THE BALANCED SCORECARD AND STRATEGY IMPLEMENTATION AT THE KENYA ELECTRICITY GENERATING COMPANY

BY

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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 presented for the award of a degree in any University.

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D61/68137/2013

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

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DEDICATION

The first dedication is to God for He has done it all, then to my beloved family, loving wife and friend, Irene Kemunto and son Moses Ondoro. My parents Mr. and Mrs. Silvanus Kebu.

ACKNOWLEDGEMENTS

First and foremost I give thanks to Almighty God for giving me the strength, and knowledge needed to undertake this project. Family, loving wife and friend, Irene Kemunto and son Moses Ondoro. My parents Mr. and Mrs. Silvanus Kebu.

To my supervisor, Prof. Zack Awino, I appreciated your willingness, encouragement, help and advice given throughout the study. To all my lecturers, I am grateful for impacting me with invaluable knowledge. I am also particularly grateful to my fellow Master of Business Administration (MBA) classmates who encouraged me throughout the research study.

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ABBREVIATIONS AND ACRONYMS

ERC:	Energy Regulatory Commission
GDC:	Geothermal Development Company
G2G:	Good to Great
IPPs:	Independent Power Producers
KenGen:	Kenya Electricity Generating Company Limited
KETRACO:	Kenya Electricity Transmission Company
KPLC:	Kenya Power & Lighting Company Limited
Ksh:	Kenya Shillings
MoE:	Ministry of Energy
MW:	Mega Watts

ABSTRACT

The purpose of this study was to investigate on the the linkage of the balanced scorecard and strategy implementation at the Kenya electricity generating company. The study was investigating the strategy implementation process at KenGen. It sought to establish the practices adopted by KenGen in strategy implementation. It also sought to establish the challenges encountered by KenGen in implementing its strategies. The findings of this study will contribute to building the existing body of knowledge in strategic management and specifically on strategy implementation. A case study of KenGen was carried out. It involved an in-depth investigation of the phenomenon of strategy implementation. To obtain primary data, which was qualitative in nature, six top level executives were interviewed by use of interview guide. Secondary data was obtained from management information system, internet and printed records. The data collection instrument used was a semi-structured interview guide that was flexible and which gave the researcher an opportunity to probe further. Data was analyzed in accordance with the objectives of the study using content analysis method. Findings from the study indicate that various best practice principles were applied in strategy implementation at KenGen such as measuring the attainment of targets using the balanced scorecard and monitoring the implementation process by the Transformation Monitoring Office (TMO). The findings showed that these practices did support the implementation of the business plan (strategy). The results revealed the challenges of strategy implementation at KenGen as well as measures to overcome the challenges. For study implication, the study recommends that when an organization applies Balanced Scorecard, it need to take a very close look at the organization structure and evaluate if it supports the strategies. The study has also highlighted institutional policy and practice recommendations to overcome the challenges of strategy implementation using the balanced scorecard. Also, provided, are suggestions for further studies. The findings of this study are expected to assist the management of KenGen to exercise organization control by diagnosing the training and development needs of the future. It might also provide information to assist in the human resource management and performance management that could help to strengthen the relationship and communication between management and subordinates. This study might add on to the growing body knowledge of strategic management and to stakeholder theory whose aim includes the interpretation of the current events and a conceptual framework of business ethics and organizational management which addresses moral and ethical values in the management of an organization. Organizations might be able to understand the effects of balanced scorecard on their respective organizations and the industry as a whole and therefore may be prompted to seek ways through appropriate and proactive policies and procedures to enhance the adoption and implementation of the balanced scorecard methodology in their organizations and in the industry.

CHAPTER ONE

INTRODUCTION

1.1 Background

Implementing strategies successfully is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. According to Thompson and Strickland (2007), strategy implementation can be considered successful if things go smoothly enough that the company meets or beats its strategic and financial performance target and shows good progress in achieving management's strategic vision. The application of balanced scorecard, calls for tools that describe knowledge-based assets and the value-creating strategies that these assets make possible (Blair, 2005).

Without such tools, companies had difficulties in managing something they cannot describe or measure. Companies also have had problems attempting to implement knowledge-based strategies in organizations designed for industrial-age competition (Galbraith, & Lawler, 2003). The Balanced Scorecard makes a unique contribution by describing strategy in a consistent and insightful way.

The simple act of describing strategy via strategy maps and scorecards is an enormous breakthrough. This study was guided by the game theory, resource-based theory and stakeholder theory. The resource-based view (RBV) as a basis for the strategy implementation of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu & Mercer, 1983; Wernerfelt, 1984; Rumelt, 1984; Penrose, 1959).

To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. The solution concepts derived from game-theory may be thought of as normative or descriptive views of multi-person decision-making (Shubik, 1972). Porter (2000) further argues that a company's strength ultimately could be placed into two categories: cost advantage or differentiation.

Application of those strengths in either a broad (industry wide) or narrow (market segment) scope results in three generic strategies: Cost leadership, differentiation and focus (Porter, 1985). Kaplan and Norton (1990) developed the balanced scorecard with the realization that financials alone would not be enough for organizations attempting to thrive, or even compete in the twenty first century. According to Mintzberg, Henry and, Quinn, James Brian (2006) the study of Strategy implementation is important because the resources available to achieve these goals are usually limited. The balanced scorecard is incorporated in this study as a tool that describe knowledge-based assets and the value-creating strategies that these assets make possible (Blair, 2005). Strategy generally involves setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions.

A strategy describes how the ends (goals) will be achieved by the means (resources). The senior leadership of an organization is generally tasked with determining strategy. Strategy can be intended or can emerge as a pattern of activity as the organization adapts to its environment or competes. It involves activities such as strategic planning and strategic thinking (Blair, 2005).

This study sought to find out how Kenya Electricity Generating Company, (KenGen), has applied the balanced scorecard in strategy implementation and the challenges faced in its implementation (Gitachu, 2012). KenGen is the leading electricity generating company in Kenya. Some of the challenges facing KenGen include; poor leadership, poorly designed scorecards, lack of training, lack of resources for its implementation, and lack of top management support, among others (Gitachu, 2012).

KenGen as an organization also has difficulty in establishing mechanisms that translate strategic vision into concrete goals and actions. Then, every single business, public service, project, or simply any kind of prolonged group effort, will benefit from the power of the Balanced Scorecard (Gitachu, 2012). To best capture the strategic and strategy implementation of their information storehouses, top-level managers must abandon the belief that traditional business intelligence offers adequate enterprise analysis. Rather, it is vital for managers to expand their analysis perspective to include business performance management capabilities.

1.1.1 The Concept of Balanced Scorecard

Horngreen (2001) defines a balanced scorecard as a performance measurement system that strikes a balance between financial and operating measures, links performance to rewards and glues explicit recognition to the diversity of stakeholders' interests. Simons (2002) looks at balanced scorecard as a performance measure which communicates the multiple linked objectives that companies must achieve to compete based on their tangible capabilities and innovations. The specific objectives and measures of organizations' balanced scorecard are derived from the firm's vision and strategy (Chow, 2008).

The balanced scorecard is a valuable management system which is used for different companies to elucidate and translate their strategies into execution; nevertheless the BSC has not been planned for container terminals and ports users' satisfaction in a great extent (Kaplan and Norton, 1992). The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals thus creating a competitive edge. The basic idea is that learning is necessary to improve internal business processes; improving business processes is necessary to improve customer satisfaction; and improving customer satisfaction is necessary to improve financial results (Blair, 2005).

The objectives and the measures for the balanced scorecard are more than just a somewhat ad hoc collection of financial and non-financial performance measures; they are derived from a top-down process driven by the mission and strategy of the business unit that creates competitive advantage. The balanced scorecard should translate a business unit’s mission and strategy into tangible objectives and measures. The measures represent a balance between external measures for shareholders and customers, and internal measures of critical business processes, innovation, and learning and growth. In addition the scorecard is balanced between objective, easily quantified outcome measures and subjective, somewhat judgmental, performance drivers of outcome measures (Kaplan and Norton, 2001).

1.1.2 Strategy Implementation

Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful implementation remains a major challenge. The notion of strategy implementation might seem quite straightforward; a strategy is formulated and then implemented. To the contrary, transforming strategies into action is far complex, difficult and a challenging undertaking and therefore not as straight forward as one would assume (Aaltonen and Ikavalko, 2001). Implementation is defined as the phase in which systems and procedures are put in place to collect and process the data that enable the measurements to be made regularly (Drazin and Howard, 2002).

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives. Strategy implementation is one of the components of strategic management and it refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to achieve organizational objectives (Pearce and Robinson, 2007). Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant system (Bryson, 2005).

