

**BALANCED SCORE CARD AND PERFORMANCE OF NON
GOVERNMENTAL ORGANIZATIONS IN KENYA**

KIRIGO DORCAS WANGU

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

NOVEMBER 2015

DECLARATION

This research project is my original work and has not been submitted to any other university for award of a degree.

SignatureDate

KIRIGO DORCAS WANGU

D61/75680/2012

The research project was submitted for examination with my authority as the university supervisor

SignatureDate

PROFESSOR EVANS AOSA

DEPARTMENT OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI

DEDICATION

I dedicate this work with a deep sense of reverence to my very supportive husband Mr. Julius M. Irungu and my dear little angels, Lisa and Maxwell Maina for their unwavering support, encouragement, patience and understanding throughout my entire study period.

ACKNOWLEDGEMENTS

It is my humble and great pleasure to acknowledge the assistance of those who helped me at different stages in the preparation of this project. I sincerely wish to express my heartfelt gratitude and appreciation to my supervisor, Professor Evans Aosa for his very professional advice, patience, guidance and constant encouragement that has resulted in the successful completion of this project.

My special thanks go to all staff of all the Non-Governmental organizations involved in this study for letting me use their valuable time, my immediate supervisor and coworkers who provided moral and professional support.

Above all I thank the Almighty God for his abundant blessings on me and enabling me to successfully complete my MBA studies.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABSTRACT.....	ix
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 The Concept of Balanced Score Card	3
1.1.2 Organizational Performance	4
1.1.3 Non-Governmental Organizations in Kenya	5
1.2 Research Problem	6
1.3 Research Objectives.....	8
1.4 Value of the Study	9
CHAPTER TWO: LITERARURE REVIEW.....	10
2.1 Introduction.....	10
2.2 Theoretical Foundations.....	10
2.3 Application of Balanced Score Card.....	12
2.3 Balanced Scorecard as a Strategic Management Tool	18
2.5 Challenges of the Application of Balanced Score Card.....	19
2.6 Organizational Performance Measurement.....	21
CHAPTER THREE: RESEARCH METHODOLOGY	23
3.1 Introduction.....	23
3.2 Research Design.....	23

3.3 Population of the Study.....	23
3.4 Sampling Design.....	24
3.5 Data Collection	24
3.6 Data Analysis	25
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	26
4.1 Introduction.....	26
4.2 Response Rate.....	26
4.3 Demographic information.....	27
4.4 Determinants of BSC Application among NGOs in Kenya.....	27
4.5 Challenges of BSC Application among NGOs in Kenya	35
4.6 Effect of the Balanced Score card on Performance of NGOs in Kenya	36
4.7 Discussion of Findings.....	37
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.....	39
5.1 Introduction.....	39
5.2 Summary of Findings.....	39
5.3 Conclusion	41
5.4 Recommendations.....	41
5.5 Limitations of the study	41
5.6 Suggestions for Further Research	42
REFERENCES.....	44
APPENDICES.....	47
Appendix : Research questionnaire	47

LIST OF TABLES

Table 4.1: Response rate	26
Table 4.2: Demographic information.....	27
Table 4.3: Internal Organization Structure	29
Table 4.4: Stakeholder pressure	29
Table 4.5: Transparency and accountability	30
Table 4.6: Optimum Utilisation of Resources	31
Table 4.7: Communication among stakeholders.....	33
Table 4.8: Business environment.....	33
Table 4.9: Challenges of BSC Application.....	35
Table 4.10: Effect of the balanced score card on performance.....	36

LIST OF FIGURES

Figure 4.1: Type of leadership	28
Figure 4.2: Deteriorating performance	30
Figure 4.3: Conceptualization of BSC by managers.....	32

ABSTRACT

The balanced scorecard has enabled many organizations to overcome the deficiencies traditional performance measures that largely focused on financial performance of an organization. This system provides feedback on internal business processes and external outcomes to continually improve organizational performance and results. However application of the balanced scorecard in any organization needs to be given a strategic approach and the support of the top management and leadership matters in ensuring that the tool is successfully implemented. The purpose of this study was to investigate the application of the balanced score card and its effect on the performance of nongovernmental organizations in Kenya. The study had three specific objectives to be achieved: establish how the balanced scorecard is applied among NGOs in Kenya; establish the challenges faced by NGOs in Kenya in application of the BSC and determine the effect of the BSC on performance of NGOs in Kenya. The study took the form of a survey of NGOs. Data was collected using a questionnaire from 45 respondents who were the sample size. The data was analyzed using percentages and descriptive statistics such as the mean. The findings were presented in tables and figures. The study established that there are several determinants of application of the BSC by NGOs in Kenya. Key among these determinants include the type of leadership that is found in the organization; the internal structure of the organization; the pressure that stakeholders exert on the organization; the level of communication that exists among the stakeholders; the need for transparency and accountability; optimum utilization of resources and acceptance by employees. There are also six main challenges of application of the tool by NGOs in Kenya. They include lack of clear and realistic objectives; resistance to change; lack of clear cause effect relationships; having a formless strategy; unclear strategic themes and maps and lack of commitment from employees. The study further established that there is a strong positive correlation between application of the balanced scorecard and the performance of the NGOs in Kenya. The study recommends that it will be important for organizations to develop clear and realistic objectives that can facilitate application of the BSC and that top management in NGOs need to understand that they play a significant role in application of the tool. The study limitations include the fact that most of the Nongovernmental organizations operate as not for profit organizations hence it was not possible to view them from a business perspective as far as the application of the BSC is concerned and NGOs are largely dependent on donor funding and retention of employees for a very long time is therefore never guaranteed. It was therefore difficult to get information that would adequately satisfy some of the queries. The researcher suggests that a comparative study will be important to enable the NGOs benchmark for best practice. The major implications of the findings include formulation of policies that can enhance application of balanced scorecard and ensuring that this is observed among the NGOs since it is an important tool of performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The balanced scorecard is one of the most prominent tools that have been used by many organizations across the globe in the last two decades. This tool was developed in order to seal the gap that existed in performance measurement. Kaplan and Norton (2007) realized that there was need to capture four important issues in an organization in one tool. These issues include financial issues; internal processes, customers as well as learning and development. They developed the balanced score card as one way of capturing all the above four aspects of an organization based on the vision and strategy of the organization. Since its introduction, the balanced score card has made it possible for most organizations to measure and manage their performance effectively (Kaplan and Norton, 2007). The Balanced Scorecard has since been translated and effectively implemented in both the nonprofit and public sector organizations. Organizations that have implemented the balanced score card have indicated that the tool is very successful in the management and measurement of performance in private and public sector (Isoraite, 2008).

The balanced score card has several uses such as the measurement of performance, operationalization of an organization's strategy and setting targets to be achieved. For instance on performance, each organization seeks to measure the achievements that have been made in order to ascertain how much the objectives of the organizations have been achieved. There are several tools that have been used traditionally to measure the performance of an organization but most of them had a number of shortcomings and

focused mainly on the financial performance of an organization thus leaving out the non financial aspects of performance. On the other hand managers in different organizations require accurate information to ensure that their decisions are not based on emotions and assumptions but that the information with regard to service delivery is accurate and relevant. In modern business models, intangible assets such as employee skills and knowledge levels, customer and supplier relationships, and an innovative culture are critical in providing the much-needed cutting-edge to the organization (Isoraite, 2008).

A non-governmental organization (N.G.O) is any not for profit, voluntary group which is organized on a local, national or international level. Being task-oriented and driven by people with a common interest, N.G.Os perform a variety of service and humanitarian functions (Lewis and Kanji, 2009). These include bringing citizen concerns to governments, advocating and monitoring policies and encouraging political participation through provision of information. Some N.G.Os are organized around specific issues, such as human rights, environment or health. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements (Lewis and Kanji, 2009).

Most non-governmental organizations in Kenya are funded by private donors, international agencies and the Kenyan Government initiatives and are concerned with the improvement of the livelihood of Kenyans who live in abject poverty. Nongovernmental organizations in Kenya have adapted strategic management practices that fit in with the current issues in Kenya highlighted in the country's blue print vision 2030. These include governance issues, gender issues and climate change.

1.1.1 The Concept of Balanced Score Card

Kaplan and Norton (2002) define the balanced score card as a tool that can enable organizations to manage the demands of various stakeholders and also assists in converting organizational strategy into action. Isorate (2008) also defines the balanced score card as a management system that is structured based on the management cycle planning, doing, checking and acting. The balanced score card is therefore a management fashion that exhibits the current trend in measurement and management of organizational performance in relation to company vision and strategy.

