

**IMPLEMENTATION OF THE BALANCED SCORECARD AS A STRATEGIC
MANAGEMENT TOOL AT INSURANCE COMPANY OF EAST AFRICA**

BY

ESTHER WANJIKU WARUIRU

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DECLARATION

STUDENT

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

NAME: ESTHER W. WARUIRU

Reg. No: **D61/7453/2006**

Signature

Date

SUPERVISOR

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

Signed Date

DR. MARTIN OGUTU

Department of Business Administration

School Of Business

University of Nairobi.

Dedication

I would like to dedicate this study to my dear husband Francis Kago, my son Gregory Githuthwa and daughter Karen Githuthwa.

ACKNOWLEDGEMENT

First and foremost is my gratitude to the Almighty God for the gift of life, resources, a sound mind and everything else that enabled me go through the course and I will be forever grateful.

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To all of you, may our dear Lord richly bless you.

ABSTRACT

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs. The BSC is designed to give companies the information they need to effectively manage their business strategy tactically. The scorecard is similar to a dashboard in a car. As you drive you can glance at the dashboard to obtain real-time information such as how much fuel remains, the speed you are traveling, the distance you have traveled, etc.

The study design was a case study aimed at getting detailed information regarding the process of balanced scorecard implementation and challenges the Insurance Company of East Africa had encountered. Primary data was collected from the company staff by use of interview guides. The completed interview guides were edited for completeness and consistency before processing the responses. Being a case study, content analysis was quite useful.

The study found out that ICEA had used balanced scorecard as strategic management tool, which was implemented by senior managers, all employees, entire management, human resource managers, section heads, line managers and management at all levels. The study also found that there were key stages used in the implementation of balance scorecard at ICEA. The study further found the implementation of BSC at ICEA encountered challenges resistance to change, lack of information and limited resources.

The study recommends use of management strategies such as offering performance pegged rewards, job rotation and training among others. This would help in overcome challenges in integrating the balanced scorecard. Some of the limitations of the study included lack of adequate time for intense exposure with the phenomenon as the case study methodology requires.

TABLE OF CONTENTS

DECLARATION.....	ii
Dedication	iv
ACKNOWLEDGEMENT.....	v
ABSTRACT	vi
TABLE OF CONTENTS	viii
List of figures.....	xi
List of abbreviations	xii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 The concept of strategic Management.....	1
1.1.2 Challenges of strategy implementation	2
1.1.3 Balanced Scorecard.....	3
1.1.4 The Insurance Industry in Kenya.....	5
1.1.5 Insurance Company of East Africa	7
1.2 Statement of the problem	8
1.3 Objectives of the Study.....	10
1.4. Importance of the study	10
CHAPTER TWO: LITERATURE REVIEW	12
2.1. Introduction	12
2.2 Balanced Scorecard as a strategic management tool.....	12
2.2.1 The process of balanced scorecard	14
2.2.2 Purpose of balanced score card.....	15

2.3 Relationship between Strategy and BSC implementation.....	18
2.4 Implementation process of the Balanced Scorecard	21
2.5 Challenges of Implementation of the balanced scorecard as a strategic management tool	23
2.5.1 The idea of BSC implementation	23
2.5.2 Top-down goal-congruence process of the BSC and the individual's freedom and attraction	24
CHAPTER THREE: RESEARCH METHODOLOGY.....	27
3.1 Introduction	27
3.2 Research Methodology	27
3.3 Data Collection	28
3.4 Data Analysis	28
CHAPTER FOUR: FINDINGS AND DISCUSSIONS.....	29
4.1 Introduction	29
4.2 Discussions of findings	29
4.3 Balanced scorecard implementation process.....	30
4.4Challenges of implementing balanced scorecard	32
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	35
5.1 Introduction	35
5.2 Summary	35
5.3 Conclusions	38
5.5 Limitations of the study	40
5.6 Suggestions for further study	41
REFERENCES.....	42
APPENDICES	55
Appendix 1: Introduction Letter	55

Appendix II: Interview guide. 56

List of figures

Figure 1: Interrelationships within the Balanced score card model

List of abbreviations

AKI - Association of Kenya Insurers

BSC- Balanced scorecard

ICEA-Insurance Company of East Africa

IMA - Institute of Management Accountants

KRA - Kenya Revenue Authority

MBO - Management by Objectives

NSE - Nairobi Stock Exchange

TQM - Total Quality management,

UNDP- United Nation Development Programme

WLP-Work Learning Programmme

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

1.1.1 The concept of strategic Management

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

Strategic management is the highest level of managerial activity. Strategies are typically planned, crafted or guided by the Chief Executive Officer, approved or authorized by the Board of directors, and then implemented under the supervision of the organization's top management team or senior executives. According to this logical incrementalism perspective (Quinn, 1978), the top management teams set the corporate strategy and sub-units develop specific strategies and tactics needed to respond effectively to environmental challenges (Wright, McMahan and McWilliams, 1994). Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration, it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency". According to Arie de Geus (2007), there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these, in turn, are with the market and the context.

Strategy implementation comes after strategy has been formulated. It is the most challenging stage and determines the success or failure of strategy. It is concerned with aligning organisational structure, systems and the processes with chosen strategies. This stage is often

referred to as the action phase of the strategic management process. Various scholars argue that it is the most important phase in execution of strategy yet the most challenging. (Bartlett al, 1996; Kahihu, 2005; Aosa, 1992)

1.1.2 Challenges of strategy implementation

Reed and Buckley (1988) discussed challenges associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure. They claim that the debate about which comes first is irrelevant provided there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures. Due to the size of the budgeting systems and the game playing associated with budget setting “it is possible for the planning intent of any resource redistribution to be ignored”. Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the “entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment” (Reed and Buckley, 1988).

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

1.1.3 Balanced Scorecard

There are various tools and techniques that have been developed to assist executives in the implementation of strategy. These include Total Quality management, (TQM), Kaizen, Six sigma and the balanced scorecard. Of all this tools, it is notable that the balanced scorecard is gaining more acceptance because of its ability to track both financial and non financial measures.

Many foreign and local firms are currently embracing use of the balanced scorecards to assist in achieving an effective strategic planning system as well as an improved control system. (Kiragu, 2005, Sang 2007; Joyce and Robertson, 2003, Kaplan and Norton, 1992).

The balanced scorecard is a performance measurement and strategic management tool. It translates an organization's mission and strategy into a balanced set of integrated performance measures. It complements the traditional financial perspective with other non-financial perspectives such as customer satisfaction, internal business process as well as learning and growth. It also mixes outcome measures, the lagging indicator, with performance drivers, the leading indicator, because “outcome measures without performance drivers do not communicate how the outcomes are to be achieved”. By selecting appropriate performance drivers and outcome measures to fit in the theory of business in a chain of cause and effect relationship, the organization will have a better idea of how to achieve its potential competitive advantage (Kaplan and Norton, 1996).

