THE EFFECT OF BALANCED SCORECARD ON ORGANIZATIONAL PERFORMANCE IN THE PUBLIC SECTOR IN KENYA: A CASE STUDY OF KENYA REVENUE AUTHORITY

BY

VERAH MORAA KAMBUNI

RESEARCH PROJECT SUBMITTED IN PARTIAL FULLFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT) IN THE SCHOOL OF BUSINESS

KENYATTA UNIVERSITY

DECEMBER, 2013
DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university.

Signed: Verah Moraa Kambuni
Date: 16/12/2013

Verah Moraa Kambuni
D53/CTY/PT/20668/2010

Supervisor

This research project has been presented for examination with my approval as the appointed University Supervisor.

Signed: Dr. J.M. Kilika
Date: 17/12/2012

Dr. J.M. Kilika
Business Administration Department
School of Business, Kenyatta University

For and on behalf of Kenyatta University

Signed: Dr. S.M. Muathe
Date: 6/1/2014

Dr. S.M. Muathe
Chairman, Department of Business Administration
School of Business
Kenyatta University
DEDICATION

This Research Project is dedicated to my lovely and beautiful daughter Lucky, who has made my life so full, so complete, and, most important, so peaceful when mummy needed time away to read. To my ever supportive parents who have been my constant source of inspiration and gave me the drive and discipline to tackle any task with enthusiasm and determination, my siblings who have always cheered me on, my wonderful friends for the support, love and understanding that I needed time away to do this project.
ACKNOWLEDGEMENT

I would like to acknowledge my Supervisor, Dr. J.M. Kilika who has been very helpful, offered invaluable guidance, had the daunting task of editing my work and assisting me put it on paper for it to be readable. To my classmates Peter Kerage, Fred Ouma and Agnes Muguchu whom I turned to whenever I needed motivation and encouragement. Special thank you to my wonderful friend Tulizana Mkatunzi for being there for me throughout this course and urging me on when the going got tough. Not forgetting my many friends who were always there for me in one way or another.

And to my heavenly Father who has given me this opportunity to successfully complete this course, who has created every blessing I have ever known in my lifetime, I give you all the glory the honor and the praise.
OPERATIONAL DEFINITION OF TERMS

Balanced Scorecard  A strategic planning and management system used to align business activities to the vision statement and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

Customer Perspective  Increasing realization of the importance of customer focus and customer satisfaction in any business.

Financial Perspective  Prioritising timely and accurate financial data by the management of an organization.

Internal Perspective  The business process perspective that allows managers know how well their business is running, and whether its products and services conform to customer requirements (the mission).

Learning Perspective  Emphasis on employee training and corporate cultural attitudes related to both individual and corporate self-improvement.

Stakeholders Theory  A conceptual framework of business ethics and organizational management which addresses moral and ethical values in an organization. It puts emphasis on creating as much value as possible for stakeholders through keeping the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction.

Management By Objectives  Is a process of defining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization in order to achieve them.
<table>
<thead>
<tr>
<th><strong>Public Sector</strong></th>
<th>The public sector is that portion of society controlled and owned by national, state or provincial, and local governments.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Sector</strong></td>
<td>The part of the economy that is not state controlled, and is run by individuals and companies for profit.</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>AAPAM</td>
<td>African Association of Public Administration and Management</td>
</tr>
<tr>
<td>APQC</td>
<td>American Productivity and Quality Centre</td>
</tr>
<tr>
<td>ERS</td>
<td>Economic Recovery Strategy</td>
</tr>
<tr>
<td>BSC</td>
<td>Balanced Scorecard</td>
</tr>
<tr>
<td>COB</td>
<td>Customer Orientation Behaviours</td>
</tr>
<tr>
<td>KM</td>
<td>Knowledge Management</td>
</tr>
<tr>
<td>KWS</td>
<td>Kenya Wildlife Services</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>RBM</td>
<td>Result Based Management</td>
</tr>
<tr>
<td>TQM</td>
<td>Total Quality Management</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS

Declaration ........................................................................................................ ii
Dedication ........................................................................................................ iii
Acknowledgement ........................................................................................ iv
Operational definition of terms ..................................................................... v
Abbreviations and acronyms .......................................................................... vii
Table of contents ........................................................................................... viii
List of figures ................................................................................................ xi
List of tables .................................................................................................... xii
Abstract .......................................................................................................... xiii

CHAPTER ONE .................................................................................................. 1
INTRODUCTION ................................................................................................. 1
1.1 Background .................................................................................................. 1
  1.1.1 Performance in the Public Sector ......................................................... 2
  1.1.2 Balanced scorecard Performance in the Public Sector in Kenya ......... 4
  1.1.3 Balanced scorecard in Kenya Revenue Authority ............................ 5
1.2 Problem Statement ..................................................................................... 6
1.4 Research Objectives ................................................................................... 7
  1.4.1 General Objective ................................................................................ 7
  1.4.2 Specific Objectives ............................................................................. 7
1.5 Research Questions .................................................................................... 8
1.6 Significance of the Study .......................................................................... 8
1.7 Scope of the Study ..................................................................................... 9
1.8 Limitations and Delimitations of the study ............................................... 9

CHAPTER TWO .................................................................................................. 10
LITERATURE REVIEW ..................................................................................... 10
2.1 Introduction ............................................................................................... 10
2.2 Theoretical Review ................................................................................... 10
  2.2.1 Stakeholders Theory ........................................................................ 10
  2.2.2 Management by Objectives (MBO) .................................................. 12
2.3 Origins of the Balance Scorecard Method ................................................ 13
LIST OF FIGURES

Figure 1: The methodology of the Balanced Scorecard (Kaplan and Norton, 1997, p. 9) ... 155
Figure 2: Comparing the Scorecards for Government versus For-Profit Organizations ...... 222
Figure 3: Conceptual Framework ................................................................................. 29
Figure 4: Gender of respondents ................................................................................. 38
Figure 5: Age of respondents ...................................................................................... 39
Figure 6: Length of tenure in organization .................................................................. 40
Figure 7: Position of respondents in Organization ...................................................... 41
Figure 8: Is the BSC a good performance measurement system? ............................... 477
Figure 9: Are there improvements as a result of BSC implementation? ...................... 488
Figure 10: Improvement of performance in departments through BSC ...................... 488
Figure 11: KRA revenue performance attributable to implementation of BSC .......... 499
LIST OF TABLES

Table 2.1: Comparison of Balanced Scorecards in the Private and Public Sectors ............... 20
Table 2.2 Comparison of Private and Public Sector Strategies (Marco Ahrendt, 2006) ....... 233
Table 3.1 Sampling Frame ........................................................................................................ 344
Table 4.1: Gender of respondents ............................................................................................ 37
Table 4.2: Age of respondents .................................................................................................. 38
Table 4.3: Number of years in organization ............................................................................. 39
Table 4.4: Position in organization .......................................................................................... 41
Table 4.5: Customer focus ....................................................................................................... 42
Table 4.6: Financial Management ............................................................................................ 43
Table 4.7: Aspects of Internal Process Management ................................................................. 44
Table 4.8: Aspects of organizational learning and growth ....................................................... 45
Table 4.9: Significant improvement as a result of BSC implementation ............................... 47
Table 4.10: Authority’s revenue performance attributable to implementation of BSC .......... 48
Table 4.11: Aspects of implementation of BSC ......................................................................... 50
Table 4.12: Model Summary .................................................................................................... 511
Table 4.13: ANOVA Table ........................................................................................................ 521
Table 4.14: Standardized Beta Coefficients ............................................................................. 532
ABSTRACT