According to Kaplan and Norton (2007), the idea of the balanced score card came as a result of the inadequacies of the financial measures of organizational performance. The financial were found to be inefficient in appropriately measuring the performance of an organization hence the need for a better and comprehensive tool. After considering a number of other tools, Kaplan and Norton (2007) came up with the balanced score card which in their argument took into account the activities that touch the four main stakeholders of an organization. The financial aspect addresses the actions of the organization towards shareholders for the organization to be financially successful; on the internal processes the organization considers the processes to implement in order to satisfy customers and shareholders; on learning and development the organization focuses on how to foster potential to change and growth; and on customers the organization focuses on the actions to customers that can make it achieve its objectives (Kaplan and Norton, 2002).

According to Divandri and Yousefi (2011) there are a number of benefits that may accrue to organizations that use the balanced score card. The first such benefit relates to

improved performance. This comes as a result of the feedback that is obtained from the BSC that enables people to improve on areas where there are weaknesses. The balanced score card also assists organizations to effectively implement their strategies and develop the right measures for their performance. The BSC also assists an organization to establish any performance gaps thus achieving balanced performance for the organization. The other benefit relates to management of the organization. The balanced scorecard assists the organization in effective management of complex measures that are within. In addition to the above, the BSC assists an organization to effectively tell the performance story of the entire organization.

1.1.2 Organizational Performance

There are several definitions of organizational performance. This study adopts the definition by Brealey et al., (2009) who define organizational performance as the process of measuring the efficiency and effectiveness with which a company or organization uses its assets in order to earn revenue. Organizational performance normally relates to a specific period of time for instance one year. Therefore effectiveness refers to a broader concept that captures organizational performance plus the excess of internal performance outcomes normally associated with more efficient or effective operations. Organizational effectiveness also incorporates external measures such as the public image of the organization.

Robbins (2000) asserts that the main measures of organizational performance are effectiveness, efficiency, quality, timelines and productivity. According to Chavan (2009) most organizations assess their performance in terms of effectiveness. The main focus of such organizations is to achieve their corporate strategy. A number of other organizations

value their performance in terms of their efficiency. Efficiency refers to the optimal use of resources to achieve the desired output. Effectiveness oriented companies are concerned with output, sales, quality, creation of value added, innovation, cost reduction. It measures the degree to which a business achieves its goals or the way outputs interact with the economic and social environment. Usually effectiveness determines the policy objectives of the organization or the degree to which an organization realizes its own goals (Zheng, 2010).

Organizational performance can also be measured using other measures that are financial in nature. One of the popular financial measures of organizational performance relates to the profitability of an organization. This is a ratio of the output to income generated by an organization normally referred to as (ROA). An organization can also use quality in measuring performance. In this case the actual quality and its timeliness are measured against the expected. The level of productivity and innovation of an organization can also be used to measure performance. Other measures of organizational performance include innovation and the ability to create change within the organization (Kirkendall, 2013).

1.1.3 Non-Governmental Organizations in Kenya

Kenya like many other developing countries around the globe and more especially in Sub-Saharan Africa has experienced a significant change in the role played by Non-Governmental organizations from that of minor and little discussed players focusing on welfare of the poor to central actors in the area of development. In some cases the NGOs receive more funding from donor agencies more than their states or countries where they operate. This major shift on the role of NGOs in Sub Saharan Africa Kenya included was fueled by lack of transparent and inefficient state based systems (Brass, 2010).

Kenya has also experienced a tremendous growth in the number of both local and international NGOs that are engaged in various sectors such as education, development, poverty eradication and sanitation. The number of NGOs has increased to more than 6000 up from 125 in 1974 (Brass, 2010). It is also evident that Nongovernmental organizations in Kenya play a significant role in providing some of the services that the government does not have the full capacity to provide. In this case the NGOs do not take over the role of the government but rather try to subsidize whatever the government does.

The government of Kenya also realizes the important role that is played by the NGOs in the country. The government understands that NGOs have assisted in the provision of services to the poor and poorest of the country in the most equitable and transparent manner while being accountable to both the donor agencies and societies in which they operate. The government also acknowledges that for it to achieve its objectives on accelerated economic growth, equitable distribution of national income, alleviation of poverty through the provision of basic needs, enhanced agricultural productivity, industrialization, accelerated employment creation and improved rural-urban balance. For these goals to be realized all factors and actors of production must be closely coordinated so that they applied optimally. NGOs are increasingly getting involved in complementing the government in all manners. Based on this understanding, the government came up with the NGO regulation framework in 2006 (GoK, 2006).

1.2 Research Problem

The balanced scorecard is a management system that enables organizations to translate the vision and strategy into action. This system provides feedback on internal business processes and external outcomes to continually improve organizational performance and

results. The balanced scorecard has enabled many organizations to overcome the deficiencies traditional performance measures that largely focused on financial performance of an organization (Isorate, 2008). However application of the balanced scorecard in any organization needs to be given a strategic approach and the support of the top management and leadership matters in ensuring that the tool is successfully implemented (Kaplan, 2010).

Kenya has a number of NGOs that have adopted the balanced score card. These NGOs are normally required to achieve high performance standards and be accountable to both donors and the local societies they serve. On the other hand most of the NGOs in Kenya are under so much pressure from the donors to streamline their operations and achieve value for the funds they receive. This has forced most NGOs in the country to adopt strategic management practices that can enable them meet the level of performance expected of One of the strategic management tools that have enabled many organizations to achieve high performance standards is the Balanced Scorecard. Studies conducted reveal that application of the balanced scorecard in an organization has an impact on the effectiveness of its operations. For instance Stewart and Bestor (2000) carried out a study on application of BSC to healthcare organizations in the United States of America (USA). The results reveal that application of the balanced score card provides an effective and efficient way of linking daily operating activities to the corporate objectives of the organization. Bose and Thomas (2007) also conducted a study on application of the balanced score card for better management of intellectual capital. It was established that the BSC is a practical framework of dealing with the strategic direction of an

organization. Locally in Kenya, Nzuve and Nyaega (2013) carried out a study on application of the BSC in performance measurement at Essar Telecom Kenya Limited. The study reveals that the company primarily uses balanced score card for strategy implementation and as a performance measurement tool. Odhiambo and Oloko (2014) carried out a study on the influence of BSC on productivity at Kenya Wildlife Service. The study revealed that there is a positive relationship between the BSC and organizational performance. Moraa (2014) also carried out a study on the effect of balanced scorecard on performance of Kenya Revenue Authority. It was revealed that the balanced score card is an instrumental system which has amassed many benefits for the authority. Kairu, Wafula, Okaka, Odera and Akerere (2013) carried out a study on effects of balanced scorecard on performance of firms in the service sector. It was revealed that non-financial criteria are as important as financial criteria in measurement of performance.

The studies cited above show evidence with respect to BSC and performance. However none of the studies has focused on the NGO sector. This left a research gap that needed to be filled. In addition there are also variations on how the BSC affects the performance of an organization. This study sought to establish in what ways the BSC affects performance of NGOs in Kenya. How does the BSC affect the performance of NGOs in Kenya?

1.3 Research Objectives

This study sought to achieve the following two objectives:

1. Establish how the balanced scorecard is applied among NGOs in Kenya
2. Establish the challenges faced by NGOs in Kenya in application of the BSC.
3. Determine the effect of the BSC on performance of NGOs in Kenya

1.4 Value of the Study

The balanced score card has been perceived as a performance measurement and management tool among several organizations around the globe. It has also been associated with efficient and effective measurement of performance. The findings from this study assisted in providing more knowledge on this theoretical position. They established whether the tool has assisted the NGOs to effectively and efficiently manage their performance as is the case with other organizations.

The findings from this study are also very important to the policy makers in various NGOs in Kenya. The knowledge on common practices in application of balanced scorecard has enabled them to come up with better policies in the application of the tool in their own organizations. This will assist them in achieving success in the application of the balanced scorecard.

Other organizations have also benefited from the findings of the study since they now have more information on the drivers of application of the BSC, the common practices and the challenges that are faced in application of the tool.

Researchers and scholars have found this study important as it forms a basis for further research. Literature review has established that there are very few studies that have focused on application of the BSC in NGOs. The students and academics will use this study as a basis for discussions on applicability of the tool in this sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the relevant literature on application of balanced score card in organizations. The main areas that are reviewed include the theoretical foundations; the application of balanced score card, the scorecard as a strategic management tool and the challenges facing application of the balanced score card.

2.2 Theoretical Foundations

The Balanced score card is considered as an effective tool of measuring and managing the performance of an organization. This study will therefore review two theories that explain the essence of performance measurement. These two theories include the expectancy theory of Vroom and the agency theory.

