BALANCED SCORECARD AS A STRATEGIC MANAGEMENT IMPLEMENTATION TOOL BY GATEWAY INSURANCE COMPANY LIMITED

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DECLARATION

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

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

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DEDICATION

This research project is dedicated to my family: Margaret, Bernice and Lewis.
ACKNOWLEDGEMENT

First and foremost I thank the almighty God for giving me strength, courage, wisdom and talent to complete my course.

I would like to thank all my lecturers for their skills, knowledge and expertise for preparing me for this worthwhile course.

I would like to thanks all authors who contributed to the text (books and journals) I used in my study.

The course would not have been successful without the contributions and suggestions from my fellow students, colleagues and friends.

I specially thank my organization for allowing me to use it as a case study.

I would like thank my supervisor in a special way for having sacrificed his time and effort to take me through my project to completion.
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<tr>
<th>Abbreviation</th>
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<tr>
<td>AKI</td>
<td>Association of Kenya Insurers</td>
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<td>BSC</td>
<td>Balanced Scorecard</td>
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<td>Gateway</td>
<td>Gateway Insurance Company limited</td>
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<td>IRA</td>
<td>Insurance Regulatory Authority</td>
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<td>KPI</td>
<td>Key performance indicator</td>
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ABSTRACT

The study focused on examining the importance of the balanced scorecard in the implementation of strategy. The context of the study was Gateway Insurance Company. The research design was a case study.

The study established that the balanced scorecard approach makes everyone in the company aware of what each is expected to do. It was also established that the balanced scorecard eliminates subjectivity as the procedures and goals to be achieved are made clear. In addition the staff are informed, enlightened and understand what they are expected to do. It also emerged that because of the clarity of goals and responsibilities the strategic goals of the company will be achieved efficiently and effectively.

This implies that top management should fully embrace the concept of balanced scorecard for the successful implementation of the company’s strategy.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Many managers have a challenge in finding a measurement tool that reflects the strategy of the business in addition to indicating how well it performs. The traditional means of measuring results have been through financial reporting using an accounting model developed centuries ago. However, this model does not incorporate the valuation of a company’s intangible and intellectual assets, such as high quality products and services, motivated and skilled employees, responsive and robust internal processes, and satisfied and loyal customers.

These intangible assets are equally critical to the long term success of an organization. Firms do exist with the primary objective of maximizing the welfare of owners, but in operational terms they always focus on satisfaction of its customers through the production of goods and services needed by them. The use of financial indicators only is criticized because they focus on short term objectives (Druly, 2004).

Ducker (1968) put it that what is our business is not determined by the producer, but by the consumer. The business is not defined by the company’s name, statute, or its articles of incorporation but by the wants the consumer satisfies when he buys a product or a service. In order to achieve the desired goals a company looks at both the quantitative and qualitative elements. Firms in practice state their vision, mission and values in broad terms and are also concerned about technology, leadership, productivity, market standing, image, profitability, financial resources and employee satisfaction.
Kaplan and Norton (2005) say that companies have ambitious plans for growth but few realize them. They attribute the gap between ambition and performance to the disconnect between strategy formulation and strategy execution. Their research revealed that, on average, 95 per cent of a company’s employees are unaware of or do not understand its strategy.

According to Pearson (2007) the balanced scorecard is a management system (not only a measurement system) that enables companies to clarify their strategies, translate them into action, and provide meaningful feedback. It provides feedback around both the internal business processes and external outcomes in order to improve strategic performance and results. When fully deployed, the balanced scorecard is intended to transform strategic planning from a separate top management exercise into the nerve centre of an enterprise.

1.1.1. The Strategic Management Concept

Strategic Management is about performance of organizations. An important concept of strategic planning is an understanding that in order to flourish, everyone needs to work to ensure that the team’s goals are met (Johnson, 1997). As organizations operate in a dynamic environment, they need to adapt and respond appropriately and hence the need for strategic management (Pearce, 2003).

