BALANCED SCORECARD AS A TOOL OF STRATEGY IMPLEMENTATION AT KENYA COMMERCIAL BANK KENYA LTD

By

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A Research Project Submitted in Partial Fulfilment of the Requirement for the Award of the Degree of Master of Business Administration, School of Business, University of Nairobi

OCTOBER 2020

DECLARATION

Student's Declaration

The research project is my original work and has not been submitted for a degree in this in this or any other university.

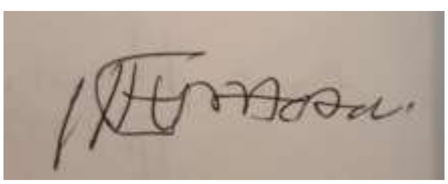
26TH OCTOBER 2020

Signed... Date ....

Kipkoech Alfred

Supervisors' Declaration

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



2nd DECEMBER 2020

Signed.. Date ....

Prof. Evans AOSA

DEDICATION

To my parents Muruka Chepsiror and Hellen Jepsiror. To my spouse Viola and daughter Alicia. Your support and encouragement all the way to completion of this project was paramount.

ACKNOWLEDGEMENTS

I thank the Almighty God for good health, strength, wisdom and the opportunity of doing this Project. I also thank my supervisor Professor Evans Aosa who supervised this project to the end. I sincerely thank my family who gave me the support that I needed in doing my postgraduate studies. May the almighty God continue to grant his favour upon you and bless you abundantly. To my colleagues at Kenya Commercial bank, I will always be grateful for your support during my studies. Thanks too to my fellow classmates at the school of business whom we shared a lot of academic knowledge. To my colleagues at Kenya Commercial bank, I will always be grateful for your support during my studies. Thanks too to my fellow classmates at the school of business whom we shared a lot of academic knowledge.

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ABSTRACT

Many organizations formulate good strategies but fail to implement them successfully, Lynch (2000). Some reasons given for this predicament include failure to link the strategy to the vision and mission of the organization, lack of dedicated top leadership, lack of resources, objectives that are not linked to departments or individuals doing them. The balanced scorecard is a performance management tool developed by Kaplan and Norton in 1992 to assist organizations to implement strategy. It has four distinct perspectives which are crucial in the 360-degree view of the strategy. The four perspectives include financial perspective, which focuses on profitability and financial growth of the organization. Secondly is the customer perspective which focuses on the customer satisfaction, retention and growth of customer base numbers. Thirdly is the internal processes which focuses on efficiency and effectiveness of the internal systems with the aim of process reengineering. Lastly the learning and growth perspective which focuses on the continuous improvement and the sharing of knowledge in organizations. The objective of the study was to establish how Kenya Commercial Bank Limited uses the balance scorecard to implement strategy. The study found that it uses the balanced score card with all the perspectives carrying weighting depending on where and what the staff is doing. The corporate strategy is communicated to staff and this informs the decisions on the development of the personalized balance scorecards. Staff is given targets at the beginning of the year which is reviewed on quarterly and yearly basis. There is need to involve all staff in the development of the balanced scorecard.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

All organizations without exception have one goal; to succeed in whatever they do by utilizing the available resources optimally. Organizations have human capital, assets, customers, stakeholders all of whom must be coordinated properly to achieve the desired objectives. Thompson and Strickland (2012) see that accomplished technique execution relies upon the capacities and aptitudes of working through others, sorting out, and spurring. By understanding the concept of strategy, and its implementation process and the tools that can help in the implementation process is key to organizations success.

Strategy is a game plan, Mintzberg, (1991) that the organization management use to achieve the short- and long-term goals. Strategy is a process where it starts with formulation of vision and mission of the organization. The vision answers the question where the organization wants to go while mission describes what the organization does to reach where it endeavors to go. Strategy implementation process requires everyone's involvement in the organization.

The Banking industry or the financial business has grown exponential in terms of stores, resources, productivity (Mecha, Ogutu & Ondieki, 2015). Over the previous decade, banks have presented a scope of new administrations and developments, with players demonstrating want to grasp innovation driven extension procedures (Lilly & Juma, 2014).

Strategic implementation is hardest aspect in strategic management. It requires everyone's commitment in the organization Thomson & Strickland, (1993). Banks have increasingly gone an extra mile to manage, innovate and motivate its employees and through continuous improvement plans to increase upper hand in the market, Mwende, (2015). The Balance score card has been a tool that helps in strategy implementation in modern times (Norton, 1996).

A Balanced score card is a management tool that helps to align organizational goals to the mission and vision and provides a day to day check on how far or close the organization is from attaining its goals. The BSC has been used since Kaplan and Norton introduced it in the 1990s to assist management in measuring performance and to incorporate the non-financial issues that the organization was not focusing on; and which are very important. The BSC has been widely accepted and applied since unlike the previous tools of accounting were only measuring financial performance but the BSC goes further to measure important non-financial aspects. Helps the firm to adapt to changes in order to survive (David Wiraeus, 2019).

The theories that will be used in the study include The Resource Based view and the Stakeholder theories. Organizations gain a competitive advantage from its internal strengths attained from possessing unique assets or resources that need to be managed well to attain the vision and mission. Every organization has key stakeholders. These are those who are affected directly or indirectly by the actions of the organization. They include employees.

1.1.1 Concept of Strategy

These times we are living in are turbulent, unpredictable times and constant disruption is the new status quo (J Creelman, 2019). Ideas and information travel around the globe at the speed of light and change happens at a touch of a button. Strategy originated from the army (Mintzberg 1991). It literally means deployment of forces to war. Mintzberg and his collaborators describe a strategy as having a pattern, plan, position, perspective and ploy. A plan implies a future action that leads to a specified result. A pattern is a repeated action of events that guarantee a result. A company can have several patterns which entails quality, advertisement, production and marketing. Positioning entails placing goods or services in certain market segments. Proper positioning helps to meet the target customers. The perspective is mostly abstract way but implies the viewpoint of the organization to its future goals. The ploy is a deliberate action to defeat the competitors.

