THE USE OF BALANCED SCORE CARD IN STRATEGY IMPLEMENTATION BY QUOTED COMPANIES IN NAIROBI STOCK EXCHANGE

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I do acknowledge the support of my family for successful completion of this paper. Sincerely, I thank my supervisor for his kind and honest guidance. I wish to thank Mr. Peterson, my research assistant for his undivided attention in this course of research.

DECLARATION

This research project is my original work that has not been presented for a degree in any other University.

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This Research Project has been submitted for examination with my approval as a university supervisor

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DEDICATION

The work is my family for their support in the course of this MBA program and who are responsible for my happiness in my enriched social and academic life.

I sincerely thank my husband, for his understanding and support and constant encouragement and commitment to enhancing my life.

ABSTRACT

The current study evaluated the extent of use of the BSC as a model of choice for implementing and controlling strategy implementation among quoted companies at the Nairobi Stock Exchange. The study further evaluated the use of other models of strategy implementation and the perceived benefits contribution or effects of the model used to successful strategy implementation. The model used was also explored to determine the kind of organization structure various organizations had adopted, the performance measurement used to align the whole organization towards organization strategy. The data used in this paper was derived from some of the listed companies at the Nairobi stock exchange. The data was collected through the survey of senior managers of these companies through the use of a questionnaire. Descriptive statistics were used to present data and qualitative analysis was conducted to give meaning to the results.

While there was some evidence of the use of BSC as a model of strategy implementations among quoted companies, there was no clear cut evidence that indicate companies followed to the letter the prescription of the model. The use of the BSC model among the quoted companies was found to be over 30%. However, various aspects of the BSC were substituted with conventional methods. Such areas of contrasts were found in the organization structure, measurement systems and management style. Furthermore, other models like Mckinsey 7-a model is also widely used in strategy implementation and from the analysis of the opinions of the mangers indicated that it borrows heavily from the BSC model. It also became clear that, none of the models could be said to more superior in achieving successful strategies but at the same time BSC was gaining popularity in Kenya's the corporate world. Implications for the study is that on an effective model of strategy implementation is that regardless of the model chosen, then a structured system change to suit the strategy must be set, which should be a product of employee and top managers working together in setting the company's strategic goals and objectives. These include the call for inclusion of employees in the formulation of corporate strategies using the bottom up approach and not the other way round.

DEFINITIONS OF TERMS AND ABBREVIATIONS

NSE	Nairobi Stock Exchange
BSC	Balanced Score Card
USA	United States of America
SBU	Strategic Business Units
MBO	Management By Objectives
CEO	Chief Executive Officer
SWOT	Strengths Weaknesses, Opportunities and Threats
EPS	Earnings per Share

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 *Strategy Implementation*

Mintzberg (1994), define strategy in several different ways, the most common being; Strategy is a plan, a 'how', a means of getting from here to there, strategy is a pattern in actions over time, for example, a company that regularly markets very expensive products using a 'high end' strategy, strategy is a position, that is, it reflects decisions to offer particular products or services in particular markets, strategy is perspective, that is, vision and direction. Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for certain position, which is to be achieved by way of carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called ''realized'' or emergent strategy.

Johnson and Scholes (2002), view strategy as "a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.Creating a strategy-focused organization is a significant, challenging culture change for many organizations. It calls for effective strategy implementation, which results when organization resources and actions are tied to strategic priorities, and when key success factors are identified and performance measures and reporting are aligned (Deloitte and Touche, 2003). It therefore, follows that strategy implementation is likely to be successful when congruence is achieved between intangible assets such as organization structure, culture (shared values), resource (budget) allocation, staff competencies and capabilities, support systems, reward systems, policies and procedures, and leadership style (Peter and Waterman, 1982;Aosa, 1992; Hunger and Wheelen,1994; Thompson and Strickland, 2003;) . However, the emergence of intangible assets as a source of competitive advantage, calls for measurement tools that describe the knowledge-based assets (Kaplan and Norton, 1996).However, traditional financial measures are insufficient to gauge performance and guide organizations in today's rapidly changing complex economic landscape (Kaplan and Norton, 1996).They are inadequate 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 (Paul Arveson,1998).This realization led Kaplan and Norton to develop the Balanced Score Card (herein after interchangeably used with BSC) in the late 1980's and early 1990's as a method for companies to manage their increasingly complex and multi-faceted business environments.The BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results (Paul Arveson, 1998). It is "system of linked objectives, measures, targets and initiatives which collectively describe the strategy of the organization and how the strategy can be achieved (Kaplan and Norton, 1996).

According to Kaplan and Norton (2004), the BSC model is a conceptual framework for translating an organization's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Process, and Learning and Growth. Gekonge (2005) observes that the balanced scorecard is a methodology suited for deploying an organization's strategic direction, communicating its expectations to all employees, and measuring its progress towards agreed-to objectives. The BSC has helped companies focus and align their executive teams, business units, human resources, Information Technology, financial resource to their organization strategy. Previous research done by Kaplan & Norton (2000) on successful Balanced Score Card companies revealed a constant pattern of achieving strategic focus and alignment

Organizations across Europe and America started almost immediately to appreciate the BSC in strategy implementation. According to a study by Dr. Kaplan on twelve companies (brainchild of BSC), only 10% of the strategies that are effectively created get effectively implemented, in those western economies. Most organizations experience difficulties in implementing strategy but early adopters (Mobil Oil Corporation, GNA Corporation property and Casualty Division, Chemical Retail Bank, Brown and Root Energy services, all in USA) used the Balance Score Card to support their major strategic and organizational changes with incredible success. However, not all organizations belief in the use of balanced score card. For instance, some organizations like the huge US department store chain Sears Roebuck rejected the balanced scorecard, with its four pre-set categories, as "a set of untested assumptions". Instead it chose to focus on its key stakeholders: employees, customers and investors. This scenario is relevant to Kenya and the rest of Africa. Experience shows that the BSC is a success story in its "align and focus" approach to strategy execution with those companies or organizations that have adopted it for strategy implementation.

1.1.2 *The Nairobi Stock Exchange*

The Nairobi Stock Exchange (NSE) in Kenya is small and somewhat speculative. The Exchange was established in 1954. The Exchange is sub-Saharan Africa's fourth-largest bourse. Twenty brokers (2007) are licensed to operate, and there are over 58 companies listed, with 45 companies being listed on Main Investment Market Segment, with a total capitalization of approximately $ 1.9 billion (NSE Annual Report, 2006). Foreign investment on the Nairobi Stock Exchange and foreign ownership of companies is by application. Foreign investment in the local subsidiaries of foreign-controlled companies is banned so as to encourage input into Kenyan companies.

The Kenyan government has made several reforms aimed at attracting foreign investment via the Nairobi Stock Exchange. The ceiling on foreign investment has recently been increased to 40% for institutions and 5% for individuals, but fewer than 20 of the 58 listed companies are available to foreigners. Since 2005, the Kenyan government has opened trade in the NSE and gilts to foreign portfolio investors; removed exchange controls; and introduced a favorable tax regime and the introduction of a central depository system has speeded up clearing and settlement.

Quoted companies in Kenya are experiencing the effects of international competition from strong economies. In spite of all the these changes, many of these companies, like the rest of the business community in Kenya could still be relying on traditional measures of performance based on centuries-old accounting model, which fails to accurately reflect the true health and future prospects of an organization. The listed companies in Kenya are changing their strategies, mission statements, vision and core values, which are well publicized in the media and in the organization as a whole.

1.2 The Statement of the Problem.

Strategy implementation involves allocation of sufficient resources (financial, personnel, time, technology support); establishing a chain of command or some alternative structure (such as cross functional teams), assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes. Top managers of listed companies decide on the way forward to implementing strategies. However,the exclusive reliance on traditional financial measures in management system is causing corporate organizations to do the wrong things (Kaplan and Norton, 2004).In Kenya, quoted companies continue invest a lot of time in refining their values, mission statements and strategic initiatives; yet those ideas rarely trickle down to truly transform their organizations.

Although strategy architecture is unique to each organization and is dependent on what measures and metrics the company decides to focus upon, today global competition requires any corporate organization to have the best information in order to respond to rapidly changing market conditions. While some quoted companies in Kenya seem to be doing well from a financial perspective, others may appear to be doing poorly because they are investing in core capabilities that could drive future performance. The results have been varied with numerous companies failing to capture competitive advantages. Some quoted companies continue to adopt some new non-financial measures; others continue to use other models in implementing their strategies.

However, companies that have adopted BSC in Kenya have enjoyed years of good performance compared with those using other models, Kamau, (2006).According to Kaplan and Norton (2004) organizations that have successfully implemented BSC have achieved remarkable transformation in their corporate performance, in many cases vaulting to the top ranks in their industry groups. It's within this conceptual framework, that researcher will further the arguments that balanced score card model confers competitive advantages to corporate organizations that use it for strategy implementation. And to underscore which quoted companies use the BSC or other models in the implementation of strategies in Kenya, the research will attempt to establish the extent to which Balanced Score Card has been used as a tool for strategy execution among the quoted companies.

1.3 Objective of the Study

To establish the use of BSC for strategy implementation and control in quoted companies in Nairobi Stock Exchange.

