CHALLENGES OF IMPLEMENTING THE BALANCED SCORECARD AT NOVEL TECHNOLOGIES (E.A) LIMITED, KENYA

BY

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DECLARATION

I declare that this research project is my original work and has not been presented for the award of a degree in any University.

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

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DEDICATION

I dedicate this project to the Almighty ever loving father whose grace is sufficient and has enabled me to undertake this project and to my parents for their support and encouragement to see this course through.

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I would like to thank the almighty God for His Grace and mercies for the entire period it took me to complete this program. This project and entire MBA course has been accomplished with the support, encouragement and contribution of a number of people whom I deeply indebted. I would also like to express my heartfelt gratitude to all those whom, in one way or the other, may have contributed to the realization of this project.

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ABSTRACT

The balanced scorecard is a management system that enables organizations to clarify their vision and strategy and translate them into action. The balanced scorecard was developed in the early 1990's by Kaplan and Norton of Harvard Business School. The BSC is designed to give companies the information they need to effectively manage their business strategy tactically. It has additional perspectives over and above the traditional financial perspective. Although the balanced scorecard has grown in popularity, its implementation posses some challenges. Some of these include; lack of communication, poorly designed scorecards, lack of training, lack of resources for its implementation, and lack of top management support, among others. This study sought to find out the challenges of implementing the balanced scorecard at Novel Technologies (E.A) Limited. The respondents were the heads of departments charged with the task of formulating and implementing the balanced scorecard at Novel Technologies. Primary data was collected using a comprehensive interview guide from the targeted interviewees while secondary data was collected from the company's strategic plan among other company documents. The study identified a number of challenges faced in the application of the balanced scorecard at Novel Technologies. Further, the study established that Novel Technology uses the balanced scorecard as a strategy implementation and performance appraisal tool.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The balanced scorecard is a strategic planning and management system that is used extensively in business industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. The Balanced Scorecard concept was created by Robert S. Kaplan and David P. Norton in 1992 as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance. Lawrie and Cobbold (2004) states that since its adoption in 1992, the Balanced Scorecard has evolved over the years transiting from the first generation to the third generation.

The Balanced scorecard provides a balance between external measures for customers and shareholders and internal measures of business process innovation and learning and growth. The balanced scorecard is a complementary strategic model that considers financial and nonfinancial measures. Although the balanced scorecard has grown in popularity, its implementation has posed many challenges. Kaplan and Norton (2007) have highlighted challenges of the balanced scorecard as emanating from poor design of the scorecard and process failures. Design failures result from poor development of the balanced scorecards

while process failures stem from internal business structures that are not supportive of implementation of the balanced scorecard.

Organizations are composed of various stakeholders each with varying competing interests. Freeman (1984) defines a stakeholder as any group or individual who can affect or is affected by the achievement of the organization's objectives. Friedman (2006) states that there is a clear relationship between definition of what Stakeholders are and identification of who are the stakeholders. A common way of differentiating the different kinds of stakeholders is to consider groups of people who have classifiable relationships with the organization. The main groups of stakeholders are identified as customers, employees, shareholders, local communities, suppliers and distributors. According to Mitchell et al (1997), stakeholder theory is primarily a management instrument where the attributes power, urgency and legitimacy of claims define an organization's stakeholders. Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders. Clemens and Cook (1999) states that the influence and durability of institutions is a function of the extent to which they are inculcated in political actors at the individual or organizational level and the extent to which they thereby tie up material resources and networks.

Institutional theories as applied to politics posit two distinct forms of institutions' influence over policy and political action. Institutions can be constraining, superimposing conditions of possibility for mobilization, access, and influence. Institutions also can limit some forms of action and facilitate others. According to Scott (2008), institutional theory

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focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines become established as authoritative guidelines for social behavior (Scott, 2004).

Novel Technologies E.A Limited is a company operating in the Information Communication Technology sector. The company has a corporate strategy which forms the basis of it operations and existence. It started using balanced scorecard in 2014 to implement it corporate strategy. This is whereby they formulate the strategies further into action items with key performance indicators being highlighted for each action item and then assigned to the relevant persons or department in the organisation for implementation. Novel Technologies has encountered various challenges while implementing it balanced scorecard strategy. This study will look into these challenges.

1.1.1 Balanced Scorecard Methodology

In 1990, Kaplan and Norton led a research study of companies with the purpose of exploring the new methods of performance measurement. The importance of the study was a growing belief that financial measures of performance were ineffective for the modern business enterprise. The Balanced Scorecard concept was created by Robert S. Kaplan and David P. Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance (Kaplan and Norton 1996). The balanced scorecard aims at making the business strategy more measurable and concrete. Additionally, it forces the business managers to think about

what the strategy and vision of a company is about and what are the actions that lead to fulfilling the ideas named in the strategy and vision.

The Balanced Scorecard is comprised of four dimensions namely; Financial perspective, Customer perspective, internal business process perspective and learning and growth perspective and financial perspective. Each perspective consists of relevant strategic goals, indicators and measures to achieve them. Balanced scorecard provides a balance between external measures for customers and shareholders and internal measures of business process and learning and growth. The Financial perspective deals with the strategy for growth, profitability, and risk viewed from the perspective of the shareholder.

