

**CHALLENGES FACING STATE CORPORATIONS IN IMPLEMENTING
BALANCED SCORE CARD: A CASE OF KENYA REVENUE AUTHORITY**

BY

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D63/60475/2013

**A RESEARCH THESIS SUBMITTED TO SCHOOL OF BUSINESS IN PARTIAL
FULFILMENT OF THE REQUIREMENT OF MASTER OF SCIENCE IN
FINANCE DEGREE, SCHOOL OF BUSINESS, THE UNIVERSITY OF NAIROBI**

NOVEMBER 2017

DECLARATION

This research project is my original work and has not been submitted or presented for examination in any other university, either in part or as a whole.

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

Signature: _____

Date: _____

MOHAMED MWACHITI

DEDICATION

I wish to dedicate this research project to my family.

ACKNOWLEDGEMENTS

I wish to express my sincere gratitude to my supervisor, Mr. Mwachiti, for his immeasurable guidance, support, encouragement and time input that enabled me write this research project. My sincere appreciation also goes to my lecturers, colleagues and staff of Nairobi University, School of Business for the assistance extended to me in one way or the other. My gratitude goes to our Almighty God for His mercies and grace that have enabled me to come this far. May the Almighty God bless them all.

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LIST OF ABBREVIATIONS

- BSC** Balance Score Card
- JSC** Judicial Service Commission
- KPI** Key Performance Indicator
- KRA** Kenya Revenue Authority
- LGA** Local Government Authority

ABSTRACT

This paper is based on the challenges facing state corporations in implementing Balanced Score Card with reference to Kenya Revenue Authority. A case study research design was adopted for the study. Primary data was collected from 10 senior managers, one from each of the 10 departments of KRA, using an interview guide. Content analysis was used to analyse the data. It is established that Kenya Revenue Authority has a well-founded strategic planning system. The authority had the strategic plan (2013-2018) based on balance score card approach. The use of the balanced score card was to align the day to day activities of the authority to the vision and mission. The balanced score card had four perspectives of financial; learning and growth; internal business process; and customer perspectives driving the future financial performance. The implementation of the balanced score card has challenges which included but not limited to rigid organizational structure, lack of resources, complaisant organization culture and lack of top management support. The study concludes that the balance score card has been implemented to a moderate extent in KRA. The study also concludes that KRA face challenges in the implementation of BSC. The study recommends that a flexible organizational structure aligned with strategy, increased resource allocation for BSC implementation, adoption of a performance culture and increased management support. A similar study is recommended in a different sector like manufacturing.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The Balanced score card (BSC) is a comprehensive strategic planning and performance management system that has been used extensively by firms worldwide to align business activities to the vision and strategy, improve internal and external communications and monitor organization performance against strategic goals (Samir et al, 2006).

There are various theories which support that there challenges when implementing strategy in the face of the ever-changing business environment to gain competitive advantage. The agency theory indicates that the agents should drive the principals' goals as they act on behalf of the principals. The stakeholder theory states that the interests of stakeholders must be aligned for better organizational performance. Management by Objectives Theory calls for aligning of employee job tasks functions with the aimed business goals for organizational performance.

BSC implementation has challenges that must be mitigated for improved organizational performance from its implementation (Kaplan & Norton, 2001). The application of BSC as a tool of strategy implementation is important to public institutions and especially Kenya Revenue Authority. The authority has a three-year strategic plan (2015/2018) which adopted the BSC. Also, every year there is the performance contract signed by the institution to rate performance. There is need to find out what challenges have been

experienced on the implementation BSC and how they have been surmounted as the authority strives to achieve its vision.

Kenya Revenue Authority is a state corporation in Kenya involved in revenue collection and accounting for the government. The authority has a corporate strategy which forms the basis of its operations and existence. It started using balanced scorecard in 2003 to implement its corporate strategy. This is whereby they formulate the strategies further into action items with key performance indicators being highlighted for each action item and then assigned to the relevant persons or department in the organisation for implementation. KRA has encountered various challenges while implementing its balanced scorecard strategy. This study will look into these challenges.

1.1.1 Balance score card

The BSC is a performance measurement tool that converts strategy to performance measures aligned to the strategy (Kaplan & Norton, 2001). The BSC has four performance measures of finance, customer, learning, growth and internal processes.

The financial perspective of the BSC tool provides for the firm to succeed financially it should meet the demands of the owners (shareholders) through delivery of measurable like the financial ratios, customer share and other measurable cash flow measures (Samir et al.2006). This perspective is what had been used widely to measure a firm's performance and needed to be balanced with other perspectives. The Customer perspective concentrates on the firm meeting the demands of its clients. This translates to measuring time dedicated to handling customer issues for example how fast orders are

handled, how fast queries are responded to and how fast complaints are handled. It also means that the firm is obliged to carry out periodic customer satisfaction surveys and implement the recommendation of the survey (Kaplan & Norton, 1996).