1.4 Scope of the Study

This study focuses on the companies listed on the Main Market Investment Market (MIMS)of the Nairobi Stock Exchange, which are 45, as for the month of June 2007 in total and divided according to four segments as shown on the List of Quoted Companies at Nairobi Stock

Exchange. However, the 4 suspended companies were excluded from this study. The researcher concentrated on the variables that cover the research question; namely the prevalence of BSC model as a strategy implementation tool among quoted companies, and other management and measurement systems used by quoted companies in clarifying their visions and strategies.

1.5 The Importance of the Study

In highlighting the benefits of implementing BSC in this study the organizations may use them as monitoring and evaluation tools so as to assess the performance of BSC within their organization. It points out the challenges that come with BSC therefore implementing organization will be prepared well in advance to face them. The organizations are able to review and evaluate their performance measurement tools. All in all the organizations are in a position to successfully implement their strategies well using both intangible and tangible assets as a source of competitive advantage. For the scholars in management this study is a useful reference material for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Hax and Majluf (1996) define strategy as a means of establishing the organizational purpose in terms of its long-term objectives, action programs, and resource allocation; a definition of the competitive domain of the firm; a response to external opportunities and threats, and internal strengths and weaknesses, in order to achieve a sustainable competitive advantage; a way to define managerial tasks with corporate, business, and functional perspectives; a coherent, unifying, and integrative pattern of decisions; a definition of the economic and non - economic contribution the firm intends to make to its stakeholders; an expression of strategic intent stretching the organization; a means to develop the core competencies of the organization; and as a means of investing in tangible and intangible resources to develop the capabilities that assure a sustainable advantage. Once strategies have been developed, they need to be implemented. Importantly, unless they are successfully implemented, the organization will not obtain desired results. Successful strategy implementation involves empowering others to act on doing all the things needed to put the strategy into place and execute it proficiently (Thompson and Strickland, 1998). Bryson (1995) states that the most important outcome that leaders, managers and planners should aim from successful strategy implementation is real value added through goal achievement and increased stakeholders satisfaction.

In most (large) corporations there are several levels of strategy. Strategic management is the highest in the sense that it is the broadest, applying to all parts of the firm. It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Under this broad corporate strategy there are often functional or business unit strategies. Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies.

Many companies feel that a functional organizational structure is not an efficient way to organize activities so they have reengineered according to processes or strategic business units (called SBUs). A strategic business unit is a semi-autonomous unit within an organization. It is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting. An SBU is treated as an internal profit centre by corporate headquarters. Each SBU is responsible for developing its business strategies, strategies that must be in tune with broader corporate strategies.The “lowest” level of strategy is operational strategy. It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategy was encouraged by Peter Drucker in his theory of management by objectives (MBO). Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies. Business strategy, which refers to the aggregated operational strategies of single business firm or that of an SBU in a diversified corporation, refers to the way in which a firm competes in its chosen arenas.

Corporate strategy, then, refers to the overarching strategy of the diversified firm. Such corporate strategy answers the questions of "in which businesses should we compete?" and "how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole?" Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by information technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process. Most recently, this notion of strategy has been captured under the rubric of dynamic strategy, popularized by the strategic management textbook authored by Carpenter and Sanders. This work builds on that of Brown and Eisenhart as well as Christensen and portrays firm strategy, both business and corporate, as necessarily embracing ongoing strategic change, and the seamless integration of strategy formulation and implementation. Such change and implementation are usually built into the strategy through the staging and pacing facets.

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management, therefore, combines the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction` to the enterprise and is closely related to the field of Organization Studies.

"Strategic management is an ongoing process that assesses the business and the industries in which the company is involved, assesses its competitors and sets goals, and strategies to meet all existing and potential competitors, and then reassesses each strategy annually or quarterly [i.e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment." (Lamb, 1984).Strategic management is a combination of three main processes namely, strategy formulation; strategy implementation and; strategy evaluation. Strategy formulation involves: performing a situation analysis, self-evaluation and competitor analysis, both internal and external, both micro-environmental and macro-environmental. Concurrent with this assessment, objectives are set. This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organization gives itself in society), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives. These objectives should, in the light of the situation analysis, suggest a strategic plan. The plan provides the details of how to achieve these objectives. This three-step strategy formulation process is sometimes referred to as determining where you are now, determining where you want to go, and then determining how to get there. These three questions are the essence of strategic planning. SWOT Analysis: I/O Economics for the external factors and RBV for the internal factors.

Strategy implementation involves: allocation of sufficient resources (financial, personnel, time, technology support); establishing a chain of command or some alternative structure (such as cross functional teams) ;assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes.

Strategic management techniques can be viewed as bottom-up, top-down or collaborative processes. In the bottom-up approach, employees submit proposals to their managers who, in turn, funnel the best ideas further up the organization. This is often accomplished by a capital budgeting process. Proposals are assessed using financial criteria such as return on investment or cost-benefit analysis. The proposals that are approved form the substance of a new strategy, all of which is done without a grand strategic design or a strategic architect.

The top-down approach is the most common by far. In it, the CEO, possibly with the assistance of a strategic planning team, decides on the overall direction the company should take. Some organizations are starting to experiment with collaborative strategic planning techniques that recognize the emergent nature of strategic decisions.Three ongoing process-analysis, decisions, and actions-that are central to strategic management. In practice, these three process-often referred to as strategy analysis, strategy formulation, and strategy implementation-are highly interdependent. Further, these three processes do not take place one after the other in a sequential fashion in most companies.

Henry Mintzberg, a very influential management scholar at McGill University, argues that conceptualizing the strategic management process as one in which analysis is followed by optimal decisions and their subsequent meticulous implementation neither describes the strategic management process accurately nor prescribes ideal practice. In his view, the business environment is far from predictable, thus limiting our ability for analysis. Further, decisions in an organization are seldom based on optimal rationality alone, given the political processes that occur in all organizations.Taking into consideration the limitations discussed above, Mintzberg proposed an alternative model of strategy development. For a variety of reasons, the intended strategy rarely survives in its original form. Unforeseen environmental developments, unanticipated resource constraints, or changes in managerial preferences may result in at least some parts of the intended strategy remaining unrealized. On the other hand, good managers will want to take advantage of new opportunity presented by the environment even if it was not part of the original set of intentions. . The final realized strategy of any firm is thus a combination of deliberate and emergent strategies.

2.2 Strategy Implementation

Strategy implementation is one of the components of strategic management and refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to achieve organizational objectives (Pearce and Robinson, 2003). It is viewed by Thompson and Strickland (1989), as acting on what has to be done internally to put the chosen (formulated) strategy into place and achieve the targeted results. Hunger and Wheelen (1995), see it as the process by which management translates strategies and policies into action through the development of programs, budgets, and procedures. This process might involve changes within the overall culture, structure, and/or the management system of the organization. Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant system (Bryson, 1995).Strategy implementation includes considerations of who will be responsible for strategy implementation; the most suitable organizational structure that should support the implementation of strategy (Pettigrew, 1988; Lynch,2000); the need to adapt the systems used to manage the organization (Johnson and Scholes,2002); the key tasks to be carried out and desirable changes in the resource mix of the organization as well as the mandate of each department in the organization and the information systems to be put in place to monitor progress and resource planning (Pearce and Robinson, 1997). Implementation may also take into account the need for retraining the workforce and management of change (Johnson and Scholes, 2002).A brilliant strategy that cannot be implemented creates no real value. Effective implementation begins during strategy formulation when questions of "how to do it?" should be considered in parallel with "what to do?" Effective implementation results when organization resources and actions are tied to strategic priorities, and when key success factors are identified and performance measures and reporting are aligned (Deloitte and Touche, 2003).

Implementing strategy is largely an administrative activity and successful implementation depends on working through others, organizing, motivating, culture building, and creating strong fits between strategy and how the organization does things (Thompson and Strickland, 2003). It calls for alteration of existing procedures and policies. In most organizations, strategy implementation requires a shift in responsibility from strategists to divisional and functional managers (Kazmi, 2002). It is therefore important to ensure successful implementation. The implementers of strategy should therefore be fully involved in strategy formulation so that they can own the process. Management issues to strategy implementation include establishing annual objectives, devising policies, allocating resources, altering an existing organization structure, restructuring and reengineering, revising reward and incentive plans, minimizing resistance to change, matching managers with strategy, developing a strategy supportive culture, developing an effective human resource function, and if necessary, downsizing (David,2003).

Aosa (1992) points out that once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. However, poor implementation of an appropriate strategy may cause that strategy to fail (Kiruthi, 2001). An excellent implementation plan will not only cause success of an appropriate strategy, but can also rescue an inappropriate strategy (Hunger and Wheelen, 1994). Strategy implementation is therefore crucial to effective management (McCarthy et al., 1996).The implementation process of a strategy typically impacts every part of the organization structure, from the biggest organizational unit to the smallest frontline work group

(Thompson and Strickland, 1998). They point that every manager has to think through the question "what has to be done in my area to implement our part of the strategic plan and what should I do to get these things accomplished?" All managers therefore become strategic implementers in their areas of authority and responsibility and all employees should be involved.

Transforming strategies into action is a far more complex and difficult task. Implementing strategy is a tougher, more time-consuming challenge than crafting strategy. It entails converting the strategic plan into action then into results. Similarly, it is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation) (Thompson and Strickland, 2003; Aaltonen, 2001; David, 2003). It does not therefore automatically follow strategy formulation; it exhibits its own resistance, which can invalidate the planning efforts (Ansoff and McDonnell, 1990). Implementation is successful if the company achieves its strategic objectives and targeted levels of financial performance. What makes it too demanding is the wide sweep of managerial activities that have to be attended to, the many ways managers can tackle each activity, the skill that it takes to get a variety of initiatives launched and moving, and the resistance to change that has to be overcome (Thompson and Strickland, 2003).