Implementing strategy is the connecting loop between formulation and control. It is what integrates strategies. Strategy implementation is a process in which all planning and budgetary activities, policies and procedures follow the defined strategy. The purpose of implementing strategies is that managers and employees collaborate to perform formulated strategic planning. In other words implementing is the most difficult step in the strategic management process and need a kind of self-controlling and a corporate culture as well (Pearce and Robinson, 2007).

1.1.3 Balanced Scorecard and Strategy Implementation

The balanced scorecard (Kaplan and Norton, 2001) is a performance measurement tool that uses a strategy map to connect an organization's day-to-day processes to its organizational goals. Rather than capture how an organization currently operates, the balanced scorecard is concerned with creating a strategy to drive future direction, building in cause and effect linkages while simultaneously taking into account both financial and intangible resources that can determine success or failure. Kaplan and Norton, (1992) introduced the balanced scorecard as a means to provide a more holistic diagnosis of a business's performance.

Kaplan and Norton, (1992) argue lagging financial indicators are not sufficient to tell senior management whether work taking place on the ground accurately corresponds to the business's corporate strategy: overemphasis on reducing costs in the short run to boost financial indicators underestimates the value of large investments in research and development to the detriment of the company's long-term survival strategy (Drazin & Howard, 2002). The success of the BSC implementation as outlined by Kaplan and Norton (2001) came from the positive reactions of the majority of employees who considered that it gave more clarity and outlined everyone's contribution to the organization's final mission.

Another successful story of a balanced scorecard implementation in the non-profit organizations is offered by the May Institute. The non-profit organization, based in Massachusetts, is among the US largest providers of behavioral health care, education and rehabilitation programs for children and adults.

May Institute Balanced Scorecard, built around the four traditional perspectives: Financial, Customer, Internal Processes and Learning & Growth offers a unique framework. The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives (Drazin & Howard, 2002). Companies are using the scorecard to: clarify and update strategy; communicate strategy throughout the company; align unit and individual goals with strategy; link strategic objectives to long term targets and annual budgets; identify and align strategic initiatives; and to conduct periodic performance reviews to learn about and improve strategy, Niven (2003).

1.1.4 The Energy Sector in Kenya

The key industry players are Ministry of Energy and Petroleum, Electricity Regulatory Commission, Kenya Electricity Generating Company, Independent Power Producers, Kenya Power and Lighting Company, Geothermal Development Company, Rural Electrification Authority and Wind power in Kenya. The ERC is responsible for regulation of the power sub-sector (KenGen, 2008).

Established in 2008 under the Electric Power Act of 2007, the ERC has the mandate to set, review and adjust retail tariffs, approve power purchase agreements, promote competition in the sub-sector, resolve consumer complaints and enforce environmental, health, safety regulations. KenGen which is the leading electric power producer in Kenya accounting for over 72% of electric power consumed in the Country, enabling it to have the biggest market share.

The IPPs account for 28% of electric power consumed in the Country. They comprise of Iberafrica, Or-Power, Tsavo, and Rabai companies. KPLC is a listed company in the Nairobi Stock Exchange, governed by the State Corporations Act and is responsible for all electricity distribution in Kenya together with Rural Electrification Authority.

Given the long-term nature of electricity investments, investment decisions are made on the basis of long-term fundamentals rather than looking at short-term returns. The level of risk anticipated by an investor in a power plant is reflected in the level of return expected on that investment. The uncertain future level of prices from investment in generation creates a risk for the investor (KenGen, 2009). In Kenya, the return on investment is usually uncertain for prospective investors because of the tariff specificity that comes with every generation contract. Lack of standardized tariffs for different investment modes raises a lot of return uncertainties. The level of competition in the industry has been on the increase.

Seasonality is another challenge in the industry environment. Kenya suffers continued power supply inconsistencies anytime there is prolonged drought that reduces water levels in the KenGen hydro dams leading to low production and high power tariffs. This has a great bearing on the national power supply as KenGen has 72% market share of which 52.08% is hydro based. This calls for greater diversification on the generation modes in future investment in the power sub-sector. The company owns 14 hydropower plants with a combined capacity of 819.9 MW, five thermal power plants of 256.2 MW, five geothermal power plants of 473.1 MW and one Wind power plant of 25.5 MW resulting a total installed capacity of 1,574.8 MW. World oil prices have been volatile for a long time, with no clear indication of stability in the near future (KenGen, 2008).

The first IPP developments occurred on the heels of the 2006 legislation opening up the generation sector to private investment. There was an increase in power demand, hydrological conditions were becoming unfavourable and public funds to build power plants were insufficient.

1.1.5 Kenya Electricity Generating Company

Kenya Electricity Generating Company is a limited liability company, registered under the Company Act. The Company was incorporated in 1954 as Kenya Power Company Limited (KPC) renamed KenGen in 1997 following implementation of the reforms in the energy sector. The core business is to develop, manage and operate power generation plants to supply electric power to the Kenyan market, and in future, to supply power to the Eastern Africa region. KenGen is a Public Listed Company, quoted on the Nairobi Stock Exchange with the ownership structure being 30% private and 70% Government (KenGen, 2008).

KenGen’s vision is to be the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region. The mission is to efficiently generate competitively priced electrical energy using state of the art technology, skilled and motivated human resource to ensure financial success (Drazin and Howard (2002). They shall achieve market leadership by undertaking least cost, environmentally friendly, capacity expansion. The core values that guide the implementation of these strategic statements, govern behaviour and decision making in the company are integrity, professionalism, team spirit, and safety culture.

These measures are intended not only to modify behavior, but also inform upper management if their stated objectives are ultimately in line with their corporate strategy (KenGen, 2009).KenGen's strengths include a large fixed asset base, experience in the industry (over 50 years), skilled manpower, competitive price, ISO certification of company processes, and diversified modes of power generation (KenGen, 2008). The weaknesses include inadequate financial base, aging of generation plants making them expensive to run, low production capability during periods of adverse hydrology, and regulated tariffs (Drazin and Howard (2002).

The opportunities include a large market base, large untapped renewable energy resources, prospect of getting cheaper fuel (coal) and Liquefied Natural Gas (LGN), opportunities to invest offshore, access to regional markets such as links with the Southern Africa Power Pool, capacity to offer consultancy services, and the opportunity for KenGen to benefit from carbon trading through the Clean Development Mechanism (CDM) (KenGen, 2009). The threats include degradation of water catchments areas, excess demand on corporate social responsibility, drought that affects the hydropower production, legal set up that restricts KenGen to one customer, the HIV/AIDS pandemic and its impact on staff, possible delay of implementing projects, and competition from the Independent Power Producers.

In order to ensure strategic focus, all objectives and measures in the other scorecard perspectives should be linked to achieving one or more objectives in the financial perspective ultimately; a business's strategy should be oriented towards its financial bottom line (Kaplan and Norton, 1992). Historically, performance improvement systems have focused on measurements and indicators alone.

What is unique about the Balanced Scorecard approach, in contrast to other methods, is that it links strategy with performance and goes beyond the traditional financial metrics in determining whether an organization has been successful (Kaplan and Norton, 1992).

1.2 Research Problem

Strategic analysis and choice are of little value to an organization unless the strategies are capable of being implemented (Johnson and Scholes, 2002). Strategic change does not take place simply because it is considered to be desirable, but it takes place if it can be made to work and put into effect by members of the organization. According to Daft (2000), one major shortcoming of strategy implementation in organizations is a failure to translate statements of strategic purpose.

To be specific, a balanced scorecard can precisely inform the owner that besides financial performance, strategies have to consider the effects caused by clients, internal processes of firms and the learning and development of employees (Su, 2000). Due to the reasons aforementioned, a balanced scorecard is not only a tool to control strategies and performance assessment, but also an efficient instrument to manage strategies. KenGen's strategy implementation process has been an integrated approach encompassing improving existing plants, production expansion, efficiency enhancement and risk assessment and management. KenGen is continuously searching for process innovations and improvements that lowers the operating costs and enhance reliability (KenGen, 2008). The company has been keeping the operational costs lower than the competitors through its experience in the industry, highly efficient operating processes, economies of scale, and possession of key competencies and skills. The study sought to investigate the extent to which this has been achieved.

The use of the Balanced Scorecard breaks the traditional single-use financial indicators methods which measure performance. It adds the future drivers in the financial indicators, which is customer factors, internal business processes and employee learning and growth.

Scholars have studied the role of the balanced scorecard in different sectors. Globally, Chow, (2008). Did a study on the balanced scorecard as a potential tool for energizing and focusing healthcare organization management. Hagarty and Gauthier (2003). Carried out a survey based on the balanced scorecard in the public sector with a focus on corporate real estate. Creelman, (2008). Conducted a study on building and implementing a balanced scorecard in a business organization. Dylan, (2002). Did a study on putting strategy into the balanced scorecard in a finance corporation. The above studies did not focus on the balanced scorecard as a strategy implementation tool.

