APPLICATION OF THE BALANCED SCORECARD ON CHANGE MANAGEMENT AND PERFORMANCE OF COMMERCIAL BANKS LISTED IN THE NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

I Janiffer Nyarangi Nyang'au, hereby declare that this research project titled 'Application of the Balanced Scorecard on Change Management and Performance of Commercial Banks listed in the Nairobi Securities Exchange' has not been submitted for any academic award such as certificate, diploma, or degree in any college, university or institution of learning.

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SUPERVISOR'S APPROVAL

This research project prepared by Janiffer Nyarangi Nyangau entitled 'Application of the Balanced Scorecard on Change Management and Performance of Commercial Banks listed in the Nairobi Securities Exchange' has been developed with my guidance and have been submitted for examination with my approval as the University Supervisor .

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DEDICATION

I dedicate this research work to my family. You are my inspiration.

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I would like to thank the Almighty God for providing me with the gift of life and good health, as well as resources to undertake this program.

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ABSTRACT

This investigation was motivated by the need to establish what effects the balanced scorecard had in change management and performance of NSE listed Commercial Banks in Kenya. The investigation utilized a descriptive cross-sectional survey so as to determine the use of balanced scorecard as a strategic tool and its impact on management of change and the performance of these financial firms. The target population of the research incorporated all the eleven (11) commercial banks listed in the Nairobi Securities exchange. The data used for the study is primary data, which was gathered by a semi-organized questionnaire. The respondents included operations managers and also representatives from the top management of the banks utilizing a drop and pick-later technique. Examination of data was done by use of descriptive statistics as well as regression analysis. The investigation found that the balanced scorecard assumed a major part in overseeing and monitoring change which thus means better execution. The study along these lines suggests that every single commercial bank ought to constantly emphasize application of the balanced scorecard perspectives amid change process and management with a specific end goal to track performance and measure it against the preset objectives. This will empower them to stay relevant in their particular operations as well as to the regularly evolving business environment. The findings of the study will serve to improve the Theory of the Balance Scorecard as a tool for performance measurement by laying out critical insights on the fundamental principles that were assessed on, concerning its application in these business banks. The examination proposes that further research studies should be possible to decide the part of adjusted scorecard in the key administration process in order to pick up a comprehension of the utilization of the device amid change administration as well as in the whole procedure of key arranging and administration.

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The Balanced Scorecard has developed from the performance measurement device initially presented by Kaplan and Norton (1992), to an instrument for actualizing strategies (Kaplan and Norton, 1996). It has additionally been embraced as a system for deciding the alignment of organization's assets and capabilities with its strategy (Kaplan and Norton, 2004). It has turned into a vital instrument that deciphers a company's strategy and mission to comprehensively actionable targets and performance targets that offer a steady structure for a solid indispensable estimation and administration framework.

Recent advancements have strengthened the perspective of Stick-land (1998), who trusts that we are moving from a world in which we decide our goal to one on which we should figure out how to explore a way amongst myriad and future potential outcomes. Organizational change has been alluded to as the adoption of ideas, technique, procedures, or character that is new to an organization (Pierce and Delbecq, 1977). Morgan (1989) proposed that the expanding uncertainty would require the organization to adopt more proactive and entrepreneurial approach. The most built up view is that change generally is propelled by what is going on in an organization's domain, an emergent issue or unexpected events, for example, setback in expected execution, surprising moves by contenders, moves in innovation, or new client request triggers new developments (March and Simon, 1958; Levitt and March, 1988).

Open System theory alludes to the idea that organizations are highly influenced by their environment (Burnes, 2009). The environment consists distinctive forces of economic, technological, political, and social nature. In like manner, it also gives key resources that sustain the organization and incite change and survival through organizational learning. Since the performance of firms is reliant on the fit amongst firms and their outside condition, then change in outer condition obliges firms to adjust to these progressions. Therefore, firms need to change their strategies in response to these changes. The condition of firms will likewise influence the occurrence of strategic change (Dent and Barry, 2004). Theoretical bodies regularly known as change management models have turned out to be instrumental in illustrating to and portraying a theoretic understanding of the change process through a number of stages. These include Lewin's Force Field Analysis and Kotter's Eight Step Model for Change.

Banks in Kenya are continuously changing so that they can be able to adopt and remain competitive in the ever changing business environment. Kotter (2003) insists that in change management a detailed plan and a responsive execution is achieved through monitoring of current and future performance in all areas of the organization. This is portrayed by the banking institutions as they incorporate contributions by different stake holders in their change management practices

1.1.1 Change Management

Change management practices are affected by the key objectives of organizations and its external environment on the grounds that the performance of an organization depend on the fit between an organization and its external environment (Kotter, 2007).Managers in these firms are progressively becoming mindful that viably overseeing change acquires the firm an upper hand which in turn boosts the organization’s performance (Kotter, 2007).

The objective of managing change is that of anticipating unpredictable events and looking for better approaches for enhancing circumstances.

Change happens beginning from the consistent activities of the organizations' individuals, as they bit by bit address issues and opportunities. Change is provoked from the external surrounding, pioneers make the vision of change, and the employees apply the implementation, which is done step by step through more changes at a sub-par level, which in time, will prompt a noteworthy organizational change.

1.1.2 Balanced Scorecard

The balanced scorecard is a tool for strategic planning and management which is often employed at length in organizations globally in order to link business operations to the vision, mission and goals of the organization. It is a strategy and performance management instrument that plots a firm's strategic goals into performance yardsticks in four dimensions namely: Financial, customer, internal business processes, and learning and development perspectives.

The balanced scorecard includes key non-monetary performance measures to conventional monetary aspects when determining the performance measurement framework of an organization therefore giving executives a more balanced and all round perspective of the firm's performance (Kaplan &Norton, 2006). Abdullah and Hamzah (2006) argue that the balanced scorecard approach primarily serves to transform an abstract strategy into operational action by the use of a rational set of performance metrics and the potential benefits are that is yields a "balanced" arrangement of performance indicators, both monetary related and non-monetary pointers covering the sum of an organization's main goal and objectives, instead of simply projecting the customary financial indicators.

Normally, managers are held accountable for the results of their departments in a number of performance areas that are specified and which must be in line with the strategy of the organization. As a motivating strategy these managers are rewarded accordingly if and when their units achieve preset goals and those that fail to meet these expectations are not (Atkinson, 2006)

The balanced scorecard holds money related measurements as a definitive measure of organizational performance. It is vital because it enables leaders to decide if the mission of the organization is being supported by strategy and how it is being executed (Madsen and Stenheim, 2014). The balanced scorecard also measures client perspective of the organization since they are the main reason as to why the firm exist. How they view the firm determines whether there will increased sales and or not (Casey and Peck, 2004). Time, quality, performance, and cost as viewed by the client is measured by the customer metrics (Kaplan and Norton, 1992). Measuring internal processes is also covered by the balance scorecard since it enables the firm to put their focus on the activities which will upgrade consumer loyalty as well as development and at the same time figuring out how best to enhance workers' abilities so as accomplish unrivaled internal processes (Bose and Thomas, 2007).

