metaphors, terminology and explanations about how organizations function. It has dominated as a framework for managerial behavior and organizational analysis (Pfeffer and Salancik, 2003). The rational systems perspective focuses on structure as a significant tool for the efficient achievement of organizational goals. It emphasizes the role of management in deciding such structures and determining the specific goals that are to be achieved. Hence, the focus is on formal

structures, the specificity of goals, and the formalization of rules and roles. Open systems reflected the belief that all organizations are unique in part because of the unique environment in which they operate and that they should be structured to accommodate unique problems and opportunities (Scott, 2002).

Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts. The general environment encompasses influences that emanate from the geographic area in which the organization operates (Pfeffer and Salancik, 2003). The open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems. The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity (Scott, 2002).

### **2.2.2 Institutional Theory**

Institutional theory attends to the deeper and more resilient aspects of social structure in an organization. It considers the processes by which structures, including ethics; rules, norms, and routines, become established as authoritative guidelines for social behavior which is an important aspect in change management. Debate on institutional theory mainly begins with making the distinction between the 'old' and 'new' institutionalist approach. The pioneer work of Selznick (1996) established the 'old' institutionalist approach, where the unit of analysis was a single organization. Some of the main issues investigated were values, organization-environment interaction, coalitions, influence, power and informal structures (Greenwood & Hinings, 1996).

The second group or so called 'new' institutionalists focus more on organizational fields and their embeddedness, as well as issues of legitimacy, routines, scripts, and schema (Greenwood & Hinings, 1996). Meyer and Scott (1992) used the term institutional sectors as meaning those characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy from the environment. With reference to industrial sectors, Powell and DiMaggio (1991) emphasize similarities between them and the concepts of 'institutional sectors' (Meyer & Scott, 1992) and the 'organizational field' (DiMaggio & Powell, 1983). Also, according to these authors, industrial sectors present, an institutionally specific environment that provides resources, legitimacy and organizational networks. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse.

### **2.3 The use of Balanced Scorecard as a Tool of Strategy Implementation**

Kaplan and Norton (1996) advocated the balanced scorecard as a strategy implementation tool to clarify and translate vision and strategy; communicate and link strategic objectives and measures; plan, set targets, and align strategic initiatives; and enhance strategic feedback and learning. It results in a carefully selected set of measures derived from and linked to an organization's core strategies. The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization would achieve its mission and strategic objectives.

Companies are using the scorecard to: clarify and update strategy; communicate strategy throughout the company; align unit and individual goals with strategy; link strategic

objectives to long term targets and annual budgets; identify and align strategic initiatives; and to conduct periodic performance reviews to learn about and improve strategy (Niven, 2003). The BSC was initially developed as a performance tool due to the weaknesses existing in the reliance of only one performance measure, mainly financial. By introducing other measures in strategy implementation, managers in an organization are able to measure with high degree of precision on the progress made in strategy implementation so as to take corrective actions where necessary (Lyons and Gumbus, 2004).

The Balanced Scorecard facilitates communication in the organization hence provides avenue for which different strategy implementation agents can share ideas and issues surrounding strategy implementation. Through BSC, the strategy implementation agents would pass on their messages to other implementing partners to ensure that the strategy implementation is a success. The Balanced Scorecard provides performance indicators beyond the traditional financial performance indicators which can be used to evaluate the progress made in strategy implementation. This is achieved by linking the strategy and organizational objectives with four perspectives of performance measurement: financial; customer; internal processes and learning and growth (innovation) which in turn help refine strategy implementation progress assessment (Kaplan and Norton 1992). These four perspectives have been found to be robust across a wide variety of companies and industries. Kaplan and Norton (2001) however caution that the four perspectives should be considered as a template and not a straight jacket.

