BALANCED SCORECARD AS A STRATEGY IMPLEMENTATION TOOL AT TOYOTA EAST AFRICA LIMITED

BY:

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NOVEMBER, 2011
DECLARATION

STUDENT'S 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: 8th November, 2011...

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SUPERVISOR'S DECLARATION

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

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LECTURER: UNIVERSITY OF NAIROBI
DEDICATION

I dedicate this work to my wonderful family. Most special thanks to my husband Lucas for his unconditional support and love throughout this long process. Also to our daughter Meagan and sons Austin and Ethan who are the joy of our lives.

I must also thank my parents for their continual encouragement to reach for the stars and inculcating the value of education, diligence, hard work and self-believe over the years.
I take this opportunity to give thanks to the Almighty God for seeing me through the completion of this project.

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The entire staff of Toyota East Africa Limited cannot pass without my special acknowledgement for taking time off their busy schedule to provide me with all the information I needed in the course of the research. Without their immense cooperation I would not have reached this far.

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ABSTRACT

The balanced scorecard is a performance measurement and strategic management tool that translates an organization's mission and strategy into a balanced set of integrated performance measures. The purposes of the balanced scorecard are to guide, control and challenge an entire organization towards realizing a shared conception of the future. This study sought to determine the use of balance scorecard as a strategy implementation tool and determine the challenges of implementing the balanced scorecard at Toyota East Africa Limited.

The study used a case study since the unit of analysis was one organization. Primary data was collected using an interview guide while secondary data was collected through desk research. Content analysis and descriptive analysis were employed in data analysis. The content analysis was used to analyze the interviewees' views about the effectiveness of a balance scorecard as strategy implementation tool.

The study further revealed that the stages of BSC implementation process at Toyota East Africa Limited include organizational BSC, divisional BSC, departmental BSC and then the individual BSC. The study also deduced that for successful implementation of the balanced scorecard, everyone must be involved and must understand the meaning and objectives, all the quadrants in BSC should be balanced, there should be well defined KPIs that are aligned to each other and staff training.

The study recommends that for successful implementation of the balanced scorecard, everyone must be involved and must understand the meaning and objectives, all the stages must be aligned towards achieving the organizational objectives, all the quadrants in BSC should be balanced, there should be clear understanding of the business, objectives should be built around company strategy, there should be well defined KPIs that are aligned to each other and staff training.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

There are various tools and techniques that have been developed to assist executives in the implementation of strategy. Of all these tools, it is notable that the balanced scorecard is gaining more acceptances because of its ability to track both financial and non-financial measures. The balanced scorecard is a complementary strategic model that considers financial and non-financial measures. Johnsen (2001) defines the balanced scorecard as a management model that translates the organizational mission and strategy into a collection of performance measures (Kaplan and Norton, 2001a). The balanced scorecard is also an integrated management system consisting of three components: strategic management system, communication tool, and measurement system (Niven, 2003). The balanced scorecard is applicable to any organization, including public and non-for-profit organizations (Kaplan 2001; Niven 2003). However, each accounting and management model should be adapted in the context that they operate. A uniform approach of the balanced scorecard in business may lead to dysfunctional consequences (Johnsen 2001b).

Toyota East Africa Limited has been operating in a turbulent business environment since it was established in 1999 whilst registering impeccable performance. The company has been the leading motor vehicle distributor in Kenya for the last seven years enabled by its strong hands-on leadership from the CEO and the management team which has been neatly networked with the Kaizen champions' team. A participatory team approach in developing the vision, mission and values for TEAL are evident and have helped in entrenching staff commitment to the firm's goals. The company uses the balanced scorecard to align the functional strategies with the overall corporate strategy and its of interest to determine how this has contributed to its current position and how it can be enhanced. In sum, the implementation of the balanced scorecard methodology in the banking sector implies that it is necessary to adjust the language, framework and approach to the performance management and to the social mission that characterizes these organizations (Niven 2003). Scholars theorize a change in the order of the perspectives in the balanced scorecard where the financial perspective is replaced by the customer perspective and
other non-financial measures. Each organization should adapt the balanced scorecard to its own mission, strategic goals, values and culture, to assure a successful implementation (Joyce, 2000).

1.1.1 The Concept of Strategy Implementation

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives. The environmental conditions facing many firms have changed rapidly. Today’s global competitive environment is complex, dynamic, and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into strategy formulation. Strategic management is about managing the future, and effective strategy formulation is crucial, as it directs the attention and actions of an organization. The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Otley, 1999).

Historically, numerous researchers in strategic management bestowed great significance to the strategic formulation process and considered strategy implementation as a mere by-product or invariable consequence of planning (Wright, Mcmahan and McWilliams, 1994). Fortunately, insights in this area have been made recently which tamper our knowledge of developing strategy with the reality of executing that which is crafted (Smith, 2005). However, as strategy implementation is both a multifaceted and complex organizational process, it is only by taking a broad view that a wide span of potentially valuable insights is generated.