The expectancy theory that was first developed by Vroom is a process theory of motivation. It has held a major position in the study of work motivation and has served as a rich source for theoretical innovations in various domains, such as organizational behavior and compensation. The theory identifies three factors that play an interactive role in motivation of employees. The first factor relates performance expectancy and concerns the individual's perception that effort is positively correlated with performance. The assumption made by the theory is that the higher this performance expectancy is, the more motivated the individual will be to exert effort. Performance expectancy is considered the subjective probability that an action or effort will lead to an outcome or

performance (Rollinson, 2005). The second factor is the performance-outcome expectancy also referred to as instrumentality. This relates to a person's expectation that his remuneration is closely tied to his level of performance. This factor also has a positive effect on motivation to exert effort. The last factor is called valence and is a measure of the degree to which an individual values a particular reward. Again, the higher this factor is, the more motivated the individual will be to perform well in his duties.

The expectancy theory therefore points at three major instruments that employers should use in combination to increase the motivation of their employees. The first instrument is increasing the subjective expectations that greater effort will lead to higher levels of performance among the employees. The second instrument relates to strengthening the perceived link between performance and rewards whereas the third instrument involves ensuring that employees value the rewards given for high performance. The motivational force of any employees is therefore a combination of the above three instruments since they determine the level of performance that will be achieved by the specific employee (Sloof and Praag, 2007).

The agency theory is also one of the theories that explain the need for performance measurement. The Agency Theory seeks to explain the principal-agent problem or agency dilemma that tends to occur when one person or entity who is referred to as the agent is able to make decisions that impact, or on behalf of, another person who happens to be the principal or owner of the business. The principal agent problem exists because sometimes the agent is motivated to act in his own selfish interests rather than those of the principal. The agent-principal relationship is a useful analytic tool in business and

economics since it seeks to explain how business owners can handle non performing managers. Common examples of this relationship include corporate management and shareholders (Bebchuk and Fried, 2004). The agency problem potentially arises in almost any context where one party is being paid by another to do something, whether in formal employment or a negotiated deal.

The agency problem normally arises when the two parties involved have different interests and there exists a situation where there is information asymmetry, such that the principal cannot directly ensure that the agent is always acting in its best interests, particularly when activities that are useful to the principal are costly to the agent, and where elements of what the agent does are costly for the principal to observe (Bebchuk and Fried, 2004). Moral hazard and conflict of interest may arise. Indeed, the principal may be sufficiently concerned at the possibility of being exploited by the agent that he chooses not to enter into a transaction at all, when that deal would have actually been in both parties' best interests and this is suboptimal outcome that lowers overall welfare. The deviation from the principal's interest by the agent brings about agency costs. Various mechanisms may be used to align the interests of the agent with those of the principal. In some cases the principal may decide to use piece rates or commissions, profit sharing, efficiency wages, performance measurement, or the threat of termination of employment (Bebchuk and Fried, 2004).

2.3 Application of Balanced Score Card

The Balanced Scorecard (BSC) is one of the most important recent accounting innovations. Its purpose is to enhance organizational performance by allowing top managers to better manage the key processes of the organization that can lead to an

improved competitive edge for the company as well as its performance. The balanced scorecard gives managers very high expectations and this has also drawn a lot of academic interest in this management tool. However, this tool lack detailed product specifications, which makes interpretation and implementation difficult. Managers find the balanced scorecard hard to use and think that their positive influence is uncertain at best. In order for organizations to effectively adopt the balanced scorecard it is important to understand the determinants that are necessary for its success (Chenall, 2005).

One of the significant determinants of application of the balanced scorecard in an organization relates to the leadership of that very organization. The senior managers of an organization assume a dominant responsibility in shaping the strategic path of the organization, designing the organization and putting in place effective management systems. Having an influential position in the organization and being accountable for the effectiveness of the strategic achievements and operations of the organization puts one in a position to decide on the adoption of any innovations. Managers also have the power to decide the type of management tools and practices to be adopted in the organization. Top management involvement may help to create commitment and generate organizational support for adoption of innovations such as the balanced scorecard (Braam and Nijssen, 2008).

Laurila and Lilja (2002) assert that the internal characteristics of the organization are also a major determinant of application of the balanced score card. For instance the influence of the finance department is anticipated to impact on BSC application. The various actors working in specific functions within the firm typically share professional or expertise

specific values created partly through common education. However, the institutional pressures compel these actors to adopt and conform to advanced practices developed outside the firm. Management accountants will have specific knowledge on how the organization might benefit from adopting and using performance measurement and management systems like the BSC. Such accounting-based systems will help them both to perform their tasks more effectively and efficiently, and to increase their power within the organization. People in departments such as finance who understand better the benefits of the balanced scorecard are likely to champion the application of the balanced scorecard in the organization. Any department that is powerful in the organization structure can be able to influence the decision made by the top management regarding a particular innovation. A powerful finance department may easily influence the adoption of the balanced scorecard since they understand the significance of this management tool (Laurila and Lilja, 2002).

The third determinant of application of the balanced scorecard in an organization relates to the external characteristics of the organization. The nature of developments that exist in the external environment of the organization are likely to influence the adoption behavior of new innovations such as the balanced scorecard. Organizations that operate in highly innovative and dynamic business environment are more likely to adopt new processes and tools that can enable them to align their business operations to the changes in the business environment. The BSC is one of the management tools that offers a performance measurement and management system that enables managers to control their organizations strategically and deal with environmental uncertainties effectively. Improved information regarding activities and their effects on company performance

allows managers to monitor the progress of the strategies they have plotted, and to make decisions for improvement (Olson and Slater, 2002).

Van der Meer-Kooistra and Vosselman (2004) argue that senior managers in an organization may vary in their conceptualization and understanding of the BSC thus applying the tool for different reasons. This implies that their support will positively influence each BSC type. Interdepartmental communication may also play a more important role in the case of the application of BSC. Without excellent interdepartmental communications customization of the balanced scorecard and coordination will be impossible. The higher the differential effect that exists between various levels of management and the various departments within the organization, the higher the likelihood that the organization may not successfully manage application of the balanced scorecard as a performance measurement and management tool for the organization.

According to Zairi and Jarrar (2010) it is important for organizations intending to apply the balanced scorecard to avoid piece meal application of the same. Organizations need to introduce application of the balanced scorecard on the entire organization if at all it has to be successful. They further argue that application of the balanced scorecard across all the functions of the organization is important for a number of reasons. The first reason is that it provides a coordinated framework and a common approach for all organizational performance measurement efforts; it provides a common basis and for understanding measurement results for all employees and it gives a big picture of the organization.

The other best practice in application of the balanced scorecard in an organization relates to the use of the tool to provide objective data for business decisions. The data provided

by the balanced scorecard can be used a base for business decisions from allocation of available resources to future direction of the organization. This will further integrate the Balanced Scorecard into the way business is carried out and help the organization reach effective decisions. For instance the Balanced Scorecard could form a common basis to support a business case for more resources (Zairi and Jarrar, 2010).

According to Martinez (2005), frequent measurement of the performance of the organization using the balanced scorecard is one of the best practices in application of the tool. He argues that there is no business in the world that would think of measuring its performance once a year to determine if there is success in their operations. Most managers and entrepreneurs measure financial and operational performance on a daily basis. The more often something is measured, the better it can be managed by the organization concerned. If something is important enough to measure at all, there is need to measure it frequently. Annual metrics are close to being worthless, and are more like a study than a performance measure. The more frequently something is measured, the more it usually costs. Therefore the challenge for most organizations is to come up with a way to measure performance using the balanced scorecard often without spending a lot of money.

It is important to keep the scorecard document simple so that it can be understood by all employees. The scorecard should be designed with perfect symmetry, logical architecture, and a balance of measures that look at the past, present, and future. The metrics should also be able to reflect the designed scorecard. Overcomplicating the scorecard seems to be more common in technical organizations that have lots of engineers though this may not always be the case. In most cases organizations want to

measure all sorts of important things like ethics, customer relationships, and intellectual capital, but most of these softer things end up being very hard to measure. It is important to design a balanced scorecard that has few measurable metrics that designing one with very many metrics and only a few can be measured effectively. It is therefore significant to design a balanced scorecard using metrics that can easily be populated with data within one year. Another approach involves designing the ideal scorecard with all the measures leaders want and need to look at, but build it gradually over several years.

