

**BALANCED SCORECARD AS AN EFFECTIVE STRATEGY
IMPLEMENTATION TOOL BY THE NAIROBI CITY COUNTY
GORVERNMENT IN KENYA**

BY

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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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D61/74503/2014

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

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DEDICATIONS

My first dedication is to God Almighty for having enabled me through the MBA program. Further dedication goes to my beloved wife Hellen Migunde-Siekhwe, my daughters Leila Ambanda Siekhwe and Bina Angel Siekhwe and my son Ian Oundo Siekhwe for their support during the program. Dedication too goes to my mother, Angelina A. Oundo and my late father Samson Oundo for instilling virtue of hard work and honesty.

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ABBREVIATIONS AND ACRONYMS

BSC	Balanced Scorecard
KPA	Key performance Area
KFA	Key Focus Area
NCC	Nairobi City County Government
KPI	Key Performance Indicator
UoN	University of Nairobi

ABSTRACT

The purpose of this study was to investigate effectiveness of balanced scorecard as applied in strategy implementation at the Nairobi City County government in Kenya. The study sought to find out if practices adopted by Nairobi City County government were in conformity with balanced scorecard best practices for nonprofit organizations and governments. The aim of the study was further to find out the challenges faced by Nairobi City County government in the use of balanced scorecard tool in strategy implementation. The findings from this study will enrich knowledge in the field of strategy implementation as it contributes to policy formulation and practice in county government management. A case study at Nairobi City County government was carried out where both primary and secondary data was obtained. Primary data was collected using semi structured interview guide where in depth probing was employed. Secondary data was obtained from management published reports and internet. The data was analyzed as per the objective of the study using content analysis. The findings from the study indicate that a number of best practices of the balanced scorecard is in application at the Nairobi City County government during strategy implementation. Strategic objectives of the county cascade well down to departments and individual employees. This has been achieved through strategy framework that dissects strategic objectives into seven key performance areas with respective key focus areas. Appropriate measurement tools, key performance indicators, track strategy implementation progress. The study also identified challenges of balanced scorecard implementation and suggested solutions to address the challenges. The findings from this study is expected to assist management at Nairobi City County government to exercise control designing policies, training and development for future needs. Better communications tools are expected to be employed to build consensus on strategy throughout the entire county government. The study will too contribute to body of knowledge of resource based and dynamic capability theories of strategic management as resource availability and how it is organized in achievement of strategic objectives is explored. Study findings is expected to act as benchmark for other counties from which policies framework and practices about strategy implementation using scorecard tool will be anchored. Other organizations may get a better understanding of balanced scorecard as a tool of strategy implementation, its effects and challenges.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Balanced Scorecard is a strategy management system that allows organizations to translate vision and strategy into action. The concept of the balanced scorecard was introduced by (Kaplan & Norton, 1992;1993) as a tool of designating, evaluating and measuring factors that drive organization's performance. For a number of years organizations put a lot of emphasis on financial measures in managing organization affairs. The balanced scorecard is an integrated set of tool that comprises financial and non-financial measures that are employed in a firm's strategy execution.

It allows communicating strategy with the stakeholders and feedback for attaining goals for the organization (Mendoza & Zrihen, 2001). In a number of their books and articles, Kaplan and Norton advocated balanced scorecard as a management system designed for organizations to manage their strategy with specific roles of being able to (1) clarify and translate vision and strategy; (2) communicate and link strategic measures and objectives; (3) plan, set targets and align strategic initiatives; and (4) enhance strategic feedback and learning (Kaplan & Norton, 1996b).

The resource based theory and dynamic capability theory will be used to illustrate a number of issues in this study. The resource based theory holds that organizations depend on various resources as the basic requirement of strategic management. According to (Mahoney & Pandian, 1992), the resource based theory encompasses established strategy prepositions concerning a firm's unique competencies and incorporated different capabilities.

The theory holds that resources within an organization are the main determinants of its performance. (Barney, 1991) defines resources as possessions, competencies, internal business processes, among others, under the control of an organization that will enable the organization to implement a successful strategy. These resources need to be cooperated and coordinated to realize tangible results that create competitive advantages for the organization, hence application of dynamic capability theory.

The motivation of this study is to investigate to a large extent how balanced scorecard as applied in strategy implementation can be adopted in nonprofit organizations and particularly to newly created county governments in Kenya. The study will therefore investigate how the Nairobi City County Government implements her strategy and consequently if the utilization of balanced scorecard resulted in the effectiveness of strategy implementation.

Nairobi City County government (thereafter NCC) is one of devolved systems of government that came as a result after enactment of 2010 Kenya constitution (Government, 2016). One of the core mandate of county governments is to implement devolution strategy. The NCC has a Nairobi Integrated Urban Development Master Plan (NIUPLAN) that aims to integrate existing and other plans that are proposed to promote co-ordination among the various stakeholders with mandates in development of various infrastructures within the City. The NCC too has a role and mandated to provide different services to city residents.

1.1.1 Balanced Scorecard Overview

In early 1990 (Kaplan & Norton) advocated for balanced scorecard as a top-down management system. A system that would link organization's mission and existing strategy into number of strategic objectives. The objectives would then be linked and measured by daily operational activities (Kaplan & Norton, 1992;1993). The core of balanced scorecard is therefore model of four major perspectives for strategy implementation-financial, customer, internal business, and innovation and learning (Caudle, 2008).

Balanced scorecard success depends on designing a clear cause-and-effect linkages across the four perspectives, creating a balance among various measures of performance drivers and results, and communicating strategy, processes and systems necessary to implement that strategy (Kaplan & Norton, 1996b). Financial measures have been found to be insufficient (Kaplan & Norton, 1992) as they only report on past actions. The balanced scorecard keeps financial performance measures and supplements these measures with outcomes that drives future strategic performance.

The balanced scorecard has come up as a proven tool in providing meaningful performance information. Some of the reasons why nonprofit and public organizations are adopting balanced scorecard as tool of strategy implementation include (1) to enable them demonstrate accountability and give results (2) to be attract and retain scarce resources like funding and employees (3) self-preservation, since everyone is doing it (4) produce information for decision making (5) create a strategy focused organization (6) implement and drive change and (7) inspire trust (Bolivar, et al, 2010).

Linkage of departmental goals and personal goals to overall strategy can be established by balanced scorecard (Kaplan & Norton, 1996b). The balanced scorecard is crucial tool that has attracted the interest of both scholars and practioners.The balanced

scorecard is anchored on concept originally introduced by Porter (1980). Porter posits that competitive strategy can be realized if organization can accurately be mapped onto the environment in which the organization operates. The strategy should therefore be based on the market segment and consequently identify internal business processes that the company should excel in in order to capture customer value proposition in that segment.

The balanced scorecard attempts to break down an organization's vision and strategy into objectives and measures categorized in four perspectives of financial, customer, internal business processes and learning and growth perspectives. Financial perspective identifies how the company wants to be seen in the eyes her shareholders. The customer perspectives identifies how the company wishes to be seen in the eyes of her customers. The internal business processes describes business process the company needs to excel in order to capture the needs of her shareholders and customers while the organizational learning and growth perspective involves innovations the company needs make to realize her vision (Kaplan & Norton, 1996b).

The balanced scorecard indeed provides real picture of organization operations, balances the historical financial outcomes with drivers of future performance at the same time helps implement strategy. Initially considered a tool for profit making organizations, the balanced scorecard has successfully been adopted and effectively been applied in both the nonprofit and public organizations. Success stories are on increase and studies indicate that balanced scorecard is of benefit to both nonprofit and public organizations (Niven P. R., 2003). According to (Niven P. R., 2003) quantifiable measures of balanced scorecard should be derived from organization's strategy. He further states that the measures selected for the scorecard should work as a tool for organization leaders to communicate to employees and external.

Success of balanced scorecard tool lies in accurately establishing causal relationship between strategic objectives and measures that drive future performance. The concept of causal relationship between and within strategic objectives and measures on the other hand led to the development of strategy map, (Kaplan & Norton, 2005). It is therefore good practice to select performance metrics from already developed strategic objectives as opposed to what has been the norm before.

1.1.2 Strategy Implementation

Due to turbulence in business environment, strategy need to evolve to fit into environmental changes. This implies that organization's strategy is a blend of both proactive actions to improve organization performance and also react to unanticipated developments in the operation environment. Strategy management is a process rather than an event, because it involves a number of stages, and implementation is one of them. It is not one spectacular event (Johnson, Scholes, & Whittington, 2005). To successfully manage organization strategy, an understanding of organization strategic position, deciding on her strategic choice and eventually putting strategy in action is required.

Although relatively new, strategic management has been underutilization by many organization, small and big whether in profit making or nonprofit making. Among strategy management process, implementation has proven to be more challenging than formulation. Strategy implementation requires to making it work and part of the organization to "live" in the organization. Operationalization of strategy involves adopting long term strategic objectives into shorter time frames appropriate for implementation while institutionalizing strategy can be seen as anchoring strategy to organization institutional structure, leadership, culture, support systems, processes and policies (Thompson Jr, et al, 2007).

According to (Thompson Jr, et al, 2007) strategy implementation process require a lot of resources and time than other processes within strategy management cycle. It is demanding to implement strategy than say formulating it. That a majority of executives fail due to poor implementation of strategy rather than quality of strategy itself is not a surprise. A strategy may be good, but success may not be realized if the strategy is not properly implemented.