The fatal problem with strategy implementation is the de facto success rate of intended strategies. In research studies it is as low at 10% (Johnsen, 2001). Despite this abysmal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Research emphasizing strategy implementation is classified by Brunsson and Olson (1998) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success. Beyond the preoccupation of many
authors with firm structure, a second wave of investigations advocated interpersonal processes and issues as crucial to any marketing strategy implementation effort (Noble, 1999). Conflicting empirical results founded upon contrasting theoretical premises indicate that strategy implementation is a complex phenomenon. In response, generalizations have been advanced in the form of encouraging: early involvement in the strategy process by firm members (Hansson, 1998); fluid processes for adaptation and adjustment (Camp, 1994); and, leadership style and structure (Atkinson and Brander, 2001).

1.1.2 The Concept of Balance Score Card

The balanced scorecard is a performance measurement and strategic management tool. 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 business process as well as learning and growth. It also mixes outcome measures, the lagging indicator, with performance drivers, the leading indicator; because outcome measures without performance drivers do not communicate how the outcomes are to be achieved (Kaplan and Norton, 1996). By selecting appropriate performance drivers and outcome measures to fit in the theory of business in a chain of cause and effect relationship, the organization will have a better idea of how to achieve its potential competitive advantage.

The balanced set of performance measures also tells a concise yet complete story about the achievement and performance of the organization toward its mission and goals. It provides a holistic view of what is happening in the organization. By tying these performance measures to rewards, the balanced scorecard ensures that employees will do what is best for the organization.

1.1.3 Balanced Scorecard as a Strategy Implementation Tool

Implementing the balanced scorecard (BSC) 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 of the organization, the BSC is widely acknowledged to have moved beyond this ideology. It is now becoming as a strategic change management and performance measurement process.

According to Hussein (2009) 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 BSC 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 about the number of organizations giving up on it through their own misapplication or misuse of the tool.

At its roots, the BSC 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 such as how much fuel remains, the speed you are traveling, the distance you have traveled, etc. The BSC provides similar information to all levels of the organization through performance measures connected to specific business areas in the same manner. The scorecard communicates to managers in clearly defined terms how well the business is meeting its strategies and goals (Kaplan and Norton, 1996).

The current business climate requires managers having a balance between financial and non-financial measure to develop effective solutions in arriving at proper decisions.

1.1.4 The Automobile Industry in Kenya

The Automobile industry in Kenya is primarily involved in the retail and distribution of motor vehicles. There are a number of motor vehicle dealers operating in the country, with the most established being Toyota (East Africa), Cooper Motor Corporation, General Motors East Africa Ltd, Simba Colt and DT Dobie. There are also three vehicle
assembly plants in the country, which concentrate on the assembly of pick-ups and heavy commercial vehicles (Pricewaterhouse Coopers, 2008). The industry is faced with constant changes in the environment. The motor vehicle dealers operating in Kenya have continuously been coming up with strategies including use of Balanced score card to ensure successful strategy implementation.

1.1.5 Toyota East Africa Limited

Toyota East Africa Limited is the sole distributor of Toyota and Yamaha products in the East African region. Toyota East Africa Limited was established in 1999 as a sole distributor of Toyota vehicles in Kenya and Uganda, with 100% share owned by Toyota Tsusho Corporation which is the trading arm of Toyota Motor Corporation. The company’s vision is to be the number one respected Company through value delivery to all our stakeholders with values that include customer for life, challenge with passion and self managed people. It’s Head Office is in Nairobi has branches in Mombasa and Lokichogio. It also has a regional dealer representation in Nyeri, Nanyuki, Kisumu, Nakuru and Kericho which increases the company’s footprint in retailing the Toyota and Yamaha brands as well as offering after sales support.

Toyota’s business philosophy of Kaizen is to realize a stable, long term growth by working hard to strike a balance between the requirements of people and society. As the competitive edge boundaries between global car brands blur - and as consumers become more brand-savvy and demanding - Toyota has adopted a smarter and more aggressive marketing approach for each of its market segments.

According to statistics released by the Kenya Motor Industry the company has been registering strong growth year on year and especially in the last seven years. On the maiden participation in the company of the year (COYA) awards in 2010 the company managed to attain the OPI Bronze Standard at 5.995. The organization has generally performed very well falling below the silver mark by paltry 0.005. In addition it also emerged the best company in business results in COYA 2010.
The balanced scorecard is an application specifically designed to provide the company executives with a comprehensive framework to define and measure the strategic objectives of the organization. It is a third generation management tool, designed to both measure the performance of strategic initiatives as well as drive strategies. The balanced scorecard allows the company to better analyze its data within weeks allowing the company personal to focus on core business improvement. BSC has become part of quarterly reviews and also used for long term planning, but still some middle and lower level management have not embraced the process entirely and thus it is still evident that the effectiveness of the balanced scorecard needs to be investigated. The balanced scorecard has been in use for over five years now with gradual acceptance as it is cascaded down to the functional areas as well as the employees to align strategy.