The internal perspective targets to satisfy the shareholders" and customers by ensuring that the firm chooses the right business policies and processes that would deliver their unique demands to customers. The internal business policies are often classified as mission oriented that focus on organization overall mission processes and support oriented that focuses on repetitive tasks employees carry out in course of their work. This perspective also ensures that the length of time spent prospecting and the amount of rework required is minimized (Samir et al., 2006).

The learning and growth perspective prescribes that the firm should achieve its vision and be able to sustain its ability to change (Kaplan & Norton, 1996). It guides the organization on where to focus its training fund. The concentration is on employee training to improve performance. Also, this perspective ensures creation and maintenance of corporate culture attitudes that would result in achievement of the vision.

1.1.2 The Balanced Scorecard in state corporations

The BSC was developed for private entities. However, its use in the public sector has gained momentum in the 20th century. This is due to the need for other measures of performance in order to ensure all organizational aspects are considered (Olive et al, 1999). There are other objectives of an organization in the public sector apart from the financial objective.

Public organizations have faced many challenges in the implementation of BSC. In order to enhance implementation, the organizations have to shift from the planned to the things that have to be accomplished through BSC, that is activities to outcomes (Atkinson et al, 2004).

The perspectives of the BSC can be customized for public organizations for expected outcomes. This can be based on the environmental aspects within and outside the organization. This includes the competition, organizational aspects (size, structure) and the external environment (laws, politics, economic, and social). The different aspects of the BSC are used in the public sector to solve the problems facing the organizations both financial and non-financial. The aspects of BSC can be adjusted with others added for improved performance of public organizations (Atkinson et al, 2007).

1.1.3 Kenya Revenue Authority

Kenya Revenue Authority (KRA), is an agency of the government of Kenya that is responsible for the assessment, collection and accounting for of all revenues that are due to government, in accordance with the laws of Kenya (KRA, 2016). The Kenya Revenue Authority (KRA) was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1 July 1995. The Authority is charged with collecting revenue on behalf of the Government of Kenya.

Kenya Revenue Authority being in the public sector has undergone the same problems as any other public-sector organization towards the implementation and utilization of the BSC system. Its operations can be upgraded through the use of the BSC system which

has never been fully employed due to the organization's management reluctance on administering the revenue collection and allocation.

1.2 Research problem

The BSC is a very important strategy implementation and performance management instrument and has been used by many organizations to measure an all-inclusive performance. This is because most organizations have realized that there are other measures of well-being of a company apart from finances and these other factors can impact negatively on any financial gains made by the company. The BSC allocates equal measure to the four main perspectives of customer, finance, internal processes and learning and growth. Though BSC has gained popularity in profit making organization as compared to non-profit organizations it has been criticized for being complex and may not be effective tool of implementing strategy (Samir et al. 2016).

Despite the recommendation by the government that all state corporations in Kenya adopt BSC implementation has remained a challenge (Williams, 2011). KRA was on a downward trajectory in the 90's before the Grand Coalition government changed the situation by introducing the performance contract system. The authority has made a number of strategic plans which have been geared towards improving performance. It is important to examine challenges of incorporating BSC in strategic planning and implementation process. At the moment, no study has been conducted to examine this issue in the authority.

Studies have been conducted internationally on BSC. The research in the public sector has focused on healthcare industry (Coop, 2006; Yang et al., 2005) and NGOs (Manville,

2007). Gumbus (2003) reported a successful story of BSC application. in an authority. On the other hand, Kloot and Martin (2000) found that public sector organisations using the balanced scorecard tend to focus more on financial and community performance rather than organisational change.

Locally, Kinanu (2013) investigated BSC as performance measurement tool in Multinational Corporations listed in Nairobi Stock Exchange. She established that most companies used the tool and with remarkable success in the four perspectives which translated to improved performance. Thuo (2012) investigated the challenge in implementation of BSC tool at Safaricom Kenya limited. She discovered that the tool had a challenge because of the complex dash board and recommendations were not connecting with reality in Kenyan Market has used the balanced score card to implement its strategies. Given the importance of the public sector and specifically KRA, there is need to undertake a study to document challenges experienced when implementing the BSC. This paper addresses the question: What challenges has KRA experienced in implementation of BSC?

1.3 Research objective

To determine the challenges facing state corporations in implementing Balanced Score Card with reference to Kenya Revenue Authority

1.4 Value of the study

For scholars the study will add literature by providing evidence on challenges faced when implementing Balanced Scorecard. This will be important for strategic management in

expanding the knowledge about BSC in public institutions. This study is important to Kenya Revenue Authority as the management can use the results of this study as a guide on the challenges they face while incorporating BSC as a tool of implementing strategy. Thus, the organization will understand what challenges they are likely to face while implementing BSC. This will enable them to come up with relevant strategies in order to mitigate the challenges for effective implementation of BSC.