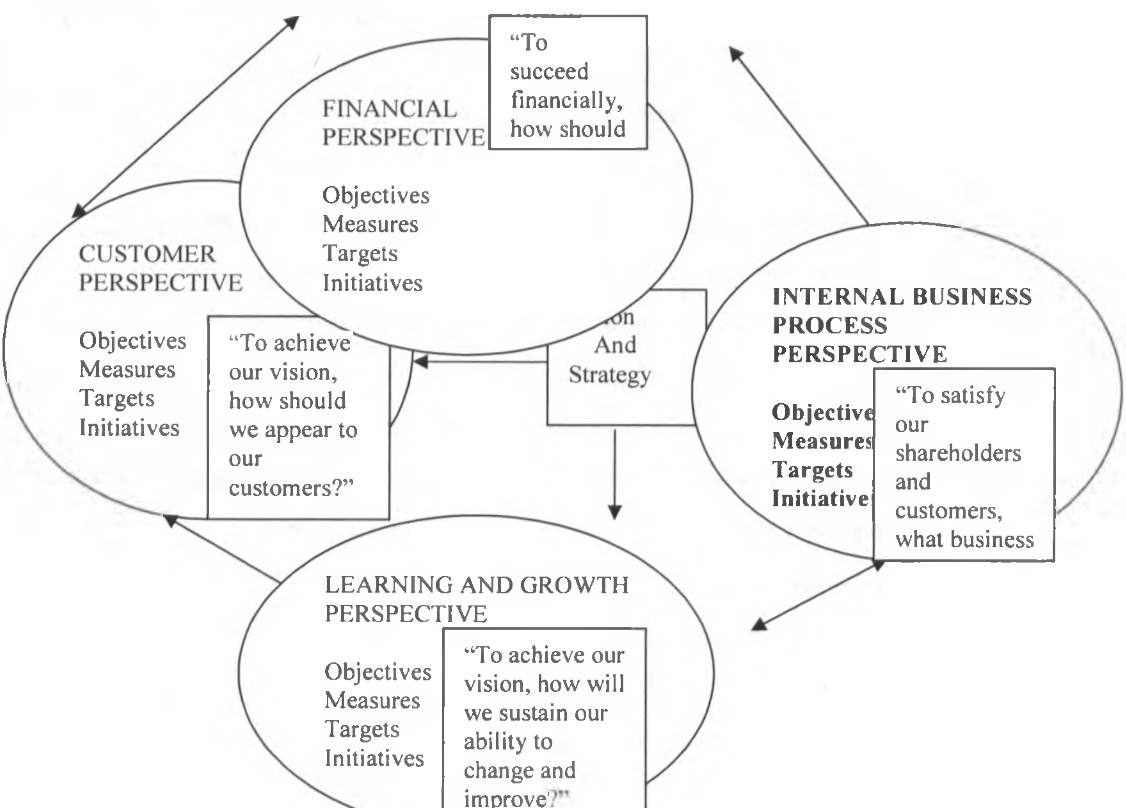
Alexander (1985) identifies inadequate planning and communication as two major obstacles to successful implementation of strategies. Others are ineffective coordination of implementation activities, insufficient capabilities of employees, inadequate training given to lower level employees, lack of clear responsibility being fixed for implementation, lack of support from other levels of management etc (Al-Ghamdi,1998; Okumus, 2003; Sterling, 2003; Awino, 2001, Koske, 2003; Muthuiya' 2004; Michael, 2004).Thompson and Strickland (2003) state that strategy implementation challenge is to create a series of tight fits between strategy and the organization's competencies, capabilities and structure; between strategy and budgetary allocation; between strategy and policy; between strategy and internal support systems; between strategy and reward structure; and between strategy and the corporate culture.

2.3 The Balanced Scorecard as a Tool for Strategy Implementation

The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. This new approach to strategic management was developed in the early 1990's, by Kaplan and Norton of Harvard Business School. It came into being, as a method for companies to manage their increasingly complex and multi-faceted business environments. Recognizing some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective (Arveson, 1998).First financial perspective is considered to tell the story of past events for industrial age companies. However, it does not offer a measure for long-term capabilities and customer relationships which are critical for success. These financial measures are inadequate to analyze future value through investment in customers, suppliers, employees, processes, technology, and innovation (Arveson, 1998).

According to Kaplan and Norton (2004), the Balanced Scorecard model is a conceptual framework for translating an organization's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal business Process, and Learning and Growth, as shown in the figure below. Gekonge (2005) observes that the balanced scorecard is a methodology suited for deploying an organization's strategic direction, communicating its expectations to all employees, and measuring its progress towards agree to objectives.

Fig 2.1 Balance Scorecard Model



Source: Adapted from Kaplan and Atkinson, (1998); Advanced Management Accounting, 3rd Edition P.369

The first perspective is the financial one which includes financial performance measures that indicate whether the company's strategy implementation and execution are contributing to bottom-line improvement. Kaplan and Norton do not disregard the traditional need for financial data (Arveson, 1998).The point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional non-financial-related data, such as risk assessment and cost-benefit data to operating income, return on capital employed, and economic value added etc (Arveson, 1998).

Secondly, there is the Customer Perspective that emphasizes customer focus and customer satisfaction in any business. Poor performance from this perspective is thus a leading indicator of future decline, regardless of the current financial picture (Arveson,1998).The core outcome measures include, customer satisfaction, customer retention, and new customer acquisition and profitability (Kaplan and Atkinson, 1998).

Thirdly, the internal business Process Perspective which focus on internal business processes have great impact on customer satisfaction and achieving the organization's financial objectives (Kaplan and Atkinson, 1998). These measures allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission) and must therefore be carefully designed by those who know these processes, most intimately (Arveson,1998). Fourthly, the Learning and Growth Perspective, includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people who in the climate of rapid technological change receive continuous learning. Metrics are put into place to guide managers in focusing training funds where they can help the most. Kaplan and Norton emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. This perspective identifies the infrastructure that the organization must build to create long-term growth and improvement. Kaplan and Norton (1996) observe that successful balanced scorecard implementation enable employees at all levels of the organization to understand their roles in meeting organization strategic objectives. Managers are able to test linkages and correlations between the various measures and consequently use this information to manage the organization. However, in traditional industrial activity, "quality control" and "zero defects" were the watchwords but could not identify the true causes of defects. (Aversion,1998). To address this problem the balanced scorecard incorporates feedback around internal business process *outputs*, as in TQM, but also adds a feedback loop around the *outcomes* of business strategies (Aversion, 1998). The balance score card is also based on outcome metrics that emphasize the principle that one can't improve what one can't measure. So metrics are developed based on the priorities of the strategic plan that provide the key business drivers and criteria for metrics for managers to watch. The value of metrics is to provide a factual basis for defining strategic feedback and to show the present status of the organization from many perspectives for decision makers; (Arveson, 1998).

2.4 Practical Applications of the Balanced Scorecard

2.4.1 The Corporate Governance Scorecard

Recent empirical research confirms that companies with demanding governance standards achieve higher market valuations. Due to the complexity of specific corporate governance matters, there is a rising need for a systematic and quantitative evaluation approach for corporate governance. The balanced scorecard approach has met this dire need. The scorecard, according to Strenger (2004) facilitates the work of analysts and investors through a systematic and easy overview of all relevant issues of good governance; enable companies to easily assess the "reach" and the quality of their own governance situation; allow setting of minimum scores by investors for governance as part of general investment politics; enable comparisons across industries and countries to be readily available to all interested parties via the internet.

2.4.2 Information Technology Balanced Scorecard

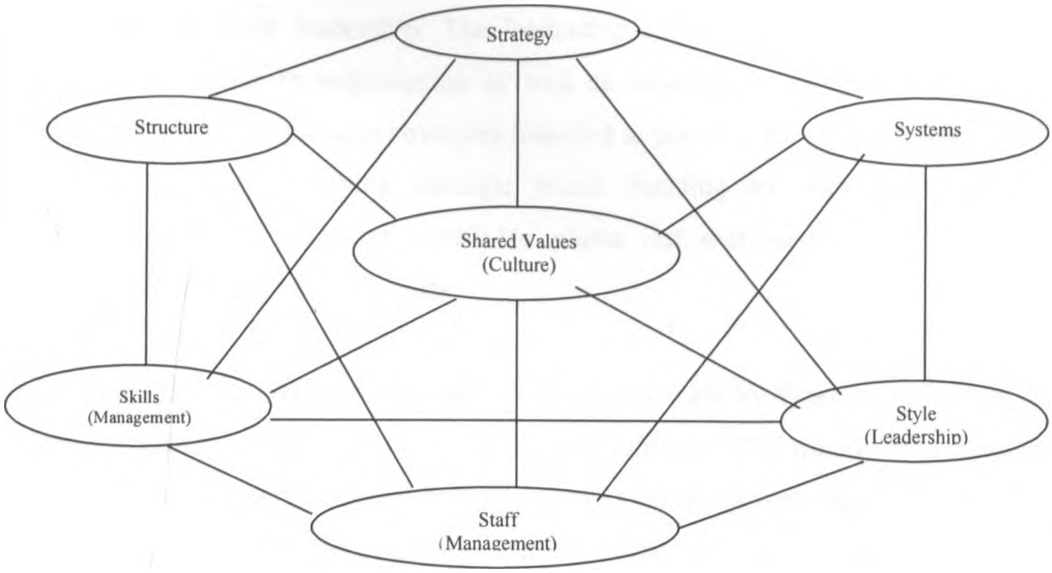
This is a management system in an IT company or any company that is IT-dependent that enables organizations to clarify their vision and strategy and translate them into action. Information Technology Balanced Scorecard provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise. Information Technology Balanced Scorecard achieves a balance between the lag indicators and the lead indicators that need to be focused on to make things happen in any company. However, it does not replace financial measurement or the economic value added. Rather, it complements it. Most of the benefits accruing from the adoption of Balanced Scorecard are embedded in the literature above. It is worth noting that the benefits may not be fully exhausted here because organizations adopting the use of BSC derive varied benefits that are unique to a particular organization.