According to Zairi and Jarrar (2010), employee training is a very important best practice in application of the balanced score card. When implementing the balanced score card, all-inclusive training is needed to expand the general understanding and capabilities of employees and to achieve acceptance for undertaking meaningful improvement efforts. Training should be provided to help employees understand and implement the Balanced Scorecard in terms of the ability to design their own measures, the understanding of how these measures affect organizational goals and strategy, and the ability to use improvement tools and techniques to action the outcomes for the meat for continuous improvement. The scope of training should include the operation of integrated project improvement teams, the role employees play in exercising sound business judgment, and the specific techniques for making process improvements. Zairi and Jarrar (2010) further indicate that implementation of the balanced scorecard in any organization brings about several changes. These changes may stir up some resistance based on unfounded fears about the perceived adverse effects of performance measurement and improvement.

2.3 Balanced Scorecard as a Strategic Management Tool

Sinha (2006) defines strategic management as the process of managing for the Future or competing for the future. He further asserts that the future does not just happen if one wishes hard enough but rather depends on current decisions; current imposed risks; present decisions focusing on the future; allocation of resources in the present time as well as commencing work about the future in the present time. Having understood these things which are applicable to the business in reality, the applicability of strategic management is getting wider whether for a multinational, domestic or even a national player in the market. In any strategic management process, one of the most important elements is the SWOT analysis which means analyzing the environment both internal and external. The most important thing that can ensure the success of any organization is the development of appropriate strategies which would decide the direction the organization will take as it progresses.

Kaplan and Norton (2007) assert that the balanced scorecard can be used as a strategic management system successfully. Most companies have in place control and management tools that are founded on financial measures and targets that have no direct relationship with the progress of the company in achieving its strategic objectives. Placing so much emphasis on short term financial measures leaves a gap between strategy development and its implementation. The use of a balanced scorecard in the company therefore allows managers to introduce four new management processes that enable them to link the long term strategic objectives with short term actions. These four processes include translating the vision, communicating and linking, business planning as well as feedback and learning.

The Balanced Scorecard is a very important strategic management tool which helps an organization to not only measure the performance but also decide/manage the strategies which are needed to be adopted or modified so that the long-term goals are achieved. Thus, in other words, the application of this tool ensures the consistency of vision and action which is the first step towards the development of a successful organization. Also, its proper implementation can ensure the development of competencies within an organization which will help it to develop a competitive advantage without which it cannot expect to outperform its rivals (Sinha, 2006). The scorecard provides a number of strategic management benefits such as translating the vision and strategy into action; defining the strategic linkages to integrate performance across organizations; communicating the objectives and measures to a business unit; aligning the strategic initiatives in order to attain the long-term goals; aligning everyone within an organization so that all employees understand how they support the strategy; provides a basis for compensation for performance and provides a feedback to the senior management if the strategy is working (Sinha, 2006).

2.5 Challenges of the Application of Balanced Score Card

Having a vague strategy is one of the major challenges in application of the balanced scorecard. A number of organizations have high-level, future looking strategies with ideals and aspirations. These strategies may be good in fuelling the soul of the organization but they may make the organization run the risk of diluting the ability for translation into an effective Balanced Scorecard. The best remedy for these situations is to revisit and refine the strategy with the owners and get clearer direction on the aspirations of the business. Some of the key components required for an effective

translation include financial targets over the medium and long-terms, markets and customer segments, aspirations for brand perception, and customer value. These should be statements of the desired organization's end state for the planning horizon which normally runs between 5 to 10 years (Hindi, 2012).

Hindi (2012) further argues that if the initial implementation of the balanced is complicated, there is a high tendency to get lost in the details and technicalities of the Balanced Scorecard. The strategic themes, strategy maps, and cascading to individual level could cause a lot of confusion around the initial approach. The best remedy is to phase the approach by starting with articulating the BSC across the four perspectives by developing the strategic map that includes objectives with cause and effect relationships. The purpose of this is to provide a sense of clarity for the action plan and can be communicated across the organization. Later phases can introduce more sophistication with subjects that can flow down to the other employees of the organization.

Application of the balanced scorecard requires flow of the metrics and other measures down to each individual employee in the organization. Ensuring that the application of the balanced scorecard is cascaded to individual level within the organization requires engaging the hearts and minds of the existing workforce. This entails getting the agreement and commitment of the employees to set their own targets. If that engagement is not achieved, the individual level BSC becomes nothing more than a documentations exercise at the end of each reporting period. The behavior of the employees is not likely to be changed by such a scorecard. The best remedy for this challenge is to engage the team in formulating the balanced scorecard and have them participate in setting targets. It is also clear that the absence of automation to record and roll-up results early in the

implementation of the balanced scorecard has the potential of severely derailing the team into the mechanics of recording actual achievements versus targets. This will be compounded when the team tries to build sophisticated formulas to roll-up to an overall result by objective or department across the four perspectives (Karathanos and Karathanos, 2005).

2.6 Organizational Performance Measurement

However, most organizations are struggling to enhance their performance. The main reason why this struggle exists is because management is not always aware of the adequate assessment of their organizational performance. Several models, frameworks or methods for conducting entities valuation create unnecessary stress for management to select the path that is congruent with organizations believes and cultural philosophy (Richard, 2009). Organizational performance stimulation has always been a priority in private as well as in public sectors, since it is directly associated with the value creation of the entity. Organizations are constantly striving for better results, influence and competitive advantage.

If a company is inefficient but effective it might survive, but the cost of operational management, processes and inputs will be too high. Cost inefficient organizations do not have proper resource allocation management. From the accounting perspective they might break even or have very little profit (Robbins, 2000). Although, such organizations have excellent long term perceptions of the degree of the overall success, market share, profitability, growth rate, and innovativeness of the organization in comparison with key competitors (Zokaei, 2006). Inefficient-effective organizations should consider the

assessment of their resource allocation. Usually, the morale in such entities is high. Delicate changes brought in the operations and introduced in a subtle manner should result the increase in the efficiency, which would lead organization to desired competitive advantage.

High effectiveness and high efficiency organizations are well known as high performance entities. They demonstrate excellence in their operational performance as well as strategic planning. Their outcome is productive, cost management is under control, tasks distributed and completed in a timely manner. Usually such organizations have high morale and staff commitment, which also results the highest quality of the outcome. Employees are well aware of the tasks they have been delegated to perform, they are also well informed of the indicators, which are used to assess their outcomes. Their performance and their attitudes lie along company's long term goals and vision (Zokaei, 2006).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives the methodology that was used to investigate the application of balanced score card among nongovernmental organizations in Kenya. Here the research design, target population, sampling design, sample size, data collection and analysis are briefly discussed.

3.2 Research Design

This study was a cross sectional survey design in investigating the application of balanced score card among nongovernmental organizations in Kenya. The survey was chosen since the study focused on several organizations in the NGO sector. Alford (2011) asserts that a survey research design is a process of collecting data through asking questions to a selected number of respondents to represent a larger population.

The survey study design was therefore appropriate in this case since the study relied on a sample that represented the entire population of NGOs in the country. The cross sectional study design also allowed the study to generalize the findings of this particular research on the NGO sector in Kenya.

3.3 Population of the Study

Kitchenham and Shari (2002) define a target population of a study as the group or all the individuals to whom the study applies. They further argue that the target population is obtained by establishing all the individuals who are likely to provide relevant information

for the study. In addition the target population is a finite list of all the individuals who are considered suitable in providing relevant information for the study at hand. The population of this study involved the 150 nongovernmental organizations that have their headquarters in Nairobi. According to the nongovernmental organizations council, there are 150 NGOs that have their headquarters in Nairobi. These 150 NGOs formed the target population for the study.

3.4 Sampling Design

This study involved purposeful sampling technique in selecting the NGOs that were included in the study. The study involved NGOs that were based in Nairobi or had their headquarters in Nairobi. According to the NGO Council, there were a total of 150 NGOs that have their headquarters in Nairobi. Mugenda and Mugenda (2003) assert that at least 10% of the target population is adequate for a sample size.

The researcher selected 30% of the total number of NGOs that have their headquarters in Nairobi to participate in the study. This translates to a total of 45 NGOs from where respondents were drawn. One respondent from the strategic planning department, most preferably the strategic planning manager or assistant were selected as a respondent from each organization. This gave a total of 45 respondents.

3.5 Data Collection

The researcher collected primary data for the purpose of establishing the application of the balanced scorecard among NGOs in Kenya. The data was collected by use of a questionnaire that was in form of five point Likert Scale. The questionnaire had both closed and open ended questions. The questionnaire had three sections: section A sought

demographic information of the respondents; section B sought data on application of the balanced scorecard; and section C carried questions on the challenges of application of the balanced scorecard. The questionnaires were administered through drop and pick later method, and were piloted to test for content validity and reliability.