The Customer perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. It is about strategy for creating value and differentiation from the perspective of the customer. The Internal business process perspective is about the strategy priorities for various business processes, which create customer and shareholder satisfaction. Internal business processes are the mechanisms through which organizational performance expectations are achieved. Lastly, the Learning and growth perspective deals with the priorities needed to create a climate that supports organizational change, innovation, and growth. This perspective looks at the ability of employees, the quality of information systems, and the effects of organizational alignment in supporting accomplishment of organizational goals.

1.1.2 Information Communication Technology Industry in Kenya

Kenya has registered substantial growth in the Information Communication Technology sector as demonstrated by the number of internet service providers, software development companies, broadcasting stations (radio, television), internet users, mobile companies, telephone lines and the market share of each. This has been possible due to the government liberalizing the ICT market to have a number of players in the sector. For many years, Kenya has been promoted as Silicon Savanah. This is in part because of concerted efforts made by the government through the then Kenya ICT Board to promote Kenya as a Business Process Outsourcing (BPO) destination. The promise still stands and could be attained. There are a wide range of ICT Initiatives and projects ongoing in Kenya including the Laptop Programme, Digital Inclusion Projects like Pasha Centres / Digital Villages and Wezesha Initiative, Business Process Outsourcing, Local Content Programme like Tandaa Digital Content Grants and Open Data Portal, Information Security and Other Initiatives like Konza Technology Park, eGovernment and zero-rated taxes on imported ICT hardware.

The ICT sector is regulated by Information and Communication Technology Authority which is a State Corporation under the Ministry of Information Communication and Technology. The corporation was established in August 2013 and is tasked with rationalising and streamlining the management of all Government of Kenya ICT functions. Its broad mandate entails enforcing ICT standards in Government and enhancing the supervision of its electronic communication. The Authority also promotes ICT literacy, capacity, innovation and enterprise in line with the Kenya National ICT

Master plan 2017. The ICT industry is projected to grow further due to the government's investment in key ICT projects, the development of ICT infrastructure across the country and the enhancement of favorable policy frameworks that facilitate private sector partnerships as main drivers. Due to the governments' investment in the sector, there has been an increase in companies operating in the sector leading to steep completion among them. This increased competition has led to the increased need for the companies to come up with strategies that will give them competitive advantage.

1.1.3   Novel Technologies E.A Limited

Novel Technologies (E.A) Ltd is a leading provider of information and communication technology solutions, across East Africa Region. The company has been in operation for over a decade and has transformed information technology systems in corporations, institutions and government departments in the region. Novel Technologies embraces latest technological innovations to deliver appropriate solutions to its customers. Novel Technologies has significantly expanded in the last few years in size and breadth with full time operational offices in Kenya and Uganda and has customers in Tanzania, Rwanda and South Sudan. Novel Technologies has received prestigious awards in Top-100 Mid-sized companies in Kenya and Stevie's Silver Award from International Business Awards, USA. With a suite of solutions and products, the company is in the fast lane of Information and Communications Technology provision as they offer personalized approach and guarantees that each and every customer receives their full attention and support on the way to success.

Novel Technologies collaborates with international manufacturers to turn exciting technological innovations into successful business solutions. The company has steadily grown its portfolio of products and solutions, Customer base, as well as technical and administration personnel. At Novel Technologies E.A Limited, they identify ideas that show potential and growth in the ICT sector and make them come to life. Novel Technologies is the first company in East Africa to introduce leading products such as Rugged Notebooks, DVD-Video protection equipment and software, Court Recording and Transcription Solution, Risk Management (aCCelerate) software and Toon Boom animation software. Due to the growth of the ICT industry with increase in competition, the company adopted use of the balanced scorecard in 2014. However, the company has experienced challenges in the process of implementing the strategies and is now working on identifying and resolving them.

1.2 Research problem

The concept of the Balance Scorecard is premised on the need for lagging and leading indicators that enable a holistic measurement of performance of the organization. Experience of implementing and using the balanced scorecard has been investigated in numerous studies, in private and public organizations alike with differing results in terms of success or failure. Chan (2004) provides the following list of enablers for successful balanced scorecard implementation: top managers commitment, middle managers and employees participation, a culture of performance excellence, training and education, keeping the balanced scorecard easy to use, clarity of vision, strategy and outcome, links with incentives and resources allocation to implement the balanced scorecard. Although

the use of the balanced scorecard has gained popularity, its implementation poses some challenges.

Novel Technologies E.A Ltd has used the Balanced Scorecard since 2014. The success of Novel Technologies E.A Ltd and the ICT Industry in General is reflected upon by its performance which is in turn highly dependent upon its strategies. In this era of stiff competition, what Novel Technologies E.A Ltd requires is not only formulation of the right strategies, but also implementing the same. With this reality the company began using balanced scorecard in 2014 to implement strategy and measure performance.