2.5 Other Models/Tools For Strategy Implementation

2.5.1 The McKinsey 7-S Model/Framework

The McKinsey 7-S Framework provides useful visualization of the key components managers must consider in making sure a strategy permeates the day-to-day life of the firm. Banerjee (1999) points out that the framework considers the criteria for success of a business organization and forms an interconnection of seven elements: structure, strategy, skills, systems, staff, style, and shared values.

Fig 2.2 McKinsey 7-S Model/Framework



Source: *Adapted from Pearce and Robinson (1997), Strategic Management: Formulation, Implementation and Control, Pp. 340.*

Once strategy has been designed, the framework suggests that managers focus on the rest six components to ensure effective execution. These six elements are organized into four basic elements through which managers can implement strategy. The first is structure, i.e. the basic way the firm's different activities are organized; second is leadership, which encompasses the need to establish an effective style as well as the necessary staff and skills to execute strategy; third is culture, i.e. the shared values that the norms of individual behavior and the tone the organization. Finally, there are the systems for rewarding performance as well as monitoring and controlling organizational action. Pearce and Robinson (2002) note that managers quickly recognize, however, that key components of the firm: structure, staff, systems, people, and style- influence the ways in which key managerial tasks are executed and how critical management relationships are formed.

The structure of an organization should be compatible with the chosen strategy and if there is incongruence, adjustments will be necessary either for the structure or the strategy itself (Koske, 2003). Managers need to make strategically critical activities the central building blocks for designing organization structure. This will help coordinate and integrate support activities of finance, engineering, information, processes etc so as to maximize their support of strategy critical primary activities in the firm's value chain. This would be done in a way so as to minimize the costs for support activities and the time spent on internal coordination. Organizational Leadership identifies management and leadership as two separate elements. Management is about coping with complexity and good management brings a degree of order and consistency to key dimensions like the quality and profitability of products. Leadership, by contrast, is about to survive and compete effectively in new environments. More change always demands more leadership. The leadership challenge is to galvanize commitment among people within an organization as well as stakeholders outside the organization to embrace change and implement strategies intended to position the organization to do so. This is achieved through clarifying strategic intent, building an organization, and shaping organizational culture, Banerje (1999).He points out that leadership is a fundamental influence on the success of a business.

Organization culture management framework has put forth by Pearce and Robinson (1997) which identifies four basic situations that a firm might face. The framework emphasizes four key areas: first is synergistic, which focus on reinforcing culture; secondly, linking changes to basic mission and fundamental organization norms; thirdly, reformulating strategy or prepare carefully for long-term difficult cultural change; and finally ,managing around culture. Motivation and rewards in the McKinsey Framework vindicates that the execution of strategy ultimately depends on individual organizational members, particularly key managers. So motivating and rewarding good performance by individuals and organizational units are key ingredients in effective implementation. The reward system must be clearly and tightly linked to strategic performance. Motivating and controlling managerial personnel in the execution of strategy are accomplished through a firm's reward mechanisms- compensation, raises, bonuses, stock options, incentives, benefits, promotions, demotions, recognition, praise, criticism, more (or less) responsibility, group norms, performance appraisal, tension, and fear. Managers at every level within an organization can be guided on how to structure effective reward systems as: linking rewards tightly to the strategic plan; using variable incentives and making them a major part of everyone's compensation; linking rewards and incentives to an individual's job and the outcomes the individual can personally effect; rewarding everyone and being sensitive to discrepancies between the top and bottom of the organization; being scrupulously fair, accurate, and informative; rewarding generously when successful, the value of a rewarding and motivational environment; and being open to changing the reward systems (Pearce and Robinson, 1997).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A survey design was used in the study. Surveys are an invaluable tool for researching the measurement and management systems adopted by quoted companies and concerns, held by top managers on strategy implementation and control. By creating a questionnaire and collecting responses from a sample, the researcher drew a profile of the companies as a whole - a descriptive research objective, and perhaps perform some association to understand the sources of those of management concerns; an explanatory research objective. This research involved a field survey, where the researcher went to the population of interest to collect primary data. The survey was appropriate for the study because the population of study was known and easily accessible. The advantage of this design is that being a scientific method; it helps to have factual and minimized biased judgments and opinions. It allowed the researcher to be flexible in data collection exercise.

3.2 Population

The population of this study was 41 (forty one) trade-active quoted companies at the Nairobi Stock Exchange. This number excludes 4 (four) suspended companies.

3.3 Sample

Convenient sampling method was used to select the subjects of the study. This method was appropriate due to the secretive nature of some companies whose managers were not willing to cooperate for the study. Therefore, only 20 companies out of the possible 41 listed companies were studied. However, it was only possible to collect data from 20 companies due to logistics and other limitations and therefore a sample was used.

3.4 Data Collection

Data was collected from 20 top managers of the listed companies with the help of self-administered questionnaire. According to Kotler (1998), the advantage of using self – administered questionnaire is to ensure the respondents' privacy. Data collected from the top managers included the type of model used for strategy implementation, the type of measurement used by companies for clarifying strategies and visions into actions the challenges managers face while trying to implement strategy and for those companies using the balanced score card, the benefits accruing to the company. This information was required to underscore the competitive advantages conferred to companies using balanced score card.

The method of data collection involved the use of questionnaires sent or taken to top managers of 20 quoted companies and collected from them personally. The purpose of personally administering questionnaires to respondent was to establish rapport with the respondents while introducing the survey; providing clarifications sought by the respondents on the spot, collecting the questionnaires immediately after they are completed. In that sense, there was 100% response rate. To evaluate the effectiveness of the questionnaire as an instrument of data collection, the questionnaire was pilot -tested on 5 respondents that enabled the researcher make amendments on the questionnaire where necessary.

3.5 Data Analysis

Data was checked for accuracy and completeness of recording and then analyzed using descriptive statistics .Descriptive statistics included the computation of measures of central tendency and frequency distribution tables for data on top managers and their evaluation of the balanced score card on conferring competitive advantage to the business. It helped to document the challenges involved while implementing strategy in their respective companies. In addition the extent to which the BSC is being used by quoted companies also came out clearly.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Analysis of company information

Table 4.1 shows the frequency of the companies studied. It is clear that majority of the firm's surveyed fall under Finance and investment segment at the NSE which comprised of 30%, followed firms under the Commercial and services (30%), industrial and allied segment (20%) and lastly Agricultural sector (15%).

Table 4.1: The Segment of the Company at NSE

	Frequency	Percent	Valid Percent	Cumulative Percent
Industrial and allied	4	20.0	20.0	20.0
Finance and investment	7	35.0	35.0	55.0
Commercial and services	6	30.0	30.0	85.0
Agricultural	3	15.0	15.0	100.0
Total	20	100.0	100.0	

Source : interviews

Of those companies surveyed , most of them offer services to their custoemrs as the core buisnesses, (45%), and merchandise trading (25%), and equally at 15% , offering consultancy and manufacturing sservices . This is as shown in table 4.2 below.

Table 4.2: The Company's Core Activities

	Frequency	Percent	Valid Percent	Cumulative Percent
Consultancy services	3	15.0	15.0	15.0
Merchandise trading	5	25.0	25.0	40.0
Services	9	45.0	45.0	85.0
Manufacturing	3	15.0	15.0	100.0
Total	20	100.0	100.0	

Source: interviews

4.2 Models of Strategy Implementation Adopted

To underscore the various models of strategy implementation used by quoted companies, frequency table 4.3 shows that 50% of the companies surveyed use Mckinsey 7-S model, 35% are using the balanced score card and another 15% use other models. These results show case the fact that BSC as our model of concern is gaining popularity among the quoted companies.

Table 4.3: Model of Strategy Implementation and Control adopted

	Frequency	Percent	Valid Percent	Cumulative Percent
Others	3	15.0	15.0	15.0
Balanced score card	7	35.0	35.0	50.0
mckinsey 7-s model	10	50.0	50.0	100.0
Total	20	100.0	100.	

Source: interviews

4.3 Management Approach

The management approach adopted by top managers of various listed companies may be a function of the model of strategy adopted. However, some firms during strategy implementation may follow strategic management or a combination of tactical and strategic approaches. Table 4.4, below shows that either tactical or a combination of strategic and tactical management approach is adopted by 40% of the firms studied respectively. Apparently, strategic management approach alone is adopted by 20% of the firms studied. The argument is that, top managers of quoted companies that are implementing new strategies either continue to adopt the tactical management which revolves around budgets or combine the conventional management approaches with strategic approaches.