Before embarking on the data collection exercise, the researcher obtained a letter of introduction from the University Of Nairobi School Of Business. This letter assisted in introducing the researcher to the respondents. The questionnaires were distributed through drop and pick later method by the researcher and research assistants. The main respondents were the strategic planning managers of the NGOs selected. Strategic planning managers are considered appropriate since they are responsible for the strategic direction the organization takes and targets in the balanced scorecard must originate from the overall organization strategy.

3.6 Data Analysis

The primary data collected was sorted to ensure completeness. The demographic information was analyzed using descriptive statistics such as the mean and standard deviation whereas the other objectives were analyzed using percentages and frequencies. The findings of the study were presented in frequency tables and bar charts for better visualization and illustration of the findings. .

In order to make the study findings more clear and easy to understand, the researcher explained the findings as illustrated in each table and chart. This in turn assisted in drawing conclusions and making recommendations based on the study findings. A discussion to relate the findings of the study to other past studies was provided.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

The main objective of this study was to investigate the application of the balanced score card and its effect on the performance of nongovernmental organizations in Kenya. The study had three specific objectives to be achieved: establish how the balanced scorecard is applied among NGOs in Kenya; establish the challenges faced by NGOs in Kenya in application of the BSC and determine the effect of the BSC on performance of NGOs in Kenya. The findings from the study are presented in this chapter together with discussions.

4.2 Response Rate

The study had a sample size of 45 respondents who were drawn from 45 nongovernmental organizations based in Nairobi. A total of 45 questionnaires were issued and the researcher managed to receive back a total of 37 questionnaires as illustrated in table 4.1 below.

Table 4.1: Response rate

Respondents	Frequency	Percent
Received	37	82.2
Not received	8	17.8
Total	45	100.0

Source: Research data

The findings in table 4.1 above reveal that the study attained a response rate of 82.2%. This is an indication that most of the respondents were able to fill and return the questionnaires. This response rate is sufficient to justify generalization of the findings on nongovernmental organizations in Kenya.

4.3 Demographic information

The researcher wanted to find out some details concerning the respondents to enable her confirm whether they were suitable to provide relevant information for the study. The findings are presented next.

Table 4.2: Demographic information

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Position	37	1	2	1.16	.374
Duration in organization	37	1	3	1.95	.664
Valid N (listwise)	37				

Source: Research data

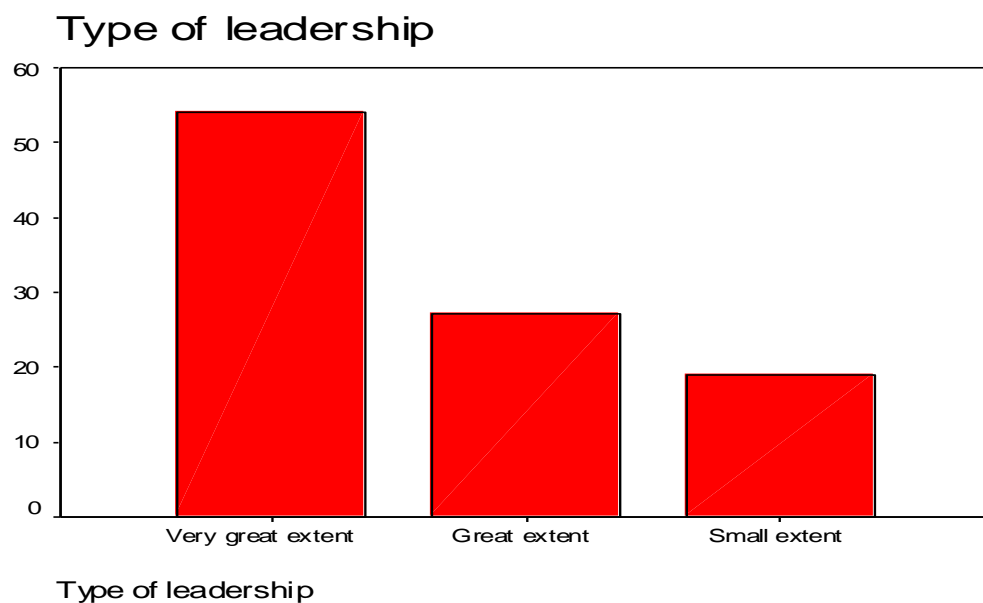
It is evident from the research findings tabulated above that the position of the respondents has a mean of 1.116 and a standard deviation of 0.374. This is an indication that most of the respondents are managers. This confirms that they are people with appropriate knowledge on balanced score card hence could provide reliable data for the study. It is also clear that the duration the respondents had served in their organizations has a mean of 1.95 and a standard deviation of 0.664. This confirms that most of the respondents have worked with the current organization for 3-5 years. This duration is considered long enough for one to understand organizational issues especially on BSC. This therefore implies that most of the respondents who participated in the study have worked with nongovernmental organizations for a duration long enough thus enabling them experience implementation of bsc and so had the ability to provide data based on their experiences.

4.4 Determinants of BSC Application among NGOs in Kenya

The study sought to establish the determinants of BSC application among the nongovernmental organizations in Kenya. The respondents were provided with several determinants and were required to rate them depending on the extent to which they agreed with each one of them. The responses are presented next.

4.4.1 Type of Leadership

Figure 4.1: Type of leadership



Source: Research data

The research wanted to establish whether the type of leadership that exists within an organization could be a determinant in application of the BSC. The findings in figure 4.1 above reveal that 54% of the respondents agreed that the type of leadership is a determinant of BSC application to a very great extent. It was also evident that another 27% of the respondents agreed that leadership is a determinant to a great extent. This implies that majority of the respondents consider the type of leadership as an important determinant of the application of the BSC.

4.4.2 Internal Organization Structure

Table 4.3: Internal Organization Structure

Internal organization structure

	Frequency	Percent
Very great extent	8	21.6
Great extent	24	64.9
Not at all	5	13.5
Total	37	100.0

Source: Research data

The study sought to find out if the internal structure of the organization is a determinant of BSC application among nongovernmental organisations in Kenya. It can be observed from the findings of the study tabulated above that 64.9% of the respondents agreed that the internal structure of the organization is a determinant to a great extent whereas 21.6% indicated that it is a determinant to a very great extent. This indicates that most of the respondents consider the internal organizational structure as a significant determinant of the application of the BSC.

4.4.3 Pressure from Stakeholders

Table 4.4: Stakeholder pressure

	Frequency	Percent
Very great extent	4	10.8
Great extent	21	56.8
Moderate	6	16.2
Small extent	4	10.8
Not at all	2	5.4
Total	37	100.0

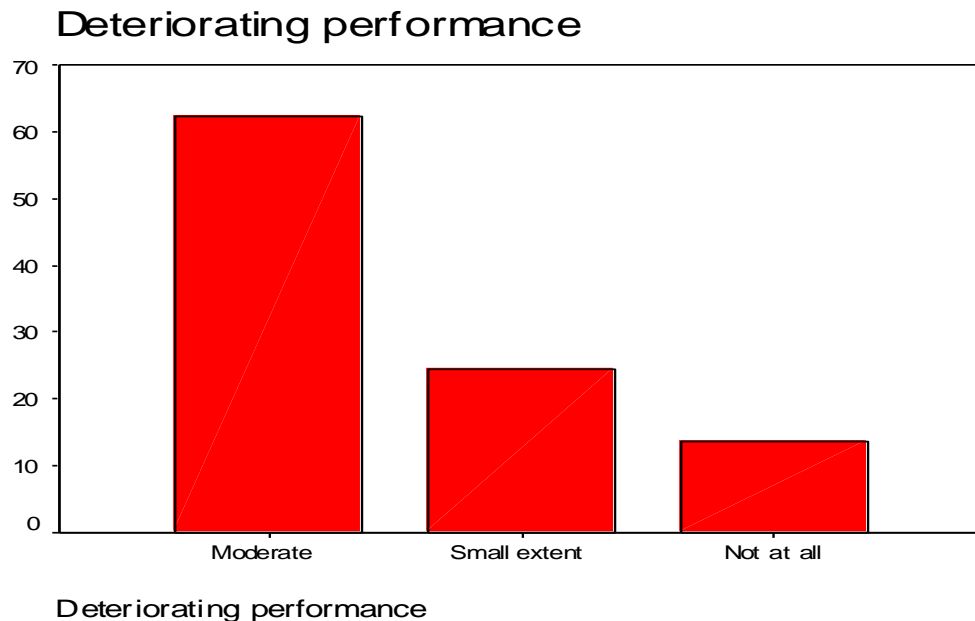
Source: Research data

The researcher sought to investigate whether pressure from stakeholders of nongovernmental organizations in Kenya is a significant determinant of application of the BSC. The results from table 4.4 above reveal that 56.8% of the respondents consider

pressure from stakeholders as determinant to a great extent; 16.2% to a moderate extent and 10.8 to a very great extent. This is a revelation that majority of the respondents consider pressure from the stakeholders as an important determinant of application of the BSC among the NGOs in Kenya.