Scholars have studied on the balanced scorecard in different sectors. Edna (2012) examined on the challenges of application of the BSC in strategy implementation at Kenya Electricity Generating Company, Miano (2013) studied on balanced scorecard implementation at CIC Insurance group while Mugo (2007) examined the application of the BSC tool in strategy management implementation at Flashcom. In view of the diversity of the ICT sector and the fact that most of these studies focused on strategy implementation, one of the facets of the strategy management process, a gap does therefore exist to explore on the challenges of implementing the Balanced scorecard in ICT industry based companies such as Novel Technologies (E.A) Ltd. This study sought to address this knowledge gap by investigating on what are the challenges of implementing the balanced scorecard strategy at Novel Technologies (E.A) Ltd. The research question therefore is what are the challenges of implementing the balanced scorecard at Novel Technologies (E.A) Limited?

1.3 Research Objectives

The objective of this study is to determine the challenges of implementing the Balanced Scorecard at Novel Technologies E.A Limited.

1.4 Value of the Study

The study will help the management of Novel Technologies E.A Ltd to understand the challenges it faces in implementing the balanced scorecard. By understanding the challenges, the management will be able to improve on effective implementation of the balanced scorecard. The company will be able to address challenges emanating from implementation of the balanced scorecard and improve organizational performance.

The study will add to knowledge which can be used by academicians, scholars and researchers as it will form a reference point in examining the challenges of the balanced scorecard implementation.

The study will help other organizations implementing the balanced scorecard as they will have the knowledge on what kind of challenges that could be experienced and hence take proactive measures to overcome them. The study will be useful to policy makers and practitioners in the field of strategic management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides information from the review of literature on strategy implementation and the balanced scorecard. It also outlines information available on the challenges of implementing the balanced scorecard.

2.2 Theoretical Foundation

The study is based on the Stakeholder theory and institutional theory.

2.2.1 Stakeholder Theory

The stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. The theory begins with the assumption that values are necessarily and explicitly a part of doing business. Managers are asked to articulate the shared sense of the value they create, and what brings its core stakeholders together. Organizations have stakeholders, that is, groups or individuals who benefit from or are harmed by the actions of the organization. The attributes power, urgency and legitimacy of claims define an organization's stakeholders. Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders (Mitchell et al, 1997). According to Freeman (1994), the focus of stakeholder theory is articulated in two core questions. First, the theory asks, what is the purpose of the firm? This encourages managers to articulate the shared sense of the value

they create, and what brings its core stakeholders together. This also propels the firm forward and allows it to generate outstanding performance, determined both in terms of its purpose and marketplace financial metrics. Secondly, stakeholder theory asks, what responsibility does management have to stakeholders? This pushes managers to articulate how they want to do business, specifically what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose.

In order to be able to identify stakeholders, it is important to have a clear notion of what a stakeholder is. Freeman's (1984) definition of stakeholders as any group or individual who can affect or is affected by the organization's objectives is still frequently cited and does provide a general understanding of the concept. Stakeholder theory has been applied in various settings to support strategy development and implementation. Daake and Anthony (2000) report that allowing stakeholders to take part in strategy development has proven useful in the health sector. They found that two assessments of stakeholders were important in the strategy development process. The first assessment centered on identifying key stakeholders and determining the relative power of relevant stakeholders. The second and often neglected assessment aimed at mapping the stakeholders' perception of their power relative to other groups. Both assessments added to a good understanding of the stakeholders negotiating postures and provided a good basis aligning the new strategy with the needs of the key stakeholders. Byrson (1988) emphasize similar issues and argue that failure to consider stakeholders interests will guarantee failure in the implementation. According to Pouloudi and Whitley (1997), stakeholder analysis can highlight issues that other approaches would neglect related to

the information requirements of different stakeholders and the evolution of requirements overtime. Stakeholder analysis has been applied to improve the understanding of information systems requirements engineering (Vidgen, 1997).

2.2.2 Institutional Theory

According to Kraft's Public Policy (2007), institutional theory is Policy making that emphasizes the formal and legal aspects of government structures. It is a widely accepted theoretical posture that emphasizes rational myths, sociology and legitimacy. Institutional theory focuses on the deeper and more resilient aspects of social structure. It also considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2004). Different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time and how they fall into decline and disuse. Institutional theories as applied to politics posit two distinct forms of institutions' influence over policy and political action.

Institutions can be constraining, superimposing conditions of possibility for mobilization, access, and influence. Institutions limit some forms of action and facilitate others. Institutional theorists assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Powell and DiMaggio (1991) define an emerging perspective in organization theory and sociology, which they term as the new institutionalism, as rejecting the rational actor models of classical economics. Instead, it seeks cognitive and cultural

explanations of social and organizational phenomena by considering the properties of supra individual units of analysis that cannot be reduced to aggregations or direct consequences of individuals' attributes or motives.

2.3 Strategy Implementation

Strategy implementation has been referred to as the action phase of strategic management process (Pearce and Robinson, 2005) and involves translating strategic thought into organization action. This follows consensus on corporate business strategy and long term objectives of the firm. Strategy implementation can be defined as the process of allocating resources to support the chosen strategies by an organization. This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals. According to Pierce and Robinson (2005), to effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control systems are essential strategy implementation ingredients. The implementation activities are related closely to one another hence decisions about each are usually made simultaneously.

