

**THE CHALLENGES OF THE BALANCED SCORE CARD AS A STRATEGY
IMPLEMENTATION TOOL AT FAMILY BANK LIMITED**

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DECLARATION

STUDENT

I, the undersigned, declare that this proposed project is my original work and that it has not been presented in any other university or institution for academic credit.

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This Research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

I would like to dedicate this study to the entire staff of Family Bank Ltd. It will provide insights into the workings of the Score Card for the institution. There are valuable areas of improvement for the institution as far as the score card is concerned. I would also like to dedicate this study to the academia as it also provides new areas of research as far as the score card is concerned. There are theories there in that can be challenged and also there are suggested areas of further study to look into. For this reason therefore this study is dedicated to them.

ACKNOWLEDGEMENTS

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Secondly, my appreciation goes to all my classmates and group members for challenging me on many occasions. Their valuable contribution and support has enabled me sail through the course without difficulties. Your constant encouragement as we went through the program was fully appreciated. My special appreciation goes to my wife Mrs Dorothy Karinga for her encouragement through the project phase. To the senior Managers and departmental heads who took their time to answer my interview questions may God bless you. There are many more who contributed in many ways and this list may be endless to publish. To all of you who participated in one way or another, may our dear Lord richly bless you.

ABSTRACT

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement these policies, plans, projects and programs. The balanced scorecard is designed to give companies the information they need to effectively manage their business strategy tactically. The scorecard is similar to a dashboard in a car. As you drive you can glance at the dashboard to obtain real-time information on how much fuel remains and the speed you are travelling. The study design was a case study aimed at getting detailed information regarding the process of balanced scorecard implementation and challenges that Family Bank had encountered. Primary data was collected from the company staff. This was a case study, therefore content analysis was quite useful. The study found out that Family Bank had used balanced scorecard as strategic management tool, which was implemented by all employees. The study also found that there were key stages used in the implementation of balance scorecard at Family Bank. The study further found the implementation of BSC at Family Bank encountered challenges resistance to change, lack of information and limited resources. Finally recommendations on how to overcome challenges ere proposed and limitations of the study and areas of further research were presented.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Financial institutions like any other concerns require new capabilities for competitive success. This can be gained by the ability of a firm to mobilize its intangible assets rather than investing in and managing tangible assets. Intangible assets include goodwill, good brand name, well thought processes, efficient staff etc. Once this is effectively done, a firm is able to retain the loyalty of existing customers as well as develop new relationships, introduce new and innovative services desired by targeted customer segment, grow its market share and improve the bottom line as well.

In order for organizations to achieve these objectives, they have fully adopted Strategic Management in all areas of their operation. The discipline offer various tools that when well applied delivers good results. One such strategic management tool that can be able to objectively measure the performance of a financial institution and consecutively help it achieve its objective is the balanced scorecard. The balanced score card is a strategic planning and management system that is used extensively in business to align business activities to the vision and strategy of the organization. It also assists to improve internal and external communication and monitor organization performance against strategic goals.

Financial institutions and more specifically Family Bank form our population of study. This is because their nature of business has direct dealings with the final customer and therefore instant feedback can be obtained from the client on the quality of service

delivery. Our study will focus on the four different perspectives of the balanced scorecard individually to ascertain the weight given to each perspective by Family Bank. It will also focus mainly on the challenges that the institution has encountered in its efforts to employ the balanced scored cars as a strategy implementation tool. Ultimately the Bank is focused on improving service delivery, increase market share and customer satisfaction. It's for these reasons that we want to establish how the Balanced score card can be used effectively as a measure, what are the challenges there in and may be offer proposals on ways of overcoming them.

1.1.1 The Concept of Strategy

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement these policies, plans, projects and programs. Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives (David, 1989). The strategic management framework is based on the firm's vision and mission which thereafter help in formulation of long-term organizational goals. The specific plans projects, and programs are the ones that are referred to as strategies. They are meant to assist the organization achieve both its short and long term objectives in the most effective manner.

Strategies are typically planned, crafted or guided by the Chief Executive Officer, approved or authorized by the Board of directors, and then implemented under the supervision of the organization's top management team or senior executives. According to the logical incrementalism perspective (Quinn, 1978), the top management teams set the corporate strategy and sub-units develop specific strategies and tactics needed to respond effectively to environmental challenges. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies.

Strategy implementation comes after strategy has been formulated. It is the most challenging stage and determines the success or failure of strategy. It is concerned with aligning organisational structure, systems and the processes with chosen strategies. This stage is often referred to as the action phase of the strategic management process. Various scholars argue that it is the most important phase in execution of strategy.

1.1.2 Challenges of Strategy Implementation

Reed and Buckley (1988) discussed challenges associated with strategy implementation identifying four key areas for discussion. The first one is the need for a clear fit between strategy and structure. They claim that the debate about which comes first is irrelevant provided that there is congruence in the context of the operating environment. Another challenge is when management style is not appropriate for the strategy being implemented. They cite the example of the “entrepreneurial risk taker who may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for a strategy involving retrenchment” (Reed and Buckley, 1988).

Another challenge of strategy implementation is the lack of clarity and buy in on the part of management. Where Managers do not clearly understand what the overall objective of a particular strategy is, then it becomes difficult to implement. Again if the resources availed for strategy implementations are insufficient then it becomes difficult to meet the overall objective of ensuring a certain strategy is implemented. Other additional challenges highlighted by scholars include, poor communication, unclear strategic intentions and conflicting priorities in effective senior management team, weak cross functional coordination etc.

1.1.3 Balanced Scorecard

The balanced scorecard is a strategic management tool mainly used in performance management. It translates an organization's mission and strategy into a balanced set of integrated performance measures. It complements the traditional financial perspective with other non-financial perspectives such as customer satisfaction, internal banks process as well as learning and growth. The balanced score card has evolved over time to not only become a measurement tool but to also become a strategic management tool aimed at providing a clear understanding of where an organization is as far as its finance, processes customers and people are concerned.