In Kenya, Karimi, (2010) carried out a case study of Safaricom, on the use of the balanced scorecard in strategy development and implementation; Kiragu, (2005). Conducted a survey on the adoption of the balanced scorecard by selected companies in Kenya; Ogendo, (2010), carried out a study on the application of the balanced scorecard in strategy implementation by Unilever Tea Kenya Limited. Mucheru, (2008), carried out a survey on the application of the balanced scorecard in performance management among commercial banks in Kenya; Aosa, (2002). Did an empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya, these researches have focused non-energy sector firms and there is a need to validate these findings in a different context.

Balanced scorecard has gained a lot of popularity as a tool for strategy implementation; it has its own challenges which this study seeks to identify. Thus, the application of the balanced scorecard and the challenges faced in the application of the same would not be assumed to be similar, unless empirical studies demonstrate so.

No known study(s) have been done to determine the linkage of the balanced scorecard and strategy implementation at the Kenya Electricity Generating Company. This study is designed to fill this gap by emphasizing on balanced scorecard and strategy implementation at the Kenya electricity generating company. More specifically, the study seeks to answer the following question, what is the linkage of the balanced scorecard and strategy implementation at the Kenya electricity generating company?

1.3 Research Objective

The objective of this study was to determine the linkage of the balanced scorecard and strategy implementation.

The study had two objectives,

i. To establish the strategy implementation practices adopted by KenGen

ii. To establish the challenges encountered by KenGen in implementing its strategies

1.4 Value of the Study

The findings of this study are expected to assist the management of KenGen to exercise organization control by diagnosing the training and development needs of the future. It might also provide information to assist in the human resource management and performance management that could help to strengthen the relationship and communication between management and subordinates.

Employees of KenGen might benefit from the findings of this study as performance appraisal is a very effective tool to improve performance and productivity and to the career development of employees. This is by helping individuals to do better and to raise self-esteem and motivation, resulting in job satisfaction. Secondly, the research findings may be useful to potential investors in the sector as it may help them make informed decisions before entering the industry. This study might add on to the growing body knowledge of strategic management and to stakeholder theory whose aim includes the interpretation of the current events and a conceptual framework of business ethics and organizational management which addresses moral and ethical values in the management of an organization.

The stakeholders' scorecard identifies the major constituents of the organization stakeholders, customers, and employees plus often the suppliers and the community. Additionally, the study may be important in explaining the resource-based theory of strategy implementation and to explain that there is a certain focus on resources owned by the company or by its partners; and the various resources that can explain company performance and long term growth/ or decline.

Organizations might be able to understand the effects of balanced scorecard on their respective organizations and the industry as a whole and therefore may be prompted to seek ways through appropriate and proactive policies and procedures to enhance the adoption and implementation of the balanced scorecard methodology in their organizations and in the industry.

The study on use of balanced scorecard could provide background information to research organizations and scholars who may want to carry out further research in this area. They might also benefit from the findings of this study as it contributes to the existing literature.

1.5 Chapter Summary

This chapter looks at the background of the study, the research problem is identified, research objectives and value of the study. The concept of the balanced scorecard covers organization-wide issues in the context of a whole range of its operational influences. The background is based on the study topic which is to determine the linkage of the balanced scorecard and strategy implementation at the Kenya Electricity Generating Company.

The study was guided by the game theory, resource-based theory and stakeholder theory. The theories postulate a formal language to describe conscious goal-oriented decision making process involving one or more players in thriving for competitive advantage. The resource-based view (RBV) as a basis for the strategy implementation of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal.

The application of balanced scorecard, calls for tools that describe knowledge-based assets and the value-creating strategies that these assets make possible. KenGen is the leading electricity generating company in Kenya. Some of the challenges facing KenGen include; poor leadership, poorly designed scorecards, lack of training, lack of resources for its implementation, and lack of top management support, among others. KenGen as an organization also has difficulty in establishing mechanisms that translate strategic vision into concrete goals and actions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter shall review the literature available on strategy implementation, balanced scorecard framework and challenges faced in using the balanced scorecard for strategy implementation. Empirical studies in these areas shall also be reviewed.

2.2 Theoretical Foundation

Systems theory refers simply to the concept that organizations are strongly influenced by their environment. Systems Theory is a modern systems-based changed management theory designed to create healthy, innovative and resilient organizations and communities in today's fast changing and unpredictable environments (Galbraith & Lawler, 2003). As organizations and communities conduct their business they influence and change their external environments, while at the same time being influenced by external changes in local and global environments. Organizations and communities are open systems; changing and influencing each other over time (McLaughlin & Talbert, 2001).

The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival. According to Scott (2002), as organizations and communities conduct their business; they influence and change their external environments, while at the same time being influenced by external changes in local and global environments. This two-way influential change is known as active adaptive change.

The Balanced Scorecard is concerned with creating a strategy to drive future direction, building in cause and effect linkages while simultaneously taking into account both financial and intangible resources that can determine success or failure (Galbraith & Lawler, 2003). As a result, open systems theories come in many flavours. For example, contingency theorists argue that organizations are organized in ways that best fit the environment in which they are embedded. Institutional theorists see organizations as a means by which the societal values and beliefs are embedded in organizational structure and expressed in organizational change (McLaughlin & Talbert, 2001).

Resource dependency theorists see the organization as adapting to the environment as dictated by its resource providers. Although there is a great variety in the perspectives provided by open systems theories, they share the perspective that an organization's survival is dependent upon its relationship with the environment. People too are open systems. Through their actions they influence and change their external environment, and at the same time are constantly being influenced by changes in the external environment. From an employee's perspective, the organization itself is their immediate external environment. People are constantly changing their minds about decisions they will make, including what products and services they will buy and how they'll buy them (Pfeffer & Salancik, 2003). The rate of socio-ecological change is being accelerated by globalization, deregulation, and technological change.

2.3 Strategy Implementation

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives. The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic.

Strategic management is about managing the future, and effective strategy formulation is crucial, as it directs the attention and actions of an organization, even if in some cases actual implemented strategy can be very different from what was initially intended, planned or thought. The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Olson et al. 2005).

The fatal problem with strategy implementation is the de facto success rate of intended strategies. In research studies it is as low at 10 percent (Judson, 2001). Despite this abysmal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Instead, management spends most of its attention on strategy formulation. Research emphasizing strategy implementation is classified by Bourgeois and Brodwin (2004) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success. Beyond the preoccupation of many authors with firm structure, a second wave of investigations advocated interpersonal processes and issues as crucial to any marketing strategy implementation effort (Noble and Mokwa, 2009).

Conflicting empirical results founded upon contrasting theoretical premises indicate that strategy implementation is a complex phenomenon. A company's organizational structure maps out roles and responsibilities along with reporting relationships. It refers to the shape, division of labour, job duties and responsibilities, the distribution of power and decision-making procedures within the company, which influences the types of strategy used by an organization (Okumu, 2003).

It is a formal framework by which tasks are divided, grouped and coordinated (Robbins and Coulter, 2002). Organizational structure is a major priority in implementing a carefully formulated strategy. It helps people pull together in their activities that promote effective strategy implementation. The overall strategic management process begins when executives evaluate their current position with respect to mission, goals and strategies. This is in contrast to strategy implementation, which is the use of managerial and organizational tools to direct resources towards accomplishing strategic results (Hrebiniak, 2014).

2.4 Balanced Scorecard Framework for Non-Profit Making Organizations

Many non-profit making organizations had difficulties with the original architecture of the balanced scorecard which places the financial perspectives at the top, followed by the Customer, Internal Process and Innovation & Learning dimensions (Kaplan and Norton, 2001). This being the case, the scorecard perspectives can be adapted, in a structure that best fits the strategic interests of a public sector (Kaplan and Norton, 2001). A better framework, adapted for the public sector purpose, switches positions between the Financial and Customer perspective. As the financial dimension is becoming for the profit making organizations an enabler for attaining its final purpose, many organizations who adopt the BSC place it at its very base (Kaplan and Norton, 2001).

Additionally, Kaplan and Norton (2001), proposes the identification of several primary strategic themes that drives the organizations actions which can be placed at the very fore front of the scorecard. One of the particularities of the public sector Balanced Scorecard is the Customer dimension (Kaplan, 2001).

If in the private sector, customers both pay and receive the service; in the case of a public sector two separate types of customers can be identified. As it might become hard for some organizations to distinguish between the two categories, both vital for a public sector, they can be placed in parallel at the top of the BSC (Kaplan, 2001).