The BSC is designed to give companies the information they need to effectively manage their business strategy tactically. The scorecard is similar to a dashboard in a car. As you drive you can glance at the dashboard to obtain real-time information such as how much fuel remains, the speed you are traveling, the distance you have traveled, etc. The BSC provides similar information to all levels of the organization through performance measures connected to specific business areas in the same manner.

Implementing the balanced scorecard (BSC) as the strategic management tool of choice is a trend that is well on its way in many organizations worldwide. Initially introduced in the early 1990s as a tool to help companies translate their corporate mission to all levels organization, the BSC is widely acknowledged to have moved beyond this ideology. It is now become as a strategic change management and performance measurement process. Kiragu (2005) found that sixty percent of companies in Kenya were using the Bsc. A survey by the Institute of Management Accountants (IMA) (1995), more than 50 percent of the large companies are using some form of balanced scorecard. This is reflective of the power and simplicity of the BSC to provide direction for all levels and areas of the organization. The balanced scorecard, developed by Kaplan and

Norton (1996), is a management system that gives business people a comprehensive understanding of business operations. But still after more than 15 years it is surprising that there are still many business people unconvinced about the utility and effectiveness of the balanced scorecard. And even more surprising about the number of organizations giving up on it through their own misapplication or misuse of the tool.

The current business climate requires managers having a balance between financial and non-financial measure to develop effective solutions in arriving at proper decisions. Financial measures provide historical results where non-financial measures usually indicate the positive outcomes of a particular decision. This is where the role of learning professionals comes into play. Employees efforts are directly correlated to non-financial performance metrics. These metrics support, for example, why developing a specific skill set for a group of employees increases productivity leading to strong growth, helping to build credibility for WLP and their role within the organization. By tying these performance measures to rewards, the balanced scorecard ensures that employees will do what is best for the organization.

To truly understand the reason for the growing need of the BSC one must understand the significance of organizational strategy. Most business professionals recognize that strategy is at the center of every business process. Successful business managers have a laser-like focus on it. Although this may be common sense for businesspeople many, however, are unable to connect their business objectives and the organization's mission resulting in many companies not meeting their strategic goals. This is not necessarily a result of managerial incompetence, though this may be the case in some instances, but more from not knowing how to develop or connect short and mid-term objectives in response to the proposed strategy (Kloot and Martin, 2000).

1.1.4 The Insurance Industry in Kenya

The insurance industry in Kenya comprised of 43 registered companies in Kenya by 2008 according to a report by IRA (www.ira.com). Insurance industry comprise of companies that underwrite both life and general insurance referred to as composite companies, while the rest

underwrite either of the two. The insurance industry has gone through tough times over the years as a result of changing economic environment. The global and domestic challenges such as the global crunch, the post election violence greatly affected the companies. The low penetration of 2.36 per cent as a result of negative perception by Kenyans has not spared the life business too. In the 2008 report, the association of Kenya Insurers (AKI), the industry lobby points out the tough operating environment the industry continues to experience challenges, key among them the poor public perception of insurance which has led to penetration of 2.63 percent. They are therefore faced by reducing premiums while the level of risk is increasing (www.aki.com)

According to Business Daily (2009), the local insurance industry has however defied the economic downturn and low penetration to record a 25 per cent growth in pretax profit to 5.05 billion in 2008 from 4.01 billion recorded a year before, according to the latest industry figures. Though the insurance industry remains small in size it is still out performed the Banking industry. According to the report the industry performance was driven by 21 players who made profits out of 42 firms. Claims went up by 0.53 percent to 24.83 billion from 24.7 billion in 2007 while life insurance recorded an underwriting deficit of 1.28 billion. The bearish run at the NSE dragged down the industry return on investment to Kshs 11.75 billion from 12.19 billion. The total asset base of the industry grew by nine percent to Kshs 146.12 billion from Kshs 134.1 billion while liabilities grew more quickly by 12.1 per cent to Kshs 16.37 billion from 103.83 billion in 2007, pushing the industry net asset base down to 29.62 billion in 2008 from kshs 30.04 billion.

The industry is facing the challenges pointed out by increasing skills development, employee empowerment and performance management. The companies are coming up with innovative products to increase life penetration in the country. A report at business daily on 26th August 2009 indicated that the industry is increasing life insurance penetration by coming up with innovative products. Insurance companies are using the balanced score card to measure performance. This has led to investor's in information technology to develop software that supports this performance measurement tool. The Insurance Scorecard is an application specifically designed to provide insurance industry executives with a comprehensive framework to define and measure the strategic objectives of the organization. The Insurance Scorecard

utilizes third generation Business Intelligence (BI) tools, developed to give the insurance executive immediate, accurate and up-to-date information on a wide variety of performance measures. Information is displayed in graphical formats, affording the insurance executive slice and dice capability that allows critical information to be accessed quickly.

1.1.5 Insurance Company of East Africa

The Insurance Company of East Africa was established in 1964 by Eagle Star Insurance Company and Welfare Insurance Company, both of the UK, and the New Zealand Insurance Company. The three stripes on ICEA's shield represent these three companies. ICEA was incorporated on 10th November 1964 and started writing general business on 1st January, 1965. The Company entered life assurance business in 1966. The Company had an initial establishment of about 50 staff at both its Nairobi and Mombasa offices (www.icea.com).

In 1976, the foreign shareholders sold their interests to a group of pioneering local investors. ICEA became the first major privately owned local insurance company in 1976 when foreign investors sold their interest to a group of pioneering local investors. First Chartered Securities (FCS), ICEA's holding company, was formed in 1985 and ICEA became the new company's flagship. First Chartered Securities Group is a leading local investment and trading group controlling major business enterprises in such diverse sectors of the economy as finance, insurance, food processing, manufacturing, shipping services and agriculture.

From its humble beginning in 1964, the company has grown considerably in stature. It is now writing a gross premium of about Kshs 3 billion in Kenya, and has an asset base of around Kshs 21 billion, making it the largest insurance company in East Africa. It has a paid up share capital of Kshs 300 million and a net worth of 2.2 billion as per the financial report of 31st December 2008. Life Fund in excess of Kshs.18 Billion represented by some of the most prestigious properties such as ICEA Building on Kenyatta Avenue, Riverside It has also spread its wings to Uganda with the establishment in 2003 of ICEA, Uganda; one of the fastest growing composite companies in that market. Its regional expansion strategy has also targeted the setting up of branches countrywide; culminating with the opening of offices in Kisumu, Nyeri, Nakuru and

Eldoret since the year 2000. ICEA (U) is also in the process of setting up branch offices in various key urban centres in Uganda.

