THE EFFECT OF THE BALANCED SCORE CARD MODEL
ON EMPLOYEES PERFORMANCE WITHIN THE BANKING
SECTOR: A CASE OF KENYA COMMERCIAL BANK

LENAH KAYA KIMANZI

D53/OL/11055/2007

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS
IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTER OF BUSINESS ADMINISTRATION DEGREE
OF
KENYATTA UNIVERSITY

SEPTEMBER 2013

DECLARATION
I, the undersigned declare that this research project is my original work and has not been submitted for a degree or any other award in any University.

Signature ___________________________ Date ________________

Lenah Kimanzi (D53/OL/11055/2007)

This work in this project has been done by the candidate under my supervision as the University supervisor.

Signature ___________________________ Date ________________

J.M. Kilika (Ph.D)
Department of Business Administration
School of Business
Kenyatta University

For and on behalf of Kenyatta University

Signature______________________________Date ________________

Muathe S. M. A (Ph.D)
Chairman
Department of Business Administration
School of Business
Kenyatta University

DEDICATION
I most sincerely dedicate this work to my husband Mr. Bismark Mukala for his ever-ready financial and moral support throughout my Master’s Programme, my two lovely children Monica and Derrick for allowing me to be away from them when they needed me most.
ACKNOWLEDGEMENT

I wish to acknowledge my supervisor Dr. Kilika for providing unlimited, invaluable and active guidance throughout the study. His immense command and knowledge of the subject matter has enabled me to develop this research proposal.

I would also like to thank all lecturers who taught me in various disciplines. I also acknowledge fellow classmates who assisted in various ways as their contributions had a positive impact on my academic progress.
# TABLE OF CONTENTS

Declaration .......................................................................................................................... ii
Dedication .......................................................................................................................... iii
Acknowledgement ............................................................................................................. iv
Table of Contents ............................................................................................................ v
List of Tables .................................................................................................................... viii
List of Figures .................................................................................................................. ix
Definition of Operational Terms ..................................................................................... x
Abbreviations and Acronyms ........................................................................................ xii
Abstract ........................................................................................................................... xii

## CHAPTER ONE

### INTRODUCTION

1.1 Background of the Study .............................................................................................. 1
    1.1.1 Components of the Balanced Score Card ............................................................. 2
    1.1.2 Balanced Scorecard and Employee Performance ............................................... 4
    1.1.3 The Balanced Score Card in KCB ....................................................................... 6
1.2 Statement of the Problem ............................................................................................. 8
1.3. Objectives of the Study .............................................................................................. 9
    1.3.1 Main Purpose ...................................................................................................... 9
    1.3.2 Specific Research Objectives ............................................................................. 9
    1.3.3 Research Questions ............................................................................................ 9
1.4 Significance of the Study ............................................................................................ 9
1.5 Scope of the Study ....................................................................................................... 10
1.6 Limitations of the Study ............................................................................................. 10

## CHAPTER TWO

### LITERATURE REVIEW

2.1 Introduction ................................................................................................................ 11
2.2 Theoretical Review .................................................................................................... 11
2.3 Empirical Review ...................................................................................................... 16
    2.3.1 Customer Focus and Employee Performance .................................................... 16
    2.3.2 Internal Business Processes and Employee Performance ................................. 18
2.3.3 Learning/Growth and Employees Performance ........................................21
2.3.4 Financial Perspective and Employees Performance ..................................27
2.3.5 Employee Performance ........................................................................29

2.4 Summary of Literature and Research Gap ...............................................31
2.5 Conceptual Framework ...........................................................................32

CHAPTER THREE
RESEARCH METHODOLOGY
3.1 Introduction ................................................................................................33
3.2 Research Design .......................................................................................33
3.3 Target Population .....................................................................................33
3.4 Sampling Design and Size ......................................................................34
3.5 Data Collection Instrument ....................................................................35
   3.5.1 Questionnaires ..................................................................................35
   3.5.2 Reliability and Validity ....................................................................36
3.6 Data Analysis ............................................................................................36
3.7 Data Presentation .......................................................................................37
3.8 Ethical Considerations ............................................................................37

CHAPTER FOUR
RESEARCH FINDINGS
4.1 Introduction ..............................................................................................38
4.2 General Information of Respondents ......................................................39
   4.2.1 Respondents’ Age ..........................................................................40
   4.2.2 Respondents’ Gender ......................................................................41
   4.2.3 Respondents’ Marital Status ..............................................................42
   4.2.4 Respondents’ Academic Level ............................................................43
   4.2.5 Respondents’ Job Designation ............................................................44
   4.2.6 Respondents’ Department .................................................................45
   4.2.7 Respondents’ Duration in Present Department ....................................46
   4.2.8 Respondents’ Professional Background ............................................47
   4.2.9 Respondents’ Previous Department ..................................................48
4.3 Descriptive Statistics ................................................................................................................. 49
   4.3.1 Financial Perspective ........................................................................................................... 49
   4.3.2 Customer Perspective .......................................................................................................... 50
   4.3.3 Internal Business Processes Perspective ............................................................................... 51
   4.3.4 Learning and Growth .......................................................................................................... 52
   4.3.5 Employee Performance ....................................................................................................... 53

4.4 Inferential Analysis ...................................................................................................................... 55

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction ............................................................................................................................... 58

5.2 Summary of Findings ................................................................................................................. 59
   5.2.1 Summary of Findings on Objective One ................................................................. 59
   5.2.2 Summary of Findings on Objective Two ................................................................. 60
   5.2.3 Summary of Findings on Objective Three ............................................................... 61
   5.2.4 Summary of Findings on Objective Four ................................................................. 61

5.3 Conclusion ............................................................................................................................... 62

5.4 Recommendations ................................................................................................................... 63
   5.4.1 Suggestions for Further Studies ......................................................................................... 64

REFERENCES .................................................................................................................................... 65

APPENDICES
Appendix A: Cover Letter ............................................................................................................... 68
Appendix B: Questionnaire ............................................................................................................. 69
LIST OF TABLES
Table 3.1 Target Population Size ................................................................. 34
Table 3.2 Distribution of Sample Size .......................................................... 35
Table 4.1 Response Rate ............................................................................ 39
Table 4.2 Financial Perspective .................................................................. 49
Table 4.3 Customer Focus .......................................................................... 50
Table 4.4 Internal Business Process Perspective ......................................... 51
Table 4.5 Learning and Growth Perspective ................................................ 52
Table 4.6 Employee Performance ............................................................... 53
Table 4.7 Model Summary ......................................................................... 56
Table 4.8 ANOVA ..................................................................................... 56
Table 4.9 Coefficients ................................................................................ 57
LIST OF FIGURES

Figure 1: Schematic Diagram ................................................................. 32
Figure 2: Respondents’ Age ................................................................. 40
Figure 3: Respondents’ Gender ............................................................. 41
Figure 4: Respondents’ Marital Status ............................................... 42
Figure 5: Respondents’ Academic Level ............................................. 43
Figure 6: Respondents’ Job Designation .............................................. 44
Figure 7: Respondents’ Department ..................................................... 45
Figure 8: Respondents’ Duration in Present Department .................... 46
Figure 9: Respondents’ Professional Background .............................. 47
Figure 10: Respondents’ Previous Department .................................... 48
DEFINITION OF OPERATIONAL TERMS

**Balanced Scorecard:** An integrated set of performance measures derived from the company’s strategy that gives top management a fast but comprehensive view of the organizational unit. The balanced scorecard has four perspectives namely; the Customer Perspective, the Internal Business Process Perspective, the Learning and Growth Perspective, and the Financial Perspective.

**Bank:** This refers to a financial institution that accepts deposits and clears cheques, pays cash, and provides loaning services.

**Customer Perspective:** This is the element of customer satisfaction, retention and loyalty.

**Financial Perspective:** This focuses on profitability related measures, the basis which the stakeholders gauge the success of their investment.

**Internal business processes perspective:** This is concerned with the processes that create and deliver the customer value proposition. It focuses on all the activities and key processes required in order for the company to excel at providing the value expected by customers both productively and efficiently.

**The Learning & Growth Perspective:** This perspective concerns the employees training and corporate cultural attitudes related to both individual and corporate self-improvement.

**Performance:** This is the outcome of the successes in Financial and Customer focus, Training and Development and the Internal Business Processes. It is measured by the level of profitability of the organization.

**Perspectives:** A view of an organization from a specific vantage point. The four basic perspectives are traditionally used to encompass an organization’s activities. The organization’s business model, which encompasses mission, vision and strategy determine the appropriate perspectives.
<table>
<thead>
<tr>
<th>Abbr</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC</td>
<td>Balanced Score Card</td>
</tr>
<tr>
<td>CSM</td>
<td>Customer Service management</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>KCB</td>
<td>Kenya Commercial Bank</td>
</tr>
<tr>
<td>OTJ</td>
<td>On-The-Job</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>YMCA</td>
<td>Young Men’s Christian Association</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
</tbody>
</table>
ABSTRACT

The balanced scorecard model is a strategic planning and management tool that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization’s performance against strategic goals. The balanced scorecard has been used by various organizations in Kenya as a performance appraisal tool. Most commercial banks have adopted the use of Balanced scorecard to appraise the performance of their employees. There are very few studies that have been done on the area of Balanced Score Card, and those few have mainly focused on organization’s/ company’s performance. Very few researchers have focused their studies on the individual employee performance. This study was therefore aimed at determining the effect of the Balanced Score Card on employee performance in Kenya Commercial Bank. The study was carried out to explore the four pillars on which the balanced Score Card is built; i.e. The Financial Pillar, The Customer Service Pillar, Learning and Growth and the Internal Business processes Pillar, and further establish whether the perspectives have any impact on employee performance in Kenya Commercial Bank. The study was carried out on 20 branches in Central and Nairobi Regions of the bank. It targeted 54 respondents who were sampled randomly though stratified random sampling. Data was collected from both primary and secondary sources. The researcher used questionnaires as a tool for collecting data. The tool was administered by way of ‘drop and pick’ method. Some questionnaires were administered by use of emails. Quantitative data was analyzed using descriptive statistics and also inferential statistics. The various interdependent variables were analyzed from the data that was obtained in this study by organizing them into similar themes and tallying the number of similar responses. The Statistical Package for Social Sciences (SPSS) aided in the analysis. SPSS version 12.0 performed exploratory data analysis and descriptive statistics. Inferential statistics was also used in making predictions or inferences about a population from observations and analyses of samples. Linear regression analysis was used. The tool was pre-tested in order to determine its validity and reliability. Presentation of data was through tables, pie charts, line graphs and bar graphs. Findings of the study revealed that employee performance is greatly influenced by the four aspects of the balanced Score Card; the financial perspective affects employee performance to a great extent, continuous and timely employee training enables them perform well, flexible and friendly internal business processes lead to improved employee performance and improved customer service highly motivates the employees. However, the researcher concludes that for improved employee performance, it is important to continuously train employees in order to enable them perform effectively and hence increase their output and to regularly update employees on the financial aspects of the bank since the financial factor has a great influence on employee performance. However, the researcher recommends that there is need to ensure effective follow through and review of the deliverables to ensure that all KCB employees are comfortable that the tool measures their performance effectively.
CHAPTER ONE
INTRODUCTION

1.1 Background of the study
The balanced scorecard model is a strategic planning and management tool that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization’s performance against strategic goals. It was originated by Drs. Robert Kaplan and David Norton (1990) 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. While the phrase balanced scorecard was coined in the early 1990s, the roots of the this type of approach are deep, and include the pioneering work of General Electric on performance measurement reporting in the 1950’s and the work of French process engineers (who created the Tableau de Bord – literally, a "dashboard" of performance measures) in the early part of the 20th century.