2.5 Balanced Scorecard and Strategy Implementation

The balanced scorecard overtakes performance management because it links the strategy and organizational objectives with four perspectives of performance measurement: financial; customer; internal processes and learning and growth (innovation) (Kaplan and Norton, 1992). Thus, this management tool retained financial objectives and added the importance of non-financial measures like customer satisfaction, quality, innovation, flexibility and employees skills. Among the first public sector who adopted a Balanced Scorecard was The United Way of Southeastern New England (Kaplan and Norton, 2001).

The second next in line, beneath the customer perspective was identified as being the Learning and Growth perspective (Kaplan and Norton, 2001). This was due to the fact that the organization's leaders felt that the staff had the greatest impact on helping the public sector to achieve its customer's objectives. The internal processes and the financial perspective promoting the viability of the organization came next. The balanced scorecard is an integrated management system consisting of three components: strategic management system, communication tool, and measurement system (Niven, 2003). The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.

Companies are using the scorecard to: clarify and update strategy; communicate strategy throughout the company; align unit and individual goals with strategy; link strategic objectives to long term targets and annual budgets; identify and align strategic initiatives; and to conduct periodic performance reviews to learn about and improve strategy, Niven (2003).

2.6 The Balanced Scorecard and Strategy Map

The balanced scorecard refers to the recognition that to achieve a comprehensive view of an organization's performance, it needs to be seen from different viewpoints, or perspectives. In the past, organizations only tended to look at financial measures, which are lagging indicators. There are four perspectives in the balance scorecard. The financial perspective contains the financial results such as profit, return on capital, cash flow, and margins. The customer perspective is concerned with time, quality, performance and service, price or rate. The internal (business) perspective involves operations management, customer management, and innovation, social and regulatory processes. Learning and growth perspective includes human, information and organizational capital or capacities (Kaplan & Norton, 2004).

These four perspectives are sufficient to describe any organization's strategy, although variants abound. The order of the perspectives is important (Kaplan and Norton, 1992). For a public sector or non-profit organization, the customer perspective is placed at the top, followed by the financial perspective. Apart from this rule, the basic framework of the four perspectives is robust and appropriate for any organization's strategic plan. It is important to recognize that it is the strategic objectives within the strategy map where creativity belongs, not in the basic framework itself (Gitachu, 2012).

According to Kaplan and Norton (2004), strategic improvements flow from the bottom up to a final result. This information is encoded in the strategy map. KenGen strategy map shows how value is created among the various processes and links together, the desired productivity and growth outcomes, the customer value proposition which is needed, the outstanding performance in internal processes, and the capabilities required from intangible assets. The arrows of effect are from lower perspectives to higher perspectives, but the arrows of strategic inference are from higher perspectives to lower perspectives. The higher perspectives involve explicit stakeholders, shareholders in the case of the financial perspective and customers in the case of the customer perspective. The lowest perspective, however, has no explicit stakeholders. Improvement in terms of the lower perspectives has a long gestation period but it is the sole way to bring about a lasting and dramatic change in the organization's performance.

2.7 Benefits of BSC Adoption

A BSC enhances the quality of a firm's controlling system in numerous ways. First, through choice of appropriate variables, the BSC can incorporate many familiar management principles in a single instrument (Rickards, 2007). Among others, these principles may include elements of: customer-oriented organization; employee empowerment; just-in-time production and logistics; lean management; a learning organization; reengineering; risk management; stakeholder management; time for innovation; time management; total quality management; and value-based activity management.

Second, with a BSC, the controlling system's focus expands beyond the analysis of historical financial data. By encompassing a broader view of the company's goals, the controlling system at once becomes more balanced and more future-oriented (Kaplan and Norton, 2001). That is because customer relations and the quality of business processes as well as employee commitment and capacity for innovation will influence the enterprise's success in coming years. By giving an early warning system, the controlling system helps managers to detect potential business threats in time to initiate effective counter measures (Drazin and Howard, 2002).

Third, by providing a means for disaggregating the strategy through the organization's hierarchy, a BSC ensures that top management's strategic goals pervade the entire enterprise as per findings from a study by Kong (2010). At the same time, though, subordinate managers can tailor the BSC to their respective units by adding operational goals, variables, and indicators as needed. That establishes a flexible, formal interface between the firm's strategic and operational controlling. Moreover, with a BSC, managers easily can direct their attention to those variables affecting the company's success at any given organizational level.

Fourth, the empirical information reported on BSCs makes progress toward goal attainment readily apparent. Assuming management and the controlling staff disaggregate and quantitatively measure the strategic and operational goals, numerical indicators, and standards. This information also facilitates performance comparisons among an enterprise's various units and across firms (Drazin and Howard, 2002).

2.8 Challenges of the Balanced Scorecard in Strategic Implementation

Even though potential benefits offered from an implementation of BSC are numerous, it has been suggested that many of the BSC projects either fail or does not materialize. According to Creelman (2008) half of BSC implementation fails because they fail to live up to the users' expectations. The Balanced Scorecard relies on the concept of Strategy developed by Michael Porter. Porter argues that the essence of formulating a competitive strategy lies in relating a company to the competitive forces in the industry in which it competes.

Overall, as acknowledged by Kaplan and Norton (2001), the BSC helped personnel to understand the importance of the business aspects especially in terms of budgets and marketing initiatives. So their customer perspective went to the top of their scorecard value chain. Creelman (2008) asserts that organizations grapple with a problem that would become a core concern for virtually all scorecard users. The design of the classic balanced scorecard reflects the priority of public sector organizations to make money for their shareholders. This is why the financial perspective is at the top. The rules for the operation of public sector organizations are different and arguably more complex (Bryson, 2005).

While finance and budgets are perennial preoccupations, other obligations and goals are regarded as taking at least equal, but more commonly greater, precedence. These include satisfying citizen, community or other stakeholder expectations. A cursory scan of the scorecards in use within public sector organizations shows that customer, or some other stakeholder representation, is typically the top perspective (Drazin and Howard, 2002).

Next in the scorecard hierarchy is a ‘customer first’ perspective with objectives such as meeting customers’ needs first and provide accessible, local services. Finance is subsumed into an ‘organizational’ perspective, which also includes the conventional internal process perspective.” Yet even when finance is relegated down the perspective hierarchy to be replaced by more important outcomes for public sector organizations, there are still other challenges to overcome (Creelman, 2008). For instance, while it is relatively straightforward to identify a single, and unifying, outcome of private sector performance – such as profit (which is well understood and simple to measure), this is not the case for public sector organizations, who typically have myriad and often competing objectives that they must deliver.

As examples, for a local government ‘protect the environment’ is a typical key objective, as is ‘growing the economy’. According to Creelman (2008), provides an illustration of how causality falls down in a public sector setting. Creelman used the example of a council that he called New Albany. Creelman writes: After reading various publications and attending some conferences, New Albany decided to stick with the orthodox view of a not-for-profit scorecard. They realized that private sector companies needed to put finance at the top of the scorecard value chain, but that a different situation applies to most government agencies.

Services and projects which were widely known to be failures showed up on this form of scorecard as successes. One very large IT project was a classic example: the project was on track and delivering the intended service to the community more or less on time. Consequently its scorecard Key Performance Indicator looked successful (Chow, 2008).

Some strategies tend to be high-level, future looking with ideals and aspirations. While valid to fuel the soul of the organization, they run the risk of diluting the ability for translation into an effective Balanced Scorecard (Aaltonen and Ikavalko, 2001). 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 (Drazin & Howard, 2002). These should be statements of the desired organization's end state for the planning horizon.

2.9 Chapter Summary

This chapter highlights the theories that guided this study which include the game theory, resource-based theory and stakeholder theory. The chapter reviews literature on literature available on strategy implementation, balanced scorecard framework and challenges faced in using the balanced scorecard for strategy implementation. Empirical studies in these areas shall also be reviewed.

The chapter summarizes by indicating that the balanced scorecard is one of the tools of strategy implementation. The balanced scorecard integrates the short term operational concerns of an organization with the long term strategic direction. Alignment of the day to day activities of an organization to the organization's vision and strategy is possible through the use of the balanced scorecard. It is a tremendously strong communication tool of the strategy and vision of an organization. It has three additional perspectives over and above the traditional financial perspective.

The other perspectives, that is, learning and growth, internal business processes, and customer perspectives, are the drivers of future financial performance. Although the balanced scorecard has grown in popularity, its implementation poses some challenges. Some of these include; poor leadership, poorly designed scorecards, lack of training, lack of resources for its implementation, and lack of top management support, among others.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides details of the research design and data collection technique employed in the study. It also describes the data analysis approach adopted by the study. This is against the background of the research objective the linkage of the balanced scorecard and strategy implementation in KenGen.

