EFFECTS OF BALANCED SCORECARD PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE JOB SATISFACTION AT THE CO-OPERATIVE BANK OF KENYA LTD

BY

MWONGERA GACHERI

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DECLARATION

I declare that this is my original work and has not been presented in any other University or College for Examination or Academic purposes.

Signature:

______________________________

Student: MWONGERA GACHERI

REG NO: D61/8995/2005

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

Signature:

______________________________

SUPERVISOR: FLORENCE MUINDI

Date
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Last but not least I take this opportunity to express my deep gratitude to the lasting memory of my loving family; my parents for their financial and moral support, sister Gatwiri and her family – Nicholas and Nkatha, my brother Ben and sister Martha who have been a constant source of motivation and for their never ending support and encouragement during this project. I thank my all my friends and specifically Kim for all your support. God bless you all.
DEDICATION

This project is dedicated to my parents Mr. and Mrs. Mwongera for instilling the value of education in me; I surely would not have come this far without you.
ABSTRACT

This study sought to carry out a descriptive survey on the effects of balanced scorecard performance management system on employee job satisfaction by the Co-operative Bank of Kenya. The main purpose of the study was to establish what effects of balanced scorecard performance management system has on employee job satisfaction at Co-operative Bank of Kenya Limited.

This research was conducted through a descriptive survey and the target population of this study was all the staff at Co-operative Bank of Kenya Limited. The study collected quantitative data using a self-administered questionnaire. The responses were analyzed through descriptive statistics by use of mean scores, standard deviations, frequencies and percentages.

The findings of the study established that the effects of balanced scorecard performance management system on employee job satisfaction by the Co-operative Bank of Kenya Limited are better resolved for performance to be more effective. The study further established that most of the respondents were in agreement that the effects of balanced scorecard performance management system on employee job satisfaction were important and would be more valuable if effectively utilized. The effects were generally rated as moderate.

This study recommends that in order to reap more benefits from balanced scorecard, Co-operative Bank management should enhance communication with the employees to help them understand balanced scorecard and how they can use it to improve their performance and more so boost their job satisfaction.
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1. Background

Measuring performance is both necessary and vital in any organization; it not only helps to know how a business is performing but also enables it to perform better. The ultimate aim of implementing a performance measurement system is to improve the performance of an organization so that it may better serve its customers, employees, owners, and stakeholders (Johnson, 2010). There is no one right way in managing performance. Robertson (2003); Johnson (2010) point out that different approaches have been used in different organizations to manage performance including: The Balanced Scorecard, Activity-based Costing and Management, Economic Value Added (EVA), Quality Management, Customer Value Analysis/Customer Relationship Management and Performance Prism.

In the late 1970’s and 1980’s, scholars expressed a general dissatisfaction with traditional backward looking accounting based performance measurement systems, identifying their shortcomings and arguing for change (Platts, et al, 2000). Over the past few years, the balanced scorecard has become an important measurement tool that is being used in many organizations that translates a company's goals and objectives into a set of comprehensive performance measures that give a strategic framework for effective management system. Basically, the balanced scorecard is a visual representation of the company's strategy. It is designed to measure the success of an organization, department or business unit, balance short term and long term plans and various success measures such as customer, financial, internal business processes as well as human resources development and systems. Moreover, the balanced scorecard is also a means of merging strategy with action measures (Kaplan and Norton, 1996).

The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system.
Holbeche (2002), recognizes some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.

Performance management plays a vital part in motivation an ingredient of job satisfaction. If the objectives that individuals employees are seeking are unclear, if the criteria for measuring those objectives attainment are vague, and if employees lack confidence that their efforts will lead to a satisfactory appraisal of their performance or feel that there was an unsatisfactory pay off by the organization when their performance objectives are achieved, one can expect individuals to work considering below their potential. Satisfactory performance implies a combination of things. It means doing a job effectively and efficiently with a minimum degree of employee created disruption (DeCenzo and Robbins, 2003).

In order to be effective, the criteria for performance management appraisal should be genuinely related to success or failure in the job. Management is the overriding goal of any appraisal system(Armstrong and Baron, 1998). A good appraisal process ensures that all employees doing similar jobs are evaluated according to the same standards. Proper use of balanced scorecard as a performance management appraisal system can help the organization identify the strongest and weakest employees. It can help legally justify many human resource management decisions such as promotions, salary increases, discipline and layoffs Philpott and Sheppard, 1992).

1.1.1 Balanced Scorecard
The balanced scorecard is a tool of performance management system that maps an organization's strategic objectives into performance metrics in four perspectives:
financial, internal processes, customers, and learning and growth. It aligns business activities to the vision and strategy of the organization, improves internal and external communication and monitors organization performance against strategic goals. It was originated by Drs. Kaplan and Norton in the early 1990s as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance (Kaplan and Norton, 1992).

The balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. It provides executives with comprehensive framework that translates a company’s vision and strategy into a coherent set of performance measures. Many companies have vision statements to communicate the fundamental values and beliefs to all employees (Kiragu, 2005). The mission statement as discussed by Simons, (1995), addresses core beliefs and identifies target markets and core products. In today’s information environment, a company can no longer be measured solely on past performance. Although past performance is usually a good indicator of future results, it cannot be the sole base for measurement (Platts, et al, 2006). To better gauge a company’s performance, one must balance all areas of the business. By focusing not only on financial outcomes but also on the operational, marketing and developmental inputs to these, the balanced scorecard helps provide a more comprehensive view of a business, which in turn helps organizations act in their best long-term interests. To embark on the balanced scorecard path an organization first must know and understand the company's mission statement and strategic plan or vision (Armstrong & Baron 2005).

The balanced scorecard performance management approach gives a complete picture of the employee as well as the organizational performance; it guides users in determining the critical success factors and performance indicators; strategic review or analysis of the organizational capabilities and performance; focusing the whole organization on the few key things needed to create breakthrough performance and integrating as well as directing the performance and efforts from the lowest levels in the organization to achieve
excellent overall performance (Kaplan and Norton, 1996). Kahului (2005) describes the balanced scorecard as a management tool that provides stakeholders with a comprehensive measure of how the organization is progressing towards the achievement of its strategic goals and argues that the balanced scorecard should reinforce the objectives of the organization by reinforcing indicators that are important to achieving the strategy.

1.1.2 Job Satisfaction

As the importance of job satisfaction rises in the minds of workers, they are more likely to consider it as a reason to stay with their current job or accept a job offer elsewhere. Most workers have experienced an organization that has the reputation of being an unpleasant place to work may have trouble attracting new employees. Job satisfaction is the end feeling of a person after performing a task Khainga, (2006); to the extent that a person’s job fulfills his dominant needs and is consistent with his expectations and values, the job was satisfying. The feeling would be positive or negative depending on whether need is satisfied or not. Job satisfaction may be considered a dimension of moral and moral could also be a source of satisfaction. Job satisfaction is the end feeling which may influence subsequent behavior. Thus, job satisfaction is an employee’s general attitude towards his job (Gupta and Joshi, 2008).

According to Werther and Davis (1996), job satisfaction is favorableness or unfavorableness with which employees view their work. As with motivation, it is affected by the environment. A basic issue is whether satisfaction leads to better performance or whether better performance leads to satisfaction. The reason for the uncertain relationship between performance and satisfaction is that rewards intervene. Whether satisfaction is going to be improved depends on whether the rewards match the expectations, needs, and desires of the employees. If better performance leads to high rewards; and if those rewards are seen as fair and equitable. Conversely, inadequate rewards can lead to dissatisfaction. In either case satisfaction becomes feedback that affects one’s self-image and motivation to perform.
According to Gupta (2008), job satisfaction is an integral component of organizational health and an important element in industrial relations. The level of job satisfaction seems to have some relation with various aspects of work behavior such as accidents, absenteeism, turnover and productivity. Several studies have revealed varying degrees of relationship between job satisfaction and these factors of work behavior. Whether work behavior is the cause or effect of job satisfaction is not clear. Research on the relationship between job satisfaction and accidents generally shows that satisfied employees cause fewer accidents. Studies on the relationship between job satisfaction and absenteeism have yielded conclusive results. Most of these studies showed that low absentee employees were more satisfied with their jobs. Research also reveals that unionized workers tend to be more satisfied whereas employees of disturbed organizations were generally less satisfied. Less satisfied employees are more likely to quit their jobs than more satisfied employees. It is generally assumed that satisfied employees are more productive, but research reveals no relationship between job satisfaction and productivity. Employees in highly productive groups were more likely than employees in low productivity groups to be satisfied with their jobs. A worker may be satisfied with the work environment but may produce more to prove his abilities to management on the other hand; a highly satisfied worker may not produce more and get away with it because he may be friendly with the supervisor (Gupta and Joshi, 2008).