Elements of successful strategies require objectives to be simple, consistent and long term. This is in addition to there being a good understanding of the competitive environment that an organization is operating in. There should also be an objective appraisal of an organization’s existing resources.
The goal of strategy is to help secure enduring competitive advantage over competitors (Porter, 1985). An organization has the ability and capability of always doing better than its rivals always, today and in future. Strategy specifies the business domain of any organization.

1.1.2. Balanced Scorecard as a strategy tool

Developed by Robert Kaplan and David Norton (1992), the balanced scorecard is an analysis technique designed to translate an organization’s mission statement and overall business strategy into specific, quantifiable goals and to monitor the organization’s performance in terms of achieving these goals. According to John (2010), the balanced scorecard approach was intended to provide a clear prescription as to what companies should measure in order to “balance” the financial perspective in implementation and control of strategic plans.

The balanced scorecard is a comprehensive approach that analyzes an organization’s overall performance in four areas: financial analysis, the most traditionally used performance indicator that allows managers to track financial success and shareholder value; customer analysis looks at customer analysis and retention; internal analysis looks at production and innovation and finally, learning and growth analysis which explores the effectiveness of management in terms approach of measures of employee satisfaction and retention and information system performance.

The Balanced Scorecards use certain generic measures. These generic or core outcome measures reflect the common goals of many strategies. The generic measures include profitability, market share, customer satisfaction, customer retention, and employee
skills. The drivers of performance are the ones that tend to be unique for a particular business unit. The performance drivers reflect the uniqueness of the business unit’s strategy: the drivers of profitability, the market segments in which the unit chooses to compete, the value propositions delivered to customers in the target market segments, and the particular internal processes and learning and growth capabilities that enable the financial and customer to be achieved.

Today’s organizations are competing in dynamic and complex environments. An accurate understanding of their objectives and the methods for quickly achieving those objectives is vital. The Balanced Scorecard is a revolutionary tool that motivates staff to make the organization’s vision happen. It does more than just measure performance. It is a management system that focuses the efforts of people, throughout the organization, toward achieving strategic objectives.

The scorecard gives feedback on both current performance and targeted future performance. Putting it another way, the Balanced Scorecard converts an organization’s vision and strategy into a comprehensive set of performance and action oriented measures that provides the basis for a strategic measurement and management system. Druly (2004), states that the BSC is a management technique for communicating and evaluating the extent of achievement of the mission and strategy of a firm.

1.1.3 The Insurance Industry in Kenya

The insurance Industry in Kenya is a highly competitive part of the financial services industry. Insurance is the business of undertaking liability by way of insurance (including reinsurance) in respect of any loss of life and personal injury and any loss or damage,
including liability to pay damage or compensation, contingent upon the happening of a specified event (Insurance Act, CAP 487).

The Insurance Industry is regulated by the Insurance Act 1984 (Chapter 487) of the Laws of Kenya. The Insurance Regulatory Authority (IRA) has the key responsibilities of industry compliance and regulatory matters of the industry. Though recently created, the genesis of the authority goes far back as 1987 when the government with a view to maintaining stability in this sector, established a regulatory agent - Commissioner of Insurance, resident in a department in the Ministry of Finance to oversee the operations and management of the insurance sector.

The Insurance Industry is characterized by five key factors and emerging trends which include: The Industry is highly competitive with forty six licensed insurance companies at the end of year 2010. Fourteen companies wrote both general and life business, twenty two wrote only general insurance while only nine wrote life insurance. The penetration of insurance in Kenya as a percentage of Gross Domestic Product is estimated at 3% (AKI, 2010).

Secondly, the changing regulatory environment an example being the revisions in the Insurance Act where the regulator has changed from a department under the Commissioner of Insurance to the Insurance Regulatory Authority (IRA) which has a more stringent regulatory framework. The regulator has authority to inspect insurance companies on short notice and make recommendations for change of senior management if deemed fit in order to protect the interests of the insured public. The insurance
companies are expected to settle all concluded claims within a period of ninety days failure to which the regulator may recommend attachment of the insurer’s assets.

The third factor is the entry of banks into the insurance business (Bancassurance). This has increased competition further and companies have to go back to their drawing boards and develop more innovative products. Banks have high capital base and they are in a position to offer lower prices for their insurance products and at lower risks.