ICEA has three divisions namely General Business, Life and Pensions and Finance and administration. The company has always had a corporate strategic plan referred to as a Business Plan. However a review was conducted in 2007, on the extent to which the objectives set in the existing corporate business plan i.e. 2004-2006 were being met. Given the challenges the company was going through, a strategic plan for 2007-2009 was compiled based with the stated challenges in mind. The company set out a profit target in which employees would also share in the profits if they achieved the same. A profit sharing benchmark of 265 million was set out. Total gross premium stood at 3,424,107 in 2006. In this background there was need to turn around the business to increase shareholder value. Against this background the company's three year business plan espouses on the strategy for the turnaround. The balanced scorecard was seen as the tool of implementing the strategy (ICEA training materials, 2007).

1.2 Statement of the problem

The need to remain competitive, productive and open to the challenges of the future in the face of organizational change is becoming more important than ever, and the demand for innovative technology and service in the information age environment is just one of the challenges facing companies today (Kaplan and Norton 1996). Organizations are recognizing that a different approach to strategic management and organizational development, one that could respond to these challenges, was needed. On the strategic level the Balanced Scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. A successful Scorecard programme demands a high level of commitment and time. External consultants or knowledgeable internal practitioners can play a critical role in launching a successful programme (Kaplan and Norton 1996).

Experience of implementing and using the BSC has been investigated in numerous studies, in private and public organizations alike. The results differ in terms of success and failure, but with

an apparent predominance of success stories ([Mooraj et al., 1999](#); [Chan, 2004](#)). [Chan \(2004\)](#) provides the following list of enablers for successful implementation: top managers' commitment; middle managers' and employees' participation; a culture of performance excellence; training and education; keeping the BSC easy to use; clarity of vision, strategy and outcome; links with incentives; and resources to implement the BSC. Similar lists of implementation requirements are also provided by, for example, [McCunn \(1998\)](#); [Olve et al. \(1997\)](#) and [Williams \(2004\)](#).

Locally, a few studies on balanced scorecard have been done which includes; extent of use of balanced scorecard for employee performance management in commercial banks in Kenya, (Mucheru, 2007), The Application of the balanced scorecard in implementation of strategy at KRA (Kamau, 2006) and application of the balanced scorecard in strategy application at Barclays bank (Renato, 2007).

To the researcher's knowledge, no study has been done in Kenya on implementation of the balanced scorecard and the challenges as a strategic management tool in the insurance industry and hence this study seeks to fill the knowledge gap. ICEA, one of the major players in the Insurance industry recently introduced the Balanced scorecard as a strategic management tool. This research sought to find out how ICEA implemented the balanced scorecard and the challenges that faced the process.

1.3 Objectives of the Study

The objectives of the study were;

- i. To establish the process of implementing the balanced scorecard as a strategic management tool in the insurance Company of East Africa (ICEA).
- ii. To determine the challenges found by ICEA in implementing the balanced scorecard as a strategic management tool

1.4. Importance of the study

This study will be useful to the managers at ICEA, as it will help them understand how to link long-term organizational strategy to their operational and short term plans. It will also help them understand the importance of balance scorecard and how to it helps achieve success as a strategic management tool. It will help employees understand how to relate the strategy of their organizations to their daily activities and hence contribute to overall organizational success.

Other Managers in other industry Sectors will also benefit by establishing methods used in gathering and applying balance scorecard, which will help them to improve their strategic management styles. ICEA customers will also appreciate the organizations efforts in improving on service delivery, hence increasing their confidence and loyalty to the Bank.

The study will also be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. It will also highlight other important relationships that require further research; this may be in the areas of relationships between balance scorecard and firm's performance.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter reviewed the literature available on strategic management and balanced scorecard. The first section presents the theoretical framework on performance management balanced scorecard and strategic management. Empirical studies in these areas were also reviewed.

2.2 Balanced Scorecard as a strategic management tool

Several years ago, the Balanced Scorecard was introduced by Kaplan and Norton. At the time, it was thought that the Balanced Scorecard was about measurement, not about strategy. We began with the premise that an exclusive reliance on financial measures in a management system was causing organizations to do the wrong things. Financial measures are lag indicators; they report on outcomes, the consequences of past actions. Exclusive reliance on financial indicators promoted short-term behaviour that sacrificed long-term value creation for short-term performance. The Balanced Scorecard approach retained measures of financial performance, the lagging indicators, but supplemented them with measures on the drivers, the lead indicators, of future financial performance ([Brown, 2000](#)).

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

The concept of the balanced scorecard (BSC) was first presented in the early 1990s. By 2000 some surveys indicated that a majority of firms in the United States, and Scandinavia used scorecards – or at least intended to do so soon. Others, like Bain's management tools survey,

indicated a slight drop in usage to 36 per cent, but with a high average satisfaction with the tool. The number of software packages for scorecard on the market was growing and exceeds 100 today. In only ten years, the idea of the balanced scorecard has certainly made its mark. ([Gadenne, 2000](#))

Even within the profit sector, financial statements cannot properly capture the kind of measurements that companies need today. High quality services, intellectual capital, skilled employees, prompt and reliable services, responsiveness efficient and adaptable business processes are all intangible assets which are important but their presence or absence does not show up on a balance sheet and does not alert employees, customers, shareholders and the community to the real worth of an company or enterprise. The Balanced scorecard emphasizes that financial and nonfinancial measures are all part of a system that gives information to every part of the organisation ([Brewer and Speh, 2000](#)).

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

2.2.1 The process of balanced scorecard

Traditionally, organizations measured their performance on short-term financial measures; however the balanced scorecard approach extends this to including measures of performance relating to customer, internal processes and learning and growth needs of their people This broader focus brings in a longer term, strategic dimension to the business, by not only looking at the short-term financial performance, but also how the organisation is going about delivering the

results, and checking on the overall “strategic health” of the organization ([Latshaw and Choi, 2002](#)).

By focusing on these non-financial dimensions, the organisation can assess its performance in building key capabilities, required in terms of its strategy to survive and prosper into the future. This is particularly relevant to companies seeking longer-term superior returns, embarking on new strategies or under competitive threat, where the lack of these organisational capabilities will threaten the organisation's longer-term sustainability ([Hagood and Friedman, 2002](#)).

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

The Balanced Scorecard approach extends into linking employee rewards to performance in all four areas, with suitable weightings applied reflecting the relative importance of each area. In some instances companies see the non-financial measures of such importance that a “threshold” level of performance is set for each of the non-financials. Only if an individual exceeds these threshold levels, can they qualify for performance related rewards linked to the financial performance results. This approach clearly indicates to employees the level of importance the organisation places on future capability building and strategic issues, while at the same time recognising shorter-term financial performance ([Gadenne, 2000](#)).