There is an increasing interest on the performance measurement in government since late 1980s encouraged by the new public management movement. Many governments have adopted some sort of performance measurement initiatives to enhance their services and promote transparent and accountable government. The general objective of the study sought to examine the effect of balanced scorecard on organizational performance in the public sector in Kenya a case study of Kenya Revenue Authority. The specific objectives of this study were to establish whether Customer Focus had an impact on the performance of the KRA, to ascertain the effect of financial management on performance of KRA, to determine the effect of internal processes management on performance of KRA and to find out the effect of organizational learning and growth on performance of the KRA. This study utilized a descriptive survey which employed the use of a case study. The population of interest in the study consisted of management staff in all functional departments in KRA. Descriptive analysis and content analysis were employed. In order to examine the effect of balanced scorecard on organizational performance in the public sector in Kenya at KRA, self-administered drop and pick questionnaires were distributed among sampled respondents as means of data collection. The data was coded and analysed using Statistical Package for the Social Science (SPSS) to enable the responses to be grouped into various categories. Inferential statistics of regression analysis and analysis of variance were used to analyse and present data. Tables, charts and other graphical presentations as appropriate were used to present the data collected. The findings of the study established and concluded that the balanced score card is an instrumental system which has amassed many benefits for the authority. From the findings and conclusions of the study the researcher recommends that for effective and efficient implementation of the BSC, KRA has to ensure its BSC has an appropriate mix of the leading and lagging indicators, embrace a top down approach for the success of the BSC, identify and establish facts behind the low scores in the organizational learning and growth perspective as well as develop mitigating strategies for the same. Finally for the purpose of generalising these findings, a study encompassing more public institutions needs to be conducted.
CHAPTER ONE
INTRODUCTION

1.1 Background

In the last two decades there has been a paradigm shift in the public sector toward more accountability and the adoption of "new public management" which is more closely aligned with private enterprise management systems (Chang 2007). This has precipitated the adoption of more sophisticated performance management systems such as the balanced scorecard (BSC) which has been widely adopted by both profit making and non-profit organisations around the world (Lawson et al., 2006, Yang et al., 2005, Davis and Albright 2004).

The BSC has long been recognised as a performance measurement framework and a strategy implementation methodology (Tennant and Tanoren, 2005, Reisinger et al., 2003/4) as evidenced by the fact that over 50% of the fortune 500 companies are using this approach as a performance measurement and strategic management tool (Gumbus, 2005). However, there is fairly broad consensus that there are significant challenges in transposing the BSC principles to public sector organisations, and that particular circumstances unique to the public sector give rise to the need for adjustments in both BSC design and implementation (Kaplan, 2001; Niven, 2002; Wisniewski and Stewart, 2004; Adcroft and Willis, 2005; Greatbanks and Tapp, 2007).

The balanced scorecard was developed in the USA in the beginning of the 1990s by Kaplan and Norton (1992). They criticized the existing methods for assessing business performance for being too narrow and looking back instead of looking forward. From this starting point, they created a method which they named the "balanced scorecard". This method aims at making the business strategy more measurable and concrete. Additionally, it forces the business managers to think about what the strategy and vision are really about, what are the actions that lead to fulfilling the ideas named in the strategy and vision.

According to Kaplan and Norton (1993), the BSC is designed to support and fulfil the company's overall vision and strategies. Their version of the BSC presented in 1992 contains four different perspectives: the financial, the customer, the internal business process, and the learning and growth perspective. These perspectives represent how the company is viewed by its most important stakeholders - shareholders, management, customers and employees. In
recent years several companies have started to use the term focuses instead of perspectives in order to emphasize the company’s view on its stakeholders (Olve et al. 1997). Within each perspective, critical success factors are developed. Performance measurements are chosen in order to support the critical success factors. The factors constitute the bridge between the vision, strategy, perspectives and the performance measurements, and are critical to the company’s future success. Finally, the BSC includes action plans, which describe how the company should act to achieve its vision.

Anthony and Govindarajan (2001) describe the BSC as a performance measurement system, which “fosters a balance among different strategic measures in an effort to achieve goal congruence, thus encouraging employees to act in the organization’s best interest”. A performance measurement system is a system that supports strategy implementation (Anthony and Govindarajan 2001). In building such a system, management selects measures that best represent the organization’s strategy. Thus, the focus of such a system is the performance measurements, which is reflected in the early descriptions of the BSC. Kaplan and Norton (1992) primarily discuss the elements of the BSC including perspectives, critical success factors and measures.