There are a variety of challenges faced by modern organizations especially during strategy implementation phase. Some of these challenges includes: turbulent nature of business environment, rapidly changing technology, frequent reforms in government regulations (Wheelen & Hunger, 2008). Although it is important to understand organization's strategic position and make a strategic choice for same, it will amount to any success if the same is not realized through successful implementation (Johnson, et al, 2005).

There are a number of issues that impede strategy execution. Some of these are that managers' training emphasize more on strategy formulation rather than execution. In most MBA programs students learn more of strategy formulation and functional planning. According to (Hrebiniak, 2006) core courses in MBA program dwell on designing a successively strategy. He further observes that although strategy implementation is also covered in such trainings it is normally not given enough space, precision and dedication deserved.

Another obstacle observed is that some managers believe that execution is something better left to lower level employees. This befits believe that top management plan and think strategically while the lower level employees simply carry out the latter's instruction of implementation. Implementation should be owned at all levels of

management and not to particular group or section of an organization. Planning and execution are interdependent. To post good strategic results, there should be full participation by both two groups of those who plan and implement. There shouldn't be clear cut distinction between planners and implementers. Their roles should be cross cutting in nature. It is therefore prudent to think of execution of strategy when planning for one (Hrebiniak, 2006) .

Unlike formulating strategy that may take weeks or months to accomplish, execution longer duration of time and is continuous. Longer period of time consume a lot of managers' time which may make the latter lose focus on strategy. Due to turbulence in the environment, some changes may influence negatively in strategy implementation. Implementation therefor cannot be influenced one off decision but it is a process that require a series of decisions over time and it involves a lot more stakeholders that strategy formulation (Thompson Jr, et al, 2007).

This presents more challenge such as communicating, coordinating and controlling strategy down and across the organization. Providing linkage between strategic objectives with employees' daily activities and needs of personnel at different organization levels is a legitimate but challenging task. According to (Hrebiniak, 2006) there are prone to be more challenges in strategy implementation as more and more people are involved in the process. Some strategies fail because there is resistance to change which most cases strategy implementation will bring along.

A good number of scholars have studied the impact of employees' support and understanding of strategy (Deweese, Lobao, & Swanson, 2003). Another study by (Guffey & Nienhaus, 2002) also confirm correlation between organizational commitment such as believe in organizational objective, organizational ideals, long term goals, among others with employees' support to strategy implementation.

Strategy management at NCC is bestowed on a number of stakeholders among them are members of county assembly, who participate in the formulation of strategies, make key decisions and allocate resources through expenditure and budgetary process with help of county cabinet secretaries, chief officers, directors among others the county who advise and implement decisions (Government, 2016). Public participation, though a constitutional requirement, in most cases is done for compliance purposes and their contributions rarely shifts the decisions that eventually get implemented.

1.1.3 Balanced Scorecard and Strategy Implementation

The costs in terms of damages, of strategy implementation failure is more than that from strategy formulation failure thus strategy implementation is more crucial to an organization than strategy formulation and should be considered with utmost care. A majority of organizations fail in both their short and long term objectives due to poor implementation of otherwise good strategies. Absence of accurate and relevant models and frameworks to give guidance to those involved in strategy has been cited as one of the main reasons strategic plan implementation failure (Feurer & Chaharbaghi, 2002). He further identified the other significant causes of strategy implementation failures as lack of communication among the strategy formulators, staff and management.

It is therefore necessary for those involved in strategy implementation to use the accurate and relevant models for the implementation of the strategic plan in their respective organization, a tool that will not only measure inputs and outputs of a system but one that will also provide an opportunity to measure progress as the organization aspire to reach its true mission. According to (Niven P. R., 2003), the balanced scorecard has come out to such a tool and has a wide application in modern organizations' strategy execution.

Balanced scorecard approach can be a transformational tool for managers especially in governmental organization. Studies show that those that have used balanced scorecard have strong believe that its advantages outweigh its disadvantages (Chan, 2004). There is indeed a growing evidence of balanced scorecard suitability for application in nonprofit organization as tool strategy implementation.

1.1.4 County Governments in Kenya

County governments are devolved systems of government that came as a result of enactment of 2010 Kenya constitution. The clamor for devolution was enhance citizen participation in their governance. According to (Ghai, 2006) a majority of African countries with centralized systems of governance exhibit several symptoms that are associated with poor or failed governance. He further argues that one of the most serious symptoms include the inability to distinguish between public and private resources since most of the people in positions of leadership exploit public resources for private gain.

Scholars and practitioners present a number of views of devolution however the central theme is bringing back of decision making process to the people. People can self-govern Devolution enhances democratic and accountable exercise of power. This includes cultivating national unit by recognizing diversity; devolving power of self-governance

to the people and enhancing people's participation in the exercise of powers of state and in making decisions affecting them; and recognizes the power of communities to manage their own affairs and to further their development (ICJ, 2013). (Ndulo, 2006) argues that lack of devolution in Africa with centralized government leads to lack of citizen participation in governance.

Since independence there have a lot attempts to bring about reforms in various sectors including land. This was necessitated by inability of central government to build and nurture institutions responsive to citizenry, instead of making them mere instruments to support ruling party. The other reason why devolution was supported was because of marginalization of other regions of the country in terms of development since independence (Ghai, 2006). The old constitution did not provide for proper framework on how development should structure to ensure equality.

According to (Barkan & M, 1989) it was believed that devolution will help alleviate disparities among various communities and regions that developed due to marginalization. Devolution process in Kenya has been phased. The first phase happened immediately after independency and it was called majimbo to local authorities, the constituency development fund and currently county governments.

The implementation of devolution as a strategy has brought about a number of opportunities. Some of these opportunities include creation of county governments which resources and decision making has been brought near to the citizens (ICJ, 2013). A number of services are also provided with close proximity to citizens. With these also comes a number of challenges, for example conflicts about which services should or should not be devolved, devolution funding percentage, lack of capacity and pressure from citizens to deliver.

1.1.5 Nairobi City County Government

The Nairobi City County is a product of enacting of the Constitution of Kenya 2010. It replaced the former City Council of Nairobi. NCC is one of the 47 counties in the republic of Kenya. Its operations are anchored on the Cities and Urban Areas Act, The Devolved Governments Act and a host of other Acts. The County was created in March 2013 on the same boundaries of what was formerly known as Nairobi province. NCC has an approximate population of 3.6 million people but the population continues to increase at a rate of 3% each year. The County government is composed of 17 parliamentary constituencies (sub-counties) and 85 electoral wards each of which is represented by an elected member of the County Assembly (Government, 2016).

The NCC has structures place that will enable it to implement her strategy. The county government has 10 departments and each department is headed by a county executive committee member, CS and chief officer. The departments are created to carry out specific roles as enshrined in schedule four of the constitution of Kenya (Government, 2016). The County government strategic context is a 10 year (2015-2025) strategic plan. The plan sets out the vision for the county and provides the framework that guides planning, budgeting and implementation over the course of 10 years (Government, 2016). The plan also serves as a point of reference for all the Nairobi city plans, policies and processes in various field of operation.

1.2 Research Problem

Public sector is dynamic as it is involved in context of change. Some of these changes include performance measurement, decentralization and more emphasis on outputs. Ensuring that public services are more available to users effectively and with efficiency is a great challenge for the modernization of public sector (Mitchell, 2000).

The implementation of balanced scorecard can be of great significance as a result of the particular characteristics of such organization (Kaplan & Norton, 1992, 1996). A majority of organizations fail in both their short and long term objectives due to poor implementation of otherwise good strategies. The Nairobi City County Government is structured in 10 departments.

It has a vision to be “The City of Choice to invest, work and live in”. Her mission is to provide affordable, accessible and sustainable quality services, enhancing community participation and creating a secure climate for political, social and economic development through the commitment of a motivated and dedicated team (Government, 2016). The county is also composed of 17 parliamentary constituencies and 85 electoral wards each represented by an elected member of county assembly.

The County has 10 year strategy framework that aims to lead the County to her vision. This can only be realized by successfully translating such a strategy to action. While aware of the many challenges faced by organization during strategy implementation phase of strategy management, application of appropriate models and frameworks has been suggested as one of solutions to such challenges and eventual successful implementation of strategy. Studies have been carried out on strategy implementation in nonprofit and governmental organizations. According to (Besley & Burgess, 2002) in study about Federal state of India established that decentralization promotes responsiveness in service delivery.

However, (Azfar, Kähkönen, & Meagher, 2001) did a study on Conditions for Effective Decentralized Governance. The research findings suggest that local officials have limited power to influence service delivery. Further, (Li, Guohui, Sun, & Eppler, 2008) carried out a literature review on making strategy work by analyzing factors that

influence strategy implementation. The conclusions are that the factors that influenced strategy implementation were both institutional and people oriented. In these findings, an emphasize people's roles particularly through participation in successfully implementation of strategy is reinforced.

A model to integrate both institutional and people oriented factors in strategy management process is therefore important for strategy implementation success. (Ridwan, Harun, An, & Fahmid, 2013), carried out a case study of Australian public sector. The study reveals that the balanced scorecard delivered significant results on organizational structure, operations as well as overall performance of the organization. (Kaplan & Pinho, 2010) did a case on Volkswagen in Brasil. They observed that the balanced scored was able drive strategy implementation to success.