1.1.3 Strategic Management Tools and Techniques

Regular assessment of organizational performance has become an integral part of every organization in today's fast changing business environment. Organizations are adopting new strategies like expansion by exploring new markets, improving their products and making their prices more attractive in order to satisfy the demands of their customers so as to survive. Executives and managers are thus continuously searching for techniques and tools that are suitable in investigating the internal processes as well the external events, acquire current information about the market, costs of production, analyze needs and wishes of customers, prediction and assessment of organizational performance, as well as to ensure competitive advantage in production activities.

Strategic management is conceptualized to be a collection of theories and also frameworks which is reinforced by techniques as well as tools, and it is intended to support executives of administrations in the strategic thinking process, planning as well as strategic implementation (Stonehouse and Pemberton, 2002). Any method, model, technique, tool, technology, framework, methodology or approach that is used to facilitate strategy work is referred to as a strategic tool (Stenfors et al., 2007). A variety of strategic tools and techniques have been developed to support decision making within strategic management (Clark, 1997; Clark and Scott). To be able to improve the outcomes of various organizational functions, managers seek the help of different strategic management techniques and tools. These include change management, market share, revenue growth, and overall revenues.

In the recent times, managers are longer having it easy in terms of the number of issues that they have to deal with, this is because they are forced to deal with a multitude of concerns that arise from diverse quarters concurrently. Therefore majority of organizations have been forced to review the strategic tools and techniques that may be of benefit to managers in dealing with these difficulties and qualms(Wright, Paroutis and Blettner, 2013).

1.1.4 Organizational Performance

The idea of organizational performance depends on the notion that an organization is the intentional interaction of profitable resources, including employees, structural, and financial assets, where the end goal is accomplishing a common objective (Jensen and Meckling, 1976; Simon, 1976; Alchian and Demsetz, 1972; Barney, 2001). Stakeholders provide the required resources to the organization with the condition they are happy with returns they get, in respect to substitute commitments of these assets. As a result, the importance of performance is the making of significant value.

Organizational performance can be judged by various demographics resulting to different translations of “successful performance ". Each of these viewpoints of organizational performance can be argued to be extraordinary. Further, every organization has interesting range of conditions, resulting to performance measurement being naturally situational (Whetton, and Cameron, 1983). In view of this reality, coming up with a performance measurement model by pointing out a marker, or a set of pointers, which mirror a weighted measure of all the dimensions of performance in the form of return created is fundamental. An acceptable measure should consider data on both chronicled performance and also desires of future performance.

1.1.5 Listed Commercial Banks in Kenya

The Companies Act, (1978), The Banking Act, (1991), the Central Bank of Kenya Act, (1984), and the several other guidelines allotted by the Central Bank of Kenya (CBK), govern the Banking institutions in Kenya. Liberalization of the financial sector happened in 1995, which resulted to lifting of exchange controls. Formulation and implementation of monetary policy is the responsibility of the CBK, which falls under the Minister for

Finance's docket. It is also responsible of fostering the liquidity, solvency and ensuring that the financial system is functioning properly. Publication of information regarding commercial banks as well as non-banking financial institutions, the prevailing interest rates and various other publication and guidelines is also done by the CBK. The banks lobby their interests through Kenya Bankers Association (KBA), which is an umbrella body for all bank employees responsible for the interests and addresses issues affecting its members (CBK, 2012). According to the Nairobi Stock Exchange, there are 11 listed commercial banks in Kenya (NSE, 2017).

There has been huge development in the Kenyan banking industry. Fluctuations in the Kenyan economy have been felt by numerous firms and Commercial Banks have not been saved from the effect of these progressions. As benefit driven organizations banks are inclined to adjust different systems to enhance performance with a specific end goal to pull in and hold more customers. In times of incredible vulnerability and contracting assets performance measures in these institutions has additionally turned into an imperative piece of strategic management since managers are relied upon to expand the profitability and performance of their organizations (Stacey, 2003).

1.2Research Problem

The development of innovation and turbulent business conditions has pushed organizations to roll out extensive modifications and improvements thus rethink methods for measuring and enhancing their performance on the key capabilities that make them competitive. Organizations are compelled to constantly renew capabilities to competitively prevail in the data age. With increased rivalry in the market and changes in the environment, organizations are compelled to search for better methods for overseeing and measuring their performance over time. The balanced scorecard has been adopted widely as a performance estimation framework and key administration framework which empowers firms to elucidate their vision as well as strategy then translate them to action (Kaplan and Norton, 1992).

The balanced scorecard instrument is critical in measuring performance of a firm and has been utilized to solve the insufficiencies of current performance measurement frameworks which have given more weight to money related measures while others have given more weight to the client viewpoint. For sure, the balanced scorecard instrument doles out equivalent weight to all the perspectives of financial measures, customer, internal processes and learning and growth viewpoints. In spite of the fact that the balanced scorecard tool remains to be the most well-known measure of firm performance everywhere throughout the world, it has been reprimanded on the grounds that it gives directors complex data at a glance and in this way may not be a successful device of actualizing vital goals of an organization that is experiencing change (Samir et al.2006).

Researchers have led a few reviews to build up different angles identified with the use of the balanced scorecard during strategy execution and as an estimation tool of firm performance. Kabiru (2011) explored the part of the balanced scorecard device as a vital administration instrument by Gateway Limited, a Small and Medium Enterprises. He established that the adjusted scorecard tool was utilized to assess the accomplishment of strategic objectives of the firm by contrasting the actual performance with the set out parameters in the instrument in connection to the firms view on financial aspects, client, internal processes and learning and growth. He inferred that the tool was proficient in checking and assessing strategy implementation at Gateway Limited and small enterprises in general. Amboga (2009), concentrated his study of the balanced scorecard in execution of strategy at The Kenya Wildlife Service. The review found that restrictive dependence on money related pointers advanced short term conduct that forfeited long term worth formation for performance in the long term.

Previous studies have been concentrated on the utilizations of balanced scorecard instrument in strategy execution and measurement of performance of large companies and Small organizations. Nonetheless, writings concentrating on the utilizations of balanced scorecard tool in Change management and performance is lacking therefore this research looked to contribute to the recognized gap in knowledge through an comprehensive examination concerning the uses of balanced scorecard device in change management practices and how performance is affected in Kenyan commercial banks that have experienced change as well as those which are actualizing change. This review subsequently looked to answer the accompanying research questions: To what degree are changing organizations applying the balanced scorecard tool and also to see whether performance of these organizations is identified with how they are applying the balanced scorecard instrument?

1.3 Research Objectives

The study was set to achieve the following objective:

I. To establish the relationship between the balanced scorecard, change management and organization performance

II. To establish the application of the balanced scorecard on change management and its influence on performance of commercial banks in Kenya.

1.4 Value of the Study

The findings of the study would contribute to theory by extending the existing knowledge in strategic management. It would help in understanding the present utilizations of balanced scorecard device in measuring the performance in organizations that are experiencing change and its general consequences for the achievement of the key targets of organizations. Researchers can along these lines utilize the discoveries as a reason for further research

The findings of this will also be beneficial to practitioners since it will provide practical guidelines on how to successfully manage change as well as how to measure and handle performance during the transition period so as to make the best out of the balanced scorecard. This will lead to high performance levels and aide in the achievement of the organization goals.

