

**USE OF BALANCED SCORE CARD IN STRATEGY  
DEVELOPMENT AND IMPLEMENTATION: A CASE  
STUDY OF SAFARICOM LTD**

**BY**

**MARY M. KARIMI**

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# DECLARATION

## Student's Declaration

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

Signed.....

Date.....15/11/2010

Mary M Karimi

Reg. Number: D61/71451/2008

## Supervisor's Declaration

This research project has been submitted for examination with my approval as a University Supervisor

Signed.....

Date.....15/11/2010

Prof Peter K 'Obonyo

University of Nairobi

School of business

## DEDICATION

I would like to dedicate this project to my Mum, Mrs Susan Karimi and my siblings: June, Sarah, Huron, Joe and my niece Sue and nephew Willy for the support during this period. Your love and prayers kept me going.

## **ACKNOWLEDGEMENT**

I would like to thank the Almighty for the gift of life and strength to finish this project despite all the challenges of life.

I would like to thank most sincerely my supervisor, Prof K 'Obonyo for the enthusiastic and invaluable assistance during this project. His professional and fatherly approach will forever remain engraved on my life for the years to come. To the entire fraternity of the University of Nairobi, school of business, keep up the good work.

Special thanks go to my manager, Allan and our senior manager Paul and the entire of the data team whom without their help I would not have come this far.

## ABSTRACT

The objective of this study was to determine the application of the balanced score card to strategic development and implementation and management of challenges associated with it at the Safaricom Ltd. The company is operating in a capital and competition intensive industry and the study also sought to look at the challenges the firm is facing in strategy development and implementation and how the balanced score card is helping overcome such challenges.

The study found that Safaricom Ltd takes in to consideration its strengths and weaknesses as well as external factors and the threats and opportunities such factors present during the process of strategy development and implementation. It was also found that the firm uses the balanced score card for strategy development and implementation. Safaricom Ltd uses the four perspectives of the balances score card namely the customer perspective, the financial perspective, the growth and learning perspective and internal processes perspective. The study found some challenges due to lack of a proper understanding and leading to a lack of commitment by some employees. This was manifested in some resistance to change in strategy implementation. The study also found a challenge in maintaining relevance of the firm's strategies in a dynamically changing environment and the regulation in place by the industry regulator which was seen as leading to slow rate of diversification.

The study recommended that the strategy development and implementation steering committee conduct companywide training for all members of staff to better understand the strategy development and implementation process and the concept balanced score card to enhance better understanding and buy in. The study concluded that Safaricom Ltd does indeed use the balanced score card in strategy development and implementation which has enabled it accrue benefits both in financial performance and customer satisfaction with its products and service offering.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

The balanced score card (BSC) is a tool used in strategy development and implementation and is designed to give companies the information they need to effectively manage their business strategy tactically. The tool is a performance measurement system that considers not only financial measures, but also customer, business process, and learning measures. The balanced scorecard is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals. It focuses on various overall performance indicators, often including customer perspective, internal-business processes, learning and growth and financials, to monitor progress toward organization's strategic goals. It focuses on various overall performance indicators, often including customer perspective, internal-business processes, learning and growth and financials, to monitor progress toward organization's strategic goals (Johnson, Scholes and Whittington, 2008).

Many organization adopt the BSC for many reasons including clarifying, update and gaining consensus on strategy, focusing the organizational change initiatives, directing leadership capabilities in the right direction, communicate the organization's strategy to all stakeholders, assist align individual goals to the organization's strategy, link short term strategies to long term goals and strategies and most importantly obtain feedback (Kaplan, Norton, 2000). One of the challenges of strategy development and implementation is the lack of proper tools for strategy development and implementation. Studies on balanced score card

strategies in that they focus on overall performance. In contrast to corporate-level strategy, however, they focus on only one rather than a portfolio of businesses. Business units represent individual entities oriented toward a particular industry, product, or market. The three core areas of strategic management are strategic analysis and strategic development, strategic implementation and strategic evaluation (Pearce II and Robinson Jr., 2009). They are elaborated below.

### **1.1.2 Strategy Development**

Strategic development may take the form of systemized, step by step procedures to develop or coordinate an organizations strategy. Strategic analysis and development may play a role in how the future organization strategy is determined. During strategic development, tools and techniques of strategic analysis and decision making are employed. During this process, the intended strategy is converted into action by the organization through communication, providing agreed objectives and coordinating resources by involving people. An environmental scanning, during analysis is important to understand the operating environment of the organization (Lynch, 2009). This includes thoroughly scanning the customers, the suppliers, the competitors and the regulations in place for the particular industry. An understanding of the environment ensures the firm is equipped with sufficient information to allow for planning of its strategic direction. The environment to scan includes the political environment which also defines the regulation the form will operate in, the economic environment, the ecological environment, the social environment and technological environment (Pearson II, Robinson Jr.,2009). Other than the operating environment, the firm will also need to evaluate its own strengths and weaknesses as well as

the threats and opportunities that the firm has and will need to be put into consideration during strategic planning (Haines, 2004).

Proper analysis and development will ensure a firm attains strategy fit. Strategic fit express the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. The matching takes place through strategic and it is therefore vital that the company have the actual resources and capabilities to execute and support the strategy (Robert, 2007). Strategic fit indicates how well the firm's mission and strategies fit its internal capabilities and its external environment. This can only be achieved through planning and implementation of a winning strategy and this starts with strategy development.

### **1.1.3 Strategy Implementation**

The prime reason of strategy implementation is to deliver the mission and objectives of the organization. Wharton Professor Lawrence Hrebiniak (2005) says that many of today's top executives are far better at developing strategy than executing it and overcoming the political and organizational obstacles that stand in their way. Variation in implementing programmes could be determined by the degree of the uncertainty in predicting the changes in the environment and the size of the strategic change required. In general, implementation involves four basic elements namely: identification of the general strategic objectives, formulation of specific plans, resource allocation and budgeting and monitoring and control procedures (Pearson & Robinson 2009). Organizations successful at strategy implementation effectively manage the key supporting factors. These factors are action planning,

organizational structure, human resources, the annual business plan, monitoring and control and finally the linkage. Linkage is simply the tying together of all activities of all the activities of the organization to make sure that all the organizational resources are rowing in the same direction.

Managing strategic change is also an important aspect of strategy implementation. Change management has three major components. The task involves making changes in a planned and managed way. The areas of practices involves all the professional change agents that are involved, specialists in the field of change, facilitators of change and consultants both individuals and firms (Burnes, 2004). The body of knowledge includes contents and the subject matter, the models, techniques and tools, the skills that the people possess and the knowledge acquired to facilitate change management.