Table 4.4: The Management Approach used by Top Management

	Frequency	Percent	Valid Percent	Cumulative Percent
Strategic	4	20.0	20.0	20.0
Tactical and strategic	8	40.0	40.0	60.0
Tactical	8	40.0	40.0	100.0
Total	20	100.0	100.0	

Source: interviews

4.4 Organization Structure

Strategy implementation by businesses may dictate the need to align organization structure to the new strategy. This means there is need to align strategy to organization culture, organization structure, reporting system, responsibility centers for a successful strategy implementation. Table 4.5, shows that, of those companies surveyed, 55% of them has functional- based organization structures. This means that, they have departments along marketing, accounting, production, human personnel etc. These function- based organization structure is the traditional structure, but may ineffective for strategy implementation. SBU's which means that the organization is structured along Strategic Business Units which are also the responsibility centers and performance measurement units is adopted by only 20% of the listed companies studied. This coincides with the percentage of those firms that adopt strategic management approach at 20%. The use of BSC is known to follow the SBU's approach and therefore strategic management approach. The use of business divisions organization structure is adopted by big companies and is was seen to be adopted by 25% of the firms surveyed.

Table 4.5: The Organization Structure is based on

	Frequency	Percent	Valid Percent	Cumulative Percent
Strategic business units	4	20.0	20.0	20.0
Business divisions	5	25.0	25.0	45.0
Departments or functions	11	55.0		100.0
Total	20	100.0	100.0	

Source: interviews

4.5 Philosophy Guiding Top Management

Top executives steering strategy implementation in their companies, provides the necessary philosophy that guides everyone in the organization towards attainment of strategy. The most common philosophy is 'vision and strategy' which was found to be used by 30% of the companies studied. Another 20% use 'building guiding coalitions'. However, other firms have been using different philosophies that are suitable to the firm in question. Examples include, open communication, creating strategy for change, sense of urgency, or town hall meetings which were seen to be adopted by between 10 and 15% of the firms studied. These are findings displayed in table 4.6 below.

Table 4.6.: The Philosophy Guiding the Actions of Top Executives

	Frequency	Percent	Valid Percent	Cumulative Percent
Creating strategy for Change	2	10.0	10.0	10.0
Open communication	2	10.0	10.0	20.0
Sense of urgency	3	15.0	15.0	35.0
Town hall meetings	3	15.0	15.0	50.0
Creating guiding Coalitions	4	20.0	20.0	70.0
Vision and strategy	6	30.0	30.0	100.0
Total	20	100.0	100.0	

Source : interviews

4.6 Who Participates in Strategy Formulation?

Participation in strategy formulation may affect the level of ownership of the implementation process among the employees. Atop down approach which involves, only top managers formulating new strategies and then passing them to employees for implementation is likely to face resistance during implementation. A bottom up approach easily enhances acceptance among the employees.Table 4.7, below shows that listed companies involves different levels of management depending on the level of strategy. A combination of functional managers, CEO and Chairman is used by 25% of the firms studied, and 20% uses general managers and operational managers each respectively. Less than 5% use either Divisional heads or employees in formulation of strategies.

Table 4.7: Who Participates In Strategy Formulation?

	Frequency	Percent	Valid Percent	Cumulative Percent
Divisional heads	1	5.0	5.0	5.0
All top managers,CEO, Functional managers, and employees	1	5.0	5.0	10.0
Others	2	10.0	10.0	20.0
CEO and general Managers	3	15.0	15.0	35.0
General Managers	4	20.0	20.0	55.0
Operational managers	4	20.0	20.0	75.0
Functional managers, CEO and chairman	5	25.0	25.0	100.0
Total	20	100.0	100.0	

Source: interviews

4.7 Models of Strategy Relative to Executive Leadership, Organization Structure, Management Approach and Assets for Creating Value.

From table 4.8 below, shows it that different models of strategy calls for different approaches to management approach, executive leadership, organization structure, philosophy guiding top management, and who participates in strategy formulation and finally the assets used to create value for the company. Although, no one single approach is followed, quoted companies use a combination of various aspects in order to achieve successful strategy implementation that is suitable to its strategic needs. The interpretation of the results is based on the mean and the median which are seen as the best averages to explain the findings and has been used as such. Of the companies adopting the BSC model of strategy implementation, majority of them use the tactical management approach, and those using Mckinsey 7-s model had majority using a combination of tactical and strategic approaches. Those companies using other models of strategy implementation, had majority using both tactical and strategic approaches. This means that some companies that are using BSC are still stuck in the traditional approaches of management –tactical approach! This could be their undoing in the course of implementing strategies using the BSC model.

The style of executive leadership adopted by most of the firms is Management by Objectives which again contrast sharply with the BSC prescription of following strategic management approaches. Again, it seems that quoted companies are willing to use the BSC but are unable to style up to new management styles for their executives. The same can be said about firms which use other models of strategy implementation. They still are stuck with their old styles of executive leadership, managing by objectives or through tactical approaches. On the other hand, though BSC prescribes that organization structure of the firm be based on strategic themes and priorities, majority of the firms were seen to have functional based organization structures. The use of departments as the functional units was registered with most of the firms regardless of the model of strategy implementation adopted. The use of philosophy based on 'vision and strategy' is the cornerstone of the BSC model and this was seen in majority of the companies studied. Those other companies using Mckinsey model also were seen to have their top managers follow a similar philosophy. However, for firms using models other than the BSC or the Mckinsey, most of the top managers were guided by the philosophy 'creating strategy teams for change '.The CEO and general managers and employees are involved in formulating strategy in majority of the quoted firms which use BSC or other models of strategy implementation. Its also clear that companies using Mckinsey 7-S model, have majority of them, using the functional managers, CEO, and employees in the formulation of company strategies. Finally, creating value for companies involve selection of the assets which will help the company create optimal value for the stakeholders. Strategy implementation using BSC, prescribe the use of intangible assets like core capabilities and competencies. From the table, it is clear that most of the companies having adopted the BSC and the Mckinsey use strategic non-tangible assets to create value, while others use fixed and current assets as well as intellectual properties to create value for the company.

Table 4.8: The Management Approaches Adopted Based on the Model of Strategy Implementation

model of strategy implementation and control adopted		the managment approach used by top management	style of executive leadership of the top management	the organization structure is based on	the philosophy guiding the actions of top executives	who participates in strategy formulation?	which assets are used for creating value?
balanced score card	Mean	2.00	2.86	1.71	3.00	4.14	3.00
	N	7	7	7	7	7	7
	Std. Deviation	1.000	1.345	488	1.826	1.676	816
	Median	2.00	3.00	2.00	2.00	4.00	3.00
mckinsey 7-s model	Mean	1.60	2.80	2 10	3 00	4.10	3.10
	N	10	10	10	10	10	10
	Std. Deviation	.699	1.317	.876	1.247	1.792	1.449
	Median	1.50	3.00	2 00	3.00	4.50	3.00
others	Mean	2.00	2.67	2.00	4.33	2.67	1.67
	N	3	3	3	3	3	3
	Std. Deviation	.000	1 528	.000	2.082	1.528	.577
	Median	2.00	3.00	2.00	5 00	3.00	2.00
Total	Mean	1.80	2.80	1.95	3.20	3.90	2.85
	N	20	20	20	20	20	20
	Std. Deviation	768	1.281	686	1.576	1.714	1.226
	Median	2.00	3.00	2.00	3.00	4.00	3.00

Source : interviews

4.8 Performance Measurement

Table 4.9, belowshows the performance measurement which were found important to firms using the BSC - include all with a mean score of 3 and above ; include sales turnover, (3.57), employee working relationship (3.14), brand and market development(3.00), customer base portfolio(3.57), market share (3.43) customer satisfaction index(3.14) technology utilization (3.57),capabilities and core competencies (3.57) and finally quality of employee welfare (3.29). Apparently , theses are non-financial measures which are wholly prescribeb by the BSC model. Its also clear that companies using BSC model for strategy implementation use both financial and non-financial measures of performance. This is because , besides above measuers which are important , other financial measures are also important but not key to measuring the success of a strategy. Those firms using the Mckinsey 7-s model have the following important measures which are used during strategy implmentation. They include profit growth (mean= 3.20), product leadership(3,0), customer base portfolio (3.30) , market share (3.0) EPS (3.10), new customer acquisition (3.10), customer satisfaction index(3.0) , and finally the quality of employees welfare (3.80).As can be seen most of the measures are finanacial with a few number of non-financial performamance measure . The contrasts the those measures adopted by the BSC which advocate the use of more of non0financial measures to financial measures . This is because the use of financial measures are seen as lagging indicators which tell of past events , and therefore leading indicators are required to measure strategies which is futuristic.

