

**THE BALANCED SCORECARD AND THE EMPLOYEE
PERFORMANCE AT BRITAM**

**By
Jane Wanjiru Mumbi
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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university.

Signature

Date

Jane Mumbi

D61/70975/2015

This project has been submitted for examination with my approval as the university supervisor:

Signature

Date

Prof. Gituro Wainaina

Department of Management Science,

School of Business, University of Nairobi

DEDICATION

This project is dedicated to the almighty God for bringing me this far, my late grandmother, Jane Gichiru for being my first teacher my parents and sisters for believing in me and my great friend Martin Huria for the love and support he has shown me during the entire period.

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ABBREVIATIONS AND ACRONYMS

BSC	Balanced Scorecard
HR	Human Resources
PM	Performance Measurement
PP	Performance Prism
SRSD	Stratified Random Sampling Design

ABSTRACT

The main objective of this study was to investigate the impact of the Balanced Scorecard (BSC) on employee performance in Britam. The study also sought to establish the perceptions of the employees regarding BSC performance framework, assess the impact of BSC 4 perspectives on employees' performance in Britam and find out the challenges faced in the implementation of BSC in Britam. The theories underpinning this study were role theory and identity theory. The study used a descriptive survey research design. Six hundred and sixty six employees working in five departments in Britam were targeted. Simple random sampling technique was further used to get the respondents from each of the five departments in Britam. The sample size was 133 respondents. Primary data was collected using structured questionnaires which were administered through e-mail and self-administration. The data analysis was done using quantitative technique. Based on the findings of this study, it was concluded that the employees' perceptions regarding BSC performance framework influences the performance of employees' in Britam, the financial perspective measures on BSC performance framework influences the performance of employees' in Britam, the customer perspective measures on BSC performance framework influences the performance of employees' in Britam, the internal process measures on BSC performance framework influences the performance of employees' in Britam, the learning growth measures on BSC performance framework influences the performance of employees' in Britam and the implementation of BSC performance framework in Britam has not been with many challenges. Based on the findings, the study recommended that the management in Britam should continually inform the employees of the benefits of BSC performance framework in order to ensure consistence in their performance, align BSC with the compensation and reward for motivation purposes, ensure that BSC structure shows the connection between stakeholders' interests and the perspective measures, sensitize managers not to use BSC scores as a basis of favoritism but rather should give room for improvement and evaluate the company constructs and ensure that for each perspective there are enough measures.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance measurement has become today's important agenda for firms. Measures allow managers to do more than simply check progress. According to Striteska and Spickova (2012), the first condition to improve and achieve business excellence is to develop and implement a system for performance measurement. Consequently, particular attention should be given to strategic management and performance measurement issues.

Ideally, performance measurement systems are considered information systems that are used to evaluate both individual and organizational performance. Recent years have seen the introduction of new methods of measurement, such as activity-based costing, throughput accounting and shareholder value analysis. New measurement frameworks, most notably BSC and the business excellence model, have taken the business community by storm (Nelly, 2007).

For many years, performance frameworks have been used by firms to improve their performance. This goes back to the beginning of the 20th century when DuPont started to use a pyramid of financial ratios, linking a wide range of financial ratios to a return of investment (Matos & Afsarmanesh, 2004). Muhenje, et al. (2013) have defined performance measurement as the process of quantifying the efficiency and effectiveness of action. Most authors argue that performance measurement constitutes the most important activity within the performance management cycle (Nelly, 2007; Striteska & Spickova, 2012; Ilhan & Zeynep, 2012; Muhenje et al., 2013; Matos & Afsarmanesh, 2004; Nelly, 2007). Accordingly, in today's change-filled and highly competitive environment, firms must devote significant time, energy, financial and human resources to measuring their performance in order to achieve strategic goals (Nelly, 2007).

Until recently, most organizations concentrated on the use of financial performance measures as the foundation of performance measurement and evaluation process

(Nelly, 2007; Ilhan & Zeynep, 2012; Striteska & Spickova, 2012). Management accounting researchers have, however criticized the sole reliance of financial performance measures. Most firms have also realized that while measurement is more important than ever, the systems of capturing, monitoring and sharing performance are critically inconsistent (Ilhan & Zeynep, 2012). Similarly, whereas the systems of modern business have transformed dramatically over the years, most systems of measurements have remained firmly pegged on the past financial indicators (Khomba, Vermaak & Hanif, 2012).

Recognizing the need for additional non-financial measures, companies have started to implement sets of non-financial measures. While Keegan (1989) proposed a performance matrix based on balanced measures, Cross and Lynch (1995) introduced the concept of internal and external measures and Fitzgerald (1996) realized the idea of causality. Next, the CARDS approach developed the notion of linking measures and metrics through cause-and-effect relationships (Nelly, 2007). Finally, Kaplan and Norton (1996) proposed their famous BSC (Striteska & Spickova, 2012; Ilhan & Zeynep, 2012; Khomba et al., 2012), providing a multi-dimensional approach of measuring performance. A number of researchers have, therefore engaged in studying performance measurement systems, especially performance measurement frameworks and strategic measurement systems (Afande, 2015; Fayyazi, Asgari & Jalili, 2014; Ilhan & Zeynep, 2012; Kairu et al. 2013; Khomba et al., 2012; Mutonga, 2013; Wang'ombe, 2013).

1.1.1 Need of Performance Measures

Performance management is based on an established measurement system consisting of tools, indicators and procedures that have been chosen and are best suited to concrete situations and specific characteristics of concrete organization (Kondrasuk, 2011). Furthermore, performance management, at the focus of modern management and organization research theory and practice, mainly is oriented at employees as pillars in creating new value in the form of goods and/or service organization. An employee performance appraisal is one of the most comprehensive and common ways to measure how well a company's work force is performing (Mejia, et al., 2010). Although, performance appraisal system has been widely debated, it is viewed that performance appraisal is an in-separable part of organizational life. Formal appraisals

are required to justify a wide range of human resource decisions such as promotions, pay raises, demotions and terminations. It is also required to determine employees' training need. Several studies have also cited the practice of performance appraisal as one of the top vehicles for creating competitive advantage (Mustapha & Daud, 2013).

Human Resource (HR) practitioners further claim that performance appraisal is an essential part of an organizational culture and it is required to assess organizational progress towards goals. A successful appraisal system also helps in taking stocks of an employee's overall performance (Kondrasuk, 2011), enables employees to pinpoint strength and spot weaknesses (Kazan & Gumus, 2013), provides an opportunity to motivate employee and encourage for superior performance, determines any need for further training and helps in setting goals for future superior performance. Kazan and Gumus (2013) further stated that the aim of performance measurement is to increase the motivation of employees, provide time and quick feedback, provide fairness in the structure of the firm, provide equal opportunities, support the employees and help them improve themselves. On the other hand, in-effective appraisal system can be a source of many problems including decreased employee productivity, low morale, a lessening of an employee's enthusiasm and support for the organization (Kaplan & Norton, 1996).

1.1.2 Balanced Scorecard as Performance Measurement Tool

According to Kaplan and Norton (1996), the basis of measurement misery is almost an exclusive reliance on financial measures of performance. Although such systems may have been useful in the earlier industrial settings, they are ill-equipped to capture the value-creating mechanisms of today's modern business organization. Increasingly, the intangible assets such as customer and supplier relationships, employee knowledge, and innovative cultures have become the key to producing value in today's economy (Kaplan & Norton, 1996; Striteska & Spickova, 2012; Cross & Lynch, 1995). Additionally, the importance of a differentiating strategy is more important today than ever. In order for firms to beat the odds of executing strategy, they need a measurement system that balances the historical accuracy and integrity of financial numbers with today's drivers of economic success (Khomba et. al., 2012). Among other performance measuring tools, BSC has emerged a proven and effective tool in the firm's quest to capture, describe and translate intangible assets into real

value for all of the organization's stakeholders and, in the process to allow managers to implement their differentiating strategies successfully (Kaplan & Norton, 1996; Afande, 2015; Wang'ombe, 2013; Kibicho, 2015; Mutonga, 2013).

BSC is a tool and management approach first proposed in the Harvard Business Review by David Norton and Robert Kaplan in 1995. As defined by Kaplan and Norton (1996), BSC translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. The system measures organizational performance in four balanced perspectives: financial, customer, internal business process and learning and growth. It helps employees in an organization to understand and work toward a shared vision (Kaplan & Norton, 1996; Afande, 2015; Mutonga, 2013).

The scorecard system also helps in aligning the organization's picture of the future (shared vision) with its desired employee behaviors, business strategy, and day-to-day operations (Kaplan & Norton, 1996). Other benefits of using BSC include measuring what matters, identifying more efficient process focused on customer needs, improving prioritization of initiatives, improving internal and external communications, linking budget to strategy and improving alignment of strategy and day-to-day operations (Kaplan & Norton, 1996; Nelly, 2007; Kibicho, 2015).

1.1.4 Britam

The main players in the Kenyan insurance industry are insurance companies, reinsurance companies, insurance brokers and agents, risk managers and other service providers (Kenya Insurance Report, 2015; Insurance Regulatory Authority (IRA), 2010). The industry is regulated by Laws of Kenya, the Insurance Act, Chapter 487. In 1987, the Association of Kenya Insurers Body (AKI) was established as a consultative and advisory body to insurance companies and registered under the Society Act Cap 108 of Kenyan law. The IRA was later established and given the mandate to supervise and regulate the insurance industry players.

Britam is one of the key players in the insurance industry. For the last six years, the company has been declared the AKI company of the year for the performance of its life insurance agents. The award recognizes the volume and quality of businesses sold

measured in terms of annualized premium income and quality of business sold measured in terms of annualized premium income, persistency and number of policies sold. As a diversified financial services group, Britam has primary interests in insurance, asset management, property and private equity and banking. The range of products offered includes life insurance, general and health insurance. Financial solutions include investment planning and unit trusts, off-shore investments, wealth management, discretionary portfolio management and retirement planning.

In 2012, Britam was recognized as the most improved company. The company's extraordinary performance is based on a framework of risk management and governance practices. The company also makes use of BSC to measure the performance of the individuals and the company. In October 2014, Britam received the Palladium BSC hall of fame for executing the strategy. The hall of fame honors firms that have achieved outstanding performance using BSC, as strategy management framework created by Palladium founders Drs. Robert Kaplan and David Norton.