#### **1.1.4 Balanced Score Card**

The balanced score card was originated by Kaplan and Norton (2006) as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. While the phrase balanced scorecard was coined in the early 1990s, the roots of this type of approach are deep, and include the pioneering work of General Electric on performance measurement reporting in the 1950's and the work of French process engineers (who created the Tableau de Bord – literally, a "dashboard" of performance measures) in the early part of the 20th century (Chandler, 1962). The balanced

scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system.

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. 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 tool is a performance measurement system that considers not only financial measures, but also customer, business process, and learning measures. The balanced scorecard is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals. It focuses on various overall performance indicators, often including customer perspective, internal-business processes, learning and growth and financials, to monitor progress toward organization's strategic goals (Johnson, Scholes and Whittington, 2008).

### **1.1.5 Balanced Score Card and Strategy Formulation and Implementation**

A successful balanced score card communicates a strategy of the organization. It describes the organization's vision of the future to the entire organization creating shared understanding of shared goals. It creates a model of communication that involves all

employees who are able to understand how each one of them contributes to the goals of the organization. The business environment is always changing and use of a balanced score card enable focus on change efforts. A BSC provides focus, motivation and accountability. A successful BSC implementation calls for a high level commitment from the top management (Pierce II, Robinson Jr. 2009).

Many organization adopt the BSC for many reasons including clarifying, update and gaining consensus on strategy, focusing the organizational change initiatives, directing leadership capabilities in the right direction, communicate the organization's strategy to all stakeholders, assist align individual goals to the organization's strategy, link short term strategies to long term goals and strategies and most importantly obtain feedback (Kaplan, Norton, 2000). The cause-effect relationship should be able to communicate the meaning of the business unit's strategy throughout the organization. In performance drivers the balanced scorecard should describe in detail and articulate outcomes which are the measures and performance indicators and also the lead indictors unique to the business unit. There should be a good mix of performance indicator and outcomes (Kaplan and Norton, 2006). This enables communication on how the outcomes are to be achieved and an indication, early enough of progress of strategy implementation. Kaplan (1996) indicated that a good balanced score card should also have appropriate set of outcomes which he called the lagging indicators and performances drivers which he called leading indicators customized to the business unit.

The balanced score card helps in binding the short term objectives to the long term goals in a number of ways. BSC assisting in translating the vision, providing a link strategic feedback and review and it is an important tool for communication, both top-bottom and bottom-up. Business strategic planning also greatly benefits from the use of balanced score card in that it identifies the four BSC perspectives and maps them to the performance drivers. This communication, geared towards learning, should be broad enough to cover all the stakeholders. It assist to align everyone in the organization who are then able to understand the strategy the management has in mind and in place for the organization. BSC has also been seen to provide the basis for compensation which is attached to performance (Kahihu, 2005). The line managers and the middle level managers work towards enforcing adherence to the set standards and the top management is the link of the business to the investors (Pearce II and Robinson, 2009). The up bottom approach is the most popular approach. The top management sets the targets for the entire organization and the same is cascaded through the available ranks to the lower operational levels.

## **1.2 Safaricom Ltd**

Safaricom is a leading provider of converged communication solutions, operating on a single business driver that has a peerless understanding of voice, video and data requirements. Safaricom Ltd is a leading mobile network operator in Kenya ([www.safaricom.co.ke](http://www.safaricom.co.ke)). It was formed in 1997 as a fully owned subsidiary of Telkom Kenya In May 2000, Vodafone group Plc of the United Kingdom, the world's largest telecommunication company, acquired a 40% stake and management responsibility for the company. As of October 1st 2010, Mr. Bob Colleymore is the CEO, after taking over from the outgoing CEO, Michael Joseph.



Safaricom's initial public offering of stock, on the Nairobi Stock Exchange, closed in mid April 2008. Currently, it has nationwide dealerships to ensure customers across the country have access to its products and services. As of July 2010, Safaricom boasts a subscriber base of approximately 16 million widely spread across the country ([www.safaricom.co.ke](http://www.safaricom.co.ke)). Safaricom is the leading in terms of market share and subscriber number, currently at over 80%, and the remaining shared among the other operators namely Zain, Yu and Orange Kenya ([www.cck.go.ke](http://www.cck.go.ke)). Safaricom's products and services include post pay and prepay voice services, MPESA money transfer, internet services via 2G and 3G, corporate, advantage, corporate direct connectivity, post pay and prepay bundle packages, dedicated APN, multiple top up, Safaricom broadband, Safaricom virtual office, WiMAX, blackberry, toll free services and fiber. The company has a workforce of approximately 3000 employees, 61% male and 39 female and a median age of 27years ([www.safaricom.co.ke](http://www.safaricom.co.ke)).

Safaricom has been applying the balanced score card in development and implementation of its strategic direction and from its performance in the last 10 years it has been in operation (Safaricom 3 year Strategy Paper, 2008). This has mainly been under the corporate strategy and regulatory division and finance division under the department of business planning. The company uses the balanced score card to develop strategy, measure performance against its strategy and measure its effectiveness on the growth indicators to create a resource base required to meet the long term objectives. However, there has not been a comprehensive study that is aimed at establishing how the company is employing the concept of the balanced score card and if it has been of impact to the company's performance or not.

### 1.3 Statement of the Problem

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. 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 balanced score card is used in strategy development and implementation. It focuses on various overall performance indicators, often including customer perspective, internal-business processes, learning and growth and financials, to monitor progress toward organization's strategic goals (Johnson, Scholes and Whittington, 2008). Kaplan and Norton (2001) state that the balanced scorecard provides a powerful framework for business units to describe and implement their strategies. Drury (2008) stated that the approach provides a comprehensive framework for translating company's strategic goals into a coherent set of performance measures by developing the major goals for the four perspectives and then translating these goals into specific performance measures.

The telecommunications industry in Kenya, though young, is very competitive. The players in the market include Safaricom, Zain, Orange and Yu. It is a high capital intensive market and there are regulatory and policy measures in place. The regulator's intervention is meant to regulate the interconnection rates, provision of framework for determination of tariff and tariff structures, ensure licensee maintains financial integrity, attracts capital and protects investor, consumers and other stakeholders ([www.cck.go.ke](http://www.cck.go.ke)). Communications commission of Kenya (CCK) is the industry regulator and it has come up with several measures to try and

create a level playing ground for all the players. However, Safaricom sees these measures as meant to stifle and punish its success (Daily Nation, August).