Strategy implementation is what determines the success of strategy. A strategy however well defined and ambitious it is will be a total failure if it fails at the implementation stage. The strategy implementation and strategy formulation processes are closely interrelated as the desired results of an organization are established during the strategy formulation process. Implementation consists of the issues involved in putting the

formulated strategy to work. It is necessary to spell out more precisely how the strategic choice will come to be. No strategy, no matter how brilliantly formulated, will succeed if it cannot be implemented.

The goal of strategy implementation is to institutionalize strategy through mobilizing the entire organization behind the vision, strategies and objectives of the organization as well designed strategies are not always popular. Strategy implementation involves translation of strategy into guidelines of the daily activities and for the organization employees are involved to making it a reality. Strategy implementation implies a shift for managers from planning their work to working their plan. The management should submit the strategy to the members of the organization in a way that appeals to them hence drawing their support. Once the members of the organization think the strategy as their own, they will ensure that they carry out their activities geared to achievement of the strategy.

Many organizations successfully formulate strategies by developing action plans, consider their organization structure and fund their strategies. However, some fail to successfully implement their strategies. Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives. Kaplan and Norton (1996) have identified challenges to strategy implementation. They have conceived these as the barriers created by management systems to establish and communicate strategy and directions, allocate resources, define departmental, team and individual goals and directions and provide feedback. The first challenge is that the organizations develop visions and strategies that are not actionable. This occurs when the organization cannot translate its vision and strategy into terms that can be understood and acted upon. Visions

and strategies that are not actionable become a hindrance when the organization cannot translate its strategy into terms that can be understood and agreed upon. Secondly, the formulated strategies may not be linked to departmental, team and individual goals. The implication of this is that long term requirements of the organization goals are not translated into goals for departments, teams and individuals. Rather, the departmental performance remains focused on meeting the financial budgets established as part of traditional management control process. Thirdly, organizations formulate strategies to long term resource allocations. This arises as a result of organizations separating their long term strategic planning and annual budgeting yet strategic management is about performance of organizations.

Ansoff and Mc Donnel (1990) have identified several challenges to the implementation of strategy, one being that pre-strategy decision making process is heavily political in nature. Strategy introduces elements of rationality which are disruptive to the historical culture of the firm and threatening to the political processes. A natural reaction to the organizational members is to fight against the disruption of the historical power structures, rather than confront the challenges posed by the changing environment. The second is the introduction of strategic planning triggers conflict between the previous profit making activities and new innovative activities. Pearce 11 and Robinson (1997) highlight contributors to successful implementation of strategy as the organization structure, leadership provided by Chief Executive Officer and key managers, the organization culture and the organization reward system. Managing strategic change is also an important aspect of strategy implementation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology used to carry out the research. The sequence of the research methodology is research design, data collection and data analysis. It describes the research design which was employed, the tools and processes which was used in data collection as well as the targeted interviewees

3.2 Research design

The research design of the study used was a case study of Novel Technologies E.A Limited, Kenya. This is because a case study was the most appropriate since it has the benefit of providing an in depth and thorough investigation of challenges of implementing the balanced scorecard.

Saunders and Lewis (2007) argue that a case study strategy is of particular interest if one wishes to gain a rich understanding of the context of the research and the process being enacted. The importance of a case study in research is emphasized by Young (1960) and also Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study.

According to Mugenda & Mugenda (1999), when an in depth investigation of an individual, group, institution or phenomenon is required a case study is applicable. This research design will be appropriate because the objective of the study requires an in depth understanding of the challenges of implementing the balanced scorecard.

3.3 Data Collection

The data for this study was obtained from primary and secondary sources. Emphasis was given to primary data. The primary data was collected using a comprehensive interview guide that had open ended questions. Targeted interviewees from whom primary data was collected from were the heads of departments concerned with strategy implementation at Novel Technologies E.A Ltd. Secondary data was collected from the company's strategic plan, published reports and other company documents.

3.4 Data Analysis

The interview guide was checked for completeness and consistency, before processing the data. The analysis of the data collected was according to the objective of the study. The nature of data collected was qualitative. Therefore, it was analysed using content analysis. This is a systematic, detailed qualitative description of the objectives of the study which involves observation and detailed description of objects, items or things that comprise the study (Mugenda & Mugenda, 1999).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4. 1   Introduction

This chapter presents and interprets the findings based on the data collected from the study. The data was gathered through interview guides and analysed using content analysis. Five people were interviewed, namely: Finance manager, Director technical, Sales & marketing manager, Operations & Logistics Manager and Human resource & administration manager. Collection of secondary data was from Novel Technologies strategic plan, published annual financial statements, corporate scorecard and departmental scorecards.

4. 2   Findings of the study

The study findings are presented on the challenges of implementing the balanced scorecard at Novel Technologies (E.A) Limited, Kenya. The findings are presented in three main sections namely strategy at Novel Technologies, the balanced scorecard application and challenges of implementing the balanced scorecard.

4.2.1   Strategy at Novel Technologies E.A Ltd

The company strategic plan gives broad strategic objectives that it will pursue over the period that it covers. It forms basis upon which specific operational plans are developed by the management. The study sought to establish whether the company has a strategic

plan, who is involved in strategy formulation and implementation, and how strategic objectives are communicated.