Each business unit in the organization develops its own balanced scorecard measures to reflect its goals and strategy. While some of these measures are likely to be common across all subsidiaries or units, other measures will be unique to each business unit. Judgment and

decision-making research suggests that decision makers faced with both common and unique measures may place more weight on common measures than unique measures. Therefore, managers evaluating multiple subordinated units (i.e. superior managers) may under use or even ignore the unique measures designed for each unit. Judgmental difficulties in using unique measures may be compounded when the manager who carries out a unit's performance evaluation does not actively participate in developing that unit's scorecard and, consequently, may not appreciate the significance of the unique measures. Under use of unique measures reduces the potential benefits of the balanced scorecard because the unique measures are important in capturing the unit's business strategy ([Appelbaum and Reichart, 1998](#); ([Kaplan and Norton, 2001a](#)).

2.2.2 Purpose of balanced score card

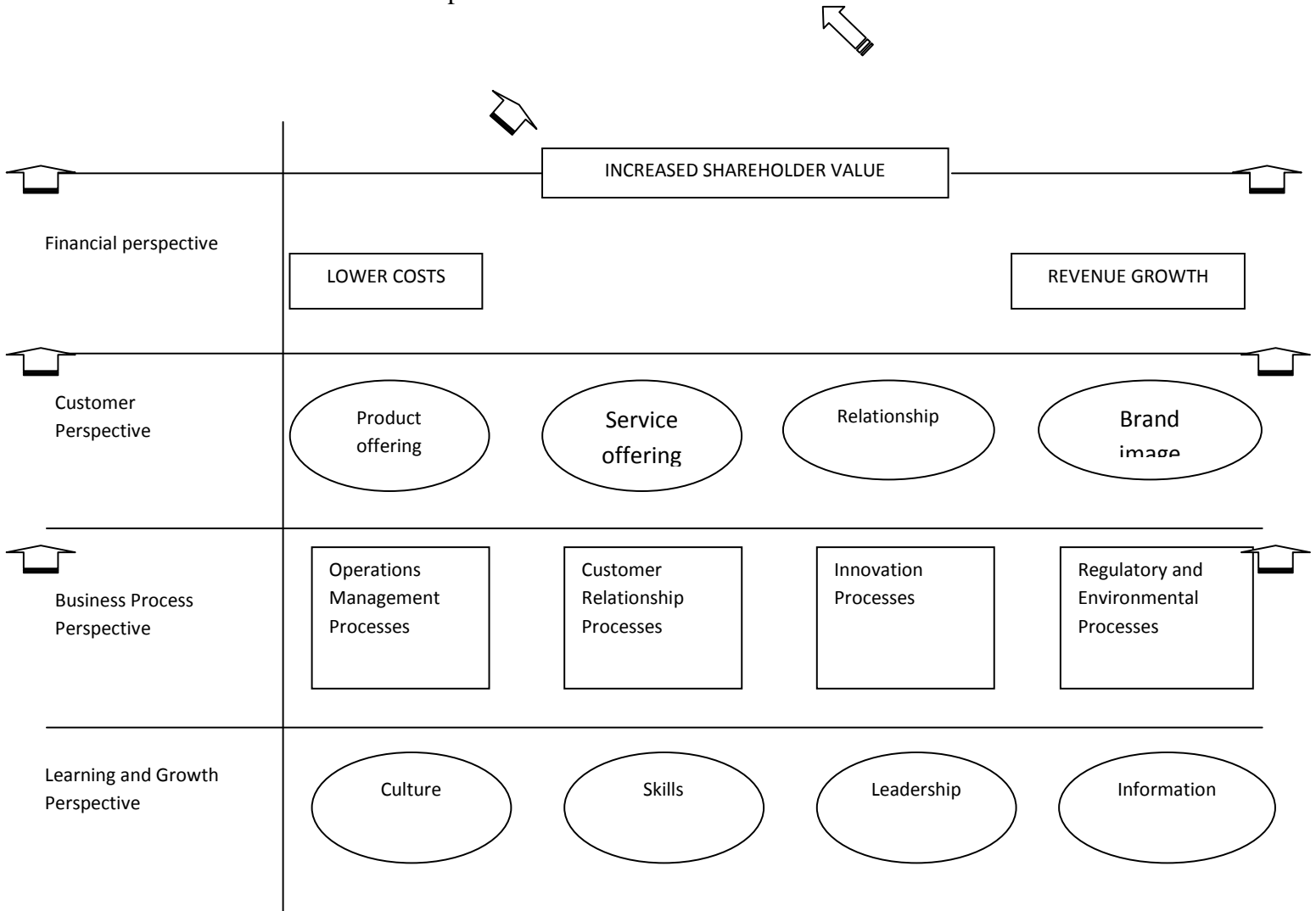
The purposes of the balanced scorecard are to guide, control and challenge an entire organization towards realizing a shared conception of the future. Within the perspectives the vision is expressed as a number of more specific objectives. Measures and targets are set and the organization then puts in place action plans to meet the set targets. Will strategic planning and the balanced scorecard bring our customers true happiness? ([Waal, 2003](#)).

The scorecard is balanced: the four perspectives aim for a complete description of what you need to know about the business. First, there is a time dimension going from bottom to top. Current profitability, etc. may largely be a consequence of what was done last quarter or last year; if new skills are added now it should have consequences for next year's efficiency and finance. The scorecard is also balanced in another way: it shows both internal and external aspects of the business. It is obvious that a "well-oiled machinery" of internal processes is important in any business, and may not always correlate with external perceptions. On the other hand, customers' views and the contacts that have been established in the market-place are obviously important too ([Arora, 2002](#)).

Finally, the scorecard is linked through cause-and-effect assumptions. Among its most important uses is to reflect on how strong these linkages are, what time delays they involve, and how

certain we can be about them in the face of external competition and change. The balanced scorecard contains a diverse set of performance measures, spanning financial performance, customer relations, internal business processes, and the organization's learning and growth activities ([Kaplan and Norton, 1992](#)). This large set of measures is designed to capture the firms' desired business strategy and to include drivers of performance in all areas importance to the firm ([Kaplan and Norton, 1993](#),). Use of the balanced scorecard should improve managerial decision making by aligning performance measures with the goals and strategies of the firm and the firm's business units ([Lipe and Salterio, 2000](#)).

FIGURE 1: Interrelationships within the balance scorecard model.



Source: R. Kaplan and D. Norton. The Balanced scorecard Translating Strategy into Action (Harvard Business School Press.1996) Chapter 4.