The review will likewise be helpful to policy makers and implementers in the whole banks' markets by giving a set of rules and bench marks for change implementation and control. The findings will unfold fundamental and critical information that policy makers and implementers will find useful during the development of balanced scorecard viewpoints and further advise the viability of these points of view.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section is a presentation of reviews from existing texts on balanced scorecard and how it's used as tool of measuring performance in organizations, management of change and performance as presented by various researchers. It will also review the theories that the study on the balanced scorecard and change management is based on. The latter part of this chapter elaborates how these concepts integrate for the benefit of organizations

2.2 Theoretical Foundation of the Study

Several theories have been developed by different scholars that touch on change and performance. Among them include the open systems theory where the organization is presented as an open system which is largely affected by its environment. Change management models which covers the different stages in change introduction, implementation and management will also be reviewed.

2.2.1 Open System Theory

The open systems view to management considers organizations to be open systems. The theory suggests to the notion that organizations are largely influenced by their environment (Bastedo, 2006).An open system in one way or another communicates with the surrounding environment in terms of inputs and outputs. This interaction with the surroundings infers that open systems should have the capacity to adopt to the changes that happen in their surroundings. Organizations being open systems are made out of various interconnected sub- systems. These include hierarchical objectives and values sub-systems, the psychological sub-system, the technical sub-system and the administrative sub-system.

This sub-systems get contributions from other sub- systems and transforms them into yields for use by other sub-systems thusly affecting on general performance. The open systems approach structures the elements of a business such that through obviously characterized lines of coordination the general business goals are all sought after (Burnes, 2009).

2.2.2 Organizational Change Models

Amongst the most common subjects of management theory and practice, organizational change has risen in the course of recent decades as a standout (Pettigrew et al., 2001; Sturdy and Gray, 2003,Doolin, 2003;). Pierce and Delbecq, (1977) characterize organizational change to be the selection of thoughts, procedures, methodology or conduct that is new to the organization. A firm transitions from the current state towards a coveted future state with the end goal in mind which is to enhance proficiency and sustainable existence (Cummings and Worley, 2005). Bumes (2000) represented change as a multi-level process which is cross-organizational and which divulges a composed as well as skilled pattern across a timeframe which involves a progression of intertwining systems. Likewise, he considered the management of organizational change to be a process of persistent experiment and adjustment whose intention is to coordinate the capacities of an organization to the necessities of the indeterminate surrounding.

Change is also characterized as a monitored system, process and/or behavioral reaction over time to trigger occasion (Struckman and Yammarino, 2003). They consider change as a procedure rather than an activity. Berger (1994) characterized management of change as a continuous process of aligning an organization to its marketplace and doing it more responsively and successfully than competitors. Perceptions made on the business environment have demonstrated that it is continually changing, hence exhibiting opportunities and difficulties to organizations.

The increased turbulence in the organization's environment has forced organizations to adopt to more flexible and proactive arrangements that embrace change. The need for change in the organization has been highlighted by Clarke (1994). He explains further that this change is needed in order to manage ecological weights and to accomplish the goals of persistent survival and development. Then again, Meyer (1982), contends that so as to adapt to unexpected shifts in the organizational environment, then change is paramount. The adoption of change by a firm has been characterized as a test to the operational routine in an organization (Vakola and Nikolaou, 2005). This often brings about sentiments of instability from people due to the uncertainties about the probable disappointment of delivering according to the new standards. Likewise, it is characterized as an intentionally engineered reaction to shifts in the surroundings (Jimmieson et al., 2004). Change management is a remotely determined flow of actions which focuses on the organizations reaction to external developments as well as how they adjust in order to build authenticity and strong foundations (Powell and DiMaggio, 1983; Aldrich, 1999).

Different schools of thought are acknowledged about the nature of organizational change and how to most adequately accomplish and maintain change. These hypothetical bodies which are regularly known as change management models, have turned out to be instrumental in speaking to and depicting a hypothetical comprehension of the procedure through a progression of levels (Rothwell and Sullivan, 2005). The main focus of models of change is typically to distinguish the purpose behind the change, thus creating an all-round sensitivity to criticalness as well as indicating and imparting the intended goal to be reached (Cummings and Worley, 2004, Kotter, 1995).

Lewin's Force Field Analysis

Kurt Lewin was among the first scholars to create a change model in 1947. The Lewin's (1958) model is broken down into three stages: unfreeze, change and refreeze. These stages describe a process where a firm transitions beginning with one harmony point to another. The model offers a basis for the comprehension of organizational change and advancement.

The unfreezing stage, alludes to changing the current state which is characterized by present practices and mentalities in the organization (Armstrong, 2006). This process entails intensive analysis of threats that might result due to change and then inspires the individuals affected to achieve a state of balance brought by tolerating change (Armstrong, 2006). An essential prerequisite in this stage move is the need for organizations to self-reflect and work on the ways of inclusion so as to inspire and prepare top performers in the organization to surrender the profoundly established routines (Schreyogg and Noss, 2000).

The second step referred to as changing, alludes to psychological setting, where the individuals get information as well as reliable proof demonstrating that change is alluring as well as conceivable (Schreyogg and. Noss, 2000). This stage is the point at which the change really happens. Individuals take in the new practices, frameworks, structures, and so on. The final step referred to as refreezing sets perpetuity all adjustments made in the second step and a new harmony instilled in the organization (Cummings and Worley. 2001). The events comprise process set up which guarantees the new conduct measures and securing against relapse to earlier methods of conduct. The practices that have been recently learned are installed by continuous repetition in an instructional session and demonstrations to illustrate how to employ the new skill in real work circumstance (lies 8c Sutherland, 2001).

Kotter's 8 Step Model of Change

The eight step model for change was developed up by John kotter, a leadership and change management master. His goal was to battle what he regarded were primary purposes behind unsuccessful change process in organizations (Kreitner&Kinicki, 2007). He concentrates driving on change as opposed to overseeing it. Kotter (1996, 1998) built up the model for use at the strategic level of a firm to guide them in the change of vision then consequently change entire firm. Suggested by Kotter (1996), these eight steps we seen to aid the management of change. They outlined the progression of change administration stages where sense of urgency is created followed by a team of top managers forming a guiding coalition while continuously creating urgency and momentum revolving around the reasons why change is important. Vision and strategies formulation which will aid the achievement of change goals enables focused expedition. Relaying the vision in comprehensible channels to involved parties is the fourth step. Next step is to deal with obstructions and evacuation them so as to be able to engage the rest of the team to follow up on the objectives of the change process. It is important for leaders to encourage the employees to face risks as well as administer imaginative critical thinking activities which will speed up the changing of frameworks and structures.