The interviewees indicated that the company has a strategic plan which was formulated with the help of a strategy consultant. They noted that the environment in which Novel Technologies operates has changed significantly in the last few years. The ICT industry has grown with more companies coming up leading to stiff competition for the market share. This reality the interviewees say led the company to come up with a strategic plan. The current strategic plan is for the period 2014 to 2016. Through the strategic planning process the company was able to do an external environment analysis which the interviewees noted that it would assist them to identify and respond to any opportunities as well as also assist to prepare and plan for any inherent risks. Novel Technologies strategic plan begins with identifying it customer value proposition being that it began the strategic planning process by developing and understanding who their customer is and the value that they must deliver to these customers. This customer value proposition is what provided the guidance and clarity for the rest of the planning and strategy development process.

The interviewees stated the customer value propositions for Novel Technologies to be personalized customer service, continuous innovation and creativity in changing industry norms, faster turnaround time, and value improvement. The strategic plan of the company highlights on it vision statement which is "To be the preferred technology solution provider in Africa". The interviewees noted that in formulating the vision statement the

organization reflected on the fact that the vision statement ought to be inspirational and have a call to action which motivates and encourages the staff. Novel Technologies aims to lead in providing ICT solutions throughout Africa. By being the preferred technology solutions provider, the interviewees stated that it means that the company aims to be the favorite and most chosen over and above its competitors. The company also has a mission statement which is "To transform businesses through tailored innovative technology solutions". The interviewees stated that the company`s reason for existence is to make businesses better by providing both personalized and inventive technology solutions which match their customers' needs.

Novel Technologies has core values and a slogan which are incorporated in it strategic plan. The strategic plan highlights on the company's objectives which it is pursuing during the plan period. The interviewees noted that there are strategies formulated that are meant to address the key strategic objectives for the company. According to the interviewees, strategy formulation at Novel Technologies is done by the Chief Executive Officer, Executive Director, Heads of Departments, and Managers while all members of staff are involved in the implementation process. The interviewees noted that the strategic objectives of the company are communicated through meetings and emails.

4.2.2 The balanced scorecard application at Novel Technologies (E.A) Ltd

The interviewees noted that the company began using the balanced scorecard in 2014. They stated that what informed the adoption of the balanced scorecard was the need for a tool to use in implementing the strategic plan formulated. Also it was important to use it in performance evaluation of the staff. The interviewees were asked prior to the rolling

out of the balanced scorecard, were any preparations done. They responded that there were preparations done. A training seminar was held for all members of staff where they were trained on the balanced scorecard. The corporate scorecard was formulated by the executive and heads of department. Then from the corporate scorecard each department formulated theirs. The interviewees noted that this whole process was done with the help of a strategy consultant as it was the first time the company was formulating a strategic plan and balanced scorecards.

The interviewees mentioned that the departmental balanced scorecard plays a role in execution of duties by the employees in the department. This is by giving a clear guide on what the department is supposed to achieve, setting targets and how to achieve them. According to the interviewees, the company has derived benefits from using the balanced scorecard. Targets are now clearly defined for each individual employee, resource management has been improved, performance is well measured, the company is able to implement it strategic objectives and efficiency and effectiveness of employees has improved. The interviewees noted that the internal business processes have improved through the use of the balanced scorecard. This is because the processes are now clearly defined with how they will be measured hence the employees are more aware of the processes and work through them to achieve the objectives of the company. The cost of doing business has reduced significantly through the measures taken to improve on customer response turnaround time as well as automation of some of the operation procedures.

According to the interviewees, the company has been able to achieve better financial results due to the setting of sales targets and working on the strategies that will enable the employees be able to achieve those sales targets. A SWOT analysis was carried out to enable the company be able to identify it strengths, weaknesses, opportunities and threats. Service delivery to the customers has been improved through the reduced turnaround time and training given to the employees providing service to the customers. The major benefits Novel Technologies has accrued from using the balanced scorecard to measure performance are increased productivity, employees are rewarded for their performance, improved efficiency in delivery of services to the customers and financial results have improved.

4.2.3   Challenges of implementing the balanced scorecard

The balanced scorecard has been a useful tool at Novel Technologies as it is used for strategy implementation and performance evaluation of employees. The company has however experienced various challenges in implementing the balanced scorecard. The interviewees were asked what challenges they encounter while formulating and implementing strategy. Some of the challenges they mentioned are definition of clear goals and targets to be achieved and ways of achieving them, long decision making process; resistance to change by some of the employees and lack of a clear way of defining how some processes are to be measured.

The interviewees noted that there are factors that have affected the use of the balanced scorecard at Novel Technologies. Some of the employees' resistance to the use of

balanced scorecard, time management, lack of full commitment by some of the managers in implementing the scorecard, high employee turnover and poor communication. There has been a section of employees who have resisted the use of the balanced scorecard hence slowing down it implementation process. One of the interviewees noted that there has been a high turnover of employees leaving the company through resignation or termination from their employment. This has posed a challenge to the company in it pursuit to implement it strategy to enable it achieve the set objectives. A gap was left in terms of human resources who were to be relied on to implement the strategy. Time was spent in recruiting new employees to fill the vacancies left thus dragging the strategy implementation process behind schedule.