This research builds on the works of the Harvard business school professors Robert Kaplan and Dr. David Norton on how organizations have implemented their strategies using the Balanced score card, with main focus on how KCB has used the BSC to implement strategy. The levels of strategy include corporate and business. While corporate deal with the overall scope, business levels deals with how the organization competes in the market. Corporate strategy is concerned with the whole organization while the business level is concerned with decisions, Johnson & Scholes (1999). Pearce and Robinson (2015) strategy reflects a large scale and future oriented framework for interaction with the environment for the purpose of achieving the objectives. This framework shows how to deploy resources and managerial decisions. Strategy should show how, where and when to compete, and with whom to compete, for which purpose. The strategy should aim at fulfilling the needs of the stakeholders of the organization and the immediate environment that the organization operates from.

1.1.2 Strategy Implementation

A formulated strategy is a mere paper that does not benefit anyone unless implemented. Immediately after formulation, the management should allocate resources, and the goodwill to implement the strategy. Strategy implementation is important as it aligns the organization structures systems and processes with the strategy at hand (Bryars et all, 1996). Implementation of strategy is quite challenging to the organization and the managers handling it.

The strategy execution process is important and starts with Development of the strategy through benchmarking with best practices, followed by strategy translation through themes targets and strategy maps, the organization is aligned through capacity building. Operations are then planned and rolled out but clearly monitored for purposes of learning. Measures of performance and profitability leads to last stage of adapting and testing. (J Creelman, 2019) Commitment is important in strategy implementation (Thomson & Strickland, 1993).

The challenges to effective implementation may include lack of a proper framework of implementations; which are the tools to use, non commitment from top leadership, lack of goodwill and inadequate resources. Among the factors that determine success of implementation include primary organization structure, organization leadership, culture and the human resource involved in the implementation (Pearce & Robinson, 1991). Strategy is implemented by creating a motivational environment, performance should be linked directly to rewards and a strong culture of incentives. When incentives and fair and equitable, those involved are motivated and hence make the implementation process a simpler process.

More than twenty years since Mintzberg work over 80% of strategies fail due to how they were designed and managed regardless of how well they were formulated (D Wiraeus & J Creelman, 2016). There is need for an efficient and effective way of strategy implementation.

1.1.3 The Balanced Score Card

Introduced by Kaplan and Norton in 1992 for measuring company's performance and to give the management a comprehensive view of the total outlook of the organizational performance (Kaplan & Norton 1992). They noted that financial systems only focus on telling a past event story which was no longer adequate in the modern times. The financial records must not only show the past but also have a link to the future goals and aspirations of the organizations as well as fulfill the needs of all stakeholders of the organization.

It has four Key performance Indicators or KPIs or perspectives- financial, customer, Learning and growth, and internal process perspective. It helps to measure how far the organization is from achieving its objectives and helps the stakeholders to put managers in check. The BSC therefore communicates, aligns day to day duties of every employee with the strategy, prioritize projects and services, measures and monitor progress and offer controls in terms of performance improvements plans. BSC enables the organization look ahead and not back (Dylan, 2002).

The BSC being a performance management system helps the organization to clarify the vision and mission and action (Kaplan & Norton, 1996). The result of use of the BSC is a well-coordinated feedback on progress, continuous improvement and remedy actions needed to realign the actions to the vision. Organizations need to align the individual's purpose with the organizations mission through engagement (D Wiraeus & J Creelman). Thomson & Strickland (1998) point out that for an organization to succeed, it must align its learning and education to its core values, and this is where the BSC can be used to address.

1.1.4 The Banking Industry in Kenya

The banking industry is regulated by the central bank of Kenya headed by the Governor of the CBK which formulates and implement policies, ensuring stability of the shilling, liquidity and solvency. The industry has 52 institutions, 43 are banks, one mortgage institution, eight deposit taking microfine banks and forex bureaus. 12 of these banks are listed on the NSE. The sector is dominated by foreign owned banks like Absa bank and Standard Chartered. Local pan African banks include KCB Bank and Equity among others. There are more than 1000 bank branches, 2000 ATMS, 50,000 bank agents, and each customer can now access their banking services on mobile phones and internet banking. The banking sector has an asset base of USD 30B (Central Bank of Kenya, 2018).

The sector main activities include loans to persons, institutions, companies and the Government. They also take deposits in form of savings from its customers. The sector drives the economy, it has been one of the highest taxpayers, employing many Kenyan people, and providing charitable services to its customers. Kenya commercial Bank is the largest bank by assts while Equity bank leads with customer numbers. The banking industry is a profitable venture as more than 90% of the banks declare billions in profits every fiscal year. The current trends on the sector include financial inclusion, digital banking, agent banking, mobile lending and more regulations from CBK.

There are challenges facing the banking industry. These include bad loans, disruptive technologies, inflation and competition from the Telecommunications sector, terrorism, money laundering and frauds. Others include new rules after 2010 constitution which requires a bank to have at least 1B deposit to be allowed to carry out banking. The 2016 interest capping has affected profit margins, and this has challenged the banks to renovate and maximize what they have. This has led to massive job losses and reliance on the mobile technology to cut costs and increase on the efficiency. There has been expansion to east African region in the recent years, where Kenyan banks want to increase the size of the cake, and take advantage of the booming and stable economy, as well as to combat challenges of an ever-decreasing margin caused by constant regulation by the regulator done in favor of the customers. This has made banks to constantly innovate in order to remain relevant and make profits.

1.1.5 Kenya Commercial Bank Limited

Kenya Commercial Bank Kenya Limited is a public listed company. It has operated in Kenya for more than 120 years and currently with 204 branches. It has expanded to Tanzania, Uganda, Rwanda, Burundi and South Sudan. The last two decades has witnessed several changes including technological disruptions, huge losses and huge profit alike, reengineering and uptake of technology. The vision of the company is -To be the preferred financial solutions provider in Africa with global reach while the mission is - To drive efficiency whilst growing market share in order to be preferred financial solutions provider in Africa with global reach, (KCB Group PLC, 2019).

The history of KCB Bank Limited starts in 1896 when National Bank of India started its operation in Zanzibar. There were more Indian Engineers building the Kenya Uganda Railway. By 1904, the rail had reached Nairobi, and a branch made of iron sheets was constructed around the current Gikomba market. It served as the Headquarters of the Kenya Uganda railway. In 1957 there was a union between the National Bank of India and The Grindlays Bank to forming the National Grindlays Bank. The bank was a major player in the economic growth during and after independence. The 1970s, saw the government of Kenya buying majority shareholding and changed its name to Kenya Commercial Bank. The 80s saw the bank raise an IPO that enabled more shareholding. The 90s saw start of expansion to East African region starting with Tanzania in 1997, South Sudan in 2006, Uganda in 2007, Rwanda in 2008, Burundi in 2012, and 2015 Ethiopia. Kenya commercial bank created a non-operating company KCB GROUP PLC to oversee activities in its subsidiaries. It administered Imperial Bank and Chase Bank when they were put under receivership in October 2015. It acquired National Bank of Kenya in 2019.