As indicated by Burnes (2001), the stages were encouraged to be viewed as a procedure and not a checklist. Moreover, Kotter asserted that major change endeavors was mainly as a result of little and medium-sized change venture holding the view that firms that the new ways of doing things was a consequence resulting from the assumption that 'change is a constant, liberal as well as eccentric process of adjusting and matching an organization to its evolving surrounding. Subsequently, managing change using this model has turned out to be most preferred within firms in the contemporary world due to the fact that if points out the importance of organizations adjusting their strengths and weaknesses to match the challenges and opportunities that are present in the external surrounding (Burnes 2001). The eight steps are based on strong establishment of clear and concise correspondence, strengthening as well as focus. After successfully introducing and installing change, the critical part is ensuring that the new methodologies are upheld to previous propensities. Monitoring, feedback as well as mediation become vital even after the changes have been installed

2.2.2 Balanced Scorecard and Change Management

When organizations are conceptualizing on management of change and how performance will be affected, it is important to consider the bottom line of the process regardless of the initiatives that will be put in place. This goal is to strengthen the organization so as to be able to survive in the market place. To be able to sustain the momentum and focus on the end goal, organizations need to know the achievements made so far as compared to the targeted goals. The deliberate method of managing change is firmly related to recognizing and handling procedures intended to make organizations more prosperous and competitive. These progressions are within the firm as well as externally engrossed, and they endeavor to give resolutions to aid organization gain commitment to change. Planning sets directions that are clear, assesses resources and budgets against resources that have been and also sets course with goals and objectives that are clear (Graetz et al., 2002). This automatically creates a need for reliable measurement tools.

As indicated by Becker (2011) building up a performance measurement framework that is world class is anchored on reasonable comprehension of the operational objectives of the firm, the competitive strategy employed by the firm, as well as an authoritative explanation of employees capabilities and practices necessary to accomplish goals set by the firm. Value can only be create by measurement frameworks when they are matched carefully with the strategy and objectives of the firm. Identifying these frameworks with measures that are significant to the firm's strategic goals and also capable of driving performance is paramount. It should be significant to the targets and point out the accountabilities of individuals concerned, concentrate on quantifiable yields, achievements as well as practices plainly characterized whereby proof will be readily accessible. It is also important for the information presented for measurement to be verifiable, exact, accessible as well as complete meaning it should cover all parts relating performance. Conveying agreeable results over all measures as opposed to one zone is the indicator of effective performance. (Armstrong and Baron, 1998).

The balanced scorecard is a key instrument utilized by organizations to streamline firm operations and match them to the strategy by measuring actual against preset performance objectives. With developing enthusiasm in organizations to enhance management of change as well as performance, the framework has turned into a significant instrument which addresses needs associated with change as well as improvement more so for organizations that operate in extremely aggressive markets like banks. Being a planning and process improvement framework, the primary focus of the balanced scorecard is on driving performance of a firm by recognizing correlated aspects of performance and the assessing their performance. Chan (2004) also points out the critical role that the framework plays during a firm's mission identification, procedure definition and process execution, where by it assists with the translation of firm's strategy to a connected measures representing financial and operational aspects (Chan, 2004).

Firms concentrate on four execution metrics when they are gauging performance using the balanced scorecard. These metrics include learning and growth, customer, internal process, and financial measures (Kaplan and Norton, 2002). The balanced scorecard measures these four metrics in order to enable tracking of all the vital parts in a company's system and in addition accomplish continuous change of organization and cooperation.

2.2.3Balance Scorecard and Organizational Performance

Performance and its measurement in organizations has been a subject for researchers as well as experts since the earliest formation of organizations. At the heart of several disciplines is the concept of organizational performance and whether resources are being utilized effectively so as to accomplish coveted results. Ideally, organizational performance includes the real yield of a firm as compared to set targets and goals. While trying to overcome any issues amongst theory and practice, Kaplan (1984) suggested that viable organizational performance ought to be measured utilizing a balanced scorecard.

Initially presented as a performance measurement tool by Kaplan and Norton (1992), the balanced scorecard has evolved to a tool of actualizing procedures and a structure for determining the organization of human, data and organization's capital with its strategy. He pointed out that since good financial performance was as a result of basic operational measures, it was important to also focus on measuring non-financial aspects so as to get a general viable organizational performance.

The components of balanced scorecard makes it to portray a multi-disciplinary perspective of the performance of a firm. The comprehension of the set goals and objectives of the firm as well as procedures employed to quantify their achievement is key when determining performance management (Hofer and Schendel 1978; Drucker 1954; Schendel and Hofer 1979; Ansoff 1965; Andrews 1987).Through the years numerous Perspectives have been developed in relation to organizational performance in the literature covering strategic management. In strategic management, the points of view in relation to performance management include the dimensions of performance that should be measured as well as the partners for whom the organization performs.

2.2.4 Balanced Scorecard, Change Management and Performance.

The continuous changes in the external and internal business environment have led to conceptualization of a set of realities among them being that an organization's performance cannot rely exclusively on past performance results. This is due to the observation that past performance does not necessary act as an accurate marker of future results, thus it cannot be the main measure for strategic and performance planning. This fact thus creates a necessity for a tool that can predict and align organizations' operations to the required future performance.

According to Barnard (1938), a firm is seen to be viable when it is able to achieve the business goals set by the organization. He also characterized effectiveness to imply how much individual motives are fulfilled. Drucker (1954) likewise contended survival to be a definitive measure for long-term existence of the firm. For a firm to be successful and survive in the market, Drucker suggested several distinctive performance measures. They included; the firm's position in the market in respect to potential now as well as later on, innovation, efficiency, physical and financial assets, adequate cash flows necessary to cover the risk associated to participating in business, performance of individual employees and attitude and Public obligation.

2.3 Empirical Review

The Balanced Scorecard is an instrument utilized by management and one that has turned out to be synonymous with the advancement of performance management and has the most research information in performance measurement. The Balanced Scorecard begun as an operational tool intended to gauge and help enhance operational performance in firms.

Many studies have been conducted to scrutinize how utilizing the balanced score card affects performance. These have mainly concentrated on the two rudimentary scopes which are: the degree of use and the method of use. Findings from studies on the levels of use (Hoque& James, 2000; Ittner, Larcker& Randall, 2003; Davis & Albright, 2004) have indicated that there is both positive as well as negative relationships between balanced scorecard utilization and performance. The inconsistence in findings of these studies can possibly be attributed to the possible absence of control in the research for variances in the execution and also the real way in which the balanced scorecard is utilized.

The findings on studies conducted on the manner of balanced scorecard use (Lipe&Salterio, 2002; Olson & Slater, 2002; Malina & Selto, 2001) confirms the fact that there exists serious differences in the ways in which organizations implement and use the balanced scorecard. It being an all-inclusive measurement system, the balanced scorecard has an effect on the information value it provides necessary for making decisions. When co-aligned wisely to the corporate strategy, it aids a firm’s strategic effort and grows performance. The outcomes advocate that the intensity or level of use impacts the performance of the firm but the quality or manner of balanced scorecard use is crucial (Braam&Nijssen, 2004).

In Kenya, studies have been done on the how the use of the balanced scorecard affects performance. Thuo (2012) researched the difficulties in the usage of the balanced scorecard device at Safaricom Kenya Limited. She discovered that the greatest challenge was the multifaceted nature of the tool and its remedy of measures that couldn't reverberate with the reality of the Kenyan market. She suggested that the different points of view of the balanced scorecard instrument ought to be modified to fit the business or firm in which it is to be utilized.