The Government of Kenya through the Ministry of Finance will be informed on what challenges public institutions like KRA will face while implementing BSC across the country. This will be important in guiding the ministry on policy initiatives to help streamline the formulation and application of BSC should they decide to do so in public institutions in Kenya. This study is important to researchers, students, and other academicians in the area of Strategic Management as they will use this study as reference point when carrying out related studies. More studies can therefore be carried out on how public institutions have implemented balanced score card and whether the implementation can have an impact in various dimensions of performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review on the theoretical foundation of the study which is Agency Theory and Stakeholders Theory. It also outlines information available on challenges of application of the balanced score card.

2.2 Theoretical review

A theoretical literature is provided in this section in order to critically understand the concepts used in the study. The major concepts in this study are balance scorecard implementation and performance. These two form the basis of discussion in this section.

2.2.1 Agency Theory

Agency theory is an approach that creates a situation where a person who acts on behalf of the other. The agent acts on behalf of the principal. The agent follows the goals of the principal and should focus on meeting them (Judge et al 1995). The agent should balance his and principals' interests in order for the organization to perform better and resources well managed (Armstrong & Shimizu, 2007). The theory is important in that the decisions by the agents affects the principals and the organization as a whole (Laffont & Martimost, 2002). The agents' role in implementation of BSC and performance evaluation cannot be underestimated.

The Agency theory is relevant in that KRA has a hierarchical structure with every level having an agent who represents principals in other levels. It is therefore important to understand the theory for improved financial performance through implementation of Balanced score card in the authority.

2.2.2 Stakeholder Theory

The Stakeholders theory states that in order for an organization to succeed and be sustainable over time executives must keep the interests of stakeholders aligned and going in the same direction (Freeman, 2004). This basically translates to having interest of various parties and interest of management harmonized to create a synergy that will lead the organization towards attaining the agreed vision and mission. The task of balancing the interest is not easy but once a synergy is created the movement towards attaining objectives is made smooth.

The creation is synergy pushes managers to be clear about how they want to do business, especially what kinds of relationship they want and need to create with their stake holders to deliver purpose (Andrew, 2005). From the presented theory, it can be argued that the public health sector is characterized as being complex setting with multiple stake holders that often have multiple, vague and diverging goals. It is the duty management to clearly define the stake holders they would relate with and what specific objectives they seek to attain from a particular stakeholder. Also, the stakeholders should know what they would benefit from the relationship with the firm they are interacting with during a particular business cycle.

The BSC as argued by (Kaplan and Norton, 1996) should not be used as a tool to evaluate past performance but rather be used to communicate the strategy of the business and help align individual, organizational and cross- departmental initiatives within the business to achieve common goals. Stakeholders' analysis seems like a remedy for the complexity related challenges of the BSC implementation.

2.2.3 Management by Objectives Theory

According to George (2005), Management by Objectives (MBO) theory notes that supervisors and subordinates are involved in strategy formulation and implementation for improved firm performance. The theory recommends that subordinates participate in setting goals.

George (2005) supported Henri Fayol in the development of management principles that guided the MBO theory. The principles by Fayol have greatly influenced the MOB theory and BSC. The key principles that influence the two are controlling, organizing, planning and leading (Neely, 2009). The other principles ensure the effectiveness of management and ensures BSC implementation.

MOB theory notes that the objectives align the task/functions to the set goals/aims. This supports creation of favourable environment for the implementation of the Balanced scorecard.

2.3 Challenges of the Balanced Score Card Implementation

The BSC implementation has faced various challenges. These can either be based on the process (structure, management, communication, culture, budget) or design (poor BSC) (Kaplan and Norton, 2007).

Inadequate resources are another challenge facing firms in the implementation of BSC. Resources are important to the implementation of BSC and its inadequacy has halted its implementation (Marr, 2010). Firms have not set adequate budgets for BSC implementation which leads to inequity in the resource allocation (Birnbaum, 2010). Other firms do not adhere to set budgets for BSC implementation (Olsen, 2005).

Organizational culture is another challenge faced by firms in BSC implementation. Culture affects adoption which in turn affects the implementation of the BSC. Resistance to change in organizations comes from fear for job loss and status (Thompson & Strickland, 2003). This resistance makes it hard for an organization to implement change. Resistance to change may be legitimized by the cultural norms (Johnson & Scholes, 2002).

Lack of leadership would also affect adversely the implementation of the BSC (Kaplan and Norton, 1996). The personal goal and values of Chief Executive Officer strongly influence a firm mission and key long-term objective. The right managers must also be in the right positions for in effective implementation of a new strategy (Jones and Hill, 1997).

Lack of top management support creates a challenge in BSC implementation. This may be through selective inclusion and poor training of the employees on BSC (Mulu, 2010). There is need for the employees to understand the BSC and included in the implementation process.

According to Kaplan & Norton (2001), posit that communication strategy is one of the BSC's main areas of usage and it applied correctly will aid in the organization's communication blockade. The stated challenges have to be surmounted for the bottom line measure of a company's performance which the shareholder value creation to be achieved. Substantial number of researches have been done to herald the performance of companies using BSC in both the private and public organizations. BSC could be quite useful in a public setting organizational context. Studies by (DeFeo & Richard, 2007) showed how a city council in public sector was able to use BSC to enhance the planning process, team management and improve the performance of the individual staff.