Building a balanced scorecard is used in strategy implementation as it encourages business units to link their financial objectives to corporate strategy. This helps in

synchronizing the unit goals with corporate strategy hence limit the level of resistance in the implementation process. It serves as the focus for the objectives and measures in all other scorecard perspectives (Kaplan & Norton, 1997). A Balanced Score card helps strategy implementation by clearly identifying the customers and market segments in which the organization may chosen to compete in Kaplan and Norton (2001). The segments represent the sources that would deliver the revenue component of the company's financial objectives as envisioned in the strategic plan. The customer perspective enables companies to align their core customer outcome measures like satisfaction, loyalty, retention, acquisition, and profitability to targeted customers and market segments (Coop, 2006). It also enables them to identify and measure, explicitly, the value propositions they would deliver to targeted market segments and customers.

The Balanced Score Card clearly identifies ways of satisfying and delighting customers' thus giving business unit managers an opportunity to translate organization mission and strategy statements into specific market and customer based objectives (Coop, 2006). BSC helps in clearly identifying the customers of the organization and the market that the organization seeks to serve thereby concentrating its efforts and new product development on that market needs (Hayes, 1992). Companies that try to be everything to everybody usually end up being nothing to anyone (Kaplan and Norton, 1996). Identifying the value propositions that would be delivered to targeted segments becomes the key to developing objectives and measures for the customer perspective (Hayes, 1992).

The Balanced Score Card through the internal business process perspective identifies the processes that are most critical for achieving customer and shareholders objectives

(Kaplan, 1996). The BSC reviews the policies and procedures in the organization used to achieve the set organizational objectives. The internal processes are important in determining organizational efficiency and the quality of goods and services delivered to customers. Companies typically develop their objectives and measures for this perspective after formulating objectives and measure for the financial and customer perspectives. Lipe and Salterio (2000) argued that managers should define a complete internal process value chain that starts with the innovation process-identifying current and future customers' needs and developing solutions for these needs-proceeds through the operations process - delivering existing products and services to existing customers – and ends with a post sale service- offering services after the sale that add value customers receive from a company's product and service offerings.

The business processes perspective is primarily an analysis of the organization's internal processes. Internal business processes are the mechanisms through which organizational performance expectations are achieved (Harrington, 2006). Customer-based measures are important, but they must be translated into measures of what the organization must do internally to meet its customers' expectations. This perspective focuses on the internal business results that lead to financial success and satisfied customers. Therefore, managers need to focus on those critical internal operations that enable them to satisfy customer needs (Kaplan & Norton, 1992). Organizations' should decide at what processes and competencies they must excel and specify measures for each. Key internal processes are monitored to ensure that outcomes would be satisfactory. The measures should also link top management's judgment about key internal processes and competencies to the action taken by individuals that affect overall corporate objectives.

This linkage ensures that employees at lower levels in the organization have clear targets for actions, decisions and improvement activities that would contribute to the organization's overall mission (Kaplan & Norton, 1996).

In the internal business process perspective managers identify the critical processes at which they must excel if they are to meet the objectives of shareholders and of targeted customer segments (Kiragu, 1995). Conventional performance measurement systems focus only on monitoring and improving cost, quality and time based measures of existing business processes. In contrast the approach of the balanced score card enables the demands for internal process performance to be derived from the expectations of specific external constituencies. In the Balanced Scorecard, the objectives and measures for the internal business process perspective are derived from explicit strategies to meet shareholder and targeted customers' expectations (Miano, 2011). This sequential top down process would usually reveal entirely new business processes at which the organization must excel.

The Balanced Score Card offers the learning and growth perspective which drives the organization learning and growth process towards the attainment of organization mission (Miano, 2011). The objectives established in the financial, customer, and internal business process perspectives identify where the organization must excel to achieve breakthrough performance. The objectives in the learning and growth perspective provide the infrastructure to enable ambitious objectives in the other three perspectives to be achieved. Objectives in the learning and growth perspective are the drivers for achieving excellent outcomes in the first three scorecard perspectives (Cooper, 1995).

The Balanced Score Card ensures that employees are equipped with relevant skills that would enable them deliver high quality goods and services. Employees constitute important resources that an organization can leverage on towards the attainment of its objectives. Knowledge based employees can be used by organizations in gaining competitive advantage. In the climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Kaplan and Norton (2004) emphasize that 'learning' is more than 'training' as it includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools; what the Baldrige criteria call "high performance work systems (Mooraj, Oyon & Hosteller, 1999).