1.2 Problem Statement

All licensed insurance companies compete for a limited market characterized by low penetration. Unlike the life long term policies, Kenyan's uptake of insurance cover, both at personal and corporate level predominantly remains in the motor, personal accident and fire industrial. This clearly illustrates the bad attitude towards life insurance covers in general. At the same time, the types of performance measurement strategies adopted by different insurance companies are a major determinant on the achievement of their objectives and the ultimate performance in the industry (Wang'ombe, 2013). The management of each company must therefore select the strategy or strategies that are most appropriate to enable the company remain competitive.

According to Afande (2015), more than 200 companies worldwide are mature users of BSC. As observed by a number of researchers, BSC is multi-dimensional as it incorporates both non-financial and financial measures which enable its results to have both reporting and predictive value (Afande, 2015; Kaplan & Norton, 1996; Kibicho, 2015; Khomba et al., 2012; Mutonga, 2013). The tool has also proved to

have the ability to align current action to strategic outcomes through a blend of lagging indicators (financial perspective) and leading measures (customer and innovative perspectives). Nevertheless, the chosen operating activities and strategic outcomes are dependent on a firm's mission, vision and the stage of organization development.

Whereas, there are many studies on BSC, a big gap exists on the studies carried out on its impact on the performance of insurance companies. More so, the studies have not yet shown whether the performance of the insurance companies is directly related to the use of BSC. For instance, Hanif, et al. (2005) carried out a research to identify the implementation of BSC in the insurance companies in Pakistan. The results indicated that most of the respondents did not have knowledge about BSC. It was also clear that all the insurance companies included were unknowingly using all the four perspectives of BSC. Fayyazi, et al., (2013) study sought to evaluate Iran insurance company performance using BSC. The analyses of the results showed that among BSC criteria, customers, internal processes and growth and development have a significant relationship. The results further showed that the internal process criteria have the most impact on performance.

Similarly, among the studies carried out on BSC in the insurance industry, most researchers have not clearly shown the impact of BSC on the general performance of the chosen firm. For instance, Kibicho (2015) carried out a study on the determinants of strategy implementation success in the insurance industry. Although he mentioned BSC as one of the strategies adopted, he did not bring out its impact on the performance of the firms. In his study, Mutonga (2013) endeavored to determine the use and effectiveness of BSC as a performance tool for insurance companies. Although the results showed that the tool was effective and valuable, it did not show the exact relationship between the use of BSC and individual company performance. Similarly, Wang'ombe (2013) looked at BSC implementation at CIC Insurance Group. Although the findings indicated the importance of the implementation of the BSC at CIC, they did not show the impact of BSC on the performance of the company.

The closest study done by Liyai (2014) sought to investigate the strategy and performance of Britam. Although she mentioned BSC as one of the performance

measuring tools used by the firm, she did not show its impact and the link between the use of the concept and the company's performance. She, however found out that the strategic planning process adopted by Britam has been central to its success. Britam, a leading diversified financial services group in Eastern Africa introduced BSC in 2008. The scorecard has enabled the group to link corporate strategy with key performance indicators for each of its companies, divisions, and departments across the group and to link strategy to individual employees. Since 2009, assets have grown by 143 percent and gross revenue has grown by 187 percent, customer retention has doubled, the company has expanded into seven additional countries and employee satisfaction has grown by nearly 20 percent. On the other hand, no study has been carried out to establish the relationship between the use BSC and the increased performance, and this justifies the need to carry out the study.

The justification of the study is further based on the fact that, despite considering that Britam is widely known to adopt the use of BSC and also known for its exemplary performance, there is need to find out the relationship that BSC may have on the company's performance. Also, given the amount of time, financial and human resources that have been allocated to the implementation of BSC in the last 15 years, it is important to obtain more empirical evidence to justify continued use of the system or direct the usage of the same in the insurance industry.

1.3 Objectives of the Study

The main objective of this study was to investigate the impact of BSC on employee performance in Britam.

The specific objectives were to:

- i) Establish the perceptions of the employees regarding BSC performance framework to employees in Britam.
- ii) Assess the impact of BSC 4 perspectives on employees' performance in Britam.
- iii) Determine the challenges faced in the implementation of BSC in Britam.

1.4 Value of the Study

This study is significant since it is the first attempt to provide a quantitative assessment that links Britam's performance and the use of BSC. Specifically, the management at Britam and other firms in the industry will gain a better understanding of the benefits derived from the implementation of BSC and the link between the tool and the success of the company.

The IRA and other insurance companies will also find the study beneficial since it will enlighten them on the methods that can be used to gather and apply BSC, hence improving their strategic management styles. Additionally, the study will offer an insight on the challenges faced in the implementation of the tool and the possible intervention measures which can be taken.

By directly relating the success of Britam with BSC implementation, the government and other stakeholders will also benefit from the study since it will act as an eye opener to the public institutions on their need to re-look on their continued use of the traditional measurement tools and adopt the modern tools like BSC for better performance.

The study will offer rich literature and a source of reference for future research on the related topics. It will also create a link and an opening for future research in the areas related to the performance measurement tools and BSC in particular. The results will also be used by the academicians to deliberate on the possible issues arising from the implementation of BSC and the strategic management in the insurance industry in Kenya and other sectors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a brief review of the existing literature that represents the most authoritative scholarship on the research problem that the researcher identified with and is relevant to the research topic. The chapter covers theoretical framework, BSC concept, conceptual framework and the empirical review.

2.2 Theoretical Framework

Theoretical framework entails a conceptual model or themes from literature as conceptually mapped to set boundaries for a particular study (Kombo & Tromp, 2006). From a theoretical point of view, two theories have provided reasons for measuring individual and company performance. These theories are role theory and the identity theory (Nyangayo, 2014).

2.2.1 Role Theory

Role theory has been used effectively in the individual performance measures. According to role theory, individuals' role expectations are influenced by both their personal attributes and the context in which they exist (Venanzi, 2012). A job role consists of core or central features and peripheral features. The theory combines an individual's contribution (psychological) perspective with an organizational framework (sociological) perspective. The greater the role identification that incorporates both of these perspectives, the more likely it is that an employee will value job and non-job dimensions in their work. Multiple researchers have concluded that roles play an important part in social structure (Harnisch, et al., 2011; Miner, 1994), and roles have been recognized as central to understanding employee behavior in organizations (Harnisch et al., 2011). In the strictest sense, roles are positions within a social framework (Miner, 1994); however, they also are defined by the individuals who occupy them (Harnisch et al., 2011). According to role theory, individuals' role expectations are influenced by both their personal attributes and the context in which they exist. Thus, role theory suggests that employee performance will be a function of both the individual and the organization. This theory represents a major advancement in explanations for performance since it combines both a

psychological (individual contributions) as well as sociological (organizational framework) perspective. Previous attempts to theoretically explain performance have sought either individual predictors or environmental predictors, neglecting to recognize that both can contribute simultaneously.

An important contribution of role theory to performance management is its ability to provide direction for how to avoid measurement errors in performance appraisal tools. Although not using role theory specifically, researchers have suggested using roles as the basis for job descriptions as well as for specifying organizational expectations and performance requirements (Harnisch et al., 2011). Despite this recognition of the importance of roles, and the fact that employees choose to enact multiple roles in the organization, research has continued to measure employee performance as if only one role (the job holder) exists. As a result, performance systems that rely on evaluating only those work behaviors defined by the organization as related to a specific job may exhibit deficiency error. In order to correct this measurement error, role theory suggests that performance management systems need to account for multiple roles at work.

2.2.2 Identity Theory

According to identity theory, it is not the existence of roles, but their saliency, which affects behavior (Mustapha & Daud, 2013). Identity theory suggests a process by which people use an internal control system to filter information. The likelihood that an event or information will trigger behavior is associated with the saliency of a particular role (Venanzi, 2012). According to Kondrasuk (2012), the more salient the role identity, the more meaning, purpose and behavioral guidance the individual should derive from its enactment. In other words, those roles, which are most salient to us provide us with the strongest meaning or purpose. In turn, the more meaning is derived from a role, the greater the behavioral guidance that ultimately leads to the enactment of behaviors associated with that role. Thus, organizations can affect behavior of employees at work by influencing the saliency of work-related roles.

Firms influence work-related role saliency in many different ways including rewarding behaviors, requiring behaviors, formal and informal recognition, and even punishment when behaviors are not enacted (Onyango et al., 2012). Since different

organizations have different expectations of their employees, role saliency is most likely to be different across organizations. Firms differ in the roles they consider important for individual success, and therefore it has been difficult to create a generalizable performance measure applicable to all firms. A combination of role theory and identity theory can be used to develop a generalizable measure of performance. While role theory provides an explanation for why work performance should be multidimensional, identity theory suggests how to determine which dimensions to include in a model of work performance to incorporate several additional work roles other than job-holder.

2.3 Importance of Performance Measurement

In order to succeed, firms must identify and measure the key performance factors that drive success. Throughout history, performance measures have been used to assess the success of organizations. The periodic measurement of firm's performance is conducted for several reasons. From the external standpoint, it helps investors in formulating their expectations concerning the future earning potential of firms (Kennerley & Neely, 2003). From an internal point of view, performance measurement; helps managers decide where they should allocate their resources (operations evaluation), supplies a plausible feedback on how well the company and its sub units have achieved their goals (activity evaluation) and furnishes the basis of an adequate bonus plan that gives incentives to achieve the firm's goals and rewards the results of proper decisions (managerial evaluation) (Venanzi, 2012).

Performance measures can also encourage competition among teams, individuals, departments and country divisions (Liyai, 2014; Nelly, 2007; Kaplan & Norton, 1996). While encouraging collaboration, the measurement system may enable benchmarking across internal divisions or with major competitors. The measurement system may also encourage openness and cross-project learning or foster secrecy and team cohesiveness, support cross-functional working or a greater focus on departmental or individual effort (Venanzi, 2012).