All branches are linked to the head office through a secure internet network. There is real time sharing of customer information within the bank's platforms. The biggest branch in the region is Moi Avenue, that occupies Kencom building. The current achievements of the bank include launch of KCB M PESA, a platform where M PESA customers can borrow loans without necessarily visiting the bank or opening a bank account. The bank currently embraces the sustainability goals and cares for its stakeholders and the environment. The bank has more than 6000 employees.

1.2 Research Problem

Most organizations begin major new strategic initiatives but more often fail or have little impact (Lynch, 2000). This is majorly due to strategy implementation being the most challenging part of strategic management. Organizations operate in an environment with political, social, economic and legal regulations. A good strategy on paper must translate into work and produce the desired results, (Thomson & Strickland, 1993). Most organizations adopt measures from other competitors, and which may not be ideal, or are too difficult to understand by the employees, or may lack enough resources and dedication required to implement. It is not common to note that all companies in Kenya today develop good strategic plans which only lie in offices. This can be explained by lack of enough tools that can aid in strategy implementation process among other shortcomings.

The banking industry in Kenya is a well-established and regulated industry. At least every year the CBK introduces new rules and regulations to curb terrorism financing and anti-money laundering, or interest rate capping. To an observer or an investor, all these rules are meant to guard citizens from exploitation, and terrorism and two reduce the profit margin for banks. There is need therefore for and effective utilization of the available resources and implementation of plans by those in the industry.

There is evidence of research done on the topic of use of BSC to implement strategy in Kenya. There is a research of the implementation of the balance scorecard as a continuous improvement tool at KRA (Murimi, 2008), Use of the balanced score card in strategy development and implementation at Safaricom Limited (Karimi, 2010), Application of the balance score card in performance management among commercial banks in Kenya, (Wangeci, 2008), study on the application of the balance score card at Barclays Bank of Kenya, (Dsouza, 2007). There is need however on more research to be done on this topic as more changes in the operating environment, organization realignment, and financial digital inclusion have been witnessed in the last few years. The research will try to establish how KCB uses the BSC to implement its strategy.

Many organizations formulate good strategies but fail to implement them due to many barriers. A good strategy on paper must produce desired results after effective implementation. The banking industry in Kenya is a well-regulated sector that formulate their strategies and implements them through their management systems. KCB formulates good strategies and implements them through its leadership and management systems.

Some research work has been done on how the use of BSC to implement strategy in this sector but there is need for more research to address the new developmental changes in operating environment and digital migration. The BSC can help to implement strategy. How does KCB use the BSC in strategy implementation?

1.3 Research Objective

The objective of the study is to establish how Kenya commercial bank uses the balanced Score Card as a tool in strategy Implementation.

1.4 Value of the Study

This research study objective was to establish the use of the balance score card in KCB Bank Ltd in strategy implementation. There is little research done on the use of BSC at Kenya Commercial Bank Limited. This project will add into the body research and body of knowledge that has been done in this field of study. This study will help other commercial banks in implementation of their strategies if they choose to use The Balance Score Card.

Managers will find this study relevant as a guide in performance management and measurement of achievements with respect to targets set for employees and organization, and also a benchmark for other industries which would like to use the balance score card in strategy implementation.

Organizations with difficulties in implementations of strategies can find this study relevant. Many other organizations who have not tried using the BSC as a tool of implementing strategy will find this research useful. It can be used as a benchmark by those organizations facing difficulties in BSC usage or are stuck not knowing what to do or how to do.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter highlights the theoretical foundations of the research study. The Resource Based Theory was used to explain and predict the study. Stakeholder theory has also been used to show the importance of proper management of internal resources with the aim of satisfying all the stakeholders of the organization. This chapter will also deal with the challenges that arise from strategy implementation and the use of the balance scorecard in organizations to implement strategic plans and finally empirical studies.

2.2 Theoretical Foundation

The theories that the researcher used to guide the research are Resource Based View and the Stakeholder Theory. Both explain how internal capabilities and prudent use of resources by implementing a good strategy to achieve the organization goals and satisfy stakeholders. For this reason, the research dwelt on the Balance score card as a tool to implement strategy at Kenya Commercial Bank Limited.

2.2.1 Resource Based View Theory

Strategy of a firm is a function of the complement resources held (Birger Wernefelt, 1984). When the resources owned by the organization are utilized to develop unique competitiveness, the organization may easily gain a competitive advantage. The Resources Based Theory depends on the possibility that the compelling and productive utilization of every single asset that the organization can accumulate decides its aggressive advantage

(Anne Marie Dixon, 2011). The RBV Theory explains a scenario where there is a prerequisite fit of the surrounding of the organization with its internal strengths or capabilities. The competitive advantage can be sustainable due to the fact that competition may lack substitution or imitation. Organizations with particular abilities have traits which others can't duplicate, even after they understand the advantage they offer to the organization which initially has them (John Kay, 2007). The asset based perspective on the firm is a hypothesis that portrays the association as a heap of assets which are assembled to encourage the conveyance of authoritative destinations (Barney, 2011). These assets can be unmistakable or elusive.

The substantial assets may include or incorporate accounts, structures, and machines among others. The non-substantial assets incorporate protected innovation, frameworks, and workers of the association. As per RBV, supportable upper hand is attained through assets that are matchless, not substitutable, implicit in nature, and synergistic (Barney, 2011). In this way, directors should most likely distinguish the distinct advantages and drivers of execution and incentive in their associations. An organization with better resources is better positioned than its competitors. These resources are inputs that organizations transform to outputs. RBV must possess unique characteristics which include competitive superiority, appropriability, substitutivity and durability.