#### **2.4 Benefits of using Balance Scorecard in Strategy Implementation**

The benefits that can be obtained from the use of a Balanced Scorecard depend on what it is used for, how well it is designed, and how it is applied. The prospective benefits of well-designed and implemented Balanced Scorecards may include: Balanced Scorecards help prevent organizations “drowning” in measures (Braam & Nijssen, 2004). Technology makes it easy to measure ‘everything’, demanding that management teams actively choose what to measure which in turn demands that the teams reach consensus about what is important. Choosing is hard, and when this doesn’t happen, organizations end up with too many measures, and crucially they lack the ability to separate out information that informs on key activities from things that are less important.

The Balanced Scorecard framework offers a holistic but more focused view of performance measurement that ensures that users are involved in the design process. Involvement of users in the design process reduces resistance when it comes to the strategy implementation stage. By helping management teams identify a concise set of operationally focused measures across Balanced Scorecard perspectives, the framework makes it easier to highlight the key information needed typically reflecting customer satisfaction and the impact of innovation and improvement activities in addition to more typical financial and operational measures (Norton, 2002). The benefits arising from using Balanced Scorecard for operational control purposes include: Increased understanding, awareness and alignment about operations across the whole management team arising from the discussions during the design process; Wider and more effective monitoring of performance improvement initiatives; Improved understanding of the links between measures improves understanding and makes target setting easier; A single concise management report describes operational performance across perspectives (Braam & Nijssen, 2004).

Using the Balanced Scorecard for strategy implementation help managers agree and then articulate the strategic destination and road map for their organisation, and monitor the activities required for their achievement. The benefits arising from using a Balanced Scorecard for strategic management purposes include: Reaching consensus and articulation of a set of key strategic objectives aligned to corporate vision; Clarity concerning of the links between implementation activities and the strategic objectives of the organisation. This also identify areas where "trade-offs" between objectives are

required like reduce costs versus increase marketing investment; Encouraging dialogue within the organisation about strategic goals and expectations (Kaplan and Norton, 2001).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter details the methodology that would be employed in the study. It discusses the research design, data collection and data analysis.

#### **3.2 Research Design**

The study adopted a case study research design because the unit of analysis is one institution which is Chase bank Kenya Limited. A case study is the most appropriate since it has the benefit of providing an in depth and thorough investigation of the effectiveness of the use of balanced scorecard as a strategy implementation tool at Chase Bank Kenya Limited. The case study focuses on the depth of the matter rather than the breadth. It is also appropriate in providing qualitative evidence, which was of interest to this study.

Case studies excel at enhancing understanding of complex issues. They also offer experience or increase depth to what has been established through previous researches. Case studies emphasize detailed contextual analysis of a limited number of events and conditions and their relationships. Previous studies of a similar nature have successfully used this method. Examples include: Mulu (2010) Karani (2009) and Ogendo (2010) among many others.

#### **3.3 Data Collection**

The study used primary data collected by the use of an interview guide. Primary data is the data collected for the first time from the field. The study targeted senior and middle

level managers at Chase Bank because of their key involvement in both strategy formulation and implementation. They are also charged with the implementation of strategies in the Bank and thus are more conversant with the information required in this study. The study specifically targeted 10 management staff who were drawn human resources, operations, treasury, SME banking and finance. The interview guide contained questions on the demographic information of the respondents, use of BSC as a tool for strategy implementation and the benefits accruing from its application. The interview guide was administered in person by booking appointments with the target respondents.

### **3.4 Data Analysis**

Data obtained from the interview guide was analyzed using content analysis. Nachmias and Nachmias (1996) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages.

Kothari (2004) explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness. The researcher analyzed the information provided by the interviewees against known strategic implementation tools and models to describe and determine how the Balance scorecard as a tool for strategy implementation at Chase Bank Kenya Limited.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents data analysis and discussions as spelt in the research objective and the methodology. The objective of the study was to determine the extent of use of balanced scorecard as a tool for strategy implementation at Chase Bank Kenya Limited. The study targeted a total of 10 interviewees comprising of senior and middle level management team because of their involvement in strategic planning and tools used in planning from an operational point of view in the Company.