The Balanced score card is designed to give banks the information they need to effectively manage their banks strategy tactically. The scorecard is similar to a dashboard in a car. As you drive you can glance at the dashboard to obtain real-time information such as how much fuel remains, the speed you are travelling, the distance you have

travelled, etc. The score card provides similar information to all levels of the institution through performance measures connected to specific banks areas in the same manner as stated.

Implementing the balanced scorecard as the strategic management tool of choice is a trend that is well on its way in many organizations worldwide. Initially introduced in the early 1990s as a tool to help companies translate their corporate mission to all levels organization, the balanced scorecard is widely acknowledged to have moved beyond this ideology. It is now become as a strategic change management and performance measurement process. Currently in Kenya more than sixty percent of companies are currently using the balanced score card although with challenges.

A survey by the Institute of Management Accountants (IMA, 1995) established that more than 50 percent of the large companies are using some form of balanced scorecard. This is reflective of the power and simplicity of the balanced scorecard to provide direction for all levels and areas of the organization. The balanced scorecard, developed by Kaplan and Norton (1996), is a management system that gives business people a comprehensive understanding of business operations. But still after more than 15 years it is surprising that there are still many business people unconvinced about the utility and effectiveness of the balanced scorecard and even more surprising is the number of organizations giving up on it through their own misapplication or misuse of the tool. Kloot and Martin, (2000), in their study highlight the current business climate requires managers having a balance between financial and non-financial measure to develop

effective solutions in arriving at proper decisions. Financial measures provide historical results where non-financial measures usually indicate the positive outcomes of a particular decision, for example, why developing a specific skill set for a group of employees' increases productivity leading to strong growth.

1.1.4 Banking Sector in Kenya

In Kenya, the Banking Sector is composed of the Central Bank of Kenya, as the regulatory authority and the regulated namely Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. As of 31st December 2009, the banking sector comprised 45 institutions, 43 of which were commercial banks and 2 mortgage finance companies,. Commercial banks and mortgage finance companies are licensed and regulated under the Banking Act, Cap 488 and Prudential Regulations issued there under. Foreign Exchange Bureaus are licensed and regulated under the Central Bank of Kenya (CBK) Act, Cap 491. Out of the 45 commercial bank institutions, 33 are locally owned while the remaining 12 are foreign owned. Among the locally owned financial institutions there are 3 banks with significant Government shareholding 28 privately and the remaining two are mortgage finance companies.

Performance of the banking sector has always been rated as strong. This is because these institutions have consistently achieved satisfactory improved operations results despite high market competition and other economic indicators pointing to the contrary. This has mainly been attributed to the majority of these institutions embracing the balanced scorecard as a strategy implementation tool aimed at breaking the vision of the company

into small achievable objectives. Thereafter measuring performance of the same and ensuring that the necessary corrective action is employed at any one time in order to meet those objectives. Overall the Banking Sector in Kenya has remained vibrant and has remained the bedrock of a vibrant financial market and a key pillar for the performance of the entire economy.

1.1.5 Family Bank Limited

Family Bank (formerly Family Finance Building Society) was registered as a Building Society on 31st October 1984 in Kenya, under the Building Societies Act and commenced operations in the early 1985. Family Bank converted into a fully-fledged commercial bank in May 2007 and the main driver for its conversion was the need to offer a wider range of products and services to its customers.

Family Bank is regulated by the Central Bank of Kenya (CBK) and is frequently inspected using CAMEL ratings which look at Capital, Assets, Management, Earnings and Liquidity. Its ratings by the CBK have been favourable over the years. The Bank is also a member of the Deposit Protection Fund (DPF) meaning that the customers' deposits are protected. It's also a member of Kenya Banker's Association and hence participates in discussions that affect the Banking Industry in Kenya.

From only one branch in early 1985, the bank has grown to be an institution with 55 branches countrywide covering seven out of the eight provinces in Kenya. Since inception, Family Bank has been providing affordable financial services to the medium and lower income earners. The products and services are well researched and tailor-made

to suit the needs of its customers. Family Bank has defined its customer and its target market as the small and medium income earners of the society. This market consists three broad segments based on the customers' sources of income. They include the small scale commercial farmers and small and medium enterprises (mainly business people either operating as individuals or business enterprises with turnovers not exceeding Kshs.100 million) and the salaried employees from both private and public sectors (Muya, 2007).

In an effort to effectively compete with the other 42 banks and also to protect its niche market, Family bank departed from the traditional financial perspective measurements and embraced the balanced score card as a tool to assess its performance and identify areas that needed improvement. Effective 2007 the Bank embarked on a training of all its employees on the concept of strategic management and the use of the balanced scored card as a measure of performance management aimed at assisting the bank realize its objective of being a dominant player in its targeted market segment.

1.2 Research Problem

The need to remain competitive, productive and open to the challenges of the future in the face of a constantly dynamic environment is becoming more important than ever. The demand for more and more innovative products and services continue to increase each year. The need to constantly grow the bottom line is more immense now than ever before while the nature and the current demands of employees continue to pose a real challenge.

In appreciation of these key environmental challenges, Family Bank has embraced strategic management in totality and has embraced the balanced score card as the ideal

tool to measure performance. The scorecard has been used by the Bank as a tool aimed at transforming the vision and the mission into a comprehensive set of performance measures. It has also been established that a successful scorecard programme demands a high level of commitment and time.