Kinya (2012) likewise explored the difficulties of the balanced scorecard as an instrument used for the implementation of strategy and employed in commercial banks in Kenya. The banks that were concentrated on included local banks like Equity Bank Kenya Limited and Kenya Commercial Bank Limited and multinational banks like Standard Chartered Bank Limited and Barclays Bank Kenya Limited. The discoveries showed that the balanced scorecard instrument was applied in every one of the banks as a strategy execution device and as a tool of measuring the fulfillment of key objectives of the organizations.

Ombuna, Omido, Garashi, Odera and Okaka (2012) in their study on how the usage of the balanced scorecard impacted on their performance of commercial banks found a positive impact of balanced scorecard usage on performance of commercial banks. It was noted by a majority of the respondents that considerable achievements had been realized through the use of the balanced scorecard. Nyaega (2012) in his study titled application of balanced scorecard in performance measurement at Essar telecom Kenya Limited, found out that Essar telecom used the balanced scorecard primarily for strategy implementation and performance measurement but due to challenges have been unable to harness the full benefits of the tool. His study further showed the benefits realized in the use of the balanced scorecard outweigh the costs that came with it if wholly implemented, in an efficient and an effective manner and that also acts as a complementary tool to the financial measures regarding past performance with operational measures which drive future performance and ultimately growth.

Table 2.1: summery of empirical studies and knowledge gaps

Study	Study Focus/ Main Objective	Methodology	Findings	Knowledge Gap
Ombuna, et al (2012)	Impact of the balanced scorecard usage on performance of commercial banks	Survey	There is a positive impact.	The study concentrated on the internal environment and did not consider the influences of the external environment
Nyaega (2012)	Application of balanced scorecard in performance measurement at Essar telecom Kenya Limited	Case study	The benefits of the balanced scorecard outweigh the costs	The study was limited to a specific organization, therefore compromising external validity of the findings.
Lipe&Salterio, 2002	Differences in balanced scorecard implementation methods	Cross sectional survey	There are serious differences in balanced scorecard implementation methods and usage.	The study did not consider variations in external environment that may influence the performance outcome.
Kinanu (2013)	Relationship between balanced scorecard application and performance outcome in Multinational Corporations listed in the NSE	Cross sectional survey	There is a positive relationship.	The study focused on multinational corporations listed in the NSE but did not consider the aspect of change and how it can affect measurement and performance
Paul (1998)	Reasons why organizations need a performance measurement system	Cross sectional survey	Scorecard enables the identification of the best practices in an organization and expand their usage elsewhere	The study focused on the importance of using a balanced scorecard as a measurement tool but did not cover the different situational aspects of organizational performance measurement

Source: Researcher (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an overview of the research methodology that was to be adopted in this study. It discusses the type of research design that was adopted, the target population of the study, the sampling that was used, and the data collection instruments to be employed as well as tool for data analysis and presentation.

3.2 Research Design

The research was directed through a descriptive survey design. This design is used when the researcher wants to define precise behavior as it happens in the environment (Greener, 2008). It has the benefits of exactness and adaptability (Kombo and Tromp, 2006). The research design will empower the researcher to gather data that is perfect for accumulation of information that is important for the objective of the study.

3.3 Study Population

The target population for this study was all the listed commercial banks in Kenya. As outlined by to the NSE, there were 11 listed commercial banks in Kenya as of 31 June 2017 (See Appendix 1). All of them were surveyed.

3.4 Data collection

Primary and secondary data was employed in this study. Primary data was gathered by use of self-administered questionnaires. The questionnaire was specifically designed to allow uniformity in the way questioned are asked so as to ensure greater compatibility in the responses. The interview method of collecting data was applied when collecting data from top level managers.

3.6 Data Analysis

Analysis of the data collected was done using descriptive statistics whereby coding of data was done and tabulated according to the research questions. These included the use of mean, standard deviation as well as regression analysis which was used to establish relationships between variables. The findings were presented using frequency tables and percentages.

Multiple regression was also used to measure the association between the dependent and independent variables. A regression equation was developed and employed in determining the relationship between the balanced scorecard variables, change and performance of listed Commercial Banks in Kenya.

The study applied the following regression model;

$$\mathbf{Y = \beta o + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon}$$

Where Y = Performance XI

= Financial perspective X2

= Customer perspective

X3 = Business processes perspective

X4 = Learning and growth perspective

B1– β5 are the regression co-efficient

ε is the random error term accounting for all extra variables that had an effect on performance yet not covered in the model.

Table 3.1 Summary of Operationalization of Variables

Elements of Constructs	Operationalization of constructs	Rating measures	Statistical analysis
Respondents background information		Dichotomous/ categorical/ nominal	Descriptive
Change Management			
Financial	Sustainability Sales Growth Return on Investment	Likert scale	Factor analysis
Customer	Service Delivery Customer growth Customer Retention	Likert scale	Factor Analysis
Internal Business Processes	Efficiency Quality improvement Turn Around Time Operational Excellence	Likert scale	Factor analysis
Learning and Growth.	Continuous improvement of skills through training and development	Likert Scale	Factor Analysis
Change Practices	Technological Social Structural Leadership	Nominal	Descriptive

Source: Researchers (2017)

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter covers the analysis, interpretation and discussion of the research findings. The purpose of the study was to establish the application of the balanced scorecard on change management and performance of commercial banks listed in the NSE. Collection of primary data was done with the use of a structured questionnaire from the 11 listed commercial banks. The sample size that this research was conducted on was 22 respondents, whereby 16 out of the total completed the questionnaires and submitted them duly filled. On single response questions, frequencies were employed (absolute and relative) whereas the likert scale was used in questions that required multiple responses questions, in collecting and analyzing the data. The likert scale had measures of 5 points which were used in the computation of means and also standard deviations. The outcomes were then presented in appropriate tables, graphs and charts with interpretations explanations being given in prose.

4.2 General Information

The researcher sought to acquire information on various demographic aspects of the respondents which includes; age, name of their organization, designation and the respondent's years of experience working in the organization. The aim of this information was to test how appropriate the respondents were in giving answers to questions regarding how balanced scorecard is used and adds value as a strategic tool in the respective commercial banks.

4.2.1 Response Rate

The targeted population was the 11commercial banks listed in the NSE. Although 22 questionnaires were distributed to the respondents, only 16 were filled in and given back, which makes a rate of response of about 72%. This rate is sufficient to make conclusions for the study which is in accordance with Mugenda and Mugenda (1999), who supposed that for purposes of analysis and reporting, a response rate of 50% is adequate; a 60% rate of response is good and a 70% and above response rate is excellent. This implies that according to the assertion, the response rate of 72 was okay to proceed and analyze the information collected.

4.2.2 Period of Service in the Bank

The respondents were required to indicate the period of time worked in their respective banks. Findings revealed that 50% of the respondents, had a work experience of between 6 to 8 years. 37.5% of the respondents had worked for 9 years and above, 12.5% accounted for those who had worked for a period of between 3 to 5 years. There was no respondent, however, who indicated of having served in the bank for a period of less than 2 years. These findings implied that period of time that the respondents had worked in their respective institutions was considerable for them to be able to provide information that is credible that was relevant for this study. The findings are as illustrated in the Table 4.1.

Table 4.1: Period of service in the bank

Period of service	Frequency	Percentage
Below 2 years	0	0.0
3 – 5 years	1	12.5%
6 – 8 years	3	50%
8 years and above	4	37.5
Total	**8**	**100.0**

Source: Field Data (2017).