#### **4.2 Response rate**

Out of the targeted 10 respondents, 7 managers availed themselves for an interview with the researcher thus giving a response rate of 70%. According to Mugenda and Mugenda (2003) this response rate was excellent and representative. They stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The researcher achieved this percentage of response through putting in extra effort to call and booking appointments with the interviewees at their convenient times and also explaining to them the importance of this research.

#### **4.3 Demographic Information**

The research deemed it necessary to collect background information about the interviewees so as to determine their suitability in providing the information sought. The interviewees were requested to indicate the position they held in the organization. From

the responses, there were two managers from the finance department, two managers from human resources department, the SME banking director, head of treasury and the chief operating officer. These findings show that the interviewees were distributed across different functions hence the information provided was more representative of the organization. In addition, the respondents were senior and middle level managers. They therefore participated in the formulation and implementation of strategies and were well conversant with the BSC measures and how it could be used as a tool for strategy implementation.

The interviewees were further requested to indicate the period they had served in the organization so as to determine how well they understood the operations of the organization in terms of strategy implementation and the tools used. From the responses, the interviewees had worked with the organization for a long period ranging from 6 to 20 years which implies that they understood the strategic plan in place at Chase Bank. Further, they understood how it applied as a tool in the implement of strategy. In addition, the interviewees had served in those positions for periods ranging from 3-9 years implying that they clearly understood how the Bank applied BSC as a tool for strategy implementation hence the information provided was highly reliable.

The interviewees further indicated that Chase Bank reviewed their strategies after every five years. The reviews were done to align the company with the changes in the industry so as to meet the changing customer demand and remain competitive in the market place. From the responses, the interviewees had the role of overseeing strategy implementation in their various departments by cascading the main strategic objectives set at the Bank

wide level to the various strategic business units. They acted as a link between their department and the country management team in terms of strategy implementation.

#### **4.4 Extent of Using Balance Scorecard as a Tool for Strategy Implementation**

The interviewees were asked to indicate the extent the balanced score card had been used as a tool for strategy implementation at Chase Bank Kenya Limited. From the responses, the interviewees indicated that the balanced scorecard had been used to implement strategy. This was derived from the fact that each year, the senior management team of the Bank formulated the balanced scorecard measures which acted Key Performance Indicators (KPI) which sets the agenda for the following year. The formulation of the score card measures was done by the senior management drawn from the various strategic business units. As a team, they were able to agree on what activities were important for the attainment of the Bank's vision. This scorecard was derived from the vision of the bank and the areas of emphasis varied from one year to another depending on the direction the bank sought to focus on.

The Banks score card was developed by the CEO in conjunction the chief operating officer, finance director, human resource director, corporate director, SME director and the head of treasury among other senior managers and members of the Board. They use it to prepare departmental targets which guided the operations at departmental levels. This process flows until it gets to the individual employees in the various strategic business units that set their targets with reference to those of their immediate superior in the organization structure. The interviewees agreed that the objectives, targets and measures in the balanced scorecard corresponded with those handed down to them by their

reporting levels. This implies that there was a relationship between what the balanced scorecard targets and the actual activities that took place on the ground.

Asked to explain the extent to which employees understood the concept of balanced score card and its role in strategy implementation, the interviewees indicated that employees the entire organizations was involved in the process of strategy implementation. The strategies developed had contributions from every employee in the through meetings held at the department and strategic business unit levels. The strategic business units organized meetings for the various departments to give strategic direction to the particular departments after which the departmental heads also undertook to integrate the strategies in the performance of tasks in their departments.

Interviewees agreed that balanced scorecard appraisal were conducted to accommodate both short- and long-term performance measures. It provides a concise report that tracks chosen measures and compared them to target values. This approach allowed the interviewees to assess past performance, identify areas for improvement, and position the company for future growth. In a sense, the balanced scorecard was a broad diagnostic tool used in setting key performance targets and indicators. It complemented the common financial metrics with operational measures such as customer satisfaction, internal processes, and the company's innovation and improvement activities. After the metrics and goals related to internal processes and customer perspectives were identified, it was possible to understand the gap between current organizational infrastructures and ideal optimized level in order to achieve the goals. This helped in focusing the utilization of organizational resources optimally.