The score card has been investigated in numerous studies, in private and public organizations alike. The results differ in terms of success and failure. Locally, a few studies on balanced scorecard have been done which includes; extent of use of balanced scorecard for employee performance management in commercial banks in Kenya, (Mucheru, 2007), The application of the balanced scorecard in implementation of strategy at KRA (Kamau, 2006) and application of the balanced scorecard in strategy application at Barclays bank (Renato, 2007). Majority of the researchers have therefore concentrated on dealing with the application of the score card without taking the study further and answering the question of what are the challenges the Banking sector and more specifically Family Bank in its endeavour to use the balanced score card as a strategy implementation tool?

1.3 Objective of the Study

This study is aimed at establishing the challenges of the balanced scored as a strategic implementation tool at Family Bank.

1.4 Value of the Study

This study is specifically aimed at ensuring that the concept, theory and practise of

strategic management is enhanced. Over a long time studies have concentrated in discussing the extent of the use of the balance scored. There are therefore many other facets of this concept that have not been fully exhausted. For example studies on the challenges being faced by many institutions in implementation can be replicated in an endeavour to establish if there are common problems across the sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the literature available on strategic management and balanced scorecard. The first section presents the theoretical framework on strategic management, performance management and balanced scorecard. The second section reveals the process of balance score card implementation as a strategic management tool. Empirical studies in these areas have also been reviewed.

2.2 Concept of Strategic Management

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

Strategic management seeks to coordinate and integrate the activities of the various

functional areas of a business in order to achieve long-term organizational objectives (David, 1989). The strategic management framework is based on the firm's vision and mission which thereafter help in formulation of long-term organizational goals. The specific plans projects, and programs are the ones that are referred to as strategies. They are meant to assist the organization achieve both its short and long term objectives in the most effective manner.

2.3 Challenges of Strategy Implementation

Reed and Buckley (1988) discussed challenges associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure. They claim that the debate about which comes first is irrelevant provided there is congruence in the context of the operating environment.

Recent articles on local and foreign companies confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstat's (2000) who assert that six silent killers of strategy implementation comprise: a top-down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development, insufficient resource allocation (Aosa,1992; Beer and Eisenstat, 2000).

2.4 Balanced Scorecard as a Strategic Management Tool

Kaplan and Norton in their study revealed that the Balanced Scorecard was initially about measurement, and not strategy. They began with the premise that an exclusive reliance on financial measures in a management system was causing organizations to do the wrong things. Financial measures are lag indicators; they report on outcomes, the consequences of past actions. Exclusive reliance on financial indicators promoted short-term behavior that sacrificed long-term value creation for short-term performance.

But what were the appropriate measures of future performance? If financial measures were causing organizations to do the wrong things, what measures would prompt them to do the right things? The answer turned out to be obvious: Measure the strategy! Thus all of the objectives and measures on a Balanced Scorecard – financial and nonfinancial – should be derived from the organization's vision and strategy. Although we may not have appreciated the implications at the time, the Balanced Scorecard soon became a tool for managing strategy – a tool for dealing with the 90 percent failure rate (Kaplan and Norton, 2001b).

2.5 The Background of the Balanced Score Card

The concept of the balanced scorecard was first presented in the early 1990s. By 2000 some surveys indicated that a majority of firms in the United States, and Scandinavia used scorecards, or at least intended to do so soon. The concept has since then arrived in Africa and is fully embraced. In Kenya it's more used in the private sector and the

Government is yet to embrace the same. The number of software packages for scorecard on the market has been growing and exceeds one hundred today. In only ten years, the idea of the balanced scorecard has certainly made its mark. (Gadenne, 2000)

Even within the private sector, financial statements cannot properly capture the kind of measurements that are required today. High quality services, intellectual capital, skilled employees, prompt and reliable services, responsiveness efficient and adaptable business processes are all intangible assets which are important but their presence or absence does not show up on a balance sheet and does not alert employees, customers, shareholders and the community to the real worth of an company or enterprise.

They are part of a top down driven process, driven by the mission and strategy of the “Business Unit”. The measures are a balance between external measures for customers and shareholders and internal measures of business processes, innovation and learning and growth. A balance must also be struck between measures of past performance and measures that drive future performance. It is possible to use the balanced scorecard as a strategic management system to manage strategy over the long run (Poll, 2001). Kahihu (2005) adds that the measures selected for the scorecard present a tool for leaders to use in communicating to employees and other stakeholders the external drivers by which the organization will achieve its mission and strategic objectives.

Latshaw and Choi, (2002) states that traditionally, organizations measured their performance on short-term **financial measures**; however the balanced scorecard approach extends this to including measures of performance relating to **customer**,

internal processes and **learning and growth needs** of their people This broader focus brings in a longer term, strategic dimension to the business, by not only looking at the short-term financial performance, but also how the organisation is going about delivering the results, and checking on the overall “strategic health” of the organization. By focusing on these non-financial dimensions, the organization can assess its performance in building key capabilities, required in terms of its strategy to survive and prosper into the future. This is particularly relevant to companies seeking longer-term superior returns, embarking on new strategies or under competitive threat, where the lack of these organisational capabilities will threaten the organization’s longer-term sustainability (Hagood and Friedman, 2002).

2.6 The Process of Using the Balance Scored in an Organization

At the highest level within an organisation the strategy will define the specific performance measures and standards required in each of these non-financial areas. This process requires the leadership to define in very specific terms the “definition of success” in each of these non-financial areas, together with their relative importance weightings, to enable employees to embrace these requirements in their day to day activities. Once this is completed for the organisation as a unit, these measures are transferred to individuals throughout the organisation, by creating individual “Balanced Scorecards”: This information and the subsequent decision to change something is critical to the strategic learning process, which should continuously modify strategies to reflect this “real time learning” (Johnsen, 2001). The Balanced Scorecard approach extends into linking

employee rewards to performance in all four areas, with suitable weightings applied reflecting the relative importance of each area. In some instances companies see the non-financial measures of such importance that a “threshold” level of performance is set for each of the non-financials. This approach clearly indicates to employees the level of importance the organisation places on future capability building and strategic issues, while at the same time recognizing shorter-term financial performance (Gadenne, 2000).