TABLE 4.9 : MODELS OF STRATEGY AND PERFORMANCE MEASUREMENT USED.

model of strategy implementation and control adopted		extent to which sales turnover used as a perfromance measure	extent to whic employee relationship i used to measure performance	extent of brand and market developmen is used to measure performance	extent profit growth is used to measure performance	extent produ leadership measures performance	extent which ROI is used to measure performance	extent to which customer base portfoli isused to measure performance	extent to which marke share is used to show performance	extent to which EPS i used to indicate performance	extent to whic customer complaints is used to measure performance
balanced score card	Mean	3 57	3.1	3.0	3 29	2.57	2 7	3.5	3 43	2 71	3.4
	N	7	7	7	7	7	7	7	7	7	7
	Std Deviation	1.134	1 069	1 000	951	1.272	75	97	1.272	1.113	1.512
	Median	4 00	3 0	3 0	3 00	3 00	3 0	4 0	3 00	3 00	4 0
	Sum	25	2	21	23	18	1	25	24	19	2
	Variance	1 286	1 143	1 000	90	1.619	571	95	1 619	1.238	2 286
mckinsey 7-s model	Mean	2 60	2 00	2 60	3.2	3 00	2 90	3 3	3 00	3 20	2 80
	N	10	10	10	10	10	10	1	10	10	10
	Std Deviation	1 265	816	966	91	1.333	1 197	1 337	1 247	1 229	1.033
	Median	3 00	2 00	2.50	3 5	3 00	3 00	4.0	3 00	3 50	3 00
	Sum	26	20	26	32	30	29	3	30	32	28
	Variance	1 600	667	933	84	1.778	1 433	1 789	1 556	1.511	1 067
others	Mean	2 67	3 33	3 00	3.3	3 00	4 67	3.0	3.33	3.00	3 00
	N	3	3	3	3	3	3	3	3	3	3
	Std Deviation	1 528	2 082	2 000	2 082	1 000	577	2 000	577	1.732	1.000
	Median	3 00	4 00	3 00	4 0	3 00	5 00	3.0	3.00	2 00	3 00
	Sum	8	10	9	10	9	14	9	10	9	9
	Variance	2 333	4 333	4 000	4 333	1 000	333	4 000	333	3.000	1 000
Tota	Mean	2 95	2 60	2 80	3.2	2 85	3.10	3.3	3 20	3.00	3.05
	N	20	20	20	20	20	20	2	20	20	20
	Std Deviation	1 276	1.231	1 105	1 070	1 226	1 165	1 268	1.152	1.214	1.191
	Median	3 00	2 50	3.0	3 00	3 00	3.00	4.0	3 00	3.00	3.0
	Sum	59	52	5	65	57	62	6	64	60	6
	Variance	1 629	1 516	1.221	1 145	1 503	1 358	1 608	1 326	1 474	1.418

model of strategy implementation and control adopted		customer acquistion use as a meausre of performance	custoeme satisfaction index measure of performance	asset utilization rate use as a measure of performance	use of technology utilization as measure of performance	use of cost structure as performance measurmen	use of efficiency in production rate indicate performance	use of core capabilities and core competencie to measure performance	u: of em oyee welf. quali a a perf mance measuremer	use of stock price measure performance
balanced score card	Mean	2 4	3.14	2 57	3.5	2.86	2 86	3 57	3.2	3 43
	N	7	7	7	7	7	7	7	7	7
	Std Deviation	1.134	1.215	1.272	1.397	1 574	1 345	1 134	75	1.272
	Median	3.0	3 00	2 00	4 0	3 00	3 00	3 00	3.0	3 00
	Sum	17	22	18	25	20	20	25	23	24
	Variance	1.286	1 476	1 619	1 952	2 476	1.810	1 286	57	1 619
mckinsey 7-s model	Mean	3 1	3 10	1 80	2 6	3.0	2 60	2 80	3 8	2 60
	N	10	10	10	1	10	10	10	10	10
	Std Deviation	1.101	1 595	789	96	1.155	1 430	1 229	1 033	1.350
	Median	3 0	3.00	2 00	2.5	3.0	2.50	3 00	4.0	3 00
	Sum	31	31	18	2	30	26	28	38	26
	Variance	1 211	2 544	622	93	1.333	2.044	1 511	1 067	1.822
others	Mean	4 0	4 00	2 00	2.0	3.0	4 00	2.67	2.3	3 00
	N	3	3	3	3	3	3	3	3	3
	Std Deviation	1 000	000	1 000	1 000	00	1 000	1 528	1 155	1.000
	Median	4 0	4 00	2.00	2.0	3.0	4 00	3.00	3.0	3 00
	Sum	12	12	6	6	9	12	8	7	9
	Variance	1 000	000	1.000	1 000	00	1 000	2.333	1.333	1 000
Tota	Mean	3 0	3 25	2.10	2 8	2 9	2.90	3 05	3.4	2 95
	N	20	20	20	2	20	20	20	20	20
	Std Deviation	1 170	1.333	1 021	1 226	1.191	1.373	1 234	1 046	1.276
	Median	3 0	3 00	2.00	3 0	3.0	3 00	3.00	3.0	3 00
	Sum	60	65	42	5	59	58	61	68	59
	Variance	1 368	1 776	1 042	1 503	1 418	1 884	1 524	1 095	1.629

Data Source : interviews

4.9 Indicators of Successful Strategy Implementation

Table 4.10 below shows that different models of strategy call for different forms of measuring strategic success. Those firms using the BSC and the Mckinsey model for strategy implementation consider all the following measures as important (mean =2 and above), for assessing the success of a strategy. These measures include; - increase in profits, increased number of customers, increase in sales volume, efficiency in the service delivery, minimal or zero defects, good corporate image, increase in market share, increased customer satisfaction index, customer retention increase, improved customer response rate and finally the corporate social responsibility. However, firms using other models other the two above, do not use the increase of market share as an indicator of successful.

TABLE 4.10 : INDICATORS OF SUCCESSFUL STRATEGY IMPLEMENTATION BASED ON MODEL OF STRATEGY

Model of strategy implementation and control adopted		increased profits as an indication of successful strategy implementation	increased customers as an inidcator of a successful strategy implementation	increased sales volume as an indicator of successful strategy implementation	increased efficiency in service delivery as an indicator of successful strategy	zero defects or minimal defects as an indicator of sccessful strategy implementation	good corporate image as an indicator of successful strategy implementation	improved customer index as an indicator of successful strategy	increased customer retention as an indicator of successful strategy implementation	increased market share as an indicator of successful strategy implementation	improved customer response rate as a successful strategy	improved corporate social responsibilty as an indicator of successful strategy
Balanced score card	Mean	2.57	3.00	3.43	4.14	3.86	3.00	2.71	3.00	3.29	2 43	3.00
	N	7	7	7	7	7	7	7	7	7	7	7
	Std. Deviation	.787	816	.787	690	1.345	1.291	1.380	1.291	1 380	.787	1.291
Mckinsey 7-s model	Mean	2.10	2.90	3.00	3.40	3.60	2.60	2.50	2.90	2.70	2.50	2.80
	N	10	10	10	10	10	10	10	10	10	10	10
	Std. Deviation	.738	.994	1.247	1.265	1.174	1.174	1.080	1.101	1 418	1.434	1.317
Others	Mean	2.67	4 33	3.67	3.33	3.00	1.67	2.67	3.33	3.67	2.67	2.33
	N	3	3	3	3	3	3	3	3	3	3	3
	Std. Deviation	.577	.577	1.155	1.155	1.000	1.155	.577	.577	1.528	1.528	1.528
Total	Mean	2.35	3.15	3.25	3.65	3.60	2.60	2.60	3.00	3.05	2 50	2.80
	N	20	20	20	20	20	20	20	20	20	20	20
	Std Deviation	.745	988	1.070	1.089	1 188	1.231	1 095	1.076	1.395	1 192	1.281

Data source: interviews

4.10 Comparison of Perceived Benefits for All Models of Strategy Implementation

To underscore the perceived benefits as understood by top managers of listed firms of different models of strategy, respondents were given suggestive benefits and were asked to indicate they extent to which such benefits are realized. This is shown in table 4.11 below. From the table, BSC model is comes second to other models but is superior to Mckinsey model in providing feedback around both the internal processes and external outcomes for performance and results. This is indicated by a mean score of 3.29 for BSC model, 2.80 for Mckinsey and 3.33 for other models. However, the Mckinsey 7-S model apparently is the widely used model among the listed companies as shown by frequencies in the Table 4.11 below.

In shaping organization culture, BSC has the highest mean score of 3.43 indicating its perceived superiority in modeling the organization culture of employees for results. Models other than BSC or Mckinsey 7-s comes second to shaping the employees behavior towards results. The Mckinsey model is seen to be the least in shaping the organization culture. In aligning top management towards strategy, Mckinsey 7-s model is superior to BSC and others with mean score of 4.10, followed by BSC model with a mean score of 3.86. In monitoring key leading and lagging indicators of performance, other models are superior, with the BSC models being rated second and Mckinsey taking the least ranking. This is shown by their mean scores of the respondents' frequencies.

Following similar interpretation based on the means shown in the table it can be seen that BSC model either is perceived to be second or first for the benefits it confers to those companies that choose to use it for strategy implementation. Such perceive benefits include;- communicating by offering accurate information, helping to identify root causes of potential problems in advance , providing strategic value through all perspectives. It also helps to calculate value of intangibles assets, translating strategy into operational terms, targets and objectives and finally aligning key processes. Of all the comparison of perceived benefits , between all models under study, the BSC model is seen to take the lead in providing those and therefore is gaining popularity among the quoted companies for strategy implementation and control. It can be inferred that BSC is a superior model of strategy implementation and control and those adopting it have already realized some of its benefits as claimed by DR. Kaplan and Norton- the brainchild of this model.