The balanced score card had been used to identify gaps that existed between the planned and the actual performance, the needs that arose from this gaps were then filled through skills development where the staff involved were found to be lacking or having limited skills in their service delivery. Improved skills then lead to better strategy implementation and better service delivery the capacity of employees was improved.

#### **4.5 Benefits of Using BSC as a Tool for Strategy Implementation**

From the responses given by the interviewees, there were several benefits that accrued to the Bank as a result of the application of the balanced scorecard as a strategy implementation tool. First, the Bank was able to align both corporate and individual goals. This brought about a clear link between individual goals, responsibilities and overall corporate strategy. Secondly, a culture high performing teams had been created informed by rewards at the end of the year for exceeding the set targets. This provided a mechanism for encouraging, differentiating and rewarding high performance in the Bank. In addition, this embedded a culture of responsibility and ownership among employees.

By cascading down the strategies using the balanced score card to the various levels of staff, there was a sense of ownership amongst which enhanced the cooperation of staff members in the implementation of strategy. This helped in aligning operation across the management team as the entire organization worked in the same direction guided by the same principles. Using the BSC, the Bank evaluated employee performance on different strategies quarterly and the quarterly reviews enables managers and other staff members assess their performance by identifying their achievements and shortfalls and working on

these to enhance performance. The achievements are rewarded whereas the shortfall are corrected by giving the staff the support they need to achieve the set targets.

The balanced score card has helped in setting targets since at the beginning of each year after the top management have given the strategic direction that the company is taking goals and targets objectively basing on last year's performance. The balanced scorecard assists in breaking down the overall corporate vision into daily measurable targets for employees to implement. This enables them to focus on the important tasks that are critical to their performance as measured by the scorecard, and hence work towards the execution of the organization's vision.

The interviewees were asked to explain to what extent the application of BSC as a strategy implementation strategy affected clarity concerning of the links between implementation activities and the strategic objectives of the bank. They indicated that, to ensure long-term flexibility and survival, an organization needs to prepare for the future. The balanced scorecard managing system maps an organization's strategic objectives into performance metrics in four perspectives: financial, internal processes, customers and learning and growth. It offers an approach to deciding where a given business is heading, what it's needed to get there, and what's needed to measure and control to achieve the needed goals.

Each BSC perspective has its own objectives. The customer perspective covers customer satisfaction, market share goals, and the attributes of products and services. The internal

process perspective outlines the processes necessary to deliver on customer objectives as well as internal operational goals. The financial perspective allows managers to track shareholder value as well as financial success and the financial objectives of the organization. The intangible drivers of future success, such as human capital, organizational capital and informational capital belong under the learning and growth perspective. After determining the organization's objectives, focus is important, so make sure to pick only one to three key performance indicator for each objective that are the best indicators of achievement for that particular goal.

#### **4.6 Discussion**

The study found out that the balanced scorecard had been used to implement strategy at Chase Bank, this was done in order that the organization may achieve its objectives. According to Kaplan and Norton (2001), a Balanced Score Card helps strategy implementation by clearly identifying the customers and market segments in which the organization may choose to compete. The study revealed that Chase Bank had a structured way of drawing the performance measures where the process began with top management and was then cascaded down to the lower levels. This was in agreement with Kaplan and Norton (1996) who stated that the measures should link top management's judgment about key internal processes and competencies to the action taken by individuals that affect overall corporate objectives. They further stated that this linkage ensures that employees at lower levels in the organization have clear targets for actions, decisions and improvement activities that would contribute to the organization's overall mission.

It was established that the Balanced Score Card was a concise report that tracks chosen measures and compared them to target values which allowed the interviewees to assess past performance, identify areas for improvement, and position the company for future growth. The Balanced Score Card offers the learning and growth perspective which drives the organization learning and growth process towards the attainment of organization mission (Miano, 2011). The balanced score card had been used to identify gaps that existed between the planned and the actual performance, the needs that arose from this gaps were then filled through skills development.