There is increased competition in the industry arising from regulator's intervention. This has meant that price no longer a competing front. The other players in the market are now able to acquire licenses and roll out platforms for implementing products with ease and at a cheaper cost. There is thus a need to have a sound strategy to ensure it retains its market position in light of these regulations. The importance of strategy development and implementation cannot be underscored. One of the challenges of strategy development and implementation is the lack of proper tools for strategy development and implementation. Studies on balanced score card applicability in the Kenya context have been carried out previous by various researchers. Application of balanced score card in performance management among commercial banks in Kenya (Wangeci, 2008); A study of the implementation of balanced score card as a continuous improvement tool at Kenya Revenue Authority (Murimi, 2008) and Application of the balanced score card in strategy formulation and implementation in Telkom Kenya (Kariuki 2007) These studies focused on the use of the balanced score card in strategy development and implementation in various organizations but none has addressed the same in Safaricom Ltd. This study will seek to identify the various challenges Safaricom is facing with the renewed competition in the industry and how it is using its balanced score card strategy to leverage these challenges.

The problem statement leads to the following research question:

How is Safaricom applying the balanced score card to develop and implement winning strategies?

## **1.4 Research Objectives**

The research objective for this study was:

To determine the application of the balanced score card in strategy development and implementation and management of the challenges associated with it at the Safaricom Ltd.

## **1.5 Importance of the Study**

This study is timely, relevant and of importance to Safaricom Ltd as it has come at a time when competition has become stiffer and could be threatening Safaricom's over 80% market share. This competition is witnessed in the reduction of prices across board on calls and SMS and in the data market segment as well. The management and the corporate strategy team will benefit from this study as it will look at how they are performing in terms of application of the balanced score card and how to improve on its application and thus the company's competitiveness.

Academicians will also benefit from this study as it will contribute to the increasing body of knowledge especially students in strategic management, in particular the concept of the balanced score card. Other firms operating in Kenya in other industries including the telecommunications industry stand to benefit from this study.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Strategic management

Strategy can be looked at as the direction and scope an organization will take over a long term, which enables it to achieve advantage in a changing environment through its configuration of resources and competencies with an objective to maximize wealth and meet stakeholders expectations (Johnson, Scholes and Whittington, 2008). There are three levels of strategy namely the corporate level comprised of mainly the executive committee which is responsible for the firm's financial performance and achievement of non-financial goals, the business level strategy composed of principally of business and corporate managers whose responsibility is to determine how the firm will compete in the selected product-market segment and functional level strategy whose the in-charge develop annual objectives and short-term strategies (Pierce II, Robinson Jr. 2009).

Strategic management can be described as the identification of the purpose of the organization and the plans and action to achieve that purpose (Lynch, 2009). Strategic management is an ongoing process of ensuring a competitive superior fit between the organization and its environment and includes understanding the strategic position of an organization, strategic choices for the future and organizing strategy into action. (Johnson and Scholes, 2002) The essence of strategic management revolves around trying to define what business we are in, what our basic direction for the future are, what our culture and leadership styles are and our overall attitude to strategic change is and should be. We also need to look at who our customers are, our level of competitiveness and our competitive

advantage, to be innovative and creative to improve our business processes and how and where to add value within the business (Johnson, Sholes and Whittington, 2009).

The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of the owners, involving utilization of resources directed at enhancing performance their firms (Lynch, 2009). Strategic management can be considered in two levels: corporate level strategy and business level strategy. Corporate-level strategies address the entire strategic scope of the enterprise. This is the "big picture" view of the organization and includes deciding which product or service markets to compete in and in which geographic regions to operate. Business-level strategies are similar to corporate-strategies in that they focus on overall performance. In contrast to corporate-level strategy, however, they focus on only one rather than a portfolio of businesses. Business units represent individual entities oriented toward a particular industry, product, or market. A strategic focus entails managerial choices among alternatives and signals organization commitment to specific markets, competitive approaches and ways of operating (Thomson, 2003)

## **2.2 Strategy Development**

Strategic development may take the form of systemized, step by step procedures to develop or coordinate an organizations strategy. Strategic analysis and development may play a role in how the future organization strategy is determined. During strategic development, tools and techniques of strategic analysis and decision making are employed. During this process, the intended strategy is converted into action by the organization through communication,

providing agreed objectives and coordinating resources by involving people. An environmental scanning, during analysis is important to understand the operating environment of the organization (Lynch, 2009). This includes thoroughly scanning the customers, the suppliers, the competitors and the regulations in place for the particular industry. An understanding of the environment ensures the firm is equipped with sufficient information to allow for planning of its strategic direction. The environment to scan includes the political environment which also defines the regulation the form will operate in, the economic environment, the ecological environment, the social environment and technological environment (Pearson II, Robinson Jr.,2009). Other than the operating environment, the firm will also need to evaluate its own strengths and weaknesses as well as the threats and opportunities that the firm has and will need to be put into consideration during strategic planning (Haines, 2004).

Proper analysis and development will ensure a firm attains strategy fit. Strategic fit express the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. The matching takes place through strategic and it is therefore vital that the company have the actual resources and capabilities to execute and support the strategy (Robert 2007). Strategic fit indicates how well the firm's mission and strategies fit its internal capabilities and its external environment. This can only be achieved through planning and implementation of a winning strategy and this starts with strategy development. Strategic planning and development processes introduces a discipline for long term thinking in a firm by enforcing upon an organization a logical process of thinking with a clearly defines sequence of tasks.

There are two broad explanations of strategy development. One is associated with the idea of intended strategy: that strategies are as a result of care consideration mainly associated with the decision by the executive management and the second is that of emergent strategy: that strategies do not develop on the basis of a grand plan but rather tend to emerge over time (Johnson, Scholes and Whittington, 2008). Processes of the intended strategy development school of thought include strategy vision, leadership and command, strategic planning and externally imposed strategies whereas those of emergent strategic development are logical incrementalism, resource allocation, cultural processes and political processes. The challenges and implications for both processes are intended and realized strategies, the learning organization and uncertain and complex conditions.

### **2.3 Strategy Implementation**

The prime reason of strategy implementation is to deliver the mission and objectives of the organization. Wharton Professor Lawrence Hrebiniak (2005) says that many of today's top executives are far better at developing strategy than executing it and overcoming the political and organizational obstacles that stand in their way. Variation in implementing programmes could be determined by the degree of the uncertainty in predicting the changes in the environment and the size of the strategic change required. In general, implementation involves four basic elements namely: identification of the general strategic objectives, formulation of specific plans, resource allocation and budgeting and monitoring and control procedures (Pearson and Robinson 2009). Organizations successful at strategy implementation effectively manage the key supporting factors. These factors are action planning, organizational structure, human resources, the annual business plan, monitoring



and control and finally the linkage. Linkage is simply the tying together of all activities of all the activities of the organization to make sure that all the organizational resources are moving in the same direction.