1.2 Research Problem

While strategies which have been effectively implemented bring their organizations success, unsuccessful ones can be a recipe for failure (Waal, 2003). The Balanced Scorecard has emerged as an extremely effective tool for implementing strategy. The balanced scorecard performance management tool, although deficient in empirical testing of its benefits, is arguably the dominant framework in performance management (Smith, 2005). It has been offered by its' inventors as the cornerstone of a new strategic management system (Kaplan and Norton, 1996b), positively linking an organization's long-term strategic intentions with its short-term, operational actions.

The purposes of the balanced scorecard are to guide, control and challenge an entire organisation towards realizing a shared conception of the future (Waal, 2003). Organizations are recognizing that a different approach to strategic management and organizational development, one that could respond to these challenges, was needed (Kaplan and Norton, 2001). On the strategic level the balanced scorcard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. A successful Scorecard programme demands a high level of commitment and time. The BSC is designed to give companies the information they need to effectively manage their
business strategy tactically. According to Gumbus and Lyron (2002) being able to satisfy customer needs is fundamental to practically all organisations. 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 (Kaplan and Norton, 2001).

Toyota East Africa has not been efficient in the implementation of balance scorecard as a strategic management tool. This can be attributed to a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; unclear individual responsibilities in the change process, 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.

Locally, Kamau (2006) did a study on the application of the balanced scorecard in implementation of strategy at KRA. Renato (2007) conducted a study on the application of the balanced scorecard in strategy application at Barclays Bank, Njiru (2007) conducted a study on the use of balance scorecard in strategy implementation by quoted companies in the NSE, Kiplangat (2007) carried out a study on the implementation of the Balance Scorecard at UNDP-Somalia, while Kiragu (2005) surveyed on the adoption of the balanced score card by selected companies in Kenya while Hussein (2009) did a study on the application of the balanced scorecard in strategy formulation and implementation at Telkom Kenya Limited. None of these studies has focused on the effectiveness of balance score card as a strategic management tool with a special focus on Toyota East Africa Limited. This is despite the fact that BSC is very important and embedded in TEAL’s budgeting/planning, reviews, projects and start ups among other strategic practices. This research focusing on implementation of balance score card and its effectiveness as a strategic management tool is a modest attempt to bridge the existing gap. It is an effort to bring to light the influence and insights into effectiveness of balance score card as a strategic management tool where Toyota East Africa Limited will be the context of focus.
1.3 Objectives of the Study

The objectives of the study were to:

i. Determine the use of balance score-card as a strategy implementation tool at Toyota East Africa Limited.

ii. Determine the challenges of implementing the balanced scorecard at Toyota East Africa Limited

1.4 Value of the Study

This study would be important to the policy makers in the automobile industry as they would be able to know for certain the role of balanced scorecard as a strategy implementation tool and how it can be employed by an organization to gain and retain competitive advantage. The results will contribute to a better understanding on the role of balanced scorecard as a strategy implementation tool.

Further, the study would be important to the motor industry managers as it would help them understand the role of balanced scorecard as a strategy implementation tool and organizations can use it to ensure successful strategy implementation. The study would also help other managers know and apply this method to ensure successful strategy implementation.

The results of this study will also be invaluable to researchers and scholars, as it will form a basis for further research. The students and academics will use this study as a basis for discussions on the role of balanced scorecard as a strategy implementation tool in Kenya. The results of this study would also be invaluable to researchers and scholars, as it would form a basis for further research. The students and academics would use this study as a basis for discussions on the role of balanced scorecard in strategy implementation. The study would be a source of reference material for future researchers on other related topics; it would also help other academicians who undertake the same topic in their studies.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section reviews studies that have been done by other authors on effectiveness of a balance score card as strategic management tool in organizations. The main sections includes; concept of balance score card, process of a balance score card, purpose of balanced score card, the balanced scorecard approach to strategy and balanced scorecard and strategy implementation.

2.2 Strategy Implementation

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Beer and Eisenstat (2000) suggest several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends (Elefalk, 2001). Implementing strategies successfully is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. With firms evolving in terms of structure it follows that the style of strategy implementation will differ depending on the style of organization and management that exists in the firm. In general terms the types of leadership style can play a critical role in overcoming barriers to implementation (William, 2004).

Review of literature on strategy implementation shows that there is evidence of some recurring themes, including coordination which is essential to ensure that people across the organization know what to do and to ensure that they stay focused on the key targets under the everyday pressures. Research emphasizing strategy implementation is classified by Njiru (2007) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success (Niven, 2003). Beyond the preoccupation of many authors with firm structure, a second wave of investigations advocated interpersonal processes and issues as crucial to any strategy implementation effort (Noble, 1999).
The concept of the balanced scorecard (BSC) was first presented in the early 1990s. In only ten years, the idea of the balanced scorecard has certainly made its mark (Gadenne, 2000). It is a system of linked objectives, measures, targets and initiatives that collectively describe the strategy of an organisation and how that strategy can be achieved. As well as a framework, it is a process that a company uses to foster consensus, alignment and commitment to the strategy by the management team and the people within the organisation at large. It is a tool designed to enable the implementation of an organization’s strategy by translating it into concrete and operational terms which can be measured, communicated and drive decision making and action. The balanced scorecard emphasizes that financial and nonfinancial measures are all part of a system that gives information to every part of the organisation (Brewer and Speh, 2000).