2.4 Empirical studies

Kommche and Birehanu (2017) did a study on the Practice and challenges of balanced scorecard implementation in Ethio Telecom. The study result shows that the major challenges that the organization faced are lack of knowledge on how to cascade corporate strategy, lack of IT support, the template that used to measure the performance is difficult to use, some measures are couldn't be measured qualitatively, poor commitment of higher level management and the manual nature of BSc makes difficult to control its implementation. In the contrary, Ethio telecom got benefits from the implementation of

BSC that most of employees starting doing their tasks based on plan and target and resources are utilized cost effectively.

Marin (2012) studied strategic planning and BSC and their effect on management performance in the Canadian Defence Sector. A questionnaire was used to collect data. Strategic planning and the BSC were well implemented in the Canadian Defence Sector. A positive impact was established between strategic planning and the BSC, and managerial competencies and performance.

Sharma and Gadenne (2011) studied challenges of BSC implementation in Australia. 13 senior managers in Local Government Authority (LGA) were interviewed. It was found that planning was the main challenge. Top management was found to be supportive in BSC implementation by some while others indicated authoritative leadership existed. Most indicated that communication was adequate with inadequate resources and high workload creating a major challenge to BSC implementation.

Hiwot, (2015) did a study on the practice and challenge of balanced scorecard implementation in Commercial Bank of Ethiopia. In her findings, different factors were identified as responsible challenges after balanced scorecard implementation in the bank. The study shows that after BSC implementation the impact is negative on the performance evaluation system in the bank as well as the key performance indicators are not measured the performance of the individual and the bank progress; Concerning the target given to the individual workers was not considered the internal capacity of the bank consequently the target is unattainable and unrealistic and the existing

communication system is poor as a result it does not facilitate interactive way of communication.

Tsion (2014) in her study on prospects and challenges of Balanced scorecard implementation in development bank of Ethiopia, finds that BSC helps the employees and the organization in order to enhance their knowledge in regarding to their organization vision, mission and objectives; it also enhances the knowledge of effective time management, commitment to work, having responsibility for their work. Hence, the study shows that achievements and positive contribution of BSC to the organization and the credit process leads the employees and the customer to look at it positively. The implementation of the balanced score card was found to face challenges which included but not limited to rigid organizational structure, lack of resources, complaisant organization culture, lack of functional equipment, leadership, lack of effective communication, negative stakeholder influence and cascading.

Pujas (2010) investigated the barriers to the successful implementation of the balanced scorecard with reference to Plava Laguna J.S.C. It was established that the employees had a low understanding on BSC. There was poor adoption of ICT in Plava which limited implementation of BSC. It was further established that there was inadequate top management support to the BSC implementation team in the firm.

Afande (2015) investigated BSC implementation in Kenya with reference to Ministry of ICT. It was found that BSC was adopted to a high level in the ministry. However, BSC was rarely used in the ministry. BSC is important in that it aligns the strategy to

performance measures which enhances performance. The balanced scorecard acts like as a new strategic management system.

Nzuve (2013) investigated BSC in Telkom Kenya. Telkom Kenya faced a challenge of poor management support, poor IT systems, demotivated employees, tiresome process, inadequate skills, organizational politics, and inadequate funds for BSC implementation. The benefits of BSC were found to outweigh the costs if implemented fully, efficiently and effectively.

2.5 Conceptual Framework

The conceptual framework shows that organizational structure, resource availability, organizational culture and management support are the independent variables and the dependent variable is implementation of BSC. The relationship is shown by figure 2.1.

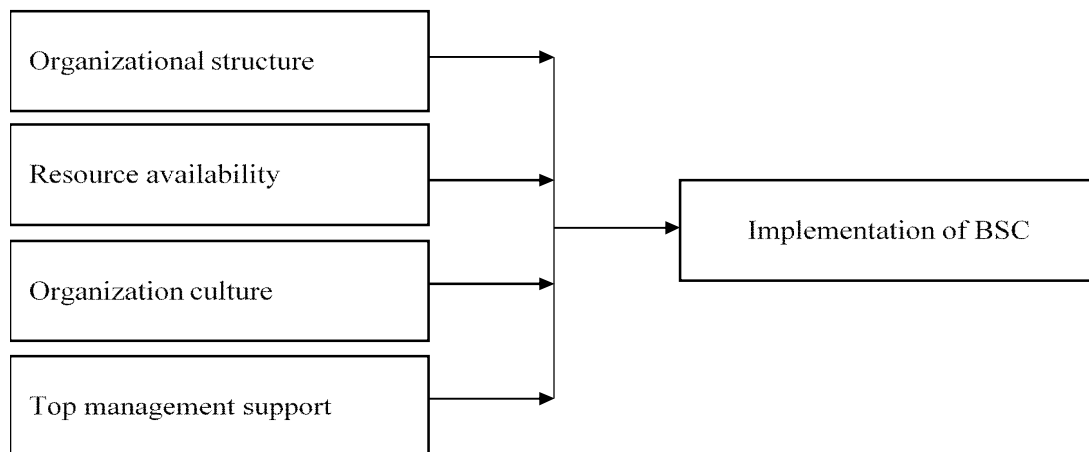


Figure 2.1: Conceptual Framework

2.6 Summary of literature review

The empirical review has established that there are a lot of inconsistencies as regards to the findings of studies that have related to implementation of BSC. Some studies have established that BSC create benefits while other indicate that it creates challenges. These inconsistencies need to be addressed. Further, majority of the studies that have been reviewed in this study were carried outside Kenya.