2.3 Relationship between Strategy and BSC implementation

[Lynch and Cross \(1995\)](#) identify three criteria that must be met by performance management systems if they are to effectively mediate between an organization's strategy and its day-to-day activities. These "necessary" conditions comprise: that the system must explicitly link operational targets to strategic goals; it must integrate financial and non-financial performance information; and the system should focus business activities on meeting customer requirements. It is asserted that the balanced scorecard model fundamentally meets all of these criteria by providing a "truly strategic control system" ([Mooraj et al., 1999](#), p. 486).

Successful strategy implementation, it is suggested, requires sound mechanisms for directing activity and behavior, especially including effective communication systems as well as appropriate strategic and management controls. The balanced scorecard's four perspectives as manifested in strategy maps provide "a level of granularity that improves clarity and focus" thereby creating clear direction and, potentially, through the development and publishing of the strategy map, facilitate understanding and coordination across the organization ([Goold 1991](#)).

The importance of enabling sound "two-way" communications within organizations is seen as fundamental to the effective implementation of strategy, with a particular emphasis on facilitating useful feedback and "bottom-up" messages. The process of creating an organizational balanced scorecard essentially commences with a full strategic appraisal and the clear articulation of the organization's strategic vision and objectives, this process can in itself build consensus and engender learning which can be of enormous value. Through this process of definition and communication of core values throughout an organization, moreover, the Balanced Scorecard provides an effective "boundary" control system ([Mooraj et al., 1999](#); [Alexander, 1985](#); [Atkinson and Brander Brown, 2001](#); [Neely et al., 2000](#)).

As the balanced scorecard approach makes explicit the "cause and effect" of a strategy, it also usefully converts strategic aims into tangible objectives and measures. This stage, moreover, if the scorecard is implemented participatively with measures identified and targets set cooperatively rather than imposed, actively supports organizational learning and reflection. This

encourages “interactive” control through the testing of “cause and effect” relationships. It also enables front line managers to have a “basis for selecting among the diverse opportunities they might face” and resisting the distraction of other activities ([Alexander, 1985](#); [Decoene and Bruggeman, 2006](#); [Bartlett and Goshal, 1996](#)).

The scorecard approach encourages the establishment of co-ordinated scorecards at every level of an organization which, when implemented properly, engage middle managers. Such a process not only necessitates considerable active communication involving everyone within an organization it also permits the useful integration of such scorecards with management and employee incentive programmes, potentially involving the development of individual/personal scorecards which can be positively utilized to align personal and organization goals and encourage “ownership”. Noble states that, “the degree of involvement across the organization appears to be a predictor of implementation success” the scorecard facilitates this involvement throughout the strategy implementation process ([Alexander, 1985](#); [Aaltonen and Ikåvalko, 2002](#); [Kaplan and Norton, 1996b](#); [Mooraj et al., 1999](#); [Huckstein and Duboff, 1999](#)).

Kaplan and Norton (1996) suggest that the balanced scorecard should be viewed as a template and not a strait-jacket. Such a standpoint potentially offers organizations a considerable degree of flexibility to address their unique circumstances while still “pulling” management and employees in the core strategic direction. It is argued by some that strict adherence to the scorecards four perspectives cannot be appropriate ([Kaplan and Norton, 1992](#); [Ahn, 2001](#)).

This adaptive capacity also assists the balanced scorecard to address [Goold and Quinn's \(1990\)](#) previously noted concerns regarding “matching” appropriate control mechanisms to different levels of environmental turbulence and an organisation's ability to identify and monitor its strategic objectives. In this regard, [Van Veen-Dirks and Wijn \(2002\)](#) further propose that, additional flexibility (which is needed in rapidly changing market environments) can be provided by augmenting the balanced scorecard approach with critical success factors (CSFs). The explicit incorporation of such factors not only keeps attention focused on an organisation's critical strategic objectives (it also avoids the potential danger of management information overload ([Geller, 1985a, b, c](#); [Kaplan and Norton, 1996a](#))). Sang (2007) confirms that during the

implementation of the BSC at UNDP, it was deemed important to add one more perspective of quality which was done.

Although there are some criticisms and “question marks” concerning the balanced scorecard approach, many of these seem to represent problems of practical application rather than fundamental flaws. There is evidence to show that organizations' approach to implementing a scorecard is maturing as the business community learns how to get the most out of this “important management tool” and that there is increasingly more guidance on establishing measures and implementing a scorecard) with appropriate implementation processes including top management commitment). Moreover, there is also evidence of the efficacy of the balanced scorecard framework for supporting strategy implementation by linking strategy to operations such that it is proposed that the balanced scorecard addresses many of the problems associated with strategy implementation ([Bourne et al., 2003](#); [Beer et al., 1990](#); [Kaplan and Norton, 2001, 2004a](#); [Kenny, 2003](#))

2.4 Implementation process of the Balanced Scorecard

BSC is a tool to communicate and control the implementation of strategy. When implementing BSC you can actually implement strategy at the same time. BSC can be implemented in many kinds of organizations and every organization has its own special features during the process. A generally applicable process model is difficult to present, and every organization has to find, select and build a suitable method and steps for its own use.

To select metrics for BSC requires a considerable amount of work. Building BSC and metrics selection cannot be delegated to one person. Neither is it enough that old metrics are classified according to new perspectives. However, benchmarking seems to be a useful tool. According to [Kaplan and Norton \(1996b\)](#), a typical project to start up BSC utilization requires four months. There should be one single process owner, but the company management needs to participate actively ([Laitinen, 1998](#), [Kaplan and Norton, 1996b](#); [Camp, 1994](#)).

Every project model has a lot of common features. They emphasize the importance of clear strategic objectives, cause and effect relationships between strategy and measures and management commitment to the implementation process. The process manager of the BSC implementation should have a clear understanding of the meaningfulness of the whole implementation process and its steps ([Kaplan and Norton, 1996b](#)).

A weakness of [Kaplan and Norton's \(1996b\)](#) model has been its origins in an American business culture and its usability for large companies, such as the selection of an appropriate organization unit. In addition, the model has been developed firstly as a follow-up and controlling mechanism – later it has been changed more to management system. The model has also been criticized in so far as it underestimates the role of the company's personnel. If the model does not consider the employees during the BSC implementation process, the employees' commitment to the process is slight. The model could also be too cumbersome to implement and it could be too management oriented. The two other models emphasize the significance of the cause and effect relationships and the number of measures. Both of these are critical success factors during the BCS implementation process ([Malmi et al., 2002](#)).