Compared to other measurement tools, non-financial performance measures have an impact on firm's subsequent economic performance. In particular, their use is associated with an innovation-oriented strategy, a quality-oriented strategy, the length of the product development cycle, industry regulation and the level of financial distress (Kaplan & Norton, 1996; Nelly, 2007; Keegan, 1989; Cross & Lynch, 1995). The association between non-financial measures and firm performance is on the other hand contingent on whether the use of non-financial measures matches the firm's characteristics in terms of its operational and competitive environment.

2.4 Balanced Scorecard

The imperative for improved performance measures cannot be ignored with today's worldwide competition and advancing technologies. Once new technologies are introduced, major organization changes are required as the interaction between people and technology is essential to ensure business process become more and more effective. Consequently, performance measures which focus on only financial criteria will not reflect the new technological environment (Venanzi, 2012; Balanced Scorecard Institute, 2015). If devised strategically, new performance measures will profoundly influence business performance. As Kaplan & Norton (1996) suggest, performance measures should observe changes in the market environment, determine and assess progress towards business unit objectives and affirm achievement of performance goals. They further assert that, in order for the top management to fulfill their strategic plans, they should adopt a more balanced approach to gauge performance by considering financial and non-financial performance measures.

In order to create a BSC, management team translates the vision, mission and strategy of the organization into a scorecard. The scorecard ought to translate the strategy to operational terms, align the firm to the strategy, make the strategy a continuous process, and mobilize change through executive leadership. According to Fayyazi, et al. (2014), the financial aspect is the most important criteria and is a measure that the company makes for shareholders and explains the steps taken to them. The aspect includes profitability measures such as sales growth, return on capital employed and the liquidity growth. The customer aspect on the other hand assesses the attitudes and demands of customers towards the company.

The BSC has been embraced by some well-known companies including Sigma Property & Casualty, Fannie Mae, Hewlett-Packard, Rockwell International, Sears, Kenya Red Cross, Regional Airline, Credit Card Company, Wells Fargo, Philips Electronics, UPS, Thomson Reuters, Defense of Logistics Agency, University of Virginia, Ford Motor Company, General Electric Company, IBM, Hilton Hotels, Walt Disney World, Principal Financial Group and North Western Mutual, Cigna Property & Casualty, and many others. According to BSC report, about 75 percent of global corporations were working with BSC by 2004 (Balanced Scorecard Institute, 2015).

Around the globe, the firms that have embraced BSC have reaped significant benefits from its principles. Such benefits include greater employee alignment with overall goals (Fayyazi et al., 2014; Mutonga, 2013), increased financial returns (Afande, 2015; Ilhan & Zeynep, 2012), improved collaborations and an unrelenting focus on strategy (Mutonga, 2013). Nevertheless, in order for organizations to reap the rewards, they must possess the tools necessary to craft an effective BSC. The multiple measures in a BSC include a combination of four multidimensional performance measures:

Financial Perspective: The main aim of this perspective is to ensure proper utilization of shareholders' investment. According to Liyai (2014), financial measures provide the ultimate outcome or bottom-line improvement of the organization where it measures the economic consequences of actions already taken in the learning and growth, internal business process, and customer perspectives. Financial measures also narrate the organization's profitability such as return on investment, operating income, and Economic Value Added (EVA), cost control, sales growth, and cash flow.

Customer Perspective: This perspective envelops a firm's capability to provide quality products and services, the effectiveness of its delivery, and attaining overall customer service and satisfaction. It enables a firm to look after its internal business processes with a view to progress toward financial outcomes. Under this perspective, notable measures are customer response time, customer satisfaction, market share and on-time delivery (Balanced Scorecard Institute, 2015).

Internal Business Process Perspective: This perspective focuses on the internal processes (departments or processes) that the organization must excel to gain customer satisfaction and make financial returns to shareholders. The main performance measures under this category may include manufacturing quality, efficiency, defect rate and cycle time (Venanzi, 2012).

Learning and Growth Perspective: This perspective takes into account how an organization learns and makes changes and improvements so that long-term value formation can be recognized. The perspective mainly focuses on the competences of people (employees), systems, and procedures applied in attaining advance performance in internal processes (Balanced Scorecard Institute, 2015). Globally, BSC is a powerful management reporting system that can channel people's energies toward achieving long-term strategic goals.

2.5 Challenges of Implementing Balanced Score Card

According to Venanzi (2012), the main shortcoming of BSC approach is the limited capacity of its existing four traditional perspectives of dealing with sustainability and the stakeholders' approach in general. The extreme rigidity of the structure of the management framework is also unable to efficiently include socially related dimensions. The first attempt to include other stakeholders' concerns such as local communities, the impacts of products and services made by the company or the difference in working conditions found in some large corporations, and in the internal processes perspective somewhat disrupts the entire system. This is due to the different time dimension required by management of the different processes and the lack of connection between stakeholders' interests and other perspectives. The current structure of BSC does also not help managers to formulate a strategy that takes external stakeholders and sustainable development into adequate consideration (Khomba et al., 2012). Other challenges facing BSC implementation include poor leadership, poorly designed scorecards, lack of training, lack of resources for its implementation, and lack of top management support.

2.6 Empirical Review

Several studies have been undertaken to identify and validate the importance of performance measurement systems on firms' success. Clearly, the performance management literature and research is replete with discussions about the inadequacy of accounting numbers especially because they are historic in nature, lack strategic focus and do not have an innovative outlook. According to most of the cases identified, the use of non-financial perspectives has become a necessity for firms trying to succeed in a fiercely competitive market (Liyai, 2014; Afande, 2015; Mutonga, 2013).

Khomba et al. (2012) study aimed at establishing whether or not BSC model is relevant to an enterprise operating in Africa. The results revealed that BSC is not ideal for firms operating in an African environment. They felt that there is a need to re-design the current BSC model to reflect realities of the African socio-cultural framework. Wang'ombe (2013) studied on BSC implementation at CIC Insurance Group. He found out that firms face challenges in the use of BSC as a strategy implementation tool to a great extent. The study also found out that a successful BSC implementation must involve the whole organization in the implementation process. Kairu et al. (2013) study sought to establish the effects of BSC on performance of firms in the service sector. The study revealed that non-financial criteria are as important as financial criteria in measurement systems and when both measures are integrated in the system, they lead to superior results.

Nyangayo (2014) study sought to analyze the use of BSC as a performance improvement tool at the Co-operative Bank Kenya. The respondents indicated that BSC has triggered increased profits, has fuelled increased customer base, has been a contributor to advanced technology and has enhanced professionalism. The study concluded that BSC is very critical on performances measurement of Cooperative Bank. Afande (2015) examined the adoption of BSC by the state corporations within the Ministry of Information and Communication Technologies in Kenya. The findings indicated that BSC may serve as a strategic management system in a firm. Mutonga (2013) aimed at determining the use and effectiveness of BSC as a performance tool for insurance companies in Kenya. The study found out that the current performance measurement tool was comprehensive and effective in measuring performance. The

study concluded that BSC is widely used and is an effective tool for measuring performance in firms.

2.7 Summary of Literature Review

Table 2.1: Summary of Literature Review

Author	Study	Objectives	Methodology	Findings
Khomba, et al. (2012)	Relevance of the Balanced Scorecard Model in Africa	<ul style="list-style-type: none"> • Establish whether BSC is relevant to firms in Africa • Find out whether BSC shareholder-centred or stakeholder-centred? 	<ul style="list-style-type: none"> • Survey research • Likert scale structured questionnaires were used. • Six hundred and twenty questionnaires were administered 	The current of BSC is not ideal for firms operating in Africa.
Harif, et al. (2005)	BSC in the Insurance Companies in Pakistan	<ul style="list-style-type: none"> • Identify the implementation of BSC in the insurance companies in Pakistan 	<ul style="list-style-type: none"> • Qualitative and quantitative descriptive design • Questionnaires adopted 	Most companies have no knowledge of BSC, but they unknowingly use the four perspectives in BSC
Fayazi, et al. (2012)	Iran Insurance Companies Company Performance	<ul style="list-style-type: none"> • Evaluate Iran insurance company performance using BSC 	<ul style="list-style-type: none"> • Qualitative and quantitative descriptive design • Questionnaires adopted 	Among the BSC criteria, customers, internal processes and growth and development have a significant relationship
Wang'ombe (2013)	Balanced Scorecard Implementation at CIC Insurance Group	<ul style="list-style-type: none"> • Establish the process of implementing the balanced scorecard as a strategic management tool at CIC • Determine challenges faced in implementing BSC 	<ul style="list-style-type: none"> • Qualitative and quantitative descriptive design • Content analysis adopted. • A sample size of 100 respondents • Random sampling to adopted • Questionnaires used to collect primary data 	<p>Firms face challenges in the use of BSC as a strategy to a great extent.</p> <p>Successful BSC must involve the whole organization.</p>

Kairu et. al (2013)	Effects of Balanced Scorecard on Performance of Firms in the Service Sector	<ul style="list-style-type: none"> Establish the effects of the BSC on organizational performance in the service sector. Ascertain whether BSC is being used to measure and manage performance in service sector 	<ul style="list-style-type: none"> Survey research design Stratified random and simple random sampling used Two hundred service providing firms Questionnaires administered. Descriptive statistics used to analyze data. 	Non-financial criteria are as important as financial criteria in measurement systems and superior results are realized if both systems are integrated.
Nyangayo (2014)	Balanced Scorecard and Performance: A Case study of Cooperative Bank of Kenya	<ul style="list-style-type: none"> Analyze the use of BSC as a performance improvement tool at Co-op Bank Establish factors affecting implementation of BSC 	<ul style="list-style-type: none"> Longitudinal analysis/time series analysis was done Ex post facto research design adopted Stratified random sampling used for strata Simple random sampling used for sample size Questionnaires used to collect data 	BSC is critical on performances measurement of Cooperative Bank.
Mutonga (2013)	BSC as a Performance Measurement Tool in the Insurance firms in Kenya	<ul style="list-style-type: none"> Determine the use and effectiveness of BSC as a performance measurement tool for insurance companies in Kenya 	<ul style="list-style-type: none"> Cross-sectional census Likert scale adopted Fifty insurance firms studied Questionnaires administered Descriptive statistics used to analyze data 	BSC is widely used and is an effective tool for measuring performance in firms.
Afande (2015)	Adoption of the Balanced Scorecard by the State Corporations within the Ministry of Information and Communication Technologies in Kenya.	<ul style="list-style-type: none"> Assess the extent to which balanced scorecard has been adopted 	<ul style="list-style-type: none"> Survey design used. Primary data collected through questionnaires. Descriptive statistics used to analyze data. 	BSC may serve as a strategic management system in a firm.