Benefits realized as a result of using Balanced Score Card as a tool for strategy implementation included the ability to align both corporate and individual goals. Niven (2003) stated that organization that use Balanced Score Card are able to link corporate and individual goals with strategic objectives to long term targets and annual budgets; identify and align strategic initiatives; and to conduct periodic performance reviews to learn about and improve strategy. Another benefit identified was ownership of work by the employees due to their involvement in strategy implementation through the use of Balanced Score Card this concurs with Kaplan and Norton (2001) who noted that that the benefits of using this tool included: Reaching consensus and articulation of a set of key strategic objectives aligned to corporate vision; Clarity concerning of the links between implementation activities and the strategic objectives of the organization. This also identify areas where trade-offs between objectives are required like reduce costs versus increase marketing investment; Encouraging dialogue within the organisation about strategic goals and expectations.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This study sought was to determine the extent of use of balanced scorecard as a tool for strategy implementation at Chase Bank Kenya Limited. The summary of findings, discussions, conclusion and recommendations are presented below.

#### **5.2 Summary of Findings**

The objective of the study was to determine extent of use of balanced scorecard as a tool for strategy implementation at Chase Bank Kenya Limited. Interviewees comprised of senior and middle level managers drawn from human resources, operations, treasury, SME banking and finance. In total, 8 interviewees were interviewed. The study established that the Chase bank Kenya limited has applied the balanced score card in strategy implementation and performance management. The tool was adopted as means to align performance to strategy and inculcate a performance driven culture and align the individual goals to the overall organizational goals, as stated by the interviewees.

Majority of the interviewees indicated that the use of the balanced score card was introduced in order to involve employees in performance management since it was viewed as an objective means of performance appraisal. Majority of the managers interviewed stated that the balanced scorecard had been a useful tool for the realization of the organization's strategy, whereas most of the respondents affirmed that the measures, targets and objectives relate to their day to day activities. Therefore, it can be said that the balanced scorecard has helped the organization translate its strategy into action, clarify it

in terms of day to day activities for staff to implement and be better able to communicate it. Due to this, the activities of the employees have become more focused on what is important, namely the vision of the bank and how to implement it.

Interviewees agreed that balanced scorecard appraisal are conducted to accommodate both short- and long-term performance measures. It provides a concise report that tracks chosen measures and compares them to target values. This approach allows managers to assess past performance, identify areas for improvement, and position the company for future growth. In a sense, the balanced scorecard is a broad diagnostic tool. It complements the common financial metrics with operational measures on customer satisfaction, internal processes, and the company's innovation and improvement activities. After the metrics and goals related to internal processes and customer perspectives identified, it is possible to understand that there is a gap between current organizational infrastructures and optimized level in order to achieve the goals

Several benefits that have resulted from the application of the balanced scorecard at the Bank. First, there has been the alignment of corporate and individual goals. To ensure long-term flexibility and survival, an organization needs to prepare for the future. The balanced scorecard managing system maps an organization's strategic objectives into performance metrics in four perspectives: financial, internal processes, customers and learning and growth. It offers an approach to deciding where a given business is heading, what it's needed to get there, and what's needed to measure and control to achieve the needed goals.

### **5.3 Conclusion**

The study concludes that Chase bank Kenya limited has successfully applied the balanced scorecard method to implement strategy. The balanced score card has been used as a tool to communicate and clarify strategy and directions within the business, gain consensus and therefore rally the organizational members in the same direction. Employees in various levels within the organization have been involved in the process of strategy implementation by use of balanced score card where performance measures are determined in line with the organizations vision and mission. This has made the attainment of the vision of the organization everyone's job, therefore creating ownership and responsibility.

The study also concludes that balanced scorecard appraisal are conducted to accommodate both short- and long-term performance measures. It provides a concise report that tracks chosen measures and compares them to target values. This approach allows managers to assess past performance, identify areas for improvement, and position the company for future growth. In a sense, the balanced scorecard is a broad diagnostic tool. It complements the common financial metrics with operational measures on customer satisfaction, internal processes, and the company's innovation and improvement activities.