The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The “new” balanced scorecard transforms an organization’s strategic plan from an attractive but passive document into the "marching orders" for the organization on a daily basis. It provides a framework that not only provides performance measurements, but also helps planners identify what should be done and measured. Recognizing 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 (McPhail etal 2007). It is a methodological tool that gives a measuring tape by which someone can determine whether the set goals have been met or exceeded. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.
Kaplan and Norton describe the innovation of the balanced scorecard as follows: "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

### 1.1.1 Components of the Balanced Score Card

In 1992 Kaplan and Norton argued that managers should not only focus on financial measures when taking decisions. Non-financial criteria also had to be taken into account. When integrated carefully and in a balanced manner in a scorecard it would provide managers with a brief but comprehensive and timely view of their business. Four different key perspectives were identified as being critical and thus should be included, i.e. the financial, customer, internal business process and learning and growth perspectives. In 1996, the same authors extended their view stressing the importance of aligning the scorecard information with the business strategy. To translate the strategic goals efficiently into tangible objectives and measures, they suggested four interrelated management processes: clarifying and translating vision and strategy, communicating and linking strategic objectives and measures, business planning and target setting, and enhancing strategic feedback and learning. Finally, in 2001 Kaplan and Norton introduced five principles to keep strategy the focus of organizational management processes: translate the strategy into operational terms, align the organization to the strategy, make strategy everyone’s everyday job, make strategy a continual process, and mobilize change through executive leadership. Thus, in their work, Kaplan and Norton gradually moved from defining the BSC as a comprehensive performance measurement system to defining the BSC as a strategy implementation tool to facilitate and control performance measurement and management.

The BSC is built on four perspectives that comprise; Customer, Internal processes, Employee Learning and Growth and Financial perspectives. The ‘Customer’ perspective seeks to respond to three major questions; i.e. who are our target customers? What is our value proposition in serving them and what do our customers expect or demand from us? It is very important for organizations
to consider customers in their strategies because financial success is dependent on differentiated and relevant customer proposition. A customer proposition will outline how a company will create more value for its customers thus resulting in ripple effects of new customer acquisition, customer loyalty and satisfaction, reducing complaints and customer response times.

The internal Process Perspective identifies the key processes the organization must excel at in order to continue adding value for customers and ultimately shareholders. This perspective focuses on improving existing internal processes and creating new processes that should lead to increased customer satisfaction and ultimately increased financial success. By having optimal internal process, an organization gain distinction among its competitors, the organization can use these process improvements to enhance customer satisfaction, retention and value.

The Employee Learning and Growth perspective focuses on employee skills, employee satisfaction, availability of information, and alignment. This perspective is often the most difficult to define and measure, because it is centered on intangible assets and other factors that cannot be directly linked to financial performance. It focuses on the goals of improving employee performance and organizational climate at both an individual and an organizational level.

Finally, the financial perspective seeks to identify whether strategy execution is leading to improved bottom-line results. Measures in the financial perspective indicate performance of actions already taken. Measures within the other three perspectives are created and driven by the objectives in the financial perspectives because the ultimate driver of most businesses is financial success.

The BSC is used in KCB as a strategic measurement tool that consists of a set of measures derived from the organization’s strategy. The selected measures 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. (Paul Niven, 2002)

The BSC translates vision and strategies into clear and prioritized initiatives with measures to drive performance and determine progress. It creates tangible measurements for intangible assets critical to success. It also links individual business unit objectives and measures into one organization-wide strategic measurement tool.
1.1.2 Balanced Score Card and Employee Performance

Employee performance management is a process by which organizations align their resources, systems and employees to strategic objectives and priorities. It is a systematic process by which the overall performance of an organization can be enhanced by improving the performance of individuals within team framework. Employee performance management aims at promoting superior performance by communicating organizational expectations, defining each employee’s individual roles within a required competence framework and establishing benchmarks.

When measuring employee performance, there are various methods that can be used; one of the methods is the use of the Balanced Score Card (BSC). The BSC help organizations align individual objectives and activities towards the realization of the ultimate corporate mission and vision. It aligns all the major organizational functions and sub-functions so that the focus is directed towards the attainment of the organizational goals.

The BSC as an employee performance management tool that define what management means by ‘performance’ and measures whether it is achieving desired results. It translates mission and vision statements into a comprehensive set of objectives and performance measures that can be quantified and appraised. The BSC method is a strategic and performance management approach that enables organizations to translate a company’s vision and strategy into implementation, working from four perspectives.

The customer perspective focuses mainly on the importance of customer satisfaction. Most organizations often concentrate on satisfying the external customer forgetting the importance of the internal customer who is the employee. A satisfied internal customer is most likely to satisfy the external customer, which is very useful to the organization.

Internal business processes determine employee performance; an employee who clearly understands the goals of the organization and is well versed with the various procedures and processes will commit to deliver desirable results. Employee friendly and conducive work environment will motivate the staffs that eventually give their best input hence producing desirable results.
Financial perspective mainly focuses on financial data since most organizations are profit making. Their success is determined by its financial performance. More often top management concentrate on cost minimization, sometimes at the expense of other perspectives, which play equally important roles in the determining the success of the organization. For instance, top managers may decide to reduce team-building activities for staff, or reduce telephone and advertisement budget, or minimize employee trainings. Although this may reduce the expenses, it may adversely affect the morale and hence the productivity of the employees.

Learning and growth perspectives deal with improvements and creating of value. It includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. The employees are the only repository of knowledge and therefore the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Failure by organizations to invest adequate funding on training may be disastrous to employee productivity.

The BSC as a performance appraisal tool is used to measure productivity by awarding ratings on identified key result areas. The final rating is therefore used to chalk out promotion programs for efficient workers. Inefficient workers can be dismissed or demoted. The rating can also be used to determine compensation packages for employees. Just as many would put it ‘what you measure is what you get’ most employees/managers concentrate only on the Key result Areas since they are the ones determining the final rating of the BSC.

Many at times employees would be heard saying, “what’s the use of killing myself? I will still get the same rating as everyone else?” or “how can I exceed targets when the branch is not even meeting its targets?” or “I am the one who does everything here and yet I am rewarded just as everybody else?” These comments indicate that some employees are not comfortable with the BSC as a performance management tool. Some of the mistakes that managers that commit while evaluating employee performance include biases and judgment errors. Some of these biases include formation of overall impression about an employee on the basis of some characteristics such as personal traits, standards, values and physical make up. Manager’s personal biases have tremendous effect on the rating of employee performance.
As Dulewics (1989) put it, “a basic human tendency to make judgments about those one is working with” is inevitable in performance appraisal. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. When administering the BSC, managers need to look at all the four components in totality and ensure that there are minimal or no challenges facing the employees.

1.1.3 The Balanced Score Card in KCB

In KCB, Financial management involves the planning, organizing, directing and controlling of human and material resources within the Bank, institutional management, innovation management and targets and delivery planning. All of these separate yet related segments of the Banking industry are interrelated to deliver kind and generous services to customers (KCB Human Resource Office, 2013).

Kenya Commercial Bank is a financial services provider, which is headquartered in Nairobi, Kenya. It is one of the largest commercial banks in Kenya and has the largest branch network with over 200 branches. Its history dates back to 1896 when its predecessors, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the bank extended its operations to Nairobi, which had become the headquarters of the expanding railway line to Uganda. The next major change in the bank’s history came in 1958 when it merged with Grindlays Bank to form Nation and Grindlays Bank that was later renamed Kenya Commercial Bank in July 1970. In pursuit of its vision; “To be the Preferred financial solutions provider in Africa with a global reach; KCB extended its operations to Southern Sudan in May 2006, and since then, the bank has expanded into other countries such as Tanzania, Uganda, Rwanda, and Burundi. Due to its large network, KCB has the largest employee base with over 4500 employees.

The balanced score card was introduced in KCB in 2008, since then it has been used to appraise employee performance annually. Recently there has been a shift in the appraisal period where it is now done on quarterly basis.

The BSC was introduced in KCB in order to reap the many benefits, which include; creating focus and alignment, simplifying and clarifying goals. The BSC releases management to lead the people as well shifting management focus from activity, to output and capability. It also empowers staff,
making them primary managers of own performance, it creates objectivity and a consistent basis for reward, ultimately making implementation everyone’s job.

The main BSC in KCB is prepared centrally by the top management who set out the overall organizational targets. The targets are then spread over various divisions within the bank. The divisions then spread their targets amongst departments within them. Each department then allocates targets to its sub-unit, which finally shares them amongst all employees.

At the beginning of the year, each individual within the bank is expected prepare own BSC based on set targets which should align with the overall BSC. There are monthly targets set for each individual within the bank and each employee is expected to meet or even exceed them.

Performance appraisal is done quarterly by each employee and his line manager. The actual performance is compared with targets and the employee is rated accordingly.

The overall performance appraisal is done at the end of the year where an individual’s actual performance is compared with the set targets. The employee is then rated either as “Does not meet targets”, “Partially Meets targets”, “Meets Targets”, “Exceeds Targets” or “Generally Exceeds Targets”. The BSC rating is then used to determine things like compensation/reward, promotions and employee development. Compensation is done through the provision of bonuses where any one who is below “MET” is not eligible for bonus whereas those who are at “generally Exceeded Targets” get the highest bonus allocation.

Although the BSC will give a full picture as to whether the bank is meeting its objectives, it may seem that the bank is doing well financially. It may be that customer satisfaction is down, employee training is inadequate or that the processes are outdated.

Before the introduction of Balanced Scorecard, Drs. Kaplan and Norton perceived that employees throughout a company often did not understand how their role related to strategy and financial measures, leading employees to feel powerless to impact the things that were being measured. The concept of the balanced score is to determine and reward the best performing employees; however, there are concerns among employees that the implementation by some line managers is not effective. Some of the employees in KCB argue that there is a belief by some managers that the evaluation must result in ‘bell-curve’ findings where a set percentage of employees will be categorized as ‘under-performing’ and other ‘over-performing’. There are allegations that the BSC encourages ‘peer-ranking’ which results in assessment of performance relative to the
performance of other employees, rather than fixed standards. Sometimes an employee who has been in a department longer is rated similarly to someone who is being trained. Although the main aim of introducing the BSC in KCB was to harmonize performance appraisal using a balance score card model by clearly stating the purpose of the scorecard and making it simple and flexible in its strategic plan, it appears that the outcome does not satisfy the employees. Most banks have been using the Balanced Score Card model because of the benefits perceived to be derived from it.

1.2 Statement of the Problem

Previous studies by Hogue and James (2000) in Australia to determine the relationship between the BSC usage and company performance revealed that greater BSC usage contributed to improved company performance. Another survey done by Ittner, Larcker and Randall (2003) on 140 US financial services firms to find out the relationship between BSC use and Measurement system satisfaction and financial performance indicated that, although they found out that BSC usage was associated with higher measurement system, there was no improved accounting and stock market performance.

In 2004, Davis and Albright conducted a quasi-experiment study in US banking organizations to establish whether there was any relationship between BSC implementation and financial performance of bank branches. They established a positive correlation since the banks implementing BSC outperformed those not implementing on key financial measures.

According to Olson and Slater (2002), a study they did to establish the relationship between tailoring the BSC to a firm’s strategic orientation and company performance revealed that the level of co-alignment of the BSC measures with strategy improves performance, suggesting that performance measurement should be tailored to strategic orientation.

Finally a study done in 2010 by Cyrus Mbuvi on 200 employees of YMCA, to analyze the effects of the BSC model on employee productivity, established a discrepancy on the study findings since the internal business processes and employee productivity had negative correlation. However, previous studies only focused their researches on company/organization level performance. Very few researches have focused on individual employee performance indicators. This research was therefore aimed at determining the effects of the BSC on individual employee performance but not the company/organization’s performance.
1.3. Objectives of the Study

1.3.1 Main Purpose
The main objective of the study was to determine the effectiveness of balanced scorecard implementation as an appraisal tool for employee performance.

1.3.2 Specific Research Objectives
i. To determine the effects of financial focus on employee performance in KCB.
ii. To find out how internal business processes affects employee performance in KCB.
iii. To establish the relationship between customer focus and employee performance.
iv. To analyze the effects of training and development on employee performance.

1.3.3 Research Questions
i. How does financial focus affect employee performance in KCB?
ii. What are the effects of internal business processes on employee performance in KCB?
iii. What is the relationship between customer focus and employee performance in KCB?
iv. How does training and development influence employee performance at KCB?