Locally, a number of studies have been conducted on balanced scorecard in various contexts. From, (Amboga, 2009) study he suggest that the balanced scorecard concept can improve Kenya Wildlife performance if applied well. A study was carried out by (Kebu, 2015) on Kenya Electricity Generating Company. The results of this study show that the balanced scorecard addresses the strategic issues of financial stewardship, building processes and organization capacity. (Mwijuma, et al, 2013) carried out a study to assess on the effectiveness of strategy implementation using balanced scorecard in local government authorities at coastal region of Kenya. The results suggest that local authorities are successful in achieving their objectives to varying proportion while using balance scorecard tool.

To carry out her mission, Nairobi City County Government need to realize her strategy by applying strategy implementing tool that would be able to describe the preferred future state of the County and develop a shared vision, strengthen operation and

improve on service delivery by realigning its strategic priorities to the current situation as well as tracking progress (Government, 2016). Indeed organizations face great challenges in strategy implementation rather than strategy formulation during strategy management process. Balanced scorecard is observed to have a wide application in business corporates and in not for profit public organizations in Kenya and globally. There is also general consensus that application of balanced scorecard result in more advantages than disadvantages. Although a number of studies have been done in regards to application of balanced scorecard in public corporations, a gap is observed when it comes to application of balanced scorecard in recently devolved County Governments in Kenya and specifically assessment of its influence strategy implementation effectiveness. The studies so far have focused more on theoretical underpinning of the concept, its application and or obstacles to proper implementation.

The research therefore endeavored to investigate balanced scorecard as applied at NCC has resulted in effectiveness in strategy implementation and hence attempted to answer the research question: Has the application of balanced scorecard resulted in effective implementation of strategy at Nairobi City County Government?

1.3 Research Objective

The objective of the study was therefore to determine how balanced scorecard influence strategy implementation at the Nairobi City County Government.

1.4 Value of the Study

For recently created county governments in Kenya, there is need for more knowledge on the theory, policy and practice in regards to successful implementation of strategy. This study provides more knowledge on the strategy implementation. The study also enriches the resource based theory and dynamic capability theory on strategy

management by analyzing resources and capacity available at Nairobi City County. The study evaluated whether the resources available at Nairobi City County are adequate to enable it to effectively implement strategy. Nairobi City County Government, like other counties in the country have a responsibility of developing appropriate policies that would address issues within the county. The findings from this study is of benefit to policy makers at Nairobi City County Government. The findings form a basis upon which informed policy formulation can be anchored. The findings is expected to assist the management at the Nairobi City County government to build internal processes by identifying current and future training and development needs. It is also expected to assisted human resources in matching employees' competencies to relevant tasks and performance measures that relevant to strategic objectives.

The study has contributed to practice too. Success in strategy implementation results in achievement of both short term and long term organization objectives. The findings from this study is anticipated to assist other counties in how to effectively to implement strategy, hence providing benchmark for other counties. The other counties or organizations can learn how to effectively implement strategy as applied at Nairobi City County Government and be able to replicate best practices in their respective counties.

In summary, this chapter dealt with the study background, identification of research problem, defining research objective and stating the value of the research. The conceptual framework of balanced scorecard was discussed. The study is anchored on Resource Based Theory and Dynamic Capability Theory.

The Resource based theory holds that organizations depend on various forms of resources, both tangible and intangible in formulating and implementing strategy. Dynamic capability theory complements the resource based theory since resources in themselves are not sufficient to ensure a firm's competitive advantage. Resources have to be cooperated and coordinated to create unique value.

The organization must possess the capability to control and coordinate the resources for effective strategy implementation. Brief literature review on balanced scorecard in nonprofit public organization was discussed. This entails four examples with both global and local contexts. A discussion of County governments in Kenya was done. Nairobi City County Government is discussed in the context of strategy implementation and specifically with balanced scorecard application.

A synthesis of literature review on balanced scorecard and Nairobi City County Government helped in deciding on research question which is whether the balanced scorecard is an effective tool of strategy implementation for the Nairobi City County Government, consequently resulting to a research objective which is to determine how balanced scorecard influence strategy implementation at the Nairobi City County Government is also realized. Finally the chapter discusses the value of research in contributing to building new knowledge in enhancing the theory in strategic management, contribution to policy formulation and practice.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of relevant literature on balanced scorecard as a tool of translating strategy into action. The chapter reviews the theory that the study is anchored on. The main issues discussed includes the theoretical foundation of the study, overview of balanced scorecard, adoption of balanced scorecard in public corporations and application of balanced scorecard in strategy implementation. The concept and practice of balanced scorecard is also be discussed.

2.2 Theoretical Foundation

The study is anchored on Resource Based Theory and Dynamic Capability Theory of strategic management. Resource based theory has come up as one of the substantial theories of strategic management. The theory holds that resources possessed by an organization are the main determinants of its performance. Caves (1980) defines resources as possessions, competencies, internal business processes, among others, under the control of an organization that will enable the organization to implement a successful strategy. However on their own, a few resources will be productive. To make resources productive corporation and cooperation of such resources is necessary.

Resources gives a firm its capabilities while capabilities are the source of a firm's competitive advantage (Grant, 1991), hence presence of capability enables resources to be properly utilized. For example information and communication technology is a resource that can be utilized by an organization in gaining efficiency in service delivery and cost reduction.

Balanced scorecard is concerned with building cause- and –effect linkages at the same time taking into consideration both tangible and intangible resources that can determine strategy implementation success. For long time, organizations have been using financial aspect of the company to measure performance. This has a limitation. There has been great emphasis placed on importance of using multiple measures when dealing with organization performance as this gives a balanced of an organization.

Balanced scorecard comes out as a tool with salient features that categorizes measures into four the perspectives. Many managers and consultants who agree on the concept of balanced scorecard believe that simply supplementing financial measures with non-financial measures creates a balanced scorecard. However most common non-financial measures have the same limitation as financial measures that they too report history on how the organization performed in the past but not how it should navigate the future (Kaplan & Norton, 1992).

Also such non-financial measure are generic and may not necessarily map to particular strategic objective. Scorecards anchored on lagging and or non-strategic indicators will most of the time result in limited application of full potential of balanced scorecard (Kaplan & Norton, 1996). Further they observe that the balanced scorecard gives the mangers with a detailed and complete model that can be utilized in packaging strategy and vision of an organization into a set of linked performance measures that comprise both outcome measures and measures of those outcomes.

2.3 Application of Balanced Scorecard in Public Organizations

The significance of alignment between business strategy and its operational performance has attracted a lot of studies. Several frameworks that can be used to implement and manage strategy are therefore available. Among the frameworks, balanced scorecard has become the most commonly used and researched tool of

strategy management. Public sector has been under pressure effect reforms that would ensure effectiveness and efficiency in their service provision. Indeed public sector has been responsive and their reforms are centered on creating efficient organizations. Consequently there has been the need to not only plan and control such institutions but also to report on organization performance (Hyndman & Eden, 2002). It is thus necessary for public organizations to not only concentrate on planning, controlling and reporting based on financial measure but also ones that would capture activities that would contribute to future success of organizations (Hoque & James, 2000).

Intangible assets have recently increased in value and it is said to generate approximately 75 percent of organization's value emphasizing the necessity of focusing to these assets that are also difficult to measure Niven (2005). That indeed balanced scorecard approach can be an invaluable tool for government managers in transforming their organizations is in no dispute. According (Chan, 2004) those organization that have utilized the tool strongly believe that its benefits outweigh its costs. The evidence for balanced scorecard application in public sector and especially government is growing (Atkison & McCrindell, (1997) ; Irwin, (2002); and Kloot & Martin, (2000).

According to Kaplan and Norton, the balanced scorecard concept attempts to equip managers with a set of performance metrics balanced between outcome measures and measures of the drivers of future outcomes (Kaplan & Norton, 1996b). It provides a framework for organizing strategic objectives into four perspectives (Martello, Watson, & Fischer, 2008), each with quantitative measures in order to operationalize the model. Balanced scorecard was originally conceived as a framework for profit making enterprises with improving shareholders value as the main objective.

It is thus evident that financial perspective is always at the apex of a balanced scorecard chart. To adopt balanced scorecard tool to nonprofit public organization context, mission objectives ought to be at the apex of balanced scorecard chart as this represents accountability between public organizations and the community in which they serve.

2.4 Use of Balanced Scorecard in Strategy Implementation

Strategy management comprises strategy formulation, deciding on strategic choice based on analysis of environmental factors coupled with organizational capabilities and eventually strategy implementation. Both strategy formulation and deciding on strategic choice are challenging and difficult, however implementation of strategy is much harder (Hrebiniak, 2006). (Noble, 1999b) states that strategy implementation is not a template process of science but rather an art. The strength of strategy success is in its implementation. Excellent strategies without proper implementation amounts to a failure in strategy management process and thus the costs of a failed strategy implementation process are huge to an organization.

It is however not clear whether recently devolved counties possess adequate resources, organizational capacity and political commitment to deliver on their promises. According to (Quedraogo, 2003) a majority of devolved government in developing countries lack capacity to implement strategies. Kaplan (2001), a growing number of nonprofits begun using the balanced scorecard framework as an implementing tool.