TABLE 4.11: COMPARISON OF PERCIVED BENEFITS OF DIFFERENT MODELS OF STRATEGY

Model of strategy implementation and control adopted		provides feedback around both internal processes and external outcomes	shapes the organization culture of employees for results	aligning management behavior towards strategy	monitoring key leading and lagging indicators	communicates better by offering accurate information	help indentify the root cause of potential problems in advance	providing strategic value through all perspectives	helps to calculate the value of intangible assets	translating strategy into operational terms and targets	aligning everyone to grand objectives
balanced score card	Mean	[illegible]	3.43	3.86	3.86	4.00	4.14	3.71	3.14	3.43	2.00
	N	7	7	7	7	7	7	7	7	7	7
	Std. Deviation	1.254	.976	.900	.900	.577	.900	.756	.690	.535	.816
mckinsey 7-s model	Mean	2.80	2.90	4.10	3.80	4.10	3.30	4.20	3.70	3.90	2.30
	N	10	10	10	10	10	10	10	10	10	10
	Std. Deviation	1.033	1.287	.738	.789	.738	.949	.632	.949	1.101	.675
others	Mean	3.33	3.33	3.67	4.67	4.67	4.00	3.33	3.33	3.33	1.00
	N	3	3	3	3	3	3	3	3	3	3
	Std. Deviation	1.155	.577	.577	.577	.577	1.000	.577	.577	.577	.000
Total	Mean	3.05	3.15	3.95	3.95	4.15	3.70	3.90	3.45	3.65	2.00
	N	20	20	20	20	20	20	20	20	20	20
	Std. Deviation	1.099	1.089	.759	.826	.671	.979	.718	.826	.875	.795

Data source: interviews

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The objective of the study was to establish the extent to which the balanced score card model is used by quoted companies at NSE, as a tool for strategy implementation and control. From the study findings, the answer to the research question has been answered and indicates that 35% of the companies quoted are currently using the BSC model. The competitive advantages it confers to those firms that opt to use it has been enumerated later in the chapter.

Survey findings indicate that 50% of the companies surveyed use Mckinsey 7-S model, 35% are using the balanced score card and another 15% use other models. These results show case the fact that BSC as our model of concern is gaining popularity among the quoted companies. In addition, the management approach adopted by top managers of various listed companies may be a function of the model of strategy adopted. However, some firms during strategy implementation may follow strategic management or a combination of tactical and strategic approaches. Tactical or a combination of strategic and tactical management approach is adopted by 40% of the firms studied respectively. Apparently, strategic management approach alone is adopted by 20% of the firms studied. The argument is that, top managers of quoted companies that are implementing new strategies either continue to adopt the tactical management which revolves around budgets or combine the conventional management approaches with strategic approaches .

Strategy implementation by businesses may dictate that there is need to align organization structure to the new strategy. This means there is need to align strategy to organization culture, organization structure, reporting system, responsibility centers for a successful strategy implementation. Of those companies surveyed, 55% of them have functional- based organization structures. This means that, they have departments along marketing, accounting, production, human personnel etc. These function- based organization structure is the traditional structure, but may ineffective for strategy implementation. SBU's which means that the organization is structured along Strategic Business Units which are also the responsibility centers and performance measurement units. This kind of structure is adopted by only 20% of the listed companies studied. This coincides with the percentage of those firms that adopt strategic management approach at 20%. The use of BSC is known to follow the SBU's approach and therefore strategic management approach. The use of business divisions organization structure is adopted by big companies and is was seen to be adopted by

25% of the firms surveyed. Top executives steering strategy implementation in their companies, provides the necessary philosophy that guides everyone in the organization towards attainment of strategy. The most common philosophy is 'vision and strategy' which was found to be used by 30% of the companies studied. Another 20% use 'building guiding coalitions'. However, other firms have been using different philosophies that are suitable to the firm in question. Examples include, open communication, creating strategy for change, sense of urgency, or town hall meetings which were seen to be adopted by between 10 and 15% of the firms studied.

Participation in strategy formulation may affect the level of ownership of the implementation process among the employees. Atop down approach which involves, only top managers formulating new strategies and then passing them to employees for implementation is likely to face resistance during implementation. A bottom up approach easily enhances acceptance among the employees. The survey results showed that listed companies involves different levels of management depending on the level of strategy. A combination of functional managers, CEO and Chairman is used by 25% of the firms studied, and 20% uses general managers and operational managers each respectively. Less than 5% use either Divisional heads or employees in formulation of strategies. It was also found that, different models of strategy calls for different approaches to management approach, executive leadership, organization structure, philosophy guiding top management, and who participates in strategy formulation and finally the assets used to create value for the company. Although, no one single approach is followed, quoted companies use a combination of various aspects in order to achieve successful strategy implementation that is suitable to its strategic needs. The interpretation o the results is based on the mean and the median which are seen as the best averages to explain the findings and has been used as such. Of the companies adopting the various BSC model of strategy implementation, majority of them use the tactical management approach, and those using Mckinsey 7-s model had majority using a combination of tactical and strategic approaches. Those companies using other models of strategy implementation, had majority using both tactical and strategic approaches. This means that some companies that are using BSC are still stuck in the traditional approaches of management –tactical approach! This could be their undoing in the course of implementing strategies using the BSC model.

The style of executive leadership adopted by most of the firms is Management by Objectives which again contrast sharply with the BSC prescription of following strategic management approaches. Again, it seems that quoted companies are willing to use the BSC but are unable to style up to new management styles for their executives. The same can be said about firms which use other models of strategy implementation. They still are stuck with their old styles of executive leadership, managing by objectives or through tactical approaches. On the other hand, though BSC prescribes that organization structure of the firm is based on strategic themes and priorities, majority of the firms were seen to have functional based organization structures. The use of departments as the functional units was registered with most of the firms regardless of the model of strategy implementation adopted. The use of philosophy based on 'vision and strategy' is the cornerstone of the BSC model and this was seen in majority of the companies studied. Those other companies using Mckinsey model also were seen to have their top managers follow a similar philosophy. However, for firms using models other than the BSC or the Mckinsey, most of the top managers were guided by the philosophy 'creating strategy teams for change '.The CEO and general managers and employees are involved in formulating strategy in majority of the quoted firms which use BSC or other models of strategy implementation. It's also clear that companies using Mckinsey 7-S model, have majority of them, using the functional managers, CEO, and employees in the formulation of company strategies. Finally, creating value for companies involve selection of the assets which will help the company create optimal value for the stakeholders. Strategy implementation using BSC, prescribe the use of intangible assets like core capabilities and competencies. From the table, it is clear that most of the companies having adopted the BSC and the Mckinsey use strategic non-tangible assets to create value, while others use fixed and current assets as well as intellectual properties to create value for the company.

The performance measurement which were found important to firms using the BSC - include all with a mean score of 3 and above ; include sales turnover, employee working relationship ,brand and market development, customer base portfolio, market share, customer satisfaction index, technology utilization,capabilities and core competencies, and finally quality of employee welfare . Apparently , theses are non-financial measures which are wholly prescribeb by the BSC model. Its also clear that companies using BSC model for strategy implementation use both financial and non-financial measures of performance. This is because , besides above measuers which are important , other financial measures are also important but not key to measuring the success of a strategy. Those firms using the Mckinsey 7-s model have the following important measures which are used during strategy implmentation. They include profit growth, product leadership, customer base portfolio , market share ,EPS , new customer acquisition , customer satisfaction index, and finally the quality of employees welfare .As can be seen most of the measures are finanacial with a few number of non-financial performamance measure . The contrasts the those measures adopted by the BSC which advocate the use of more of non0financial measures to financial measures . This is because the use of financial measures are seen as lagging indicators which tell of past events , and therefore leading indicators are required to measure strategies which is futuristic. Those firms using other models of strategy implmementation has considered almost all the financial and non-finanacial measures as important and tries to blend the two types based on the needs of the company and the model used.

It was found from the survey findings that those different models of strategy call for different forms of measuring strategic success. Those firms using the BSC and the Mckinsey model for strategy implementation consider all the following measures as important for assessing the success of a strategy. These measures include; - increase in profits, increased number of customers, increase in sales volume, efficiency in the service delivery, minimal or zero defects, good corporate image, increase in market share, increased customer satisfaction index, customer retention increase, improved customer response rate and finally the corporate social responsibility. However, firms using other models other the two above, do not use the increase of market share as an indicator of successful strategy implementation.

Survey findings indicate that BSC model comes second to other models but is superior to Mckinsey model in providing feedback around both the internal processes and external outcomes for performance and results. However, the Mckinsey 7-S model apparently is the widely used model among the listed companies. In shaping organization culture, BSC is bets for its perceived superiority in modeling the organization culture of employees for results. Models other than BSC or Mckinsey 7-s comes second to shaping the employees behavior towards results. The Mckinsey model is seen to be the least in shaping the organization culture. In aligning top management towards strategy, Mckinsey 7-s model is superior to BSC and others, followed by BSC model. In monitoring key leading and lagging indicators of performance, other models are superior, with the BSC models being rated second and Mckinsey taking the least ranking. Such perceived benefits of BSC which are deemed superior to other models include;- communicating by offering accurate information, helping to indentify root causes of potential problems in advance , providing strategic value through all perspectives. It also helps to calculate value of intangibles assets, translating strategy into operational terms, targets and objectives and finally aligning key processes. Of all the comparison of perceived benefits , between all models under study, the BSC model is seen to take the lead in providing those and therefore is gaining popularity among the quoted companies for strategy implementation and control. It can be inferred that BSC is a superior model of strategy implementation and control and those adopting it have already realized some of its benefits as claimed by DR. Kaplan and Norton- the brainchild of this model.