1.4 Significance of the Study
The study was considered significant for several reasons: the findings will assist top management to determine the effectiveness of BSC as a performance appraisal tool. It will further examine the efficiency of the line managers within KCB in awarding the final rating in BSC. Secondly, the findings will provide a flat-form for future scholars to undertake further research in this area of study. The findings of this study will be of significance to future researchers who would wish to carry out research in this area of study. Lastly, KCB and other institutions can use the findings to improve the implementation of balanced scorecard in their institutions in order to rate their employees fairly.
1.5 Scope of the Study
This study mainly focused on the banking sector and particularly dwelt on Kenya Commercial Bank (KCB). KCB is one of the biggest commercial banks that is widespread within East Africa and has a very large number of employees therefore singling provided adequate scope to the study findings. The study was carried out in the Central and Nairobi Regions of KCB which have an average population of 1,500 employees. It targeted managers, assistant managers and clerks who were sampled through stratified simple random method. Thirty percent (30%) of the total population (Mugenda & Mugenda 2003) was used. A sample size of 54 respondents was considered adequate.

1.6 Limitations of the Study
The study faced limitations such as difference in ratings from different regions; Balanced Score Card as an employee performance appraisal tool in KCB may not be rated uniformly thus there may be different ratings for employees in the same job grade. In order to attain uniformity, the researcher restricted the research only on two regions (Central and Nairobi) in order to get uniform results.

Some respondents were reluctant to disclose information due to consequential fear; such information may be vital or classified to be of strategic importance to this study. However for the purpose of this study the researcher assured respondents of confidentiality of the information given. In order to ensure confidentiality, the researcher also attached an introduction letter to each questionnaire.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter shall review the literature available on implications of the balanced scorecard on employees’ productivity. The first section shall present the theoretical framework on performance management and balanced scorecard. Empirical studies in these areas shall also be reviewed.

2.2 Theoretical Review

Peter Drucker introduced management by objectives in his classic 1954 book, “The Practice of Management”. Drucker argued that all employees should have personal performance objectives that aligned strongly to the company strategy: Each manager, from the “big boss” down to the production foreman or the chief clerk, needs clearly spelled-out objectives. These objectives should lay out what performance the man’s own managerial unit is supposed to produce. They should lay out what contribution he and his unit is expected to make to help other units obtain their objectives. These objectives should always derive from the goals of the business enterprise.

Managers must understand that business results depend on a balance of efforts and results in a number of areas. Every manager should responsibly participate in the development of the objectives of the higher unit of which his is a part. He must know and understand the ultimate business goals, what is expected of him and why, what he will be measured against and how (Drucker 1954, pp. 126-9). Despite Drucker’s insights and urgings, however, management by objectives in the next half-century mostly became a somewhat bureaucratic exercise, administered by the human resources department, based on local goal-setting that was operational and tactical, and rarely informed by business-level strategies and objectives. Companies at Drucker’s time and for many years thereafter lacked a clear way of describing and communicating top-level strategy in a way that middle managers and front-line employees could understand and internalize.

Despite the advocacy of many scholars, the primary management system for most companies, until the 1990s, used financial information almost exclusively and relied heavily on budgets to maintain focus on short-term performance. 1.2. Japanese Management Movement: 1975-1990 during the 1970s and 1980s, innovations in quality and just-in-time production by Japanese
companies challenged the Western leadership in many important industries. Several authors argued that Western companies’ narrow focus on short-term financial performance contributed to their complacency and slow response to the Japanese threat. Johnson and Kaplan (1987) reviewed the history of management accounting and concluded that US corporations had become obsessed with short-term financial measures and had failed to adapt their management accounting and control systems to the operational improvements from successful implementation of total quality and short-cycle-time management.

A Harvard Business School project on Council on Competitiveness (Porter, 1992) echoed these critiques when it identified the following systematic differences between investments made by US corporations versus those made in Japan and Germany: The US system is less supportive of investment overall because of its sensitivity to current returns, combined with corporate goals that stress current stock price over long-term corporate value. The US system favors those forms of investment for which returns are most readily measurable. This explains why the United States underinvests, on average, in intangible assets [N.B., product and process innovation, employee skills, customer satisfaction] where returns are more difficult to measure. The US system favors acquisitions, which involve assets that can be easily valued over internal development projects that are more difficult to value. (Porter, 1992, p. 72-73).

Some accounting academics proposed methods by which a firm’s spending to create intangible assets could be capitalized and placed as assets on the corporate Balance Sheet. Assets such as knowledge and technology seldom have a direct impact on revenue and profit. Improvements in intangible assets affect financial outcomes through chains of cause-and-effect relationships involving two or three intermediate stages. For example, consider the linkages in the service management profit chain (Heskett et al, 1994; Heskett, Sasser and Schlesinger, 1997), a development done in parallel and consistent with our Balanced Scorecard approach: Investments in employee training lead to improvements in service quality, better service quality leads to higher customer satisfaction, higher customer satisfaction leads to increased customer loyalty, and increased customer loyalty generates increased revenues and margins.

Financial outcomes are separated causally and temporally from improving employees’ capabilities. The complex linkages make it difficult if not impossible to place a financial value on
an asset such as workforce capabilities or employee morale, much less to measures changes from period to period in such a financial value. Second, the value from intangible assets depends on organizational context and strategy. This value cannot be separated from the organizational processes that transform intangibles into customer and financial outcomes.

A corporate Balance Sheet is a linear, additive model. It records each class of asset separately and calculates the total by adding up each asset’s recorded value. The value created from investing in individual intangible assets, however, is neither linear nor additive. Senior investment bankers in a firm such as Goldman Sachs are immensely valuable because of their knowledge about complex financial products and their capabilities for managing relationships and developing trust with sophisticated customers. People with the same knowledge, experience, and capabilities, however, are nearly worthless to a financial services company such as etrade.com that emphasizes operational efficiency, low cost, and technology-based trading. The value of an intangible asset depends critically on the context – the organization, the strategy, and other complementary assets – in which the intangible asset is deployed. Also, intangible assets seldom have value by themselves.

Generally, they must be bundled with other intangible and tangible assets to create value. For example, a new growth-oriented sales strategy could require new knowledge about customers, new training for sales employees, new databases, new information systems, a new organization structure, and a new incentive compensation program. Investing in just one of these capabilities, or in all of them but one, could cause the new sales strategy to fail. The value does not reside in any individual intangible asset. It arises from creating the entire set of assets along with a strategy that links them together. The value-creation process is multiplicative, not additive. Rather than attempt a solution to the measurement and management of intangible assets within the financial reporting framework, several articles and books in the 1980s recommended that companies integrate nonfinancial indicators of their operating performance into their management accounting and control systems, e.g. Howell et al. (1987), Berliner and Brimson J (1991).

Some authors went further when they urged that internal reporting of financial information to managers and employees, especially those tasked with improving operations by continuous improvement of quality, process yields, and process cycle times, be abolished. Managing with
information from financial accounting systems impedes business performance today because traditional cost accounting data do not track sources of competitiveness and profitability in the global economy. Cost information, per se, does not track sources of competitive advantage such as quality, flexibility and dependability. Business needs information about activities, not accounting costs, to manage competitive operations and to identify profitable products. Essentially, these authors argued that companies should focus on improving quality, reducing cycle times, and improving companies’ responsiveness to customers’ demands. Doing these activities well, they believed, would lead naturally to improved financial performance.

Drs. Robert Kaplan and David Norton described the Balanced Scorecard as a strategic and management tool that enable organizations to clarify their vision and strategy then translate them into action. The BSC provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. As a management tool, the BSC is used extensively in business and industry, government and non-profit organizations worldwide to align business activities to the vision and strategy of the organization improve internal and external communications and monitor organizations performance against strategic goals. (Kaplan and Norton 2001)

The Balanced Scorecard looks at the important issues of alignment, coordination, and effective implementation. Most business thinkers like to start with the big picture, and end there. As a result, most ideas for going in a new direction are quickly diluted by misunderstanding, falling back on old habits and lethargy. (Kaplan R.S. and Norton D.P. 2000) Since Peter Drucker (2008) first popularized the idea of business strategy, there have been vastly more strategies conceived than there have been strategies successfully implemented as a result. Much attention has been paid to devising better strategies in the last four decades, and little to implementing strategies. The big pay-off is in the implementation, and The Balanced Scorecard is one of handful of books that provide important and valuable guidance to explain what needs to be done to successfully execute strategy. The Balanced Scorecard is the beginning of the practical period of maturity in the field of business strategy.

Consistent with the latest developments in the performance measurement literature such as those advocated by proponents of the Balanced Score Card, it is expected that companies that
continuously improve their capabilities (e.g. by implementing advanced workplace practices, which are to be monitored via the innovation and learning perspective) should achieve better performance in their internal business process perspective which will, in turn, lead to better performance in their customer perspective (Cobbold, I. and Lawrie, G. 2002a). All such efforts should lead to improved financial performance. Employee performance is a critical issue in today’s organization, given that employees are the engine and success factors through which institutional performance is achieved. Factors, which determine employee performance at Kenya Commercial Bank, include leadership, communication, working condition, recognition, training and remuneration.
2.3 Empirical Review

2.3.1 Customer Focus and Employee Performance

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. If customers are not satisfied, they are likely to find other supplies who meet their needs. A customer is the conduit between the employee and any profit potential that an organization may realize. It is now widely accepted that profitable customer experiences are no longer transaction based, but rather relationship based. For an organization to maximize the Service-Profit chain strategy, they must not only concentrate on employee satisfaction, but they must also become “customer-centric.” Being truly customer-centric requires that everyone in the organization be aligned to have contact, or the opportunity to affect customers (Mitchell 2003).

The topic of customer satisfaction/retention has grown immensely in recent history. It is not enough anymore for an organization to just provide good customer service; they must ensure that they are engendering customer loyalty. At the heart of customer-centricity is the concept of the customer value equation. “This equation suggests that the value of goods and services delivered to customers is equivalent to the results created for them as well as the quality of the processes used to deliver the results, all in relation to the price of a service to the customer and other costs incurred by the customer in the acquiring the service” (Heskett, Sasser and Schlesinger 1997).

The elements of customer satisfaction, retention, and loyalty will be analyzed comprehensively in order to better understand their impact on employee satisfaction and corporate profitability. Market conditions are driving organizations to become more customer-centric. In order to provide the best possible customer service experience possible and differentiate one’s self from the competition, organizations are beginning to transition from being product-centric to being customer-centric (IBM 2006).

Organizations are realizing that the common denominator between product or service delivery and corporate profitability is the customer. Because of this, many organizations are redesigning their current business strategies around the customer-centric philosophy. Organizations are recognizing that just like employees, inventory, or cash, customers are a valuable asset that should be managed accordingly. Not only do customers generate revenue for an organization, what they say and how
they feel can influence future revenue. Customer-centric organizations collate customer feedback, and react accordingly. They view their business strategy from the point of view of the customer, and thus reduce expenditures on unwanted processes, and at the same time create new business opportunities as a result of customer feedback. (Gomolski 2005).

The definition of a ‘customer-centric’ organization is: an organization that defines, markets and sells its products and services from the customers’ point of view. The term itself has become overused, as many organizations say they are customer-centric, but few really are. It is important for organizations that claim to be customer-centric to deliver on the proclamation or risk alienating customers who rely on the statement. If customers have a reasonable expectation that they will be the focus of the organization, it is imperative that they are. Organizations that fail to deliver on the promise of focusing on the customer, often suffer the consequences in the form of economic loss (Gomolski 2005). Becoming customer-centric involves many of the elements that this paper will now consider such as: branding, marketing, service, measurement, and customer service management (CSM) programs. Actually becoming a customer focused and driven organization requires more than just deciding it is a good idea in order to boost sales. As the analysis in this paper will show, becoming a real customer focused organization requires dedication, time, commitment, and a great deal of effort. (Gomolski 2005).