Local studies have mainly investigated the concept of BSC and its application but assumed the challenges that face firms in its implementation. The studies have focused on different sectors other than public sector. This creates a research gap that this study sought to fill by undertaking a study on the challenges facing state corporations in implementing balanced score card with reference to Kenya Revenue Authority.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology to be adopted in the study on the challenges facing state corporations in implementing balanced score card with reference to Kenya Revenue Authority. It discusses the research design, population, sample, data collection, and data analysis.

3.2 Research Design

The study adopted a case study research design which is in depth in nature and gives thorough investigation of challenges of the BSC implementation. Orodho (2008) argues that a case study is a useful method of research because it provides in depth description of a phenomenon. A case study also places more emphasis on full contextual analysis of fewer elements and their interrelationship (Cooper & Schindler, 2008).

3.3 Data Collection

Primary data (which was the data used in the study) was collected from 10 senior managers, one from each of the 10 departments of KRA: Office of the Commissioner General; Customs and Border Control Department; Domestic Taxes Department; Investigations & Enforcement Department; Intelligence and Strategic Operations Department; Legal Services and Board Coordination Department; Strategy, Innovation and Risk Management Department, Corporate Support Services Department, Marketing

& Communication Department and Kenya School of Revenue Administration (KESRA). An interview guide with unstructured questions were used in order to get in depth response.

The interview guide was used gain information from the senior management team and consisted of three parts: Section A covered the general information relating to the interviewee, section B covered questions pertaining to implementation of BSC and section C covered questions pertaining to BSC challenges in KRA. The interviews were done at a place convenient for the interviewee. The researcher used two research assistants who assisted in carrying out the interviews. Interview guide was preferred as the respondents are top managers in the same institution, KRA.

3.4 Data analysis

Content analysis was used to analyse the data collected. According to Creswell (2003), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristic of message and using the same to relate trends. It is preferred because it gives results that are predictable, directed and comprehensive. In the content analysis, different emergent themes, ideas and concepts were verified for completeness then subjected to data analysis that facilitated data interpretation and presentation.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

The findings are presented in this chapter. The findings are based on the objective of the study. The findings are also discussed in this chapter.

4.2 General Information

The researcher undertook interviews on 10 departmental heads in KRA: Office of the Commissioner General; Customs and Border Control Department; Domestic Taxes Department; Investigations & Enforcement Department; Intelligence and Strategic Operations Department; Legal Services and Board Coordination Department; Strategy, Innovation and Risk Management Department; Corporate Support Services Department; Marketing & Communication Department; and Kenya School of Revenue Administration (KESRA). From the interviews the respondents were aged above 30 years. They had worked in KRA for more than 5 years. Majority of the respondents interviewed had a post graduate degree. The interviewees were knowledgeable and conversant on the subject matter of research and so very useful to realization of research objectives.

4.3 Implementation of the Balanced Score Card

This section of the interview guide sought to establish from the interviewees whether they understood BSC implementation at KRA. The section covered questions on overall strategy of the KRA, implementation of BSC, preparation done before implementation,

lead persons or departments on BSC implementation, and how BSC has been implemented. Basically, it was to find out whether the interviewees understood strategy implementation phases, persons involved in the implementation and the involvement of the staff in different stages of implementation.

The findings from the questions on the overall business strategy in KRA, the 10 interviewees indicated that BSC was the main strategy adopted to measure the performance of the firm. The common answers given by the interviewees indicated that all the of them understood the organization's BSC implementation phases over the current strategic plan of 2015-2018.

On how the BSC was incorporated in the corporate strategy, the interviewees pointed that the quarterly reports or implementation of the BSC had been aligned to annual performance contracts. The annual work-plan are first developed, performance contracts are then developed at institutional level followed by departmental annual work- plan which feed to individual tasks.

The interviewees were in agreement that the strategic plan informed the implementation of the balance score card in KRA. The interviewees pointed that indeed the organization's annual programs are developed and performed in line with the overall strategic plan. They also noted that all the work plans and programs are formulated from the strategic plans point of view and any changes made in the period is based on change s in the environment and is usually geared towards realization of the overall objectives set in the strategic plan.

The interviewees noted that they had been involved in the implementation of the BSC. The involvement of the departmental heads means that BSC implementation at KRA was an all-inclusive process an attribute that enables every stage to be supported by all the employees.