Olve's models seem to be more specific and practical than Kaplan and Norton's process model. Olve's model emphasizes several perspectives and overlooks the importance of strategy work and the link between strategy and measures ([Malmi et al., 2002](#)). [Toivanen \(2001\)](#) has developed his model more from the perspectives of Finnish companies. He has developed his own model by framing Kaplan and Norton's ideas. The model focuses on a specific decision to start a BSC implementation project, a fast implementation project and an accurate implementation plan.

Kiragu (2005) in a study of selected Kenya companies found that sixty nine per cent of the companies use financial and nonfinancial measures of performance in measuring organizational performance. Also evident was that although many Kenyan companies do not call their performance measurement “Balanced Scorecard”, their practices do model those of the BSC.

The Kenya Revenue Authority (KRA) has noted successful results with the BSC according to the report by the commissioner general released in February 2005. Some of the initiatives in the

KRA's BSC include improved revenue collection through enhanced quality service to stakeholders, modernization of the internal process and revitalization of the organization workforce.

2.5 Challenges of Implementation of the balanced scorecard as a strategic management tool

2.5.1 The idea of BSC implementation

There is notable relationship in strategy and BSC implementation. Majority of the organizations use balanced scorecard to overcome the challenges that occur during strategy implementation stage. Corboy and O'Corrbui (1999), identified the deadly sins of strategy implementation which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; unclear individual responsibilities in the change process; difficulties and obstacles not acknowledged, recognized or acted upon; and ignoring the day-to-day business imperatives.

Overall though, it is increasingly acknowledged that the traditionally recognized problems of inappropriate organizational structure and lack of top management backing are not the main inhibiting factors to effective strategy implementation (Aaltonen and Ikåvalko, 2002). Rather, the major challenges to be overcome appear to be more cultural and behavioral in nature, including the impact of poor communication and diminished feelings of ownership and commitment. The role of middle managers is recognized and it is argued that they are the "key actors" "who have a pivotal role in strategic communication". They are also viewed as threatened silent resisters whose role needs to change more towards that of "coach", building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes (Aaltonen and Ikåvalko, 2002; Bartlett and Goshal 1996).

In addition to the above, another inhibitor to successful strategy implementation that has received considerable amount of attention is the impact of an organization's existing management controls and particularly its budgeting systems. Budgets are increasingly viewed as being bureaucratic, protracted, and that they focus on cost minimization rather than value maximization. However, their importance cannot be downplayed as they represent the main integrative control mechanism

in many, if not most, business organizations (Langfield-Smith, 1997; Otley, 2001; Marginson, 2002; Brander Brown and Atkinson, 2001).

So far in this review of literature on strategy implementation there is evidence of some recurring themes, including communication and coordination which are essential to ensure that people across the organization know what to do and to ensure that they stay focused on the key targets under the everyday pressures. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives in order to fight the mentioned bottlenecks.

[Brunson and Olson \(1998\)](#) points out that Implementation of reforms often fails , partly because of the very idea of implementation. The concept of implementation suggests that there is one specific model that needs to be “sold” to people in the organization. The concept, therefore, does not allow for an open invitation to participate in a learning and development process where different voices are treated with the same respect. On the contrary, implementation means that the implementer knows what to do. It is just a matter of convincing others – those who are supposed to use the new model. Accordingly, the very idea of implementation conveys a message that pinpoints the BSC as a product of top-management mentality, not open to real participation. Trying to force the mentality of one group on that of another is a risky project. A dilemma is that, at the same time as a new model needs to be implemented, the very idea of implementation may serve as an insurmountable barrier.

2.5.2 Top-down goal-congruence process of the BSC and the individual's freedom and attraction

The BSC has many similarities to management by objectives (MBO), which was introduced back in the 1950s (Dinesh and Palmer, 1998; Johansen, 2001; [Drucker, 1954](#)). MBO suggest that focus on goal congruence and collaboration between different hierarchical levels in the organization was the best route to increased profitability. According to [Dinesh and Palmer \(1998\)](#), both MBO and BSC are based on the X and Y theories proposed by McGregor. Considering that theory Y (that humans like working) is more adequate than theory X (that

humans dislike working), productivity can best be increased by clarifying strategically aligned goals. The latter implies that if people who actually like to work know what is expected of them, they will contribute to the firm's productivity with happiness and joy.

However, the implementation process is much more complicated. The BSC is supposed to leverage productivity through improved learning. But the wellspring for individual learning and competence creation is a human spirit that is free, motivated and creative. They originate in individuals' experience of intelligibility, empowerment and meaningfulness. Intelligibility implies that the world is experienced as non-chaotic and explicable, while empowerment concerns the individual's experience of having resources to meet and handle events in the environment; meaningfulness is about the meaning of (working) life perceived by the individual. Intelligibility, empowerment and meaningfulness cannot be commanded or forced through a top-down process. The theory on MBO causes a managerial problem with respect to models like the BSC, which aspires to liberate the employee's creativity and productivity (Mouritsen and Johanson, 2005; Antonowsky, 1987).

However, using the BSC model creates a dilemma because, by necessity, the human as a happy and loving subject must be treated as an object to fit the model. [Andersen and Born \(2001\)](#) use the word “love” to characterize the exchange relationship between top management and employees. They suggest a new role for the manager in this exchange relationship: “The manager has to create possibilities of development of the employee, flexible conditions, and delegation. In return, it is expected that the employee exploits this new space of possibilities to show responsibility, flexibility, initiatives and creates results” ([Andersen and Born, 2001](#), p. 149). It is questionable if goal congruence and collaboration, initiated from the top, are sufficient conditions for attracting individuals to the firm, encouraging their competence, and boosting their productivity.

Mugo (2005) found that setting up of measures was the most challenging aspect in implementation of the Bsc at Flashcom ltd. Experience with the BSC reveals that though devising measures is not obvious, the main difficulty appears to be that of selecting the most adequate measures. Too strong a focus on measures instead of promoting understanding and

learning may alienate the individual employee as well. On the other hand, using the BSC as a tool without any measures is difficult to achieve.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

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

3.2 Research Methodology

This was a case study since the unit of analysis is one organisation. This was a case study aimed at getting detailed information regarding the process of balanced scorecard implementation and challenges the Insurance Company of East Africa has encountered. According to Yin (1989) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari (2004) noted that a case study involves a careful and complete observation of social units.

This is a method of in depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study is more reliable and up to date. Other methods of research such as survey method would not have been appropriate as they tend to generalize the phenomenon being studied and therefore do not provide the required in-depth investigation that was required in the situation that was being studied here.

3.3 Data Collection

Primary data was collected from the company staff by use of interview guides (Appendix 1) in order to establish the process and challenges of implementing the balanced scorecard as a strategic management tool at ICEA. Interview guides was designed and administered through interview and discussions to key informants will include 6 senior managers and 4 departmental

heads. The interview guide will comprise of open ended questions. Mugenda and Mugenda (1999) notes that such questions allow for a greater depth of response.