The company faces challenges in implementing the balanced scorecard. One of the interviewees noted that despite all employees having been trained on the balanced scorecard, some of them still lacked clear understanding of the balanced scorecard. Some of the processes haven't been well defined posing a challenge. Employees lack motivation in implementing the company's strategy through the use of balanced scorecard. The interviewees further noted that there is delay in giving feedback to the employees and reviewing of the employees' performance using the balanced scorecard, despite performance reviews being scheduled to be done monthly and quarterly. The interviewees noted that the balanced scorecard is a complex strategy implementation tool. For instance, some employees are not particularly clear on what fits into each perspective of the corporate and departmental balanced scorecards. In such a case, what is measured under each perspective might not necessarily be what is required to be measured.

Another challenge mentioned by the interviewees is the lack of an effective reward policy framework. Although performance targets and evaluation of the same are based on the departmental and corporate scorecards, Novel Technologies employees are not motivated to achieve the goals due to lack of reward and recognition. Currently there is no clear reward policy based on individual performance. For instance, following the 2014 performance appraisals, all employees received the same reward regardless of their performance which did not help to distinguish between goal achieving staff and mediocre staff. The result has been a decline of employees performing highly, since they have learnt that there are no consequences for low achievers. The interviewees noted that there is a delay in conclusion of performance appraisals and subsequent rewards.

Under communication of strategy and the balanced scorecard to the lower level employees has been cited by one of the interviewees as a challenge in implementation of the balanced scorecard at Novel Technologies. The interviewee noted that while the executive, heads of departments and managers are involved in strategy formulation and thus clearly understand it, the lower level employees may not have the same level of understanding since they are not involved in strategy formulation.

4. 3   Discussion of Findings

The balanced scorecard is a strategic planning and management system that has wide applications with the main goals of aligning business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. From the findings, Novel Technologies

(E.A) Limited uses the balanced scorecard to implement it strategic plan and as a performance appraisal tool. The study found out that the company has been using the balanced scorecard for the last one and half year and it has reaped benefits. Novel Technologies according to the findings uses all the four perspectives of the balanced score card; Internal business process, customer perspective, Financial perspective and learning and growth perspective. When developing the key performance indicators for each employee the company puts a weighting that has a bias on the employees area of operation in the organization.

From the findings, there is need for frequent trainings to be carried out to employees on the balanced scorecard. The training to employees will help to deepen the understating of the balanced scorecard by all within the organization and what is expected from each of the employee in contributing to the overall organization goals.

The Study findings indicated that there were various challenges that the company faced in implementing the balanced scorecard. The study established the challenges faced to be definition of clear goals and targets to be achieved and ways of achieving them, long decision making process which hindered faster decision making, delay in getting feedback from the management, lack of an effective reward policy framework, under communication of the strategy and balanced scorecard to the lower level employees and delay in reviewing performance through the use of balanced scorecard.

There is need to involve all employees who form part of the company's stakeholders in formulation of the corporate strategy, for it to be successfully implemented. Freeman (1994)

states that the focus of stakeholders is articulated on identifying what is the purpose of the firm and what is the responsibility of management to stakeholders. By the managers acknowledging the shared sense of the value they create, and what brings its core stakeholders together, the company is propelled forward allowing it to generate outstanding performance, determined both in terms of its purpose and marketplace financial metrics. Byrson (1988) argues that failure to consider stakeholders interests will guarantee failure in the implementation of strategy.

CHAPTER FIVE

SUMMARY, CONCLUSSION AND RECOMMENDATIONS

5.1   Introduction

This chapter gives a summary, conclusion and recommendations drawn from the study. The chapter also highlights on the limitations of the study and gives suggestions for further research.

5.2   Summary

The objective of the study was to determine the challenges of implementing the balanced scorecard at Novel Technologies (E.A) Limited. It was a qualitative kind of study where by content analysis has been carried out based on the feedback on the challenges of implementing the balanced scorecard brought out by the five managers interviewed from the different departments.

5.2.1   Balanced scorecard application

Novel Technologies (E.A) Limited introduced the balanced scorecard as a strategy implementation and performance appraisal tool in 2014. This was after development of the three year strategic plan for the years 2014 to 2016. First the corporate scorecard was formulated by the executive team and all managers of the company. The corporate scorecard was then cascaded to the five departments each department formulating it own based on the set goals and objectives to be achieved. The departmental scorecard is further cascaded to individual employees in the department depending on their job role.

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5.2.2 Challenges of implementing the balanced scorecard

Although the balanced scorecard has been a valuable tool in strategy implementation and performance evaluation, Novel Technologies has encountered certain challenges in it implementation. Lack of understanding of the balanced scorecard is a challenge affecting its implementation. Employees have to understand the balanced scorecard as a strategy implementation tool, and all its perspectives, before it can be fully implemented. For instance, lack of clarity on perspectives where some performance measures rest would affect the implementation of the balanced scorecard. Under communication of the company's strategy and balanced scorecard to the lower level employees is another challenge in implementation of the balanced scorecard at Novel Technologies. The balanced scorecard has to be communicated to the employees in a language that they understand as this will help them understand how they contribute towards achievement of the corporate goals. The company's lack of an effective reward policy is a challenge that affects the implementation of the balanced scorecard. This is because the employees are not motivated to deliver on their targets if the reward policy does not recognize their efforts.