The interviewees noted that various elements had been implemented in the BSC. These included customer/stakeholder, financial element, internal business process and organizational growth. The customer element was implemented to optimize client experience and expand the financial base. On the financial element BSC sought to enhance cost management and increase revenue collection. The internal business process sought to improve knowledge management and business operations. On organizational growth research was maximized, equipment improved, human resources trained and feedback enhanced. On the extent to which BSC was implemented, the interviewees indicated that it was implemented to a moderate extent in their departments with others indicating a little extent. This shows that KRA has implemented BSC to a moderate extent in its departments.

4.4 Challenges of Implementing Balanced Score Card

4.4.1 Organization Structure

The results from the interview with the interviewees show that KRA structure was a challenge to the implementation of the BSC. All the interviewees agreed that the existing organization structure resulted in slow decision making and poor communication among various managers. Although it was noted that it took over 10 years to change the old

structure that was not responsive to the changing operational environment. The structure created in the year 2013 had led to some improvement on staff moral and service delivery. However, the structure created a perception that implementation of strategy is preserve of the management more so when there was poor communication to other staff in the chain. It was also found that not all the departments were involved in the implementation phase. The interviewees noted that only the corporate support services department; and strategy, innovation and risk management department were actively involved in the implementation of the BSC. Interviewees agreed that there is need for all the departments to be given a leading role especially on issues relating to their department.

The operations of the Authority, and by extension its structure, is regulated by Chapter 469 of the laws of Kenya, which stipulates the broad mandate of the authority which was basically to handle all revenues that are due to government. Since the function of the authority is anchored in the law, the interviewees noted that its structure had been slow in adapting to the changing environment. Lack of independent legal status has been an impediment of changing the structure to march with the environment. There is need to change it to reflect the present operating environment in which the stakeholders require prompt response and decisions from the authority.

On the other hand, some of the interviewees were of the opinion that the revised structure at Authority was not a hindrance to the implementation of the BSC and instead observed that the current structure acted as a complementing factor to the implementation of the strategies through equal representation of all areas of the organization.

There was need for KRA to build to build strong institutional foundations in terms of human, financial and technological resources for effective realization of its mandate through adoption of management information systems. All interviewees agreed that challenges emanating from the structure would be greatly reduced if the status of the Authority was changed from a Legal notice to an Act of parliament. This would allow the Authority to engage in expansion and resource mobilization initiatives without direct control of the central government. Also, it would allow the Authority to revise payment rates in line with the current rates and not offer services below market price without compensation from the government.

4.4.2 Resource availability

Limitation of resources was another challenge that faced KRA in the implementation of the BSC in the Authority. All interviewees noted the challenge of resources was in three major areas, which were financial, human resource and equipment to work with. The interviewees emphasised that if these three major items are sorted then BSC implementation would be successful. The financial limitation was found to be a major challenge in terms of resources. The authority had not received adequate funding from the government. When the strategic plan was drawn using the BSC a financial plan was developed.

Interviewees also indicated that most of the middle level and some top-level managers do not possess adequate skills on BSC implementation. The interviewees noted that since BSC implementation is done in stages with different levels of activities at each stage, the staff involved was always overworked due to the many activities they are expected to

perform at each of the implementation stages, thereby slowing the pace at which the implementation moves from one phase to the other or leaving some tasks incomplete. Lack of adequate and functional equipment was a major was also a challenge for the implementation of the BSC.

4.4.3 Organization Culture

Organization culture was found to be a major challenge in BSC implementation in KRA. The culture was found to be complacent. The employees took the service as a favour other than a service paid for. Resistance to change also posed a challenge to the implementation of BSC as indicated in the interviews. Four of the interviewees indicated that when employee was used to a given way of life or doing thing normally new idea were seen as a threat to the existing culture and they would naturally resist the same.

The research also wished to get from the interviewees how they overcame the challenge posed by the value and belief shared by the organization employees and still ensured the performance culture. The interviewees indicated that there was need to reinforce the core values as stipulated in the strategic plan, the core values were, customer focus, professionalism and integrity, teamwork, equity and equality, employee empowerment and environmental safety. Also, involvement of the Board of Management in BSC implementation by communication through training and sensitization were important in influencing change. Three of the interviewees noted that whenever the organization took the employee through the benefit of changing a particular item in the BSC, they encountered less challenge in its implementation. In addition, the interviewee recommended the openness of abroad meeting to create an all-inclusive process where

not only the staff but also the customers could feel as part and parcel of the process. As a result, the interviewee also indicated customer-centric approach together with education and innovation as core to overcoming these challenges.

4.4.4 Top management support

The researcher also wished to establish from the interviewees if top management was a challenge to BSC implementation. However, the interviewees agreed the lack of top management was a problem at KRA as conflict between the top management and the lower cadre employee were common. They pointed out that the top managers did not involve employees actively in the implementation of the BSC. The conflict between employees and management was found to be high. However, the interviewees noted that the top managers attend many capacity building seminars and workshop that involve other stakeholders to equip them with additional knowledge and ideas for different phase of BSC implementation.