3.2 Research Design

Research design refers to the methods and procedures that are to be followed in order to conduct the study. The research design for this study was case study. This is based on the fact that the unit being analyzed is one organization. The research design of the study was a case study of Kenya Electricity Generating Company. Case studies allow an investigation to retain its holistic and meaningful characteristics based on real life events.

The case study method deals with the processes that take place and their interrelationship. The objective of the case study method is to locate the factors that account for the behaviour patterns of the given unit as an integrated totality (Kothari, 2002). The main aim of this study was qualitative. The research design emphasizes on the full analysis of the study based on a limited number of interrelations. This is based on its depth rather than breadth nature. The primary data applied in the study were more reliable and up to date.

3.3 Data Collection

The study used both primary and secondary data to meet its objectives. Collection of primary data was through the use of an interview guide, administered by way of personal interviews. The respondents were six executives charged with the responsibility of strategy implementation, development and cascading of the balanced scorecard. These executives are the Geothermal Development Manager, Manager Finance department, Chief Economist of the Business Development Division, Human Resource Manager, acting Manager Performance and Change department and Assistant Manager Project Planning and Monitoring.

The interview guide consisted of open ended questions designed in line with the objective of the study. The interview guide is appropriate since it provides the interviewer with complete control over the interview and also gives an opportunity to probe further. The data collection instrument was a semi-structured interview guide (see appendix). This instrument proved flexible, provided the interviewer with greater control of the interview situation and gave an opportunity to probe further. Questions were administered and probing done in a semi-structured way. Information from the performance boards also contributed to the primary data.

Collection of secondary data was from KenGen's strategic plans, published annual financial statements, staff magazines and internal records. The corporate scorecard and divisional scorecards also formed sources of secondary data. This provided information on aspects of the balanced scorecard that may not be readily available from the respondents.

3.4 Data Analysis

Content analysis was the data analysis technique used. According to Mugenda and Mugenda (1999), content analysis involves observations and detailed descriptions of objects, items or things that comprise the study. Content analysis is useful in obtaining new ideas in even what is thought to be unknown.

The research analyzed data from the interview guide to determine the level of emphasis or omission and relationships. This led to the elementary theory development which focuses on constructs and relationships among the constructs. It’s possible to identify key themes through the choice of words by the respondents. Previous studies of a similar nature have successfully used this method. Examples include: Mulu (2010) Karani (2009) and Ogendo (2010) among many others. Secondary data analysis also gave an overview of the focus of the study.

3.5 Chapter Summary

This chapter highlighted the design used for the study which was a case study design. The chapter highlights the method of data collection used which was a case study targeting the following executive; Geothermal Development Manager, Manager Finance department, Chief Economist of the Business Development Division, Human Resource Manager, acting Manager Performance and Change and Assistant Manager Project Planning and Monitoring of the KENGEN Company. The chapters shows how data analysis was done and this is by use of using content analysis.

The study was a case study as a strategic research in order to understand or explain the phenomena. The study used primary data which was collected using an interview guide. An interview. Content analysis was the data analysis technique to be used. The research analyzes data from the interview guide to determine the level of emphasis or omission and relationships. This lead to the elementary theory development which focuses on constructs and relationships among the constructs.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented to determine the linkage of the balanced scorecard and strategy implementation at the Kenya electricity generating company. The data was gathered exclusively from the interview guide as the research instrument. The interview guide was designed in line with the objectives of the study.

4.1.1 Response Rate

A total of 6 interview guide were distributed to the Geothermal Development Manager, Manager Finance department, Chief Economist of the Business Development Division, Human Resource Manager, acting Manager Performance and Change department and Assistant Manager Project Planning and Monitoring, all of which were received back making response rate of 100%. This reasonable response rate was made a reality after the researcher made personal calls and visits to remind the respondent to fill-in and return the questionnaires. All of the respondents have been working in the company for the last ten years, this perceptibly contributed to the congruence in answering questions related to the research area.

4.2 Balance Scorecard and Strategy Implementation

The Balanced Scorecard has facilitated implementation of strategies at KenGen. Strategic plan at KenGen are broadly categorized under the following core business areas: Overall business strategy at KenGen; strategic objectives communication; balanced scorecard used in the implementation of strategy in division; performance indicators of the divisional scorecard and execution of duties in divisional balanced scorecard play.

4.2.1 Overall Business Strategy at KenGen

Interviewees pointed out that the Company developed an ambitious transformation strategy branded "Good-to-Great Transformation" that intends to increase its capacity to 3,000MW by the year 2018. To translate the G2G transformation strategy into action, KenGen has translated the overall transformation strategy into a robust implementation plan. Each strategic pillar (capital planning, regulatory management, operational excellence and organizational health) has discrete focus areas, underpinned by corporate goals for KenGen.

The growth has translated to an average annual electric power demand growth rate of 8%. According to the interviewees, the demand of electricity has surpassed the supply due to the capital intensive nature of the electricity subsector. Reasons for adopting BSC that were provided by the interviewees included need to evaluate finance management systems in the field offices and to review compliance of policies and procedures by the field offices. Interviewees also indicated that BSC was adopted to use a balanced set of metrics to measure the performance of field offices.

Some respondents also indicated that BSC was adopted to expand KenGen view beyond the financial metrics and adding other metrics to balance out the equation. One respondent indicated that the Kengen adopted BSC after the approach was suggested by their consultants helping with the strategic planning process. This interviewee indicated that the consultants indicated that the balanced scorecard would help KenGen to better align the operational activities with the vision and strategy of the organization.

BSC was implemented in this KenGen to provide a more accurate appraisal of where this organization is headed and how it is performing on all facets of its operations. Using the BSC to facilitate reporting requirements was another implementation reason cited by current users. Interviewees responded that, due to rapidly changing environments that characterize most industries today, organizations face intense competitive pressure to do things better, faster and cheaper.

Nowadays, the importance of intangible assets is higher than traditional physical assets and performance measurement tools need to capture this new reality. Balanced Scorecard (BSC) is an innovative approach that considers the financial and non- financial perspectives in determining the performance level of organization, and not only represents a measurement tool, but it is also a multi-dimensional system of performance management. Although its worldwide dissemination, BSC has demonstrated inadequacy in certain circumstances, namely, in dynamic environments. The authors advocate a combination of various tools and approaches to set up and align the firm´s strategy instead of being statically hostage of an evaluation framework.

4.2.2 Strategic objectives communication

Interviewees of the study agreed that Corporate Scorecard is the cornerstone of cascading scorecards from managing director to divisional heads and functional levels throughout KenGen. Cascading the Scorecard has ensured that everyone in the company understands how they contribute to the achievement of the company's overall strategy. It also ensures that corporate goals are aligned to employees' goals. The divisional scorecards cascade from the corporate scorecards and departmental scorecard cascade from divisional scorecard in that manner up to personal or team scorecards. It was found out that communication was critical and central to the success of strategy implementation process. Communication is at the heart of evaluating performance and overall performance management.

Performance evaluation focuses on comparing actual performance to targets and then using dialogue to communicate areas of progress and improvement. The key performance measures for the junior staff are communicated through performance targets and weekly performance board meetings. The interviewer observed that every functional/technical team leader has a performance board and ensures that his/her team meets on a weekly basis, to assess the performance progress.

Each board contains information on key performance indicators, allocation of critical tasks to each member of the team and the target date of completion. Information on the allocation of critical tasks and the target completion date is then transferred to a task tracking spreadsheet which is monitored by the TMO. The interviewees mentioned that, performance evaluation is based on timely completion of critical tasks assigned to each of the staff.

4.2.3 How the balanced scorecard is used in the implementation of strategy in divisions

Interviewees agreed that balanced scorecard appraisal are conducted to accommodate both short-term and long-term performance metrics. It provides a concise report that tracks chosen metrics and measures and compares them to target values. This approach allows managers to assess past performance, identify areas for improvement, and position the company for future growth. Including a broader perspective than financials allows managers and executives a more balanced view of organizational performance hence its name. In a sense, the balanced scorecard is a broad diagnostic tool.

It complements the common financial metrics with operational measures on customer satisfaction, internal processes, and the company's innovation and improvement activities. From the findings it was clear that the extent to which KenGen expands its power supply is defined by its ability to access a range of financing options from both the public and private sector. The choice of the criteria for financing options depends on affordability, accessibility, dependability and timing. The categories of funds are a combination of equity, debt or internal sources. The company explores various sources including domestic capital markets, government infrastructure bonds, international capital markets, debt financing, multilateral and bilateral funding, carbon credits, internally generated funding and Public-Private-Partnership (PPP)/joint ventures.