1.1.3 Balanced Scorecard and Employee Job Satisfaction
A primary tenet of principal-agency theory is that firms must delegate decision making to managers, a key aspect of job satisfaction. Balanced scorecard enables firms not only evaluate performance, but to help align managerial contribution to decision making with the goals of the firm. The balanced scorecard focuses managers on the firm’s desired outcomes Epstein and Manzoni (1997) and communicates a balanced, holistic view to managers. Within the balanced scorecard framework, the performance measures consist of a mix of leading and lagging indicators of performance (Albright and Lam, 2006).
Leading indicators help project future financial performance and includes measures such as employee job satisfaction and customer satisfaction. Studies have shown a direct correlation between staff satisfaction and customer satisfaction (Michael, 1999). The balanced scorecard was developed by Kaplan and Norton (1996) as a mechanism to provide managers with feedback concerning the impact of their actions. As such, the balanced scorecard should enable managers to engage in activities that are consistent with firm goals, ultimately improving the manager’s decision-making process and the firm’s long-run performance (Kaplan and Norton, 1996). To investigate the balanced scorecard’s effect on the manager, this study examines the association between each balanced scorecard characteristic – the perspective framework and the strategy link – and managers’ job satisfaction.

Job satisfaction is a critical variable for understanding overall organizational effectiveness (Rusbult et al, 1988). Basically, job satisfaction reflects how an individual feels about his or her job. Prior research supports a positive relation between job satisfaction and organizational revenues (Banker et al, 2000). However, low job satisfaction is associated with higher turnover intentions Pasewark and Strawser (1996); Snead and Harrell (1991), increased job insecurity Ameen et al (1995), and higher levels of absenteeism and employee dissent (Staw, 1984). Given the investment that firms make in hiring and training their employees, job dissatisfaction and turnover are costly. Prior literature provides a framework detailing the impact that task characteristics have on job outcomes, such as job satisfaction (Spector, 1997). Hackman and Oldham’s model details five core job dimensions, including feedback (Robbins, 2003). In this model, feedback is defined as the “degree to which carrying out the work activities required by the job results in the individual obtaining direct and clear information about the effectiveness of his or her performance” (Robbins, 2003). The extensive research investigating the model’s relationships has consistently shown that feedback has a positive impact on job satisfaction.
According to Kaplan and Norton (1996, 2001a, 2004), an effective strategic learning process requires a shared strategic framework that communicates the strategy and enables all participants to see how their individual activities contribute to overall strategy fulfillment. As such, the balanced scorecard is supposed to represent an organization’s shared vision. Moreover, it should be an instrument for internal consensus-building. By using the measurements as a language for translating complex and frequently nebulous concepts into more “precise” indicators, senior executives may be more likely to find a common agenda. Thus, the balanced scorecard idea is to communicate a holistic model, linking individual efforts and accomplishments to business-unit objectives.

1.1.4 The Co-Operative Bank of Kenya Limited

According to the Co-operative Bank of Kenya Fact book, the bank is incorporated in Kenya under the Company's Act and is also licensed to do the business of banking under the Banking Act. The bank was initially registered under the Co-operative Societies Act at the point of founding in 1965. This status was retained up to and until 27th June 2008 when the Bank's Special General Meeting resolved to incorporate under the Companies Act with a view to complying with the requirements for listing on the Nairobi Stock Exchange (NSE). The bank went public and was listed on 22nd December 2008. The Bank runs three subsidiary companies, namely; Kingdom Securities Limited, a stock broking firm with the bank holding a controlling 60% stake; Co-op Trust Investment Services Limited, the fund management subsidiary wholly-owned by the bank; and Co-operative Consultancy Services (K) Limited, the corporate finance, financial advisory and capacity-building subsidiary wholly-owned by the bank (Co-operative Bank Human Resource Division, 2011).

The Co-operative Bank is 100% privately owned by over 111,720 shareholders (as at 2009 close). Out of this, Coop Holdings Co-operative Society Limited owns 64.56%, with the rest held by other investors. The Co-operative Bank Foundation is the Co-operative Bank's vehicle for social responsibility. The current flagship project of the foundation is an education scholarship scheme for bright but less endowed children who
are facing difficulties in paying school fees for secondary education. Co-operatives are at the core of the business. They define who Co-operative bank are, they are the bank’s strategic shareholders, they are the single largest customer base, and they remain the key focal point of the bank’s strategy. The Co-operative Movement is the strategic and anchor shareholder in the Bank. The movement holds a majority 65% stake through Coop Holdings Co-operative Society Limited, which holds the stake on behalf of 3,080 co-operative societies and unions with millions of individual members (Co-operative Bank Human Resources Division, January 2009).

1.2 Statement of Problem

Effective use of balanced scorecard performance management system can help organizations to better understand its overall efficiency and effectiveness whether in terms of people, processes or programs (Kaplan and Norton, 1996). Hoppock (1935) indicates that job satisfaction is the mental, physical, environmental satisfaction of employees. Job satisfaction describes how content an individual is with his or her job. The happier people are within their job, the more satisfied they are said to be. Job satisfaction is not the same as motivation or aptitude, although it is clearly linked. Job design aims to enhance job satisfaction and performance; methods include job rotation, job enlargement, job enrichment and job re-engineering. Schermerhorn (1997) refers to job satisfaction as the degree to which employees feel positively or negatively about their jobs. Positive and negative feelings about one’s job lead to job satisfaction and job dissatisfaction respectively.

The balanced scorecard was introduced at Co-operative Bank of Kenya Limited in the year 2006 to the management staff and later rolled out to the unionizable staff in the year 2008; Co-operative Bank Human Resources Division (2008), as a new performance management tool with the intention of not only focusing on financial outcomes but also the operational, marketing and developmental inputs. This would help provide a more comprehensive view of business, with the aim of acting in their best long term interests.
Performance management appraisal systems focusing only on the financial aspects could no longer provide adequate barometer for gauging business performances because the bank faces a more challenging business environment from its competition. Qualitative aspects like employee motivation and satisfaction, customer satisfaction, social responsibility, competition are now taking centre stage and the effects of these factors in business performance must be recognized. It is therefore evident that introducing a multiple performance measure such as balanced scorecard was necessary.

According to Armstrong and Baron (1998) the major clearing banks in The United Kingdom (BBK, Lloyds, Midland and National Westminster), were the first large organizations to adopt balanced scorecard. Several studies have been done on balanced scorecard in Kenya; Odadi (2002) studied the process and experience of implementing the balanced scorecard technique, a descriptive survey of Stanbic Bank, Kenya. He found out that due to the rapid change in the business environment, organizations require a performance management system that will encompass both the financial and non-financial factors, highly recommending the balanced scorecard. Kiragu (2005) carried out a survey on the adoption of the balanced scorecard by selected companies in Kenya. The findings indicated that approximately sixty nine percent of companies use financial and non-financial performance measures and have a link between the two. However most companies do not call these performance management systems balanced scorecard, though their practices model those of the balanced scorecard. Njiru (2007) studied the use of balanced scorecard in strategy implementation by quoted companies in the NSE. The findings indicated that thirty five percent of the companies quoted in the NSE are currently using the balanced scorecard model, showing that the model is gaining popularity. Sang (2007) carried out a study on the implementation of the balanced scorecard at UNDP-Somalia. He found out that the benefits reaped through the implementation of balanced scorecard in UNDP Somalia, the system is an excellent tool in translating strategy to day to day operations.
The context in which these studies have been done varies from implementation of the balanced scorecard system, the adoption of the system in various companies to challenges encountered in the implementation process. Despite the above literature, no study to the knowledge of the researcher has been specifically done on the effects balanced scorecard has on employee job satisfaction even though the two seem to complement one another. It is therefore evident that there is need to study the effects of balanced scorecard performance management system on employee job satisfaction at Co-operative Bank of Kenya as there seems to exist a knowledge gap in this area. The a descriptive survey will address the following research question: What are the effects of balanced scorecard performance management system on employee job satisfaction at Co-operative Bank of Kenya?

1.3 Research Objective
To determine the effects of balanced scorecard performance management system employee job satisfaction at Co-operative Bank of Kenya Limited.

1.4 Significance of the Study
The findings of this study will assist the management of Co-operative Bank exercise organizational control by diagnosing the training and development needs of the future. It will also provide information to assist in the human resource decisions such as promotions and transfers. Performance management will help to strengthen the relationship and communication between management and subordinates.