Each business unit in the organization develops its own balanced scorecard measures to reflect its goals and strategy. While some of these measures are likely to be common across all subsidiaries or units, other measures will be unique to each business unit. Judgment and decision-making research suggests that decision makers faced with both common and unique measures may place more weight on common measures than unique measures. Therefore, managers evaluating multiple subordinated units including superior managers may under use or even ignore the unique measures designed for each unit. Judgmental difficulties in using unique measures may be compounded when the manager who carries out a unit's performance evaluation does not actively participate in developing that unit's scorecard and, consequently, may not appreciate the significance of the unique measures. Under use of unique measures reduces the potential benefits of the balanced scorecard because the unique measures are important in capturing the unit's business strategy (Appelbaum and Reichart, 1998); (Kaplan and Norton, 2001a) such as market share, extent of innovation and customer satisfaction.

Waal (2003) in his study indicates that the balanced scorecard retains traditional financial

measures but financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.

2.7 The Purpose and use of the Balance Score Card

The purposes of the balanced scorecard are to guide, control and challenge an entire organization towards realizing a shared conception of the future. Within the perspectives the vision is expressed as a number of more specific objectives. Measures and targets are set and the organization then puts in place action plans to meet the set targets. (Waal, 2003).

The scorecard is balanced: the four perspectives aim for a complete description of what you need to know about the business. First, there is a time dimension going from bottom to top. Current profitability, etc. may largely be a consequence of what was done last quarter or last year; if new skills are added now it should have consequences for next year's efficiency and finance. The scorecard is also balanced in another way: it shows both internal and external aspects of the business. It is obvious that a "well-oiled machinery" of internal processes is important in any business, and may not always correlate with external perceptions. On the other hand, customers' views and the contacts

that have been established in the market-place are also important too.

Finally, the scorecard is linked through cause-and-effect assumptions. Among its most important uses is to reflect on how strong these linkages are, what time delays they involve, and how certain we can be about them in the face of external competition and change. The balanced scorecard contains a diverse set of performance measures, spanning financial performance, customer relations, internal business processes, and the organization's learning and growth activities (Kaplan and Norton, 1992). This large set of measures is designed to capture the firms' desired business strategy and to include drivers of performance in all areas importance to the firm (Kaplan and Norton, 1993,). Use of the balanced scorecard should improve managerial decision making by aligning performance measures with the goals and strategies of the firm and the firm's business units (Lipe and Salterio, 2000).

The score card therefore defines helps a bank clearly define the critical roles that play a role in meeting its objectives. The said roles are measurable and have a direct impact in both the current and future returns. They also impact in the general environment under which the business is done. There after the score card also ensures that there is a clear way of measuring performance and achievement in each role. It then goes further and stipulates the weighting and allocates a mark for each role performed and met. Reward and punishment is also defined and it becomes easy to action on either. This tool therefore has a clear role to play as far as strategy implementation is concerned in a financial institution.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that will be used in gathering the data, analyzing the same and reporting the results. Here the researcher is aiming at explaining the methods and tools to be used to collect and analyze data to get proper and maximum information related to the subject under study.

There is a lot of think through over the subject under discussion to ensure that the correct approach is granted. That is whether the study will require qualitative or quantitative data and whether it will require a survey or indeed it's a case study. Subsequent data collection and analysis methods are defined.

3.2 Research Design

This is a case study since the unit of analysis is one organisation. It is aimed at getting detailed information regarding the process of balanced scorecard implementation and challenges that Family Bank limited has encountered. The case study has been designed due to the nature of study being conducted.

According to Yin (1989) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari (2004) noted that a case study involves a careful and complete observation of social units. It is a method of in depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from

such a study is more reliable and up to date

3.3 Data Collection

Primary data will be collected from the Bank staff by use of interview guides in order to establish the process and challenges of implementing the balanced scorecard as a strategic management tool at Family Bank. Interview guide will be designed and administered through interview and discussions to key informants will include 5 senior managers and 5 departmental heads. The interview guide will comprise of open ended questions. It will be an in depth interrogation into the operations of the Bank, and how the balanced score card has impacted the performance there of.

Mugenda (1999), notes that such questions allow for a greater depth of response. Secondary data sources will also be used to provide additional information. This will be obtained from already documented materials such as in-house publications, in-house training materials and periodic performance reviews.

3.4 Data Analysis

This is the breaking down of the data collection and establishing if there are any correlations of the information provided. The completed interview guides will be edited for completeness and consistency before processing the responses. There will be item by item analysis that is derived from the interview guide that has formed the basis of this study. Analytics will also involve scrutinizing the common issues and analysing the information that developed after further explanations from the interviewees. This is

basically qualitative data analysis unique to a particular financial institution. There will be deductions arrived at as a result of theoretical analysis of the industry practise as far as the score card is concerned.

Being a case study, content analysis will be most useful. Nachamias and Nachamias (1996) describe it as a technique used to make inferences by systematically and objectively identifying specific characteristics and messages. Ensuring repeated issues form the basis of further exploration or developing areas of further study around them. Additional explanations provided for when an interviewee is answering a particular question also requires analysis. Thereafter drawing the necessary conclusions from the interview collected is fundamental to the success of the study.

This will be the best method of analyzing the qualitative data that will be collected from the interviews and discussions. The same will also be useful in assisting the Researcher identify clear and concise challenges that the Bank is encountering and also form a basis for further study especially in the area of identify possible ways of overcoming the challenges. The impact on the subject, theory and practise of strategic management and strategy implementation will also be adduced.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the data findings of the study and their analysis there of. The data was gathered through interview guides and analysed using content analysis. According to the data found, all five senior managers and five departmental heads projected in the previous chapter to be interviewed were interviewed which makes a response rate of 100%. The commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the senior managers and heads of department despite their tight schedules and making phone calls to remind them of the interview. The interview was also focussed and well directed aimed at addressing particular issues captured in the research problem.