Generally, the interviewees noted that the balanced scorecard was introduced in KenGen as a strategy implementation tool in 2002. In order to deliver the strategy, KenGen uses the approaches provided by Kaplan (2001) to translate strategy into action. Changes in strategy generally call for some changes in how internal activities are conducted.

Kaplan (2001), who is the creator of Balanced Scorecard strategy management framework, outlines three critical components that are required for successful strategy implementation as describing the strategy, measuring the strategy, and managing the strategy. To describe and visualize strategy, a KenGen strategy map has been developed. To measure strategy, a balanced scorecard to measure objectives in multiple perspectives has been developed.

The link between strategy and personal objectives is bridged by the balanced scorecard that translates strategy into operational terms. Successful strategy implementation requires strategy supportive policies and procedures. Changes in strategy generally call for some changes in how internal activities are conducted and administered, asking people to alter actions and practices always upsets the internal order of things somewhat and pockets of resistance do emerge.

4.2.4 Review of the Performance Indicators of the Divisional Scorecard

All the interviewees were in agreement that to achieve the corporate goals in each focus area, Major Transformation initiatives (MTIs) have been identified and milestones as well as Key Performance Indicators (KPIs) defined for each MTI. All key activities required to achieve these MTIs have also been defined and an overall implementation Master Plan developed for the G2G transformation. In order to deliver on the strategy, a number of concrete steps have been taken to ensure effective implementation, namely prioritizing Major Transformation Initiatives (MTIs), developing an MTI Master Plan and establishing a bi-weekly Transformation Monitoring Office (TMO) steering Committee as well as board meetings. From the focus areas, corporate goals are developed from within each of the strategic pillars.

Key performance indicators are then determined from the corporate goals. To attain a competitive edge, KenGen have been implementing strategies to achieve the ever changing needs of their customers. Being inventive leads to customers' satisfaction which in turn strengthens the economic position. Strategy implementation encompasses organization of the firm's resources and motivation of the staff to achieve desired goals. The environmental situations facing many firms have changed rapidly. Senior executives understand that their organization's measurement system strongly affects the behavior of managers and employees.

Executives also understand that traditional financial accounting measures like return on investment and earnings per share can give misleading signals for continuous improvement and innovation activities today's competitive environment demands. The traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today. Interviewees argued since KenGen began to adopt balances scorecard, their early experiences using the scorecard have demonstrated that it meets several managerial needs.

First, the scorecard brings together, in a single management report, many of the seemingly disparate elements of a company's competitive agenda: becoming customer oriented, shortening response time, improving quality, emphasizing teamwork, reducing new product launch times, and managing for the long term. Interviewees argued that, the scorecard guards against sub optimization. By forcing senior managers to consider all the important operational measures together, the balanced scorecard lets them see whether improvement in one area may have been achieved at the expense of another.

Companies can reduce time to market, for example, in two very different ways: by improving the management of new product introductions or by releasing only products that are incrementally different from existing products. Spending on setups can be cut either by reducing setup times or by increasing batch sizes. Similarly, production output and first-pass yields can rise, but the increases may be due to a shift in the product mix to more standard, easy-to-produce but lower-margin products.

4.2.5 Execution of duties in divisional balanced scorecard play

The interviewer noted that, after cascading of the corporate scorecard to the divisional level, the corporate goals are translated into divisional objectives/goals. The interviewees mentioned that at the divisional scorecard level, major transformation initiatives, (MTIs) to support delivery of the divisional scorecard goals are identified. The MTIs describe the activities that need to be carried out to achieve each of the divisional goals.

The interviewer observed that the Managing Director/ CEO and each of the divisional directors' signs off their respective divisional scorecard and a schedule of the MTIs. The divisional scorecards also serve as the performance contracts for each of the directors. The directors then cascade the scorecards to the managers. The managers use the divisional scorecards to determine their departmental goals.

It was noted that there was good morale, positive attitude and cooperative behaviour of employees towards implementation of strategy at the middle and lower levels but some employees in lower levels did not specifically know of existence of the business plan basically because the top management has not well disseminated the information. This means that employees perform their roles routinely without knowing of the strategic plans.

4.3 Benefits of applying the balanced scorecard at KenGen

According to the interviewees, the main aims of its introduction were to: increase focus on strategy and strategic results; improve organizational performance by measuring what matters; align organizational strategy with the work people do on a day to day basis; focus on the drivers of future performance; improve communication of the organization's vision and strategy and prioritize projects and or initiatives. Further, the interviewees mentioned that the scorecard was introduced after the development of the 2001 strategic plan of increasing KenGen's generating capacity to 1,250 MW by the year 2011. In 2003, KenGen abandoned the use of the balanced scorecard. However, it was reintroduced in 2005 and doubled up as a performance evaluation tool for divisional directors, departmental managers and chiefs in charge of different sections.

Interviewees of the study were in agreement that, some of the benefits of applying balanced scorecard at KenGen include: increased understanding, awareness to employees about operations across the whole management team arising from the discussions during the design process; reaching consensus and articulation of a set of key strategic objectives aligned to corporate vision.

The benefits also include; improved understanding of the links between measures improves understanding and makes target setting easier; Encouraging dialogue with employees within the organization about strategic goals and expectations; A single concise management report describes operational performance across perspectives and clarity concerning of the links between implementation activities and the strategic objectives of the organization.

The individual and their line manager review the scorecard every quarter to determine whether progress is being made towards the set targets. This allows corrective action to be taken where there are disparities between the set targets and the reality on the ground. The balanced scorecard assists in breaking down the overall corporate vision into daily measurable targets for employees to implement. This enables them to focus on the important tasks that are critical to their performance as measured by the scorecard, and hence work towards the execution of the organization's vision.

After the metrics and goals related to internal processes and customer perspectives identified, it is possible to understand that there is a gap between current organizational infrastructures and optimized level in order to achieve the goals. Metrics based on customer and internal processes are important to identify very important parameters for organization competitive success.

Metrics of financial perspective identify that whether the strategy and its execution plays a role in company profitability improvement or not. Companies should define their financial perspective goals in a framework of sustainability, success, and economic boom. Boom is measuring by cash flow, success by seasonal sell growth, sections operational income, and economic boom by market share and ROI improvements.

4.4 Challenges of the Balanced Scorecard in Strategic Implementation

The findings showed that KenGen dealt with the challenges in different ways. First, to deal with the challenge of unavailability of adequate finances, the company is pursuing additional sources of funding such as joint venture arrangements to supplement its internally generated funds. This includes raising project finance through capital markets by the issue of debt instruments. The company has procured the services of a financial advisor and arranger to develop a program to meeting its financial requirements. The financial program includes the necessary mitigating factors to ensure availability of finances for expansion.

Interviewees pointed that the extent to which KenGen expands its power supply is defined by its ability to access a range of financing options from both the public and private sector. The company explores various sources including domestic capital markets, government infrastructure bonds, international capital markets, debt financing, multilateral and bilateral funding, internally generated funding and Public-Private-Partnership (PPP)/joint ventures. To achieve financing objectives, the company has engaged a financial advisor and a financial arranger, KPMG and Standard Chartered bank respectively. Policies define and clarify enterprise-wide strategies.

Another challenge mentioned by interviewees was turning the vision into measurable metrics and getting the metrics right. The respondent indicated that the first new process is translating the vision which helps managers build a consensus around the organization’s vision and strategy. There are inherent challenges when the vision and mission are not very clear or they are ambiguous. These don’t translate easily into operational and measurable metrics that provide useful guides to action at the local level. For people to act on the words in vision and strategy statements, those statements must be expressed as an integrated set of objectives and measures, agreed upon by all senior executives, that describe the long-term drivers of success.

One interviewee indicated that for BSC to work, metrics need to be relevant and clear. They should be depicted with visual indicators that are easily understood. In addition, there is a challenge of poorly defined metrics. Metrics need to be collected at the ideal frequency for making decisions, and defined in such a way that the measurement can be consistently applied across the organization, even if their targets of performance differ. Metrics need to be relevant and clear. They should be depicted with visual indicators that are easily understood. In addition, metrics need to be collected at the ideal frequency for making decisions, and defined in such a way that the measurement can be consistently applied across the firm, even if their targets of performance differ.

A system that has sloppy or inconsistently defined metrics will be vulnerable to criticism by people who want to avoid accountability for results. Another challenges related to having measurable metrics was the case of having different metrics for different contexts in KenGen. This is because KenGen operate in different counties where the same metrics cannot be applicable due to the difference in operating environments.