The fourth factor is one of micro–insurance which is a growth area due to the low rate of insurance penetration in the market. This has created a future growth area for many insurers who are now offering innovative products and services in areas previously not covered by the mainstream insurers. An example is where small scale farmers in the rural areas are now being compensated for crop failure due to poor rainfall with the recently introduced weather based insurance products.

Technology is the last major factor where explosive growth in technologies of all kinds including telecommunications and communication means that insurers now have many more channels to interact with their clients. Trends such as mobile money transfer systems have the potential to impact on the operations of the insurers (AKI, 2011).

1.1.4 Gateway Insurance Company Limited

Gateway Insurance Company has been in existence for twenty nine years. It is one of the oldest indigenous general insurance underwriting companies. The Company has 15 branches spread across the major towns in the country. Gateway has not expanded in the East African region and has concentrated its core business with the country. Right from inception in 1982, Gateway has been committed to quality insurance service delivery and
nation building by playing a meaningful role in the social economic development of our country. According to the year 2011 annual industry report, Gateway had a market share of 1% as at 31 December 2010.

The company’s vision is “To be a top rated national insurance Company in the region”. The mission is “To be a general insurer of high repute committed to excellence by providing competitive and innovative insurance products that satisfy customer needs while maximizing returns to shareholders and recognizing the input of staff and business partners”. The core values and beliefs is that good management is a prerequisite for the success of any organization. Therefore, the Management and staff of Gateway have braced the following guiding principles and values in discharging their duties; Customer Supremacy, Honesty and integrity, Teamwork, Dynamism, Recognition and being a responsible corporate citizen.

“Customer is the King” is a core value at Gateway. For that reason, the business strategy gravitates around the customer. The following pillars hold this strategy; Continuous training of staff in customer care and delivery of quality services, products are developed to meet customer needs, business systems are designed to be customer friendly, keeping our promises, listening to the customer and keeping close to the customer. In order to serve its clients well, Gateway has invested in a good mix of human and capital resource backed with experience to offer competitive and efficient insurance services. The company’s client base includes corporate clients, public entities, parastatals and individual clients.
The key challenge facing the company is that of competition and growth. As indicated above, the industry is characterized by many insurance companies in the market most of which have relatively higher capital base and are therefore advantaged for market expansion and growth. This is despite the company having a wide coverage in the major towns of Kenya.

Gateway Insurance, like many other organizations is faced with the challenge of effectively turning strategy into action. As the environment is ever changing, the organization must react by realigning its strategies to these changes. The strategic approach in Gateway Insurance links performance to all the four perspectives of the balanced scorecard namely; financial, customer, processes and learning. Suitable weightings are applied to reflect the relative importance of each area. Each department has its own measures with some being common across all departments.

The Company has always had the first Strategic plan covering a period of six years from 2005-2010. Emanating from the review of the year 2005-2010 Strategic plan (Gateway Internal Business Review, 2010) some key findings were identified requiring action leading to the second Strategic plan covering period from 2011-2016. One of the challenges identified was that the level of claims service was found to be below the industry standards. The product penetration and brand perception was also found to be low. Although the control environment had improved, the procedure and process adopted to achieve these controls did not necessarily improve operational efficiency. The review
also identified the strengths of the Company as positive cash flows and well documented policies and procedures.

1.2 Statement of the Research problem

An organization needs some kind of a balanced combination of different measures to analyze the entity as a whole. Numerous performance measurements have been developed to solve the problem of acquiring a balanced performance picture for organizations (Mwangi K, 2009). There are also many other measurement systems, such as the Performance Pyramid System, Total Quality Management and the Organizational Performance Index (OPI).

Locally, to the researcher’s knowledge, only a few studies of balanced scorecard have been done focusing on different contexts but mainly on formulation, implementation and application of the balanced scorecard. One of the latest study is “the implementation of the balanced scorecard as a strategic management tool at the Insurance Company of East Africa (Waruiru, 2009).” Another study, Mugo (2007), found that some of the processes involved in balanced scorecard application include building consensus around the organization’s vision and strategy, communicating the strategy throughout the organization and linking it to departmental and individual objectives while integrating the strategy into the organizations plans and developing a feedback and learning system.