Managing strategic change is also an important aspect of strategy implementation. Change management has three major components. The task involves making changes in a planned and managed way. The areas of practice involves all the professional change agents that are involved, specialists in the field of change, facilitators of change and consultants both individuals and firms (Burnes, 2004). The body of knowledge includes contents and the subject matter, the models, techniques and tools, the skills that the people possess and the knowledge acquired to facilitate change management. According to Lynch (2006), implementation should address the following questions; what activities will need to be undertaken in order to achieve the agreed objectives, what is the timeline for the implementation and how will progress monitored and controlled.

## **2.4 The Balanced Score Card**

Traditional financial reporting systems provide an indication of how a firm has performed in the past, historical data, but offer little information about how it might perform in the future. For example, a firm might reduce its level of customer service in order to boost current earnings, but then future earnings might be negatively impacted due to reduced customer satisfaction. To deal with this challenge, a balanced score card was developed. It was originated by Kaplan and Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give

managers and executives a more 'balanced' view of organizational performance. While the phrase balanced scorecard was coined in the early 1990s, the roots of this type of approach are deep, and include the pioneering work of General Electric on performance measurement reporting in the 1950's and the work of French process engineers (who created the Tableau de Bord – literally, a "dashboard" of performance measures) in the early part of the 20th century (Chandler, 1962). The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. It enables executives to truly execute their strategies.

Norton (1962 pg 7) describes the innovation of the balanced scorecard as follows:

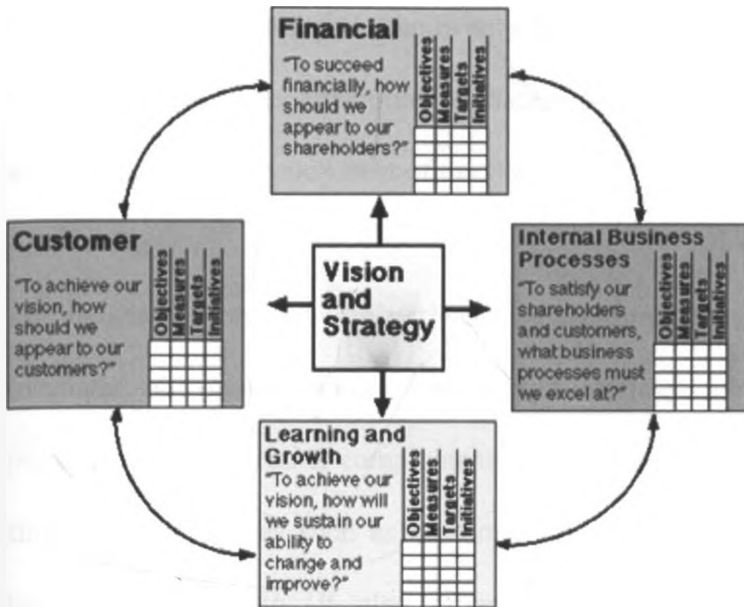
"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

The balanced scorecard is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals. It focuses on various overall performance indicators, often including customer perspective, internal-business processes, learning and growth and financials, to monitor progress toward organization's strategic goals. (Bourne and Bourne 2000). It is a strategic planning and

management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals, (Pearson II, Robinson Jr.,2009). Strategic performance measures monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and determine organization effectiveness and operational efficiency.

The Balanced Scorecard goes beyond standard financial measures to include additional perspectives: the customer perspective, the internal process perspective, and the learning and growth perspective (Kaplan and Norton, 1992). Financial perspective includes measures such as operating income, return on capital employed, and economic value added. Customer perspective focuses on measures such as customer satisfaction, customer retention, and market share in target segments. Business process perspective looks at measures such as cost, throughput, and quality. These are for business processes such as procurement, production, and order fulfillment and learning & growth perspective focuses measures such as employee satisfaction, employee retention, skill sets, etc.

**Figure 1: Components of the Balanced Score Card**



**Source:** Kaplan, R. and Norton, D. (1996). *The Balanced Scorecard: Translating Strategy into Action*. Boston: MA, Harvard Business School Publishing.

## 2.5 Balanced Score Card as a Strategic Management Tool

Various tools and techniques have been developed to assist executives in the implementation of strategy. These include Total Quality management, (TQM), Kaizen and the Balanced Scorecard (McMillan, 2010). Of all these tools, it is notable that the balanced scorecard is gaining more acceptance because of its ability to track both financial and non financial measures. In recent years, scholars and practitioners have expressed concerns with traditional performance measures that focus solely on financial measures. Many foreign and local firms are currently embracing use of balanced scorecards to assist in achieving an effective strategic planning system as well as an improved control system (Kaplan and Norton, 1992).

The Balanced Scorecard was developed in the early 1990's by Robert Kaplan and David Norton after realizing that financials alone would not be enough for organizations attempting to thrive, or even compete in the twenty first century. They then organized a research study of a dozen companies attempting to discern the best practices in performance management and this led to the development of the BSC (Niven 2005).

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 as observed by (Kaplan and Norton, 1996) 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 (Treacy and Wiersema, 1995).

Initially introduced as a tool to help companies translate their corporate mission to all levels of the organization, the BSC is widely acknowledged to have moved beyond this ideology. It has now become 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 Chartered Institute of Management Accountants (CIMA, 1995) revealed that, 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

The current business climate requires managers having a balance between financial and non-financial measure to develop effective solutions in arriving at proper decisions (Etemesi, 2009). 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 business people, 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 (Klout and Martin, 2000). It is worth noting that the balanced score card has been limited to the four perspectives so as to avoid overloading managers with information.

## **2.6 Perspectives of the Balance Score Card**

There are four perspective of the balanced score card, namely customer perspective, internal processes perspective, learning and growth perspective and financial perspective.

The customer perspective focuses on two critical questions: Who are our target customers? What is our value proposition in serving them? These two questions present many challenges to organizations (Kaplan and Norton, 2000). Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. If customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for

satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which a firm is providing a product or service to those customer groups. Choosing an appropriate value proposition poses no less of a challenge to most organizations. Many will choose one of three “disciplines” articulated by Treacy M and Wiersema F. (1995) in *The Discipline of Market Leaders*. They are; operational excellence where organizations pursuing an operational excellence discipline focus on low price and convenience, products leadership where the product leaders push the envelope of their firm’s products, constantly innovating, they strive to offer simply the best product in the market and customer intimacy which entails doing whatever it takes to provide solutions for unique customer’s needs help define the customer intimate company. They don’t look for one-time transactions, but instead focus on long-term relationship building through their deep knowledge of customer needs. Treacy and Wiersema (1995) observed that as organizations have developed, and experimented with value propositions, many have suggested it is difficult, if not impossible, to focus exclusively on just one. A more practical approach is to choose one discipline in which the organization possesses particularly strong attributes and maintains at least threshold standards of performance in the other disciplines.