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 (Tenant and Tanoren, 2005). Kahihu (2005) adds that the measures selected for the scorecard present a tool for leaders to use in communicating to employees and the external stakeholders the outcomes and external drivers by which the organization will achieve its mission and strategic objectives.

Financial measures are lag indicators; they report on outcomes, the consequences of past actions. Exclusive reliance on financial indicators promoted short-term behaviour that sacrificed long-term value creation for short-term performance. The balanced scorecard approach retained measures of financial performance, the lagging indicators, but supplemented them with measures on the drivers, the lead indicators, of future financial performance (Andersen et al. 2001).
2.4 The Balanced Scorecard Approach to Strategy

Of all the frameworks for performance measurement and strategic implementation, it is the balanced scorecard (BSC) approach that has gained wide acceptance, particularly in the United States. A survey of its members by the American Institute of Public Accountants and Maisel (2001), for example, revealed that 43 per cent were utilizing the technique. This is due perhaps not only to its intrinsic value to businesses, but also because the concept has been aggressively marketed.

BSC presents a tool for translating an organization's mission (embodied in its strategy) into more tangible measurable goals, actions and performance measures. The technique is documented in four papers (Kaplan and Norton, 1992, 1993, 1996a, b) and in greater detail in two books by the same authors (Kaplan and Norton, 1996a, b, c, 2001). The later works shifted the emphasis from a system of performance measurement towards a system for managing and implementing strategy. Many other authors, such as Hoffecker and Goldenberg (1994), have helped to disseminate the technique's features. Additionally, a number of case studies documenting early successful adoption (Jensen and Gerr, 1994/5) helped to spread the BSC approach's appeal.

BSC was derived following the realization that no single performance indicator could fully capture the complexity of an organization's performance (Epstein and Manzoni, 1998). In modern business, increasingly dominated by services, where assets are often intangible and organizations are mindful of the demands of a range of stakeholder groups, the measurement of competitive performance becomes more complex. A body of literature, whilst not questioning the importance of financial measures, nevertheless argued that such measures alone were inadequate in evaluating a company's competitive position (Eccles, 1991; Kaplan and Norton, 1992). This is particularly true of the service sector, with its focus on human resources, intangible assets, and difficulties with regard to delivery of consistent product standards (Sherman, 1984).

The BSC approach, which can be applied at different levels (total organisation, strategic business unit, individual operational units or even to individuals), involves identifying
key components of operations, setting goals for them, and finding ways to measure progress towards their achievement. Traditional financial measures, viewed as lagging indicators of performance, are balanced with non-financial measures, which are lead indicators and serve to drive future performance. The measures are not to be viewed merely as a collection of various metrics (Kaplan and Norton, 2001), but instead they are selected to show cause and effect in the implementation of the company's mission and organizational strategy. An important preliminary step prior to choosing the scorecard goals and measures is to map the strategy in detail, a process that Kaplan and Norton (2001) describe in some detail. Further, Gekonge (2004) views the BSC as a performance measurement tool which can help management in strategy formulation and implementation.

A typical scorecard would include at least four components, for each of which the organisation has to identify a number of goals and measures for gauging the degree of goal attainment.

2.5 The Balanced Scorecard and Strategy Implementation

On the strategic level, the Balanced Scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. A successful Scorecard program demands a high level of commitment and time. External consultants or knowledgeable internal practitioners can play a critical role in launching a successful program (Kaplan and Norton 1996). Lynch and Cross (1995) identify three criteria that must be met by performance management systems if they are to effectively mediate between an organization's strategy and its day-to-day activities. These necessary conditions comprise: that the system must explicitly link operational targets to strategic goals; it must integrate financial and non-financial performance information; and the system should focus business activities on meeting customer requirements. It is asserted that the balanced scorecard model fundamentally meets all of these criteria by providing a truly strategic control system (Mooraj et al., 1999) that puts strategy and vision at the centre (Kaplan and Norton, 1992).
Successful strategy implementation, it is suggested, requires sound mechanisms for directing activity and behaviour Goold (1991), especially including effective communication systems as well as appropriate strategic and management controls. The importance of enabling sound two-way communications within organisations is seen as fundamental to the effective implementation of strategy (Alexander, 1985), with a particular emphasis on facilitating useful feedback and bottom-up messages (Otley, 1999). The process of creating an organizational balanced scorecard essentially commences with a full strategic appraisal and the clear articulation of the organization’s strategic vision and objectives (Kaplan and Norton, 1992; Mooraj et al., 1999; Atkinson and Brander Brown, 2001). This process can in itself build consensus and engender learning which can be of enormous value (Neely et al., 2000). Through this process of definition and communication of core values throughout an organisation, moreover, the Balanced Scorecard provides an effective boundary control system (Mooraj et al., 1999). Then, as the balanced scorecard approach makes explicit the cause and effect of a strategy, it also usefully converts strategic aims into tangible objectives and measures (Brander Brown and McDonnell, 1995; Kaplan and Norton, 1996b). This stage, moreover, if the scorecard is implemented participative with measures identified and targets set cooperatively rather than imposed (Decoene and Bruggeman, 2006), actively supports organizational learning and reflection, which encourages interactive control through the testing of cause and effect relationships (Mooraj et al., 1999). This also enables front line managers to have a basis for selecting among the diverse opportunities they might face (Bartlett and Goshal, 1996, p. 39) and resisting the distraction of other activities (Alexander, 1985).