Mucheru (2008), sought to establish the application of the balanced scorecard in performance management among commercial banks in Kenya. The results showed that the BSC was used to a great extent and the performance measures used were financial indicators and customer satisfaction. Macharia (2008) focused on challenges faced by the
Co-operative Bank of Kenya in integrating the BSC in the performance management process.

The balanced scorecard as a strategic management framework allows organizations to manage and measure the delivery of their strategy. If a company does not use the balanced scorecard, alternative methods used will be known an example being the use of budgets which have been used by many companies as a traditional tool of measuring performance. The budgets are also used a link to strategic programs by companies that use balanced scorecards.

1.3 Objectives of the study

The research attempts to establish;

i) The importance of the balanced scorecard as a tool for strategy implementation in Gateway Insurance Company Limited.

ii) To identify the gaps and challenges in the strategy implementation process.

1.4 Value of the study

The study will help management and the employees at Gateway Insurance who will be in a position to utilize findings and recommendations from the study. It will enable them evaluate the link between performance and the organizations strategic and operational plans. It will be useful in improving this management strategy whose results include improved service delivery and increased brand loyalty.

The insurance industry players including the customers will be in a position to replicate the outcomes and recommendations of this study. In this way, there will be an
improvement in the strategic management styles. This will increase effectiveness and efficiency in the provision of insurance services.

For researchers and scholars, the study is expected to contribute to the existing literature in the field of management. The research will help in identifying the gaps and other important relationships between the use of the balanced scorecard and performance. This will be used as a basis for further research in this area.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Many people think of measurement as a tool to control behavior and to evaluate past performance. Traditional control and performance measurement systems attempt to keep individuals and organizational units in compliance with pre-established plan. The measures on a balanced scorecard are being used by executives in a different way- to articulate strategy of the business, to communicate the strategy of the business, and to help align individual, organizational and cross-departmental initiatives to achieve a common goal (Kaplan, 1996).

Today's business environment requires a better understanding, of customers and their needs, streamlined internal business processes and highly skilled staff who are expert in problem solving. In order to achieve this organizations have attempted to transform themselves by turning to a variety of improvement initiatives such as total quality management, activity based costing, business process re-engineering and the balanced scorecard. The balanced scorecard enables a company to align its management processes and focuses the entire organization on implementing its long-term strategy (Kaplan, 2007).

2.1 Strategic Management Implementation

According to Thune (1970), companies that engage in formal long range planning have historically outperformed informal planners. Firms may be using other management practices that contribute to success e.g. organization design, good human resource
practice, corporate culture etc. It is more likely that formal planning is a characteristic of a well-managed firm than the single cause of successful firm performance.

“Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations”, Johnson (2005) pp 3. This involves choosing the product and market scope as well as matching the activities of the organization to the environment. A good strategy must fit the company’s external and internal situation, build sustainable competitive advantage and improve the company’s performance.

The goal of strategy implementation is to unite the total organization behind the strategy. A variety of managerial activities are undertaken which generates commitment to the achievement of the strategic objectives. The creation of strategy supportive “fits” and communication feedback mechanisms are key to successful implementation of the strategy.

2.2 The Balanced Scorecard

Achieving acceptable financial result is a must as without adequate profitability and financial strength, a company’s pursuit of its long-term health and ultimate survival is jeopardized. However, a good financial performance by itself is not enough. Of equal or greater importance are a company’s strategic performance-outcomes that indicate whether a company’s market position and competitiveness are deteriorating, holding steady, or improving (Thompson, 2008).
A Company’s financial performance measures are “lagging indicators” that reflect the results of past decisions and organizations activities. The best and most reliable “leading indicators” of a company’s future financial performance and business prospects are strategic outcomes that indicate whether the company’s competitive and market position are stronger or weaker. Companies began to take recourse to balanced scorecard to find an alternative to their financial statements which were not providing them with adequate information to manage their companies. Financial statements are useful for reporting but have little use for strategic management.