4.2 General Information

By interviewing the top and departmental managers of the Bank, there was concerted effort to ensure that a representative data was collected. The study, in an effort to gauge the interviewees working experience in the banking sector and Family bank, the question of age bracket was requested. This was meant to ensure that the people interviewed understood the bank well; it's operating procedures, various roles and expected performances. According to the interviewees' response, their ages ranged from 35-45 for the top managers while those of departmental heads ranged from 30-40. Their level of academic qualification was also important. To answer on the interviewees' highest level

of academic qualification all the interviewees' had masters related to their field of work. In an effort to establish the interviewees' competence and conversance with matters regarding Family Bank, the study asked questions on the years that the interviewees had worked for the Bank. According to the interviewees' response, all of them had worked for the Bank for at least five years as most promotions are internal, within the Bank. The interviewees' responses hence had the advantage of good command and responsibility being that they head of departments and experience and aptitude owing to their years of experience in the Bank. To the question on the interviewee designation, the interviewees were all in charge of various functional areas.

4.3 Balanced scorecard implementation process

To the question if the bank use the balanced scorecard as a strategic management tool interviewee the interviewee were all in agreement the balanced scorecard was indeed in use in the banks as strategic management tool. The interviewee was further requested to indicate who was involved in the implementation of balance score card, there were various responses which included; senior managers, all employees, entire management, human resource managers, section heads, line managers and management at all levels.

The interviewee was requested to indicate approach used to implement the Balanced Scorecard at Family Bank, there entire management which include the board of directors. The interviewees was further requested to indicated whether the external consultants were used in the implementation of balanced scorecard at Family Bank, According to the interviewees, external consultants were used in the implementation of balance scorecard

at Family Bank.

To the question on the key stages that were used in the implementation of balance scorecard at Family Bank, the study finding show that the stages were; overview by external consultant to the board of directors in consultation with the senior management, consultancy advice to key staff in every department, formulation of the scorecard by staff in consultation with supervisors ,training of lower and middle management for implementation by external consultants ,implementation of the scorecard ,evaluation of the card and the reviewing of the scorecard by external consultant .

On the requirement of for successful implementation of balanced scorecard at Family Bank, the interviewees, said that the requirement were; commitment of the staff, communication to all staff, should be understood before implementation, sensitization of member staffs, training by consultants, involvement of all staff members, ownership of balance scorecard by members, incorporation of bank strategies and the balanced scorecard should be ,measurable, realistic, time bound and should be agreed upon by all members. To the question whether strategy was implemented at the same time with balanced scorecard at Family Bank, the data findings showed that the strategy of the banks had been implemented before the formulation and implementation of balanced scorecard at Family Bank, this clearly shows that banks strategy give rise to the balanced scorecard. Indeed the Babk has always has had a strategy spanning for over five years. It had always been driven by the vision and the mission of the Bank. Coprorate strategy has always been drawn by the Board of Directors of the Bank. Then operational strategies

and business strategies have been derived therein and the entire organization has always performed with a strategy.

To the question what were the key factors that led to the implementation of balanced scorecard as a tool for strategic management, the data findings showed that these factors were; cost, performance in terms of results, wastage, need for change to new appraisal methods ,realization that they were not performing as market leaders, fairness in appraisal, need to execute strategy and make it operational, need to link budget with strategy, need for objective measurement tool, need to align staff goals with the Banks goals, time management and maximizing available resources. It was further revealed by the study that Family Bank did not use the scorecard software in the implementation of the balanced scorecard.

4.4 Challenges of implementing balanced scorecard

The study, in an effort to establish whether strategy implementation was a challenge before adoption of balanced score card, asked the interviewees whether strategy implementation was a challenge before balanced score card was. According to the interviewees' response, strategy implementation was a challenge before the adoption of balance score card revealing that there was a bit of laxity by employees to accept this change though now they have adapted and they are coping well.

To the question on what were the challenges posed by top to down congruence of goals, the interviewees said these challenges were; lack of ownership by lower class staff, staff may not be aware of the goal, mission, vision, strategy and how they are related to them,

understanding of what balanced score card entail by the staff, lack of alignment with staff goals, poor communication and that top management make unrealistic decision about balanced score card which they expect lower management to adopt. It was also clear from the study that the implementation also inhibits individual freedom by making staff concentrate on the laid down guidelines and it restricts responsibility to what it is stated in balanced score card. To the question on whether the interviewees encountered cultural or behavioural barriers in the implementation of balanced score card, from the response of the interviewees, they all agreed they encountered cultural or behavioural barriers in the implementation of balanced score card This clearly shows that cultural and behavioural changes were challenge to the implementation of balanced score card

It was also revealed by the study that most of the interviewees felt it was a challenges because, people fear change and they always believe in doing what they have been used to, every member of staff should be involved in the implementation process and not sabotage, resistance to change from norms, preference to old performance measurement tools, training and user acceptance wasn't enough, different opinion based on backgrounds and timeframe on performance of task were not strict. It was also established by the study that interviewees had to, entrench individual accountability, the bank held trainings sessions, team building, incentives were provided and understanding balanced score card in the light of the banks vision and mission in order to counter cultural and behavioural barriers. There was also a through scrutiny of staff who had cultural and behavioural issues and were struggling with change. The bank conducted a restructuring program that bordered on ensuring that resistance was brought to the

minimum. There was also some bit of resistance brought about by operational issues in the system such as the system not being able to measure certain parameters accurately. This was overcome by conducting thorough system re-engineering.