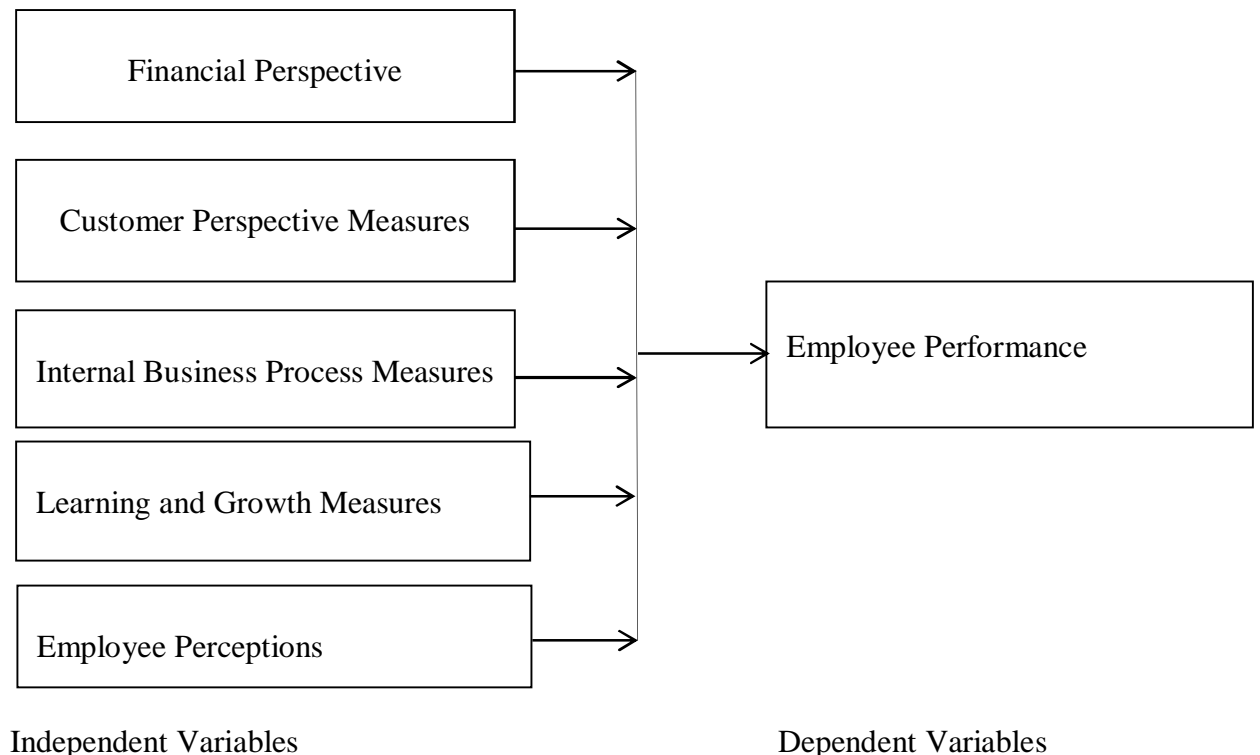
2.8 Conceptual Framework

A conceptual framework is a structure of concepts and theories which are put together as a map for the study and it shows the relationship of research variables (Mugenda & Mugenda, 2008). The conceptual framework is used to explain how the independent variables affect the dependent variable. The independent variables are the factors which influence the dependent variable in this proposed study.

The independent variables in this study include the perceptions of the employees regarding the BSC performance, the BSC 4 perspectives and the challenges faced in the implementation. The BSC 4 perspectives include; financial perspective, customer perspective measures, internal business process and learning growth measures. The dependent variable is employee performance.

Figure 2.1 Conceptual Framework

Source: Author (2015)



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, population and sampling techniques, data collection procedures, validity and reliability and data analysis techniques that were used.

3.2 Research Design

According to Cooper & Schindler (2001), a research design constitutes the blue print for collection, measurement, and analysis of data. A quantitative descriptive research design was adopted to investigate the impact of BSC on employee performance in Britam. According to Mugenda and Mugenda (2003), a descriptive research design determines and reports the way things are. The design was ideal since the study was carried out within a limited geographical scope and therefore logistically easier and simpler to conduct. The design also enabled the researcher to access the degree of the relationship that exists between the variables in the quantitative terms and make statistical inference on the broader population and generalize the findings. A descriptive design is also good at providing information concerning the degree of the relationship between variables being studied that increases the external validity of the study.

3.3 Population

The study targeted employees working in all five departments in Britam Kenya. The target population defines the units for which the findings of the research are meant to generalize. There are six hundred and sixty six employees working in the five departments in Britam Kenya.

3.3.1 Sampling Techniques

Stratified Random Sampling Design (SRSD) was used to arrive at the strata to be considered. According to Mugenda and Mugenda (2003), sampling is a procedure through which some elements are selected from the population to be representatives

of the whole group. The target population was selected from the five departments (sections) operating in Kenya. The reason for using SRSD in this particular study was because it focuses on important sub-populations and ignores irrelevant ones, allows use of different sampling techniques for different sub-populations, improves accuracy of estimation and permits greater balancing of statistical power of tests of differences between strata by sampling equal numbers from strata varying widely in size.

Simple random sampling technique was further used to get the respondents from each of the five departments in Britam. According to Mugenda and Mugenda (2009), a sampling fraction of between 10 to 30 percent of the total population in a descriptive research design is considered representative. Therefore, the study considered twenty percent to arrive at a sample size of different respondents in each department as shown in Table 3.1 below.

Table 3.1: Sample Size

Category / Department	Target Population	Sample Size
Britam group	30	6
Property	6	1
Asset management Company	62	12
General insurance	290	58
Life insurance	278	56
Total	666	133

Source: Author (2015)

3.4 Data Collection

The study used primary data; the data was obtained from Britam employees in Kenya. Structured questionnaires were administered in both hard copy and an electronic format to obtain primary data. Electronic questionnaires were emailed to potential respondents and the hard copies were hand delivered to the nearby respondents. A structured questionnaire was designed and guided by the research problem and research objectives. Basic procedures that are employed when developing the Likert scale questionnaires were used to conduct the perceptions of the employees on BSC framework. According to Mugenda and Mugenda (2003), a questionnaire is a series of

questions asked to individuals to obtain statistically useful information about a given topic. This method was preferred because it gives respondents enough time to give well thought out answers, is low in cost and saves time. Also, the size of the population chosen is large in relation to the available time and the questionnaires will be the best tool in collecting the data.

In order to ensure that the questionnaires were effective in the study, the questions were made clear and easy to understand, related to the research questions, the layout and sequence of questions made easy to follow and understand and developed in a pleasant and interactive way. The questionnaires contained both closed and open-ended questions. In order to ensure fast and high rate of coverage and response, the questionnaires were administered during working hours.

3.5 Data Analysis

The data analysis was done using both quantitative and qualitative techniques. Quantitative data was analyzed using frequency tables and measures of central tendency (mean and standard deviation). Linear regression analysis was used to analyze the data on employees' perception. According to Kothari (2008), data analysis is important because it includes the results of the findings and gaps for future research pointed out. The summary of data collection and analysis is shown in table 3.2 below.

Table 3.2: Summary of Data Collection and Analysis

Objectives	Data	Analyses
Establish the perceptions of the employees regarding the BSC performance framework	Primary data	<ul style="list-style-type: none"> • Frequency • Percentage • Mean • Regression
Assess the impact of the BSC 4 perspectives on employees' performance	Primary data	<ul style="list-style-type: none"> • Frequency • Percentage • Mean • Regression
Find out the challenges faced in the implementation of BSC	Primary data	<ul style="list-style-type: none"> • Frequency • Percentage • Mean

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter comprises of data analysis, findings and interpretation. Results are presented in tables and diagrams. The analyzed data was arranged under themes that reflect the research objectives.

4.1 Response Rate

The number of questionnaires that were administered was 133 and total of 96 questionnaires were properly filled and returned. This represented an overall successful response rate of 72.18 percent as shown on Table 4.1. According to Babbie (2004), return rates of 50 percent are acceptable to analyze and publish, 60 percent is good and 70 percent is very good. Based on these assertions from renowned scholars 72.18 percent response rate is adequate for the study.