The Customer Perspective covers the customer objectives such as customer satisfaction, market share goals as well as product and service attributes. Importance of customer focus and customer satisfaction in any business is increasing. These are the leading indicators of performance. If customers are not satisfied, they will eventually find other suppliers who will meet their needs, affecting financial measures. Kiragu (2005) further states that the customer perspective captures the ability of the organization to provide quality products and or services, effectiveness of their delivery and the overall customer satisfaction.

In order for any organization to satisfy the needs of its customers, and have a competitive edge over others in the same market, it must understand what such customers expect and they think of the services they are already getting so as to match the two. An expectation is what one believes is likely to happen whereas perception is a person’s view of reality. The discrepancy between customer expectations and perceptions amounts to service gap, the wider the gap, the more dissatisfied the customers and vice versa.
The Balanced Scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers (Kaplan, 1992). To put the Balanced Scorecard to work, companies need to articulate goals for time, quality, and performance and service and then translate these goals into specific measures. The generic outcome measures include customer satisfaction, customer retention, new customer acquisition, customer profitability, and market and account share in target segments. While these measures may appear to be generic across all types of organizations, they should be customized to the target customer groups from whom the business unit expects its greatest growth and profitability to be derived (Kaplan, 1996).

The Internal Business Process perspective covers internal operational goals and outlines the key processes necessary to deliver the customer objectives. The internal measures focus on the processes that have the greatest impact on customer satisfaction and financial objectives. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements and towards mission of the organization. Managers need to focus on those critical internal operations that enable them to satisfy customer needs.

According to Pearce (2007) the business process perspective answers the question: What are our core competences and areas of operational excellence? Internal business processes and their effectiveness are measured by productivity, cycle time, quality measures, downtime and other cost measures. Also included are measures of training and development, and job turnover. All these assess the quality of staff and the processes they manage.
Operational measures involve the translation of customer perceptual measures into the standards or actions that must be set internally to meet customers’ expectations. Although all companies count or calculate operational measures in some form, the balanced scorecard requires that these measures stem from the business processes that have the greatest effect on customer satisfaction. In other words, these measures are not independent of customer perceptual measures but instead are intricately linked with them (Valarie, 2006).

Innovation, Learning and Growth constitute the essential foundation for success of any organization, specifically knowledge based organization. A company's ability to innovate, improves, and learns ties directly to the company's value. That is, only through the ability to launch new products, create more value for customers, and improve operating efficiencies continually can a company penetrate new markets increase revenues and margins, grow and thereby increase shareholder value.

The Learning and Growth Perspective covers the intangible drivers of future success such as human capital, organizational capital and information capital including skills, training, organizational culture, leadership, systems and databases. It includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In knowledge-worker organization, people are the main resource. In the current climate of technological change, it is becoming necessary for knowledge workers to be in continuous learning mode.

As more people in every level of a company engage in continual learning, a valid contribution can come from any of the company and from any part of the company.
Being innovative and creative is the responsibility of the workforce and allows learning organizations to adapt to changes in the state of the market, technology and competition efficiently. Moreover, this creativity gives rise to an increased synergy. The interaction between high performing teams produces a result which is higher than was planned or expected of them.

According to the study by Wandera (2008) organizations will have to strengthen their capabilities and processes through experimentation, learning by doing and creating a culture that values learning. Creating such capabilities and processes require that organizations learn to be comfortable with change. This will enable them produce products and services that provide competitive edge.

2.3 The process and purpose of Balanced Scorecard

The Balanced Scorecard, unlike ad hoc performance measurement systems, should articulate the “theory of the business.” By having an explicit set of linkages among the balanced scorecard measures, managers can test the business theory’s hypothesized causal chain of performance drivers and the associated changes in one or more outcome measures. According to Pearce and Robinson (1997), this is the process by which an organizations activities and performance results are monitored and actual performance compared with desired performance.