2.2.2 Stakeholders' Theory of Strategic Management

Stakeholders are any individual or group that affects or can be affected by the achievement of the company objectives (Freeman, 1984). Stakeholders are classified into internal or external with respect to the organization. Internal stakeholders include workers and those who own of the firm. External stakeholders include suppliers, government, shareholders, creditors and customers. Managers are classified as referees between investors and employees and ensure success of the firm (Aoki,1984) The company success lies on satisfaction of all the stakeholders and not only the shareholders' value in terms of profit.

The theory predicts that a healthy organization is one that ensures that everyone is engaged fully in productive work and that an organization should ensure to satisfy all stakeholders. Ensuring that everyone who is a stakeholder is satisfied however requires a lot of work. The strategy of the organization should be implemented carefully with stakeholders in mind. A clear framework should be put in place. A balance score card that focuses on financial, customers, internal processes, learning and growth is the best framework that guarantees everyone's involvement and satisfaction. It acts as a communication tool that tells the stakeholders the current and future position of the company and holds the management accountable for their actions

2.3 Strategic Management Process

Strategy can be defined as the direction and scope of an organization over the long term (Johnson & Scholes, 2001). Strategic management is a process that starts with strategy formulation, implementation and control. It takes the top management to formulate strategy. However, it is everyone's job to implement strategy. The top management influence and provide motivation, plus resource mobilization to ensure success in strategic management. Strategy is the plan and action to be taken that starts with mission and vision.

Strategy is formulated by the top leaders at corporate level, it is broken down at business level to operatives, then implemented by managers at functional level. Communication is important throughout the strategy process. The mission and vision of the organization must and should be known and understood by all members of the organization. Strategic management process begins with proper internal and external analysis, followed by formulation and lastly implementation and control. Internal analysis can be done through SWOT, PESTEL or Porters Five forces (Pearson & Robinson 2000). The main purpose of strategy is for the achievement of the objectives of the organization. There are three generic strategies as postulated by Porter which are Focus, differentiation and cost. To effectively implement strategies, first they are broken down to operational objectives which can be taken up and put to action. A good strategy requires implementation to achieve the desired goals (Mintzberg 1991).

2.4 Implementation of Strategy in Organizations

The most difficult and challenging phase. Without proper tools and management support, this phase is likely to fail. Implementation determines whether strategy is either successful or not. Strategic management is an ongoing process that evaluates and controls the business and industries in which the company is involved; assesses its competitors and set goals and strategies to meet all existing and potential competitors (Lamb, 1984). Many organizations formulate good strategies but fail to implement them due to various challenges which may include lack of commitment or resources. Implementation is the second and hardest part of strategic management process. This is where the mission and vision are put to action to secure the success of the objectives. Requires top management full involvement, motivation and the power of influence. This phase starts with a clear plan with key performance indicators, who to perform which roles and the targets. It also specifies reporting structure and the link between performance and strategy. It is a difficult process because without a clear framework, strategy implementation may easily flop. An organization must therefore develop an excellent framework to aid in the implementation process.

There are four main barriers to effective implementation of strategy (Kaplan & Norton, 1996). These are non-actionable vision and strategies, strategies that are not linked to any department, team or individuals, thirdly strategies that are not linked to short term and long-term goals and above all the feedback that is tactical not strategic. The leadership style adopted by the organization determines the culture and success of strategy implementation. The tools used to implement the strategy also plays a major role in the success of implementation.

2.5 Balanced Score Card as a tool of Strategy Implementation

The concept of the Balanced score card was introduced by Kaplan and Norton in 1992 to the organization set up as a tool that the management can monitor performance and extent of achievement of goals and objectives. The balance score card aids the organizations to look ahead into the future rather than lagging behind (Dylan, 2002). The ramifications of this is the cutting-edge workers must comprehend the outcomes of their choices and activities and senior officials must comprehend the drivers of long-haul money related achievement. This gets from the way that the targets and proportions of the decent scorecard are cascaded in a top down procedure driven by the mission and methodology of the specialty unit, which it converts into substantial goals and measures (Kaplan and Norton, 1996). The points of view of the reasonable scorecard speak to a similarity between the outside measures for investors and customers and inner proportions of basic business forms, learning and development. They are likewise offset regarding the result measures (results from past endeavors) and the measures that drive future execution. The decent scorecard keeps up a harmony between target effectively quantifiable measures, and abstract, fairly judgmental execution drivers of the result measures (Kaplan and Norton, 1996). BSC reconciles the past and the future performances. Most organizations look at financial success as the most important thing. However according to Kaplan and Norton, this was only true in the past when customer relationship management was not important. Today a more competitive means of measurement must be put in place. Nothing fits the bill better that the Balance Score card.

Kaplan & Norton (1996) note that to develop a score card, there should be a consensus among the senior managers of the organization. The development of a scorecard is a four-step plan according to Kaplan & Norton (1996). This entails defining measurement architecture, building of consensus and strategic objectives, selecting and designing measures and lastly identifying measures that best communicate the meaning of strategy and building the implementation plan. A balance score card is formulated to aid organizations measure four perspectives of performances namely: financial, customer, internal processes, Learning and growth. It's a holistic approach of performance measurement of productivity of organizations and its stakeholders. A balance score card provides a framework, language mission and strategy, and tell the employees the drivers of current and success. Financial perspective measures indicate the effectiveness of strategy an whether it is contributing to the bottom-line improvement in terms of profitability, commissions and deposits. The customer perspective helps to market the products to the right market segment and correct customer identification, and the strategies to compete in those segments. Customer numbers, retention and referrals form some of the measures in this perspective. This perspective helps the organization to formulate and implement a strategy that will deliver on customer numbers. Internal processes perspective deals with all the internal processes in the organization that affect service delivery. Engineering of efficient internal processes helps to achieve a frictionless service. Learning and growth perspective helps the organization in management of change (Kaplan &Norton, 1996).