In their quests to become customer-centric, organizations must consider that it is not enough just to take care of the customer today, they must think beyond today and plan for what the customer will desire tomorrow. Organizations must do more than anticipate customers’ stated needs. They need to go beyond stated needs and become proficient at anticipating unarticulated needs and desires (Hamel and Prahalad 1994).

This is not always an easy thing to do, especially when technology is involved. However, organizations that make the investment required to change their whole way of thinking often find that the process is made easier. At the heart of becoming a true customer-centric organization is the ability to create value for the customer whenever they come into contact with an organization. “What drives this new model is not profit but the creation of value for the customer, a process that
lies at the core of all successful enterprises. Value creation generates the energy that holds these businesses together, and their very existence depends on it” (Reichheld, 1996).

Organization’s that become ‘customer-centric’ understand that their business is no longer about the product or service that they once provided; it is now about the customer that uses the product or service provided by the organization. Customers don’t buy products or services; they buy results. The attitudes and quality of the service provided to customers is an important consideration (Heskett, Sasser and Schlesinger 1997). Customer-centric organizations ask questions differently. Their values, mission, and organizational structures exist for the customer, not the organization or its owners.

2.3.2 Internal Business Processes and Employee Performance

An element of organizational culture that has a profound effect on employee behavior and satisfaction is the structure of the organization. Organizational structure is the established formal hierarchy of positions, roles, and work flows within an organization (Porras and Robertson 1992). This structure represents the coordination of the different functions within the organization that work together toward the accomplishment of organizational goals. Within this structure there exists defined roles of authority, divisions of labor, and assignment of responsibility (Tetrick 2012). Issues may arise if the organizational structure is too hierarchal in nature and becomes too bureaucratic for employees to understand or work within its structure.

Learning organizations invest in improving the quality of thinking, the capacity for reflection and team learning, and the ability to develop shared visions and shared understandings of complex business issues. Organizations that are able to exhibit structural flexibility and the ability to evolve will maintain a competitive advantage over the hierarchal competition. Organizational values are an important factor in supporting employee morale and satisfaction. However, leaders of organizations cannot be perceived as hypocritical when it comes to living the stated values of the organization. There are many studies that have shown the power of meaningful values to energize employees, providing them with a sense of purpose and identity in an ever changing and dynamic work environment. Building bricks and mortar facilities is an easy task for companies.
However, the challenge for organizations is to build an environment of trust, respect, and open communication. It is the establishments of these values that will help an organization establish and promote its reputation, highlight their values, and create an environment that is sought out by employees (Freiberg and Freiberg 2004). The most important aspect of establishing organizational values is the ability of employees at all levels to trust the values and not view them as just an attractive tag line on a lobby sign.

Customers have more power than ever before. Enterprises must compete based on relationships, not just the basic products and services customers have come to expect. “In addition to traditional direct channels, businesses are moving to the Web and also working with channel and alliance partners to meet customer needs” (Business Week 2006). Because of this, organizations must now communicate with and understand the customer better than ever before.

Technological developments over the past decade have transformed business-to-customer relationships. The emergence of electronic commerce and virtual supply chains has defined a competitive environment characterized by a greater variety of alternatives among products (that are actually becoming less differentiated), services, channels, and communication vehicles (Schultz 2000).

Due to rapid defection rates and the high costs of customer acquisition, coupled with the advances in technology, organizations have recognized the need to become more customer-centric in order to better compete in the marketplace today. Many organizations today treat all of their customers the same way. Few organizations today really know who among their customers the ones to focus on are. Although it is known that not all customers are created equally, many systems and services provided by different organizations tend to make exactly this assumption (Kaplan & Norton 2004). All customers are not created equally, nor do they have the same spending habits, wants, or desires. This is the reason many companies have turned to internal systems to solve these problems.

Internal Business processes can be a powerful tool to understand customer needs and help derive additional value from customers. Developing the right customer strategy, aligning the organization to serve its customers, and establishing the supporting processes and tools for the strategy are all integral components of the system. Probably the biggest advantage to an organization of implementing a relevant system is the ability to personally deal with each
customer based on his or her buying habits. Maintaining control of customer relationships is possible only through consistent implementation of classic, well-proven customer bonding techniques, such as individualized customer care and communications, rewards for customer value and loyalty, special consideration for high-value customers and customized products and services. All of this is possible with the implementation of a comprehensive internal system (Tetrick 2012).

Though many of these organizations claim to focus on customer service and satisfaction, they are still not totally focused on the customer as the center of their business. This is the reason that it is necessary for organizations that implement a effective internal system to become operationally focused on the customer, rather than their products or services (Kaplan & Norton, 2004).
2.3.3 Learning and Growth and Employees Performance

‘Learning’ is more than ‘training’ as defined Kaplan and Norton who emphasized that “learning” includes mentoring and tuition within the organization, as well as that ease of communication among workers that enable them to readily get help on a problem when it is needed. There are many specific reasons for a company to focus on the training and development of its employees. Among these reasons are: creating qualified replacements for departing employees, enhancing the organizations ability to adopt new technologies/processes, developing informed/knowledgeable teams, and the ability to ensure trained and experienced employees for potential growth and expansion (Kirkpatrick and Kirkpatrick 2005).

There are also many different types of training programs and methods, but all of them should address the following considerations: what are the organizational objectives (strategic plan)? What are the specific training needs? What are the training objectives? Who are the candidates to be trained? What are the methods and modes of training? How to evaluate the candidates, conduct the training, and evaluate the training process. Some organizations rely on outsourcing these requirements, while other, typically larger organizations, create their own in house training programs; in some cases branding them as “corporate universities.” Companies have access to various outside training resources such as webinars, canned training products, and outside training consultants. Although these resources may prove to provide many different options and viewpoints, they lack the specificity that a well-designed in-house training program would have. In-house, comprehensive-training programs can be very effective but require commitment and funding (Kirkpatrick and Kirkpatrick 2005).

A common mistake made by many organizations is the failure to adequately invest in the continued training of their employees after they are hired. One of the biggest factors in employee satisfaction/loyalty levels is the amount of training and development companies provide. The research on this topic is clear that employees want to grow, be given the opportunity to identify a desired career, and be given an opportunity to pursue a chosen career path by the organization. As a result, the training and development of employees is an essential part of their satisfaction and longevity and should be made a priority of the organization. Continued training and programs not only help to bolster employee satisfaction, but also produce tangible benefits for the organization.
Training initiatives should be well planned, funded, and designed to meet organizational goals. This section will consider the effects of well-designed, comprehensive training programs. Included in this analysis will be the effects of training on employees, benefits of employee training to the organization, types of training programs, and the required commitment needed for a successful training and development program. (Vance and Paik 2006).

What is the definition of an effective training program? The answer is different depending on the type, size and focus of the particular business. Some organizations still utilize outside training consultants that are sporadically used to deliver slide presentations at a discount rate. The effectiveness of these training sessions is questionable, but employees are generally only temporarily enlightened about a training topic. An issue that exacerbates the lack of pertinent training is the scarcity of funds committed to training endeavors. Organizations must realize that the quality of their employees is directly related to the level of training and development they receive. In order to accomplish this, training should be an integral part of the strategic plan, and be adequately funded in order to achieve the desired result (Kirkpatrick and Kirkpatrick 2005).

Employees, in most cases, are the largest investment a company will ever make. A commitment to investing in their training and development is a prudent strategic move that will not only enhance productivity, but also increase employee satisfaction. The first step an organization must take toward administering a worthwhile training program is to assess the organizational objectives for the training to be done. In many cases, the majority of ongoing training may be associated with reinforcing the organization’s strategic goals and vision. The primary goal of many employee training/development programs is to communicate the vision of the organization, help workers understand the corporate values and culture, and show employees at every level how they can help the company succeed (Cascio 1998).

Many of these types of training programs help employees become indoctrinated to the organization’s corporate culture, which helps them better understand and support the strategic initiatives of the company. Although specific technical training is necessary and generally the focus of a corporate training program, being able to instill and reinforce corporate culture and a
strategic vision to employees can prove to be invaluable. Whatever the objective of the training, it should be documented and agreed to by the leadership of the organization.

After assessing the organizational objectives in relation to training, the next step is to establish the training objectives of the organization. There are several different ways to go about establishing the training objectives of an organization, but the method should take into consideration the three major human resource areas: the organization as a whole, the job characteristics, and the needs of the individual. In order to begin this process, a comprehensive assessment of what tasks are needed to be accomplished in the organization, by whom, and what are the necessary skills for the tasks. This process should result in an established foundation for which future training and benchmarking can be done. There should be short term, medium range and long term training goals established as part of the strategic plan (Carolina 2004). Training plans and objectives should then be tailored to specific jobs that are then filled with the most qualified candidates possessing the requisite traits that are best suited for a particular position.

Selecting the appropriate employees for training is a crucial step in the organizations training process. Because of the time and financial commitments necessary for an effective training program, being able to efficiently target the required training for the appropriate individuals will allow the organization to work more effectively and efficiently. Training programs should be designed to consider the ability of the employee to learn the material and to use it effectively, and to make the most efficient use of resources possible. Training can be a valuable source of motivation for an organization’s employees, if administered correctly. In order to ensure the maximum effectiveness of any training program, the candidates for training must be chosen correctly and the training must be pertinent and add value for their particular employment situation (Vance and Paik 2006).

A well-managed training administration program can ensure that all of the elements necessary for an effective training program are present and functioning as planned. One of the final steps, but also one of the most important ones necessary for an effective training program, is the ability to accurately assess and evaluate the training conducted. Training evaluation should not be considered a one time, or static event during the training process. It should be constant and
dynamic in nature, with established goals and outcomes. As was previously noted, benchmarks should be established at the outset of the training process, with target milestones as goals. Both employees and the training process should be evaluated comprehensively in order to accurately determine the effectiveness of the training conducted and that the employee received the desired information. Any deviations from the desired results should be noted and corrected in a timely fashion. Timely evaluation is critical in any training program, as it prevents a prolonged deviation from organizational goals (Cascio 1998).

Research in the area of corporate training has established that companies with strong training programs have less employee turnover, more productive employees, and consequently, are more profitable. It is reported that in 2004 U.S. based corporations invested more than $50 billion in training initiatives. As with any other large business investment, there should be a rational expectation of a positive return on investment dollars for this training. In order to realize a positive return on training investments, organizations should ensure that the training being given is properly aligned with organizational goals and strategic initiatives (Clark and Kwinn 2005). As this section has highlighted, the training function is an important and essential part of employee development, and subsequent employee satisfaction.

Employee development typically encompasses two main areas: personal development and professional development, and is more long range than traditional training. Training typically refers to providing the skill necessary to effectively do one’s current job, or deal with one’s current situation. Career development encompasses a broader set of training topics that have to do with one’s overall professional development and career planning. Professional development skills, although typically outside the scope of an employer’s job description, provide the skills and abilities necessary for the growth and maturation necessary for leadership positions (Clark and Kwinn 2005). This section of the paper will focus on the importance and relevance of employee development as it relates to employee satisfaction.

One of the key functions of a good employee development program is to select, cultivate, and train future leaders and managers. Employees throughout the organization will be motivated to move up in the organization if they know that they have a chance to be considered for leadership
development. Developing the skills of this carefully chosen staff is essential to achieving the organization’s business strategy and achieving a high level of worker satisfaction. Continual education for employees is one of the most vital organizational strategic goals. When organizations hire the best candidates and develop them properly, both the organization and the employees benefit. When organizations are able to retain quality employees with sharp skills, the economic prospects for the organization improve considerably (Cascio 1998). Employees throughout an organization should be examined and considered for future leadership positions within the organization. In many cases, companies only confine their search for future leadership to administrative or management employees.

If employees throughout the organization believe that through hard work, motivation, and accomplishment they can achieve leadership positions, they will be more likely to exhibit these traits. The management and leadership development process is flexible and continuous, linking an individual’s development to the goals of the job and the organization. In order to provide opportunities for employees to attain a broad based set of management skills; many organizations establish management development programs. The ultimate goal of these management development programs should be to provide the basis of knowledge necessary to develop the organization’s employees into its future leaders (Vance and Paik 2006).