Internal process perspective refers to the internal business processes. Organizations identify the key processes at which they must excel in order to continue adding value for customers. Metrics based on this perspective allow managers to know how well the business is running and whether its products and services conform to customer requirements i.e. the mission of the organization. These metrics have to be carefully designed by those who know these processes most intimately; with organizations unique missions these are not measures that



can be developed by outside consultants. The customer disciplines will entail the efficient operation of specific internal processes in order to serve customers and fulfill the firm's value proposition. To satisfy customers, organizations may have to identify entirely new internal processes rather than focusing efforts on the incremental improvement of existing activities. Service development and delivery, partnering with the community, and reporting are examples of items that may be represented in this perspective (Heskett, 1986).

Learning and growth perspective identifies the infrastructure that the business must build to create long term growth & improvement. It raises the importance of investing for the future in areas other than investing assets and new product & research and development (this aspect is also included in the innovation process of the internal business perspective). Intense global competition ensures that companies must continually improve their value capabilities in order to provide value for their companies and shareholders (Maris, 2001).

The other three perspectives, that is the financial, customer, and internal processes reveal large gaps between the existing capabilities of people, systems and procedures, and also what will be needed to achieve breakthrough performance. For a business to succeed it needs to close these gaps. This can be achieved by investing in re-skilling of employees, enhancing information technology and systems. Organizational procedures and routines will also need to be aligned. According to Kaplan & Norton (2001), there are three principal categories, or enablers for the learning & growth objectives. These are employee capabilities, information systems capabilities and motivation, empowerment and alignment. According to Kaplan & Norton (2001), most companies use three common core measurement outcomes. These are

employee satisfaction, employee retention and employee productivity. Employee satisfaction objective is generally considered to be the driver of the other two objectives. When a company has satisfied employees, the customer satisfaction level will also be high, Kantabutra S, Avery G. C. (2007). The most common way many companies measure employee satisfaction is by using periodic surveys, where the employees are given a scale ranging from highly dissatisfied to highly satisfied. They score for a list of questions that seek to measure employee satisfaction. This information is analyzed on a departmental or divisional basis. Employee retention can be measured by the annual percentage of key staff that leaves the organization.

Employees need excellent information on customers, internal processes and the financial consequences of their decision. This information will help the employees function effectively. Measures of this information availability include percentage of processes with real time quality, cycle time and cost feedback available and the percentage of customer facing employees having on line information about customers. These measures seek to provide an indication of the availability of internal process information available to front line employees. Information systems capabilities may be measured by real time availability of accurate, critical customer and internal process information to employees on the front lines of decision making and actions Kaplan and Norton (2001). To achieve the goal of motivated & empowered employees, a number of suggested improvements per employee is proposed. The employees' performance scorecard is aligned to the organization's objectives. The suggested measures are the percentage of employees whose goals are aligned to the scorecard and the number of employees who achieve their goals. Potential goals for the innovation and learning

perspective include new product development, continuous improvement, technological leadership, human resource development and product diversification Vallaster (2005).

Financial perspective encourages organizations ask the question: to succeed financially, how should we appear to our stakeholders? This is concerned with the shareholders view of performance. In this perspective the financial measures are retained because they are valuable in summarizing the readily measurable economic consequences of actions already taken. These measures indicate whether the strategy, implementation and execution are contributing to bottom line improvement. Typically, financial objectives relate to profitability and these are measured by operating income and return on capital employed (Lynch, 2009).

The balanced scorecard should translate the company's strategy, starting with the long term financial objectives, and then linking them into the sequence of actions that must be taken with financial processes, customers, internal processes and finally employees and systems to deliver the desired long run economic performance. Financial objectives play the dual role of defining financial performance expected from strategy and also serve as the ultimate targets for the objectives and measures of all the other scorecard perspectives (Kaplan and Norton, 1996). Shareholders are concerned with many aspects of financial performance. Amongst the measures of success are market share, revenue growth, profit ratio, Return On Investment (ROI), economic value added, operating cost management, operating ratios and loss ratios, corporate goals, survival, profitability, growth, process cost savings, increased return on assets, profit growth, measures, cash flow, net profitability ratio, sales revenue, growth in

sales revenue, cost reduction, Return on Capital Employed (ROCE), share price and return on shareholder funds (David and Recardo, 2001).

In a business's life cycle, financial objectives differ considerably. Business strategies differ, but there are three main stages. These are the growth stage, the sustain stage and the mature stage (Kaplan and Norton, 1996). During the growth stage occurs early in the lifecycle of a business and the products and services have a high growth potential. Firms commit a lot of resources at this stage to construct infrastructure and expand products. The financial objective in the growth stage is to increase sales and revenue in the targeted markets. In the sustain stage, firms need to maintain their existing market share. Continuous improvements are an option in this stage and the financial objective is profitability measured in income. As observed by Kamau (2002), during the mature stage, most businesses will want to harvest the investments made in the two earlier stages, and no heavy investments are done. The main objective during this stage is reduction of the working capital requirements.

In the three stages of growth, sustain and harvest, there are three financial themes that drive the business strategy. These are revenue growth and mix, cost reduction/ productivity improvement and asset utilization/ investment strategy (Kaplan and Norton, 2006). Revenue growth and mix refers to expanding products and service offerings, reaching to new customers and markets, changing the product and service mix toward higher-value-added offerings and re-pricing products and services. This objective refers to reduction of direct costs of products and services, reduction of indirect costs and sharing of common resources with other products. There is also the effort to reduce working capital levels required to

support the given volume and mix of the business. These and other factors help to increase the returns earned on its financial and physical assets. The relationship between the financial objectives and the three financial themes can be seen as illustrated in the table below.

**Table1: Measuring Strategic Financial Themes**

Strategic Themes				
<b>Business Unit Strategy</b>		<b>Revenue Growth and Mix</b>	<b>Cost reduction/Productivity improvement</b>	<b>Asset Utilization</b>
	Growth	Sales growth rate by segment Percentage revenue from new product, services and customers	Revenue/Employee	Investment (percentage of sales) R & D (percentage of sales)
	Sustain	Share of targeted customers and accounts Cross selling Percentage revenues from new applications Customer products line profitability	Cost versus competitors' Cost reduction rates Indirect expenses (percentage of sales)	Working capital ratios (cash -to-cash cycle) ROCE by key asset categories Asset utilization rates
	Harvest	Customer and product line profitability Percentage unprofitable customers	Unit costs(per unit of output, per transaction)	Payback throughout

**Source:** Kaplan, R.S.and Norton, D.P. (2001). *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment*. Harvard Business School Press, Boston.