The study also found from the interviewees that the main challenges they faced from the implementation of balance scorecard were; cultural barriers, fear of change, limited resources for training, lack of information, lack of measurement for some objectives, lack of clarity ,overlap of responsibility, preference to older measurement, organization structure, lack of commitment by staff ,mistrust between staff and management, presence of many measures and relying on other section due to interdependence.

The interviewees, on what is the role of senior management in solving challenges faced in balanced score card implementation, The interviewees said that ,the role of senior management in implementation of balanced score card were; analysing the strategy of the Bank, defining the various roles that will constitute the achievement of strategy. Providing clear and measurable goals and objectives, facilitating the accomplishment of balanced score card goals, elaborating and expounding key areas of score card to the staff. The management also has a fundamental role of supervising the implementation process from beginning to end, making the implementation acceptable by inviting contributions from all members of staff, providing clarification of the various issues raised, trouble shooting, drawing of balanced score card implementation process, assessing achievement of lower level employees, enlightening staff on the importance of balanced score card in helping fulfil banks strategies, coordination between top

management and low level management and acting as source of information. Most importantly the management has a fundamental of explaining that the score card is not a tool to punish employees but rather a tool to measure performance and ensure bank performs at the highest standards.

To the question, which strategies management used in order to overcome the balanced score card implementation challenges , the data findings showed that management used various strategies to overcome balanced score card implementation challenges, these included; awarding bonuses, offering performance pegged rewards, close monitoring through reviews, staff involvement in crafting some of the targets, job rotation and training, bottom upward development of the card provision of proper information, provision of guides to solve these challenges, guidance by human resource managers and team building.

The study also found from the interviewees solutions to the major implementation challenges were; having common goals through creation of team synergy and integrating performance, rewarding best performers, defining bank goals and objectives, aligning of corporate and individual goal, making balanced score card acceptable and reflecting proper appraisal, more training to staff, hiring of external consultants to review the balanced score card, drawing clear and simple balanced score card, proper provision of resource needed, dissemination of the needed information and proper monitoring of performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusion drawn from the findings highlighted and recommendations made there-to. The conclusions and recommendations drawn are in quest of addressing the research question or achieving at the research objective which was to establish the challenges of the balanced score card as a strategy implementation tool at Family Bank Limited.

5.2 Discussion of Findings

The study established that Family Bank Limited had used balanced scorecard as strategic management tool, it was also established that the board of directors, senior managers, all employees, entire management, human resource managers, section heads, line managers and management at all levels were involved in the implementation of balanced score card at Family Bank Limited. On which approach was used to implement the scorecard at Family Bank Limited, the findings of the study showed that the approaches used were; end of year appraisal, training and discussion, involving all the staff, reviewing to make necessary changes, through sectional heads who monitor progress and communicating it to the top management, timelines, bank guidelines and consultation between staff and management. The finding further revealed that external consultants were used in the implementation of balance scorecard at Family Bank Limited.

From the findings the study reveals that the key stages used in the implementation of balance scorecard at Family Bank Limited were; overview by external consultant in consultation with the board of directors to the senior management, consultancy advice to key staff in every department, formulation of the scorecard by staff in consultation with supervisors ,training of lower and middle management for implementation by external consultants ,implementation of the scorecard ,evaluation of the card and the reviewing of the scorecard by external consultant .

On the requirement for successful implementation of balanced scorecard at Family Bank Limited, the finding of the study showed that the requirement for successful implementation were; commitment of the staff, communication to all staff, the process should be before implementation, sensitization of member staffs, training by consultants, involvement of all staff members, ownership of balance scorecard by members, incorporation of banks strategies and the balanced scorecard should be ,measurable, realistic, time bound and should be agreed upon by all members. The data findings also showed that the strategy of the bank had been implemented before the formulation and implementation of balanced scorecard at Family Bank Limited.

From the study, the data findings showed that the key factors that led to the implementation of balanced scorecard as a tool for strategic management were; cost, performance in terms of results, wastage, need for change to new appraisal methods ,realization that they were not performing as market leaders, fairness in appraisal, need to execute strategy and make it operational, need to link budget with strategy, need for

objective measurement tool, need to align staff goals with banks goals, time management and maximizing available resources. It was further revealed by the study that Family Bank Limited did not use the scorecard software in the implementation of the balanced scorecard. From the findings of the study, it was established that strategy implementation was a challenge before the adoption of balance score card. The finding of the study further established the challenges posed by top down congruence of goals were; lack of ownership by lower class staff, staff may not be aware of the goal, mission, vision, strategy and how they are related to them, understating of what balanced score card entail by the staff, lack of alignment with staff goals, poor communication and that top management make unrealistic decision about balanced score card which they expect lower management to adopt.

It was also established by the study that the balanced score card implementation also inhibits individual freedom by making staff concentrate on the laid down guidelines and it restricts responsibility to what it is stated in balanced score card. On whether the staff encountered cultural or behavioural barriers in the implementation of balanced score card, the findings showed that they encountered cultural or behavioural barriers in the implementation of balanced score card. This clearly shows that cultural and behavioural changes were challenge to the implementation of balanced score card.

The finding of the study revealed that most of the staff felt cultural and behavioural barriers were challenges because, people fear change and they always believe in doing what they have been used to, every member of staff should be involved in the

implementation process and not sabotage, resistance to change from norms, preference to old performance measurement tools, training and user acceptance wasn't enough, different opinion based on backgrounds and timeframe on performance of task were not strict. It was also revealed by the study that interviewees had to, entrench individual accountability, the bank held trainings sessions, team building, incentives were provided and understanding balanced score card in the light of the banks vision and mission in order to counter cultural and behavioural barriers.

The study also found from the interviewees that the main challenges they faced from the implementation of balance score card were; cultural barriers, fear of change, limited resources for training, lack of information, lack of measurement for some objectives, lack of clarity ,overlap of responsibility, preference to older measurement, organization structure, lack of commitment by staff ,mistrust between staff and management, presence of many measures and relying on other section due to interdependence.