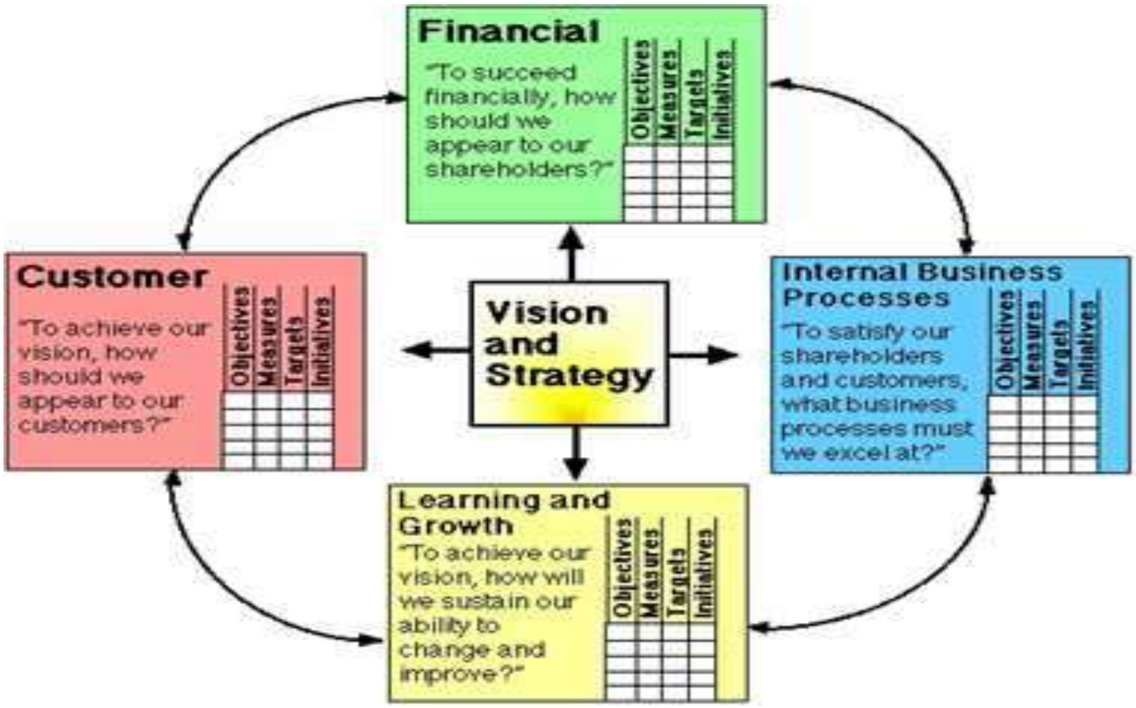

Figure 1. The Balance scorecard perspectives

Source: Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (Jan-Feb 1996)

An organization is viewed from four perspectives Kaplan & Norton,(1992). The data is collected and analyzed with respect to the four perspectives of the balance score card. Traditional view of performance of organizations has been financial success, due to lack of good framework (Kaplan & Norton,1996). However, with the four perspectives, a holistic approach of strategic management can easily be achieved through application of the balanced score card. The four perspectives include first translating the vision and getting support of top managers to come to consensus on the mission of the organization (Kaplan & Norton, 1996). Secondly, a clear communication is done to enable the employees understand the long-term goals of the organization and align themselves to it.

Third perspective is where business goals are integrated with financial budgets of the organization and lastly feedback and learning. A disconnect between strategy formulation and implementation is due to poor communication, insufficient resources and failure to define team and individual goals perpetrated by leadership style (Beer & Eisenstat, 2000)

The BSC is a dynamic tool that is adaptive D Wiraeus &J Creelman, (2016) and organizations that use it must evolve to be strategy learning and not strategy focused. This means that there should be heavy human capital involvement, high network development, creation of a shared value, managing risks and use of data analytics to be agile and gain a continuous improvement. Blue ocean strategy (W Chan Kin & Renee Mauborge,2004) seeks to doing things differently that will render competition irrelevant as opposed to red ocean strategy.

The BSC is of paramount importance to organizations today. From strategy realignment to focusing on the important aspects to communication of performance measures. Porter defines strategy as having a competitive position, while Jan W Rifkin defines strategy as integrated set of choices that positions a firm to earn superior returns in the long run. It fills the gap of performance appraisal and provides a check and balance to the top management day to day activities as to how far the organization is from its short- and long-term goals. The BSC helps to eliminate nonvalue adding efforts as well as audit process changes. With the BSC there is accountability and quality with only a few resources as there is little or no wastage. Successful implementation of strategy must go hand in hand with resource allocation, Thomson & Strickland, (1998). The BSC communicates the mission and vision of the organization. Breaks down silos and clarify roles for everyone. Above all, the balance score card improves the reward system for the organization, as well as care for the community and all stakeholders.

BSC is not simple at all. The organization must be ready before anything happens. The balance score card implementation challenges expected in the research project may include resistance to change, since most employees may have been comfortable with the other system. Prior studies have shown that fear of job security, anxiety, and workload increase. BSC implementation goes hand in hand with performance appraisal and management and as such, employees may find it difficult to accept being rated badly using the score card even when the conditions causing poor performance are beyond their control.

2.7 Empirical Studies and Research Gaps

There is evidence of research in the field of Balance score card that suggest that usage of adjusted score card perspectives improves execution of organizations' strategic implementation be it hierarchical or money related. A lot of researches have been carried out in various organizations all about the balance score card. Nzuve and Nyaega (2013) did a balance score card application at Essar Telecom Kenya Limited with respect to Performance management and Measurement; where the research found out that Essar Telekom used the balanced score card as a performance management tool. This research suggested for further research in other organizations.

Kirandeep (2015) was able to research on the utilization of the balance score card as a strategic management device at National Bank of Kenya; where the study found out that the balanced score card was embedded in strategic management. It was a tool used by all employees to implement and measure performance of the organization. Karimi. (2010) did contextual investigation of Safaricom, on the utilization of the decent scorecard in procedure improvement plus execution; Ogendo, (2010), did an examination on the use of the reasonable scorecard in technique usage by Unilever Tea Kenya Limited. Others include Mucheru, (2008), completed an overview on the utilization of a scorecard in execution of the board among business banks in Kenya. All the above however did not show clearly how the balance score card can be used as a tool in strategic implementation especially in a large bank like Kenya Commercial Bank of Kenya. The study had an objective of establishing how the balance score card is used to implement strategy at KCB Kenya Ltd.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will deal with the research methodology. The methods that the researcher will use including research design, collection of data and finally analysis of the findings.

3.2 Research Design

Case study was used. Open interviews was used and primary data that had not been tampered with. Case study was mainly from secondary data including journals, publications and other recorded material available in the Kenya commercial bank. The suitability of the design is that a case study will give a detailed information of the subject matter, and a lot of evidence in the implementation through selective interviews with top manager respondents. Open interviews was given to the bank staff who deal directly with the use and strategy implementation with use of the balance score card at Kenya Commercial Bank Limited. Case studies and open interviews gave qualitative data relevant to this study. Previous similar researches of this nature but different context have been used. Case study approaches used in the past and mentioned in the empirical studies included (Koske 2003; Dsouza 2007; Kariuki 2006).