4.4.4 Deteriorating Performance

Figure 4.2: Deteriorating performance



Source: Research data

The researcher wanted to investigate whether deteriorating performance is a determinant in application of the balanced score card among the NGOs in Kenya. The research findings presented in figure 4.2 above confirm that 63% of the respondents indicated that its is considered a determinant to a moderate extent. This implies that deteriorating performance does not rank high among the most significant determinants of application of the BSC among the NGOs in Kenya.

4.4.5 Need for Transparency and Accountability

Table 4.5: Transparency and accountability

	Frequency	Percent
Very great extent	5	13.5
Great extent	26	70.3
Moderate	6	16.2
Total	37	100.0

Source: Research data

The respondents were required to indicate the extent to which they agreed that the need for transparency and accountability is a determinant of BSC application among the NGOs in Kenya. It is clear from the research results that 70.3% of the respondents agreed that the need for transparency and accountability is a determinant to a great extent; 16.2% to a moderate extent and 1.35% to a very great extent. This confirms that majority of the respondents consider the need for transparency and accountability in the NGO sector as a very significant determinant of BSC application.

4.4.6 Optimum Utilisation of Resources

Table 4.6: Optimum Utilisation of Resources

	Frequency	Percent
Very great extent	20	54.1
Great extent	10	27.0
Not at all	7	18.9
Total	37	100.0

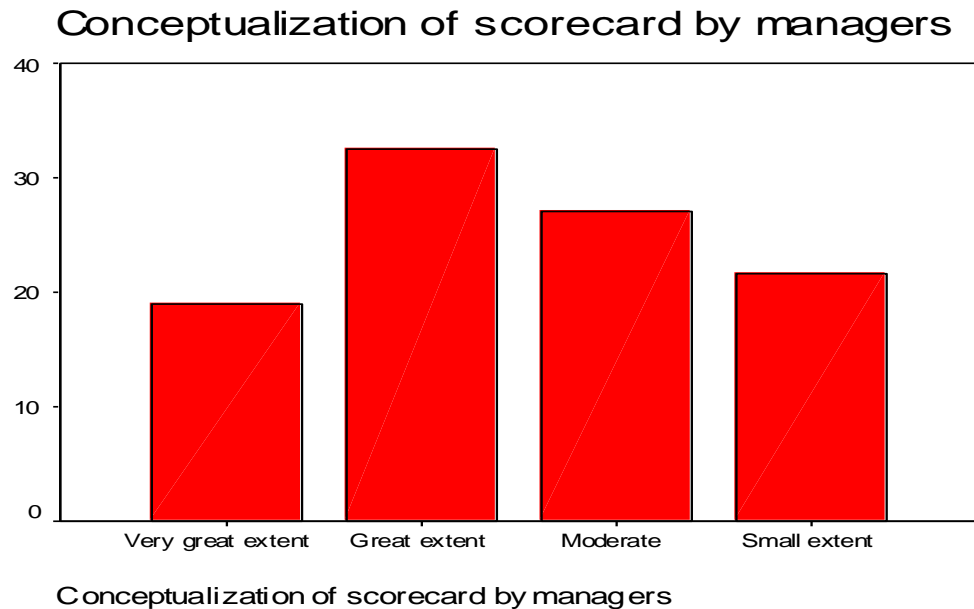
Source: Research data

The researcher wanted to find out whether optimum utilization of resources is among the determinants of application of the BSC among the NGOs in Kenya. The study findings tabulated above reveal that 54.1% of the respondents considered it a determinant to a

very great extent; 27% to a great extent and 18.9% did not consider it at all. This means that optimum resource utilization is such an important determinant of application of the BSC among NGOs in Kenya.

4.4.7 Conceptualization of BSC by Managers

Figure 4.3: Conceptualization of BSC by managers



Source: Research data

The study sought to establish from the respondents whether conceptualization of the BSC by managers among the NGOs in Kenya is one of the determinants of its application. The findings tabulated above confirm that 33% of the respondents consider this as a determinant to a great extent; 27% to a moderate extent; 22% to a small extent and 19% to a very great extent. This is an indication that conceptualization of BSC by the managers is a significant determinant of BSC application among the NGOs in Kenya.

4.4.8 Level of Communication among Stakeholders

Table 4.7: Communication among stakeholders

	Frequency	Percent
Great extent	23	62.2
Small extent	7	18.9
Not at all	7	18.9
Total	37	100.0

Source: Research data

The respondents were requested to indicate the extent to which they agree with level of communication among stakeholders as a BSC application determinant among NGOs in Kenya. The findings presented in table 4.7 above reveal that 62.2% of the respondents agreed that communication among stakeholders is a determinant to a great extent; 18.9% to a small extent and another 18.9% indicated they did not consider it at all. This is a clear indication that most of the respondents consider the level of communication among the stakeholders as a very significant determinant of the application of the BSC.

4.4.9 The Business Environment

Table 4.8: Business environment

	Frequency	Percent
Moderate	8	21.6
Small extent	23	62.2
Not at all	6	16.2
Total	37	100.0

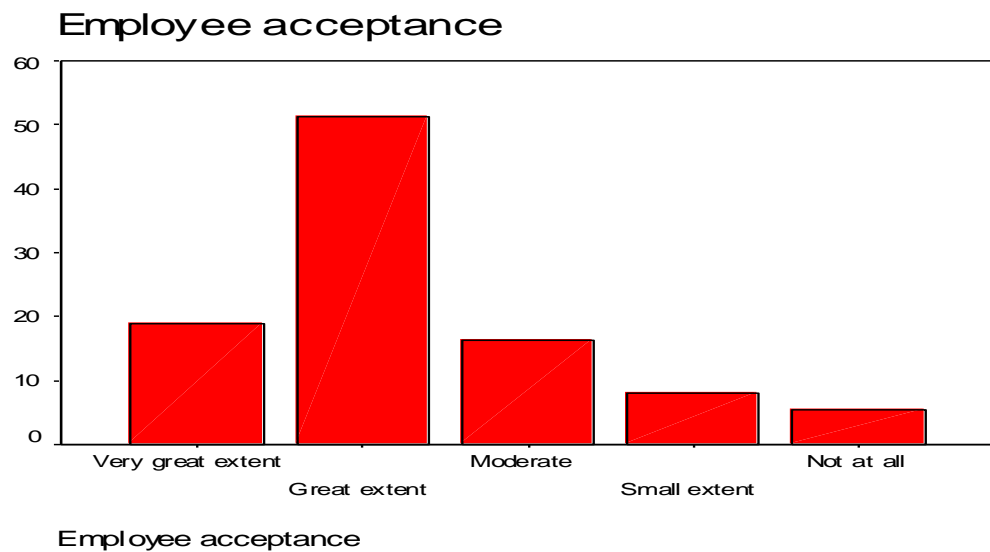
Source: Research data

The researcher wanted to find out whether the business environment in which the NGOs operate is a determinant of the BSC application among them. The findings illustrated in table 4.8 above reveal that 62.2% of the respondents consider it as a determinant to a very small extent; 21.6% to a moderate extent and 16.2% do not consider it at all as a

determinant. This implies that majority of the respondents do not consider the business environment as a very important determinant of BSC application among the NGOs in Kenya.

4.4.10 Employee Acceptance

Figure 4.4: Employee acceptance



Source: Research data

The study sought to establish from the respondents whether employee acceptance of the idea of BSC is a determinant in its application. The findings confirm that 51% of the respondents agreed to a great extent that employee acceptance is a significant determinant and 19% to a very great extent. This implies that employee acceptance is an important determinant of the application of the BSC among NGOs in Kenya.

4.5 Challenges of BSC Application among NGOs in Kenya

The researcher wanted to investigate the challenges of BSC application among the NGOs in Kenya. The respondents were provided with eight challenges and they were required to rank them depending on the extent to which they agree. The findings are presented next.