A vast number of performance measurement and evaluation framework aimed at evaluating private sector performance have been developed. The balanced scorecard (Kaplan, 1992) has received the most practitioner attention with research conducted by the balanced score card collaborative finding that 52 percent of firms surveyed were
using a scorecard in 2001 (Neely, 2002). In practice, majority of private sector performance measurement systems is developed internally and rely on self assessment, the results of which are disseminated through financial reporting mechanisms and company reports.

The Balanced Scorecard (BSC) complements financial measures of past performance with measures of the drivers of future performance. While many companies already have performance measurement systems that incorporate financial and non financial measures they are often only used for control and feedback of short term operations at a corporate level. The BSC emphasizes that financial and non financial measures must be part of the information system for employees at all levels of the organization.

Balanced Scorecard provides a strategic management tool to accomplish critical management processes, by first enabling an organization to clarify and gain consensus about vision and strategy. Secondly it communicates organizations strategic objectives. Thirdly it enables performance measures and drivers to be at all levels. Fourth it enables an organization to link its strategic objectives to targets and annual budgets. Fifth it helps organizations identify and launch strategic initiatives. The sixth process is where organizations enhance periodic systematic strategic reviews and finally an organization obtains feedback to learn about and improve strategy. The BSC fills the void that exists in most management systems - the lack of a systematic process to implement and obtain feedback about the organization’s strategy. The organization can become aligned and focused by using the BSC to implement the long term strategy. This way the BSC forms the basis for managing organizations during stable and turbulent times.
The Balanced scorecard translates an organization’s mission and strategy into a balanced set of integrated performance measures. It also mixes outcome measures, the lagging indicator with performance drivers, the leading indicator, because outcome measures without performance drivers do not communicate how the outcomes are to be achieved (Kaplan, 1996). Balanced scorecards are normally a key output from the strategy formulation process. The key goals that are identified as being critical to the success of the business, as part of performance measurement framework, can also be considered in the context of a balanced score card.

The relationship between strategic planning and performance is yet to be established. Studies linking strategic planning and performance are inconclusive according to Greenly (1986). More research needs to be done in this area. It cannot be concluded that strategic planning causes improved company performance. There are a range of potential advantages to be gained from utilization of strategy planning.

Although many Kenyan companies do not call the performance measurement process “Balanced scorecard” their processes and procedures do model those of the BSC. While there is a view that the “famous bottom line” (Carter, 1991) makes the evaluation of private sector organizations simpler than their public or nonprofit counterparts, operations management scholars have recently stressed the requirement for a clearer understanding of the processes that constitute business performance evaluation.

2.4 The benefits and challenges of using the Balanced Scorecard.

The common mistake that some companies can do in the balanced scorecard process is to copy or adapt the scorecard of another company in the same industry. It should be
understood that each company—even if they are in the same industry—should have different scorecards because each corporation has different priorities. What may seem as an important attribute or metric for one company may be of lesser essence to the other one, precisely because there are varying factors that each company should consider in doing business.

These factors may be location, target market, logistics, and so on. What is important is that the people who manage the company should be able to grasp the basic framework of how the business should be done and then translate the metrics into a key performance indicators sheet or balanced scorecard.

The Balanced Scorecard (BSC) approach forces organizations to design key performance indicators (KPI’s) for their various strategic objectives. This ensures that companies are measuring what actually matters. Research shows that companies with a BSC approach tend to report higher quality management information and gain increasing benefits from the way this information is used to guide management and decision making. The study by Boge (2010) found out that the BSC removes biases, is objective, results oriented thereby making employees to be more focused on Key Performance Indicators. The BSC is easier to manage because organizations do not shift goals every year.

Companies using a Balanced Scorecard approach tend to produce better performance reports than organizations without such a structured approach to performance management. Increasing needs and requirements for transparency can be met if companies create meaningful management reports and channels to communicate performance both internally and externally.
Organizations with a Balanced Scorecard are able to better align their organization with the strategic objectives. In order to execute a plan well, organizations need to ensure that all business and support units are working towards the same goals. Cascading the Balanced Scorecard into those units will help to achieve that and link strategy to operations.