Although Anthony and Govindarajan (2001) approach dealt with managerial problems that may occur when implementing the BSC, the focus is still on the measurements and the design of the BSC. They described the performance measurement system as a dashboard with a series of measures, which provide the driver with information about operations of many different processes. The driver, or in this case the manager, receives information from the measures describing both what has happened and what is happening. In addition to their description, Kaplan and Norton (1992) illustrate the scorecard as an airplane cockpit providing the pilot with detailed information about several aspects of the flight.

1.1.1 Performance in the Public Sector
This study views firm performance in terms of effectiveness. Effectiveness is considered as the extent to which a unit is successful in achieving its planned targets or stated objectives (Mia and Clarke, 1999; Steers, 1977). Performance also refers to how effectively an organization is implementing an appropriate strategy (Otley, 1999). Public sector reform has been prevalent in various countries around the world since the 1980s and consequently many organisations are going through the process of change management (Boye, 2003;
Mascarenhas, 1993; Pollitt, 2000; O’Faircheallaigh, 1999). As the public sector comes under greater pressure from both internal and external sources to demonstrate improvements in its performance (McAdam et al., 2005), various National and local/municipal governments and other government departments are taking an interest in performance measurement and reporting for improving performance and increasing accountability (Barry, 2000; Berman and Wang, 2000).

The public sector management literature suggests that key stakeholders and the general public are taking considerable interest in the latest Local Government Authority (LGA) programs and determining whether there is evidence that they are efficient in achieving the desired outcomes. Many governments including local governments are reviewing the way they plan, prepare budgets, implement and manage programs and deliver services to meet the government’s and citizens’ demands for improved performance and accountability (Auditor General of British Columbia, 1995).

The emphasis on accountability, however, should not be seen as merely reporting on compliance with procedures but rather as a useful and essential management process for understanding the performance of programs/services, reaching agreement on performance expectations, improving performance and demonstrating to the citizens that the expectations of performance are successfully met (Mayne, 1997). As part of overall management strategy, the managers of public organisations need to measure performance to evaluate whether an agency is performing as expected, to ensure that the employees are doing the right things, to motivate line staff/middle managers and the stakeholders to do the things necessary to improve performance, to determine the budgeting priorities such as on which programs the agency should be spending the public’s money, to convince legislators/stakeholders that the agency is doing a good job, to learn whether the activities are working, and determine exactly who should do what to improve performance (Behn, 2003).

There is a growing recognition that using performance measures to gauge success is vital to any organisation whether in the private or public or non-profit sectors (Niven, 2005). Measuring performance, however, has been a challenge for both managers and researchers (Maltz et al., 2003) as the process of ‘designing and implementing an effective performance management system’ involves ‘addressing a number of methodological issues’ and managing
the change process (Poister, 2003). In spite of having workable performance management systems in place in public organisations, ‘many of those systems fall apart’ before they are complete and also there are others who ‘end up installing a system that is not helpful or is simply not used effectively’ (Poister 2003).

1.1.2 Balanced Score Card and Performance in the Public Sector in Kenya

Public services in many African countries are confronted with many challenges, which constrain their delivery capacities (Lienert, 2003). Consequently, in the years after independence, the Government of Kenya has experienced several challenges in the delivery of services in the public sector. These challenges include shortages of manpower in terms of numbers and key competencies, lack of appropriate mindsets and the gradual erosion of the ethics and accountability. Public sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005).

In 1993 the government launched the Civil Service Reform Programme to enhance Public Service efficiency and productivity. The reforms were expected to facilitate equitable wealth distribution necessary for poverty alleviation and create an enabling environment for investment and enhanced private sector growth. The Civil Service Programme was designed to proceed in three phases which were: Cost containment, Performance Improvement and Consolidation and Sustenance of gains made by reform initiatives respectively. While phases 1 and 2 succeeded in reducing the Civil Service workforce by 30% that is from 272,000 in 1992 to 191,670 in 2003, productivity and performance remained a fleeting illusion. This paved way for introduction of Results-Based Management (RBM) guided by the Economic Recovery Strategy (ERS) for Wealth and Employment Creation (Government of Kenya 2003).