In addition to substantially meeting Lynch and Cross’ (1995) necessary conditions, the balanced scorecard appears to offer a range of additional attributes that may also support successful strategy implementation. It has been shown that the keys to enabling such communications are an organization’s middle managers who have been shown to play a pivotal role (Aaltonen and Ikävalko, 2002) and are viewed as strategic actors (Bartlett and Goshal, 1996) playing an important role in strategic transformation. The scorecard approach encourages the establishment of co-ordinate scorecards at every level of an
organisation which, when implemented properly, engage middle managers. Such a process not only necessitates considerable active communication involving everyone within an organisation (Alexander, 1985; Aaltonen and Ikävalko, 2002), it also permits the useful integration of such scorecards with management and employee incentive programmes (Huckstein and Duboff, 1999), potentially involving the development of individual/personal scorecards which can be positively utilised to align personal and organisation goals and encourage ownership (Kaplan and Norton, 1996b; Mooraj et al., 1999). Noble (1999) states that, the degree of involvement across the organisation appears to be a predictor of implementation success. The scorecard facilitates this involvement throughout the strategy implementation process.

It is further suggested that the balanced scorecard approach should be viewed as a template not a strait-jacket (Kaplan and Norton, 1996a). Such a standpoint potentially offers organisations a considerable degree of flexibility to address their unique circumstances while still pulling management and employees in the core strategic direction (Kaplan and Norton, 1992; Ahn, 2001). In fact it is argued by some that strict adherence to the scorecards four perspectives cannot be appropriate (Kenny, 2003). This adaptive capacity also assists the balanced scorecard to address Goold and Quinn's (1990) previously noted concerns regarding matching appropriate control mechanisms to different levels of environmental turbulence and an organization's ability to identify and monitor its strategic objectives. In this regard, Van Veen-Dirks and Wijn (2002) further propose that, additional flexibility (which is needed in rapidly changing market environments) can be provided by augmenting the balanced scorecard approach with critical success factors (CSFs). The explicit incorporation of such factors not only keeps attention focused on an organization's critical strategic objectives (Kaplan and Norton, 1996a), it also avoids the potential danger of management information overload (Geller, 1985a, b, c).

Although there are some criticisms and question marks concerning the balanced scorecard approach, many of these seem to represent problems of practical application rather than fundamental flaws.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section covers the following subsections: research design, data collection and data analysis.

3.2 Research Design

This was a case study since the unit of analysis is one organization. This was a case study aimed at getting detailed information on balance score card use as a strategy implementation tool. Kothari, (2004) noted that a case study involves a careful and complete observation of social units.

3.3 Data Collection

The researcher used both primary and secondary data. Primary data was collected using an interview guide while secondary data was collected by use of desk search techniques from published reports and other company’s documents.

The interview guide had open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. The interview guide designed in this study comprised of two sections. The first part includes the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the interviewees. The second part was devoted to the use of balance score card as a strategic management tool where the main issues of the study were put into focus. The interviewees of this study were the senior management staff, who includes top, middle and lower level managers across all departments working at Toyota East Africa Limited. This is because the managers are the most conversant with the use of balance scorecard as a strategic management tool at the company.
3.4 Data Analysis

Before processing the responses, the completed interview guides were edited for completeness and consistency. Content analysis and descriptive analysis were employed. The content analysis was used to analyze the interviewees' views about the effectiveness of a balance score card as strategy implementation tool. The data was then presented in a continuous prose as a qualitative report on the Balance Scorecard as a strategic management implementation at Toyota East Africa Limited.
CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data findings of the study. The data was gathered through an interview guide and analyzed using content analysis. All the heads of department 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 appointment with the heads of departments at Toyota East Africa Limited despite their tight schedules and making phone calls to remind them of the interview.

4.2 Background Information

The study, in an effort to establish the interviewees' competence and conversance with matters regarding Toyota East Africa Limited asked questions on the department they worked in and found that the interviewees were from sales and marketing, Yamaha sales, and parts departments and that they were all senior managers of their departments. The study also sought to establish the interviewees total work experience. According to the interviewees' response, all of them had worked for at least thirteen years as most promotions are based on the years of experience. The interviewees' responses hence had the advantage of good command and responsibility being that they headed departments, had experience and aptitude owing to their years of experience. The interviewees reported that their departments had an average of fifteen employees.