According to Kaplan and Norton (1996c) senior managers can focus their competencies and skills held by employees in the organization in realizing organizational long term objectives if they can utilize the balanced scorecard in stating and fulfilling outcomes organization desires and drivers of those outcome. They further suggest that strategy should be a separate function in an organization, Kaplan & Norton

(2005), placing an emphasis on implementation. Different scholars and practitioners concur on the added advantages of applying balanced scorecard, although the motivation of doing this differ from one organization to the other. There are different motives why organizations adopt the balanced scorecard. Malmi (2001) identified some of balanced scorecard adoption motives by organizations as : (1) to implement strategy, (2) to manage organizational change, (3) to implement quality programs and win quality awards, (4) as a response to managerial fads and fashion, and (5) as a response to the abandonment of traditional budgetary control.

Further (Johnsen, 2001) states that balanced scorecard can successfully be applied in public sector organizations as (1) it is an elaborate tool that can be used to develop, discuss and make choice on performance indicators in public sector (2) it can be used to enlighten managers, employees and other stakeholders in management controls. According to (Niven P. R., 2003), the city Charlotte, North Carolina is a winner a number of accolades in balanced scorecard application in non profit organization context. Their leaders have continuously fine tuned their efforts and have maximized the benefits of the scorecard in balanced scorecard main application areas of measurement, strategy management and strategy communication.

Local authorities are very complex organizations. In their complexities, (Wisniewski & Olafsson, 2004) highlights six significant aspects for developing balanced scorecard in local government authorities: (1) get a better product from balanced scorecard, the process of implementation should be good too (2) strategy maps play an important role in achieving success in balanced scorecard applications (3) relabelling of generic four balanced scorecard perspectives may ensure relevance to organizational internal processes and produces ensuring easy understanding by employees and eventual support (4) there is resource allocation priority challenges. Leaders who determine budgetary

allocations may prefer to allocate resources to provision of direct services rather than invest in targets prioritized by the balanced scorecard. (5) Executive support from senior management cannot be overemphasized. Such support should cascade to staff members who will participate and developing and using the balanced scorecard (6) designing “universal” scorecards that would permeate through all departments of local authorities is difficult. This is due to the complex nature of council services.

2.4.1 Strategic Objectives

Building successful balanced scorecard should not begin with selecting performance metrics. In such situation a temptation to adopt generic measures such customer satisfaction, employee’s motivation, process quality among others will be high. Many organizations derive their scorecard measurement from quality and performance improvement programs that already exist at organization and classify these into balanced scorecard four perspectives. Such bottom up approach of classifying measurement is unlikely to capture the most important drivers of future success (Kaplan & Norton, 1992).

Another category build their metrics through benchmarking with other organizations. Transplanting performance metrics used by another organization especially with a different strategy would obviously cause confusion among employees which may lead to strategy implementation failure (Kaplan & Norton, 1996). They further argue that before selecting metrics, companies should describe what they are attempting to achieve with their strategies and that the four balanced scorecard perspectives provides a robust structure for organizations to express their strategic objectives. The balanced scorecard hence provides a framework to organize strategic objectives into the four perspectives. The four perspectives allows the balance between the short term and long term objectives, between desired outcomes and drivers of those

outcomes and between hard objectives and softer, more subjective measures (Kaplan & Norton, 1996). Properly designed balanced scorecard should entail unity of purpose since all the measures are directed in achieving a common integrated strategy. The balanced scorecard should be able to align departmental and personal goals to overall strategy (Kaplan & Norton, 1996b). This will enable easy mapping to individual daily activities for effective implementation.

2.4.2 Strategy Maps

It is important to describe causal relationships between strategic objectives to enhance the effectiveness of balanced scorecard tool application in translating strategy into action. According to (Kaplan R., 2001), the idea of causal linkages among the balanced scorecard objectives and measures led to the creation of strategy maps. Strategy maps of strategic objectives should be built up thereafter select metrics for each objective.

It is clear that you cannot manage what you cannot measure. It also became clear to Kaplan and Norton that it is difficult to measure what you cannot describe. The latter statement bred the strategy map framework, that in order to measure and evaluate whether you have accomplished your strategic goals you should be able to first describe them. Strategy maps offer a consistent way of describing organization strategy. Apart from helping in visualizing the strategy, strategy maps also assist in communicating it down the organization (Kaplan R., 2001).

Organizations build a common consensus through strategy maps as it creates a common understanding of strategy by all employees and other stakeholders. (Kaplan R., 2001). It helps in visualizing the process designed to communicate and validate strategy in a manner that stakeholders can follow, understand and assist to realize. Strategy maps translate expected outcomes into testable hypotheses to improve strategic learning. However, not all incidents of balanced scorecard application provide for

accurate causal linkages, some linkages are rather logical rather than causal in nature (Malina & Selto, 2001). (Ittner, Larcker, & Randell, 2003) support this argument by illustrating that less than 30 percent of firms that use balanced scorecard have explicitly stated causal links and in cases where strategy maps are used, managers fail to test hypothesized causal links. The effectiveness of balanced scorecard is largely complemented by strategy mapping with accurately defined causal linkages between strategic objectives and measures.

The biggest benefit of strategy map is therefore being able to illustrate how intangible assets are converted and linked to tangible outcomes, a task that is otherwise very challenging to accomplish. Strategy is formulated from top to bottom by taking strategy, vision and mission into consideration in order to make a declaration of what the company or organizations wants to accomplish. The strategy map demonstrates how the four balanced scorecard perspectives are linked together in a cause-and-effect relationships, making an organization to search for details in regards to her strategy in order to show how they reach strategic goals (Kaplan & Norton, 2004). Accurately identifying these causal linkages in built up of balanced scorecard is very important and hence should be given utmost attention (Kaplan & Norton, 1996b).

2.4.3 Strategy Communication

(Kaplan & Norton, 2004) observed that even well designed strategies will not accomplish much without employees “buy-in”. They too claim that only five percent of staff understand the strategy for the organization they work for. A detailed strategy map would come in handy in explaining the strategy and especially how the building blocks assembly to make a whole. Existence of strategy map, however detailed, is not an end in itself, it has to be effectively communicated.

The real strength of strategy mapping is that it enables employees to see how their daily functions fit in the whole (Irwin, 2002). (Kaplan & Norton, 1996) state that the balanced scorecard is not primarily an evaluation tool but is a device to plan and communicate as it provides strategic guidance to managers and provides links between lagging and leading measures of financial and non financial performance.

Effectively communicating these links throughout the organization is crucial in successful implementing strategy (Tucker, G.D, & J.W, 1996). According to (Malina & Selto, 2001) individuals rely on organization communication if its processes and contents are thought to be understandable and trustworthy. When the elements of balanced scorecard are well designed and effectively communicated the balanced scorecard will appear to motivate and influence lower level managers to conform their activities to the strategy (Malina & Selto, 2001). Managers believe that such changes would result in improved performance.

There is also evidence that flaws in balanced scorecard design and its ineffective strategic communication adversely affect the relationship between top and middle level management hampering effective execution of organization strategy (Hrebiniak, 2006). It is therefore important that from the top management, strategic objectives are clearly cascaded and communicated down and throughout the organization. This creates a common understanding of organization's bigger picture and how this relate to individuals' daily activities.

2.5 Emperical Studies and Knowledge Gaps

Balanced scorecard has a wide applications, not only in profit making organizations but in public sector too including city municipalities, healthcare, parastatals, and security service (Niven, 2003; Amaratunga, et al, 2002; Kebu, 2015; Chan, 2004; Elefalk, 2001).The city of Charlotte in the state of North Carolina illustrate a balanced scorecard success story. This is deduced from a case study by (Niven P. R., 2003). Being among the first nonprofit making organization to embrace the balanced scorecard tool, despite initial roadblocks, a lot of success has since been registered.

From this early adopter, some of the lessons adduced from this study is that high level organization support is required, time and commitment of all involved, balanced scorecard implementation is not an easy ride, and above all communication throughout the organization is key. (Chan, 2004) concludes that there is correlation between balanced scorecard application and performance of municipalities in the United States of America and Canada.

From (Bolivar, et al, 2010) study, it emerged that balanced scorecard tool was able to meet organizational goals as it addressed effectively communicated the contributions of different activities by different stakeholders like managers and politicians. (Caudle, 2008) in a study on Homeland Security concludes that a lot of emphasis be placed in designing accurate cause-and-effect linkages as they make strategy explicit to organization's employees. This provides for easy understanding of framework of resources allocations in respect to strategy implementation. A study by (Elefalk, 2001) found the correlation between balanced scorecard application with improvement in analysis, planning and management of the work performed by the authorities involved at Swedish police service. A follow up of such work was also found to be easy.

A study on Effectiveness of Strategy Implementation Using the Balanced Scorecard (Mwijuma, et al, 2013), carried out in Local Government Authorities in the coastal region of Kenya established that effectiveness of strategy implementation relied majorly on how the process of application of balanced scorecard was is managed. Learning and growth perspective was particularly emphasized and identified as crucial in “designing and evaluating effectiveness of strategy implementation”.