Other organizations especially those in the banking industry was able to understand the effects of balanced scorecard on their respective organizations and the industry as a whole and therefore was prompted to seek ways through appropriate and proactive policies and regulations to enhance the adoption and implementation of the balanced scorecard methodology in their organizations and in the industry.
Employees of Co-operative Bank will benefit from the findings of this study as performance appraisal was a very effective tool to improve performance and productivity and to develop employees. This is by helping individuals to do better and to raise self-esteem and motivation, resulting to job satisfaction.

The field of balanced scorecard is relatively new within the Kenyan industry, Macharia (2008); the study will provide background information to research organizations and scholars who may want to carry out further research in this area. They will also benefit from the findings of this study as it will contribute to the existing literature.
CHAPTER TWO: LITERATURE REVIEW

2.1 Performance Management

Performance management is a strategic and integrated approach to sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong and Baron, 1998). According to Procurement Executive Association USA (1999), it is the use of performance measurement information to effect positive change in organizational culture, systems and processes by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or program directions to meet those goals and sharing results of performance in pursuing those goals.

Dickinson and Johnson (1999), say Aubrey Daniels of Atlanta was responsible for popularizing the use of performance management as referring to behavioral applications in business and industry. He changed from using the term organizational behavioral management for at least two reasons; it was believed that children ‘behaved’ while employees ‘performed’ and the other reasons that ‘behavior’ was always associated with ‘bad’ or inappropriate behavior. This article concludes that ‘performance management is about positive reinforcement and behavior’. Performance management is the systematic, data oriented approach to managing people at work that relies on positive reinforcement as the major way to maximize performance (Slottje, 2000).

Rogers(1995) defines performance management as a joint process that involves both the supervisor and the employee, who identify common goals, which correlate to the higher goals of the institution. This process results in the establishment of written performance expectations later used for feedback and performance evaluation. Performance management is a shared process between managers and the teams they manage. It is a strategic and integrated process that delivers sustained success to organizations by
improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams (Armstrong, 1998).

According to Amimo (2003), performance management concerns everyone in the business, not just managers. It rejects the cultural assumption that only managers are accountable for the performance of their teams and replaces it with the belief that both share that responsibility. Managers and their teams are jointly accountable for results and are jointly involved in agreeing to what they need to do and how they need to do it, in monitoring performance and in taking action. Performance management is a continuous flexible process that involves managers and those who they manage acting as partners within a framework that set out how they can best work together to achieve the required results. It focuses on future performance planning and improvement rather than on retrospective performance appraisal. Performance management reviews provide the inputs required in creating personal or team development plans.

This process provides the basis for regular and frequent dialogue between managers and individuals about performance and development needs, hence forward looking and departmental. Performance management is a means of getting better results from the whole organization and individuals, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process for establishing shared understanding about what is to be achieved and an approach to managing and developing people in a way that increases the short and long-term probability of the organization. It is owned and driven by line management. As defined by Philpott and Sheppard (1992), the fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions. Performance management is also concerned with satisfying the needs and expectations of all of an organization’s stakeholders; that is owners, management, employees, customers, suppliers and the general public.
2.2 Balanced Scorecard

Robert Kaplan and David Norton developed the balanced scorecard in the early 1990s with the realization that financials alone would not be enough for organizations attempting to thrive, or even compete in the twenty first century. They organized a research study of a dozen of companies attempting to discern the best practices in performance management and this led to development of the balanced scorecard (Niven, 2005). The balanced scorecard is described as “a set of measures that give top managers a fast but comprehensive view of the business ”Kaplan and Norton (1992, Pg 71). It is compared to the dials and indicators in an airline cockpit, which pilots need for the complex task of navigating and flying an airplane – information on fuel, airspeed, altitude, bearing and destination; and in the scenario, reliance on only one instrument can be fatal. The complexity of managing an organization today, Kaplan and Norton (1992) point out requires that managers be able to view performance in several areas simultaneously. Kahihu (2005) adds that the measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.

Horngreen (1996) defines a balanced scorecard as a performance measurement system that strikes a balance between financial and operating measures, links performance to rewards and glues explicit recognition to the diversity of stakeholders’ interests. Simons (2002) looks at balanced scorecard as a performance measure which communicates the multiple linked objectives that companies must achieve to compete based on their tangible capabilities and innovations. The specific objectives and measures of organizations balanced scorecard are derived from the firm’s vision and strategy (Chow, 1998). The term ‘balance’ according to “Webster’s Third New International Dictionary means steadiness that results when all parts are properly adjusted to each other, when no one part or constituting force overweighs or is out of proportion to another. The balanced scorecard is a performance management technique for communicating and evaluating the achievement of the mission and strategy of the organization (Drury, 2004).
The balanced scorecard expands the set of business unit objectives beyond summary financial measures. The objectives and measures view organizational performance from four perspectives: financial, customer, internal business processed, and learning and growth (Kaplan and Norton, 1992). These four perspectives provide the framework for the balanced scorecard (see figure 1.1 below).

**Figure 1.1 Balance Score Card**

According to Kaplan and Norton (1996), many companies already have performance management systems that incorporate financial and non-financial measures. These organizations are using their financial and non-financial performance measures only for tactical feedback and control of short-term operations. The balanced scorecard emphasizes that financial and non-financial measures must be part of the information system for employees at all levels of the organization. Front-line managers must understand the financial consequences of their decisions and actions; senior executives must understand the drivers of long-term financial success.

The objectives and the measures for the balanced scorecard are more than just a somewhat ad hoc collection of financial and non-financial performance measures; they are derived from a top-down process driven by the mission and strategy of the business unit. The balanced scorecard should translate a business unit’s mission and strategy into tangible objectives and measures. The measures represent a balance between external measures for shareholders and customers, and internal measures of critical business processes, innovation, and learning and growth. The measures are balanced between outcome measures—the results from past efforts—and the measures that drive future performance. In addition, the scorecard is balanced between objective, easily quantified outcome measures and subjective, somewhat judgmental, performance drivers of outcome measures (Kaplan and Norton, 1996).

Ittner and Larcker (2003) discovered that most companies have made little attempt to identify areas of non-financial performance that might advance their chosen strategy, nor have they demonstrated a cause-and-effect link between improvements in those non-financial areas and in cash flow, profit or stock price. The balanced scorecard can be thought of as the “strategic chart of accounts” for an organization to look ahead using leading indicators instead of looking back using lagging indicators (Dylan, 2002). It is important to note that the balanced scorecard is not a template that can be applied to businesses in general or even industry-wide. Different market situations, product strategies, and competitive environments require different scorecards to fit their mission, strategy, technology, and culture (Kaplan and Norton, 1993).
Evidence from Hackett Benchmarking Solutions, the US management consultancy, which surveyed one thousand, four hundred global businesses, shows that almost fifty percent of companies apply some kind of balanced scorecard approach (Littlewood, 1999). The balanced scorecard in the Kenyan scenario has been generally been adopted by sixty nine percent of the companies according to a survey by (Kiragu, 2005). Some companies were found to be implementing balanced scorecard perspectives though not actually calling it balanced scorecard. The balanced scorecard was developed to communicate the multiple, linked objectives that organizations must achieve to compete on basis of capabilities and innovation, not just tangible physical assets (Kaplan and Atkinson, 1998).

2.2.1 The Four Perspectives of Balanced Scorecard

According to Kaplan and Norton (1996) the four perspectives of the scorecard permit a balance between short and long-term objectives, between outcomes desired and the performance drivers of those outcomes, and between hard objectives measures and softer, more subjective measures. While the multiplicity of measures on a balanced scorecard may seem confusing, properly constructed scorecards contain a unity of purpose since all the measures are directed toward achieving an integrated strategy.

The balanced scorecard retains the financial perspective since financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken. Financial performance measures indicate whether a company’s strategy, implementation, and execution are contributing to bottom-line improvement. Financial objectives typically relate to profitability-measured, for example, by operating income, return-on-capital-employed, or, more recently, economic value-added. Alternative financial objectives can be rapid sales growth or generation of cash flow. This perspective shows the results of the strategic choices made in the other perspectives. By making fundamental improvements in their operations, the financial numbers will take care of themselves, according to (Kaplan and Norton, 1992). In the public arena, the
“financial” perspective differs from that of the traditional private sector. Private sector financial objectives generally represent clear long-range targets for profit-seeking organizations, operating in a purely commercial environment (Procurement Executives Association, 1998). Financial considerations for public organizations should be measured by how effective and efficiently they meet the needs of their constituencies. Lynch (2003), argues that the financial perspective translates the purpose of the organization into action through clarifying precisely what is wanted and gaining commitment to it; measures reflecting the financial perspective.