## 2.7 Advantages of the Balance Scorecard

Balances scorecard provides the management with a comprehensive framework that translates company's vision and strategy into a coherent set of performance measures. Management is able to monitor and adjust strategy implementation and even at times alter the strategy itself. Therefore the top level strategy and mid-level management are clearly connected and suitably focused, as had been observed by Kaplan and Norton (1993)The balanced scorecard approach clearly describes strategy through strategy maps. The perspectives of the balanced scorecard are entrenched in a cause and effect way which connects the desired outcome from the strategy with the drivers that will lead to the strategic outcomes. These strategic maps explain the process that transforms intangible assets into tangible customer and financial outcomes. (Kaplan and Norton, 2001.p69)

BSC links strategy to the management system. This aligns all units, systems and processes of an organization to its strategy. Kaplan and Norton (2001) state that the balanced scorecard provides a powerful framework for business units to describe and implement their strategies. Drury(2008) stated that the approach provides a comprehensive framework for translating company's strategic goals into a coherent set of performance measures by developing the major goals for the four perspectives and then translating these goals into specific performance measures.

The financial perspective specifies the financial performance objectives anticipated from pursuing the organization's strategy and the economic consequences of the outcomes expected from achieving the objectives specified. Performance measures are then established

from the determined organizational objectives. The balanced scorecard approach improves communications within the organization and promotes active formulation and implementation of organizational strategy by making it highly visible through the linkage of performance measures to business units

The scorecard presents in a single report four different perspectives on an organization's performance that relate to the organization's competitive goal of shortening response time, improving quality and customer focus. This ensures that senior management is taking a balanced view about performance of the organization. It embeds financial measurement in a more balanced management system that links short-term operational performance with long-term strategic objectives by maintaining the financial measurement in a management system. (Kaplan and Norton, 1996. p273). According to Kaplan and Norton (2000), the scorecard helps managers to consider all the important operational measures together. It helps managers see whether improvements in one area may have been at the expense of another. In addition, this approach enables an organization to manage the short, medium and long-term views in an ongoing cohesive manner. The organization and its performance reporting system ensures that the organization maintains its competitive advantage and continually provide value to its stakeholders.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter explains the research design, data collection procedure, data analysis used and findings.

### **3.2 Research Design**

The design for this research project was a case study. This design was used because there was only one unit of study. A case study is an in-depth analysis of a particular phenomenon. It was preferable in this study as it placed much emphasis on the full analysis on application of the concept under study and other interrelations. The focus was thus an in-depth analysis of the use of the balanced score in strategy development and implementation in Safaricom Ltd.

### **3.3 Data Collection**

The data for this study was obtained from primary sources. The data was collected from heads of the departments concerned with strategy development and planning, namely business planning, corporate strategy and regulatory and commercial planning. This data was collected using an interview guide (Appendix I). The interviewer obtained permission to conduct the interviews and requested for the same from the interviewees in advance.

### **3.4 Data analysis**

Data collected from the interviews was cleaned and checked for completeness. Content analysis was used to analyze the data. The data was analyzed using content analysis and a summary put down based on the key issues being investigated.



## **CHAPTER FOUR: FINDINGS AND DISCUSSION**

### **4.1 Introduction**

This chapter discusses the findings, analysis, interpretation and presentation of the study on the use of the balanced score card in strategy development and implementation in Safaricom Ltd. The data was collected using an interview guide. The data was collected from the three managers in corporate strategy department, commercial planning and business planning in Safaricom Ltd making it a 100% response rate. The findings have been presented in prose.

### **4.2 Presentation and Discussion of the Research findings**

This is a discussion of the findings, analysis, and interpretation of the study.

#### **4.2.1 General Information**

The study sought to find out the how Safaricom Ltd, as an organization uses the balanced score card in strategy development and implementation. The interviewees said that the factors that inform the choice of strategy at Safaricom Ltd are its vision; the values entrenched in the four passions, the resources available, the regulatory and market conditions and competition. The organization has the vision 'To be the Best Company in Africa' and this is entrenched in the tenets of its Safaricom way of speed, simplicity and trust. The passions are passion for results, passion for customers, passion for the people and passion for the world around us. The firm has three year strategic plans, five year strategic plans and the strategies are revised as need arises to fit the changing environment. The organization employees known strategic tools to scan the environment and assess its capabilities like SWOT and

PESTEL analysis and has employed business process re-engineering (BPR) to realign its processes to the strategies and the operating environment. The interviewees advised that the firm has committed leadership to the process and use of the balanced score card and this has ensured that necessary resources are allocated for that purpose.

#### **4.2.2 Customer Perspective**

The use of the BSC has enabled the organization to develop strategies that are geared towards meeting customer needs through the products and services offering in voice, data and value added services. The interviewees confirmed that the firm has defined its customers into prepay, post-pay and corporate clients thus defining the value propositions for each class of customers. The interviewees confirmed the firm has about 16.5m active subscribers both on prepay and post-pay services, individual and corporate platforms. This is arrived at after intensive market intelligence and also realigning its products and services to meet the customer delight index (CDI), which is measure of customer satisfaction and perception in the industry. The interviewees indicated that to excel in the telecommunications industry, a thorough understanding of what the customers expect of the provider. This is what informed the firm coming up with the low denominations of Kshs 5 and Kshs 10 to ensure everyone was able to use the service at their convenience. The firm has also lowered its calling rates to as low as Kshs 2 within the network and SMS rates as low as Kshs 0.5. The culture of passion for customer has also been cascaded through all the levels in the organization through the customer perspective of the balanced score card. This is done through enhancing the customer support channels via the ultra-modern call center and retail shops and customer

ambassadors in each division. All the employees are measured on the CDI as a part of their key performance indicators.

The customer perspective focuses on two critical questions: who are our customers and what is the value proposition in serving them (Kaplan and Norton, 2000). From the study Safaricom has defined the customers it intends to serve and segmented them appropriately both by class of service and spend. This assists the firm to define the products and services to offer to the different segments to provide solutions for unique customers' needs (Treacy and Wiersema, 1995). This is achieved through simply offering the best product in the market and the most competitive prices and customer intimacy. The customer perspective is emphasized by the company's motto of 'Customer Obsession' which is tied to the three tenets of Safaricom Way of speed, simplicity, and trust. The Safaricom way encourages service to all customers with speeds, product and service offering which is simple to understand and use and cultivate trust. This forms the basis upon which the strategies are developed and implemented to meet this.