4.2.3 Years of operation of the Bank.

The researcher sought to determine the years of operation of the participating commercial banks in Kenya. The information given by the respondents indicated that their respective commercial banks had operated in Kenya for over 20 years. This implies that most of the listed commercial banks have operated for an ample period of time in Kenya; thus they were well established to provide the information that the study sought. The findings are as illustrated below in table 4.2.

Table 4.2 Years of operation

Years of operation	Frequency	% Frequency
< 10 years	0	0.0
11 – 20 years	0	0.0
20 years and above	8	100.0
Total	**8**	**100.0**

Source: Field Data (2017)

4.3 Balanced Scorecard and Change Management

In most of the financial institutions, the control systems in operations and management are built mainly built around financial measures and targets. These have little bearing on the long term strategic objectives. The discussion below therefore presents how listed banks have been able to apply the balanced scorecard to measure performance in the change management process.

The Balanced Scorecard (BSC) stands out as an important framework to all organizations as was confirmed by all the banks, who indicated that they use balanced scorecard as a performance evaluation tool. The results are consistent with Kaplan and Norton (1996) findings which was that balanced scorecard is an important tool used in measuring performance of an organization and provides a framework that is powerful in building and also communicating organizational strategy by allowing the visualization of the business model in a strategic map whereby managers are forced to critically conceptualize about cause-and-effect relationships.

Table 4.3: The extent of usage of balanced scorecard measures

Performance perspective	Not at all	Least extent	Moderate	Great extent
Financial measures	0%	0%	0%	100%
Customer Focus	0%	0%	14.0%	86.0%
Internal Measures	0%	0%	29.3%	70.7%
Innovation and change	0%	0%	18.2%	81.8%

Source: Field Data (2017)

100% of the respondents indicated that financial performance measures were used in a great extent while customer focus, internal processes and innovation and change were in use at 86.0%, 70.7% and 81.8% respectively to a great extent and 14.0%, 29.3% and 18.2% respectively to a moderate extent. There was however none of the respondents who indicated the usage of balanced scorecard measure to be not at all or least extent.

Table 4.4: The value and use of performance measures

	N	Mean	Std. Deviation
• Measures are clearly defined in each performance area	16	3.6875	.47871
• Measures are used for management and decision making	16	3.5000	.51640
• Measures are used for regular management reviews	16	2.3750	.50000
• Measures are used for strategic planning	16	3.6875	.47871
• Measures are used to drive change	16	3.7500	.44721

Source: Field Data (2017)

The table 4.4 shows that majority of the respondents agreed that the balanced scorecard measures are clearly defined in each area of performance as indicated by a mean of 3.68. They also indicated that the balanced scorecard measures facilitate driving change as well as a basis for strategic decision making for management as indicated by means of 3.75, 3.68 and 3.50 respectively. Most respondents however indicated that management reviews using the balanced scorecard measures were not very common as indicated by a mean of 2.3.

These results imply that the commercial banks make use of the balanced scorecard in driving and managing change, as well as monitoring performance.

Table 4.5. Role of the balanced scorecard

	N	Mean	Std. Deviation
• Balanced scorecard communicates areas of weaknesses and strengths	16	4.4375	.51235
• Balanced scorecard allows managers identify best practices in an organization	16	4.6250	.50000
• Balanced scorecard is objective and consistent	16	4.4375	.51235
• Balanced scorecard establishes sufficient ownership and accountability	16	4.6875	.47871
• Balanced scorecard has led to improved performance of the organization	16	4.4375	.51235
• Balanced scorecard measures chosen are relevant to the organization's strategy and vision.	16	4.3750	.50000

Source: Field Data (2017)

Respondents were required to indicate to what extent they were in agreement with statements regarding role the balanced scorecard played on performance monitoring and measurement. The means of 4.43, 4.46, 4.43, 4.68, 4.43 and 4.37 respectively strongly indicate that the majority of the respondents agreed that the balanced scorecard played a very big role in performance management and measurement.

4.4 Challenges faced in application of the balanced scorecard

The respondents were asked to mention some challenges faced in applying the balanced scorecard. The responses given include causality relationships between the areas that require measurement in the balanced scorecard are unidirectional and too simplistic. Others pointed out that the time dimension is neglected in the balanced scorecard. This critical point of the balanced scorecard starts from the assumption that the linkage between different points of time must be understood. Viewed from this point, no explanation is given by the balanced scorecard on the role of time in its cause-and-effect relationships .This is in line with Norrekelit (2003), who noted that the time dimension in regards to cause and effect relationship is not incorporated in the balanced scorecard, neither does it separate cause-and effect relationships in time.

Another limitation presented is the reliance of balanced scorecard on limited measures which turns out to be a disadvantage especially when the numbers included in balanced scorecard are not right. Integration issues where the top-levels and operational levels measures are not balanced is also a challenge. This results to the balanced scorecard failing to identify the measurement of performance as a two ways process. Internal focus stands out as one of the criticisms of balanced scorecard in such a way that the internal processes of an organization are encouraged by the framework. Additionally, Changes that are significant in the external environment are said not to be evaluated by the balanced scorecard.

4.5Influence of the balanced scorecard to management of change and performance measurement.

The research sought to establish the influence the balanced scorecard use had on change management and the subsequent performance of commercial banks listed in the NSE. Interviewees were asked to state whether it is easier to achieve the goals of the company with the balanced scorecard. The respondents agreed that with the balanced scorecard it is easier to achieve the company goals since all operational efforts are directed in the achievement of the goals set by the company. Some of the respondents noted that the balanced scorecard has helped them to clearly communicate the vision, mission and objectives of the organization to the employees and get them to buy in to the departmental objectives and thereby achieving the goals set.

The respondents agreed that the organization formally measures the performance in all the perspectives of the balanced scorecard namely; customers, internal business processes, innovation and learning, and financial perspective. By measuring all four perspectives, the organizations are able to balance the financial as well as non-financial measures of performance. When asked if the balanced scorecard balanced long-term and short-term goals of their organizations they unanimously agreed stating that the balanced scorecard has helped managers in creating objectives for the short-term and long-term. Through these objectives they are able to measure the performance of the organization in achieving its goals and adjust accordingly where they are falling behind.

The respondents agreed that the balanced scorecard is an effective measurement system since it measures the objectives against the overall organization strategy. However some of the respondents indicated that the objectives must be clearly mapped to the strategy for the metrics being measured to be able to contribute to the performance of the organization. The balanced scorecard has helped the management to make informed decisions on the future performance of the organization based on the measurement of the objectives set.

4.6 Regression Analysis

A regression analysis was carried out to find out the relationship that exists between the balanced scorecard and management of change as well as performance of NSE listed commercial banks in Kenya. The regression equation adopted is Y = β0+ β1x1 + β2x2+ β3x3+ β4x4 +ε; where Y= Performance/ change management, β0=the constant of regression, β1, β2, β3 and β4 = are the regression coefficients/weights of the following respective independent variables; x1= Financial perspective, x2= Customer perspective, x3= Business processes perspective, x4= Learning and growth perspective and ε = error term. Measurement of the variables was based on the responses obtained from the respondents regarding each of the variables.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.712[a]	.680	.750	.03126

a. Predictors: (Constant), Balanced Scorecard.