The interviewees agreed unanimously that their company uses the balanced scorecard as a strategic management tool. They further added that all employees are involved in the
implementation of the BSC at the company (Toyota East Africa Limited). The interviewees were in accord that the company used a balance score card in strategy implementation for about 8 years now.

4.3 Balanced Scorecard (BSC) Implementation Process

To the question on the approach used to implement the BSC by Toyota East Africa Limited, the interviewee intimated that the company used BSC in Performance Management Systems. They said that everything revolves around BSC from performance objective setting for all employees, performance appraisal, and management reporting e.t.c. They added that Toyota East Africa Limited uses four pillars to measure performance, captured on monthly basis but reviews done half yearly and end year. The interviewees further stated that at Toyota East Africa Limited, the long term strategy (for example 2015 game plan) is broken down into midterm strategy (3 years) then annual and monthly budget. This is cascaded to each department, then to each team before getting to the individual. This include aligning and cascading down the finance pillar (profits, turnover, balance and absorption rate); customer (queries resolution, customer retention, customer service index), processes (Kaizen ideas, SOPs, internal audit) and also the people (training, career development plan).

The interviewees further said that the stages of BSC implementation process at Toyota East Africa Limited include organizational BSC, divisional BSC, departmental BSC and then the individual BSC, performance measures, evaluations and feedback. The study proceeded to determine the requirements for successful implementation of the balanced
The interviewees intimated that for successful implementation of the balanced scorecard, everyone must be involved and must understand the meaning and objectives, all the stages must be aligned towards achieving the organizational objectives, all the quadrants in BSC should be balanced, there should be clear understanding of the business, objectives should be built around company strategy, there should be well defined KPIs that are aligned to each other and staff training.

According to the interviewees, the advantages of implementing the BSC are such as it aligns individual actions to achieving the organizational objectives, addresses all the critical aspects of running the organization, it measures performance objectively, helps identify areas that require more attention, at glance (in one page) one is able to get the full picture of say the business or individual employee’s performance, budgets are defined where the company is heading to, strategy alignment, improved productivity, all aspects of business are focused, allow interventions where there are gaps, ownership by staff, used for reward and recognition, allow opportunity for dialogue and feedback and easy to measure achievement.

The interviewees said that the key factors that enable successful implementation of the scorecard at Toyota East Africa Limited include involvement of all stakeholders, buy in from top management and training of staff on BSC.

4.4 Challenges of Implementing the Balanced Scorecard

The interviewees were asked to state the main challenges that they face in the implementation of the balanced scorecard at Toyota East Africa Limited. According to
the responses given, the main challenges in the implementation of the balanced scorecard at Toyota East Africa Limited include understanding of the BSC by all employees, subjectivity in evaluation of performance, lack of buy-in (resistance), poorly defined objectives/unclear objectives, inefficient data collection, time consuming, defining measurable KPIs, lack of a clear consequence action plan on the results, manual process and personal biases.

The interviewees also reiterated that the strategies that the management uses in order to overcome the BSC implementation challenges in the company include training of all staff members, use of simple terminologies, use of figures as opposed to prose targets, monthly performance reviews, a lot of resources have been put in staff training, involvement, individual ownership, monthly update and automation.

The study also proceeded to determine the possible solutions to the major implementation challenges facing the company on which the interviewees said that they include the use of Kiswahili in the PMS for staff who do not understand English, training and involvement of all stakeholder was key to successful implementation, setting of objective and goals, clear and well defined measurement tools, fair reward and recognition on implementation, demystifying the BSC concept, process documentation, following the standard operating procedures and automation.

4.5 Discussion

Toyota East Africa used BSC in Performance Management Systems. Everything revolves around BSC from performance objective setting for all employees, performance
appraisal, and management reporting among other management activities. The Company also used four pillars to measure performance, captured on monthly basis but reviews were done half yearly and end year. The study further established that at Toyota East Africa Limited, the long term strategy (for example 2015 game plan) is broken down into midterm strategy (3 years) then annual and monthly budget. This was cascaded to each department, then to each team before getting to the individual. This included aligning and cascading down the finance pillar which include profits, turn over, balance and absorption rate; customer (queries resolution, customer retention, customer service index), processes (Kaizen ideas, SOPs, internal audit) and also the people (training, career development plan). This is in line Kaplan and Narton (1992) who assert that BSC presents a tool for translating an organization’s mission (embodied in its strategy) into more tangible measurable goals, actions and performance measures. This enabled Toyota East Africa to transform it into measurable objectives.