Lack of efficient data collection and reporting is also another form of challenge identified. The primary reason that companies overemphasize financial metrics at the expense of other important operating variables is the simple fact that systems already exist for collecting and reporting financial measures. Companies that deliberately plan to define the vital few metrics and commit the resources to automate data collection and subsequent reporting tend to achieve good results. Unfortunately, in most organizations, if collecting metrics data consumes too much time and energy, they will not be captured. That is why it is important to prioritize key performance indicators so you can be confident that your investment in metrics is spent on the information that will be most relevant to improving organizational performance.

Interviewees also pointed out lack of a formal review structure. Scorecards work best when they are reviewed frequently enough to make a difference. If a metric value changes on a daily basis and the variables within the control of management can be affected on a daily basis, then the metric should be reviewed on a daily basis. Additionally, metrics review meetings should follow a standard agenda, with clearly defined roles for all attendees and an expectation that follow through on any agreed upon actions will be monitored at each meeting.

The value of Balance Scorecard systems relies on the premise that once performance problems are identified, there is an efficient and effective method for diagnosing and addressing root causes. Solutions can then be developed and performance gaps can be closed. The goal is to achieve a balance of enterprise level metrics as you assess the organization’s market, shareholders, competitors, employees and stakeholders.

If the organization does not have standard methodologies and toolkits for addressing process problems, the amount of effort required to derive a problem solving approach for each new performance gap could eventually damage the performance improvement program as it will be seen as taking too many resources away from daily operations. When this happens, there can be no adaptation and performance will continue to deteriorate. Using time-tested process improvement methodologies, perhaps in combination with problem solving methodologies (e.g. Six Sigma) can greatly alleviate this problem. Too much internal focus is also another challenge pointed out by the interviewees of the study.

One major criticism of the Balanced Scorecard is that it encourages an internal focus. This is not as much an indictment of the principle as it is the way companies put the principle into practice. To help overcome this problem, it's recommended that always start with an external focus, the view of an organization's SuperSystem. Executives will use data about their SuperSystem to assess Strengths, Weaknesses, Opportunities and Threats (SWOT). This will then guide them to gaps in their enterprise level metrics.

All other levels of metrics are tested for alignment with the enterprise level metrics, thereby ensuring that even internal metrics link to external performance drivers. Lastly, to deal with the challenge of economic, social and political developments, KenGen has identified regulatory management as a key pillar in achieving the expansion strategy. It ensures compliance and approvals by all relevant stakeholders. KenGen is also pursuing regional interconnections which would enable it sell its power to the neighbouring countries in the event that demand for electric power declined in Kenya.

4.5 Recommendations for Improvement of the Balanced Scorecard at KenGen

Interviewees of the study pointed out that some of the inadequacies of the technique have been attributed to lack of sufficient training of staff involved, in order for them to derive from the vision of the bank measures that not only reflect what their day to day work entails, but also ensure that these are SMART. To this end, it is suggested that more training of staff is required. The further recommends that when an organization applies Balanced Scorecard, it need to take a very close look at the organization structure and evaluate if it supports the strategies. This will help individuals to do better and raise their self-esteem and motivation, resulting in job satisfaction.

The study established that ineffective communication within KenGen affect strategy implementation. The balanced scorecard is an integrated management system consisting of three components: strategic management system, communication tool, and measurement system. A dedicated team is required to own and drive this implementation across the company and KenGen should consider hiring a specialist with previous experience in rolling out performance management systems across large organizations. The team should make use of the tools that have been developed for KenGen such as the balanced scorecard, performance boards, training videos and succession and development plans.

In addition, KenGen should finalise the unfinished policies around monetary and non-monetary awards and link the performance management system to the new strategy that need to be developed for the company.To build a sense of urgency and cultivate the right management philosophy to be successful KenGen needs to relentlessly continue driving implementation through the bi-weekly TMO meetings.

Sponsors and champions should be supported in following through on agreed MTIs but at the same time also held accountable for delivery. The TMO must also place ongoing emphasis on communication that is timely, broad based and effective to ensure that the strategy implementation does not lose momentum. One important priority is the execution and communication of quick wins to help build momentum for change and propel KenGen from the good company it is today, to the great company it aspires to become.

4.6 Discussion

Study findings indicate that the implementation strategy adopted by KenGen in implementing its strategies can enhance the efficiency of the implementation process. A number of concrete steps have been taken to ensure effective implementation, namely prioritizing Major Transformation Initiatives (MTIs), developing an MTI Master Plan and establishing a bi-weekly Transformation Monitoring Office (TMO) steering Committee. Aaltonen and Ikavalko, (2001) posits that strategy implementation is critical element in organizational functioning, but whereas most organizations have good strategies, successful implementation remains a major challenge.

The notion of strategy implementation might seem quite straightforward; a strategy is formulated and then implemented. To the contrary, transforming strategies into action is far complex, difficult and a challenging undertaking and therefore not as straight forward as one would assume. Kaplan and Norton, (2001) postulates that balanced scorecard is one of the tools of strategy implementation. The balanced scorecard integrates the short term operational concerns of an organization with the long term strategic direction.

Alignment of the day to day activities of an organization to the organization's vision and strategy is possible through the use of the balanced scorecard. Careful thought has to be given to the strategy implementation tool that an organization would like to use. It is a tremendously strong communication tool of the strategy and vision of an organization. It has three additional perspectives over and above the traditional financial perspective. The other perspectives, that is, learning and growth, internal business processes, and customer perspectives, are the drivers of future financial performance (Kaplan and Norton, 1992).

From the study, KenGen has adopted the balanced scorecard approach as its strategy implementation tool. This has contributed enormously towards achievement of some of KenGen's strategic objectives such as growth in the supply of electric energy (KenGen, 2008). The results of this study should be used to address the challenges associated with implementation of the balanced scorecard as a strategy implementation tool.

The study will assist KenGen in the realization of its corporate goals and achievement of the vision 2030 electric energy generation targets. This is in line with the Ministry of Energy, (2011) which augments that demand for electricity in Kenya is steadily increasing. Currently, the demand has surpassed supply leading to the entry of more power producers in the electricity subsector (KenGen, 2008). As Kenya implements the Vision 2030 flagship projects, the demand for electricity will even increase further. Under the Vision 2030, electricity is one of the enablers of economic growth in Kenya.

Expectations are such that KenGen, the leading electricity generator in Kenya, will increase the supply of electricity to the Kenyan economy to meet both the existing and projected demand. To achieve this and also to defend its market share, KenGen has to implement its strategies effectively. Then, every single business, public service, project, or simply any kind of prolonged group effort, will benefit from the power of the Balanced Scorecard (Gitachu, 2012).The company should, therefore, pay close attention to its strategy implementation tool.

According to Creelman (2008), half of BSC implementation fails because they fail to live up to the users' expectations. Even though potential benefits offered from an implementation of BSC are numerous, it has been suggested that many of the BSC projects either fail or does not materialize. The study established that KenGen faces challenged such as lack of funds, and lack of cooperation in the implementation of strategic plan, limited capacity, and unfamiliarity with organizational strategic approaches. KenGen faces difficulty in finding sufficient, appropriate and continuous funding for their work.

According to Olson et al. (2005), Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives the study indicated that strategy implementation at KenGen has been successful since the adoption of Balanced Scorecard in 2011, it has enabled the organization to develop the potential of carrying out strategy successfully, disburse abundant resources to strategy-essential activities, create strategy-encouraging policies, employ best policies and programs for constant improvement, link reward structure to accomplishment of results and make use of strategic leadership.

4.7 Chapter Summary

In this chapter data has been analyzed on the efforts to determine the linkage of the balanced scorecard and strategy implementation at the Kenya Electricity Generating Company. The chapter also includes the discussion of the study which has been linked to the theory and linked to other studies. The study has also highlighted institutional policy and practice recommendations to overcome the challenges of strategy implementation using the balanced scorecard.

The chapter indicates that, the concepts of strategy implementation and the balanced scorecard were identified and their application within the company sought. The study established that the KenGen has applied the balanced score card in strategy implementation. Therefore, it can be said that the balanced scorecard has helped the organization translate its strategy into action, clarify it in terms of day to day activities for staff to implement and be better able to communicate it.

The findings of this study are expected to assist the management of KenGen to exercise organization control by diagnosing the training and development needs of the future. It might also provide information to assist in the human resource management and performance management that could help to strengthen the relationship and communication between management and subordinates.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter relates the findings of the research study to the objectives set out in chapter one. It comprises of the summary of the findings, conclusions and recommendations. It also highlights the limitations of the research study and suggestions for further research.

5.2 Summary

The objective of the study was to determine the linkage of the balanced scorecard and strategy implementation at the Kenya electricity generating company as well as the challenges involved. Towards this end, the concepts of strategy implementation and the balanced scorecard were identified and their application within the company sought. Interviewees comprised of senior managers drawn from geothermal development division, manager finance department, chief economist of the business development division, human resource manager, acting manager Performance and Change department and assistant manager project planning and monitoring divisions.