The study found out that there are delays in management giving feedback to the employees and reviewing performance monthly and quarterly. Other challenges faced by Novel Technologies in implementing the balanced scorecard are definition of clear goals and targets to be achieved and ways of achieving them, long decision making process; resistance to change by some of the employees and lack of a clear way of defining how some processes are to be measured.

5.3   Conclusion

Implementation of strategy is one of the most challenging phases of the strategic management process hence organizations have to select strategy implementation tools that will ensure effective delivery of their strategy and vision. The balanced scorecard approach is one such tool of strategy implementation which assists in integrating short term operational concerns of organizations with the long term strategic direction. The study establishes that successful balanced scorecard implementation must involve the whole organization in the implementation process. The implementation processes of the balanced score card must be efficient to enhance an organization performance.

Novel Technologies has benefited from using the balanced scorecard to implement it strategic plan and measure performance. Some of those benefits are increased productivity, improved efficiency in delivery of services to the customers and improved financial results. This study also establishes that the company faces challenges in implementing the balanced scorecard. Some of the challenges identified could be unique to the company and some common among other organizations implementing the balanced scorecard. Therefore, the company needs to identify ways of overcoming those challenges.

5.4   Recommendation for Managerial Policy and Practice

To enhance understanding of the balanced scorecard, employees should be continuously trained. This will enable all employees to have an understanding of what is expected of them therefore easing the burden of cascading the balanced scorecard. The company's

employees need to understand that the activities that they are required to carry with their departments are all geared to help the organization achieve its overall objectives. Failure by any of the staff to achieve their targets contributes to the overall shortfall in targets for the entire organization. The corporate scorecards should be made visible to all employees. This will assist employees to know how their actions or inactions contribute to the corporate and departmental goals of the company. To motivate the employees to work towards the achievement of their individual and corporate goals, Novel Technologies should ensure that its reward policy is linked to actual strategic performance and communicated to all staff.

Organizational results are mostly the consequences of the decisions made by the leaders of the organizations. This study gives policy makers an insight on the challenges of implementing the balanced scorecard both as a strategy implementing tool and performance appraisal tool. The results of this study should be used to address the challenges associated with implementation of the balanced scorecard. This will assist Novel Technologies (E.A) Limited in the realization of its corporate goals. Involvement of lower level members of staff should be increased in strategic planning so that resistance can be reduced and ownership of strategies enhanced.

Similarly, the study will be useful to organizations that have adopted the balanced scorecard as a strategy implementation and performance appraisal tool. The organizations can learn the lessons from this study and proactively address any existing and potential challenges before they adversely impact the organizations. Periodic evaluation of the

implementation of the scorecard in these organizations will be necessary. The study will also assist stakeholders and interested parties in understanding the challenges of balanced scorecard implementation in the same industry and come up with solutions of how to overcome them.

5.5   Limitations of the study

This research was a case study and therefore the research was limited to Novel Technologies (E.A) Limited, Kenya. This study involves only one organization therefore the findings cannot be used for generalization purposes. This is because every organization is unique in its own respect. Even in the same industry, organizations are uniquely different from others.

The study focused on interviewing heads of departments who are very busy. Scheduling appropriate interview timings was a challenge, in some instances the interview had to be rescheduled. The data collected from the respondents may have suffered from personal biases of the interviewees and may therefore not fully represent the opinion of Novel Technologies (E.A) Limited, Kenya in some cases.

5.6   Suggestion for further study

This study has reviewed challenges of implementing Balanced Scorecard at Novel Technologies (E.A) Limited. The same study should be carried out in other organizations in the ICT sector in order to find out whether the same results will be obtained. Further studies should include the lower level employees as part of the primary source for data.

The study was carried out when the current strategic plan 2014 to 2016 was not over hence a similar study could be carried out after this period to assess the situation.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

Research objective: To assess the challenges of implementing the balanced scorecard at Novel Technologies E.A Ltd

Section A: Background Information

1. Job Title…………………………………………………………….

2. Years worked with Company…………………………………….

3. Department ....……………………………..

4. Which performance measurement tool/technique do you use at your company?

   ....

Section B: Strategy at Novel Technologies E.A Ltd

1. Does the company have a Strategic plan?

2. Who is involved in strategy formulation and implementation?

3. How are strategic objectives communicated?

Section C: The balanced scorecard application at Novel Technologies E.A Ltd

4. What informed the adoption of the Balanced Scorecard

5. For how long has the company been using a balanced scorecard?

6. Prior to the rolling out of the Balanced Scorecard, were any preparations done?

7. What role does the department balanced scorecard play in execution of duties by employees in your department?

8. What are the benefits of applying the balanced scorecard at Novel Technologies E.A Limited?

9. How has the use of balanced scorecard improved internal business processes

10. Are members of staff trained to understand the Balanced Scorecard and its implementation?

11. Has the use of Balanced Scorecard helped Novel Technologies achieve better financial results?

12. How does the use of balanced scorecard improved service delivery to your valued customers?

13. What are the major benefits accruing from using the Balanced Scorecard to measure performance?

Section D: Challenges of implementing the balanced scorecard

14. What challenges do you encounter while formulating and implementing your strategy?

15. What factors have affected the use of the balance scorecard at Novel Technologies E.A Ltd?

16. What are the challenges faced in implementing the balanced scorecard in your department?

17. What are main challenges faced in Balanced Scorecard strategy implementation at Novel Technologies E.A Ltd?

APPENDIX II: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

MBA PROGRAMME

Telephone: 020-2059162 Telegrams: "Varsity", Nairobi Telex: 22095 Varsity	P.O. Box 30197 Nairobi, Kenya

DATE 23/09/2015

TO WHOM IT MAY CONCERN

The bearer of this letter ... FRIDAH NKATHA KIRIIRI ....