Developing future leaders should be a main focus for any organization that considers itself a going concern. Developing leaders that will help to facilitate employee satisfaction is a key factor in maintaining an engaged, motivated workforce. The traditional view of leadership suggests that for the most part, people are powerless and lack discipline and vision, traits that can only be overcome for them by a few strong leaders. Organizations that focus on collaborative style leadership and developing like talent for the future will stand a better chance of garnering the support of the workforce. (Hirsh & Carter, 2002)

Traditional leadership development that promotes overly political self-interests, the goal to achieve personal agendas, and manipulation of information, in the end, has a devastating impact on employee morale. Certain political behaviors waste a team’s time and energy, divert the focus to the wrong things, and lead to decisions based on inaccurate information. Good employee
training models include training for collaborative management, in addition to career management and skill enhancement training (Seldman and Thomas-Williams 2005).

An important element of employee satisfaction is the acknowledgement and support of an organization for the development of their workforce. Every employee in an organization possesses natural or innate abilities that if developed and nurtured could lead to improved work performance and a greater level of job satisfaction. Most people understand their abilities and what they do well (with greater ease), and also what they tend to have difficulty with. Knowing and understanding this allows employees to have the ability to decide what work is best suited for their skills and abilities in order to derive the most possible satisfaction from it (Tavantzis and Emanuel 2006).

Organizations that promote this kind of open and honest self-discovery then, allow employees to take advantage of related development opportunities, and find higher levels of satisfaction among their workers. Other important leadership skills such as resiliency must also be allowed to develop. Organizations should allow employees the opportunity to occupy positions that require dynamic thought and are fraught with change, and make decisions that will lead to a more resilient leader. Many employees that are not given the opportunity to gradually work in stressful situations end up blaming management and others for their feelings of distress. Instead of learning to deal with stress and build resiliency skills, they instead feel victimized and become counterproductive. Organizations can overcome this possibility by supporting and organizing resiliency strength development for their employees (Siebert 2006).

Employee development is not only good for the employee, but also the organization. One commonly overlooked aspect of employee development that also encourages employee participation, is the practice of knowledge sharing. Transferring knowledge between employees not only promotes collaboration in the workplace, but also serves to leverage the expertise of a few individuals to a larger potential pool of workers. This practice has served to be an effective mode to transfer much needed knowledge, but also as a collaborative satisfaction tool as well. (Cardy et al, 2008). Organizations that concentrate on a proactive approach to retaining knowledge can help to assure a higher level of organizational satisfaction (Salopek 2005). An organization that takes the steps necessary to provide stimulating and relevant development to their employees will experience employees with: upgraded skills, working to their full potential and equipped to
deal with the changing demands of the workplace; employees with higher morale, career satisfaction, creativity, motivation; increased productivity and responsiveness in meeting organizational goals.

2.3.4 Financial Perspective and Employees Performance

The financial perspective, as reflected in financial measures, is the most traditional and still most commonly used measurement tool. Financial measures are valuable in conveying the readily measurable economic consequences of action already taken. Financial measures are typically focused on profitability-related measures, the basis on which shareholders, in turn, typically gauge the success of their investments, such as return on capital, return on equity, return on sales, etc. (Kaplan and Norton, 2002).

These measures are necessary for any organization trying to measure performance for a number of reasons; first, reporting of financial measures is expected and governed under law. Second, reporting of certain types of financial measures of firm performance is required by institutional bodies. Third, reporting of financial measures is expected from all stakeholders and is ingrained in history as a way of framing and comparing organizational performance. Due to escalating costs, family needs, retirement, flexibility and a myriad of other personal desires, an employees’ benefits package has become an important part of their job, as well as their level of commitment to and satisfaction with the organization they work for. Because of the costs involved, many organizations today have to make a choice: Offer an attractive benefits package and forgo profits, or cut back on employee benefits and risk harming employee morale or even losing good employees. With the ability to maintain qualified and satisfied workers at a premium today, providing attractive benefits to employees is an important consideration for any organization. Due to an exponentially increasing economy and a growth in new businesses, employees in many cases, have the advantage in employment negotiations (Stahl, Bjorkman and Cebula 2006).

Employees in today’s economy expect more than just access to reasonable employer provided medical insurance. Other benefit considerations may include: dental insurance, eye care, accidental death, short-term and long-term disability insurance, generous vacation, holidays, sick/personal days, pension plans, dependent care, flextime, and various other possibilities. Most
employees require, at a minimum, some sort of employer provided healthcare plan. This employee requirement is being bolstered by many states that are now requiring employers to provide at least a basic form of healthcare coverage for their employees, or face fines, penalties, or a minimum payment into a state funded plan that would then cover their employees (Huff 2005).

The realities of rising healthcare costs have resulted in employees being forced to accept a greater financial burden in order to cover costs and still keep the expenses at a reasonable level for the organizations that they work for. Although this negatively impacts employee satisfaction, the situation is much the same at every organization throughout the country. A large appliance manufacturer based in Ohio has had to engage the assistance of its employees in order to continue to offer a viable medical benefits package. “To continue offering good health coverage to some 24,000 U.S. employees, Whirlpool would have to revamp its approach. Employees would be asked to meet the company halfway” (Huff 2005).

Although employee satisfaction is initially negatively impacted by the situation, organizations that work with their employees to improve their medical benefits will engender positive sentiments at the end of the process. The negative ramifications stemming from an organization’s resistance to work with their employees on maintaining or bettering their medical benefits can be devastating to the morale of the workforce (Hollan 2005).

A benefit that organizations are able to offer most days that can have a constant, positive affect on employee morale is a flexible work schedule or liberal time-off policy. With vacations shrinking, flexible time-off plans are increasingly being regarded by both workers and employers as the best way to ensure that employees actually take days off when they need them. Sixty-three percent of U.S. companies now use some form of flexible paid-leave bank, compared with 21 percent in 2000 (Weber 2004). The number of hours of work a job requires, the arrangement of hours, and freedom (or lack of it) in determining work schedules effect the non-work part of a person’s life, the time available for family, leisure and self-development.
There is a growing dissatisfaction on the part of employees over the number of hours they are being required to work, excessive overtime requirements, and a sense of inflexible work hours (Taube 2001). Organizations that are able to allow their employees flex time schedules, often find a higher level of employee morale and satisfaction as a result of being able to offer the benefit.

Another major benefit focus that can affect employee morale is having a viable retirement benefit available to employees. With the future of social security benefits in the U.S. being uncertain, at best, employees seek to ensure that there is some form of employer assisted or provided retirement plan available to them. Anyone who has examined the American social security system to any extent knows that the system is in danger of insolvency in the very near future. Because most Americans will spend 20% to 25% of their lives in retirement, financial security after employees retire is a major consideration (Taube 2001). Because retirement is such an important and ever present topic for most workers, organizations that provide retirement benefits to their workforce are in a better position to enhance employee satisfaction with the organization’s benefit package.

2.3.5 Employee Performance

Vance and Paik (2006) define performance management is the process of transforming strategic objectives into action, monitoring progress, and rewarding results. Definitions of performance management as a holistic, or integrated, strategic approach, thus extending the concept beyond performance appraisal, are now in common use. For example, a process for establishing shared understanding about what is to be achieved, and approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term.

Further, performance management plays an important role in performance feedback, individual job assignments, development planning and identification of training. From the manager’s perspective, performance ensures that individual employees or teams know what is expected of them and they stay focused on effective performance (as cited in Stahl, Bjorkman and Cebula, 2006, p. 179). Vance and Paik (2006) also relate that that an effective performance management should entail an ongoing professional and productive organizational learning and so the requirement for the individual expatriate to commit to continual reflection regarding the
expatriation experience (p. 258). Performance therefore contributes to the growth and success of the company especially through the combination of competences and expertise within the organization (Stahl, Bjorkman and Cebula, 2006).

There are various employee performance indicators which include among others; communication, absenteeism, work force engagement, and motivation. Good communication channels enhance employee performance since the company’s mission and vision are well communicated to all employees. Incase one does not understand any issue; he is free to seek for further guidance. Proper communication encourages feedback both upward and downward hence promoting productivity. Employee absenteeism is also a performance indicator; employees who are frequently absent from work tend to be less productive. The absenteeism may be as a result of motivation-related issues and this may be detrimental to the performance of the company (Stahl, Bjorkman and Cebula, 2006).

Work force engagement by management ensures that everyone is working towards the realization of the company’s overall objectives. Engaging the workforce and planning activities together promote teamwork and enhance ownership of duties. Employees tend to be more connected to the operations of the company and this eventually results into increased productivity. A study by Kocel, (2003), employee motivation is a major employee performance indicator; a motivated staff commits to the assigned duty and works towards achieving and even exceeding set targets, while on the other hand a de-motivated employee does not care about his actions and their impact on the organization.
2.4 Summary of Literature and Research Gap

The scholars agree that Balanced score card model is an important document which give the organization a sense of direction. It is also agreed in the literature available that organizations implementing balance score card model to improve employee performance without a strategic plan often find themselves in quagmire due to lack of point of reference. Second, the scholars agree that for the process of strategy implementation to be successful, all stakeholders must be involved. The balanced score card model should not be too rigid but should give room for adjustments based on environment variables. Third, the literature has identified key balanced scorecard pillars that influence the employees’ performance. From the advocates of the balanced scorecard argue that this approach allows companies to build consensus around the organization’s vision and strategy, effectively communicate strategic objectives, and motivate performance against established strategic goals. Although the balance scorecard literature acknowledges that linkages to reward systems ultimately are required for the scorecard to create cultural change and improve economic performance, the specific form of these linkages remains an open issue.

In particular, little evidence exists on the extent to which the balanced scorecard's use in compensation actually enhances employees' understanding of strategic objectives and improves organizational performance, or whether these outcomes vary with different forms of scorecard-based incentive plans.

A number of research studies done on implication of balanced score card on employee performance have been centered and narrowed on few issues. The core factors that influence performance must not be studied in isolation but other aspects that affect employee performance like motivation, culture and academic background must also be considered. It is therefore important for performance to be viewed in an unbiased one’s centered approaches, giving them weight beyond the academic jurisdictions. More research should be done so that findings and recommendations are implemented to improve overall organizational productivity.
2.5 Conceptual Framework

Conceptual framework is an essential research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and communicate this (Kombo and Tromp, 2006). Figure 1 is a schematic diagram showing the factors the balanced score card pillars which have implications on the employee performance in the Kenya Commercial Bank.

Financial stability in terms of balanced and continuous cash flows, flexible business processes such as internal business procedures that are not rigid, customer focus that will lead to improved customer retention and learning and growth through capacity building will influence the employee performance in terms of employee commitment, reduced employee turnover, and increased input/yield.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the procedures and the strategies that were used in this study such as research design, target population, sample and sampling procedures, research instruments, data collection procedures, data analysis plan and interpretation.

3.2 Research design
The research used a descriptive survey design as it was aimed at the description of state of affairs as they exist. According to William (2006), descriptive survey design entails describing, recording, analyzing and reporting conditions as they exist. It provides a numeric description of some part of the population is economical and provides a fast means of data collection. In descriptive survey design, variables are investigated without any manipulation or alteration and descriptive methodologies are used in reporting the various aspects that define competency. William (2006) asserts that descriptive design is conducted to collect detailed description of the existing phenomenon with an aim of employing data to justify current conditions and practices or make plans for improving them. The survey design is suitable for extensive research.

3.3 Target population
Target population refers to the total number of subjects. It is a group as a category of human beings, objects and animals, which have one or more characteristics in common or have been selected as a focus of the study. There are over 200 Branches of Kenya Commercial Bank with close to 4,500 employees who are spread within the Country. The bank has 6 regions, out of which the researcher targeted two regions, i.e Central and Nairobi regions with approximately 1,500 employees. These two regions were preferred because they have the highest number of branches and therefore they provided adequate population size for this study.
This research targeted 54 employees, drawn from 20 out of 60 branches in Central and Nairobi Regions of KCB. This represents 30% (Mugenda and Mugenda 2003) of the total population in these regions.