The second perspective of the Balanced Scorecard is the Customer Perspective. According to Arverson (1998), this perspective arises due to an increasing realization of the importance of customer satisfaction in any company. This is one of the leading indicators in that if customers are not satisfied, they will eventually find other suppliers that will meet their needs. In this perspective managers identify the customer and market segments in which the business unit will compete and measures of business unit performance in these targeted segments. This perspective typically includes several core or generic measures of the successful outcomes from a well-formulated and implemented strategy. The core outcome measures include customer satisfaction, customer retention, new customer acquisition, customer profitability, and market and account share in targeted segments. In addition, the customer perspective should include specific measures of the value propositions that the company will deliver to customers in targeted market segments. The segment-specific drivers of core customer outcomes represent those factors that are critical for customers to switch to or remain loyal to their suppliers. The customer perspective enables business unit managers to articulate the customer and market-based strategy that will deliver superior future financial returns. Kaplan and Norton (1996), Kiragu (2005) outline the ability of the organizations to promote quality products or services, effectiveness of their delivery and the overall customer service and satisfaction. Kamau (2006) points out that this perspective is basically the value proposition that the organizations will deliver to the customers in the targeted market segments.
Thirdly there is the Internal-Business-Process Perspective, which is primarily an analysis of the organization’s internal processes. Internal business processes are mechanisms through which organizational performance expectations are achieved. Customer-based measures are important, but they must be translated into measures of what the organization must do internally to meet customers’ expectations. In this perspective, executives identify the critical internal processes in which the organization must excel. These processes enable the business unit to: deliver the value propositions that will attract and retain customers in targeted market segments, and satisfy shareholders expectations of financial returns. Organizations should decide at what processes and competencies they must excel and specify measures for each. Key internal processes are monitored to ensure that outcomes was satisfactory. The measures should also link top management’s judgment about key internal processes and competencies to the action taken by individuals that affect overall corporate objectives. This linkage ensures that employees at lower levels in the organization have clear targets for actions, decisions and improvement activities that will contribute to the organization’s overall mission (Kaplan and Norton 1996). These measures allow managers to know how well their business is running, and whether its products and services conform to customer requirements (Averson, 1998). It is no longer enough to satisfy customers, you need to delight them (Oakland, 1993).

The fourth perspective of the balanced scorecard, learning and growth, identifies the infrastructure that the organization must build to create long-term growth and improvement. The customer and internal-business-process perspectives identify the factors most critical for current and future success. Businesses must therefore improve their technologies and capabilities to be able to meet their long-term targets for customers and internal processes. In addition, intense global competition requires that companies continually improve their capabilities for delivering value to customers and shareholders. Organizational learning and growth comes from the three principal sources; people, systems, and organizational procedures. The financial, customer and internal-business-process objectives on the balanced scorecard will typically reveal large gaps between the existing capabilities of people, systems, and procedures and what was required to achieve...
breakthrough performance. To close these gaps, businesses will have to invest in reskilling employees, enhancing information technology and systems, aligning organizational procedures and routines. These objectives are articulated in the learning and growth perspective of the balanced scorecard. Learning and growth issues enable the organization to ensure its capacity for meeting customer needs, a pre-requisite for long-term survival (Kaplan and Norton, 1996). Metrics can be put in place to guide managers in focusing training funds where they can help most (Averson, 1998).

2.3 Job Satisfaction

Scholars have described job satisfaction in different but related ways. Weiss (2002) has argued that job satisfaction is an attitude but points out that researchers should clearly distinguish the objects of cognitive evaluation which are emotions, beliefs and behaviors. This definition suggests that we form attitudes towards our jobs by taking into account our feelings, our beliefs, and our behaviors. Job satisfaction describes how content an individual is with his or her job. The happier people are within their job, the more satisfied they are said to be. Job satisfaction is not the same as motivation or Aptitude, although it is clearly linked. Spector (1997) defined job satisfaction as the extent people like or dislike their jobs. Hoppock (1935) indicates that job satisfaction is the mental, physical, environmental satisfaction of employees. Schermerhorn (1997) refers to job satisfaction as the degree to which employees feel positively or negatively about their jobs. Positive and negative feelings about one’s job lead to job satisfaction and job dissatisfaction respectively.

Khainga (2006) indicates that job satisfaction has three dimensions. Firstly, it is an emotional response to a job situation. This can only be inferred. Secondly, job satisfaction is determined by how well outcomes meet expectations. For instance, if the salary is commensurate to work done and is also equitable, the organizational members are likely to develop job satisfaction. Finally, job satisfaction should be viewed as representing a combination of related attitudes. Job satisfaction can take place through
intrinsic motivation that is self-generated factors that influence people to behave in a certain way such as responsibility, freedom act, scope to use and develop skills and abilities among others. It could also be through extrinsic motivation i.e. what is done to or for people to motivate them including rewards such as increased pay, praise or promotion. The later have an immediate and powerful effect though not long lasting as the intrinsic motivators which have a deeper and longer term effect because they are inherent in individuals.

Anold and Feldman (1986) identified job satisfaction factors as pay, promotion, supervision, work group and working conditions. Work should be challenging with variety of tasks. Variety produces more job satisfaction. Too much control over work methods and work place by management may result to job dissatisfaction. Promotion to higher levels brings more satisfaction; there are more job challenges, more freedom, leadership and better pay. Supervision determines employees’ participation in decision making. Employees who participate in decisions that affect their jobs display a much higher level of job satisfaction with their supervisors and overall work situation. Cooperative workmates act as social support systems. Working conditions determine physical comfort. Davis (1951) found job satisfaction can make employers achieve organizational goals, take more interest in work and feel honored to be part of their organization.

Mullins (2002) outlined factors that cause job satisfaction as Individual Factors which include personality, education, intelligence and abilities, age, marital status and orientation to work. Secondly are Social Factors that include relationship with colleagues, group working, norms, opportunities for interaction and informal organization. Thirdly he identified the Cultural Factors including underlying attitudes, beliefs and values. Organizational Factors were outlined as fifth consisting of personnel policies and procedures, employee relations, nature of work, technology and work organization, supervision and styles of leadership, management systems and working conditions.
Lastly he outlined the Environmental Factors including economic, social technical and governmental influence.

Several theories have tried to explain why people feel the way they do in regards to their jobs. To highlight some but just a few, Locke (1976) developed the Affect Theory which is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied or dissatisfied one becomes when expectations are or are not met. When a person values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who does not value that facet.

Jackson (1982) outlines the Dispositional Theory which is a very general theory that suggests that people have innate dispositions that cause them to have tendencies toward a certain level of satisfaction, regardless of one’s job. This approach became a notable explanation of job satisfaction in light of evidence that job satisfaction tends to be stable over time and across careers and jobs.

A significant model that narrowed the scope of the Dispositional Theory was the Core Self-evaluations Model proposed by Judge (2003). Judge argued that there are four Core Self-evaluations that determine one’s disposition towards job satisfaction: self-esteem, general self-efficacy, locus of control, and neuroticism. This model states that higher levels of self-esteem (the value one places on his or herself) and general self-efficacy (the belief in one’s own competence) lead to higher work satisfaction. If one has an internal locus of control (believing one has control over her or his own life, as opposed to outside forces having control) leads to higher job satisfaction. Finally, lower levels of neuroticism lead to higher job satisfaction.
Frederick Herzberg’s two factor theory (also known as Motivator Hygiene Theory) attempts to explain satisfaction and motivation in the workplace. This theory states that satisfaction and dissatisfaction are driven by different factors - motivation and hygiene factors, respectively (Herzberg, 1966). An employee’s motivation to work is continually related to job satisfaction of a subordinate. Motivation can be seen as an inner force that drives individuals to attain personal and organizational goals (Porter, 2003). Motivating factors are those aspects of the job that make people want to perform, and provide people with satisfaction, for example achievement in work, recognition, promotion opportunities. These motivating factors are considered to be intrinsic to the job, or the work carried out. Hygiene factors include aspects of the working environment such as pay, company policies, supervisory practices, and other working conditions.