On what is the role of senior management in solving challenges faced in balanced score card implementation, The finding of the study established that the role of senior management in implementation of balance score card were; facilitating the accomplishment of balance score card goals ,elaborating and expounding key areas of balance score card to the staff, supervising the implementation process, making balance score card implementation acceptable by inviting contribution ,providing clarification, trouble shooting, drawing of balance score card implementation process, assessing achievement of lower level employees, enlightening staff on the importance of balance

score card in helping fulfil bank strategies, coordination between top management and low level management and acting as source of information.

The data finding of the study further established that the strategies management used in order to overcome the balance score card implementation challenges included; awarding bonuses, offering performance pegged rewards, close monitoring through reviews, staff involvement in crafting some of the targets, job rotation and training, bottom upward development of balance score card, provision of proper information, provision of guides to solve these challenges, guidance by human resource managers and team building.

From the findings the study also found that the major implementation challenges were; having common goals through creation of team synergy and integrating performance, rewarding best performers, defining bank goals and objectives, aligning of corporate and individual goal, making balance score card acceptable and reflecting proper appraisal, more training to staff, hiring of external consultants to review the balance score card, drawing clear and simple balance score card, proper provision of resource needed, dissemination of the needed information and proper monitoring of performance.

5.3 Conclusions and Recommendations

It is then concluded that Family Bank Limited had used balanced scorecard as strategic management tool, which was implemented by board of directors, senior managers, all employees, entire management, human resource managers, section heads, line managers and management at all levels ,the researcher also concludes that, end of year appraisal, training and discussion, involving all the staff, reviewing to make necessary changes,

through sectional heads who monitor progress and communicating it to the top management, timelines, banks guidelines and consultation between staff and management, were the approaches used to implement balance score card.

The researcher also concludes that the key stages used in the implementation of balance scorecard at Family Bank Limited are overview by external consultant in consultation with the board of directors to the senior management, consultancy advice to key staff in every department, formulation of the scorecard by staff in consultation with supervisors, training of lower and middle management for implementation by external consultants, implementation of the scorecard, evaluation of the card and the reviewing of the scorecard by external consultant.

The researcher further concludes that the challenges encountered in the implementation of balanced scorecard are strategy implementation before the adoption of balance score card, challenges posed by top to down congruence of goals which includes; lack of ownership by lower class staff, staff may not be aware of the goal, understating of what balance score card entail by the staff, lack of alignment with staff goals, poor communication and that top management make unrealistic decision about balance score card which they expect lower management to adopt and inhibition of individual freedom, cultural and behavioural barriers, limited resources for training, lack of information, lack of measurement for some objectives, overlap of responsibility, preference to older measurement, organization structure, lack of commitment by staff ,mistrust between staff and management, presence of many measures and relying on other section due to

interdependence.

From the findings and conclusions, the study recommends that in order to address the challenges on implementation of balanced scorecard, management strategies should be used these management strategies includes; awarding bonuses, offering performance pegged rewards, close monitoring through reviews, staff involvement in crafting some of the targets, job rotation and training, bottom upward development of balance score card provision of proper information, provision of guides to solve these challenges, guidance by human resource managers and team building.

The study also recommend that middle level management should be used in solving challenges faced in balance score card implementation by facilitating the accomplishment of balance score card goals ,elaborating and expounding key areas of balance score card to the staff, supervising the implementation process, making balance score card implementation acceptable by inviting contribution ,providing clarification, trouble shooting, drawing of balance score card implementation process, assessing achievement of lower level employees, enlightening staff on the importance of balance score card in helping fulfil bank strategies, coordination between top management and low level management and acting as source of information.

5.4 Limitations of the study

This was a case study on implementation of balanced scorecard at Family Bank Limited. It therefore cannot be generalized as organizations are unique from each other. This study could therefore not be generalized across the banking industry. Another limitation

appreciated during the study was the fact that case study methodology requires intense exposure to the phenomenon being studied and this could cause bias in the findings of the study.

5.5 Suggestions for further study

The study was looking at the challenges of the balanced score card as a strategy implementation tool at Family Bank Limited. Previous studies have been done on adoption of balance score card by companies in other industries. This study recommends a survey to establish its implementation in the banking industry as a whole. Also important will be case studies in different banking sectors. The learning's and experiences from these should be by institutions intending to implement the card. Also useful will be a study on integration of the balance score card in the performance management process in depth and across the banking sector.

5.6 Implications of the Study on Policy, Theory and Practice

In this study, the focus to investigate whether banks implementing the balanced score card outperform banks within the same banking industry on key financial measures. Although the balance score card has gained popularity among managers as a performance measurement tool, little empirical evidence exists to substantiate claims that the balance score card promotes superior financial performance when compared to a traditional performance measurement system. We find evidence of superior financial performance for branches implementing the balance score card when compared to non- balance score card implementing branches however organisations that use the balanced scorecard as

their orienting tool for integrating their diversity strategies are able to demonstrate unambiguously how and to what extent the diversity objectives have been achieved.

One concern about the implementation of the balanced scorecard in terms of diversity management is the variable nature of the significance that's attributed to diversity issues as the balanced scorecard reflects and integrates the values of organisations as well as quantitative objectives. Where perceptions about diversity are misinformed, the risk is that this will be reflected in the way the balanced scorecard is used, so it's imperative that organisations make clear what their vision of diversity is, communicate this and train people to understand it, build objectives into business planning and performance assessments and monitor and review progress.

In 1992 Kaplan and Norton argued that managers should not only focus on financial measures when taking decisions. Non-financial criteria also had to be taken into account. When integrated carefully and in a balanced manner in a "scorecard" it would provide managers with a brief but comprehensive and timely view of their business. Four different key perspectives were identified as being critical and thus should be included, i.e. the financial, customer, internal business- process/learning, and growth perspectives. In 1996, the same authors extended their view stressing the importance of aligning the scorecard information with the business strategy.