3.3 Data Collection

Primary and secondary data was used to collect data. Data was collected using open interviews and case studies with respect to the objective of the study. Open ended interview was administered to selected members of the organization during morning or after work times, or during less busy times. Direct observation of the members of the organization was also done to enable the researcher get an on the job experience. This enabled the researcher to make requests from the respondents on carrying out the study. The respondents took at least twenty minutes to respond to the open-ended questions during the interview. As for the case study or secondary data, the researcher took four weeks to peruse and collect all the necessary data relevant to the field of study. The respondents to the interview included five respondents who understood the topic and objective of the study.

3.4 Data Analysis

The data collected was analyzed using Content analysis. The responses from the managers of the organization was analyzed with the aim of getting a consensus of the use of the balance score card as a tool of implementing strategy. Other studies done in the past of this nature have used the same method of data analysis (Muthuya, 2004; Koske, 2003; Dsouza, 2007). This involved analysis of responses and content from secondary sources with the aim of arriving at a consensus. The data was then tabulated and presented.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter will discuss the analysis, findings and presentation of data on how the balance score card is applied as a tool of strategy implementation at Kenya Commercial Bank Kenya limited.

4.2 General Information on Responses

The researcher used an interview guide to collect data where the respondents answered open ended questions. The researcher analysed the data using content analysis with the aim of arriving at a consensus from the respondents' arguments; which was as per the objective of the study. The data was collected from five members of staff who understand the strategy implementation process and are involved in the use of the balance score card to implement strategy. This was necessary so that the data given would give the intended results as per the research objectives of how the balance score card is used as a tool of strategy implementation at Kenya Commercial Bank Kenya Limited.

4.3 How Balance Score Card is used to implement Strategy at Kenya Commercial Bank Kenya Limited

The objective of the study was to establish how Kenya Commercial Bank Limited uses the balance score card as a tool of strategy implementation. An interview guide was used to collect the data form five management staff who are involved directly with strategy implementation and the use of the balance score card. There was a response rate of five out of the expected five giving 100% response rate. Data was analysed using content analysis where the study tried to get a consensus from the respondents on how Kenya Commercial Bank uses the balance score card as a tool of strategy implementation.

The organization uses the four perspectives of a typical balance score card, which are the customer growth pillar, internal processes pillar, learning and growth, and the financial perspective. The balance score card is a core tool in strategy that everyone in the organization is given and rated with every year. Strategy is a firm large scale future oriented plan, for interacting with the environment to achieve objectives, (Pearce and Robinson, 2005) The top management has the corporate score card while other staff have a personalized score card with targets and objectives that are simple, measurable, achievable, realistic and time bound. The balance score card is reviewed on quarterly basis in March, June, September and December. The organization has a three-year strategic plan from which the objectives are drawn and actioned upon through the balanced score card. The balance score card has played a key role in pulling the strategic goals from the corporate strategy to measurable objectives or targets which are shared between departments and amongst all the staff of the organization. Everyone is allocated what to do within the performance period. The bank has used the balance score card for more than a decade.

The vision of the organization is ‘To be the preferred financial solution provider in Africa with global reach’, while the mission is ‘To drive efficiency whilst growing market share in order to be preferred financial provider in Africa with global reach.’ The bank has had in the past been implementing five-year strategic plans, but as the operating environment changed to a more turbulent one, in 2020, the bank adopted a three-year strategic plan. The organization main focus is driving robust performance results and avoid wastage through efficiency and effectiveness. The balance score card puts more emphasis on the staff performance. The strategy formulated and implemented goes hand in hand with the term of the chief executive officer who is responsible with the driving and actualization of the results. The other tools used in strategy and performance management in this organization included coaching tools and 360-degree feedback. According to Norton and Kaplan, the balance score card goes beyond the standard financial measures to include other measures, (Norton & Kaplan, 1992).

4.3.1 Financial Perspective

It is the first item in the balance score card. This perspective has measures or key performance indicators that are weighted depending on the department of the organization. The key performance indicator measures include; business profitability, interest income and commissions, profit before tax, containing costs within targets. Driving robust revenues, deposit and liability mobilizations and growth of assets is the other measure that is in this perspective. It was evident that this perspective aimed at maximizing profits while minimizing loses and wastage. Frauds and forgeries targets was zero, which ensures that every employee in order to achieve in this parameter had to deliver nil frauds and forgeries.

The perspective minimum total weighting was 25% but this was determined by the department being measured. Financially oriented departments had higher weighting while customer-oriented departments had a lower weighting. The financial targets of the corporate strategy are delivered through this perspective. This perspective plays the role of defining financial performance of the organization, (Kaplan and Norton, 1996)

4.3.2 Customer Perspective

This was the second item in the balance score card. Defines who the firm's customers are, and their value proposition, (Norton and Kaplan, 2000). The bank has an objective of driving numbers in this perspective. Key performance indicators being measured included increase in the customer base through account numbers, customer segments and markets, and widening of the customer base through availing wide range of products. Increase in the number of bank agents and merchants, alternative channels like ATMS and mobile banking platforms was a way that the bank utilized to get a wider audience of customers.

The balance score card had other key performance indicators like increase in the number of transactions, which were aimed at increasing numbers of customers transacting using alternative channels of mobile, internet and ATM. The average weighting was 50% which meant that the banks strategy was anchored around customers, and this perspective was responsible at delivering numbers that would lead to the achievement of the corporate strategy of the organization. The staff interviewed said that the only way to deliver in these perspectives was through aggressive selling, good customer experience and offering a wide range of products.

4.3.3 Learning and Growth Perspective

The bank encourages its staff to embrace a continuous improvement. Ability to learn determines achievement of other perspectives, (Kaplan and Norton, 2001). The bank has invested in a state-of-the-art online learning platform and a leadership centre designed to offer classroom lessons. The corporate strategy objectives that are cascaded to the balance score card and staff given to deliver included; quarterly performance reviews of the balance score card, completion of a minimum of 10 e learning courses which are compulsory and necessary for compliance purposes. There is the performance measure of implementation of an individual development plan, where each staff has to identify a training need that will help the organization to meet its objectives for example an MBA course. This plan has to be discussed with the line manager, documented and implemented within the strategic period.