**Table 3.1 Target Population Size**

<table>
<thead>
<tr>
<th>Staff</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>20</td>
</tr>
<tr>
<td>Middle Management Staff</td>
<td>45</td>
</tr>
<tr>
<td>Support Staff</td>
<td>115</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
</tr>
</tbody>
</table>

Source
(KCB HRM, 2013)

**3.4 Sampling Design and Size**

A sample is a small proportion of a population selected for observation and analysis (Best & Khan 2004). Sampling refers to selecting a given number of subjects from a definite population as a representative of that population (Ader, Mellenbergh, & Hand 2008). The researcher conducted a census study of 54 employees drawn from 20 branches sampled from Central and Nairobi regions using proportional stratified simple random sampling.

According to Mugenda and Mugenda (2003), a sample size representing 10% and above of the target population is adequate. The study was limited to KCB’s 20 branches in Central and Nairobi Regions which has 1,500 employees. Therefore, from the target population of 180 employees (KCB HRM, 2013), a sample size representing 30% was taken giving a respondent base of 54 employees from the selected employees distributed in the three categories as shown in table 3.2.
below. This sample was considered representative and comprehensive in the coverage of the study objectives and economical in terms of time and money.

Table 3.2: Distribution of sample size

<table>
<thead>
<tr>
<th>Staff</th>
<th>Population</th>
<th>Sample Size (30% of Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Middle Management Staff</td>
<td>45</td>
<td>14</td>
</tr>
<tr>
<td>Clerical staffs</td>
<td>115</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
<td>54</td>
</tr>
</tbody>
</table>

3.5 Data Collection Instrument

Data was collected from both primary and secondary sources. The researcher used questionnaires as the tool for collecting data. The selection of the instruments was guided by the nature of the data to be collected, the time available as well as by the objectives of the study.

3.5.1 Questionnaires

Questionnaires were used since the study was concerned with some variables that could not be directly observed such as views, opinions, perceptions, and feelings of the respondents. Such information was best collected through questionnaires (Mugenda & Mugenda, 1999). The sample size was also quite large and given the time constraints, questionnaires are the ideal tools for collecting data. The target population was also largely literate and was unlikely to have difficulties responding to questionnaire items.
3.5.2 Reliability and Validity

According to Mugenda and Mugenda (1999), Reliability is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Test-retest technique was used. Pretesting was done by administration of questionnaires to 10% of the target population.

Validity refers to accuracy and meaningfulness of inferences which are based on research results. The research applied content validity to measure the degree to which data obtained from the research instrument was meaningful and accurate.

3.6 Data Analysis

Quantitative data was analyzed using descriptive statistics and also inferential statistics. The various interdependent variables in the data that was obtained in this study were analyzed by organizing them into similar themes and tallying the number of similar responses. The Statistical Package for Social Sciences (SPSS) aided in the analysis. SPSS version 12.0 performed exploratory data analysis and descriptive statistics.

Inferential statistics was also used in making predictions or inferences about the population from observations and analyses of a sample (Kothari, 2004). Linear regression analysis was used. This was symbolized by

\[ \hat{Y} = \beta_0 + \beta_1 \text{ (financial perspective)} + \beta_2 \text{ (internal business processes)} + \beta_3 \text{ (customer focus)} + \beta_4 \text{ (learning and growth)} + \sum i \]

Where \( \hat{Y} = \) estimated employee performance

\[ \beta_0 = \text{Constant} \]

The strength of the relationship of the variables was measured by the value of \( r^2 \) which ranges from 0 to 1 and is interpreted as
0 – 0.4 = weak relationship

0.5 – 0.6 = moderate relationship

0.7 - above = strong relationship

The significance of the model was tested through Anova using F at P<0.0.

3.7 Data Presentation

Presentation of data was in the form of tables, pie-charts and bar graphs only where there was need to provide successful interpretation of the findings. The purpose of presentation of data was to highlight the results and to make data or results more illustrative by presenting them in the form of figures and tables so that it is easy to observe general trends (Coolican, 2003).

3.8 Ethical Consideration

In order to enhance transparency, the researcher attached an introduction letter to each questionnaire administered. The collected information remained confidential since the respondents were not required to state their names.
CHAPTER FOUR
RESEARCH FINDINGS

4.1 Introduction
The study was carried out to establish the effects of the balanced score card model on employees’ performance within the Banking Sector. Employees of Kenya Commercial Bank were involved in the study. Out of 54 questionnaires, a total of 50 KCB employees at different management levels answered and returned the questionnaires. This represented 92% of the target population.

In this chapter, data relating to the effects of balanced score card model on employees’ performance was analyzed and interpreted. The data analysis was done using a computer package, SPSS (Statistical Package for Social Science, version 19) to find the relationship in the various factors of balanced score card effects to employees performance. The computed questionnaires were edited and coded before being uploaded into the SPSS. The results were based on the model developed in chapter three and findings were based on actual data as illustrated in the conceptual framework in figure 1 in the same chapter above. Frequencies, mean scores and standard deviations were computed where appropriate. The Likert scale was applied to questions that asked for opinion, which is, extremely large extent, large extent, moderately, small extent and no extent. The first section of this chapter gives a report of the respondents’ general information, in terms of age, gender, marital status, academic level, job designation, department, working experience and professional background. The second section gives the descriptive statistics on respondents’ responses on factors that the researcher thinks are in balance score card that affect employees’ performance in KCB. The third part reports the findings from the regression model that was applied in the analysis.

The presentation of the information was in the form of tables, pie charts and bar graphs. Percentages and models were used in the analysis of the data. The source of all the tables and figures in this report were derived from the research data collected from the field.
Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Staff</th>
<th>Target Population</th>
<th>Sample Size (30% of Population)</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>20</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Middle Management Staff</td>
<td>45</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Clerical staffs</td>
<td>115</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
<td>54</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)

4.2 General Information of Respondents

The researcher got responses from 50 out of the 54 respondents targeted as illustrated in chapter three of this report. A total of 5 managers, 12 middle management staff and 33 clerical staffs were identified from the collected questionnaires.
4.2.1 Respondents’ Age

Figure 2 below shows age category of respondents which ranged from 18 to 45 years and above. It represents the age groups of the respondents from whom the data was collected.

![Age (Years) bar chart]

**Figure 2**

*Source: Survey Data (2013)*

Figure 2 above illustrates the age category of respondents who filled the questionnaire. The youngest age category was 18-25 years that contributed 2% (n=1) of the total respondent who answered the questionnaire. The majority age category was 26-35 years and contributed 56% (n=28) of the total respondents. The summary of the graph shows; 18-25 years is 2% (n=1), 26-35 years is 56% (n=28), 36-45 years is 28% (n=14) and above 45 years is 14% (n=7).
4.2.2 Respondents’ Gender

The sample was comprised of both male and females. Twenty (20) respondents were females while thirty (30) were male. The distribution is as shown below:-

![Gender Distribution](image)

**Figure 3**

*Source: Survey Data (2013)*

Figure 3 above shows the distribution of the respondents within KCB according to their gender. According to the research findings, males contributed 60% (n=30) of the total population while females contributed 40% (n=20) of the total number of respondent who participated in the research.
4.2.3 Respondents’ Marital Status

From the collected data, 18 respondents were single, 25 were married and 7 were others (either divorced or widowed). The pie chart in Figure 4 below shows the marital status of the respondents.

![Marital status pie chart](image)

**Figure 4**

*Source: Survey Data (2013)*

The above pie chart shows that 50% (n=25) of the KCB employees are married, 36% (n=18) are single while 14% (n=7) are either divorced or widowed.
4.2.4. Respondents’ Academic Level

Figure 5 below shows the academic level of KCB employees who responded to the questionnaires.

![Education Level Graph]

**Figure 5**

*Source: Survey Data (2013)*

From the bar graph above, it is evident that majority of the respondents (76%) had degrees in their areas of specialization. The lowest academic level was secondary level and contributed only 2% of the total respondents. 10% of the respondents were diploma holders while 12% had post graduate education.
4.2.5 Respondents’ Job Designation

Figure 6 below shows the job designation of the respondents.

Majority of KCB staff are graduate clerks as seen in the above graph. The graph shows 66% of total respondents are graduate clerks, 24% are assistant managers while 10% represent the managers.

Figure 6
Source: Survey Data (2013)
4.2.6 Respondents’ Department

Figure 7 below shows the department from where the respondents were drawn.

![Department Pie Chart]

Figure 7
Source: Survey Data (2013)

Respondents were drawn from several departments as follows; 44% (n=22) from Teller line, 18% (n=9) from both Accounts & Administration and Customer Service while 10% (n=5) was from both Branch Management and Personal Banking.
4.2.7 Respondents’ Duration in Present Department

Figure 8 below shows the number of years that employees have worked for KCB in the present department at that time. The years ranged from 1 to 15 years and above.

![Duration in Present Department](image)

It is evident from the above graph that majority of the employees, that is, 40% had served at KCB for 6 -10 years meaning there is a low rate of labour turn over. The other categories of years that employees had served in the present department included 1 year and below 4%; 1 – 5 years, 10%; 10-15, 26%; and above 15 years 20%.

**Figure 8**

**Source:** Survey Data 2013
4.2.8 Respondents’ Professional Background

Figure 9 below shows the percentage of employees who have worked in any other department apart from the present department.

![Figure 9](image)

**Figure 9**

*Source: Survey data (2013)*

It is evident from research that most of the employees had worked in other departments within the organization. This was supported by 90% (n=45) who had previously worked in other departments, 10% (n=5) of the employees had not worked in any other department in the organization. According to this research, KCB conducts efficient job rotation for its employees.
4.2.9 Respondents’ Previous Department

Figure 10 below shows other departments where the respondents had worked before moving to their present departments.

![Bar chart showing departments worked]

It is evident from the above graph that the majority of the employees had worked in other departments except micro credit with only 6%. The representation of employees who had worked in other departments was as follows: - tellers 40% (n=20), customer service 20% (n=10), personal banking 18% (n=9), Accounts & Administration 16% (n=8) and Micro Credit 6% (n=3). This shows that there was adequate on-the-job training, which eased job rotation.
4.3 Descriptive Statistics

In this part of chapter 4, the researcher presented the descriptive analysis of the data through mean and standard deviations of the factors that make up the balance score card model.

4.3.1 Financial Perspective

Here the respondent was required to answer six questions on financial perspective. The contributions from the responses are shown in the table below. The statements were on enhancing financial management, customer care flexibility, internal business process and staff training and development.

Table 4.2: Financial Perspective

<table>
<thead>
<tr>
<th>Aspects of Financial Perspective</th>
<th>N</th>
<th>Min</th>
<th>Maxi</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff are regularly updated on cash flow and financial updates</td>
<td>50</td>
<td>1</td>
<td>3</td>
<td>3.62</td>
<td>.635</td>
</tr>
<tr>
<td>Staff are knowledgeable of the financial status of the bank</td>
<td>50</td>
<td>1</td>
<td>4</td>
<td>3.74</td>
<td>.803</td>
</tr>
<tr>
<td>Involvement of stake holders in financial matters has increased</td>
<td>50</td>
<td>1</td>
<td>3</td>
<td>3.54</td>
<td>.646</td>
</tr>
<tr>
<td>Employees greatly contribute towards improving the bank’s financial performance</td>
<td>50</td>
<td>1</td>
<td>3</td>
<td>4.54</td>
<td>.646</td>
</tr>
<tr>
<td>The performance of the employees has improved because of their input in the cash outflow planning</td>
<td>50</td>
<td>1</td>
<td>4</td>
<td>3.82</td>
<td>.774</td>
</tr>
<tr>
<td>Employees involvement in the organizational cash flow issues has led to improved performance</td>
<td>49</td>
<td>1</td>
<td>4</td>
<td>3.73</td>
<td>.730</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Aggregate Scores**

| Aggregate Scores | 3.382 | 0.706 |

Source: Survey data (2013)

The scale used is likert 5-point scale where 1=no extent, 2=small extent, 3=moderately, 4=large extent and 5=extremely large extent. The target number was 50 and all statements were duly
filled. The aggregate mean score stood at 3.382 while standard deviation was 0.706. Based on the scale that was used, the respondents’ response generally was ‘large extent’ on the findings of financial perspective as determinant that had contributed to enhancing financial management.