In an unpublished MBA project at the University of Nairobi (Amboga, 2009) establishes that the balanced scorecard concept can further improve Kenya Wildlife Services performance if properly implemented since there was noticeable overall improvement in performance since its inception. In the study, Research on Using Balanced Scorecard in the Public Sector, (Wilson, et al, 2003) came to conclusion that balanced scorecard approach had proved to be well accepted management tool in public sector after examining the application of balanced scorecard in public sector organizations in different countries.

(Kebu, 2015) argues that Kenya Electricity Generating Company successfully applied the balanced scorecard tool to successfully implement her strategy. The tool was able to build consensus and rally stakeholders to the strategy, hence employees regardless of their job or grade are able to understand how their today’s daily activities contribute to overall strategic objectives of the organization. A study carried out by (Musyoki, 2015) established that balanced scorecard is comprehensive in regards to performance measurement at Kenya Ports Authority and that it is effective as a performance measurement tool. The study also validates that balanced scorecard appraisal tool has been applied and the customer perspective also captures customer satisfaction and reports the same. It also heighthed that business processes of the balanced scorecard measures internal business processes.

Although the balanced scorecard is applied in many cases, critics of the tool have focused either on its theoretical framework (Norreklit, 2000) or on the obstacles that affect its successful implementation (Malina & Selto, 2001). (Norreklit, 2000) argues that predicting future performance of an organization is complex matter and therefore an evaluation system that does not consider all variables cannot produce valid results. He further states that a causal relationship based on (Kaplan & Norton, 1996) is therefore not valid. Since evaluation is always partly subjective and at times dependent on the top management intuition since not just past performance is considered but also future performance opportunities.

Some of the reasons why balanced scorecard according to (Malina & Selto, 2001) in their study includes (1) adjustment in balanced scorecard measures and linkages as systems evolve to capture changing conditions (2) adjustment in the organizations and employees that may affect balanced scorecard structure (3) long time before outcomes are registered in lagging measures of performance (4) absence of effects or negative outcomes that may be attributed poor design or poor implementation rather to balanced scorecard concept as a causal model. (5) positive outcome that may be caused by other factors but are attributed to the balanced scorecard.

A number of studies have concentrated on finding out the impact of balanced scorecard on organization performance. The findings from such studies are still contradictory. For example (Hoque & James, 2000; Malina & Selto, 2001; Davis & Albright, 2004) established positive correlation between the application of balanced scorecard and organization performance, while (Ittner, et al, 2003) found out that balanced scorecard does not lead to better performance.

Most of these studies have assessed the impact of balanced scorecard on performance in light of financial performance, none dealing with the contribution of balanced scorecard on the performance of the strategy implementation process especially in governments. Studies on effectiveness of balanced scorecard in strategy implementation especially in newly created government like Nairobi City County is therefore lacking.

In summary, this chapter highlighted the theories that guided the study. Two theories, Resource Based Theory and Dynamic Capability Theory guided the study. Literature reviews on the balanced scorecard concept and application, strategy implementation, balanced scorecard and strategy implementation was discussed. Challenges of strategy implementation and use of balanced scorecard in public and nonprofit making organizations was discussed. Empirical studies were highlighted and knowledge gaps identified.

The chapter concluded by identifying balanced scorecard as one of alternative tools in strategy management that provides linkages of long term strategic objectives to short term operational activities. The balanced scorecard tool emphasized application of strategy map, top leadership support and effective communication of strategy for tangible success.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, a discussion of the methodology used by the researcher during the study is done. The methodology explains research design, data collection methods and data analysis techniques that were used in the course of the study.

3.2 Research Design

The study adopted a case study approach in examining the application of balanced scorecard as a strategy implementing tool at the Nairobi City County Government. According to (Kothari, 2004) a case study is a form of qualitative analysis. Case study involves a diligent and complete observation of a social unit. (Kothari, 2004) defines a social unit being a “person, family or institution”.

The researcher adopted case study as it provides an in-depth analysis and unit being considered is one organization that is the Nairobi City County government. The application of a case study as research design arises out of the desire to understand a complex social phenomena (Mugenda, 1999). The researcher intended to get an in depth understanding of strategy implementation at the Nairobi City County government.

3.3 Data Collection

This study utilized primary and secondary data, the former being data observed or collected directly from first-hand experience through interview while the latter is the one collected from published data and/or from management and official county government sources. Primary data is collected specifically for the purpose of the

research project. One of the advantages of primary data is that it is specifically tailored to your research needs (Kothari, 2004). The questions the researcher asks are tailored to elicit the data that helps them with their study. The disadvantage is that it is expensive to obtain.

There are a number of advantages of secondary data. It is readily available and less expensive to obtain. Secondary data can be observed over long period of time. The sources of secondary data was both internal from the management and external from internet. The collection of data was through the use of interview guide administered through the use of personal interview. (Kvale, 2006) defines interview as an exchange of views between two or more people on a topic of mutual interest, sees the centrality of human interactions for knowledge production and emphasizes the social impact of research data. The interview technique was preferred as more and in depth information about strategy implementation through the use balanced scorecard at the Nairobi City County Government was sought.

The researcher collected data through structured personal interviews. The researcher initially sought appointments with respective respondents for the interview and later, the interviews were scheduled. The respondents would comprised five senior managers at the ranks of directors and assistant directors engaged in strategy implementation. They are considered significant as they are at apex of strategy formulation and implementation. Further data was collected from secondary sources like summarized strategic plan document and Rapid Response Initiatives matrix.

3.4 Data analysis

The researcher collected qualitative data and content analysis was used to analyze the data. “Content analysis as the analysis of contents of documentary and verbal material and describes it as a qualitative analysis concerning the general import of message of existing documents and measure pervasiveness” (Kothari, 2004). According to (Mugenda, 1999) content analysis involves observations and detailed descriptions of a social unit that comprise a study. Content analysis is useful in obtaining new ideas in what is even thought to be unknown.

Before embarking on content analysis, the researcher tabulated the written material to ensure they give a clear picture of what was written or said during the interview. The researcher also listed and summarized major issues during the interview. This enabled the researcher to structure the data in a format for analysis and thereafter interpretation.

In summary, this chapter highlighted general research design as a case study since unit of interest was one and an in depth understanding was sought. Both primary and secondary data was collected. Primary data was collected through structured interview guides while secondary was collected directly from management and earlier published reports. Analysis of data will be through the use of content analysis, a qualitative analysis tool.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and findings of the research as spelt out in research methodology. The study findings are presented so as to establish the effectiveness of balanced scorecard as a tool of strategy implementation at the Nairobi City County Government. The data was gathered through both the interview guide and secondary data. The interview guide was designed based on objective of the study. Secondary data was mostly gathered from department of governance, monitoring and evaluation that oversees strategy implementation at the county government. More secondary was collected from official NCC website (Government, 2016).

The chapter deals with the findings of the study, use appropriate analysis tools to make sense of collected data as per objective of the study. Content analysis was used in relating questionnaire responses to overall understanding of Nairobi City County strategy, strategic objectives, strategy communication and linkages, strategy map and causal relationship, performance measurement and appraisal, and benefits of balanced scorecard to City county was also discussed. Balanced scorecard as applied at the Nairobi City County government will be explained, obstacles in the implementation and recommendations for improvement will also be highlighted. The chapter will conclude with a discussion of the study findings, giving a summary of the implications of the study findings.

Eight interview guides were distributed to the following: Director of governance, monitoring and evaluation; director of investigation, director of administration and, director of environment, assistant director of human resources, assistant director of investigation and information analysis and manager. Data from seven respondents was found to be adequate since there were a number of concurrences in responses.

The success in data collection was made possible due to frequent visits and phone calls to the Nairobi County Government offices for purposes of securing interview appointments. Appointments were thus secured before the interview and interview guides was too mailed earlier. All respondents possess over 10 years of experience with the Nairobi County Government hence possess institutional memory of the organization generally and specifically in areas of strategic management.

4.2 Balanced Scorecard and Strategy Implementation

The balanced scorecard is used both as strategy management system and as a measurement tool. The Nairobi City County has strategic plan from which eleven core strategic objectives are crafted .The City County has a vision “to be the city of choice to work and live in” (Government, 2016). The scorecards for departments and individual employees are defined from the core objectives and aspire to achieve the county vision.

The strategic objectives are cross cutting within the balanced scorecard four perspectives of financial, customer, internal business processes and learning and growth perspectives. Since shareholders’ value is not a priority for the Nairobi City County, just like other nonprofit making entities, the mission statement is more emphasized instead of financial perspective. The employees at the City County are accountable to customers who they identified as all the Nairobi residents including visitors and investors, through the mission statement, to “proactively pursue policies, programs and

legislation that promote economic stability, growth and development in sustainable and secure environment so as to improve the quality of life of residents, offer adequate incentives for visitors and investors” (Government, 2016).

4.2.1 Overall corporate strategy at Nairobi City County

The County Government has a 10 year (2015-2025) strategy that lays “Nairobi’s path forward to a better, more focused and more sustainable future” (Government, 2016). This strategic plan marks a major step forward in terms of governing the Nairobi City County. The plan also serves as a point of reference for all Nairobi City County plans, policies and processes in the various fields of operations. A part from the eleven strategic objectives derived from the strategic plan, it too provides a program of action with indicators and targets which are further contextualized and refined within the sector plans. The program of action is monitored and progress assessed to ensure successful implementation.