Secondary data sources were also used to provide additional information. This was obtained from already documented materials such as in-house publications, in-house training materials and periodic performance reviews.

3.4 Data Analysis

The completed interview guides were edited for completeness and consistency before processing the responses. Being a case study, content analysis was found to be most useful. Nachamias and Nachamias (1996) described it as a technique used to make inferences by systematically and objectively identifying specific characteristics and messages. This was the best method of analyzing the qualitative data that were collected from the interviews and discussions.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data findings of the study and their analysis there of. The data was gathered through interview guides and analysed using content analysis. According to the data found, all the 6 senior managers and 4 departmental heads projected in the previous chapter to be interviewed were interviewed which makes a response rate of 100%. The commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the head of department and senior managers despite their tight schedules and making phone calls to remind them of the interview.

4.2 Discussions of findings

The study, in an effort to establish the interviewees' department with matters regarding ICEA asked questions on the department the interviewees were working in the organization (ICEA Ltd). According to the interviewees' response, they were from various departments which included; Operations, General claims, Valuation, Personal line, Underwriting, Group servicing, Business development and Ordinary life, human resource, accounts departments. All this fell under ICEA's three divisions namely General Business, Life and Pensions and Finance and administration. To the question on the interviewee designation, the interviewee were of various designation which included; Managers, Assistant manager and departmental heads.

In an effort to establish the interviewees' competence and conversance with matters regarding ICEA, the study asked questions on the years that the interviewees had worked for the organization (ICEA). According to the interviewees' response, all of them had worked for the organization for at least seven years as most promotions are internal, within the organization. The interviewees' responses hence had the advantage of good command and responsibility being that they head of departments and experience and aptitude owing to their years of experience in the organization. To the question on the number of employees in the interviewees department, According to the interviewees' response, the number of employee in the department ranged from four (4) to forty (40) employees.

To the question on what the interviewees company's mission, the interviewees said that ICEA Ltd's mission is to build and preserve exceptional capacity to deliver superior value in the quality of products, services and return on investment and maintaining standard worth of their proud business traditions. According interviewees, understanding, because of such mission ICEA Ltd strive to remain among the leading insurance company in Kenya by having a strong focus being placed on quality of service to its customers and continuing to implement best practices based on the Kenyan market conditions. The interviewees further said that ICEA had strategies, which covers a period of three years.

To the question on whether the interviewees company had used balanced scorecard as strategic management tool, all the interviews said that ICEA ltd used balanced score card as strategic management tool. The interviewee was further requested to indicate who was involved in the implementation of balance score card, there were various responses which included; senior managers, all employees, entire management, human resource managers, section heads, line managers and management at all levels.

4.3 Balanced scorecard implementation process

To the question on which approach was used to implement the insurance scorecard at ICEA, the respondents said that the approaches were; end of year appraisal, training and discussion, involving all the staff, reviewing to make necessary changes, through sectional heads who monitor progress and communicating it to the top management, timelines, company guidelines and consultation between staff and management. The interviewees was further requested to indicated whether the external consultants were used in the implementation of balanced scorecard at ICEA, According to the interviewees, external consultants were used in the implementation of balance scorecard at ICEA.

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

implementation by external consultants ,implementation of the scorecard ,evaluation of the card and the reviewing of the scorecard by external consultant .

The interviewees, on the requirement of for successful implementation of balanced scorecard at ICEA, said that the requirement were; commitment of the staff, communication to all staff, should be understood before iumplimentation,sensitization of member staffs, training by consultants, involvement of all staff members, ownership of balance scorecard by members, incorporation of company strategies and the balanced scorecard should be ,measurable,realistic,time bound and should be agreed upon by all members. To the question whether strategy was implemented at the same time with balanced scorecard at ICEA, the data findings showed that the strategy of the company had been implemented before the formulation and implementation of balanced scorecard at ICEA, this clearly shows that company strategy give rise to the balanced scorecard.

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

4.4Challenges of implementing balanced scorecard

The study, in an effort to establish whether strategy implementation was a challenge before adoption of BSC, asked the interviewees whether strategy implementation was a challenge before balanced score card was. According to the interviewees' response, strategy implementation was a challenge before the adoption of balance score card.

To the question on what were the challenges posed by top to down congruence of goals, the interviewees said these challenges were; lack of ownership by lower class staff, staff may not be

aware of the goal, mission, vision, strategy and how they are related to them, understating of what BSC entail by the staff, lack of alignment with staff goals, poor communication and that top management make unrealistic decision about BSC which they expect lower management to adopt. It was also clear from the study that the BSC implementation also inhibits individual freedom by making staff concentrate on the laid down guidelines and it restricts responsibility to what it is stated in BSC. To the question on whether the interviewees encountered cultural or behavioral barriers in the implementation of BSC, from the response of the interviewees, they all agreed they encountered cultural or behavioral barriers in the implementation of BSC. This clearly shows that cultural and behavioral changes were challenge to the implementation of BSC.

It was also revealed by the study that most of the interviewees felt it was a challenges because, people fear change and they always believe in doing what they have been used to, every member of staff should be involved in the implementation process and not sabotage, resistance to change from norms, preference to old performance measurement tools, training and user acceptance wasn't enough, different opinion based on backgrounds and timeframe on performance of task were not strict. It was also established by the study that interviewees had to, entrench individual accountability, the company held trainings sessions, team building, incentives were provided and understanding BSC in the light of the company vision and mission in order to counter cultural and behavioral barriers.

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

The interviewees, on what is the role of middle level management in solving challenges faced in BSC implementation, The interviewees said that the role of middle level management in implementation of BSC were; facilitating the accomplishment of BSC goals ,elaborating and expounding key areas of BSC to the staff, supervising the implementation process, making BSC

implementation acceptable by inviting contribution ,providing cralificatuion,trouble shooting, drawing of BSC implementation process, assessing achievement of lower level employees, enlightening staff on the importance of BSC in helping fulfill company sytrategies,coordination between top management and low level management and acting as source of information.

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

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

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of study, conclusion and recommendations as well as limitations of the study and suggestions for further study.

5.2 Summary

On what the ICEA insurance mission was all about, the study found that, ICEA insurance mission is to build and preserve exceptional capacity to deliver superior value in the quality of products, services and return on investment and maintaining standard worth of their proud business traditions. The study also revealed that because of such mission ICEA insurance strive to remain among the leading insurance company in Kenya by having a strong focus being placed on quality of service to its customers and continuing to implement best practices based on the Kenyan market conditions. The study also revealed that ICEA insurance had strategies, which covered a period of three years.