Abwavo (2005) outlines that companies that satisfy employees desire for good managerial relations, respect, fair and adequate compensation, and opportunities for growth and development through training, in turn reaping the benefits. Employee satisfaction is an important issue for employers. High levels of absenteeism and turnover are quite costly in terms of training and recruiting. Khainga (2005) indicates that few organizations seem to have made this a priority maybe because they really do not see the significance. Satisfied employees tend to be more productive, creative and committed to their employers. Studies have shown a direct correlation between staff satisfaction and customer satisfaction Michael (Oct, 1999) Levels of job satisfaction tend to increase as one moves up the hierarchy in the organization. While one cannot assume that professionals take responsibility for their performance and satisfaction, it is a generally acceptable fact that professionals have the ability to increase their skills and make that increase visible to their colleagues. They negotiate acceptable salary benefits. On the other hand unskilled labourers often feel powerless because they are not marketable. They frequently result to collective bargaining as a means of attaining acceptable terms and conditions of employment.
2.3 Measurement Job Satisfaction

Dessler (1999) notes that job satisfaction reflects the attitudes about an employee’s job in practice. Measuring job satisfaction usually means measuring specific aspects of the job; using instruments such as the popular job satisfaction survey, the job descriptive index which measures the following five aspects of job satisfaction: Pay – how much pay is received and is it perceived to be equitable? Job- are tasks interesting and are opportunities for learning acceptable? Promotional opportunities – are promotions and opportunities to advance available and fair? Supervisor – does the supervisor demonstrate interest in and concern about employees? Co-workers – Are workers friendly, competent and supportive?

Job satisfaction levels are determined by carrying out attitude surveys. Attitudes influence behaviors; a person’s attitude has been found to influence his or her performance and behavior at work. Dessler (1999) defined an attitude as a predisposition to respond to objects, people or events in either a positive or negative way. According to Broom (1972), job satisfaction level may be measured through employees’ feelings about pay, work itself, benefits, career, advancement, coworker performance, supervisory consideration, supervisory promotion of teamwork and participation, supervisory instructions/guidance, communication, human resource/personnel policies, concern for employees, productivity/efficiency, training and development, physical working conditions, strategy/mission, recognition, other job options and comparative information. Job satisfaction can be measured by looking at employee productivity levels, employee retention and costs related with turnover, rates of absenteeism, quality of work and output and commitment to the organization.

Quinn (1974) identified two types of job satisfaction measures; single-question versus multiple-item measures. Single –question measures typically ask a question such as, “On the whole would you say you are satisfied or dissatisfied with the work you do?” and its variant, “All in all, would you say you are satisfied or dissatisfied with your job?” Multiple – item measures on the other hand, ask respondents to rate various aspects of
their job on a scale running from (say) levels of dissatisfaction to levels of satisfaction. Wether (1993) says that an effective department is one that meets both company objectives and employee needs. When employees’ needs are unmet, turnover, absenteeism and union activities are more likely. He recommends audit of employee satisfaction as a means of learning how well employee needs are met. In auditing employee satisfaction levels he says, an audit team gathers information about wages, benefits, career planning assistance and the feedback employees receive about performance.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design
The design of this research was a descriptive survey on the effects of balanced scorecard performance management system on employee job satisfaction at Co-operative Bank. The survey will help in understanding the various effects, both positive and negative as it will entail obtaining all relevant information from the employees.

3.2 Population
The population of the study was all employees of Co-operative Bank. There is a total number of approximately two thousand, eight hundred and eighty employees in the bank, divided into senior management, middle level management, supervisory and clerical staff (Co-operative Bank Human Resources Division, 2011).

3.3 Sample
The research used stratified random sampling because it will enable generalization of a larger population with a margin of error that is statistically determinable. 10% of the population in each level was sampled and considered large enough to provide a good basis for valid and reliable conclusions. The population was divided into the following strata: senior management, middle level management, supervisory staff and clerical staff. Random sampling was used whereby all samples of the same size have an equal chance of being selected from the population. The subsets of the strata will then be pooled to form a random sample. The sample size was as follows:
<table>
<thead>
<tr>
<th>Population Category</th>
<th>100%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>40</td>
<td>4</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>280</td>
<td>28</td>
</tr>
<tr>
<td>Supervisory Staff</td>
<td>360</td>
<td>36</td>
</tr>
<tr>
<td>Clerical Staff</td>
<td>2200</td>
<td>220</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2880</td>
<td>288</td>
</tr>
</tbody>
</table>

**Table 3.1 Sample size**

3.4 Data Collection

Primary data was used in this study. The data was collected by use of self-administered questionnaires method and through email. The questionnaire was divided into the following sections: respondent’s background / profile, balanced scorecard and effects of balanced scorecard on job satisfaction. The questionnaire will comprise semi structured questions.

3.5 Data Analysis

The questionnaires were adequately checked for reliability and verification. The data collected shall be edited for accuracy, uniformity, consistency, completeness and arranged to enable coding and tabulation before final analysis. The quantitative data was analyzed through descriptive statistic techniques such as frequency distribution tables, summarized percentages, proportions, means and standard deviation. The data was presented using charts and tables.
CHAPTER FOUR  
DATA ANALYSIS AND PRESENTATION OF THE FINDINGS  

4.1: Introduction  
The research objective was to assess the effects of balanced scorecard performance management system on employee job satisfaction at Co-operative Bank of Kenya Limited. This chapter presents the findings, analysis and interpretation of the data from the respondents. A total of 288 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Out of the 288 questionnaires used in the sample, 219 returned represented a response rate of 76%, which the study considered adequate for analysis. However, 62 questionnaires were not returned making a 24% non-response. The findings are presented in percentages, frequency distributions, means and standard deviations.  

4.2: Demographic Profile of the Respondents  
4.2.1 Age of Respondents  
The respondents were asked to state their age bracket by ticking appropriately whether they are aged between 24 to 30 years, 31 to 35 years, 36 to 40 years, 41 to 45 years or 46 years and above. The results are given in table 4.1  

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 – 30 yrs</td>
<td>103</td>
<td>47</td>
</tr>
<tr>
<td>31 -35 yrs</td>
<td>72</td>
<td>32.9</td>
</tr>
<tr>
<td>36 – 40 yrs</td>
<td>22</td>
<td>10</td>
</tr>
<tr>
<td>41 – 45 yrs</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>46 years and above</td>
<td>9</td>
<td>4.1</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.1 Age of respondents  

*Source: research data*
Most of the respondents were aged between 24 and 30 years, 47%, 32.9% were aged between 31-35yrs, 10% were aged between 36 and 40 years while 6% and 4.1% were aged between 41 to 45 years and more than 45 years respectively. This shows that Co-operative Bank has a youthful workforce, this is important in its marketing and growth drives. A competitive industry like the banking industry needs an energetic and motivated workforce to attain its goals.

4.2.2: Department of Work

The respondents were asked to state the department in which they worked. The researcher established that the respondents were from different departments such as Human Resource, Accounts, Information Technology, Retail Banking, Legal, Customer Service, Marketing, Property and Supplies, Institutional Banking, Operations and Credit. It therefore implies that the information collected from them will be all round and therefore more reliable owing to the varied responses.

4.2.3: Level of Respondents’ Employment

The respondents were asked to indicate if their level of employment is either senior management, middle level management, supervisory level or clerical level. The results are indicated in table 4.2 below

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>3</td>
<td>1.4</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>22</td>
<td>10.0</td>
</tr>
<tr>
<td>Supervisory Staff</td>
<td>27</td>
<td>12.3</td>
</tr>
<tr>
<td>Clerical Staff</td>
<td>167</td>
<td>76.3</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.2 Level of Respondents’ Employment

Source: Research data
From the above table, majority of the respondents (76.3%) were clerical staff, 12.3% were supervisory staff, 10% were middle level management and 1.4% were senior level management staff. This has an implication that the data collected cut across all levels of management and therefore the information given would therefore be free of bias.

4.2.4: Employees’ Length of Service

The respondents were asked to indicate by ticking appropriately if they had worked for 6 to 10 years, 11 to 15 years, 16 to 20 years or 21 years and above at Co-operative bank.

<table>
<thead>
<tr>
<th>Number of service years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>73</td>
<td>33.7</td>
</tr>
<tr>
<td>6-10</td>
<td>93</td>
<td>42.5</td>
</tr>
<tr>
<td>11-15</td>
<td>38</td>
<td>17.4</td>
</tr>
<tr>
<td>16-20</td>
<td>15</td>
<td>6.4</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.3 Employees’ Length Service

Source: Research data

On seeking to establish the employee length of service in the organization, the study found out that most of the employees had worked for 6 to 10 years representing a 42.5%. 33.7% of the respondents had worked for 1 to 5 years, 17.4% for 11 to 15 years while 6.4% had served for 16 to 20 years. The results are given in table 4.3.

This is an indication that majority of the employees in Co-operative Bank (66.3%) had worked in the bank for more than 5 years. They were hence in a position to give information as sought by the study as they had adequate experience with the bank.
4.2.5 Education Level of the Respondents

The respondents were asked to state their highest level of education by ticking on Certificate, Diploma, Degree or Masters levels appropriately. The results are given in table 4.4.