Based on stakeholder engagement themes, seven key performance areas (KPA) and key focus areas (KFA) were identified. The seven KPA and respective KFA were taken through a gap analysis and unpacked in terms of current situation, the desired future state and program of action (Government, 2016). This cross cutting approach has effectively addressed the silo planning previously followed by City County sectors and departments and ensures that integrated planning is achieved.

4.2.2 Creating Alignment by Cascading the Balanced Scorecard

What the County government is working towards requires total commitment and alignment with all employees at the NCC. The Balanced Scorecard has been used to provide organizational alignment from top management at the county to the bottom through cascading. Interviewees of the study concurred that they derive their scorecard objectives from the organization’s top level scorecard. The scorecard is designed to

cascade the corporate strategy and vision down to departments and eventually to individual employees. The County has focused on translating the seven KPA and KFA derived from strategic objectives into tangible objectives that is then adopted by departments in guiding their initiative.

Although all the interviewees agree that there is there is normally huge positive impact to the bottom line when employees see the connection of their jobs with overall organization goals, a number of interviewees however pointed out that the cascading doesn't effectively reach the very bottom employees. (Atkison ,et al, 1997), Peter Drucker comments "The nonprofits must be information based. It must be structured around information that flows up from the individual doing the work to the people at the top, the ones who are at end accountable, and around information flowing down. This flow of information is essential because nonprofit organization has to be a learning organization". This can be achieved through intensive collaboration among stakeholders.

4.2.3 Strategic Objective Communication

The Nairobi City County has designed 11 strategic objectives (Government, 2016): (1) to ensure good governance, clean administration and corruption free city County Government (2) To ensure sound financial management, stewardship and sustainability; (3) to provide sustainable and affordable services and effective customer care; (4) to provide and maintain quality physical infrastructure that is well maintained; (5) to create an enabling environment to attract investment that create economic growth, development and job creation (6) to improve security and safety of the citizens and stakeholders; (7) to provide facilities that improve the quality of life of all citizens; (8) to provide for needs of informal settlements through improved services; (9) to provide effective environmental, air quality and pollution management and control; (10) to

facilitate social and community development and provide access to social services for those who need it; and (11) to transform the public service and institution towards an effective and efficient organization. The interviewees concur that the objectives cascade from the governor through County executive committee members to sectors down to departmental heads.

Cascading has ensured that a majority of employees if not all, understand how their respective individual roles contribute to the overall Nairobi City County strategic objectives. It also ensures that individual goals are in alignments to NCC goals. The executive committee members' scorecard cascade from County Secretary's office, while chief officers scorecard cascade from executive committee members', in that order to team members up to individual scorecard. In accomplishing this communication was found to be very crucial. This has been accomplished through staff meetings, interdepartmental select committees, staff workshops and retreats and through memorandums.

A part from communicating cascaded objectives, feedback is also communicated in form performance appraisals. Performance evaluation focusses on comparing actual performance to earlier stated targets and areas of progress and improvement is communicated through dialogue and/or focus groups at departments' levels. Key performance measures and indicators are communicated to staff members through their respective departments (Government, 2016). Departmental heads agree with staff on the key performance indicators and time frame for achievements. It was reported that weekly and monthly meetings are used to assess progress.

Every department contains information on key performance indicators and measures, allocation of critical tasks to members of respective department and time frame of the completion of the assigned tasks. The interviewer noted that performance appraisal is based on the duration taken to successful completion of assigned tasks. It was also noted that an internal reward system through recognition of excellent service is used to foster health departmental and individual competition in service provision.

4.2.4 Budgetary Support

All interviewees agreed that there is always linkage between budget and achievement of scorecard performance targets. However, a majority dispute that the linkage is effective. The building block of high level Nairobi City County scorecard is her vision, mission and strategy. This is then translated into lower level scorecards. The scorecard not only includes objectives, measures, and targets but initiatives too. The initiatives includes programs, projects and plans that describe how the Nairobi City County will go about achieving her performance targets.

Every initiative, big or small entail allocation of resources. The link to budget appears when you calculate the monetary investment necessary to launch an initiative and consequently map it to an initiative (Niven P. R., 2003). Budget requests are dependents on resources required to achieve initiatives which in turn drives positive results aimed in performance target. Interviewees point out that inadequate budget hinder their programs, projects and plans. What is not easy to observe is how service levels changes and resources request tie back into specific scorecard objectives achievement.

4.2.5 How balanced scorecard is used to implement strategy at NCC

Long term strategic objectives are broken down to short term activities for implementation. This is illustrated through identification of seven key performance areas with their respective key focus areas which map into the strategic objectives of NCC (Government, 2016). The KPA identified to constitute NCC strategic framework are: (1) governance and stakeholders participation; (2) financial sustainability; (3) institutional transformation; (4) physical infrastructure and services (5) social and community development; (6) Safety and environment; (7) planning and economic development. Individual and departmental initiatives anchor on the seven focus areas.

To describe and visualize strategy, NCC has printed and continues distributing pocket sized strategic plan. The balanced scorecard creates cross cutting linkages among different key performance areas. The link between strategy and personal objectives is thus bridged through a balanced scorecard that translates strategy into action. Success in strategy implementation requires strategy supportive policies and procedures (Kebu, 2015). The Nairobi City County has provided these guidelines through performance contracting and Rapid Response Initiatives.

The interviewer noted that after translating the corporate scorecard to departmental level, the corporate objectives are translated onto departmental objectives/ goals. The respondents mentioned that at departmental level, major initiatives that would support achievement of departmental objectives are identified, discussed and agreed upon. The initiatives describe activities, plans or programs that need to be carried out in order to achieve the listed objectives or goals. The interviewer noted that performance contracts especially at senior level are anchored on scorecard measures. The directors then cascade the scorecards to their respective managers. It was noted that although there was good understanding of strategy implementation at upper and middle level, very

little of such would be said at lower level. Lack of capacity has been suggested as one of the reasons this is not the case at lower level. What this implies is that the employees at lower level perform their roles in routine manner without knowing how they contribute to Nairobi City County overall strategy. This group of workers constitute in excess of 60 percent of the total workforce at the county government. Key performance indicators are emphasized in the course of strategy implementation. Metrics used in balanced scorecard are typically called Key Performance Indicators since they measure how the organization performs against earlier predefined objectives and targets. Interviewees agree that they employ both lagging and leading indicators, though the latter gives them more power to influence future performance.

4.3 Benefits of Balanced Scorecard application at NCC

Although it is difficult to identify tangible benefits from balanced scorecard in terms of say cleaner streets, road maintenance, health service provision and other tangible services citizens expect from their governments, a number were mentioned although they are internal in nature for example, developing a strategy focused organization. Some of the mentioned benefits included: improved performance by identifying relevant measures; alignment of employees' work with overall strategy; increased focus on strategy and strategic results; identification and focus on drivers of future performance (Ittner, et al, 2003).

Interviewees were in agreement that scorecard has raised employees' level of understanding of the overall strategic objectives and their implementation. The balanced scorecard tool has provided an environment of good discussion and participation not only during strategy implementation but too at the latter's formulation. The discussion brings out an understanding of the design process, bring out consensus and articulation of relevant strategic objectives aligned to corporate vision.

Such an understanding also help to establish links between measures consequently making target setting much easier. Another benefit is emphasizing strategy throughout the organization. Taking the seven focus areas at Nairobi City County and articulating their meaning helps employees to understand how their individual contribution is to strategy. The scorecard has also provided a good avenue to integrate strategy to budgeting. It has helped employees see budget as those resources required to achieve particular community goals articulated through the scorecard.

It was mentioned that scorecard helps improve management decisions by developing more relevant performance measures based on strategy, key performance areas and key focus areas. It also reports outcome to elected leaders and community. It shows what is being done to achieve key balanced scorecard objectives for example enhancing investment, reducing city congestion and so on. It was observed that individuals and their respective line managers review the scorecard quarterly or biannually to track progress. This allows corrective action to taken in time in case there is observed discrepancies between agreeable target and actual measures. Since the balanced scorecard helps in breaking down strategic objectives into daily measurable targets to implement, a focus of important tasks in line with the overall vision is maintained.

4.4 Challenges of Balanced Scorecard Implementation

Behind many successful implementations of balanced scorecard, sources of failure can still be identified during the process. The study reveals a number of obstacles. A majority of interviewees highlighted lack of financial resources as one of the challenges in effective implementation of the scorecard. Elected leaders who control budgetary process of financial allocation prefer allocating financial resources to front line service delivery rather than allocate the same to back office activities like strategy implementation. This has resulted into a number of scorecard initiatives not being

executed. Another challenge is strategic selection. A scorecard cannot include everything the NCC does. Some departments feel strategically ignored if not well featured in the scorecard. It is difficult to include all services provided by the city into a scorecard. Translation of vision, mission and strategy into measurable metrics and getting the metric right is a challenge. This requires learning and building consensus around strategy and vision.

A number of measures selected may not be supportive of the strategy. This could be happening probably because Nairobi City County seems to be applying all key performance indicators into each perspective without screening only for measures that are linked to its strategy. This has a risk of not being able to translate strategy into action. There is challenge when vision and mission are not clear or are ambiguous. In such case they will not translate well into operational and measurable metrics that provide useful guidelines to action at local level. For employees to perform on vision and strategy statements, the later must be expressed in form of integrated set of objectives and measures agreed upon by top management team and consequently cascaded down through the organization. Such objectives should determine drives of future performance.