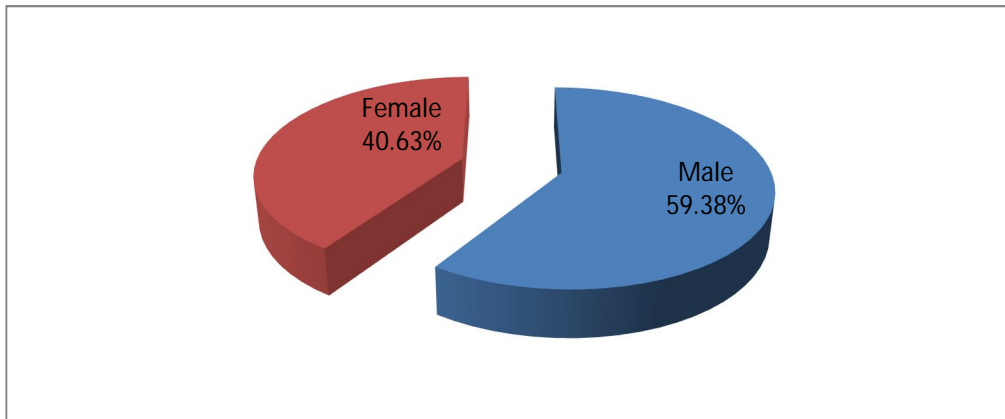
Table 4.1: Response Rate

Response	Frequency	Percent
Returned	96	72.18
Unreturned	37	27.82
Total	133	100

4.2 Demographic Characteristics

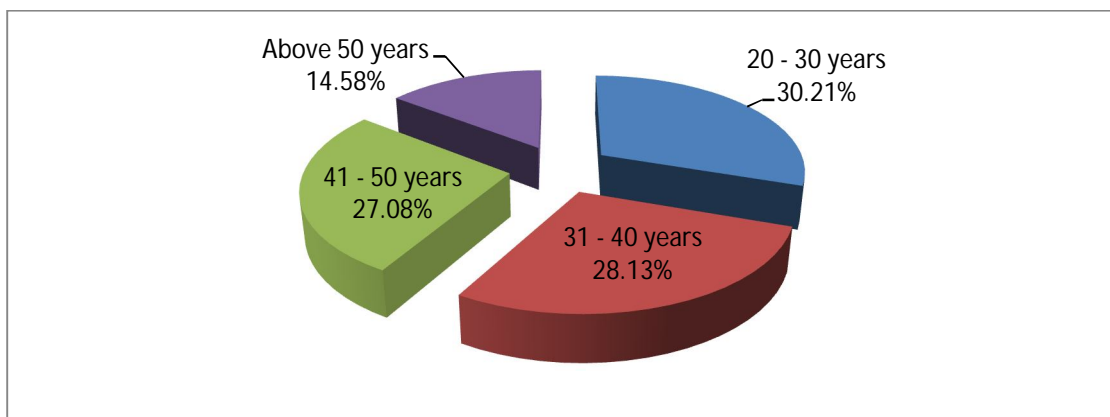
This section consists of information that describes basic characteristics such as position of the respondents and years worked in their current position, age of the respondents, education background of the respondents and the years worked at Britam; the gender of the respondents is also given. The respondents were asked to indicate their gender. Most of the respondents were male who represented 59.38 percent while 40.63 percent of the respondents were female as shown in Figure 4.1. These findings show that most of the employees at Britam are male, however the disparity was not too big. In addition, this can be used as an inference of the current state of the insurance industry in Kenya.

Figure 4.1: Gender of Respondents



The respondents were also asked to indicate their age; the results in figure 4.2 show that 30.12 percent of the respondents aged between 20 and 30 years, 28.12 percent of the respondents aged between 31 and 40 years, 27.08 percent of the respondents aged between 41 and 50 years while only 14.58 percent of the respondents were above 50 years. This is an indication that most of the employees in Britam were in their middle age. This can also imply that most of the employees in Britam are at their most productive age which can influence performance positively.

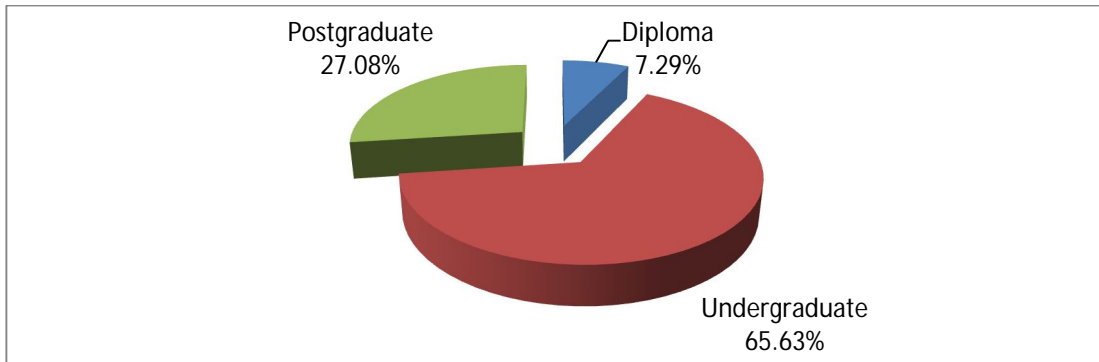
Figure 4.2: Age of Respondents



The respondents were also asked to indicate their education background. Results in Figure 4.3 shows that most of the respondents had acquired education up to undergraduate level, 27.08 percent had acquired education up to post graduate level while only 7.29 percent of the respondents had acquired education up to diploma

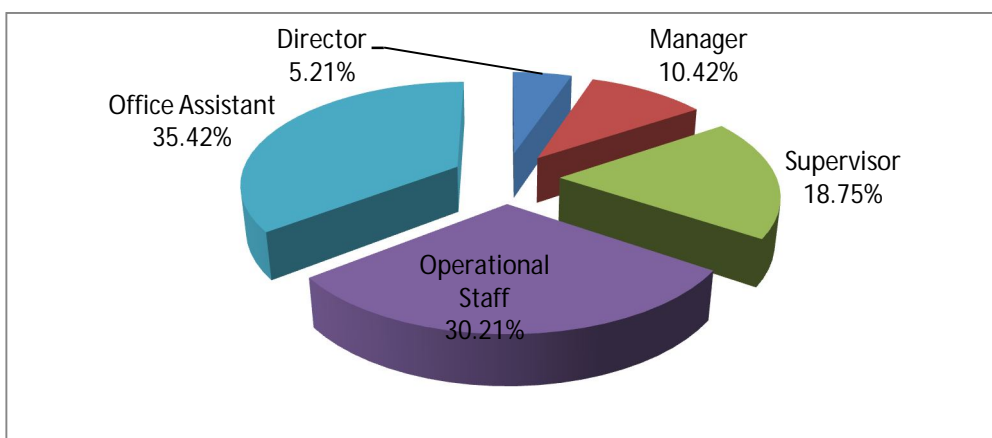
level. This is a clear indication that employees in Britam were well educated. This can also mean that the employees have the capability to quickly learn how to implement BSC as well as the benefits. This would have a positive implication in the performance of the organization.

Figure 4.3: Education Background of Respondents



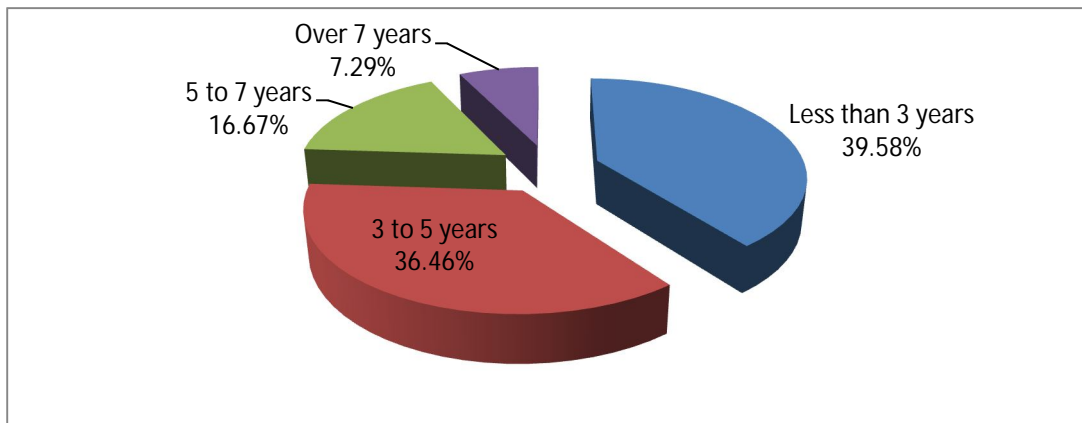
The respondents were also asked to indicate their position. Results in Figure 4.4 show that 35.42 percent of the respondents were office assistants, 30.21 percent of the respondents indicated that they were operational staff while 18.75 percent of the respondents served as supervisors. Results in Figure 4.4 also showed that 10.42 percent of the respondents worked in the capacity of managers while only 5.21 percent of the respondents were directors.

Figure 4.4: Position of Respondents



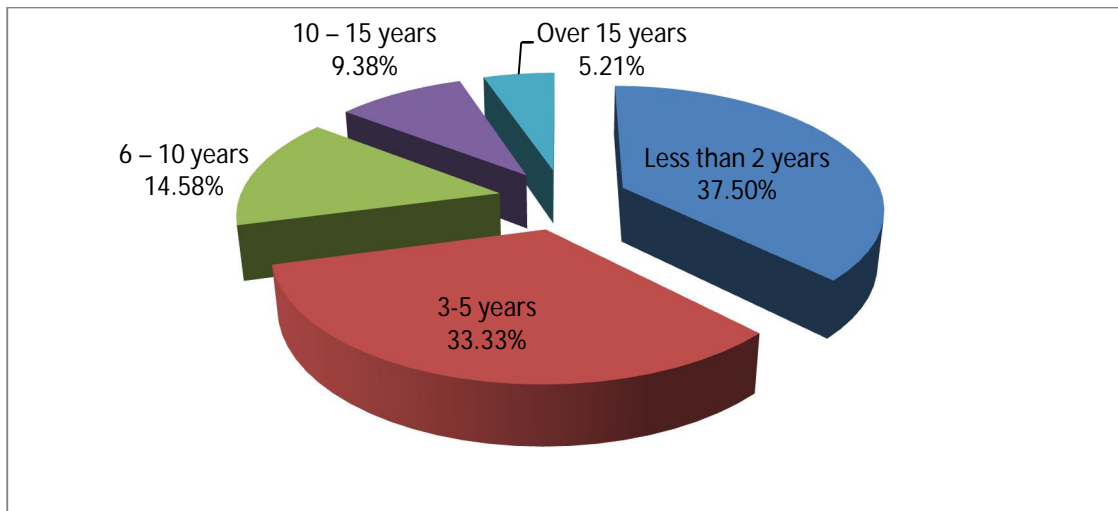
The respondents were asked to indicate the number of years they had worked in the current position. Results in Figure 4.5 show that 39.58 percent of the respondents indicated that they had served in their current positions for less than 3 years, 36.46 percent of the respondents indicated that they had worked in the current position for 3 to 5 years, 16.67 percent of the respondents indicated that they had worked in the current position for 5 to 7 years while only 7.29 percent of the respondents who indicated that they had worked in the current position for more than 7 years. This can be explained by the fact that most of the respondents who were reached are also not very advanced in age and are at their formative stages in the corporate world. However, these results show that the employees in Britam were experienced even if not for many years.

Figure 4.5: Years Served in the Current Position



The respondents were also asked to indicate the number of years they had worked in Britam. Results in Figure 4.6 show that 37.5 percent of the respondents indicated that they had worked in Britam for less than 2 years, 33.33 percent of the respondents indicated that they had worked in Britam for between 3 to 5 years, 14.58 percent of the respondents indicated that they had worked in Britam for between 6 to 10 years, 9.38 percent of the respondents indicated that they had worked in Britam for between 10 – 15 years while only 5.21 percent of the respondents indicated that they had worked in Britam for more than 15 years. This outlines the levels of experience of employees in Britam. In addition, the results show continuity in terms of continued flow of knowledge since there are employees who were very experienced and thus can pass over knowledge to their juniors; this can help to increase the performance.