### **4.2.3 Financial Perspective**

The interviewees also attributed to the firm's good performance to among other factors to good strategy development and implementation. The use of the balanced score card in the processes of strategy development and implementation cannot be underscored and as such a contributor to the impressive financial performance of the organization. The overall performance of the organization is monitored closely. This is because Safaricom is now in the Nairobi Stock exchange after the successful IPO in 2008 with over 760,000 shareholders.

The organizational targets are cascaded to the individual divisions and employees through the SMART key performance indicators (KPI) that are evaluated bi-annually. The balanced score card is thus used to monitor and evaluate performance at both the company level and individual level. The evaluation is done during the performance development reviews (PDR) that are conducted bi-annually and measured against the set KPIs.

On the issue of competition, the interviewees indicated that Safaricom Ltd is using the concept of the balanced score card in strategy development and implementation to ensure a wholesome approach that takes into consideration the customers' needs, the shareholders and employees stake and the regulations in place. The firm, to stay competitive, has to also offer a value proposition to its customers other than the price front with the price wars being witnessed amongst all the players; Orange, Yu and Zain. To remain competitive, the firm has invested in technology onto which to roll out innovative products. According to the three interviewees, it is so far the only operator with an operational 3G network, an extensive WiMAX network covering major towns in the country, has a major shareholding in the undersea cables both on TEAMS and SEACOM and is in the process of testing 4G network ready for deployment. These developments have enabled the firm stay ahead of its competition and are informed by the need to stay relevant to the customers and shareholders expectation in reference to the concept of the balanced score card.

Financial objectives relate to profitability and they are measured by operating income and return on capital employed (Lynch, 2009). They are concerned with the shareholders view of performance and if the measures indicate whether the strategy development and

implementation are contributing to bottom line improvement. From the findings on the financial perspective, it was noted that Safaricom ensures the strategies developed and implemented contribute to its impressive financial performance. The firm posted a profit after tax of Kshs 15.148 billion for the financial year ending 31<sup>st</sup> March 2010 ([www.safaricom.com](http://www.safaricom.com)). According to the study, the good performance is attributed to development and implementation of sound strategies and matching them with the evolving customer needs and the changing operating environment. Financial objectives play a dual role of defining financial performance expected from strategy and serve as ultimate targets objectives for all other balanced score card perspectives (Kaplan and Norton, 1996). According to the findings of the study, the targets that are tied to key performance indicators are defined in terms of financial targets, for example customer delight index since delighted customers will continue to spend on the network, market penetration, proper network coverage and innovation.

#### **4.2.4 Internal Processes Perspective**

The organization, through the use of the balanced score card have ensured that there is relevance of its strategies in the changing environment by ensuring that it continuously assesses its internal capabilities, strengths and weaknesses and realigning with the opportunities and threats in the industry. The interviewees indicated that Safaricom ensures there is a fit between the strategies that are developed with the internal processes and procedures by either revising the strategies where need be or re-engineering the business process to meet the demands of the market. The firm has committed leadership to strategy development and implementation. The interviewees intimated that the organization has

invested in technology that enables not just the use of the balanced score card but also other tools to ensure development of winning strategies and effective implementation of the same. To this end, the relationship between the organization and its suppliers and dealers has been greatly enhanced as the technology put in place ensures a smooth process. The use of the balanced score card has assisted a better understanding of the needs of the dealership, which has contributed to its massive market penetration as they form the backbone of its distribution infrastructure. This informs the choice of promotions, offers and tariff plans for the dealers. Safaricom Ltd has over 450 dealers countrywide, enhancing accessibility to its products and services.

To achieve customer satisfaction and achievement of company objectives, organizations may have to identify entirely new internal processes rather than focus efforts on improvement of existing ones. This perspective may represent processes like service development and delivery, partnerships and reporting (Heskett, 1986). Internal business process objectives address the question of which processes are most critical for satisfying customers and shareholders. These are the processes in which the firm must concentrate its efforts to excel (Kaplan and Norton, 2001). The study found out that Safaricom Ltd has invested in refining its business processes to achieve this perspective. This function, the study learnt, is carefully designed by those who know these processes most intimately; with the firm's unique vision and values and is not developed outside consultants. Emphasis is placed on operations management, customer managements and regulatory processes. This has seen many internal processes streamlining for example the customer relationship management system which ensures the processes in handling all customers issues at all levels and standardized as well as

information technology that enables effective use of the balanced score card for strategy development implementation and evaluation the study found out. .

#### **4.2.5 Learning and Growth Perspective**

Through the learning and growth perspective, the culture innovation and creativity is encouraged. This has ensured the value proposition to its customers of the firm is maintained. According to the interviewees, this culture has seen the world's revolutionary product of MPESA empower people across all walks of life with money transfers services, utility bill payments, bank deposits among other services on its platform. The latest addition is the ability to purchase goods and services via MPESA from the retail outlets and supermarkets. Through trainings, the ability to change and adopt has been enhanced for the over 2700 employees. The interviewees indicated that this has seen the development of many value added services (VAS) that are unrivalled in the market like Sambaza, Okoa Jahazi, Please Call Me and now the unlimited internet bundles. To ensure the ability to change and improve to achieve its vision as entrenched on the concept of the balanced score card, the interviewees mentioned that the culture of coaching and mentorship is encouraged in the organization, which assists individuals reach their optimal capacity.

Maris (2001) observed that intense competition ensures companies continually improve their value capabilities in order to provide value for their companies and shareholders. Kaplan and Norton (2001) observe that the ability to meet ambitious targets for financial, customer and internal business processes objectives depends on organization's capability for learning and

growth. Performance drivers for individuals and organizational objectives must be aligned as articulated in the balanced score card. Motivation is also an important component even for skilled employees with superb access to information so as to effectively contribute to organizational success (Kaplan and Norton 1996). The study found out that the firm continually improves its processes to fit into the changing environment and offer to its customer competitive products through innovation. The individual performance is closely tied to organizational objectives and continually evaluated for relevance and conformity with set the overall company direction.

#### **4.2.6 Challenges**

The interviewees indicated that the organization puts in place mechanisms to communicate the strategies developed and implemented throughout the entire organization. However, the interviewees noted that there was not a thorough understanding of both the use of the balanced scorecard as a tool for strategy development and implementation and the entire process of strategy development and implementation. Due to the apparent lack of proper understanding of the concept of the balance score card and the process of strategic development and implementation, there was lack of commitment from some employees and thus some resistance is faced during the process. This is however being managed through organization wide education through the available channels of communication; organized workshops, intranet bulletins and focused groups discussion through the human resources division. One of the biggest challenges to strategy development and implementation for the organization is remaining relevant in the dynamically changing operating environment in the telecommunication industry and in the light of the renewed competition. Lack of proper in-



depth understanding of the value and the concept of the balanced score card hinders its effective use.