A number of interviewers concur that that for balanced scorecard to work well, metrics need to be relevant and clear. They should clearly be understood. Metrics need to be collected at ideal frequency for making decisions and defined in such manner that measurement can be applied across the organization even if performance targets differ. A balanced scorecard without consistent metrics will be liable to criticism by people who may want to avoid accountability for the results.

Another challenge identified was lack of enough information on intangible measures. The main reason why organizations overemphasize financial perspective is that financial metrics and data are easily and readily available. Collecting non-financial metric data for most organizations consume more time and energy, and as such not easily captured. It is therefore important to prioritize key performance indicators so that relevant metrics are captured. Lack of formal review structure was also identified as one of challenges.

Scorecards work well when they are frequently reviewed. For example if a metric value changes daily and the variable within management control can be affected daily, then the metric should be reviewed on daily basis. Metric review meeting should follow a standard agenda, with clearly defined roles of all attendees and action points noted and a follow up made.

4.5 Discussion

A majority of organizations fail in their mandate due to poor implementation of otherwise good strategies. It doesn't matter how excellent your strategy is if it cannot be executed well. In survey of senior executives, (Kaplan & Norton, 2008) identified strategy execution as a number one priority for senior executive in organizations. Some couple of years later a similar survey posted same results. This confirms the importance organizations place on strategy execution.

Although considered very important, strategy implementation is very complicated and not easy to grasp for many organizations. According to (Hrebiniak, 2006) poor performance of most organizations is as a result of poor strategy implementation rather its formulation. Although (Feurer & Chaharbaghi, 2002) identified significant factors to could lead to strategy implementation failures as ineffective of communication among the stakeholders. Another reasons of failure of the strategic plan implementation

is lack of appropriate models and frameworks to guide the management and staff who are involved in implementation of the strategic plan that would still mitigate the challenges mentioned earlier (Niven P. , 2005). The Nairobi City County government has chosen balanced scorecard to implement her 2015-2025 strategy. The finding from the study indicate that strategy implementation at Nairobi City County Government can be effective and efficient. Starting from a well-crafted strategy, a number of actions have been undertaken to effectively execute the strategy.

From the eleven strategic objectives already formulated, strategy implementation has been broken down into seven key performance areas with respective focus areas which some interviewees referred to as their balanced scorecard perspectives. This is quite in order as some organizations coin the perspectives into internal terms that are easily understood by employees. This in turn forms the basis on whose departmental and individual objectives are anchored. The alignment of today's daily activities to organization's vision and strategy is made through the use of balanced scorecard (Kaplan & Norton, 1996). It is clear from the study that performance metrics were designed from strategic objectives. This fulfils one of the balanced scorecard design best practice.

A number of organizations with already existing measurements in quality and performance improvement are normally tempted to classify these into the four balanced scorecard perspectives. It has been found that such bottom up approach of classifying measurements is less likely to capture the most drivers of future performance (Kaplan & Norton, 1992). It was also established that the metrics used at the Nairobi City County government are their original design and not "benchmarked" from other similar organization, otherwise there would confusion and lack of focus leading to failure of strategy implementation (Kaplan & Norton, 1996).The key performance indicators at

both departmental and individual levels are reflective of NCC strategic objectives. Properly designed balanced scorecard should entail unity of purpose since all the measures are directed in achieving a common integrated strategy. The balanced scorecard should be able to align departmental and personal goals to overall strategy (Kaplan & Norton, 1996b). This has been established. The effectiveness of the balanced scorecard lies in its ability to clearly and accurately define cause-and-effect linkages between outcome measures and drivers of those outcomes. This is visualized through clearly designed strategy map and absence of one at Nairobi City County Government is a disadvantage. According to (Kaplan R. , 2001), the idea of causal linkages among the balanced scorecard objectives and measures led to creation of strategy map.

Strategy map of strategic objectives should be built up thereafter select metrics for each objective. It is clear that you cannot manage what you cannot measure. It also became clear to (Kaplan & Norton, 2000) that it is difficult to measure what you cannot describe. The latter statement bred strategy map, that in order to measure and evaluate whether you have accomplished your strategic goals you should be able to first describe them. Strategy map offers a consistent way of describing organization strategy. Apart from helping in visualizing the strategy, strategy map also assist in communicating it down the organization (Kaplan R. , 2001). It helps in visualizing the process designed to communicate and validate strategy. This ensure that stakeholders can follow, understand and assist to realize the strategy. Absence of a strategy map at the NCC was noted.

Effectively communicating strategy throughout the entire organization is another parameter upon which effectiveness of balanced scorecard application can be discussed. The study indicates that strategic objectives have been cascaded down to departmental and individual levels at senior and middle level management. At the bottom of the

organization, this has not been clearly articulated. This is a great disadvantage as it was mentioned that this group of employees constitute over 60 percent of the work force and are involved in the core operational activities of the county. (Kaplan & Norton, 1996b) observed that even well crafted strategies will not achieve much without staff “buy-in”. They also claim that only five percent of staff understand the strategy for the organization they work in. A detailed strategy map would come in handy in explaining the strategy and especially how the building blocks assembly to make a whole. Existence of strategy map, however detailed, is not an end in itself, it has to be effectively communicated.

According to (Irwin, 2002) the real strength of strategy mapping is that it enables employees to see how their daily functions fit in the whole and this can be achieved by effective communication of strategy throughout the entire organization. The study established that communication of strategy from upper level to lower level of the county is not effective. Effective communication will enable building of consensus and hence put all employees on the same page of strategy implementation. Since balanced scorecard focuses on links among organization decisions and outcomes, it is intended to guide strategy formulation, implementation and communication.

A properly constructed balanced scorecard should provide feedback for management for control and performance communication. (Kaplan & Norton, 1996b) assert that not only does balanced scorecard deal with organization strategy and knowledge but also BSC helps effectively communicate strategy and knowledge. (Mercant, 1989) argues that communication failure is an important cause of poor organizational performance. Top executive support through identification of a “champion” team enhances effectiveness of balanced scorecard application. This provides central portal where organization, coordination and tracking of balanced scorecard implementations can be

monitored. Such team should have top executive support. Although there is a dedicated department of governance, monitoring and evaluation, the department's role ought to be clearly distinct in the context of balanced scorecard implementation. From the study Nairobi City County Government has adopted the scorecard as a strategy implementation tool. Balanced scorecard is first and foremost a tool of translating your strategy and assisting organization in working towards their mission (Niven P. R., 2003).

This has contributed to improvement in a number of operational activities at NCC. There have been observable improvement in revenue collection and some services efficiently provided (Government, 2016). Generally the application of scorecard has contributed to achievement of some NCC corporate objectives by enabling employees to focus their activities to strategy. From the study, the balanced scorecard has also been to a large extent, worked as a performance measurement tool. Nairobi City County has been measuring performance for a long time and some of the areas that have been addressed by performance measurement include: financial/revenue accountability, counting the number of products or services delivered and number of people served, employment of key performance indicators and measuring the satisfaction of clients served.

According to the interviewees the latter is accomplished through carrying out baseline surveys. The results of baseline surveys differs from sector to sector and time to time. Measures and key performance indicators developed by balanced scorecard has been able to map performance to reward system (Government, 2016). Measurement of merit and appropriate rewards is implemented and awarded to high performance. This boots motivation for even better future performance.

This study will assist Nairobi City County government in relooking into the loopholes in its balanced scorecard implementations and make amends where possible and also address challenges with appropriate actions so as to make sure that strategic objectives are achieved. There are high public expectations from the NCC to be not only effective but efficient too in provision of her services to residents and visitors. Properly implemented balanced scorecard could make this a reality (Niven P. , 2005).

Though the balanced scorecard delivers advantages in strategy management process, a significant number of its application fail to deliver those good results. According to (Creelman, 2008) half of balanced scorecard implementations do not succeed because they fail to live to users' expectations. The study established a number of challenges faced by the Nairobi City County in implementing the scorecard for example lack of resources, absence of a dedicated champion team with full support to deal with scorecard implementation, lack of effective communication especially at the lower level of the organization among others. Adequate resources are required for successful implementation of strategy.

Resource based theory has emerged to support this preposition. The theory holds that resources possessed by an organization are the main determinants of its performance. However on their own, a few resources will be productive. To accomplish this, cooperation and coordination of teams of resources is required. The evidence of this theory is complemented by Dynamic Capability Theory. According to (Grant, 1991), presence of capability enables resources to be utilized. Capabilities lies in being able to organize and coordinate available scarce resources to attain competitive advantage. The study has verified the evidence of both theories.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter gives a relationship between the findings from the study with the objective of the study. It provides a summary of findings, recommendations and conclusions. Limitations of the study and recommendations of further study is also highlighted.

5.2 Summary

The objective of the study was to determine how balanced scorecard influence strategy implementation at the Nairobi City County Government. The conception discussion of balanced scorecard was done. Interviewees comprised of senior management involved in strategy implementation. They included directors and assistant directors.