Today the best known integrated performance measurement system in most countries is the balanced scorecard. There are also many other measurement systems, such as the Performance Pyramid System, Tableu de Bord, the Multi-Criteria Performance Productivity Measurement Technique (MCP/PMT) and the Productivity or Performance Matrix (Neely, 1998). Very often, these measurement systems, as well as the individual measures, emphasize the significance of strategies (Kaplan, 1996).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter discusses the methodology that was used in gathering the data, analyzing the data and reporting the results. The researcher aims at explaining the methods, tools and procedures that were used to collect data so as to get relevant, reliable and complete information related to the subject matter under study. Other methods of research such as survey would not have been appropriate as they tend to generalize the phenomenon being studied and therefore do not provide the required in depth investigation required in this study.

3.2 Research design

This research method used is a case study. This is an in-depth study which places more emphasis on the full analysis. The case study approach allows an investigation to retain the holistic and meaningful characteristics of real-life events including organizational and managerial processes. The case study research method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used (Yin, 1984).

3.3 Data collection procedure

The study used primary data which was collected by way of semi-structured questionnaire comprising both open-ended and closed-ended questions. Interview guides were designed and administered through interviews and discussions with staff at both management and supervisory levels.
The data was collected from both the managerial and supervisory level staff within the Finance, Marketing, Underwriting, Claims, Information Technology and Human Resource and Administration departments of the organization. Secondary data was also used to provide additional information. This was obtained from already documented materials such as the company’s strategic plans, annual budgets, financial reports, procedural manuals and industry association’s journals.

3.4 Data Analysis

The nature of data collected was qualitative. Being a case study, content analysis was found to be more suitable. This involved reviewing what the respondents indicated to see what themes emerged out of their responses. It involved observation and detailed description of objects, items or things that comprise the study (Mugenda, 1999).

Nachmas, (1996) also defined content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends. Examples of other previous studies where qualitative data was collected and successfully used content analysis to analyze the data include Odadi (2002), Kiragu (2005) and Waruiru (2009).
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
This chapter presents data findings and analysis. The results from the content analysis were related to the research objectives. The results of the questionnaires have been integrated with findings of interviews that were used to supplement and gain deeper understanding of the strategy implementation at Gateway. Throughout the evaluation and analysis process, the researcher remained open to new opportunities and insights.

4.2 Importance of balanced scorecard as a strategy implementation tool
Out of the total sample of sixteen from the target population of forty, twelve questionnaires from the respondents were collected. This was a response rate of 75% of the questionnaires collected which was fair and representative and conforms to Mugenda and Mugenda (1999) who stipulates that a response rate of 50% is adequate for analysis and reporting, of 60% and over is good and a response rate of 70% is excellent.

The researcher found out that effective communication of a company’s strategic plan from the top level to lower levels is given paramount importance. In addition to the company having four broad corporate goals that serve the mission and vision, several strategic initiatives and action plans have been developed whose implementation brings about the realization of corporate goals. To activate the action plans, line managers develop specific plans to implement strategies within their scheduled times. The use of key performance measures as a management tool is in force for staff to move forward as a team.
The performance measures included both outcome measures and the lagging performance drivers of those outcomes. The strategy of the organization articulates the organization desires as well as the drivers of those outcomes. The managers and supervisors are able to channel their energies, abilities and the knowledge of employees throughout the organization towards achieving the business’s long-term goals (Kaplan, 1996).

The company’s operational and management control systems are built around financial measures and targets. These have little bearing on the long term strategic objectives. A gap therefore exists in the use of the balanced scorecard to implement the company’s strategies.

The mere awareness of corporate goals was found not to be enough to people’s attitude and behavior towards the achievement of the desired goals. The organization’s high-level strategic objectives and measures must be translated into objectives and measures for operating units and individuals. Communicating the balanced scorecard promotes commitment and accountability to the business’s long-term strategy. “The balanced scorecard is both motivating and obligating” (Kaplan, 2007, p.8).

4.3 Challenges of using the balanced scorecard

The other key objective of this study was to determine the challenges faced by Gateway in using the scorecard as a strategy implementation tool. Most of the respondents indicated there was a lot of resistance to change in the process of strategy implementation. The responses indicated that the company did not have a good information platform to support the balanced scorecard as a tool of strategy
implementation. It was also noted that there was no direct relationship between the balanced scorecard and the employee performance and reward system.