The study further noted that the stages of BSC implementation process at Toyota East Africa Limited included organizational BSC, divisional BSC, departmental BSC and then the individual BSC, performance measures, evaluations and feedback. The study also established that for successful implementation of the balanced scorecard, everyone must be involved and must understand the meaning and objectives, all the stages must be aligned towards achieving the organizational objectives. all the quadrants in BSC should be balanced. there should be clear understanding of the business, objectives should be built around company strategy, and there should be well defined KPIs that are aligned to each other and staff training. This conforms to Lynch and Cross (1995) who identified
three criteria that must be met by performance management systems if they are to effectively mediate between an organization’s strategy and its day-to-day activities. These necessary conditions comprised: that the system must explicitly link operational targets to strategic goals; it must integrate financial and non-financial performance information; and the system should focus business activities on meeting customer requirements. It is asserted that the balanced scorecard model fundamentally meets all of these criteria by providing a truly strategic control system (Mooraj et al., 1999) that puts strategy and vision at the centre (Kaplan and Norton, 1992). Toyota East Africa also linked its operational targets to strategic goals with measurable targets.

The advantages of implementing the BSC are such as it aligns individual actions to achieving the organizational objectives, addresses all the critical aspects of running the organization, it measures performance objectively, helps identify areas that require more attention, at glance as one is able to get the full picture of say the business or individual employee’s performance, budgets are defined where the company is heading to, strategy alignment, improved productivity, all aspects of business are focused, allow interventions where there are gaps, ownership by staff, used for reward and recognition, allow opportunity for dialogue and feedback and easy to measure achievement.

The interviewees said that the key factors that enable successful implementation of the scorecard at Toyota East Africa Limited include involvement of all stakeholders, buy in from top management and training of staff on BSC. This is in line with sGoold (1991) who asserted that successful strategy implementation, requires sound mechanisms for directing activity and behaviour, especially including effective communication systems as
well as appropriate strategic and management controls. The importance of enabling sound
two-way communications within organisations is seen as fundamental to the effective
implementation of strategy (Alexander, 1985), with a particular emphasis on facilitating
useful feedback and bottom-up messages (Otley, 1999).

According to the responses given, the main challenges in the implementation of the
balanced scorecard at Toyota East Africa Limited include understanding of the BSC by
all employees, subjectivity in evaluation of performance, lack of buy-in (resistance),
poorly defined objectives/unclear objectives, inefficient data collection, time consuming,
defining measurable KPIs, lack of a clear consequence action plan on the results, manual
process and personal biases.

The interviewees also reiterated that the strategies that the management uses in order to
overcome the BSC implementation challenges in the company include training of all staff
members, use of simple terminologies, use of figures as opposed to prose targets,
monthly performance reviews, a lot of resources have been put in staff training,
involvement, individual ownership, monthly update and automation.

The study also proceeded to determine the possible solutions to the major implementation
challenges facing the company on which the interviewees said that they include the use of
Kiswahili in the PMS for staff who do not understand English, training and involvement
of all stake holder was key to successful implementation. setting of objective and goals,
clear and well defined measurement tools, fair reward and recognition on
implementation, demystifying the BSC concept, process documentation, following the
standard operating procedures and automation.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions drawn from the findings and recommendations made. The conclusions and recommendations drawn focus on the purpose of the study. The objective of the study was to investigate the implementation of balance scorecard as a strategic management tool at Toyota East Africa Limited.

5.2 Summary of Findings

Summary of the findings presents the brief of whatever that is contained in chapter four data analysis. It presents summary on BSC implementation process and challenges of BSC implementation.

5.2.1 Implementation Process

The study deduced that the approach used to implement the balance Scorecard at Toyota East Africa Limited is Performance Management Systems. Everything revolves around BSC from performance objective setting for all employed, performance appraisal, management reporting e.t.c. It was further established that at Toyota East Africa Limited, the long term strategy (for example 2015 game plan) is broken down into midterm strategy (3years) then annual and monthly budget. This includes aligning and cascading down the finance pillar (profits, turn over, balance and absorption rate); customer (queries resolution, customer retention, and customer service index), processes (Kaizen ideas, SOPs, internal audit) and also the people (training, career development plan).
The study further revealed that the stages of BSC implementation process at Toyota East Africa Limited include organizational BSC, divisional BSC, departmental BSC and then the individual BSC. The study also deduced that for successful implementation of the balanced scorecard, everyone must be involved and must understand the meaning and objectives, all the quadrants in BSC should be balanced, there should be well defined KPIs that are aligned to each other and staff training.

According to the findings, the advantages of implementing the Scorecard are such as it aligns individual actions to achieving the organizational objectives, addresses all the critical aspects of running the organization, it measures performance objectively, helps identify areas that require more attention, all aspects of business are focused, allow interventions where there are gaps, ownership by staff, used for reward and recognition, allow opportunity for dialogue and feedback and easy to measure achievement. Further, the key factors that enable successful implementation of the scorecard at Toyota East Africa Limited include involvement of all stakeholders; buy in from top management and training of staff on BSC.

5.2.2 Challenges of Implementation

The study also found that the main challenges in the implementation of the balanced scorecard at Toyota East Africa Limited include understanding of the BSC by all employees, subjectivity in evaluation of performance, lack of buy-in (resistance), poorly defined objectives/unclear objectives, inefficient data collection, time consuming, defining measurable KPIs, lack of a clear consequence action plan on the results, manual process and personal biases.
The study also deduced that the strategies that the management uses in order to overcome the BSC implementation challenges in the company include training of all staff members, use of simple terminologies, use of figures as opposed to prose targets, monthly performance reviews, a lot of resources have been put in staff training, involvement, individual ownership, monthly update and automation.