Table 4.9: Challenges of BSC Application

Challenge	Minimum	Maximum	Mean
Unclear cause effect relationships	1	4	2.00
Employee resistance to change	2	5	2.00
Unclear and unrealistic objectives	1	4	2.01
Having a formless strategy	2	4	2.34
Unclear strategic themes and maps	2	5	2.36
Lack of commitment from employees	2	5	2.45
Improper cascading of the tool to stakeholders	1	5	4.27
Lack of expertise	4	5	4.42

Source: Research data

The findings from the study established that unclear cause effect relationships during application of the BSC among the NGOs are one of the biggest challenges with a mean of 2.00. This implies that majority of the respondents agreed to a great extent that lack of clear cause effect relationships can be a challenge to application of the BSC. Employee resistance to change also has the same mean of 2.00 and this is a confirmation that most of the employees agreed to a great extent that when employees exhibit some form of resistance towards application of the BSC, then it becomes difficult to apply the same in an organization. The study also established that having unclear and unrealistic objectives is one of the biggest challenges of BSC application by NGOs in Kenya. This is supported by a mean of 2.01.

The study further reveals that there are other challenges that also affect the application of BSC by NGOs in Kenya. These challenges include: Having a formless strategy with a mean of 2.34; unclear strategic themes and maps with a mean of 2.36 and lack of commitment from employees with a mean of 2.45. This is an indication that respondents agreed to a great extent that these are challenges to application of the BSC by NGOs in Kenya. However, the study also reveals that improper cascading of the tool to stakeholders with a mean of 4.27 and lack of expertise with a mean of 4.42 were not considered as challenges of BSC application by the NGOs.

4.6 Effect of the Balanced Score card on Performance

The study also sought to determine the effect of the Balanced score card on the performance of NGOs in Kenya by way of correlation analysis. In order to conduct the correlation analysis, the average responses on the determinants of application of the BSC were regressed against the ratings provided by respondents on how BSC affects the performance. Pearson’s correlation coefficient was obtained and used to explain the effect. The findings are presented in Table 4.10.

Table 4.10: Effect of the balanced score card on performance

Variable	Performance of NGOs
Determinants of BSC adoption	0.689

Source: Research data

The findings reveal that there is a strong positive relationship between determinants of BSC adoption and the performance of NGOs in Kenya. This is an indication that proper application of the BSC in NGOs leads to better performance among the NGOs. It also implies that if the BSC is not properly applied in the NGOs, the performance of these

organizations will deteriorate. This implies that the BSC is an important tool that can be used by NGOs in Kenya to enhance their performance.

4.7 Discussion of Findings

The study established that the type of leadership that exists in an organization is a very important determinant of application of the BSC among the NGOs in Kenya. The results are in agreement to the findings of Braam and Nijssen (2008) who also indicated that managers have the power to decide the type of management tools and practices to be adopted in the organization. Top management involvement may help to create commitment and generate organizational support for adoption of innovations such as the balanced scorecard. They further assert that the type of leadership is what determines the success in application of the BSC.

The study also revealed that the internal structure of the organization also determines the application of the BSC. This finding is in line with that of Laurila and Lilja (2002) who assert that the internal characteristics of the organization are a major determinant of application of the balanced score card. They further argue that for instance the influence of the finance department is anticipated to impact on BSC application. The various actors working in specific functions within the firm typically share professional or expertise specific values created partly through common education.

This study further found out that the business environment in which the NGOs operate is not such a significant determinant to application of the BSC. This finding disagrees with that of Olson and Slater (2002) who argue that organizations that operate in highly innovative and dynamic business environment are more likely to adopt new processes

and tools that can enable them to align their business operations to the changes in the business environment. Olson and Slater (2002) further indicate that the BSC is one of the management tools that offers a performance measurement and management system that enables managers to control their organizations strategically and deal with environmental uncertainties effectively.

The results further show that resistance to change and acceptance of the BSC by the employees are among the challenges of application of the tool by NGOs in Kenya. This is in line with the findings of Karathanos and Karathanos (2005) who argue that ensuring that the application of the balanced scorecard is cascaded to individual level within the organization requires engaging the hearts and minds of the existing workforce. This entails getting the agreement and commitment of the employees to set their own targets. If that engagement is not achieved, the individual level BSC becomes nothing more than a documentations exercise at the end of each reporting period.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings on application of the balanced scorecard and performance of nongovernmental organizations in Kenya. It also presents the conclusion made based on research findings, the recommendations, limitations and suggestions for further research.

5.2 Summary

The study established that there are several determinants of application of the balanced scorecard by the NGOs in Kenya. One of these determinants is the type of leadership that exists in the organization which has a significant effect on the application of the tool in the organization. The other determinant is the structure of the organization especially the internal one. Some departments may be influential enough to convince the organization to adopt the BSC. It was further clear from the research findings that pressure from stakeholders is one of the determinants of application of the BSC. It was evident that stakeholders can exert pressure on the nongovernmental organizations to consider application of the BSC. The other important determinant is related to the need for transparency and accountability. Nongovernmental organizations are required to account for their activities and they also need to be transparent in the way they handle various issues. It was observed that the need to have a transparent and accountable organization is a significant determinant of application of BSC.

It was further revealed that the need to optimize the use of resources that are in the organization is also an important determinant of application of the BSC. The study findings also established that conceptualization of the BSC by the managers in the organization will determine the level of success that will be achieved in application of the tool. The other significant determinant of application of the BSC by NGOs in Kenya is the acceptance of employees. The study confirms that employees must be convinced in order to accept the tool and its application in the organization.

The study also established that there are six main challenges to the application of the BSC by NGOs in Kenya. Top among these challenges is the existence of unclear cause effect relationships during application of the tool. There is need to have clear relationships that will not bring conflict. The other challenge related to resistance from employees. Employees are known to resist change and therefore this is likely to affect application of the BSC. The other challenge of application of the BSC is when an organization has unclear and unrealistic objectives. This brings uncertainty and lack of clear targets. It was further revealed that some challenges such as having a formless strategy; unclear strategic themes and maps and lack of commitment from employees can affect implementation of the BSC by NGOs in Kenya.

The study further established that there is a strong positive correlation between application of the balanced scorecard and the performance of the NGOs in Kenya. This is an indication that the mode of application of the Balanced Score Card among the NGOs largely affects the performance that is achieved by the NGOs. The determinants of BSC application were found to have a strong direct effect on the performance of the NGOs in Kenya.

5.3 Conclusion

There are several determinants of application of the BSC by NGOs in Kenya. Key among these determinants include the type of leadership that is found in the organization; the internal structure of the organization; the pressure that stakeholders exert on the organization; the level of communication that exists among the stakeholders; the need for transparency and accountability; optimum utilization of resources and acceptance by employees. There are also six main challenges of application of the tool by NGOs in Kenya. They include lack of clear and realistic objectives; resistance to change; lack of clear cause effect relationships; having a formless strategy; unclear strategic themes and maps and lack of commitment from employees.

5.4 Recommendations

The study findings have various implications in the applicability of BSC in the NGO sector. The following recommendations are made following the study results. First, the study reveals that having unclear and unrealistic objectives may be a major challenge to application of the BSC. It will be important for organizations to develop clear and realistic objectives that can facilitate application of the BSC.

It was also evident that the type of leadership that exists in an organization largely determines the success in application of the BSC. It will be important to top management in NGOs to understand that they play a significant role in application of the tool.

5.5 Limitations

This study had few limitations biggest of which was the subjective nature of instrumentsl
The inability to directly apply analytical models to many real-world situations means that

a normative criterion against which to evaluate judgements and decisions will often be absent. However, pilot testing was applied to ensure that measurement scales were reliable.

Secondly, most of the Nongovernmental organizations operate as not for profit organizations hence it was not possible to view them from a business perspective as far as the application of the BSC is concerned.

In addition, NGOs are largely dependent on donor funding and retention of employees for a very long time is therefore never guaranteed. It was therefore difficult to get information that would adequately satisfy some of the queries.

5.6 Suggestions for Further Research

The environment in which organizations operate is very dynamic and keeps on changing. This is well recognized in the reviewed literature and is also acknowledged amongst the respondents who participated in the research. This dynamism may bring changes in the application of the BSC. This study can therefore be replicated after some time to establish whether there are any significant improvements that have been made by NGOs concerning application of the BSC.

Benchmarking for best practices in any industry is important for an organization that is keen on improving its position. A comparative study with best performing NGOs will be important so that NGOs in Kenya can benchmark for best practice in application of the BSC.

5.7 Implications of the Study on Policy, Theory and Practice

The findings of the study reveal that there is a positive correlation between application of the balanced score card and the performance of nongovernmental organizations. This implies that policy makers need to concentrate on better and efficient application of the balanced score in order to enhance performance. The policies developed by the nongovernmental organizations should take into account proper and effective application of the BSC.