4.3.2. Customer Focus

In order to establish how the implementation plan had contributed towards enhancing customer service excellence, the respondents were supposed to give their opinions on six statements. The statements were on customer satisfaction, handling of customer issues and feedback. The results are shown in the table below.

Table 4.3: Customer Focus

<table>
<thead>
<tr>
<th>Aspects of Customer Focus</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved customer satisfaction index has enhanced employee performance</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.70</td>
<td>1.192</td>
</tr>
<tr>
<td>Value adding and value creation has been realized</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.60</td>
<td>1.166</td>
</tr>
<tr>
<td>The bank has effective customer complaint handling mechanisms</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.89</td>
<td>.913</td>
</tr>
<tr>
<td>Employees handling customer service issues have a clear understanding of their duties</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.96</td>
<td>1.192</td>
</tr>
<tr>
<td>Customer satisfaction index has greatly improved</td>
<td>50</td>
<td>2</td>
<td>5</td>
<td>4.00</td>
<td>1.019</td>
</tr>
<tr>
<td>Customer feedback has led to seasoned services</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.00</td>
<td>1.629</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aggregate Scores</strong></td>
<td></td>
<td></td>
<td></td>
<td>3.692</td>
<td>1.185</td>
</tr>
</tbody>
</table>

Source: Survey data (2013)

The questionnaire used Likert scale that had five points. The scale ranged from 1=no extent, 2=small extent, 3=moderately, 4=large extent and 5=extremely large extent. According to the
scale, a mean of 3.692 standard deviation was 1.185 was obtained; this meant that the customer focus had improved to a large extent.

4.3.3 Internal Business Processes Perspective

The respondents were supposed to provide their opinion on five statements. The statements were aimed at determining how internal business processes have contributed to enhanced financial management, customer service excellence, flexible internal business process and improved staff training and development. The following findings were obtained:

Table 4.4: Internal Business Processes Perspective

<table>
<thead>
<tr>
<th>Aspects of Internal Business processes</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees are comfortable with the bank’s internal business processes</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.87</td>
<td>1.133</td>
</tr>
<tr>
<td>There are regular staff meetings where employees plan the internal business processes for the branch/department</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.59</td>
<td>1.190</td>
</tr>
<tr>
<td>The rigid procedures have been faced out by the flexible procedures increasing productivity</td>
<td>50</td>
<td>2</td>
<td>5</td>
<td>3.80</td>
<td>.998</td>
</tr>
<tr>
<td>Flexible business processes have improved the employee overall performance</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.96</td>
<td>1.098</td>
</tr>
<tr>
<td>Improved business processes have led to efficiency and effectiveness of the employees</td>
<td>50</td>
<td></td>
<td></td>
<td>3.26</td>
<td>1.012</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aggregate Scores</strong></td>
<td></td>
<td></td>
<td></td>
<td>3.696</td>
<td>1.086</td>
</tr>
</tbody>
</table>

Source: Survey data (2013)

The questionnaire used a 5-point likert scale where 1=no extent, 2=small extent, 3=moderate extent, 4=large extent and 5=extremely large extent. From table 4.4 above, one can conclude that respondents were moderate on the questions asked on internal business processes since the
aggregate mean is 3.696 and a standard deviation of 1.086. Majority of the respondents agreed to a moderate extent that improved and flexible internal business processes had improved their productivity.

4.3.4 Learning and Growth perspective

From the 50 KCB employees who responded to the questionnaires, their opinion on the learning and growth perspective has been affected by the implementation of strategic planning. The responses are presented below:-

Table 4.5: Learning and Growth Perspective

<table>
<thead>
<tr>
<th>Aspects of Learning and Growth Perspective</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank has on-the-job training program</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>4.11</td>
<td>1.192</td>
</tr>
<tr>
<td>Training Needs Analysis is prepared and adhered to improve employee efficiency</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.44</td>
<td>1.513</td>
</tr>
<tr>
<td>Regular training on new developments has led to increased employee output</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>2.90</td>
<td>1.266</td>
</tr>
<tr>
<td>Training is done at the right time</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>2.85</td>
<td>1.618</td>
</tr>
<tr>
<td>Training and development has taken both the staff and the organization to a cutting edge</td>
<td>49</td>
<td>1</td>
<td>5</td>
<td>3.11</td>
<td>1.396</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Aggregate Scores

3.282 1.397

Source: Survey data (2013)

The questionnaire used 5-point Likert scale that ranged from 1=no extent, 2=small extent, 3=moderate, 4=large extent and 5=extremely large extent. According to the descriptive statistics on table 4.5 above, respondents generally agreed that the regular staff training has to a large extent
contributed to increased employee output. This is supported by an aggregate mean of 3.282 and a standard deviation of 1.397.

4.3.5 Employee Performance

To investigate the effect of the balanced score card on employee performance, an overall finding was derived from the responses given by the respondents as shown in the table below:

Table 4.6: Employee Performance

<table>
<thead>
<tr>
<th>Aspects of Employee Performance</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning and development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have received adequate training for my job</td>
<td>50</td>
<td>2</td>
<td>5</td>
<td>3.87</td>
<td>1.133</td>
</tr>
<tr>
<td>My performance has improved due to the training I have received</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.59</td>
<td>1.190</td>
</tr>
<tr>
<td>Staff involvement in Decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am always encouraged to give contributions in staff meetings</td>
<td>49</td>
<td>2</td>
<td>5</td>
<td>3.80</td>
<td>0.998</td>
</tr>
<tr>
<td>The contributions have impacted positively on decision making</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.96</td>
<td>1.098</td>
</tr>
<tr>
<td>Employee empowerment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My supervisors regularly delegate to me challenging tasks, and this has improved my performance</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.70</td>
<td>1.192</td>
</tr>
<tr>
<td>Job rotation has enabled me learn other departments, hence contributing to improved performance</td>
<td>50</td>
<td>2</td>
<td>5</td>
<td>3.60</td>
<td>1.166</td>
</tr>
<tr>
<td>Organizational structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The organization structure in the bank is clear and easily understandable</td>
<td>50</td>
<td>2</td>
<td>5</td>
<td>4.00</td>
<td>1.019</td>
</tr>
<tr>
<td>There is efficiency in all levels of authority within the</td>
<td>50</td>
<td>1</td>
<td>5</td>
<td>3.00</td>
<td>1.629</td>
</tr>
</tbody>
</table>
### Operating systems

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank’s internal procedures are efficient leading to improved performance</td>
<td>50</td>
<td>3.89</td>
<td>0.913</td>
</tr>
<tr>
<td>Internal business process are very friendly and make my work easier</td>
<td>50</td>
<td>3.96</td>
<td>1.191</td>
</tr>
</tbody>
</table>

### Customer service

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The staff’s overall customer service has improved</td>
<td>50</td>
<td>4.11</td>
<td>1.192</td>
</tr>
<tr>
<td>Customer satisfaction index has improved greatly</td>
<td>49</td>
<td>3.44</td>
<td>1.513</td>
</tr>
</tbody>
</table>

### Customer changing needs

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer needs have been addressed as soon as they arise</td>
<td>50</td>
<td>2.85</td>
<td>1.618</td>
</tr>
<tr>
<td>Customers are regularly updated on new services that are tailor made to suit their needs</td>
<td>50</td>
<td>3.11</td>
<td>1.396</td>
</tr>
</tbody>
</table>

### Employee - customer relations.

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees put the customer first in all situations</td>
<td>50</td>
<td>3.48</td>
<td>1.225</td>
</tr>
<tr>
<td>Customers are confident and trust the employees</td>
<td>50</td>
<td>3.28</td>
<td>1.653</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid N (listwise)</td>
<td>50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Aggregate Scores**

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Scores</td>
<td>50</td>
<td>3.638</td>
<td>1.235</td>
</tr>
</tbody>
</table>

**Source: Survey Data (2013)**

The contents of descriptive statistics from table 4.6 above, show the mean was 3.638 and a standard deviation of 1.235, and imply that the respondents agreed to a large extent that their performance was greatly affected by enhanced financial management, adequate and regular staff training and development, flexible internal business process and excellent customer service.
4.4 Inferential Analysis

Inferential statistics is used to make inferences about a population from information taken from a small sample of that population. Inferential statistics is important in social sciences research where it allows generalization of results to a larger population. The researcher conducted a multiple regression analysis so as to test relationship among variables. The research applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. Table 4.7 provides the summary of the regression model applied in this study.

The coefficient of determination explains the extent to which changes in dependent variable can be explained by the change in the independent variables or the percentage of the variation in the dependent variable (Employee performance) that is explained by all the three independent variables (Learning and Growth Perspective, Financial Perspective, Customer Focus, and Internal Business Processes).

The value of adjusted R square is 0.597 meaning that our regression model explains 59.7 percent of the variability in the independent variables. This implies that the model explains 59.7 percent of the effects of independent variables on the dependent variable.
Table 4.7: Model Summary

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.792(^a)</td>
<td>.628</td>
<td>.597</td>
<td>1.02701</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Learning and Growth Perspective, Financial Perspective, Customer Focus, Internal Business Processes

The ANOVA report assesses the overall significance of a regression model. The ANOVA results of the regression analysis carried out in this study indicates that, p<0.001 and therefore the model is statistically significant.

Table 4.8 ANOVA\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>87.132</td>
<td>4</td>
<td>21.783</td>
<td>20.652</td>
<td>.000(^b)</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>49</td>
<td>1.055</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>138.815</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Employee Performance
\(^b\) Predictors: (Constant), Learning and Growth Perspective, Financial Perspective, Customer Focus, Internal Business Processes

The Standardized Beta coefficients provide a measure of the importance or contribution of each independent variable to the regression outcome of the study. As illustrated in table 4.9 below, with a β value of 0.453 internal business processes was the most important significant variable in this study (p=0.01; t=2.677). The next factor with the greatest effect on employee performance was
learning and growth perspective ($\beta = 0.400; \ p=0.24; \ t=2.335$) followed by customer focus ($\beta = 0.159; \ p=0.498; \ t=0.538$) and financial perspective, which was statistically significant at the 90 percent level of confidence ($\beta=0.07; \ p<0.5; \ t=0.683$).

Table 4.9: Coefficients$^a$

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.533</td>
<td>1.149</td>
<td></td>
<td>1.856</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>1.425</td>
<td>0.276</td>
<td>0.159</td>
<td>.538</td>
</tr>
<tr>
<td>Internal Business Processes</td>
<td>0.713</td>
<td>0.266</td>
<td>0.453</td>
<td>2.677</td>
</tr>
<tr>
<td>Financial Perspective</td>
<td>0.168</td>
<td>0.246</td>
<td>0.070</td>
<td>.683</td>
</tr>
<tr>
<td>Learning and Growth Perspective</td>
<td>1.018</td>
<td>0.436</td>
<td>0.400</td>
<td>2.335</td>
</tr>
</tbody>
</table>

$^a$ Dependent Variable: Employee Performance

As per the SPSS results generated, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$) translates to $Y = 0.533 + 1.59X_1 + 0.453X_2 + 0.070X_3 + 0.400X_4 + \varepsilon$. This regression equation indicates that taking all the factors into account (Learning and Growth Perspective, Financial Perspective, Customer Focus, and Internal Business Processes) at constant zero then organizational safety culture is 0.533. However taking all the independent variables at zero, then a unit increase in customer focus will lead to a 1.59 decrease in organizational safety culture, a unit increase in internal business will lead to a 0.453 increase in organizational safety culture. A unit increase in financial perspective will lead to a 0.07 increase in organizational safety culture and finally a unit increase in learning and growth perspective will lead to a 0.4 increase in organizational safety culture.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher summarizes the study and discusses the findings and gives recommendations to further this study. The purpose of the study was to determine the effects of the balanced score model on employees’ performance within the banking sector. It has been considered throughout, that balance scorecard has in a large extent has impact. It is from this chapter that the research objectives are further looked into.