<table>
<thead>
<tr>
<th>Education levels</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>28</td>
<td>12.8</td>
</tr>
<tr>
<td>Diploma</td>
<td>32</td>
<td>14.6</td>
</tr>
<tr>
<td>Degree</td>
<td>114</td>
<td>52.1</td>
</tr>
<tr>
<td>Masters</td>
<td>55</td>
<td>25.1</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.4 Education Level of the Respondents

Source: Research data

As shown in table above, majority of the respondents (52.1%) had a first degree 25.1% had education to master’s level, 14.6% had diplomas and only 12.8% had certificates. This implies that Co-operative banks staff mainly comprised of university graduates. It therefore depicts that Co-operative Bank has an elite workforce with majority holding university degrees and above. This is a plus to the study in that the respondents had adequate education and therefore were in a position to give reliable information as sought by this study.

4.3: Understanding of Balanced Scorecard

This section covers questions posed to the respondent on how well they understand what balanced scorecard seeks to achieve in their organization and their general understanding of balanced scorecard. Frequency, percent, mean and standard deviations were used for the analysis.
4.3.1: Frequency of the Use of Balanced Scorecard

The respondents were asked to state how frequently balanced scorecard was used in reviewing their performance. It was apparent that all the respondents (100%) unanimously agreed that balanced scorecard is used in the bank on a quarterly basis. This is in line with the analysis of the banks performances on the key pillars of the balanced scorecard on quarterly reports released by the bank. It therefore depicted that the bank managers ought to keep track of the execution of activities by the staff within their control and monitor the consequences arising from these actions on regular basis. This minimizes chances of failure as any pitfall is noted before it affects the effectiveness of the balanced scorecard.

4.3.2 Use of Balanced Scorecard in Performance Appraisal

The respondents were asked to state if all the balanced scorecard measures were discussed in the appraisal reviews or not.

![Pie chart showing frequency of use of balanced scorecard in performance appraisal]

**Yes 91%**
**No 9%**

**Figure 4.1 Use of Balanced Scorecard in Performance Appraisal**

*Source: Research data*

As shown in figure 4.1 above, majority of the respondents (91%) indicated that the four balanced scorecard measures were discussed during appraisal reviews, while the rest 9% felt otherwise. This indicates that Co-operative Bank is committed to ensuring balanced scorecard success and therefore the review from time to time.
4.3.3 Clarity of The Balanced Scorecard Objectives

The respondents were asked to indicate the extent to which they had a clear understanding of what balanced scorecard seeks to achieve by rating the extent in a scale of 1 to 5 where 1 is excellent and 1 poor. The response results are presented in table 4.5 below:

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>43</td>
<td>19.6</td>
</tr>
<tr>
<td>Very good</td>
<td>65</td>
<td>29.7</td>
</tr>
<tr>
<td>Good</td>
<td>82</td>
<td>37.4</td>
</tr>
<tr>
<td>Average</td>
<td>29</td>
<td>13.2</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.5 Clarity of the Balanced Scorecard Objectives

*Source: Research data*

According to most of the respondents, 37.4%, the extent to which the respondents had clear objectives of what balanced scorecard seeks to achieve was good, 29.7% stated that it was very good while 19.6% and 13.2% rated it as excellent and average respectively. This indicates that the bank had laid clear objectives in line with what the balanced scorecard sought to achieve.

4.3.4: Comparison between Balanced Scorecard and Traditional Methods of Performance Management

The respondents were asked to indicate by ticking yes or no, if balanced scorecard was a better performance management system compared to the traditional methods of performance appraisal. Table 4.6 presents the responses.
<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>195</td>
<td>89.0</td>
</tr>
<tr>
<td>No</td>
<td>24</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>219</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.6: Comparison between Balanced Scorecard and Traditional Methods

*Source: Research data*

From the table above, it was established that majority of the respondents (89%) said that balanced scorecard was a better method while 11% were of the opinion that traditional methods were better performance management tools. This depicts that balanced scorecard was a superior method to the traditional methods as indicated by the majority respondents.

4.3.5 Areas in which Balanced Scorecard is Utilized in the Organization

Respondents were asked to rate in a scale of 1 to 5, where 1 meant least used and 5 most used; the use of balanced scorecard in strategic management, monitoring and evaluation, operational management and personal goal management in the organization. Data was analyzed using mean scores and standard deviations and findings summarized in table 4.7 below:

<table>
<thead>
<tr>
<th>Areas of balanced scorecard utilization</th>
<th>Mean score</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Management</td>
<td>3.4</td>
<td>1.26</td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>3.2</td>
<td>1.22</td>
</tr>
<tr>
<td>Operational Management</td>
<td>3.3</td>
<td>1.16</td>
</tr>
<tr>
<td>Personal Goal Management</td>
<td>2.9</td>
<td>1.11</td>
</tr>
</tbody>
</table>

Table 4.7: Areas in which balance scorecard is utilized in the organization

*Source: Research data*
A mean score greater than 4.5 (M>4.5) implies most used, a mean score >3.5 but <4.5 implies sometimes used, a mean score > 2.5 but <3.5 implies neutral, mean score >1.5 but <2.5 implies rarely used while a mean score of <1.5 implies least used. A standard deviation of >1.5 implies a significant variance in responses.

The findings reveal that all respondents agree that the use of balanced scorecard in strategic management, operational management, monitoring and evaluation and personal goal management is neutral with a mean score of 3.4, 3.3, 3.2 and 2.9 respectively. This implies that all the four areas of strategic planning and management system management are used in almost an equal level presentation. The researcher found out that the balanced scorecard is thus moderately used because it aligns business activities to the vision and strategy of the organization, improves internal and external communication and monitors organizational performance against strategic goals of the organization. The results showed that the bank mainly used balanced scorecard in Strategic Management, this depicts that the bank understands that human resource is a strategic resource that need to be protected and retained. Therefore, it was illustrated that the bank used balanced scorecard performance management system to ensure employee job satisfaction and consequently retain them.

4.3.6: Realization of Potential Internal Business Outputs with the Introduction of Balanced Scorecard

Respondents were asked to indicate by ticking appropriately the extent to which efficiency, profitability, employee turnover, customer service and employee growth had been realized with the introduction of balanced scorecard. They were expected to tick on a scale of 1 to 5 where 1 meant very low, 2 meant low, 3 meant average, 4 meant high and 5 meant very high. Data was analyzed using mean scores and standard deviations and findings summarized in table 4.8

A mean score greater than 4.5 (M>4.5) implies very high, a mean score >3.5 but <4.5 implies high, a mean score > 2.5 but <3.5 implies average, mean score >1.5 but <2.5
implies low while a mean score of <1.5 implies very low. A standard deviation of >1.5 implies a significant variance in responses.

<table>
<thead>
<tr>
<th>Potential internal business outputs</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>3.6304</td>
<td>.67355</td>
</tr>
<tr>
<td>Profitability</td>
<td>2.8913</td>
<td>.73181</td>
</tr>
<tr>
<td>Employee turnover</td>
<td>2.5682</td>
<td>.78335</td>
</tr>
<tr>
<td>Customer service</td>
<td>3.7174</td>
<td>.74471</td>
</tr>
<tr>
<td>Employee growth</td>
<td>2.4783</td>
<td>.97575</td>
</tr>
</tbody>
</table>

**Table 4.8: Realization of Potential Internal Business Outputs**

**Source: Research data**

The findings indicated that, Co-operative Bank had highly achieved good customer service as shown by a mean score of 3.7174 and efficiency as shown by a mean score of 3.6304. However, the bank had to an average extent achieved profitability as shown by a mean score of 2.8913 and employee turnover as shown by a mean score of 2.5682. Employee growth as shown by a mean score of 2.4783 had been achieved to a low extent. This indicates that Co-operative Bank has highly reaped benefits from introduction of the balanced scorecard in terms of customer service and efficiency. It has moderately increased its profitability and employee turnover but to a low extent achieved employee growth.

**4.4 Effects of Balanced Scorecard on Employee Job Satisfaction Analysis**

In this section the study sought to establish the effects of balanced scorecard in employee job satisfaction at Co-operative Bank. It has therefore looked in to the rewarding methods used, motivations and the employees feeling towards the balanced scorecard and how they impact their satisfaction

**4.4.1: Rewards Systems**

The respondents were asked to rate in a scale of 1 to 5, where 1 meant least used and 5 most frequently used; the use of promotion, bonus, leave, recognition certificate and
verbal praise in relation to balanced scorecard. Data was analyzed using mean scores and standard deviations and findings summarized in table 4.9.