The findings show a high degree of consistency with other researchers who have also established the existence of a positive correlation between application of the BSC and performance of organizations. The findings therefore contribute some valuable knowledge towards providing empirical evidence on the relationship between the BSC and performance of nongovernmental organizations. The study findings also imply that application of the balanced score card should be encouraged among the NGOs since it plays a very significant role in the performance of these organizations.

REFERENCES

- Bose, S. & Thomas, K. (2007) Applying the balanced scorecard for better performance of intellectual capital. *Journal of Intellectual Capital* 8 (4). Emerald Group Publishing Limited.
- Braam, G. & Nijssen, E. (2008) Exploring the Antecedents of Balanced Scorecard Adoption as a Performance Measurement and Strategic Management System. *NiCE Working Paper 08-115*
- Brass, J. (2008) *Why do NGOs go where they go? Evidence from Kenya. Surrogates for Government? NGOs and the State in Kenya.* A Ph.D dissertation submitted to the University of California.
- Brealey, R.A., Myers, S.C & Marcus, A J. (2009). *Fundamentals of Corporate Finance.* 6th ed. McGraw –Hill
- Chavan M,(2009). The balanced scorecard: a new challenge. *Journal of Management Development*, 57, 393-406.
- Chenall, R.H. (2005), Integrative strategic performance measurement systems, strategic alignment of manufacturing, learning and strategic outcomes: an exploratory study, *Accounting, Organizations and Society*, 30(5), pp. 395-422.
- Divandri, A. and Yousefi, H. (2011) Balanced Scorecard: A Tool for Measuring Competitive Advantage of Ports with Focus on Container Terminals. *International Journal of Trade, Economics and Finance*, Vol. 2, No.6,
- Frost, B. (n.d) *Measuring Performance: Seven Good Reasons to use a Scorecard.* *Performance Perspective Series*, Measurement International.
- GoK (2006) Office of the Vice President and Ministry of Home Affairs. *Sessional Paper No 1 of 2006 on Non Governmental Organizations*
- Alford, H. (2011) *Designing and Conducting Survey Research.* Santa Monica College Press.
- Hindi, F. (2012) *Balanced Scorecard Implementation Challenges.* Strategy and Enterprise Architecture Society Inc.
- Isoraite, M. (2008) The Balanced Scorecard Method: From Theory to Practice. *Intellectual Economics* 1 (3)

- Kairu, Wafula, Okaka, Odera and Akerere (2013) Effects of balanced scorecard on performance of firms in the service sector. *European Journal of Business and Management*, 5 (9)
- Kaplan, R. (2010) Conceptual Foundations of the Balanced Scorecard. *Harvard University Working Paper*. 10-074
- Kaplan, R. S., Norton, D. P. (1992) The Balanced Scorecard—Measures That Drive Performance, *Harvard Business Review* 71–79.
- Kaplan, R. S.; Norton, D. P. (2002) Strategy maps. Converting Intangible Assets Into Tangible Outcomes. *Harvard Business Review*.
- Kaplan R. & Norton D. (2007) Using the Balanced Scorecard as a Strategic Management System, *Havard Business Review*, July-August.
- Karathanos, D. and Karathanos, P. (2005). Applying the Balanced Scorecard to Education, *Journal of Education for Business*, 222-226.
- Kirkendall, N (2013) Organizational Performance Measurement in the Energy Information Administration. Available online at <https://www.census.gov/prod/2/gen/96arc/ikirken.pdf>. Accessed on 11/09/2014
- Kitchenman, P. & Shari, L. (2002) Principles of Survey Research: Populations and Samples. *Software Engineering Notes* 27 (5)
- Laurila, J. and Lilja, K. (2002), The dominance of firm-level competitive pressures over functional-level institutional pressures: the case of the Finnish-based forest industry firms, *Organization Studies*, 23(4), pp. 575-568.
- Lewis, d. and Kanji, N. (2009): Non-Governmental Organizations and Development. New York: Routledge.
- Lisa, H. and Becki, H. (2004) Measurement in the 21st Century. American Productivity and Quality Center, Houston, TX.
- Martinez V (2005), what is the value of using PMS? *Perspectives on Performance*, 4 (2), 16–18.
- Moraa, K. (2014) *The effect of balanced scorecard on organizational performance in the public sector in Kenya: a case study of Kenya Revenue Authority*. An MBA Thesis submitted to Kenyatta University.

- Nzuve, S. and Nyaega, G. (2013) Application of Balanced Scorecard in Performance Measurement at Essar Telecom Kenya Limited (March 11, 2013). Available at SSRN: <http://ssrn.com/abstract=2231330> Accessed on 2/07/2014.
- Odhiambo, C. and Oloko, M. (2014) Influence of BSC on Productivity at Kenya Wildlife Service. *International Journal of Education and Research* 2 (3).
- Olson, E.M. and Slater, S.F. (2002), *The balanced scorecard, competitive strategy and performance*, *Business Horizons*, 45(3), pp. 11-16.
- Richard J. P., (2009). Measuring Organizational Performance: Towards Methodological Best Practice. *Journal of Management*, vol. 35, no.3, p. 718-804.
- Robbins S. P, (2000) *Managing today*. Prentice Hall.
- Rollinson, D., 2005. *Organisational Behavior: An Integrated Approach*, 3rd Edition.. Harlow: FT Prentice Hall
- Siinha, A. (2006) Balanced Scorecard: A Strategic Management Tool. *Vidyasagar University Journal of Commerce Vol. 11*
- Sloof, R. and Praag, C. (2007) Performance Measurement, Expectancy and Agency Theory: An Experimental Study. *IZA Discussion Paper No 3064*.
- Stewart, L. and Bestor W. (2000) Applying a Balanced Scorecard to Health Care Organizations. *The Journal of Corporate Accounting and Finance*, John Willey and Sons Inc.
- Van der Meer-Kooistra, J. and Vosselman, E.G.J. (2004), The Balanced Scorecard: adoption and application, *Advances in Management Accounting*, 12, pp. 287-310.
- Zairi, M. and Jarrar, Y. (2010) Best Practice for Implementing the Balanced Scorecard. *European Centre for best management Research Paper 0027*.
- Zheng W. Yang B. & McLean G. (2010). Linking organizational culture, structure, strategy, and organizational effectiveness: Mediating role of knowledge management. *Journal of Business Research*, Volume 63, Issue 7, Pages 763 –771
- Zokaei K. A. & Simons D. W., (2006). Value chain analysis in consumer focus improvement. A case study of the UK red meat industry. *The International Journal of Logistics Management*, Vol. 17, No. 2, 2006 pp. 141-162

APPENDICES

Appendix : Research questionnaire

SECTION A: Demographic Information

- Position
 - a) Manager
 - b) Assistant Manager
- Duration in the organization
 - a) Less than 2 years
 - b) 3-5 years
 - c) More than five years

SECTION B: Determinants of balanced score card application

Indicate the extent to which you agree with the following concerning the application of the balanced scorecard among NGOs in Kenya.

KEY: 1= Very great extent 2= great extent 3= moderate extent 4= small extent 5= not at all

No.	Determinant	1	2	3	4	5
1	Application depends on type of leadership in the organization					
2	Internal organization structure may encourage or discourage					
3	Pressure from stakeholders					
4	Deteriorating performance may attract application of BSC					
5	The need for transparency and accountability					
6	Optimum utilization of resources					
7	Conceptualization of scorecard by managers					
8	Level of communication among stakeholders					
9	The business environment where the organization operates					
10	Employee acceptance of the idea					

11. What do you use the balanced score card for?

.....

.....

12. When did you start using the balanced scorecard?

13. What were using before the balanced scorecard was introduced?

14. What challenges did you have with the previous tool?

15. How has balanced scorecard application changed your strategic management perspectives?

16. In your opinion, to what extent do you think the BSC has affected the performance of NGOs in Kenya?
 a) Very small extent
 b) Small extent
 c) Moderate extent
 d) Large extent
 e) Very large extent

SECTION C: Challenges

State the extent to which you agree with the following as challenges facing application of the balanced score card.

KEY: 1= strongly agree 2= agree 3= undecided 4= disagree 5= strongly disagree

No.	Challenges	1	2	3	4	5
1	Having a formless strategy					
2	Unclear and unrealistic objectives					
3	Unclear strategic themes and maps					
4	Improper cascading of the tool to stakeholders					
5	Unclear cause effect relationships					
6	Employee resistance to change					
7	Lack of expertise					
8	Lack of commitment from employees					