Source: Field Data (2017)

The independent variable that was studied was the balanced score card. 68.0% variation of performance is therefore significantly explained by the variation in the independent variable. It is established by the regression equation that when the independent variable is held constant, other factors influencing change and performance will be 32.0%

Table 4.7 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.467	3	.156	114.0	.000[b]
	Residual	.006	4	.006		
	Total	.473	7			

a. Dependent Variable: performance

b. Predictors: (Constant) Balanced scorecard

Source: Field Data (2017)

ANOVA was used in establishing how significant the model of regression was where by value of p was established (p=0.000 <0.05). The model is statistically significant in the prediction of how the balanced scorecard affects change management and performance. The indication of this is that the likelihood or probability of the regression model giving a wrong direction is less than 0.05. This give the model a level of confidence of above 95% thus high reliability of the said results. In using the F-test statistic, the value of 114.0 was established, this suggests that the model is significant statistically since 114.0 >11.96. According to Cooper and Schindler (2006) this model can be used for purposes of estimation.

Table 4.8 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.400	.163		-1.871	.102
	internal business processes measures	.601	.144	.467	3.000	.030
	customer focus	.267	.029	.340	3.289	.004
	organizational learning and growth	.067	.025	.340	2.335	.032
	Financial	.608	.178	.578	5.072	.000

a. Dependent Variable: performance
Source: Field Data (2017)

The study established that there is a relationship that is significant between the balanced scorecard, management of change and performance of listed commercial banks; Financial perspective (p=0.000<0.05), Customer perspective (p=0.004<0.05), Business processes perspective (p= 0.003<0.05) and Learning and growth perspective (p=0.032<0.05). The testing of the coefficients of regression for significance was done at alfa =0.05. Significance occurs when p-values is less than 0.05. According to the results above, all variables are good predictors for performance in these commercial banks. These findings were in line with that of Asaasira (2016) whose findings illustrated that the adoption of the balanced scorecard in tier one commercial banks in Kenya has been highly effective overtime.

4.7 Discussion of Results

The Balanced scorecard breaks down an organizations vision and strategy into four perspectives that are both financial and non-financial. The perspectives are broken down into objectives, targets and measures that are mapped in a cause and effect relationship. According to Kaplan & Norton (1996) the great set of measures are considered to capture the strategy of the business chosen by the organization and also to include the performance drivers in all parts significant to the firm. Use of the balanced scorecard ought to advance decision making through the alignment of performance measures with organizational goals and also strategies as well as firm's business units.

This study presents an analysis of the influence of the balanced scorecard use on change management and performance of commercial banks listed in the NSE. The main aim of the research was to examine how these banks have used the balanced scorecard to positively affect its performance in the dynamic business environment over the years. The use of the balanced scorecard by banks as a change management tool has helped to align performance measures to be in line with their goals as well as strategies thereby improving the performance over time.

The study found that there is awareness on the balanced scorecard among all the respondents in the interview. The respondents agreed that they participated in the setting of objectives and performance measures based on the customer, internal business processes, learning and growth and financial perspectives of the balanced scorecard. The results of the study showed that the information from the balanced scorecard helped managers in making informed decisions which lead to improved operational and financial performance of the company. All the interviewees agreed that the objective being measured must be aligned to the strategy and vision of the company in order for it to perform and succeed. The balanced scorecard through its strategic mapping has been able to create a cause and effect relationship of the four perspectives being measured which in the long run leads improved performance of the institutions.

In some of these commercial banks, the balanced scorecard was merged with the Management by Objectives (MBO) tool while in the majority, the instrument was largely used under varying labels with the same underlying concept of managing employees' performance along the strategy implementation process. According to Kaplan and Norton (2006), a balanced scorecard helps in the performance management process by clearly classifying the consumers and also segments in the market in which the organization may select to compete. The study revealed that majority of listed Commercial Banks had a structured way of drawing the performance measures where the process began with top management and then the objectives were cascaded down to the lower levels.

According to McKenzie and Shilling (2008), many times, the application and implementation of the balanced scorecard never actualizes because of the tool's failure to live up to the users' expectations. Even though the potential benefits from implementation of a balanced scorecard are numerous, it has been noted that majority of the balanced scorecard projects do not materialize. The study, therefore, established that accurate adoption and implementation of the balanced scorecard facilitates positive achievements in regards to change management which in the long run results to better performance.

The study established that change management at Commercial Bank has been successful since the adoption of Balanced scorecard, the tool has enabled the organization to develop the likelihood of successfully carrying out strategy, disbursement of enough resources to activities that are strategy essential, come up with strategy-encouraging policies, engage best policies and programs for continuous development, connect payment structure to achievement of set targets and utilize the strategic leadership. The study established that the balanced scorecard is indeed a concise report that tracks chosen performance measures and compared them to target values which allowed the interviewees to assess how the organization performed previous years, then identify the areas that need improvement, and most importantly position the company strategically for future growth.

The findings of this study also concur with the study findings of Mulu (2010) who found out that the balanced scorecard's learning and growth perspective facilitatesd and drove the organization learning and career as well as employee development process towards the attainment of organization mission (Mulu, 2010). The balanced scorecard had been used to identify gaps that existed between the planned and the actual performance, the needs that arose from this gaps were then filled through skills development as well as establishment of training and development programs. This study is in line with Neely, (2007), who argued that for an organization to survive over a long period of time, the balanced scorecard must provide the organization a long run renewal for it to cope with the changes in the environment. Therefore, this tool is important in terms of equipping staff with the requisite skills that will enable them to respond to both the current and future business needs.

The results of the research as discussed above are consistent with other findings in previous studies on the influence of the balanced scorecard on change and performance. The respondents interviewed were all aware of the balanced scorecard and its use in strategy management, informing decision making and measuring and tracking of objectives in the company. The interviewees also noted that the objectives being measured in the balanced scorecard must be aligned in to the company's vision and strategy for it to positively impact on the performance of the organization. It is therefore important that the organization aligns its objectives to the vision and strategy of the company for the measures to be relevant to the company. The balanced scorecard also assists the managers in balancing the short-term and long-term objectives of the organization. It was also noted that the information from the balanced scorecard helps the management to improve the operational and financial performance of the company through informing decision making for the managers on what strategies to pursue to achieve them.

The balanced scorecard proposed by Kaplan and Norton measures objectives in four perspectives namely; customer, financial, internal business processes and learning and growth. These objectives are mapped in a cause-and-effect relationship that leads to organizational performance. From the study, the management of the institutions under research has been able to use the balanced scorecard in managing change and performance measurement in the four perspectives which has in turn positively influenced the financial and operational performance of the institution over the years. Through aligning of the objectives being measured to the vision and strategy of the organization, the organizations have used the balanced scorecard to positively influence its performance over the years.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter constitutes an outline of the summary of the data findings derived after the analysis of the raw data retrieved from respondents in the NSE listed commercial banks, and the recommendations that the study proposes as well as the conclusions that the study arrives at. It includes the summary of the research findings, the conclusions that were drawn from findings of the research, recommendations proposed by the study, implication of the findings, and also study limitations as well as areas for further studies.