The interviewees pointed out that there was need to involve all the employees in the implementation of the BSC. The interviewees further recommended that the management should come up with a departmental disciplinary committee comprising all the managers, human resource and union representatives.

4.5 Discussion of Findings

The study found that the organization structure of KRA posed a challenge in the implementation of the BSC. KRA experienced slow decision making due to the high level of bureaucracy. The structure of the authority by design was rigid and not

responsive to the environment this was manifested in staff shortages and delay in service delivery. Kaplan and Norton (2007) observed that challenges facing BSC originate from either design or process failure. The situation in the authority also confirms the finding of Birnbaum (2010) that when the structure is not aligned to strategy there would be a challenge of implementation.

The study also established that lack of resources as a challenge to BSC in KRA. This was manifested in three major areas, that is financial resources, human resource and lack equipment. The lack of resources was a challenge and it agreed with the works of Marr, (2010) who argued that resources are critical for the development and sustenance of the BSC with limited resources implementation targets of most objectives could not be attained. However, to reduce the impact of lack of resources the authority had put in place initiatives like the cost sharing.

The study also established that organization the culture created a challenge in the implementation of the BSC. In agreement with Mulu (2010) also identified culture as a challenge to BSC implementation; the authority culture of complacency resulted to slow implementation of BSC. This is also in concurrence with what Johnson and Scholes, (2002) noted that culture is a strength that can hinder strategy implementation when important shared beliefs and value interfere with the needs of the business.

Lack of top management support is a key challenge in the implementation of the BSC in KRA. Atreya (2007) established that top management support is needed to drive strategy implementation process towards the right direction. In is study argued that the subordinates need to be supported and informed by the top management in the

implementation of a BSC. This chapter has looked at the information concerning the challenges of balanced score card implementation at Kenya Revenue Authority. This information formed a basis for recommendations and conclusions.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes study findings and draws conclusion based on the objective of the study. Policy recommendations and limitations are also given in the chapter. Recommendations for further research are finally given.

5.2 Summary of Findings

The researcher interviewed eight interviewees from core divisions of the organization. They comprised the follows: Human resource Manager, Planning manager, Finance manager, Administration, Nursing, Health Information, ICT Manager, and Corporate Communications Manager. All the interviewees had worked in their respective position for at least four years and had attained university education at master's degree in the respective fields.

The interviewees understood the BSC implementation stages and phase in the organization as well as the challenges that the Authority was facing toward the realization of the its objectives of ensuring optimal patient experience, enhanced cost management, increased revenue, improved process and management system improved knowledge management and innovation, improved equipment and infrastructure and improved human resource capacity. The organization BSC is long-term in nature and it is expected

that daily operational plans and annual program are undertaken in a way that ensure that the long-term strategy objective are achieved.

The departments in the organization are therefore involved in the development of the strategy maps and time table that include measurable performance target linked to annual work-plans and the organization vision. KRA organization structure was critical for successful implementation of the BSC. Decision making was slow and no room had been made for market dynamic and internal growth. Also, the structure created a perception that strategy implementation is a preserve of the top management. Only the two departments in the organization were involved in institution –wide reporting to management and the board. That number of staff was very small and access to the Chief Executive Officer was not easy.

There was the lack of resources as a challenge to BSC which was manifested in three major areas, that is financial resources, human resource and lack equipment. For financial resources it noted that there were other sources of revenue which included income from cost sharing, and private public partnership (PPP). However, the Authority still depended on the government to allocate financial resources which were not enough to ensure that the BSC is implemented effectively. The government has been allocating to the Authority a small fraction as required budgetary support leaving the Authority with a huge deficit that is hard to bridge, resulting in un-attainment of some of the set targets. Furthermore the BSC implementation effort appear not to be matched with adequate human resource and working equipment and this has resulted in ambition plans with the expectation that

the government will allow the Authority to recruit and purchase capital items and this was also challenge to the implementation of the BSC.

The Authority communicated its strategies and plans on the implementation of the BSC in form of circulars, monthly departmental meeting and quarterly C.E.O forum. It made the use of balance score card which form the basis of annual performance management as well as under taken performance reporting which assist in amending the implementation plan where needed. The authority had established outlook, closed user telephone communication and open-door policy to encourage staff to share ideas which can assist in realizing the strategy objective during the implementation stages of the BSC. The feedback on the progress of the work done was usually passed during departmental meetings which were held monthly and during the C.E.O forum. It also established that BSC implementation was perceived as a function of the top management since top down approach was used to implement strategy.

The study also established that organization the culture affected the implementation of the BSC. It was clear that the authority through consultation with various stakeholders developed the core value that were to drive the culture of performance in BSC implementation the same had not been fully received since the culture of complacency and lack of urgency was still prevalent. To counter these challenge interviewees had proposed training, sensitization and involvement of Board members in the process.