This perspective has enabled the organization to develop goals and targets to build a strong organization behaviour and culture. There is a standard operating procedure and a robust document repository where knowledge is stored, reviewed and published. This repository is available to all members of the organization to be used within the organization. To support this perspective, the organization has a dynamic e-learning platform and a state-of-the-art leadership centre to offer group knowledge discussions and sharing of knowledge. Lastly the bank has talent management where staff with expert knowledge and talent are retained in the organization. This perspective has an average low weighting of 5%.

4.3.4 Internal Process Perspective

The organization business processes that help in delivering performance with ease. The bank has implemented a business process reengineering department that translate the strategic objectives to actionable objectives which are translated to targets and given to each staff in the balance score card. The internal processes enable the organization to relate with stakeholders, suppliers and customers effortlessly. The processes also safeguard the organizations rights and products or services from being accessed by wrong hands. This perspective measures internal performance on productivity. (Lynch, 2003)

The performance measures in the balance score card include Management of controls like audit rating, compliance in all the processes, know your customer (KYC) and anti-money laundering (AML). Processes that improve on customer satisfaction include Net promoter score and customer effort score where the customers are asked about their experiences at certain service points. These responses are scored and those staff in charge of these service points are given the scores. Lastly, the other internal business process measure is driving brand and sustainability agenda. The bank has put in processes to drive brand agenda through having champions who are trained in specific fields like OSHA, technology, communication, community and wellness. These champions offer expert support and knowledge to other staff so as to minimize bottlenecks in service delivery in branches and head office units. The sustainability agenda or green agenda is concerned with carbon foot- print reduction. Staff are rated with how much reduction on year to year basis with a minimum of 5% reduction on consumption of power, water and gas. This parameter has a minimum average weighting of 20%.

The balance score card used as a tool to implement strategy has enabled the various divisions and departments to deliver on their performance. The feedback has led to reengineering and reorganization of departments and roles. The challenges with the use of the balance score card was minimal including resistance to changes by staff, fear of non-performance and the repercussions brought about by non-performance. The results of staff balance score card performance is communicated back earlier the following year after moderation.

4.4 Discussion

The balance sore card is a performance measurement tool where the corporate SMART objectives set by the organization are captured and cascaded down to the individual level. The balance score card has been used in the organization for more than a decade to implement strategy. The board of the group formulate the strategic plan and communicated to staff by the group CEO and managing director. These objectives are broken to actionable and personalised objectives in the form of targets are captured in the balanced score card (Norton & Kaplan, 1996). All the directors of the organization adopt the strategy and organize a forum where the staff in the division is made aware of the goals of the organization. Questions and clarifications are allowed here where all the staff are given equal chances to participate.

The balanced score card is a personalized target-based performance plan, given to every staff of the organization and where targets are given based on the competitive advantage and capabilities of the staff derived from region, location, branch or potential. The balanced score card is reviewed quarterly to gauge how far or close the individual is from the targets.

Decisions are made either to review the targets with the aim of getting the best from the individual and hence an improvement plan is given for those that are far from attaining targets.

The balance score card at Kenya Commercial Bank Limited currently in use has four perspectives of the strategy. The customer growth , financial , Internal business processes and the last , which is Learning, Growth and Development. The financial perspective aims to measure aspects of profitability, cost containment and business growth. The customer growth perspective aims to measure aspects like customer numbers, customer satisfaction, referral rate and rejection rate, and the level of overall satisfaction of the customer. The other perspective is the internal business processes. This aims to measure internal controls that limit exposure to risk and losses, sustainability agenda, efficiency and effectiveness, quality checks and controls. It also measures brand visibility in terms of quality management. Lastly, the learning and growth perspective measures continuous improvement, learning to learn culture in the organization, development of new skills, and the infrastructure that the organization will build a firm foundation.

The findings of the study are as follows that Kenya commercial bank uses the balance score card to implement its three-year strategic plan. The balance score card is a personalised tool that has targets based on individual capabilities and regional or locational potential drawn from the main strategic mission and vision. The wider strategic plan objectives are made SMART actionable objectives and shared to all staff. They are measured against these set targets. The balanced score card is both manual and automated and employees carry a manual one in their desks for regular reference and updating of figures.

There was evidence of clear understanding of the balance score card concept from the respondents. The objectives are clearly communicated, and the strategic plan is made clear to every staff before its onset. The vision and mission of the strategy is made clear. There was evidence of involvement of all the stakeholders and staff of the organization through forums and e learning platforms. The group CEO and MD communicates the strategy, and this is mirrored by all the directors and managers before the onset of implementation. What follows is breaking down the strategic objectives into actionable objectives which are shared between departments and individuals. The individual staff are measured using the balance score card to ascertain their success or failure. The staff were made aware of the targets and the way of measuring before the onset of the strategy implementation period.

The research study showed that Kenya commercial bank sets its broad corporate strategic objectives which are converted to SMART actionable objectives. These are put into targets and shared among subsidiaries, divisions, regions, branches, departments and lastly individuals. The balance score card developed captures all the four perspectives of financial, customer, learning and growth, and internal process. Each parameter is give a weighting on the score card depending on the strategic goal of that unit or department.

Motivation of staff is done by the management. There is positive reinforcement. Staff whose balance score card rating is a ‘met’ and above are rewarded while those who do not meet their targets are put into a performance improvement plan; where the staff who are not performers are guided with the aim to better their performance. There is a monthly review of performance through meetings.

Every three months every staff is required to rate themselves using the balance score card. This is followed by review by supervisor, and then moderation at the regional level. Communication of the final score is done to the staff is the last item done. There is however a space to allow those who are not satisfied to make appeals. All this cycle is repeated again the next quarter or year.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter highlights the summary of the findings of the study, conclusions and recommendations for further research.

5.2 Summary

The objective of the study was to establish how Kenya Commercial Bank uses the balance score card to implement strategy. It was found that the organization uses the BSC to implement strategy through focus on the four perspectives of customer, financial, Learning and growth, and Internal process. The strategy is well communicated through emails and forums or meetings where staff are informed on the short and long-term goals of the organization. The balance score card as a tool has measures, targets, roles and responsibilities drawn from the strategy and given to every staff to be part of and to play their role towards achieving these targets before on within the performance cycle.