According to the interviewees, Communications Commission of Kenya (CCK) new regulation on the mobile operators announcing their new pricing strategies 30 days before implementation was perceived as being unfair. This has had an effect on the firm's competitiveness in voice, data and money transfer service, MPESA. The money transfer service is also subject to regulations from the Central Bank of Kenya (CBK) and this has seen in the slowed rate of diversification of the services possible on this platform.

Kaplan and Norton (2001) observed that having only a few individuals who clearly understand the concept of the balanced score card and involved could be a challenge to effective strategy development and implementation. This can be dealt with by ensuring the senior management and the strategy team work together to build and support the implementation of the balanced score card and thus development and implementation of strategy.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS AND**

### **5.1 Summary and Conclusions**

Based on the findings presented in chapter four, the study concludes that Safaricom Ltd uses the balanced score card in strategy development and implementation. The study concludes that the firm applies all the four perspectives namely customer perspective, financial perspective, internal processes perspective and growth and learning perceptive. The use of the balanced score card in strategy development and implementation has seen Safaricom formulate and implement strategies that have helped it become and retain the market leadership position. This is seen in not just price competitiveness but also in value proposition through the products and services offering and a dedicated team that comprise its customer support structures.

The use of the balanced score card has also enabled Safaricom to build and maintain a healthy relationship with its subscriber and corporate clients, vendors, suppliers and dealers. It has also enabled the organization ensure the internal processes and procedures and in tandem with the strategies developed and implemented and with the external environment as well. The balanced score card is also used for evaluation at both the corporate level and individual level through translation of the objectives into key performance indicators. The study also concludes that the firm has committed leadership to the process of strategy development and implementation using the balanced score card among other tools and therefore necessary resources are availed.

It was found that the regulations by the industry regulator, CCK and the CBK are affecting its competitiveness in data, voice, money transfer services and other valued added services. From the study findings, there is also no companywide understanding of the importance and application of the concept of balanced score card which poses a challenge during its application.

## **5.2 Recommendations**

The study recommends that the strategy development and implementation steering team conducts companywide training to the members of staff to better understand what is taken into consideration when developing and implementing strategies and what it takes for effective implementation. They will also need to educate them on the importance and the use of the balanced score card as a wholesome tool for strategy development, implantation and performance evaluation. This will ensure a thorough understanding and buy-in from the entire workforce who is charged with the actual action plan implementation.

## **5.3 Limitations of the study**

The study was limited to Safaricom Ltd as the only unit of study. The application of the balanced score card could differ in different organizations even in the same industry. There was also a challenge of the information available for the study. The information is confidential and proprietary and the interviewees disclosed information at their discretion and therefore the information available was not conclusive. The researcher had to sign a non-disclosure agreement with the legal department to be allowed to proceed with the study to

ensure the information availed during the study was safeguarded in this era of stiff competition in the telecommunications industry.

The study also faced time and financial constraints. The study was funded from the researchers own budgetary allocation and time off duty.

#### **5.4 Recommendations for further research**

The study suggests that further research is done on the use of the balanced score card in strategy development and implementation in other operators in the telecommunications industry so as to comprehensively understand the contribution the use of the tool has made in the performance of those firms.

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**APPENDIX I**  
**LETTER OF INTRODUCTION**

Mary M. Karimi  
P.O Box 7107, 00300  
Nairobi  
Tel: 0722540453

Dear Sir/Madam,

I am a student undertaking a degree of Master of Business Administration at the University of Nairobi. As a requirement to complete the program, I will need to submit a project report on a management problem. I would like to do a research project on the area of strategy development and implementation and in particular; 'The Use of the Balanced Score Card in Strategy Development and Implementation: a Case Study of Safaricom Ltd'.

I do hereby request for your permission to interview you and for your time.

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

Thank you

Yours faithfully,

Mary Karimi

Reg No. D61/71451/2008

## **APPENDIX II**

### **INTERVIEW GUIDE**

#### **USE OF THE BALANCED SCORE CARD IN STRATEGY DEVELOPMENT AND IMPLEMENTATION: A CASE STUDY OF SAFARICOM LTD.**

##### **General information**

1. What informs the choice of strategies that Safaricom Ltd employs?
2. How often does Safaricom Ltd formulate/revise its strategies?
3. Why does Safaricom Ltd use the balanced score card for strategy development and implementation?
4. How consistent does Safaricom Ltd use the balanced score card?
5. What other tools does the organization use apart from the balanced score card in strategy development and implementation?

##### **Customer perspective**

6. Being in the service industry, how does the use of the balanced score card by Safaricom Ltd ensure enhanced service delivery to the customers?
7. What consideration has the company put in place to ensure the strategies developed and implemented are customer centric?
8. How does the organization use the balanced score card to ensure its Customer Delight Index (CDI) rating is achieved?

## **Financial perspective**

9. Has the use of the BCS enabled the organization to develop and implement strategies that have contributed to the impressive performance of the organization?
10. How does Safaricom Ltd use the balanced score card to evaluate its performance?
11. Does the use of the balanced score card by Safaricom Ltd for strategy development and implementation accrue any benefits?
12. How does the organization use the balanced score card to match its long term objectives and the action plans to ensure its set targets and goals are achieved?

## **Internal processes perspective**

13. How does Safaricom Ltd ensure a fit between strategies and external environment using the balanced score card?
14. Has the appropriate technology been put in place to facilitate the implementation of the balanced score card in strategy development and implementation?
15. How does the organization ensure availability of sufficient resources for effective strategy development and implementation using the balanced score card?
16. How has the use of the balanced score card enhance internal consistencies among strategies and policies?
17. Has the use of the balanced score card enhanced relationships with dealers and suppliers?

18. How does the organization retain its relevance of its strategies in a dynamic environment and in light of the renewed competition?
19. Is there effective and committed leadership to the process of strategy development and implementation using the balanced score card?

### **Learning and growth perspective**

20. Have the employees been trained on the concept of the balanced score card and its application?
21. Is there a commitment from all the employees to the process of strategy development and implementation?
22. What is the extent of involvement of staff from other divisions on strategy development and implementation?
23. Does the team involved in strategy development and implementation face resistance to the process? How do you manage such resistance?
24. Does the use of the balanced score card enhance feedback throughout the process of strategy development and implementation?

### **Conclusion**

25. What challenges does the organization face in strategy development and implementation process?
26. What are the challenges Safaricom Ltd faces in the use of the balance score card in strategy development and implementation?
27. Any other comment(s) on the use of the balanced score card in the organization?