The study established that the KenGen has applied the balanced score card in strategy implementation. The tool was adopted as means to align performance to strategy and inculcate a performance driven culture and align the individual goals to the overall organizational goals, as stated by the interviewees. Majority of the interviewees indicated that the methodology was introduced in order to segregate performance and therefore link remuneration to performance.

Also, it was done in a bid to involve employees in performance management since it was viewed as an objective means of performance appraisal. Some of the employees interviewed stated that the balanced scorecard had been a useful tool for the realization of the organization's strategy, whereas most of the respondents affirmed that the measures, targets and objectives relate to their day to day activities. Therefore, it can be said that the balanced scorecard has helped the organization translate its strategy into action, clarify it in terms of day to day activities for staff to implement and be better able to communicate it. Due to this, the activities of the employees have become more focused on what is important, namely the vision of the bank and how to implement it.

5.3 Conclusion

From the results of the study, it can be concluded that KenGen has successfully applied the balanced scorecard technique to effectively implement strategy. The major factor that emerged is that the balanced scorecard has been used as a tool to communicate and clarify strategy and directions within the business, gain consensus and therefore rally the organizational members in the same direction. The resultant effect has been that employees, regardless of their job or grade have been able to piece together how the role they perform fits into the whole and therefore provided purpose for their day to day work.

The BSC has made the attainment of the vision of the organization everyone's job, therefore creating ownership and responsibility. The application of the balanced scorecard to implement strategy has been acclaimed as one of the factors that have contributed to the turnaround from a previously loss making government corporations. The study concludes that KenGen serve as a good example of effective application of Balanced Scorecard in strategy implementation.

The Balanced Scorecard adopted at KenGen addresses strategic issues regarding financial stewardship, building processes and organization capacity. This Balanced Scorecard seeks to point the organization towards improved performance and increased contribution to social values.

The Balanced Scorecard is a performance measurement tool that uses a strategy map to connect an organization's day-to-day processes to its organizational goals. Rather than capture how an organization currently operates, the Balanced Scorecard is concerned with creating a strategy to drive future direction, building in cause and effect linkages while simultaneously taking into account both financial and intangible resources that can determine success or failure. The balanced scorecard framework explains corporate goals through cause-and-effect relationships, and is filtered through four perspectives: financial, customer, internal processes, and learning and growth (Kaplan and Norton, 2006).

5.4 Recommendations for Policy and Practice

The study recommends that the KenGen continuously improves on the balanced scorecard technique in order to remain relevant not only to its own operations but also to the changing macro-environmental dynamics. Some of the inadequacies of the technique have been attributed to lack of sufficient training of staff involved, in order for them to derive from the vision of the bank measures that not only reflect what their day to day work entails, but also ensure that these are SMART. To this end, it is suggested that more training of staff is required.

The study recommends that when an organization applies Balanced Scorecard, it need to take a very close look at the organization structure and evaluate if it supports the strategies. This will help individuals to do better and raise their self-esteem and motivation, resulting in job satisfaction. Other not for profit organizations will be able to understand the effects of balanced scorecard on their respective organizations and the industry as a whole and therefore will be prompted to seek appropriate ways and proactive policies and procedures to enhance the adoption and implementation of the balanced scorecard methodology in their organizations and in the industry.

5.5 Limitation of the Study

Since the study specifically narrowed down to the KenGen, it cannot be generalized to the energy sector. Therefore, inference cannot be made from it by other players in the industry. The researcher encountered un-cooperative interviewees who do not understand the significance of the research and the researcher explained to them the importance of this study and the way assist their working lives in the organization.

Information relating to balanced scorecard and strategy implementation is always treated with sensitivity. This may cause difficulties in convincing the interviewees of the importance of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study to counter the challenge, the research had to inform the interviewees in advance the purpose for the research study being carried out, that it was meant for academic purpose only and not for other investigations.

5.6 Suggestion for Further Research

The study recommends that further research can be done to determine whether the separation of strategy implementation from performance via the balanced scorecard can help make the process of performance through strategy implementation more objective. The study recommends carrying out the same study in other corporations in the energy sector in Kenya to find out whether the same results will be obtained. The corporations include: Kenya Power and Lighting Company, Geothermal Development Company, Rural Electrification, Kenya Electricity Transmission Company and other independent power producers (IPP) example; Ibeafrica, Or-Power, Tsavo and Rabai companies.

A study should also be carried on other non-governmental organizations and governmental institutions using the balanced scorecard and operating in other parts of the country. This is because many non-profit making organizations had difficulties with the original architecture of the balanced scorecard which places the financial perspectives at the top, followed by the customer, internal process and innovation & learning dimensions (Kaplan and Norton, 2001). As the financial dimension is becoming for the profit making organizations an enabler for attaining its final purpose, many organizations who adopt the BSC place it at its very base (Kaplan and Norton, 2001).

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Josephat Nyamoko Kebu

P. O. Box 50013-00100

Nairobi.

14th July, 2015.

Dear Respondent,

REF: TO WHOM IT MAY CONCERN

I am a master's student at the University of Nairobi pursuing a Master of Business Administration. I am expected to undertake a research on the balanced scorecard and strategy implementation at the Kenya Electricity Generating Company. Your cooperation and assistance are required to enable me complete the exercise. This information will be strictly used for the intended academic purpose and will be treated with utmost confidentiality.

Thanking you in advance.

Yours faithfully,

Josephat Nyamoko Kebu.

APPENDIX II: INTERVIEW GUIDE

SECTION A: General Information

1. Name: (Optional) ………………………………………………………………..
2. Position: ………………………………………………………………………
3. Division: ……………………………………………………………………..
4. Duration worked for KenGen …………………………………………………..

SECTION B: Balanced Scorecard and Strategy Implementation

1. What is the overall KenGen Business Strategy?
2. How are strategic objectives communicated within your respective division?

   How is this communicated to the employees in your division?

   ………………………………………………………………………………………...
3. Are performance reviews tied to the balanced scorecard measures?

   ………………………………………………………………………………………...
4. In your opinion, is there any relationship between KenGen's corporate balanced scorecard and your divisional strategic objectives?

   (a)Yes

   (b)No

   Please explain……………………………………………………….
5. How is the balanced scorecard used in the implementation of strategy in your division?

   ………………………………………………………………………………………
6. How often are the results of the performance indicators of the divisional scorecard reviewed?

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7. a) How often is the divisional scorecard revised?

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b) Are all employees in the division informed?

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8. What role does the divisional balanced scorecard play in execution of duties by employees in your division?

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9. a) What is the general attitude of employees in middle and junior levels, in your division, towards the divisional balanced scorecard?

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b) Do they have sufficient information on their contribution towards strategy implementation?

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10. What are the benefits of applying the balanced scorecard at KenGen?

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SECTION D: Challenges of the Balanced Scorecard in Strategic Implementation

11. In your opinion, would you say that the balanced scorecard is a valuable management tool?

    (a) Yes

    (b) No

    Please explain………………………………………………………………..

12. What precedes the other, divisional budget constraints on power supply?

    ………………………………………………………………………………………

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13. Are the balanced scorecards used to promote learning and continuous improvement?

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14. What are the challenges of the balanced scorecard in your division?

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15. What recommendations would you give for improvement of the balanced scorecard at KenGen?

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APPENDIX III: LETTER OF INTRODUCTION FOR DATA COLLECTION

KenGen
Kenya Electricity
Generating Company Ltd.

Olkaria Geothermal Project
P. O. Box 785-20117, Naivasha
Tel: 050- 50916/7, 0711-036690, 0722-202894/5/6 (Olk.I)
050-50630/1/2/3, 0722-202892/3, 0711-036676 (Olk.II)
Fax: 050-50634, 50641

Ref: ST/KEBU/70271/MOM/lln

Date: 14th August, 2015

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

JOSEPHAT NYAMOKO KEBU, S/NO. 70271

Your letter dated 23/July/2015 refers.

The bearer of this letter: **Josephat Nyamoko Kebu** is an employee of Kenya Electricity Generating Company and has approval to do a course in MBA (Strategic Management).

This is to confirm receipt of your letter of introduction to allow the student to collect data for his research project. The student collected data from respondents after approval was granted to do the same from the requested respondents. We wish to stress that the data be used solely for academic purposes and a copy of the results of the report be availed to KenGen.

Any assistance accorded to him will be highly appreciated.

Yours Faithfully,

For: KENYA ELECTRICITY GENERATING COMPANY LTD

Martin O. Makallah
CHIEF HUMAN RESOURCE OFFICER - GEOTHERMAL