From the interviews carried out, it emerged that lack of relevant skills and education has resulted to lack of expertise and commitment to the strategy implementation process. Employees who have little education fear to take responsibilities and the associated risks in making decisions. The lack of goodwill by employees also hampers successful implementation of the strategy.

The respondents indicated that the organization performance and reward policy is in disharmony. Lack of a good reward system leads to poor performance and motivation by those who have the responsibility of strategy implementation. The balanced scorecard as a tool of strategy implementation in such a case becomes not important.
CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction
This chapter provides the summary of the study, conclusion and recommendations. The limitations of the study are presented here. It also presents suggestions for further studies.

5.2 Summary of Findings
The study was guided by two key objectives namely, establishing the importance of balanced scorecard as a tool for strategy implementation and identifying the challenges in the strategy implementation process in Gateway. The study established that the balanced scorecard approach makes everyone in the company aware of what each is expected to do.

It was also established that the balanced scorecard eliminates subjectivity as the procedures and goals to be achieved are made clear. In addition the staffs are informed, enlightened and understand the company’s goals. It also emerged that because of the clarity of goals and responsibilities the strategic goals of the company will be achieved efficiently and effectively.

The study revealed that most employees were mainly aware of the financial and customer satisfaction indicators. These two measures were the output measures that were given greater importance as compared to business processes and employee learning and growth indicators. The study further established that the major reasons attributed to the low awareness of use of the balanced scorecard was resistance to change and also the focus on short term issues at the expense of the longer term strategic goals.
5.3 Conclusion

From this study, the researcher concluded that there is need for the establishment of superior reporting and communication channels. There is lack of awareness and standard measures of performance in the company. This will enhance the correct assessment of both employee performance and the progress of the strategy implementation process.

5.4 Recommendations

Employees should be well trained to accept changes as they occur in their organization. From the findings there is need for increased awareness and attitude change by employees at all levels for the balanced scorecard to be an effective tool. The top management should fully embrace the concept of balanced scorecard for the successful implementation of the company’s strategy.

5.5 Limitation of the study

The study focused only on managers and supervisors who are mainly involved in strategy formulation and implementation. There was lack of involvement of other players like the members of the board of directors who also contribute to the success of strategy implementation. The study lacks input from the branches outside Nairobi region and left out those located upcountry whose contributions would have enriched the study. Finally, some respondents did not provide all the information thus depriving the study of some required data.
5.6 Suggestions for Further Research

There should be further studies on the application of balanced scorecard by other insurance industry players. This will enable the review of the implementation of their current strategies. It will help find out the alignment of their organizational processes such as budgeting, risk management and analytics with their strategic priorities.
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APPENDICES

Appendix I: Interview guide

Part A: Background Information

1. Name of your department__________________________________________________________
2. What is your job title (designation)________________________________________________
3. What number of year have you worked in the organization___________________________
4. How many employees are in your department________________________________________
5. Are you aware of Gateway’s strategic plan__________________________________________

6. Have you ever attended a Strategic Management training ____________________________

Part B: Effectiveness of the Balanced Scorecard as a strategy tool

1. Who are involved in performance measurement in Gateway
______________________________________________________________________________
2. What are the major factors considered in performance measurement in Gateway
______________________________________________________________________________
3. Which employee levels are included in performance appraisals and review____________
______________________________________________________________________________
4. What are the requirements for successful performance measurement__________________
______________________________________________________________________________
5. Does the Company outsource resource in its strategic plan and performance review
______________________________________________________________________________
6. Are you aware of the use of BSC by Gateway as a Strategic Management tool


Part C: Benefits and challenges of using the BSC

1. What are the main benefits of using the BSC


2. Is the use of BSC benefiting and value adding


3. Which are the Key Performance Indicators used in performance measurement


4. What is required to improve the use of BSC


5. Are there any challenges you have encountered in the process of using the BSC


6. What are the possible solutions to the challenges faced in the use of BSC