The study established that Nairobi City County Government applied balanced scorecard in strategy implementation. It has been able to align individual, and departmental objectives to overall county strategic objectives. The interviewees also agree that their performance measures are aligned to their strategy. A number of interviewees affirm that scorecard has been a useful tool in realization of their strategy. Another point of agreement is that objectives, measures, targets and initiatives relate to their daily activities. However the general support staff at lower level do not effectively relate their daily activities to the overall corporate strategy.

The link between strategy and performance at lower level of county government need to be clearly communicated to the staff members in this category. By and large, it has been established that Nairobi city county has used the scorecard to translate strategy into action, clarify it to today's daily activities and communicate it. It is also apparent

that important framework like strategy map that would visual picture of the entire strategy illustrating cause-and-effect linkages between outcomes and drivers of those outcomes were missing. Also missing and which the study considered important was dedicated champion team that is tasked with balanced scorecard implementation. In absence of this, design and coordination of balanced scorecard measures and target for various departments and how they relate to each other becomes a problematic.

5.3 Conclusion

According to study findings, it can be concluded that although balanced scorecard has been at the core of strategy implementation, the tool has not been effective in translating strategy into action at the Nairobi City County government. The balanced scorecard has been applied successfully in some aspects like cascading strategic objectives to departmental down to employees. Performance measures have been linked to strategy. Measurement metrics have also been derived from the strategic objectives.

The balanced scorecard has also been used to track progress through key performance indicators. Employees in senior and middle level management have been able to piece together how their daily activities translate into achievement of overall strategic objectives of NCC. However ineffective communication of strategy and implementation tool throughout the organization has hindered effectiveness of balanced scorecard application. Strategy communication does not cascade down to a majority of lower level staff who are tasked in execution of today's daily operational activities of the Nairobi City County government. This strategy communication breakdown at the middle of the organization is a great liability if the balanced scorecard is to be effective.

Another observed source of ineffectiveness is lack of summarized strategy map illustrating cause-and-effect linkages among measures and drivers of future performance. Such linkage would enable build consensus about strategy among all

stakeholders especially employees. Strategy map of strategic objectives should be built up thereafter select metrics for each objective. It is clear that you cannot manage what you cannot measure. It also clear that it is difficult to measure what you cannot describe. Strategy map gives the opportunity to describe the strategy. In order to measure and evaluate whether you have accomplished your strategic goals you should be able to first describe them. In absence of strategy map, anticipated strategy visualization will lack. Little or no understanding of strategy will manifest which leads less efficient strategy implementation.

Another source of ineffective implementation emanates from absence of a dedicated champion team to lead and guide strategy implementation process right from the top executive to every stakeholder. Such team will be able track progress, motivate and keep everyone on the same page of strategy implementation. Milestones will be assessed and challenges addressed at every phase of implementation process. Top executive support also manifests from such team.

However, amid the challenges coupled with difficult to identify tangible benefits from balanced scorecard in terms of say cleaner streets, road maintenance, health service provision and other tangible services citizens expect from their governments, a number of benefits using balanced scorecard were identified. Some of these includes developing a strategy focused organization, improved performance by identifying relevant measures, alignment of employees' work with overall strategy among others. Among the recommendations given was training of stakeholders on the balanced scorecard tool and engage employees' participation at all levels of the organization. This will lift up ownership spirit of the strategy under implementation.

5.4 Recommendations

The study recommends that NCC government continues improvement on the scorecard tool so that it remains relevant to the changing dynamics and her operations. Lack of sufficient training in the scorecard tool hinder its smooth application. This is evident at lower level of the organization. Capacity building in scorecard and its application is required at this level. All employees need to understand the linkage between their respective personal objectives with overall strategic objectives. This can be attained through procurement of an external consultant, routine structured staff trainings, through organizational workshops among others.

Precise strategy map of County government is required for easier understanding of the overall strategy. Although the county government has designed a pocket sized strategy document, a further summarized version illustrating cause-and-effect linkages of lag indicators and drivers of future performance would be necessary. A synthesis of the eleven strategic objectives into some simple easily understood strategic theme could go a long way in capturing employees' attention to the overall Nairobi City County strategy.

The study established that ineffective communication hinder effectiveness of strategy implementation. As a communication device, BSC will be able to provide strategic guidance to departmental heads and describe links between leading and lagging measures. Effectively communicating these links throughout the organization will be crucial to implementing the Nairobi City County strategy successfully. The whole organization should be involved in the implementation process of the balanced scorecard. To be effective, BSC including strategy and action to support implementation must be shared among all employees at Nairobi City County. It is through this that bottom line results would be generated.

Improvement in senior leadership team role in building and supporting the implementation of the BSC is recommended. This will uphold a shared commitment which is required to align the organization. This comes from observation that few people are involved. This can further be achieved by creating a dedicated team of champions to own and drive the process through the whole organization. This can be supplemented by procurement of external consultant with skills and experience in balanced scorecard to offer valuable advice and guidance during the implementation process.

The study also recommends that the county need to have a close look at its structure to ensure that it is supportive of balanced scorecard tool in strategy implementation. This will create renewed staff motivation, job satisfaction and eventual delivery on the Nairobi City County's mission. The structure should clearly illustrate how balanced scorecard perspectives are interrelated and supportive of each other.

5.5 Limitations of the Study

The study was done at Nairobi County government. It cannot therefore purport to represent all the counties in Kenya whose internal structures and procedures may be different. Another limitation was getting respondents as some were either in meetings or out on official duties.

There was general reluctance from a number interviewees in participating when the research topic was mentioned and indeed a number turned down interview appointment. Balanced scorecard delves on internal operations which some were reluctant or unwilling to share. This is so as some view the interview questions as an audit on their service delivery rather a scientific investigation that eventually is of value to the entire organization.

5.6 Suggestion for Further Research

This study recommends that further research be done in effectiveness of balanced scorecard in communicating and controlling strategy among the county governments in Kenya. This can be an empirical study. A similar study like this one can be undertaken in one of the other 47 counties to test if the same conclusions can be arrived at.

5.7 Implication of the Study on Theory, Policy and Practice

The study has been able to contribute to both Resource based and Dynamic Capability theories by validating the evidences of both theories. Resources and how they were organized and coordinated was found to be very essential in successful implementation of strategy using balanced scorecard at NCC.

From the study, other organizations especially county governments will benchmark with the Nairobi City County government and therefore will be able to understand the effectiveness of balanced scorecard in strategy implementation in their respective counties. This will prompt them to create policy and procedure framework that would be conducive to balanced scorecard implementation in their organizations and counties.

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APPENDIX I: INTERVIEW GUIDE

SECTION A: General Information

Name: (Optional).....

Position:

Department:

Duration Worked at Nairobi County:

SECTION B: Balanced Scorecard and Strategy Implementation

1. What is the overall Nairobi City County Government business strategy?

.....
.....
.....
.....

2. How are strategic objectives communicated to/within your department or to employees within your department?

.....
.....

3. Are your performance reviews tied to scorecard measures?

4. Public and nonprofit organizations often have a difficult time determining what to measure in their customer perspective. Who or what did you measure in your customer perspective and how did you make that determination?

.....
.....

5. Do you observe any relationship between Nairobi City County Government corporate strategies with your department strategic objectives?

(a) Yes (b) No.....

Explain.....

.....
.....

6. How is the scorecard used in strategy implementation in your department?
.....
.....
7. How often are the results of performance indicators of your department reviewed?
8. How often are departmental scorecards revised?
.....
9. Are all employees in your department informed about your department's scorecard objectives/targets? (a) Yes (b) No.....
Briefly explain
10. Who owns or manages the scorecard process at the Nairobi City County Government?
11. Do we have performance measures/management or scorecard linked to budgeting and, if so do think that link is effective?
.....
.....
12. What has been the effect of new administrations coming in, new governor, county assembly members? How has that affected the scorecard or performance measurement, if at all?
13. What do you think has been the biggest benefits to using the scorecard for the Nairobi City County Government?
14. What roadblocks have you faced in your strategy implementation using the scorecard tool and how did you overcome them?
15. What advice would you have for other organizations, particularly nonprofit and government, which are just starting out their scorecard journey?
.....
.....

APPENDIX II: Letter of Research Undertaking by NCC

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NAIROBI CITY COUNTY



City Hall
P. O. Box 30075 00100
Nairobi
KENYA

PUBLIC SERVICE MANAGEMENT

REF: PSM/DMM/(GM&E)/201/2016

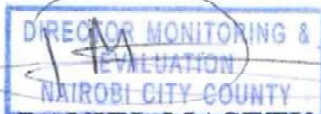
DATE : 12TH OCTOBER 2016

TO WHOM IT MAY CONCERN

RE: RESEACH ON STRATEGIC IMPLEMENTATION USING THE BALANCED SCORECARD

This is to confirm that a Mr. Joseph Oundo Siekhwe did the above research at Nairobi City County Government during month of September 2016.

It is anticipated that upon completion of the same Mr. Siekhwe will share with the County the final submission.



DANIEL MASETU (HSC)
DIRECTOR – GOVERNANCE, MONITORING AND EVALUATION

APPENDIX III: Data Collection Authorization by UoN



**UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS**

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P.O. Box 30197
Nairobi, Kenya

DATE 15-09-2016

TO WHOM IT MAY CONCERN

The bearer of this letter JOSEPH OUNDO SIEKHWÉ

Registration No. DG1/74503/2014

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

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

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

Thank you.

**PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS**