The study further revealed that the possible solutions to the major implementation challenges facing the company include the use of Kiswahili in the PMS for staff who do not understand English, training and involvement of all stake holder was key to successful implementation, setting of clear objective and goals, clear and well defined measurement tools, fair reward and recognition on implementation, demystifying the BSC concept, process documentation, following the standard operating procedures and automation.

5.3 Conclusion

From the findings the study concludes that Toyota East Africa Limited uses the balanced scorecard as a strategic management tool and everything in the company revolves around BSC. It was clear from the findings that implementing the Scorecard aligns individual actions to achieving the organizational objectives, addresses all the critical aspects of running the organization, it measures performance objectively and helps identify areas that require more attention. Involvement of all stakeholders, buy in from top management and training of staff on BSC enable successful implementation of the scorecard.
The implementation of the balanced scorecard in the company is mainly affected by employees understanding of the BSC, subjectivity in evaluation of performance, lack of buy-in (resistance), unclear objectives and personal biases. In order to overcome these challenges, the management should employ the use of training of all staff members, simple terminologies, figures as opposed to prose targets and conduct monthly performance reviews.

5.4 Recommendations Policy and Practice

The study recommends that for successful implementation of the balanced scorecard, everyone must be involved and must understand the meaning and objectives, all the stages must be aligned towards achieving the organizational objectives, all the quadrants in BSC should be balanced, there should be clear understanding of the business, objectives should be built around company strategy, there should be well defined KPIs that are aligned to each other and staff training. Toyota East Africa has applied BSC effectively in transforming its strategic goals. The study therefore recommends that the organization continues to use BSC in its strategy implementation so as to ensure a coherent and smooth implementation their strategies. This will also help the organization in the reduction of resistance to changes that may be posted by the implementation of different strategies which may interfere with the status quo.

For Government and other policy makers, the study recommends that BSC be included in the organization implementation strategies as one of the important variables to ensure successful strategy implementation. This will help smoothen the process of strategy
implementation in organizations as it will ensure inclusivity in the implementation processes.

The study further recommend that to overcome the challenges in the implementation, the management should encourage the use of Kiswahili in the PMS for staff who do not understand English, setting of clear objective and goals, clear and well defined measurement tools, fair reward and recognition on implementation, demystify the BSC concept, ensure process documentation and follow the standard operating procedures.

5.5 Limitations of the Study

Being that this was a case study on one organization the data gathered might differ from the implementation of balance scorecard as a strategic management tool in other companies. This is because different organizations adopt different strategies that differentiate them from their counterparts. The study however, constructed an effective research instrument that sought to elicit general and specific information on the implementation of balance scorecard as a strategic management tool.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on the implementation of balance scorecard as a strategic management tool. Due to limited finances the study could not be carried out on the other branches of Total Kenya Limited. The study, however, minimized these by conducting the interview at the organizations headquarter since it is where strategies are made and rolled out to other branches that operate on the blue print.
5.6 Recommendations for Further Research

The study has investigated the implementation of balance scorecard as a strategic management tool at Toyota East Africa Limited. The study recommends that further research should be done on the implementation of balance scorecard as a strategic management tool at all the major players in the oil industry to allow for generalization of results. A further study should be done on the implementation of balance scorecard as a strategic management tool in public organizations. This is because the private and public sectors have different strategic approach and thus allowing for comparison.
REFERENCES


Dinesh, D. and Palmer, E. (1998), Management by objectives and the balanced scorecard: will


Appendix I: Interview guide.
THE USE OF BALANCE SCORECARD AS A STRATEGIC MANAGEMENT TOOL AT TOYOTA EAST AFRICA LIMITED

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Part A: Background Information

1. Indicate
   Gender....................................................................................................

2. Indicate
   Name........................................................................................................

3. Name of department:
   ...........................................................................................................

4. What is your designation?
   ............................................................................................................

5. What is your total work experience in years?
   ............................................................................................................

6. What is the total number of employees in your department?

7. Does your Company use the balanced scorecard as a strategic management tool?

8. Who are involved in the implementation of the BSC at your company?

9. How long has the company used a balance score card in strategy implementation........?
Part B: Balanced scorecard (BSC) Implementation process

1. What is the approach used to implement the balance Scorecard Toyota East Africa Limited?
2. What are the stages of BSC implementation process at your company?
3. What are the requirements for successful implementation of the balanced scorecard?
4. What are the advantages of implementing the Scorecard?
5. What are the key factors that enable successful implementation of the scorecard at How long has the company used a balance score card in strategy implementation........

Part C: Challenges of implementing the balanced scorecard

6. What are the main challenges that you face in the implementation of the balanced scorecard at Toyota East Africa Limited?
7. What strategies does the management use in order to overcome the BSC implementation challenges in your company?
8. What are the possible solutions to the major implementation challenges facing your company?

Thank You.