Figure 4.6: Years Served in Britam



4.3 Employees Perceptions Regarding Balanced Scorecard Performance Framework

The study sought to establish the perceptions of employees regarding BSC performance framework to employees in Britam. Results in Table 4.2 show that 83.3 percent of the respondents disagreed that the setting of the performance measures of their division (unit) is pretty under their control, 83.4 percent of the respondents also disagreed that their senior manager asks for their opinions and thoughts when determining their division (unit) performance measures while 66.7 percent of the respondents also disagreed that the procedure for preparing the financial measures to evaluate divisional (unit) performance is applied consistently among the divisions (units).

Results in Table 4.2 also showed that 50 percent of the respondents agreed that the divisional (unit) performance measures were based on accurate information and informed opinion, 50 percent of the respondents also agreed that their motivation is affected by the performance measures chosen to assess their performance while 83.3 percent of the respondents agreed that they try their best to reach the targets set by the performance measures. Further, results also showed that 50 percent of the respondents agreed that the management communicates clearly and concisely to employees about BSC performance management system.

Results in Table 4.2 also showed that 66.66 percent of the respondents indicated that management was committed to providing training and resources for the implementation of BSC, 66.7 percent of the respondents agreed that BSC is a good approach for a performance management system in terms of the fairness of feedback given by the evaluators. The results also showed that 66.7 percent of the respondents agreed that with the implementation of BSC, they knew what their responsibilities and accountabilities were. Another 66.7 percent of the respondents agreed that they were aware of the benefits that can be derived from the implementation of BSC, 50 percent of the respondents indicated that the procedures used for the feedback on BSC were clearly understood, 50 percent of the respondents also agreed that they understood very well concerning the usefulness of BSC reporting.

Results in Table 4.2 also revealed that 66.7 percent of the respondents agreed that they had insight into the relationship between BSC target and the financial results, 50 percent of the respondents agreed that they had insight into the relationship between the company strategy and BSC target while 66.7 percent of the respondents agreed that they were involved in defining the key initiatives for each target given. Another 50 percent of the respondents indicated that they received appropriate training concerning the BSC, 66.7 percent of the respondents agreed that they realized the importance of BSC to their performance while 66.6 percent of the respondents disagreed that they did not consider BSC as threatening.

Further, results in Table 4.2 shows that 66.7 percent of the respondents agreed that they were given targets that match their area of responsibility, 83.3 percent of the respondents indicated that they were stimulated to improve their performance through BSC. Another 83.3 percent of the respondents disagreed that their scorecard was aligned with the compensation and reward, 66.7 percent of the respondents agreed that there was two-way communication between the scorecard owner and the evaluators, 50 percent of the respondents agreed that their superior was keen on their BSC score while 50 percent of the respondents also indicated that they would like to continue using BSC as a performance measurement tool.

On a five point scale, the average mean of the responses was 2.3 which means that majority of the respondents were both agreeing and disagreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.7.

Table 4.2: Employees Perceptions Percent Regarding Balanced Scorecard Performance Framework

Statement	Strongly Disagree	Disagree	Agree	Strongly Agree	Mean	Standard Deviation
Setting of the performance measures of my division (unit) is pretty much under my control.	83.30	0.00	16.70	0.00	1.3	0.7
My senior manager asks for my opinions and thoughts when determining my division (unit) performance measures.	66.70	16.70	16.70	0.00	1.5	0.8
Procedure for preparing the financial measures to evaluate divisional (unit) performance is applied consistently among the divisions (units).	0.00	66.70	33.30	0.00	2.3	0.5
Divisional (unit) performance measures are based on accurate information and informed opinion.	16.70	33.30	33.30	16.70	2.5	1.0
My motivation is affected by the performance measures chosen to assess my performance.	16.70	33.30	50.00	0.00	2.3	0.7
I try my best to reach the targets set by the performance measures.	16.70	0.00	50.00	33.30	3.0	1.0
Management communicates clearly and concisely to employees about BSC performance management system.	33.30	16.70	50.00	0.00	2.2	0.9
Management is committed to provide training and resources for the implementation of BSC.	33.30	0.00	33.30	33.30	2.7	1.3

Table 4.2 Cont.,

BSC is a good approach for a performance management system in terms of the fairness of feedback given by the evaluators.	16.70	16.70	66.70	0.00	2.5	0.8
With the implementation of BSC, I know what my responsibilities and accountabilities are.	16.70	16.70	50.00	16.70	2.7	0.9
I am aware of the benefits that can be derived from the implementation of BSC.	16.70	16.70	66.70	0.00	2.5	0.8
Procedures used for the feedback on the BSC can be clearly understood.	16.70	33.30	33.30	16.70	2.5	1.0
I understand very well concerning the usefulness of BSC reporting.	0.00	50.00	33.30	16.70	2.7	0.7
I have insight into the relationship between the target and the financial results.	33.30	0.00	66.70	0.00	2.3	0.9
I have insight into the relationship between the company strategy and BSC target.	16.70	33.30	16.70	33.30	2.7	1.1
I was involved in defining the key initiatives for each target given.	66.70	16.70	16.70	0.00	1.5	0.8
I received appropriate training concerning BSC.	16.70	33.30	50.00	0.00	2.3	0.7
I realize the importance of BSC to my performance.	16.70	16.70	66.70	0.00	2.5	0.8
I do not consider BSC as threatening.	33.30	33.30	33.30	0.00	2.0	0.8
I was given targets that match my area of responsibility.	33.30	0.00	66.70	0.00	2.3	0.9
I am stimulated to improve my performance through BSC.	16.70	0.00	50.00	33.30	3.0	1.0
I agree that my scorecard is aligned with the compensation and reward.	33.30	50.00	16.70	0.00	1.8	0.7
There is communication between scorecard owner and valuator.	16.70	16.70	66.70	0.00	2.5	0.8

Table 4.2 Cont.,

My superior is keen on my BSC score.	33.30	16.70	33.30	16.70	2.3	1.1
I would like to continue using BSC as a performance measurement tool.	33.30	0.00	50.00	16.70	2.5	1.1
					2.3	0.9
Average						

4.4 Impact of 4 BSC Perspectives on Employees' Performance

The study sought to assess the impact of 4 BSC perspectives on employees' performance in Britam. Results in Table 4.3 revealed that 83.3 percent of the respondents indicated that BSC contribute to employees performance in Britam to a great extent. The respondents were further asked to indicate how BSC measures help to deal appropriately with stakeholders to improve performance. Results in Table 4.3 show that 67.7 percent of the respondents agreed that BSC measures help shareholders to improve performance, 83.3 percent of the respondents agreed that BSC measures help customers to improve performance, 83.3 percent of the respondents agreed that BSC measures helps debtors to improve performance while 66.7 percent of the respondents agreed that BSC measures help competitors to improve performance. Further, the results showed that 83.3 percent of the respondents agreed that BSC measures help colleagues to improve performance, 66.7% of the respondents agreed that BSC measures help suppliers to improve performance while 83.3 percent of the respondents agreed that BSC measures help management to improve performance.

The respondents were asked to indicate to what extent financial perspective measures on BSC help to improve their performance. Results in Table 4.3 revealed that 66.7 percent of the respondents agreed that BSC helped to improve the revenue growth to a great extent, 83.3 percent of the respondents agreed that BSC helps to improve the cost management to a great extent, 83.4 percent of the respondents agreed that BSC helps to improve the market share growth to a great extent while 66.7 percent of the respondents agreed that BSC helps to improve the cash flow management to a great extent.

The respondents were asked to indicate to what extent customer perspective measures on BSC help to improve their performance. Results in Table 4.3 revealed that 66.7 percent of the respondents agreed that BSC helps to improve the customer loyalty to a great extent, 83.3 percent of the respondents agreed that BSC helps to improve the customer retention to a great extent, 83.3 percent of the respondents agreed that BSC helps to improve the customer satisfaction to a great extent while all the respondents agreed that BSC helps to improve the new customer acquisition to a great extent. Results also indicated that 66.6 percent of the respondents agreed that BSC helps to enhancing time taken to serve customers.

The respondents were asked to indicate to what extent internal process measures on BSC help to improve their performance. Results in Table 4.3 revealed that 83.3 percent of the respondents agreed that BSC helps to adopt and efficiently deal with matters related to leverage on existing and emerging ICT to a great extent, 83.4 percent of the respondents agreed that BSC helps to adopt and efficiently deal with matters related to risk management to a great extent, 83.3 percent of the respondents agreed that BSC helps to adopt and efficiently deal with matters related to efficient and effective systems and procedures to a great extent while all the respondents agreed that BSC helps to adopt and efficiently deal with matters related to data integrity to a great extent.

The respondents were asked to indicate to what extent learning growth measures on BSC help to improve their performance. Results in Table 4.3 revealed that 50 percent of the respondents agreed that BSC helps to develop a homogenous culture to a great extent, 83.3 percent of the respondents agreed that BSC helps to improve performance management to a great extent, 83.4 percent of the respondents agreed that BSC helps to improve skills to a great extent while 66.66 percent of the respondents agreed that BSC helps to enhance leadership to a great extent. On a five point scale, the average mean of the responses was 2.9 which means that majority of the respondents were both agreeing and disagreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.5.