The study concludes balanced scorecard is a performance measurement tool that uses a strategy map to connect an organization's day-to-day processes to its organizational goals. Rather than capture how an organization currently operates, the Balanced Scorecard is concerned with creating a strategy to drive future direction, building in cause

and effect linkages while simultaneously taking into account both financial and intangible resources that can determine success or failure

#### **5.4 Limitations of the Study**

The study encountered the following limitations.

Information relating to balance score card and strategy implementation is always treated with sensitivity. This may cause difficulties in convincing the interviewees of the importance of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study to counter the challenge, the research had to inform the interviewees in advance the purpose for the research study being carried out, that it was meant for academic purpose only and not for other investigations.

The study was a case study of one organization and therefore it may not be expanded to include more organization. Therefore the application of the study findings is limited to one organization.

#### **5.5 Recommendations**

The study recommends that the Chase Bank should continuously improve on the balanced scorecard technique in order to remain relevant not only to its own operations but also to the changing macro-environmental dynamics. To this end, it is suggested that that continuous staff training is required so as to keep up with the changing business dynamics.

The study recommends that when an organization applies balanced scorecard, it need to take a very close look at the organization structure and evaluate if it supports the strategies. This will help individuals to do better and raise their self-esteem and motivation, resulting in job satisfaction.

### **5.5.1 Recommendations for Further Studies**

The study recommends that further studies can be done to determine the role balanced score card in the strategic management process so s to gain an understanding of the use of the tool not only in the implementation stage but also in the entire process of strategic planning.

The study further recommends that research can be done to determine whether the separation of rewards from performance management via the balanced scorecard can help make the process of performance management through strategy implementation more objective.

Finally, the study recommends that similar study should be done on other banks in Kenya to find out whether the same results will be obtained.

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## **APPENDIX I: INTERVIEW GUIDE**

This interview guide is designed and used to collect information on Chase Bank application of balanced scorecard as a strategy implementation tool.

### **Section A: Demographic information**

1. What is your current position at Chase Bank Kenya Limited?
2. How long have you served in this position?
3. How long have you worked for Chase Bank Kenya Limited?
4. How often do you rethink and redo the strategy of Chase Bank Limited?  
What is your role in Strategy implementation?

### **Section B: Extent of Use of Balance Scorecard as A tool for strategy Implementation**

5. To what extent do you utilize the Balance Scorecard as a tool for strategy implementation at Chase Bank Kenya Limited?
6. To what extent do employees understand the concept of the Balance scorecard and its role in strategy implementation?
7. To what extent is the Balance Scorecard used in clarifying and translating the vision and mission of the organization?
8. To what extent is the Balance Scorecard used to measure the progress made in strategy implementation? In what ways do the progress reports improve strategy implementation?
9. To what extent has the Balance Scorecard been used in the Bank to improve internal processes and procedures for smooth strategy implementation?
10. To what extent has the Balance Scorecard performance measurement affected strategy implementation in the Bank?

11. To what extent has the Balance Scorecard affected service delivery to customers and their level of satisfaction?
12. To what extent has the Balance Scorecard influenced employees' skills development for better strategy implementation?

**SECTION C: BENEFITS OF USING BSC AS A TOOL FOR STRATEGY IMPLEMENTATION**

13. To what extent do you think the Balance scorecard has been instrumental in the achievement of these strategic goals?
14. What other benefits has the Bank derived from using BSC as a tool for strategy implementation?
15. To what extent has the application of BSC as a strategy implementation strategy affected Employee Corporation in strategy implementation? Please explain
16. To what extent has the application of BSC as a strategy implementation strategy affected operations measurement/performance in the Bank? Please explain
17. To what extent has the application of BSC as a strategy implementation strategy affected alignment of operations across the management team? Please explain
18. To what extent has the application of BSC as a strategy implementation strategy affected monitoring of performance improvement initiatives/strategies? Please explain
19. To what extent has the application of BSC as a strategy implementation strategy affected target setting in the Bank? Please explain
20. To what extent has the application of BSC as a strategy implementation strategy affected clarity concerning of the links between implementation activities and the strategic objectives of the Bank? Please explain
21. To what extent has the application of BSC as a strategy implementation strategy affected operational efficiency in the Bank? Please explain