The study established that there was a challenge in top management support in the implementation of the BSC especially. Despite them having received training on BSC from various consultants the employees were rarely consulted during the implementation

proces. Another management challenge to the top management came from stake holders like the GOK. The GOK posed as a challenge because partial funding the BSC implementation.

5.3 Conclusions

KRA has implemented the BSC as strategy implementation and performance measurement tool. This is in anticipation that the tool would assist the management achieve its strategic objectives and eventually deliver the vision. KRA face various challenges in the implementation of BSC. These challenges include rigid organization structure, lack of resources, complaisant organization culture and lack of top management support.

Organization structure creates a challenge to the implementation of BSC in KRA. The organizational structure is rigid which has created issues in the implementation of KRA. The structure of KRA creates a perception that BSC implementation is a preserve of the top management. KRA has been able to interact and react to its environment. The authority has adopted BSC which can support continuous monitoring and evaluation of the implementation progress by generating quarterly and annual progress report, capturing various aspects of KPI.

The study concludes that resource availability is a key challenge in the implementation of BSC in KRA. The resources for the implementation of BSC are inadequate which has created hitches in the implementation of BSC. The government despite providing resources for the resources are not enough for effective implementation of BSC in KRA.

Organizational culture is a major challenge facing KRA in the implementation of BSC. The culture of self-satisfaction and lack of urgency is prevalent in KRA. This has made employees less concerned with the implementation of BSC but how they will benefit from the implementation.

The top management of KRA despite liaising with the central government to ensure BSC implementation, they do not involve employees in the formulation of the BSC strategy which created implementation issues.

5.4 Recommendations

The study recommends that top management of KRA adopt a flexible organizational structure aligned with strategy. This would enable the organization to change with the environment which would enhance communication in the organization. The firm should also audit the employees involved in strategy implementation. This would reduce cases of poor implementation of the balance score card in KRA.

The study recommends that the government increases the resources allocated for BSC implementation in KRA. This would ensure that the enough employees are employed and adequate assets or equipment purchased to enable the authority implement BSC effectively. The authority should adopt relevant training programmes for employees involved in BSC implementation. This would ensure that they have the skills required for the successful implementation of the BSC.

The study recommends that for successful implementation of BSC in KRA the culture should be evaluated. This would enable the firm to come up with strategies that would

create a culture of success. The fear of change created some resistant by some members of staff. KRA should come up with a culture that would create confidence and drive away the fear in the employees involved in the implementation of BSC.

The study also established that the inadequate top management support was a challenge in KRA BSC implementation. The researcher recommends that the management ensure that there is effective coordination and sharing of responsible in the authority. The management should also ensure that they communicate regularly to the employees on issues relating to the implementation of BSC. This will create increased understanding on what needs to be done for successful implementation of BSC. The management should also come up with a reward system for the employees involved in implementation of the BSC. It is also recommended that the top management involve employees in making decision on matter focusing on implementation. Therefore, the management should be inclusive in all matters focusing on BSC implementation.

5.5 Limitations of Study

KRA was the main focus which may limit the generalizability of the findings. Thus, is due to the fact that the state corporations operate in different conditions and legalities which may make the challenges different.

The data collection was limited by the unavailability of the interviewees. Majority were busy which extended the data collection period as they took time to give a date for the interviews. There were also interruptions during the interviews as they attended to other duties called by the seniors. The other limitation was failure of the informants to give

required information as they feared tinting the image of KRA. The informants were however assured of the confidentiality of the information as it was purely for academic purposes.

5.6 Recommendations for Further Research Studies

A similar study is recommended in a different sector like manufacturing in order to make comparisons on the findings. Further research is required on other challenges facing BSC implementation in state corporations other than the ones considered in the study.

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APPENDICES

Appendix I: Interview guide

Section A: General Information

1. What is your age? -----
2. What is your gender? -----
3. How long have you worked with KRA? -----
4. What is your highest level of education? -----

Section B: Implementation of BSC

5. What is the overall business strategy at Kenya Revenue Authority?

6. How has balanced scorecard been incorporated in corporate strategy at KRA?

7. What informed the implementation of balanced scorecard at KRA?

8. Have you been involved in the implementation of BSC at KRA?
9. Which elements of BSC have been implemented at KRA?

10. To what extent has KRA implemented BSC?

11. How has implementation of Balanced score card been carried out in KRA?

Section C: Challenges in Implementation of BSC

12. a) Does the organizational structure of KRA pose a challenge to implementation of BSC? Yes [] No []

b) What challenge does organizational structure pose in implementation of BSC?

c) How was the challenge dealt with?

13. a) Does the authority face constraints on resources that hinder implementation of balance score card? -----

b) What kind of resources in particular?

c) How were the issues resolved?

14. a) Does organization culture at KRA pose a challenge to implementation of BSC?

b) What challenges are brought by the culture?

c) How are the challenges resolved?

15. a) Is top management a challenge to the implementation of BSC at KRA?

b) What kinds of challenges are posed by the top management?

c) How are they dealt with?

16. How do you think the implementation of BSC in KRA can be enhanced?