The results of the study are based on the four research objectives which are; to determine the effects of financial focus on employee performance in KCB, to find out how internal business processes affects employee performance in KCB, to establish the relationship between customer focus and employee performance and to analyze the effects of training and development on employee performance.

This chapter therefore concentrates on what the different employees at different levels in the organization structure of KCB concluded about the research objectives that have been the subject of the whole research.
5.2 Summary of Findings

After analyzing, the researcher summarized the findings as discussed below.

5.2.1 Summary of Findings on Objective One

The researcher observed that a majority of the respondents were affected to a large extent by the financial focus. This can be justified since the financial perspective, as reflected in financial measures are valuable in conveying the readily measurable economic consequences of action already taken. Financial measures are typically focused on profitability-related measures, the basis on which shareholders, in turn, typically gauge the success of their investments, such as return on capital, return on equity, and return on sales. (Kaplan and Norton, 1992). These measures are necessary for any organization since they include: cash flow and financial updates, knowledge of financial status, involvement of stakeholders in financial matters, contribution by employees towards improving organizational cash inflow, and employees’ performance in the organizational cash flow issues which are important in measuring performance. The revelations from the findings are that the cash flows and financial updates have significantly increased in KCB in the past five years. The researcher can affirm from the finding that the knowledge of financial status of the organization has improved significantly which has contributed to increase in stakeholders’ involvement, employees’ contribution, performance and also in employees’ involvement in organizational cash flow issues. From the regression model financial focus is seen to have a positive relation to employees’ performance meaning increase in financial focus leads to increased employees’ performance.
Summary of Findings on Objective Two
The study established that the employees’ performance to a great extent was being influenced by the internal business process. The internal business process means the bank works towards building an environment of trust, respect, and open communication. It is the establishments of these values that help an organization establish and promote its reputation, highlight their values, and create an environment that is sought out by employees (Freiberg and Freiberg 2004). Hence it is evident that employees were satisfied by the organization’s internal systems conforming to those (Porras and Robertson 1992) who allege that an element of organizational culture that has a profound effect on employee behavior and satisfaction is the structure of the organization. The internal business processes included involvement of employees in daily planning and improvement of the processes by them being made flexible and facing out fixed ones. This has improved the employees’ performance greatly. This confirms previous findings by other researchers (Senge 1990) who allege that learning organizations invest in improving the quality of thinking, the capacity for reflection and team learning, and the ability to develop shared visions and shared understandings of complex business issues on daily basis. Organizations that are able to exhibit structural flexibility and the ability to evolve will maintain a competitive advantage over the hierarchal competition. Other researchers such as Meltzer 2003 allege that though many of these organizations claim to focus on customer service and satisfaction, they are still not totally focused on the customer as the center of their business and employees are their first customers. This is the reason why it is necessary for organizations that implement an effective internal system to become operationally focused on the customer, rather than their products or services.
5.2.2 Summary of Findings on Objective Three

As far as customer focus was concerned, the research found that, all respondents were affected to a large extent by customer focus. It was also found out that the level of customer satisfaction had improved through briefing of the employees about customer service. This has led to value addition and creation which is evident in handling of customers’ complains and feedback appropriately due to a clear understanding by employees of their duties and responsibilities. The relationship between customer focus and employee performance from the regression analysis was a negative one; this meant implied that the organization mainly kept focus only on external customers forgetting about their internal customers who are the employees. Neglecting the internal customers led to poor employee performance. This confirms findings by Meltzer, 2003 who argued that although many of these organizations claim to focus on customer service and satisfaction; they are still not totally focused on the customer as the center of their business. The main organizational focus is on the financial performance hence they forget about then employees.

5.2.3 Summary of Findings on Objective Four

The study findings revealed that learning and growth greatly affect employees’ performance. It is clearly evident that organizations should work towards teaching and improving skills of its staff. Regular and relevant learning and growth benefit both the organization and the employees by ensuring business continuity in cases of absenteeism; it promotes smooth transition for new systems/processes, developing informed/knowledgeable teams, and the ability to ensure trained and experienced employees for potential growth and expansion. It also saves on cost for outsourcing whenever a new task has to be accomplished. The bank has a well-defined on-the-job training, and this according to researchers such as Cascio 1998 ensures that employees throughout the organization are motivated, it also leads to career growth since a trained employee can be considered for a promotion whenever a chance arise. Internal career development is essential in achieving the organization’s business strategy and achieving a high level of worker satisfaction.
5.3 Conclusion

The study established a number of factors that would need to be considered in the application of balanced scorecard as an appraisal tool for measuring employees’ performance. First, it shows the relationship between the customer focus in the balanced scorecard and the employees’ performance in the banking sector especially at KCB. The study findings emphasize the need for the bank not to only work towards ensuring that the Balanced Scorecard aim at fulfilling organizational goals, but also they should not forget their first customers who are the staff who play an integral role in revenue generation.

The study findings also show that it is important to continuously train employees in order to enable them perform effectively and hence increase their output. Employees were satisfied with the training received and expressed satisfaction with the efficiency with which the training is delivered to them. They agreed that the training had increased their output.

Emphasis has also been placed on the need to regularly update employees on the financial aspects of the bank since the financial factor has a great influence on employee performance. Employees are greatly motivated by the financial gain when they perform well, therefore keeping them updated on the financial performance of the bank will enable them perform better.

Finally, employees agree that use of the scorecard is a map that assists employees to measure their progress by comparing their current performance with the set targets. They are therefore able to strategize on ways to improve their performance in order to meet and/or even exceed targets.
5.4 Recommendations

The management of the bank should focus on the implementation of the balanced scorecard, considering the four pillars, i.e financial focus, customer focus, learning and growth and the internal business processes and how each of these affect employee performance. The study findings show that each of these pillars greatly influences employee performance; therefore the bank’s management should devise strategies that will boost employee performance.

There is great need to employ internal business processes that will enable employee work effectively. When the processes are clearly understood and are employee-friendly, output is high hence employee satisfaction is enhanced. The bank should also standardize the implementation of the balanced scorecard in order to avoid biases such as interpersonal relationships between employees and their managers, pre-formed perceptions about employees, the bell-curve effect that place some few employees either as high performers or low performers while majority fall as moderate performers.

There will be need however to ensure effective follow through and review of the deliverables to ensure that all KCB employees are comfortable that the tool measures their performance effectively.
5.4.1 Suggestions for Further Studies

The researcher recommends that, there is need to carry out further studies after five years to determine the effectiveness of the balanced scorecard as an appraisal tool for employee performance. Although it is evident from previous studies that the balanced scorecard greatly affects employee performance; further studies should be carried out to determine the effect of the balanced scorecard on employee performance and also to determine the effectiveness of its implementation. The findings will assist organizations in formulating strategies that eventually lead to maximum realization of benefits from the use of balanced scorecard.
REFERENCES


Berliner C and J Brimson (1191) Measure up! Yardstick for Continuous Improvement, Campridge, M A; basisl Blackwell.


Heskett, j, Sasser W E and Schlesinger L (1997), The Service Profit Chain, New york; Free Press.


Lenah Kimanzi
Kenyatta University
Department of Business

Dear respondent,

**RE: QUESTIONNAIRE ON THE EFFECT OF THE BALANCED SCORE CARD MODEL ON EMPLOYEES PERFORMANCE IN THE BANKING SECTOR: A CASE OF KENYA COMMERCIAL BANK.**

I am a post graduate student pursuing Masters in Business Administration Degree at Kenyatta University. In partial fulfillment of the requirement to the award of the master’s degree, I am required to do and write a research paper. The topic of my research is ‘The Effect of Balanced Score Card Model on Employees Performance in The Banking Sector: A Case of Kenya Commercial Bank.

The attached questionnaire is aimed at gathering relevant information about your organization in connection to the area under research. Your responses will only be used for the purpose of this study and will be held in strict confidence. Please complete all the sections as objectively as possible. Your cooperation will be highly appreciated.

Yours faithfully,

**Lenah Kimanzi**
APPENDIX B: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Age (please tick one)
   a) 18 – 25  
   b) 26 – 35  
   c) 36 – 45  
   d) Above 45

2. Gender
   a) Male  
   b) Female

3. Marital status:
   a) Married  
   b) Single

4. Academic level:
   a) Secondary  
   b) Diploma  
   c) Degree  
   d) Post Graduate

5. Job designation:
   a) Manager  
   b) Assistant manager  
   b) Graduate Clerk
6. Department:
   a) Branch Manager
   b) Accounts & Admin
   c) Teller
   d) Personal Banking
   e) Customer Service

8. Years in present Department:
   a) Below 1 year
   b) 1 – 5
   c) 6 - 10
   d) 10 – 15
   e) Above 15

9. Have you worked in other Departments?
   a) Yes
   b) No

10. If yes, which Department(s)?
     a) Customer Service
     b) Accounts & Administration
     c) Micro Credit
     d) Teller
     e) Personal Banking
SECTION B: RESEARCH INFORMATION

In the last five years KCB has introduced the use of Balanced Score Card as an appraisal tool for measuring employee performance. The BSC mainly focuses on the financial perspective, customer focus, internal business process and learning and growth. This section of the questionnaire seeks to understand the effect of BSC towards enhancing financial management, customer care flexible internal business processes and staff training and development.

Respond to each of the statement below by indicating your opinion on the extent of improvement:

Please tick the numeric value corresponding to your personal opinion for each statement given below:

Where:  
5 - extremely large extent  
4 - Large extent  
3 - Moderately  
2 - Small extent  
1 - No extent

<table>
<thead>
<tr>
<th>Section B: Financial Perspective</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Staffs are regularly updated on cash flow and financial updates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Staff are knowledgeable of the financial status of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Involvement of stakeholders in financial matters has increased</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Employees’ greatly contribute towards improving the bank’s financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The performance of the employees has improved because of their input in the cash outflow planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Employees involvement in the organizational cash flow issues has led to improved performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Section C: Customer Focus

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>Improved customer satisfaction index has enhanced employee performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Value adding and value creation has been realized</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>The bank has effective customer complaint handling mechanisms</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Employees handling customer service issues have a clear understanding of their duties</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Customer satisfaction index has greatly improved</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Customer feedback has led to seasoned services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Section D: Internal Business processes

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td>Employees are comfortable with the bank’s internal business processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>There are regular staff meetings where employees plan the internal business processes for the branch/department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>The rigid procedures have been faced out by the flexible procedures increasing productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Flexible business processes have improved the employee overall performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Improved business processes have led to efficiency and effectiveness of the employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Section E: Learning and Growth Perspective

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>18.</td>
<td>The bank has on-the-job training program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Training Needs Analysis is prepared and adhered to improve employee efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
20. Regular training on new developments has led to increased employee output

21. Training is done at the right

22. Training and development has taken both the staff and the organization to a cutting edge

<table>
<thead>
<tr>
<th>Section F: Employee Performance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 Learning and development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• I have received adequate training for my job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• My performance has improved due to the training I have received</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 Staff involvement in Decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• I am always encouraged to give contributions in staff meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The contributions have impacted positively on decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Employee empowerment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• my supervisors regularly delegate to me challenging tasks, and this has improved my performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Job rotation has enabled me learn other departments, hence contributing to improved performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 Organizational structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The organization structure in the bank is clear and easily understandable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• There is efficiency in all levels of authority within the structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 Operating systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The bank’s internal procedures are efficient leading to improved performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Internal business process are very friendly and make my work easier</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 Customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The staff’s overall customer service has improved</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• Customer satisfaction index has improved greatly

29 Customer changing needs
• Customer needs have been addressed as soon as they arise
• Customers are regularly updated on new services that are tailor made to suit their needs

30 Employee - customer relations.
• Employees put the customer first in all situations
• Customers are confident and trust the employees

In your own opinion, what do you think should be done to improve your performance?

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

THANK YOU FOR YOUR PARTICIPATION.