Table 4.3: Impact of 4 Balanced Scorecard Perspectives Percent on Employees' Performance

Statement	Very Little Extent	Little Extent	Great Extent	Very Great Extent	Mean	Standard Deviation
To what extent does BSC contribute to your performance in Britam.	0.00	16.70	83.30	0.00	2.8	0.4
Shareholders						
To what extent do BSC measures help shareholders to improve performance?	16.70	16.70	66.70	0.00	2.5	0.8
To what extent do BSC measures help customers to improve performance?	0.00	16.70	83.30	0.00	2.8	0.4
To what extent do BSC measures help debtors to improve performance?	16.70	0.00	83.30	0.00	2.7	0.7
To what extent do BSC measures help competitors to improve performance?	0.00	33.30	66.70	0.00	2.7	0.5
To what extent do BSC measures help colleagues to improve performance?	0.00	16.70	83.30	0.00	2.8	0.4
To what extent do BSC measures help suppliers to improve performance?	0.00	33.30	66.70	0.00	2.7	0.5
To what extent do BSC measures help management to improve performance?	0.00	16.70	83.30	0.00	2.8	0.4
Financial Perspectives						
To what extent do financial perspective measures help you improve your revenue growth	0.00	33.30	66.70	0.00	2.7	0.5
To what extent do financial perspective measures on BSC help you to improve your cost management	0.00	16.70	50.00	33.30	3.2	0.7
To what extent do financial perspective measures on BSC help you to improve your market share growth	0.00	16.70	66.70	16.70	3.0	0.6
To what extent do financial perspective measures on BSC help you to improve your cash flow management	0.00	33.30	66.70	0.00	2.7	0.5

Customer Perspectives						
To what extent do customer perspective measures on BSC help you to improve your performance on enhancing customer loyalty	0.00	16.70	66.70	16.70	3.0	0.6
To what extent do customer perspective measures on BSC help you to improve your performance on enhancing customer retention	0.00	16.70	83.30	0.00	2.8	0.4
To what extent do customer perspective measures on BSC help you to improve your performance on enhancing customer satisfaction	0.00	16.70	50.00	33.30	3.2	0.7
To what extent do customer perspective measures on BSC help you to improve your performance on enhancing customer new customer acquisition	0.00	0.00	100.00	0.00	3.0	0.0
To what extent do customer perspective measures on BSC help you to improve your performance on enhancing customer time taken to serve customers	0.00	33.30	33.30	33.30	3.0	0.8
Internal Process Measures						
To what extent do internal process measures on BSC help you to adopt and efficiently deal with matters related to leverage on existing and emerging ICT	0.00	16.70	50.00	33.30	3.2	0.7
To what extent do internal process measures on BSC help you to adopt and efficiently deal with matters related to risk management	0.00	16.70	66.70	16.70	3.0	0.6
To what extent do internal process measures on BSC help you to adopt and efficiently deal with matters related to efficient and effective systems and procedures	0.00	16.70	83.30	0.00	2.8	0.4
To what extent do internal process measures on BSC help you to adopt and	0.00	0.00	83.30	16.70	3.2	0.4

efficiently deal with matters
related to data integrity

Learning and Growth Measures						
To what extent do learning and growth measures and scores on BSC help the company to develop a homogenous culture	0.00	50.00	33.30	16.70	2.7	0.7
To what extent do learning and growth measures and scores on BSC help the company to improve performance management	0.00	16.70	83.30	0.00	2.8	0.4
To what extent do learning and growth measures and scores on BSC help the company to improve skills	0.00	16.70	16.70	66.70	3.5	0.8
To what extent do learning and growth measures and scores on BSC help the company to enhance leadership	0.00	33.30	33.30	33.30	3.0	0.8
Average					2.9	0.5

4.5 Challenges Faced in the Implementation of Balanced Scorecard

The study sought to find out the challenges faced in the implementation of BSC in Britam. Results in Table 4.4 reveal that 66.6 percent of the respondents disagreed that the current BSC structure was extremely rigid, 50 percent of the respondents indicated that the current BSC structure did not show the connection between stakeholders' interests and the perspective measures, 66.7 percent of the respondents disagreed that there is poor leadership in BSC implementation while 83.3 percent of the respondents disagreed that the scorecards in BSC were poorly designed to measure actual performance. Further, the results indicated that 66.6 percent of the respondents disagreed that there was no sufficient training on BSC as a performance tool, 83.3 percent of the respondents disagreed that management did not allocate enough resources to implement BSC while 83.3 percent of the respondents disagreed that there was no top management support on BSC implementation. Another 50 percent of the respondents indicated that managers used BSC scores to punish those they disliked and rewarded those they favor, 50 percent of the respondents also indicated

that the company constructed too few measures in each perspective while 66.6 percent of the respondents disagreed that the perspectives did not measure what they thought ought to be measured. On a five point scale, the average mean of the responses was 2.6 which means that majority of the respondents were both agreeing and disagreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.7.

Table 4.4: Challenges Faced Percent in the Implementation of Balanced Scorecard

Statement	Strongly Disagree	Disagree	Agree	Strongly Agree	Mean	Standard Deviation
Current BSC structure is extremely rigid.	33.30	33.30	33.30	0.00	2.0	0.8
Current BSC structure does not show the connection between stakeholders' interests and the perspective measures.	16.70	33.30	50.00	0.00	2.3	0.7
There is poor leadership in BSC implementation.	16.70	50.00	33.30	0.00	2.2	0.7
Scorecards in BSC are poorly designed to measure actual performance.	33.30	50.00	16.70	0.00	1.8	0.7
There is no sufficient training on BSC as a performance tool.	33.30	33.30	16.70	16.70	2.2	1.1
Management does not allocate enough resources to implement the BSC.	33.30	50.00	0.00	16.70	2.0	1.0
There is no top management support on BSC implementation.	33.30	50.00	0.00	16.70	2.0	1.0
There is no relationship between my scores and growth opportunities available in the company.	0.00	50.00	33.30	16.70	2.7	0.7
Managers use BSC scores to punish those they dislike and reward those they favor.	16.70	33.30	50.00	0.00	2.3	0.7
The company constructs too few measures in each perspective.	33.30	50.00	16.70	0.00	1.8	0.7
The perspectives do not measure what I think ought to be measured.	33.30	33.30	16.70	16.70	2.2	1.1
Average					2.6	0.7

4.5 Regression Model

The results presented in Table 4.5 present the fitness of model used for the regression model in explaining employee performance at Britam. Impact of BSC on shareholders performance, 4 BSC perspectives and employee perceptions regarding BSC performance framework were found to be explanatory variables in explaining employee performance at Britam. This is supported by coefficient of determination (R square) of 87.7 percent. This means that impact of BSC on shareholders performance, 4 BSC perspectives and employee perceptions regarding performance framework explained 87.7 percent of the variations in employee performance at Britam. The results further mean that the model applied to link the relationship of the variables was satisfactory.

Table 4.5 provides the results for overall significance; the results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of employee performance at Britam. This was supported by F statistic of 162.557 and the reported p-value (0.000) which was less than 0.05 of significance level. Regression of coefficients results in table 4.5 shows the individual significance since all p-values of the independent variables were less than $\alpha = 0.05$, then the predictive model becomes as below.

Table 4.5: Balanced Scorecard 4 Perspectives on Employees Performance

Model Fitness					
Indicator	Coefficient				
R	0.937				
R Square	0.877				
Analysis of Variance					
Indicators	Sum of Squares	df	Mean Square	F	Sig
Regression	11.696	4	2.924	162.557	0.0
Residual	1.637	91	0.018		
Total	13.333	95	2.942	162.557	0.0

Regression Coefficients	B	Std. Error	t-value	Sig
Constant)R	1.063	0.156	6.822	0.000
Shareholders	0.567	0.036	15.803	0.000
Financial Perspectives Measures	0.095	0.037	2.570	0.012
Customer Perspectives Measures	0.093	0.036	2.580	0.012
Internal Process Measures	0.609	0.056	10.938	0.000
Learning Growth Measures	0.773	0.193	4.000	0.000
Employee Perception	0.099	0.022	4.534	0.000

$$EPB = 1.063 + 0.567SH + 0.095FPM + 0.093CPM + 0.609IPM + 0.773LGM + 0.099EP$$

Where:

EPB is employee performance at Britam

SH is shareholders

FPM is financial perspective measures

CPM is customer perspective measures

IPM is internal process measures

LGM is learning growth measures

EP is employee perceptions

This means that if SH, FPM, CPM, IPM, LGM and LP goes up by one unit, employee performance at Britam will go up by 0.567, 0.095, 0.093, 0.609, 0.773 and 0.099 respectively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter addresses the summary of the findings, the conclusions and the recommendations. This is done in line with the objectives of the study.

5.2.1 Employees Perceptions Regarding BSC Performance Framework

This study sought to establish the perceptions of the employees regarding BSC performance framework to employees in Britam. Results revealed that most of the respondents disagreed that the setting of the performance measures of their division (unit) is under their control; their senior manager asked for their opinions and thoughts when determining their division (unit) performance measures, the procedure for preparing the financial measures to evaluate divisional (unit) performance was applied consistently among the divisions (units), their scorecard was aligned with the compensation and reward and that they did not consider BSC as threatening. Results also indicated that the respondents disagreed that their scorecard is aligned with the compensation and reward.

In addition, results showed that most of the respondents agreed that the divisional (unit) performance measures were based on accurate information and informed opinion, motivation was affected by the performance measures chosen to assess their performance, they tried their best to reach the targets set by the performance measures, management communicated clearly and concisely to employees about BSC performance management system, management was committed to provide training and resources for the implementation of BSC, BSC was a good approach for a performance management system in terms of the fairness of feedback given by the evaluators and that with the implementation of the BSC, they knew what their responsibilities and accountabilities are.

Further, most of the respondents agreed that they were aware of the benefits that can be derived from the implementation of BSC, the procedures used for the feedback on BSC can be clearly understood, they understood well concerning the usefulness of

BSC reporting, they had insight into the relationship between BSC target and the financial results, they had insight into the relationship between the company strategy and the BSC target, they were involved in defining the key initiatives for each target given, they received appropriate training concerning BSC and that they realized the importance of BSC to their performance.

The results also revealed that majority of the respondents agreed that they were given targets that matched their area of responsibility, they were stimulated to improve their performance through BSC, there was two-way communication between the scorecard owner and the evaluators, their superior was keen on their BSC score and that they would like to continue using BSC as a performance measurement tool.

Regression results indicated that employees' perceptions regarding BSC performance framework influenced employees' performance in Britam positively. This implied that those better and improved employees' perceptions regarding BSC performance framework would result to increased employees' performance in Britam.

With regard to the extent to which financial perspective measures on BSC helped to improve performance, results revealed that most of the respondents agreed that BSC helped to improve the revenue growth, cost management, market share growth and cash flow management to a great extent. The regression results revealed that the impact of financial perspective measures on BSC on employees' performance was positive and significant. This was supported by a beta coefficient of 0.095 and p-value of 0.012. This implied that improved financial perspective measures on BSC performance framework would result to improved employees' performance. The study revealed that non-financial criteria were as important as financial criteria in measurement systems and when both measures were integrated in the system, they led to superior results.