Registration No. .... D61/64645/2013 ....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

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

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX III:

SAMPLE BALANCED SCORECARD

NOVEL TECHNOLOGIES E.A LTD

Individual Balanced Scorecard		

Employee's Name:		**Immediate Manager:**		
Job Title:	Business Development Manager	**Job Title:**		
Pf No.		**For Period:**		**From:**
Department:				**To:**

PART I: WORKPLAN (WHAT IS TO BE ACCOMPLISHED)

FINANCIALS (Key result areas	PERFORMANCE MEASURES	FY TARGET	ACTUAL	RATING					Weighting 25%	Weighted Rating
		Kes		1	2	3	4	5		
1. Business Profitability	Total Revenue								4	
	Enterprise business Income								5	
	Volume business income								2	

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				1	2	3	4	5		
	Sales expenses & Commissions								2	
	Average Margin (Min)								3	
	Debt collection								3	
2. Drive Efficiency	Cost to revenue ratio (Total cost / total revenue)								2	
	Cost of funds % of Gross Loans for the business	$\leq 5.0\%$							2	
	Leave management	Max 8 days carry over							2	
Total Rating									**25%**	
CUSTOMER *(Key Result Areas)*	**PERFORMANCE MEASURES**	**FY TARGET**	**ACTUAL**	**1**	**2**	**3**	**4**	**5**	**Weighting** **40%**	**Weighted Rating**
1. Business & customer Growth	Create new Enterprise Business values								6	
	Create new Volume business values								5	
	Acquire market share –No of corporate clients/Brand promotion	Min 50 with 90% retention							4	

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	PERFORMANCE MEASURES	FY TARGET	ACTUAL	1	2	3	4	5	Weighting	Weighted Rating
	rate									
	On board strategic partners –Min 4 vendors								3	
	Develop proposals/presentations Increase Customer numbers up take for • Financial Sector 4 Pipelines -2 closures • Government corporates 8 pl 4 closure • Oil industry 3 with 1 closure • Education sector 6 with 4 closures • Private sector 10 with 3 closures	Acquire New 10 per week 2 closed deals per week							4 4 4 4	
	New Product/Solution Development	New solutions min 3							3	
		Launch Business by Oct 31st							3	
Total Rating									**40%**	
LEARNING AND GROWTH **Key Result Area**	**PERFORMANCE MEASURES**	**FY TARGET**	**ACTUAL**	**1**	**2**	**3**	**4**	**5**	**Weighting** **15%**	**Weighted Rating**

Employee Performance	Attain average revenue per staff								4	
	Standardize / Consistent BSCs								3	
	Effect Monthly BSC Reviews with direct reports.	M+5 days							2	
Drive culture change	Implement feedback mechanism-Weekly / Monthly business performance Open forums for staff								2	
Develop employee skills	Min E-learning courses per staff-Microsoft/IBM/Lenovo etc	2each							4	
Total Rating									**15%**	
INTERNAL BUSINESS PROCESSES	**PERFORMANCE MEASURES**	**FY TARGET**	**ACTUAL**	**1**	**2**	**3**	**4**	**5**	**Weighting** **20%**	**Weighted Rating**
Project management	Implement prudent project management to attain a TAT of < 7 days to project tender timelines	95%							5	

Business risk policy	Timely tender delivery Implement	100%								5	
	Draw a Risk management policy for Uganda office									4	
Project review	Timely project post implementation review									6	
	Attain Service contracts signoff										
Total Rating										**20%**	
OVERALL RATING										**100%**	

ADDITIONAL INFORMATION SUMMARY

KEY RESULTS AREAS	PERFORMANCE MEASURES	FY TARGET	ACTUAL	Rating					Weighting	Weighted Rating
				1	2	3	4	5		
Financials									25%	
Customer									40%	
Learning and Growth									15%	
Internal Business Processes									20%	
Total Rating									**100%**	

OVERALL PERFORMANCE RATING

**1 = Does Not Meet Targets   2 = Partially Meets Targets   3 = Met Performance Targets   4 = Generally Exceeds Targets
5 = Exceeded Targets By Far**

MITIGATING FACTORS (if any)

	AGREED REMEDIAL ACTION:	**BY WHEN:**

PART 11 INDIVIDUAL DEVELOPMENT PLAN

Record key (1 or 2) development goals for the next year. These are individual learning needs to support Job performance and Career development.

Development Need	Development action	Responsibility	By when

PART 111 COMMENTS /RECOMMENDATIONS

Signed…………………………………..........................   Date…...

Job Holder Performance Appraisal Reviewer

Performance Appraisal Reviewer's Manager

Signed…………………………………..........................   Date……………………………………...