A mean score greater than 4.5 (M>4.5) implies frequently used, a mean score >3.5 but <4.5 sometimes used, a mean score > 2.5 but <3.5 implies neutral, mean score >1.5 but <2.5 implies rarely used while a mean score of <1.5 implies never used. A standard deviation of >1.5 implies a significant variance in responses.

<table>
<thead>
<tr>
<th>Ways of rewards</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>1.7174</td>
<td>.68337</td>
</tr>
<tr>
<td>Bonus</td>
<td>1.7826</td>
<td>.41397</td>
</tr>
<tr>
<td>Leave</td>
<td>1.0000</td>
<td>.91220</td>
</tr>
<tr>
<td>Recognition Certificate</td>
<td>1.1957</td>
<td>.87844</td>
</tr>
<tr>
<td>Verbal praise</td>
<td>1.5652</td>
<td>1.17738</td>
</tr>
</tbody>
</table>

Table 4.9: Rewards Systems

Source: Research data

As shown in table 4.4.2, promotion, bonus and verbal praise were rarely used with a mean score of 1.7174, 1.7826 and 1.5652 respectively. Leave and Recognition Certificate were never used as represented by the mean scores of 1.0 and 1.1957 respectively. This indicates that the bank rarely rewards its employees with promotions and bonuses. Leave, Recognition certificate and verbal praise are never used to reward employees.

4.4.2: Motivating Factors

The respondents were asked to state what motivated them most at their work place. On a scale of 1 to 5 where 1 is lowest motivator and 5 is the highest motivator, the findings are as shown in the table 4.4.2

A mean score greater than 4.5 (M>4.5) implies highest motivator, a mean score >3.5 but <4.5 high motivator, a mean score > 2.5 but <3.5 implies average motivator, mean score >1.5 but <2.5 implies low motivator while a mean score of <1.5 least motivator. A standard deviation of >1.5 implies a significant variance in responses.
Ways of motivations | Mean  | Std. Dev |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay</td>
<td>3.6043</td>
<td>1.35414</td>
</tr>
<tr>
<td>Hours of work</td>
<td>2.8913</td>
<td>1.52682</td>
</tr>
<tr>
<td>Future prospects (promotion &amp; job security)</td>
<td>3.1957</td>
<td>1.53242</td>
</tr>
<tr>
<td>How hard or difficult the job is</td>
<td>3.1522</td>
<td>1.55156</td>
</tr>
<tr>
<td>Job content: interest, prestige, and independence</td>
<td>3.9130</td>
<td>1.40114</td>
</tr>
<tr>
<td>Interpersonal relationships</td>
<td>3.5435</td>
<td>1.43022</td>
</tr>
</tbody>
</table>

**Table 4.10 Motivating Factors**

*Source: Research data*

From the findings the respondents identified the following as factors as high motivators; Job content: interest, prestige, and independence shown by a mean score of mean of 3.9130, pay shown by a mean score of mean of 3.6043 and Interpersonal relationships shown by a mean score of mean of 3.5435. Future prospects (promotion & job security) shown by a mean score of mean of 3.1957, Job difficulty shown by a mean score of mean of 3.1522 and hours of work shown by a mean score of mean of 2.8913 were average motivators. It therefore depicts that, Co-operative Bank employees were highly motivated by job content, interpersonal relationships and future prospects, moderately motivated by future prospects and job difficulty and least motivated by hours of work.

**4.4.3: Employees’ Perception towards their Job**

The respondents were asked to rate how satisfied they felt about their jobs in a scale of 1 to 5, where 1 indicated most dissatisfaction, 2 some dissatisfaction, 3 dissatisfaction, 4 some satisfaction and 5 most satisfaction about their jobs with balanced scorecard as a performance management system. Data was analyzed using mean scores and standard deviations and findings summarized in table 4.10.

A mean score greater than 4.5 (M>4.5) implies most satisfaction, a mean score >3.5 but <4.5 some satisfaction, a mean score > 2.5 but <3.5 dissatisfaction, mean score >1.5 but <2.5 implies some satisfaction while a mean score of <1.5 least satisfaction. A standard deviation of >1.5 implies a significant variance in responses.
<table>
<thead>
<tr>
<th>Success factor</th>
<th>Mean score</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication and the way information flow around the organisation.</td>
<td>3.8</td>
<td>1.26</td>
</tr>
<tr>
<td>The relationship between you and your supervisor.</td>
<td>3.5</td>
<td>1.22</td>
</tr>
<tr>
<td>The relationship with your fellow colleagues.</td>
<td>3.5</td>
<td>1.16</td>
</tr>
<tr>
<td>The relationship between your department and other departments.</td>
<td>3.9</td>
<td>1.11</td>
</tr>
<tr>
<td>The feeling you have about the way you and your efforts are valued.</td>
<td>3.2</td>
<td>1.14</td>
</tr>
<tr>
<td>The actual job itself.</td>
<td>3.8</td>
<td>1.23</td>
</tr>
<tr>
<td>The degree to which you feel 'motivated' by your job.</td>
<td>2.7</td>
<td>1.29</td>
</tr>
<tr>
<td>Current career opportunities.</td>
<td>2.6</td>
<td>1.23</td>
</tr>
<tr>
<td>The level of job security in your present job.</td>
<td>3.1</td>
<td>1.22</td>
</tr>
<tr>
<td>The style of supervision that your superiors use.</td>
<td>2.6</td>
<td>1.12</td>
</tr>
<tr>
<td>The way changes and innovations are implemented.</td>
<td>3.6</td>
<td>1.11</td>
</tr>
<tr>
<td>The kind of work or tasks that you are required to perform.</td>
<td>3.1</td>
<td>1.27</td>
</tr>
<tr>
<td>The way in which conflicts are resolved in your company.</td>
<td>2.9</td>
<td>1.16</td>
</tr>
<tr>
<td>Your role in decision making.</td>
<td>3.1</td>
<td>1.20</td>
</tr>
<tr>
<td>The amount of flexibility and freedom that you have in your job.</td>
<td>3.0</td>
<td>1.22</td>
</tr>
<tr>
<td>The psychological 'feel' or climate that dominates your organisation.</td>
<td>2.7</td>
<td>1.25</td>
</tr>
<tr>
<td>Your level of salary relative to your experience.</td>
<td>4.3</td>
<td>0.72</td>
</tr>
<tr>
<td>The design or shape of your organisation's structure.</td>
<td>2.7</td>
<td>1.24</td>
</tr>
<tr>
<td>The amount of work you are given, whether too much or too little.</td>
<td>3.8</td>
<td>1.26</td>
</tr>
</tbody>
</table>

**Table 4.11 Employees’ Perception towards their Job**

*Source: Research data*

On employees’ level of agreement about their job with balanced scorecard as the performance management tool, the result presentation above shows that majority of the respondents agreed that the level of salary related to experience of the workers shown by
a mean score of 4.3 contributed most to their satisfaction. The respondents were satisfied with the relationship between their department and other departments as shown by a mean score of 3.9, the amount of work given to do as shown by a mean score of 3.8 and the actual job itself as shown by a mean score of 3.8. Further, the respondents were satisfied with communication and the way information flows around the organisation as shown by a mean score of 3.8, the way changes and innovations are implemented as shown by a mean score of 3.6, the relationship between colleagues as shown by a mean score of 3.5 and the relationship between employees and the supervisor as shown by a mean score of 3.5. Current career opportunities, style of supervision by supervisors indicated by a mean score of 2.6 and psychological feel of the organization, degree of motivation represented by a mean score of 2.7 indicated dissatisfaction among the employees.

From the findings, the respondents were satisfied most by the level of salary related their work experience, the relationship between departments, communication and the way information flows around the organisation and the job itself. However, moderate satisfaction was derived from the respondents’ feelings about the way their efforts are valued, level of job security and their role in decision making. There was dissatisfaction expressed in the degree to which the respondents felt motivated, career opportunities and supervision style.

According to the results above, it can be deduced that balanced scorecard has enabled the bank to streamline most of its activities with the employees’ expectation and therefore enhanced their satisfaction to a moderate extent.
4.4.4 Rating of Balanced Scorecard

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>37</td>
<td>16.9</td>
</tr>
<tr>
<td>Very good</td>
<td>72</td>
<td>32.9</td>
</tr>
<tr>
<td>Good</td>
<td>79</td>
<td>36.1</td>
</tr>
<tr>
<td>Average</td>
<td>31</td>
<td>14.2</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.12: Rating Balanced Scorecard

*Source: Research data*

Finally, the study aimed at rating balanced scorecard as a performance management system in Co-operative Bank. Respondents were asked to indicate by ticking appropriately how they would generally rate balanced scorecard performance management system on a scale of 1 to 5 with 1 indicating poor, 2 average, 3 good, 4 very good and 5 excellent rating.