With regard to the extent to which customer perspective measures on BSC helped to improve performance, results revealed that most of the respondents agreed that BSC helps to improve the customer loyalty, customer retention, customer satisfaction, improve the new customer acquisition and enhancing time taken to serve customers to

a great extent. The regression results revealed that the impact of customer perspective measures on BSC on employees' performance was positive and significant. This was supported by a beta coefficient of 0.093 and p-value of 0.012. This implied that improved customer perspective measures on BSC performance framework would result to improved employees' performance. The study indicated that BSC has triggered increased profits, has fuelled increased customer base, has been a contributor to advanced technology and has enhanced professionalism.

With regard to the extent to which internal process measures on BSC helps to improve performance, results indicated that a majority of the respondents agreed that BSC helps to adopt and efficiently deal with matters related to leverage on existing and emerging ICT, BSC helps to adopt and efficiently deal with matters related to risk management, BSC helps to adopt and efficiently deal with matters related to efficient and effective systems and procedures and that BSC helps to adopt and efficiently deal with matters related to data integrity to a great extent. The regression results revealed that the impact of internal process measures on BSC on employees' performance was positive and significant. This was supported by a beta coefficient of 0.609 and p-value of 0.000. This implied that improved internal process perspective measures on BSC performance framework would result to improved employees' performance.

With regard to the extent to which learning growth measures on BSC helps to improve performance, results indicated that most of the respondents agreed that BSC helps to develop a homogenous culture to a great extent, BSC helps to improve performance management to a great extent, BSC helps to improve skills to a great extent and that BSC helps to enhance leadership to a great extent. The regression results revealed that the impact of learning growth measures on BSC on employees' performance was positive and significant. This was supported by a beta coefficient of 0.773 and a p value of 0.000. This implied that improved learning growth measures on BSC performance framework would result to improved employees' performance. This study also sought to find out the challenges faced in the implementation of BSC in Britam. Results revealed that most of the respondents disagreed that the current BSC structure is extremely rigid, there is poor leadership in BSC implementation, the scorecards in BSC are poorly designed to measure actual performance, there is no

sufficient training on BSC as a performance tool, management does not allocate enough resources to implement BSC, there is no top management support on BSC implementation and that the perspectives do not measure what they think ought to be measured. Results also indicated that most of the respondents agreed that the current BSC structure did not show the connection between stakeholders' interests and the perspective measures, managers used BSC scores to punish those they dislike and reward those they favor and that the company constructs too few measures in each perspective. These results showed that the implementation of BSC performance framework in Britam has been effective since the respondents disagreed with most of the proposed challenges.

5.3 Conclusion

Based on the findings, the following can be concluded;

The employees' perceptions regarding the BSC performance framework influences the performance of employees' in Britam; the financial perspective measures on BSC performance framework influences the performance of employees' in Britam; the customer perspective measures on BSC performance framework influences the performance of employees' in Britam; the internal process measures on BSC performance framework influences the performance of employees' in Britam; the learning growth measures on BSC performance framework influences the performance of employees' in Britam and the implementation of BSC performance framework in Britam has not been with many challenges.

5.4 Recommendations

From this study, the following is recommended;

Management in Britam should continually inform the employees of the benefits of BSC performance framework in order to ensure consistence in their performance; management in Britam should ensure that the employees' scorecard is aligned with the compensation and reward for motivation purposes; management in Britam should ensure that the BSC structure shows the connection between stakeholders' interests and the perspective measures; the management in Britam should also sensitize managers not to use BSC scores as a basis of favoritism but rather should give room

for improvement and the management in Britam should evaluate the company constructs and ensure that for each perspective there are enough measures.

5.5 Areas of Further Studies

This study recommends the following areas of further studies;

First, a study on the impact of BSC performance framework on financial performance of Britam, another study on the impact of BSC performance framework on non-financial performance of Britam, a study on the impact of BSC performance framework on employee performance of a firm in different sector other than the insurance industry and more studies on the impact of BSC performance framework on employee performance of an insurance firm based in a different country for comparison purposes.

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APPENDICES

Appendix I: Letter of Introduction

Jane Wanjiru Mumbi
University of Nairobi,
School of Business,
P.O Box 30197,
NAIROBI.

Dear Sir/Madam,

I am a Masters student at the University of Nairobi, School of Business. In partial fulfillment of the requirement for Master of Business Administration, I am conducting a survey on **THE BALANCED SCORECARD ON THE PERFORMANCE OF INSURANCE COMPANIES IN KENYA.**

I am glad to inform you that you have been selected to form part of the study. I would therefore kindly request you for assistance in completing the attached questionnaire which forms a major input of the research process. The information and data will be used strictly for academic purposes only and strict confidence shall be observed on the same. Your co-operation will go a long way in ensuring the success of this project.

I would like to thank you in advance for your time and consideration.

Yours Sincerely,

Jane Wanjiru Mumbi
D61/70975/2014
University of Nairobi

Appendix II: Questionnaire

This questionnaire seeks to collect information on response by yourself to establish the impact of balanced scorecard on employees performance in Britam. The information provided will remain confidential and will be used for academic purposes only. Please provide the information frankly and honestly.

SECTION A: EMPLOYEE PERCEPTIONS ON BSC FRAMEWORK

In this section, please tick appropriately as either; strongly disagree, generally disagree, generally agree or strongly agree. Use **X** to answer

	<u>Questions</u>	Strongly Disagree	Generally Disagree	Generally Agree	Strongly Agree
1	The setting of the performance measures of my division (unit) is pretty much under my control.				
2	My senior manager asks for my opinions and thoughts when determining my division (unit) performance measures.				
3	The procedure for preparing the financial measures to evaluate divisional (unit) performance is applied consistently among the divisions (units).				
4	The divisional (unit) performance measures are based on accurate information and informed opinion.				
5	My motivation is affected by the performance measures chosen to assess my performance.				
6	I try my best to reach the targets set by the performance measures.				
7	Management communicates clearly and concisely to employees about the BSC performance management system.				
8	Management is committed to provide training and resources for the implementation of the BSC.				
9	The BSC is a good approach for a performance management system in terms of the fairness of feedback given by the evaluators.				

10	With the implementation of the BSC, I know what my responsibilities and accountabilities are.				
11	I am aware of the benefits that can be derived from the implementation of the BSC.				
12	The procedures used for the feedback on the BSC can be clearly understood.				
13	I understand very well concerning the usefulness of BSC reporting.				
14	I have insight into the relationship between the BSC target and the financial results.				
15	I have insight into the relationship between the company strategy and the BSC target.				
16	I was involved in defining the key initiatives for each target given.				
17	I received appropriate training concerning the BSC.				
18	I realize the importance of the BSC to my performance.				
19	I do not consider the BSC as threatening.				
20	I was given targets that match my area of responsibility.				
21	I am stimulated to improve my performance through the BSC.				
22	I agree that my scorecard is aligned with the compensation and reward.				
23	There is two-way communication between the scorecard owner and the evaluators.				
24	My superior is keen on my BSC score.				
25	I would like to continue using BSC as a performance measurement tool.				

SECTION B: IMPACT OF BALANCED SCORECARD ON EMPLOYEES

	<u>Questions</u>	Very Little Extent	Little Extent	Great Extent	Very Great Extent
1	To what extent does BSC contribute to your performance in Britam.				
2	To what extent do BSC measures help you deal appropriately with these stakeholders to improve performance? 1. Shareholders 2. Customers 3. Debtors 4. Competitors 5. Colleagues 6. Suppliers 7. Management				
3	To what extent does Financial Perspective Measures on BSC help you to improve your performance on:-				
	1. Revenue Growth				
	2. Cost Management				
	3. Market Share Growth				
	4. Cash Flow Management				
4	To what extent does Customer Perspective Measures on BSC help you to improve your performance on enhancing:-				
	1. Customer Loyalty				
	2. Customer Retention				
	3. Customer Satisfaction				
	4. New Customers Acquisition				
	5. Time Taken to serve customers				
5	To what extent does Internal Process Measures on BSC help you to adopt and efficiently deal with matters related to:-				

	1. Leverage on Existing and Emerging ICT				
	2. Risk Management				
	3. Efficient and Effective Systems and Procedures				
	4. Data Integrity				
6	To what extent does Learning and Growth Measures and scores on BSC help the company to:				
	1. Develop a Homogenous culture				
	2. Improve performance management				
	3. Improve skills				
	4. Enhance Leadership				

SECTION C: CHALLENGES FACED IN BSC IMPLEMENTATION

	<u>Questions</u>	Strongly Disagree	Disagree	Agree	Strongly Agree
1	The current BSC structure is extremely rigid.				
2	The current BSC structure does not show the connection between stakeholders' interests and the perspective measures.				
3	There is poor leadership in BSC implementation.				
4	The scorecards in BSC are poorly designed to measure actual performance.				
5	There is no sufficient training on BSC as a performance tool.				
6	The management does not allocate enough resources to implement the BSC.				
7	There is no top management support on BSC implementation.				
8	There is no relationship between my scores and growth opportunities available in the company.				
9	Managers use BSC scores to punish those they dislike and reward those they favor.				
10	The company constructs too few measures in each perspective.				
11	The perspectives do not measure what I think ought to be measured.				

SECTION D: DEMOGRAPHIC INFORMATION

1) What is your gender? (tick one)

Male () Female ()

2) Age (tick one)

20 -30 () 31 -40 () 41- 50 () 50 and above ()

3) What is your academic background

Certificate () diploma () Undergraduate () postgraduate ()

4) Please indicate your department

5) What is the level of your position? (Please tick one)

i. Director [] ii) Manager [] iii) Supervisor [] iv)
Operations staff [] v) Office Assistant

6) How long have you been working in your present capacity?

Less than 3 years () 3 to 5 years () 5 to 7 years () Over 7 years ()

7) How long have you worked for Britam?

Less than 2 years () 6 – 10 years () Over15years ()

3-5 years () 10 – 15 years ()

THANK YOU VERY MUCH FOR YOUR GENUINE RESPONSE!