To translate the strategic goals efficiently into tangible objectives and measures, they suggested four interrelated management processes: clarifying and translating vision and

strategy, communicating and linking strategic objectives and measures, business planning and target setting, and enhancing strategic feedback and learning. Finally, in 2001 Kaplan and Norton introduced five principles to keep strategy the focus of organizational management processes: translate the strategy into operational terms, align the organization to the strategy, make strategy everyone's everyday job, make strategy a continual process, and mobilize change through executive leadership. Thus, in their work Kaplan and Norton gradually moved from defining the balanced score card as a comprehensive performance measurement system to the balanced score card as a strategy implementation tool to facilitate and control performance measurement and management. These conceptual developments allowed that under the label 'balanced score card' tools of various interpretations and use exist.

This study contributes to understanding effective usage of the balance score card. First, despite its promise, managers should be aware that balanced score card use does not automatically improve company performance. Under the label balanced score card different manners of interpretation and use are possible, each with serious pitfalls. This study has emphasized the importance of the strategy for balanced score card use. The results suggest that BSC use that complements corporate strategy will positively impact performance. However, mechanistic use without a clear link to corporate policies and practices will hinder performance and may even decrease it. In other words, a focus on performance measurement instead of performance management will impede the realization of organizational objectives and may even prove counter productive by hurting company performance. Thus balanced score card investments will only pay off if

they are in line with strategy, and it is therefore important to map how the balanced score card is used, and to evaluate whether balanced score card application facilitates and complements corporate strategy.

Based on our findings we can now supplement Kaplan and Norton's 'roadmap' with some additional suggestions that include; use multidisciplinary project teams to help effective implementation of the BSC. It will create involvement from different functional areas, and may help create momentum particularly when people with a positive attitude towards adoption are selected. This will confirm top management support, underline the strategic importance of the project and may help overcome resistance.

Create a multidimensional and balanced baseline set of performance indicators, and start measuring and monitoring. Use simple measures initially, and focus on the ones that are considered as key for organizational control and strategy. Introduce more unique measures subsequently that better reflect the specific market and strategic conditions of the bank unit in order to build a more tailored measurement system. This fine-tuning involves an iterative process and should be based on careful monitoring of initial balanced score card measurement effectiveness. Careful validation of the instrument's effectiveness in measuring firm efficiency and effectiveness is critical.

A proactive stance critical to top management should be alertness to the dynamic environment of the firm affecting the fit between its strategy and the balanced score card. Changing contexts may require varying the set of indicators used and re-balancing the balanced score card -profile across the perspectives, rather than just fine-tuning the measurement system. In conclusion, the results of the study support the way the balanced

score card is used to complement corporate strategy and the way the balanced score card is operationalized to support comprehensive performance measurement appear key factors for successful implementation.

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APPENDICES

APPENDIX 1: INTERVIEW GUIDE

Instructions: *(Please read the instructions given and answer the questions as appropriately as possible). You are requested to answer the questions below to the best of your knowledge. All answers to questions below will be treated with utmost confidentiality and at no time will the researcher quote your answers verbatim.*

Section A. Background Information

1. Establish the Age bracket of the interviewee?
2. Establish the highest level of academic qualification.
3. Establish the years worked in Family Bank?
4. Establish the designation?

Section B. Balanced scorecard (BSC) implementation process

1. Does the bank use the balanced scorecard as a strategic management tool?
2. Who is involved in the implementation of the BSC at your company?
3. What is the approach used to implement the Balanced Scorecard at Family Bank? Were there external consultants used?
4. What are the key stages that were used in implementation of the balanced scorecard in Family Bank?
5. What are the requirements for successful implementation of the balanced scorecard?

6. Did Family Bank implement strategy and balanced scorecard at the same time? If not which one came prior to the other?
7. What are the key factors that were considered in the implementation of the balanced scorecard as a tool for strategic management by the bank?
8. Does Family Bank use the scorecard software in implementation of the balanced score card?

Part C: Challenges of implementing the Balanced Scorecard

1. Was strategy implementation a challenge before BSC was adopted? If Yes why?
2. What are some of the challenges posed by top down congruence of goals?
3. Does BSC implementation inhibit individual freedom?
4. Did you encounter culture /behavioural barriers?
5. Why do you think it was a challenge?
6. What did you do to cope with the challenge?
7. What are the main challenges faced in the implementation of the balanced scorecard at Family Bank?
8. What is the role of managers in solving the challenges faced in BSC implementation?
9. What strategies does the management use in order to overcome the BSC implementation challenges in your Bank?

10. What are the possible solutions to the major implementation challenges facing your Bank?

APPENDIX 2: INTRODUCTION LETTER FROM U.O.N



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
 Nairobi, Kenya

DATE.....

TO WHOM IT MAY CONCERN

The bearer of this letter..... JAMES KARINJA

Registration No..... DE/P/7967/2004

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.

(Handwritten signature)
UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI
JUSTINE MAGUTU
ASSISTANT REGISTRAR
MBA OFFICE, AMBANK HOUSE

APPENDIX 3: ACKNOWLEDGMENT LETTER FROM FAMILY BANK

11th October 2011

The Cordinator
MBA programme
School of Business
University of Nairobi

Dear Sir,

RE: JAMES KARINGA

Please be advised that the above named person who is a student of your university has requested to be allowed to interview Senior and Middle Management staff of the Bank among others. This is in pursuit of his post graduate program in your university.

This letter serves to confirm that the request has since been granted and he has managed to talk to 10 members of management of the bank including the undersigned on real issues touching on performance management and the balanced score card.

Thank you.

Yours Faithfully



Margaret Mburu
Ag. Head of Human Resources