5.2 Summary of the Study

The study's main objective was to try and establish what influence the balanced scorecard had on management of change as well as performance of NSE listed commercial banks. From the findings presented in chapter four of this document, it was established that a relationship exists between the use of balanced scorecard and performance commercial banks. Based on the analysis of responses, the respondents were in agreement that the adoption and utilization of the balanced scorecard has helped them in managing change and also in formulating objectives that are aligned to the organization's vision, strategy and goals, improve communication both within the firm and also externally and to also monitor the performance of the organization against the set strategic goals.

The study further found that the strategy and objectives of the company are communicated through the balanced scorecard from top management to the divisional, departmental, sectional and managerial heads where each creates a scorecard linked to the strategic themes and objectives set for the financial year. This creates a synergy between the corporate strategies, business units' strategy and finally to the individual objectives of the employees in the organization. This ensures that the objectives being measured and monitored are aligned to the company's goals and strategy. As alluded by Kaplan and Norton (1996), the balanced scorecard functions by translating the vision as well as the strategy of the organization into a coherent and linked set of performance measures. These measures should include both outcome measures and performance drivers of those outcomes. The cause and effect relationship amongst critical variables should be included in the balanced scorecard.

The study found out that the respondents measured performance based on the four perspectives of the balanced scorecard. The results showed that the respondents agreed on the importance of both financial and non-financial measures of performance for the company. The further agreed that by using the balanced scorecard they have been able to improve the operational and financial performance of the organization through the use of information generated from the balanced scorecard to make informed and quality decisions. This finding is consistent with other findings on the influence of the balanced scorecard on performance of organizations.

5.3 Conclusion of the Study

From the findings, conclusions can be made that the balanced scorecard has a positive influence on change management and performance of organizations. Most of the respondents confirmed that a relationship exists between the performance of a company and the balanced scorecard. The respondents also confirmed that through the use of the balanced scorecard the company has been able to improve its operational and financial performance. The respondents also agreed on the importance of both the financial and non-financial measures for the company and the fact that the balanced scorecard better evaluates the strategy of the organizations.

This indicates that the balanced scorecard is a management system which enables the organization in clarifying the vision and strategy of the organization and translating them into action (Kaplan and Norton, 1996). It provides feedback to the company about internal processes and their outcomes so that they are able to improve the firms' strategic performance and outcomes. The results also suggest that balanced scorecard use that is aligned to the company's strategy positively influences the performance of the company in general. From the results, the balanced scorecard use as a strategic management and performance management system in organization has been clearly linked to the management of the organization being able to clarify the vision, mission and strategy through creating of scorecards for the several business units that have objectives aligned to the overall corporate strategy of the company.

5.4 Limitation of the Study

The researcher encountered two limitations throughout the course of this study. The first limitation was the short time given to collect and analyze the data. The one month period during which the data was to be collected was insufficient to be able to reach all the respondents. Second was the interviewees busy job schedules that caused a challenge during data collection since the interviews had to be rescheduled severally to suit the available time slots for the interviewees. Some of the interviews failed to happen because of the busy schedules.

5.5 Recommendations

This study contributes to the understanding of the influence of the balanced scorecard on performance. Managers and practitioners should however be aware that the balanced scorecard use does not automatically improve performance. There are very many interpretations of the balanced scorecard and some of them may be detrimental to the firm's performance. The results suggests that only balanced scorecard use aligned to the corporate strategy positively influences the performance of the company. The managers should ensure that the balanced scorecard complements and aligns to the company's vision, mission and strategy for it to have a positive impact of its performance.

The firms operating in the banking industry continue to operate in a dynamic environment where trends continuously evolve and thus managers need to adopt performance measures that are flexible enough to adopt to these changes. This will ensure reliability as well as accurate information regarding the performance of these organizations.

5.6 Suggestions for Further Research

The results of this study has indicated that a relationship exists between balanced scorecard use and company's change management and performance. However, the researcher also found that the link between the balanced scorecard and the organization strategy and vision is also important since it determines whether the company achieves positive or negative results. The researcher recommends that further studies be carried out within the industry on balanced scorecard and strategy alignment and its impact on performance.

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APPENDICES

Appendix 1: Letter of Reference

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 22/09/2017 -

TO WHOM IT MAY CONCERN

The bearer of this letter JANIFFER NYARANGI NYANG'AU

Registration No. D61/81160/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
22 SEP 2017
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

Appendix II: Listed Commercial Banks in Kenya

1. Barclays Bank Limited
2. CFC Stanbic Holdings
3. I&M Holdings Ltd
4. Diamond Trust Bank Kenya Ltd
5. Housing Finance Co Ltd
6. Kenya Commercial Bank Ltd
7. National Bank of Kenya Ltd
8. NIC Bank Ltd
9. Standard Chartered Bank Ltd
10. Equity Bank Ltd
11. The Co-operative Bank of Kenya Ltd

Source: NSE (2017).

Appendix III: Questionnaire

Please give answers in the spaces provided and tick (□) in the box that matches your response to the questions where applicable.

PART A: DEMOGRAPHIC AND RESPONDENTS PROFILE

1. Name of the company: ………………………………………………………….

2. What is your designation at the organization……………………………………..

3. Length of continuous service with the organization?

a) Less than five years ( )

b) 5-10 years ( )

c) Over 10 years ( )

4. For how long has your company been in operation?

a) Under 2 years ( ) b) 3 – 5 years ( )

c) 6 – 8 years ( ) d) Over 8 years ( )

PART B: APPLICATION OF THE BALANCE SCORECARD IN THE ORGANIZATION

5. Does your organization use the balance scorecard as a performance evaluation tool?

Yes ( )

No ( )

6. Does your organization use a balance scorecard as a change management tool?

Yes ( )

No ( )

7. If yes, to what extent does the organization apply the balance scorecard in strategy implementation?

Very great extent ( ) Great extent ( ) Moderate extent ( )

Little extent ( ) Very little extent ( )

8. For how long has the organization been using a balance scorecard as a tool for performance measurement?…………………………………..

9. To what extent does the use of the balance scorecard contribute to the performance of the organization?

Very great extent ( ) Great extent ( ) Moderate extent ( )

Little extent ( ) Very little extent ( )

10. The following are the four measures adopted in the balance scorecard, please indicate the extent that you use each of the measures

Key: 1=Not at all, 2= Least extent, 3=Moderate, 4= Great extent

	Measures	**1**	**2**	**3**	**4**
1	Financial Measures				
2	Internal business processes measures				
3	Customer Focus Measures				
4	Organizational Learning and growth				

11. Please indicate the extent to which the following statements on the usage of balanced scorecard performance measures in change management apply in your organization. Using a four point likert scale of 1-5 where;

Not at all=l, Least Extent=2, Moderate-3, Great Extent=4,

	Achievements	1	2	3	4
1	Measures are clearly defined in each performance area				
2	Measures are used for management and mentoring				
3	Measures are used for regular management reviews				
4	Measures are used for strategic planning				
5	Measures are used to drive change				

13. What are some of the challenges faced in using the balanced scorecard in managing change and performance?

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THANK YOU FOR YOUR PARTICIPATION