5.2 Recommendations

Based on the findings of the study it is clear that BSC model is gaining popularity among the quoted firms at NSE. Those firms that use this model have reaped some advantages but apparently at varying degrees. However, what came out clearly is the tendency of these firms having adopted the BSC model continues using the classical approach to management of strategy, performance measurement and fails to align their organization structure to strategies. In view of the above shortcomings, I recommend that top management should be trained on how to focus on changing the organization structure along strategic themes and priorities as opposed to the traditional functional departments of marketing, accounting, human resources, and production. Such change of organization structure would facilitate alignment of organization culture, and employees behavior towards results, which are known to have clear performance measurement units and responsibilities like the SBU's.

Secondly, some contrasts or hybrid systems were found in management approaches that were mostly tactical, as opposed to BSC which uses both tactical and strategic management. This requires analyses of the firms leading and aging indicators in the course of strategy implementation. Proper understanding and training of top managers would serve them well. This awareness among the top managers would help to provide the necessary leadership, by first involving every one in strategy formulation to strategy implementation, where every one would be aware of their contributions towards strategy implementation success. Finally, the over reliance on traditional assets to create value and use of age-old accounting measurements only work to confuse strategy implementation process because a strategy is futuristic. In today's' competitive markets , corporate businesses are shifting investment focus form the traditional fixed and current assets to core capabilities and core competencies .

5.3 Recommendations for Further Research

In the course of this study, it became clear that the companies opting to stick to models other than BSC in strategy implementation and control had adopted some of the prescriptions of the BSC in certain aspects of their strategies, and combined this, with their traditional aspects of their models. Further research can be done to establish the extent to which BSC model is shaping the various schools of thought of strategy implementation and generally the practice of management of corporate businesses in Kenya.

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LISTED COMPANIES AT NAIROBI STOCK EXCHANGE

	Company /Segment
	Agricultural
1	Kakuzi
2	Rea Vipingo
3	Unilever Tea
4	Sasini
	Commercial and services
5	Car and General
6	CMC Holdings
7	Hutchings Biemer(suspended)
8	Kenya Airways
9	Marshals East Africa
10	Nation Media Group
11	Scan Group
12	Standard Group
13	Tps Serena
14	Uchumi Supermarkets(suspended)
	Finance and Investments
15	Barclays Bank
16	CfC Bank
17	Diamond Trust
18	Equity Bank
19	Housing Finance
20	ICDC
21	Jubilee Insurance
22	KCB Bank
23	National Bank
24	NIC Bank
25	Pan African Insurance
26	Standard Chartered
27	Access Kenya Limited
	Industrial and Allied
28	Athi River Mining
29	BOC Kenya(suspended)
30	Bamburi
31	BAT- Kenya
32	Carbacid (suspended)
33	Crown Berger
34	E A Cables
35	E. A Portland
36	E.A Breweries
37	Eveready East Africa
38	Kenol
39	Kenya power and lighting
40	Kengen
41	Mumias
42	Olympia Capital Holdings
43	Sameer Group
44	Total Kenya
45	Unga Limited

SOURCE NAIROBI STOCK EXCHANGE

QUESTIONNAIRE

INTRODUCTION

My names are: Ms. NJIRU, an MBA student at Nairobi University. In fulfillment of my course, I am required to submit to the examiner, a research proposal.The topic of study, I have chosen is "The use of balanced score card for strategy implementation by quoted companies in Kenya. This will be carried through a survey of the listed companies, in the main investment market segment, in Nairobi.

I therefore appeal to you to fill in this questionnaire, with an assurance that all information collected will be treated confidentially.

Part I: QUESTIONS RELATED TO TOP MANAGERS OF QUOTED COMPANIES

Part I of this questionnaire requires you to TICK, as applicable

1. What is your Gender?
    1. Male ☐
    2. Female ☐

2. Tick the market segment of the company that you manage. Choose from the list below.
    1. Agricultural ☐
    2. Commercial and services ☐
    3. Finance and investment ☐
    4. Industrial and allied ☐

3. What are your company's core activities? Please tick as applicable.
    1. Manufacturing ☐
    2. Services ☐
    3. Merchandise trading ☐
    4. Consultancy services ☐
    5. Others ☐

PART II: MODELS OF STRATEGY IMPLEMENTATION AND CONTROL

Management of strategy

5. Implementing strategy is watershed event in the life of an organization. What model(s) does your organization adopt for implementing strategy?

Please tick as applicable
    1. Balance score card ☐
    2. SWOT analysis matrix ☐
    3. Mckinsey 7 –s model ☐

4. BCG matrix ☐

5. Others ☐

6. Based on the model used please indicate which of the following management approaches best describes the top management of your company? Please tick as applicable.

1. Tactical and strategic ☐
2. Tactical ☐
3. Strategic ☐

7. What style of executive leadership below best describes your company management?

1. Management by exception ☐
2. Strategic management ☐
3. Management by objectives (MBO) ☐
4. Tactical management ☐
5. Others ` ☐

8. Which of the following best describes the organization structure of your company?

1. Business divisions based ☐
2. Departments or functions ☐
3. Others ☐

9. Which of the following best describes top management philosophy guiding executive actions for transforming the company?

1. Sense of urgency ☐
2. Creating guiding coalition ☐
3. Vision and strategy ☐
4. Creating strategy teams for change ☐
5. Town hall meetings ☐
6. Open communication ☐

10. Who participates in strategy formulation for your organization?

1. Divisional heads ☐
2. General Managers ☐
3. Operational managers ☐
4. CEO and general managers ☐
5. Functional manager; CEO and chairman ☐
6. CEO; directors; and senior managers ☐
7. All top managers; CEO; functional managers and employees ☐
8. Others ☐

11. What compensation plans does your organization have for its employees?

1. Team based ☐
2. Individual based ☐
3. Business unit based ☐
4. Division score card ☐
5. Others ☐

Measurement system

12. To what extent on a scale of 1 to 5 as shown below, are the following, Measures of performance used in your organization? Please circle the applicable number on Right Hand Side(RHS).

1. *Very little* 2. *Little* 3.*Moderate* 4.*Great extent* 5.*Greatest extent*

1. Sales turnover	1	2	3	4	5
2. Employee working relationship	1	2	3	4	5
3. Brand and market development	1	2	3	4	5
4. Profit growth	1	2	3	4	5
5. Product leadership	1	2	3	4	5
6. Return on investment	1	2	3	4	5
7. Customer base –portfolio	1	2	3	4	5
8. Market share	1	2	3	4	5
9. EPS	1	2	3	4	5
10. Customer complaints	1	2	3	4	5
11. New customer acquisition	1	2	3	4	5
12. Customer satisfaction index	1	2	3	4	5
13. Asset utilization rate	1	2	3	4	5
14. Technology utilization	1	2	3	4	5
15. Cost structure	1	2	3	4	5
16. Efficiency in production rate	1	2	3	4	5
17. Capabilities and core competencies	1	2	3	4	5
18. Quality of employee's welfare	1	2	3	4	5
19. Share price growth	1	2	3	4	5

13. Which of the following assets does your organization focus its energies in order to create value for shareholders? Please tick where applicable.

1. Fixed and current assets ☐
2. Intellectual properties ☐
3. Strategic non-tangible assets ☐

14. on a scale of 1-5; where 1-least important;2- important 3- somehow important 4- quite important and 5- most important , please rate following indicators of successful strategy implementation in your organization; by circling the applicable number on RHS?

1. Increase in profits	1	2	3	4	5
2. Increased number of customers	1	2	3	4	5
3. Increase in sales volume	1	2	3	4	5
4. Efficiency in service delivery	1	2	3	4	5
5. Minimal or zero defects	1	2	3	4	5
6. Good corporate image	1	2	3	4	5
7. Increase in market share	1	2	3	4	5
8. Increased customer satisfaction index	1	2	3	4	5
9. Customer retention increase	1	2	3	4	5
10. Improved customer response rate	1	2	3	4	5
11. Corporate social responsibility	1	2	3	4	5

Challenges

15. What challenges do you face while trying to translate strategy into action; mobilize, and align management to strategy? Please tick where applicable.

1. Getting the staff to learn the strategy ☐
2. Aligning everyone to grand objectives ☐
3. Resistance to the strategies ☐
4. Translating vision and strategy into a clearly ☐
5. Environmental factors-uncontrollable ☐
6. Scarce or inadequate resources ☐
7. Staff development to meet strategy skills –needs ☐
8. Intra and inter compensation plans ☐
9. Competing priorities ☐
10. Communicating the strategy to all levels ☐
11. Strategy formulation and analysis ☐
12. Balancing the strategy with people needs ☐
13. Resources utilization mix ☐
14. Others ☐

Competitive advantages offered by BSC as perceived by top managers

16.To what extent on a scale of 1-5; below has your organization achieved the listed benefits though the use of balanced score card?

1-very little 2-little 3- not much 4- much 5-very much

1. Aligning key processes 1 2 3 4 5

2. Translate strategy into operational terms; targets and objectives 1 2 3 4 5

4. Helps calculate value of intangible assets like employee morale; technology 1 2 3 4 5

5. Provide strategic value to through all perspectives 1 2 3 4 5

6. Help identify root cause of potential problems in advance 1 2 3 4 5

7 .Communicate by offering accurate information. 1 2 3 4 5

8. Help monitor key leading and lagging indicators. 1 2 3 4 5

9. Aligning management behavior towards strategy 1 2 3 4 5

10. Shaping organization culture of employees for results 1 2 3 4 5

11. Providing feedback around both the internal processes and external outcomes for performance and results . 1 2 3 4 5