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

From the finding the study reveals that the key stages used in the implementation of balance scorecard at ICEA were; overview by external consultant to the senior management, consultancy advice to key staff in every department, formulation of the scorecard by staff in consultation with

supervisors ,training of lower and middle management for implementation by external consultants ,implementation of the scorecard ,evaluation of the card and the reviewing of the scorecard by external consultant .

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

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

From the finding of the study, it was established that strategy implementation was a challenge before the adoption of balance score card. The finding of the study further established the challenges posed by top to down congruence of goals were; lack of ownership by lower class staff, staff may not be aware of the goal, mission, vision, strategy and how they are related to them, understating of what BSC entail by the staff, lack of alignment with staff goals, poor communication and that top management make unrealistic decision about BSC which they expect lower management to adopt. It was also established by the study that the BSC implementation also inhibits individual freedom by making staff concentrate on the laid down guidelines and it restricts responsibility to what it is stated in BSC. On whether the staff

encountered cultural or behavioral barriers in the implementation of BSC, the findings showed that they encountered cultural or behavioral barriers in the implementation of BSC. This clearly shows that cultural and behavioral changes were challenge to the implementation of BSC.

The finding of the study revealed that most of the staff felt cultural and behavioral barriers were challenges because, people fear change and they always believe in doing what they have been used to, every member of staff should be involved in the implementation process and not sabotage, resistance to change from norms, preference to old performance measurement tools, training and user acceptance wasn't enough, different opinion based on backgrounds and timeframe on performance of task were not strict. It was also revealed by the study that interviewees had to, entrench individual accountability, the company held trainings sessions, team building, incentives were provided and understanding BSC in the light of the company vision and mission in order to counter cultural and behavioral barriers.

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

On what is the role of middle level management in solving challenges faced in BSC implementation, The finding of the study established that the role of middle level management in implementation of BSC were; facilitating the accomplishment of BSC goals ,elaborating and expounding key areas of BSC to the staff, supervising the implementation process, making BSC implementation acceptable by inviting contribution ,providing cralificatuion,trouble shooting, drawing of BSC implementation process, assessing achievement of lower level employees, enlightening staff on the importance of BSC in helping fulfill company sytrategies,coordination between top management and low level management and acting as source of information.

The data finding of the study further established that the strategies management used in order to overcome the BSC implementation challenges included; awarding bonuses, offering performance

pegged rewards, close monitoring through reviews, staff involvement in crafting some of the targets, job rotation and training, bottom upward development of BSC, provision of proper information, provision of guides to solve these challenges, guidance by human resource managers and team building.

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

5.3 Conclusions

From the study, the researcher concluded that ICEA insurance had used balanced scorecard as strategic management tool, which was implemented by senior managers, all employees, entire management, human resource managers, section heads, line managers and management at all levels, the researcher also concludes that, end of year appraisal, training and discussion, involving all the staff, reviewing to make necessary changes, through sectional heads who monitor progress and communicating it to the top management, timelines, company guidelines and consultation between staff and management, were the approaches used to implement BSC.

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

The researcher further concludes that the challenges encountered in the implementation of balanced scorecard are strategy implementation before the adoption of balance score card, challenges posed by top to down congruence of goals which includes; lack of ownership by

lower class staff, staff may not be aware of the goal, understating of what BSC entail by the staff, lack of alignment with staff goals, poor communication and that top management make unrealistic decision about BSC which they expect lower management to adopt and inhibition of individual freedom, cultural and behavioral barriers, limited resources for training, lack of information, lack of measurement for some objectives, overlap of responsibility, preference to older measurement, organization structure, lack of commitment by staff ,mistrust between staff and management, presence of many measures and relying on other section due to interdependence.

5.4 Recommendations

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

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

5.5 Limitations of the study

This was a case study on implementation of balanced scorecard at ICEA.It therefore cannot be generalized as organizations are unique from each other. This study could therefore not be

generalized across the insurance industry. The study only focused on senior managers and departmental heads, therefore lower level employees were not interviewed therefore it was not possible to get as many views as possible.

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

5.6 Suggestions for further study

The study was looking at BSC implementation at ICEA. Previous studies have been done on adoption of BSC by companies in other industries. This study recommends a survey to establish BSC implementation in the insurance industry as a whole. Also important will be case studies in different insurance companies.

The learning's and experiences from such a survey of the whole insurance industry should be used by organizations intending to implement the BSC. Also useful will be a study on integration of BSC in the performance management process in depth and across the insurance industry.

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APPENDICES

Appendix 1: Introduction Letter

The Human Resource Manager,
Insurance company Of East Africa,
P.O Box 46143,
Nairobi.

MBA RESEARCH PROJECT

I am a student at Nairobi University pursuing a Masters of Business Administration program.

Pursuant to the pre-requisite course work, I would like to conduct a research project to assess the Implementation of the Balanced Scorecard as a strategic management tool at insurance company of East Africa. The focus of my research will be ICEA (K) and this will involve interview with members of the senior management team.

I kindly seek your authority top conduct the research at ICEA through research interviews and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Esther Waruiru

Appendix II: Interview guide.

Research Objective: To evaluate the BSC implementation in ICEA, challenges facing the process and how the organization is coping.

Part A: Background Information

1. Name of department:
2. What is your designation?
3. What is your total work experience in years?
4. What is the total number of employees in your department?.....
5. a what is the mission of your organization?
5. b Does ICEA have a strategy?
5. c What period does the current strategy cover?
6. Does your Company use the balanced scorecard as a strategic management tool?

Part B: Balanced scorecard (BSC) implementation process

1. Who is involved in the implementation of the BSC at your company?
2. a. What approach was used to implement BSC in ICEA?
2. b. Were there external consultants used?
3. What are the key stages that were used in implementation of the balanced scorecard in ICEA?
4. What are the stages of BSC implementation process at your company?
5. What are the requirements for successful implementation of the balanced scorecard?

6. a. Did ICEA implement strategy and balanced scorecard at the same time?
6. b. If not which one came prior to the other?
7. What are the key factors that led to implementation of the balanced scorecard as a tool for strategic management?
8. Does ICEA use the insurance scorecard software in implementation of the balanced scorecard?

Part c: Challenges of implementing the balanced scorecard

- 1 What are the main challenges faced in the implementation of the balanced scorecard at ICEA
2. What are some of the challenges posed by top down goal congruence?
3. Does Bsc implementation inhibit individual freedom and in what ways?
- 4a. Did you encounter culture /behavioral barriers?
- 4b. Why do you think it was a challenge?
- 4c. what did you do to cope with it?
- 6 What is the role of middle level managers in solving the challenges faced in BSC implementation?
7. What strategies does the management use in order to overcome the BSC implementation challenges in your company?
9. What are the possible solutions to the major implementation challenges facing your company?

Thank You.