The organization has used the balanced score card to implement strategy for more than a decade because it is simple, multidimensional, provides for learning and continuous improvement, and is an effective communication tool on strategy implementation. The balanced score is a performance management tool; and as such it reflects the key performance indicators from the overall strategic plan. It is reviewed on quarterly basis where staff self - appraise themselves, then discuss with their line managers before moderation is done and finally communication of their final score. This score is important as it tells how far the organization is from meeting the strategy implementation objectives. Those staff who meet or exceed their targets are rewarded while those who do not meet are given a chance to improve through a performance improvement plan.

Every staff at Kenya commercial bank has a personalized balanced score card to begin with. The balanced scorecard is embedded in the performance management policy. Not all staff are however involved in the development of the balanced score card. Each key performance indicator is given a weighting based on the department or region and the responsibility of the staff. The organization has used the balanced score card to implement strategy by drawing objectives from the vision and mission and putting them into action through the staff; where every staff has a role to play. The balanced scorecard is a performance measurement tool and a communication tool where the corporate management use it to gauge how far the implementation of strategy is. Good balance score card performance indicates good progress while poor performance calls for a review and evaluation of the strategic plan.

5.3 Conclusion

The study found out that Kenya commercial bank has used the balance scorecard as a tool to implement strategy for more than a decade where the objectives of the strategy are broken down and made to actionable objectives where every staff is allocated duties and responsibilities in the form of targets and rated on quarterly and yearly basis. The corporate strategy is communicated early enough, and several forums are used to tell the employees what to expect and what is expected of them, and that every item or key performance indicator will be in the balance scorecard. According to Kaplan, if you can measure it, you can manage it.

The balance scorecard used has four main perspectives of internal processes, customer growth, financial and learning and growth. These scores are varied from departments with weighting increased or reduced based on the key performance indicators and expectation of that department. The balance scorecard is a communication tool that tells the management how far the organization is from achieving its objectives. It provides feedback to the employees on how they are delivering on their key performance indicators.

Strategy implementation by organizations is the most difficult to undertake phase of strategic management and most organizations fail, Lynch (2000). There are various reasons for this predicament and may include; no allocation of ample resources and activities to strategy implementation, poor leadership, no motivation of staff or rewards tied to achievement of the set objectives, non- actionable objectives, strategy that is too wild or not connected to the overall vision and mission of the organization. There is need to link the vision, mission and the strategic plan to be undertaken, Kaplan and Norton (1996). Organizations need to look beyond just the financials and profit making but focus on other more essential perspectives of customer focus, learning and growth, internal processes. The organization should be able to build and sustain able leadership that believes in the process.

5.4 Recommendations

From the findings of the research study most staff were not involved in development of the balance score card targets. There was need for staff to be involved in setting departmental targets and allocation of performance weighting. This would deepen the understanding of the strategy and the reason behind each key performance indicator in that specific department. Barriers to strategic implementation include strategies that are not linked to department or teams, (Norton & Kaplan, 1996). This would help the staff to get a correlation link between the strategy and the targets in the balance score card, hence understanding the direction of the bank and what is expected of them. This involvement leads to ownership of the targets and the strategy.

There was need to spread the weighting equally on all the perspectives so that learning and growth to be allocated more than 5% weighting. The score card reviewed had the perspectives weightings as 25%, 50%, 20% and 5%. No one perspective should carry more than 40% as this would be seen as specialization or overlooking other perspectives the balance score card. This aspect of not spreading the weightings evenly would affect the achievement of the overall corporate strategy. All perspectives are equally important.

5.5 Limitation of the Study

The responses were from five members of staff, as these were those who are involved and understood strategy implementation process through the use of the balance score card. The top management of the organization were not available due to measures put in place to curb the spread of COVID-19. The responses came from five individuals from the organization after an approval from head of learning and development, in Human Resource division.

Not every staff who is using the balanced score card was interviewed as this would have been tedious and time consuming. Their contribution however would have been important in drawing the conclusion. The study was conducted at Kenya Commercial Bank to establish how the balanced score is used to implement strategy. The study only relied on the data given by respondents from this organization. Other organizations could be using the balanced score card in different ways or with varied purposes. How Kenya commercial bank uses the balanced score card to implement strategy could be different from how other organizations do.

There was limited movement during the time of collecting data and most employees or respondents were working from home due to the effects of the pandemic. It took several meeting schedules and telephone calls for all the data to be collected. The restricted movement of top managers who are the experts in strategy implementation and restricted movement of staff to head office affected the availability and the type of respondents that participated.

5.6 Suggestion for Further Research

This research study was carried out at Kenya Commercial Bank limited to establish how the balance score card is used to implement strategy. There should be research done on other organizations in the same industry to establish how they use the balance scorecard to implement strategy. This will be important for comparison purposes and benchmarking by other players in other industries.

The balanced scorecard is predominantly used in the private sector to implement strategy. More research should be done to ascertain how the balance scorecard is used by the governmental institutions to implement strategy. This is because it seems there is more laxity or lapses in government institutions which have led to privatisation of some industries questioning how they implement their strategies.

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APPENDICES

Appendix 1: Interview Guide

The purpose of this interview is to gather data on the the use of Balanced score as a tool in strategy implementation at KCB Bank Limited.

1. How frequent does KCB formulate and implement strategy?...
   ....
2. How is strategy implemented at KCB?..
   ....
3. Do you see any bottlenecks in using the BSC to implement strategy? What was the solution?...
   ....
   ....
4. How does KCB use the BSC as a tool to implement Strategy in any of the BSC perspectives of financial, customer, internal process and learning and growth?...
   ....
   ....
5. What is the role you play in strategy implementation with respect to use of the BSC? Does every staff use BSC...

....

....

6. When did KCB start to use the BSC?

   Why?...

   ....

7. How frequent do staff use the BSC? How frequent are the

   reviews?..

   ....

   ....

8. Are there any challenges using the BSC as a tool of implement

   strategy?...

   ....

   ....

9. What are the strengths of using the

   BSC?..

   ....

   ....

10. What's your recommendation on the use of the BSC as a tool to implement

    startegy?..

    ....

11. Any other

    comments? ....

    ....