Most of the respondents (36.1%) said that performance management system in Co-operative Bank was good, 32.9% said it was very good, 16.9% and 14.2% were of the opinion that performance management system in Co-operative Bank was excellent and average respectively.

4.4.5 Respondents General Comments on Balanced Scorecard and Job Satisfaction

The respondents were requested to indicate in an open ended question whether they would recommend balanced scorecard performance management system to another organization. To this, all the respondents stated that they would recommend balanced scorecard performance management system to another organization. They stated that, balanced scorecard had some benefits to the bank and therefore the same should be explored to reap more benefits to the organization and other organizations.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary and Findings
The aim of this study was to find out the effects of balanced scorecard performance management system on employee job satisfaction at Co-operative Bank of Kenya Limited. From the data analysis the study established that Co-operative Bank has a youthful workforce, which is key to its attainment of marketing and growth endeavors. The study also found out that the bank had experienced staff, with most of them having served for more than 5 years. It found that Co-operative bank has an elite workforce with majority holding university degrees and above.

The research findings indicate that the bank reviewed balanced scorecard on quarterly basis and that the four balanced scorecard measures are discussed in the appraisal reviews in the bank. Further, the study has illustrated that the bank had laid clear objectives in line with what the balanced scorecard sought to achieve and that that balanced scorecard was a superior method to the traditional methods. The study has further, showed that the bank moderately used balanced scorecard in strategic management, operational management and monitoring and evaluation. The study has also showed that Co-operative bank have reaped benefits from introduction of the balanced scorecard in terms of customer service, efficiency, profitability and employee growth, major aspects of employee job satisfaction.

The findings further show that the bank hardly rewarded its employees with career growth, promotions and bonuses. Co-operative Bank, had motivation mechanisms in place which they used to ensure employees’ satisfaction, these included good pay, improved interpersonal relationships to ensure job content by the employees. The study has also illustrated that the employees were satisfied with level of salary as it related to experience of the workers, the interdepartmental relationship and the amount of work.
given as well as the actual job. Finally, the study has shown that the respondents recommend balanced scorecard in other organizations.

5.2 Conclusion

Employee job satisfaction is key to any organization, to ensure employee productivity. The findings indicate that balanced scorecard has contributed to employee job satisfaction. Balanced scorecard was core to job satisfaction by the employees and that the bank was committed to ensuring that balanced scorecard performance management system was a success. Effects of balanced scorecard on employee job satisfaction in this study have been rated as moderate.

5.3 Recommendations

Based on the study findings, it is recommended that employees should be involved in the whole process of evaluation of the balanced scorecard. Training should be organized for staff so that they learn more about the concept and fully buy in for the bank to achieve the full benefits of the balanced scorecard. Effective and open communication with employees on the purpose and use of balanced scorecard as a performance management system should be incorporated. Communicating with the employees in the right way will help them understand balanced scorecard and how they can use it to improve their performance and more so boost their job satisfaction.

5.4 Suggestions for Further Research

This study focused on the assessment of the effects of balanced scorecard on employee job satisfaction at Co-operative Bank, it is therefore recommended that similar research should be replicated in other financial institutions who have implemented balanced scorecard and the results be compared so as to establish whether there is consistency on the effects of balanced scorecard on employee job satisfaction. The researches will greatly contribute to balanced scorecard, job satisfaction and performance management literature.
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APPENDICES

APPENDIX I: QUESTIONNAIRE

Instructions

Please answer the questions below as openly as possible by writing in the space provided, using the key provided to rate your answers or by ticking the appropriate box. The answers will be crucial in identifying the effects of balanced scorecard performance management system in employee job satisfaction in your organization.

A. RESPONDENTS PROFILE / BACKGROUND

1. What is your age bracket?
   24-30 [ ]
   31-35 [ ]
   36-40 [ ]
   41-45 [ ]
   46 and above [ ]

2. Which department do you work in? ____________________________

3. How long have you worked at Co-operative Bank?
   5 and below [ ]
   6-10 [ ]
   11-15 [ ]
4. Which is your highest level of education?
   Certificate [  ]
   Diploma     [  ]
   Degree      [  ]
   Masters     [  ]

B. BALANCED SCORECARD ANALYSIS

1. How often are balanced scorecard appraisal reviews conducted in your organization?
   Monthly   [  ]
   Quarterly [  ]
   Half yearly [  ]
   Annually  [  ]

2. Are all the four balanced scorecard measures discussed during the appraisal reviews?
   Yes       [  ]
   No        [  ]

3. To what extent do you have a clear objective of what balanced scorecard seeks to achieve in your organization?
   1 - Excellent [  ]
2 – Very Good  [   ]
3 – Good  [   ]
4 – Average  [   ]
5 – Poor  [   ]

4. Compared to the traditional performance management system used before, is the balanced scorecard a better measurement?
Yes  [   ]
No  [   ]

5. Rate the use of balanced scorecard in the following areas according to how they are applied in co-operative bank. Use the scale of 1-5 where 1-less used and 5-most used.

Strategic Management  [   ]
Monitoring and Evaluation  [   ]
Operational Management  [   ]
Personal Goal Management  [   ]

7. Rate the extent to which the following potential internal business outputs has been realized by co-operative bank since the introduction of the balanced scorecard.
C. EFFECTS OF BALANCED SCORECARD ON EMPLOYEE JOB SATISFACTION ANALYSIS

1. Rate each of the following rewards in relation to balanced scorecard according to the frequency used by using the key below:

   0 – Never 1 – Rarely used 2 – Frequently used

Promotion [ ]
Bonus [ ]
Leave [ ]
Recognition Certificate [ ]
Verbal praise [ ]

2. What motivates you most at your work place in line with the balanced score card measures? On a scale of 1-5, tick the level of motivation where 1 is lowest motivator and 5 is the highest motivator.
Pay [ ]

Hours of work [ ]

Future prospects (promotion & job security) [ ]

How hard or difficult the job is [ ]

Job content: interest, prestige, and independence [ ]

Interpersonal relationships [ ]

3. How do you feel about your job with balanced scorecard as the performance management tool about the following areas? Rate each statement in a scale of 1-5 where:

- Most satisfaction --- 5
- Some satisfaction --- 4
- Dissatisfaction --- 3
- Much dissatisfaction --- 2
- Most dissatisfaction --- 1

☐ Communication and the way information flows around the organisation. [ ]
☐ The relationship between you and your supervisor. [ ]
☐ The relationship with your fellow colleagues. [ ]
☐ The relationship between your department and other departments. [ ]
☐ The feeling you have about the way you and your efforts are valued. [ ]
☐ The actual job itself. [ ]
☐ The degree to which you feel 'motivated' by your job. [ ]
☐ Current career opportunities.  [  ]
☐ The level of job security in your present job.  [  ]
☐ The style of supervision that your superiors use.  [  ]
☐ The way changes and innovations are implemented.  [  ]
☐ The kind of work or tasks that you are required to perform.  [  ]
☐ The way in which conflicts are resolved in your company.  [  ]
☐ Your role in decision making.  [  ]
☐ The amount of flexibility and freedom that you have in your job.  [  ]
☐ The psychological 'feel' or climate that dominates your organisation.  [  ]
☐ Your level of salary relative to your experience.  [  ]
☐ The design or shape of your organisation's structure.  [  ]
☐ The amount of work you are given to do, whether too much or too little.  [  ]

4. Would you recommend the balanced scorecard performance management system to another organization? ________________

5. How would you generally rate balances scorecard as a performance management system in your organization?

1 - Excellent  [  ]
2 – Very Good  [  ]
3 – Good  [  ]
4 – Average  [  ]
5 – Poor  [  ]
6. Any other comments ________________

Thank you for taking your time to complete this questionnaire. Your cooperation and input is highly appreciated.
APPENDIX II : LETTER OF INTRODUCTION

TO WHO IT MAY CONCERN

Dear Sir / Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH WORK

I am a student in the School of Business, University of Nairobi pursuing a Master of Business Administration Degree. I am undertaking a management Research project on “Effects of balanced scorecard performance management system on employee job satisfaction at Co-operative Bank of Kenya Limited” in order to fulfill the requirements. I would highly appreciate if you would spare time to complete the attached questionnaire. Kindly be advised that the information you will provide will strictly be used for academic purposes.

Thank you

Yours’ faithfully,

Gacheri Mwongera