The Government of Kenya introduced Performance Contracting in the Public Service as one of the tools to improve service delivery. In Kenya, performance contracting is a hybrid system that has borrowed from international best practices and the Balanced Score Card. Since its introduction in 2004, when only a few State Corporations were participating, Performance Contracting is now being implemented in a majority of Ministries, Departments and Agencies (MDAs).
1.1.3 Balanced Score Card in Kenya Revenue Authority

Kenya Revenue Authority being in the public sector has undergone the same problems as any other public sector organization towards the implementation and utilization of the BSC system. Its operations can be upgraded through the use of the BSC system which has never been fully employed due to the organization’s management reluctance on administering the revenue collection and allocation. The BSC was developed by Robert S. Kaplan and David P. Norton and published in 1992 as a result of a year-long study that arose out of a general notion that as knowledge became a basis for competition, conventional financial measures were becoming obsolete (Kaplan and Norton 1992). According to Kaplan and Norton (1992), the term ‘balanced’ reflects the balanced consideration given to long-term and short-term objectives, financial and non-financial measures, leading and lagging indicators, and external and internal performance perspectives.

In 1993 the Kenyan government launched the Civil Service Reform Programme to enhance Public Service efficiency and productivity. The reforms were expected to facilitate equitable wealth distribution necessary for poverty alleviation and create an enabling environment for investment and enhanced private sector growth. Although the reforms seems to have contributed to the improvement of the public sector operations, the sector is yet to meet the government’s strategic plans on improving the services delivered to the citizens. This situation therefore calls for implementation of more policies which would increase the public sector’s performance, where a well administered BSC can fully activate the productivity of the public sector.

It has been pointed out that public services in many African countries are confronted with many challenges, which constrain their delivery capacities (Lienert, 2003). Consequently, in the years after independence, the Government of Kenya has experienced several challenges in the delivery of services in the public sector. These challenges include shortages of manpower in terms of numbers and key competencies, lack of appropriate mindsets and the gradual erosion of the ethics and accountability. Public sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005). A full implementation of the BSC in the public sector would therefore change the public sector’s performance thereby contributing to a more detailed history of the public sector’s achievements over time.
1.2 Problem Statement

Performance measurement in the public sector has traditionally focused on financial measures such as revenues and cash flows. However, the accounting or financial indicators which are readily available in most public sector organizations reflect what has happened in the organization but do not indicate the underlying drivers of either satisfactory or unsatisfactory performance (Niven 2005; Davig et al., 2004). Unlike the private sector, where financial measures are used such as return on assets (profitability), return on shareholder’s equity, and growth, in the public sector, it is more relevant to focus on efficiency of launching the programs and making best use of resources. However, the task of determining the measures, targets and collecting the relevant information for non-financial measures is not easy.

Balanced scorecard research in the public sector has been conducted within the context of the healthcare industry (Coop, 2006; Yang et al., 2005; Gumbus et al., 2003), public service organisations (including local government institutions and ‘municipalities’) (Umashev and Willett, 2008; Farneti and Guthrie, 2008; Askim, 2004; Chan, 2004; Lang, 2004; Kloot and Martin, 2000), and not-for profit SMEs (Manville, 2007). Gumbus et al., (2003) reported a successful story of BSC application in a hospital. Likewise, the study of Askim (2004) investigated how local government institutions can become active learners by adopting a performance management reform system like the BSC. On the other hand, Kloot and Martin (2000) found that public sector organisations using the balanced scorecard tend to focus more on financial and community performance rather than organisational change.

In Kenya, various studies have been done on the application and effects of BSC in various public and private organizations. Owino and Musembi (2011) did an empirical study analysis of balanced scorecard and challenges of strategy implementation at Ernst and Young. The paper established that Ernst and Young-Kenya has used the balanced scorecard to implement its strategies. From the study, a number of challenges were established. The findings should be understood and evaluated in light of the limitations. This study is especially helpful to Ernst and Young-Kenya, Ernst and Young Global and other similar organizations.

Institutional policy and practice implications to overcome the challenges of strategy implementation using the balanced scorecard are highlighted, D’Souza (2010) did a study on
the application of the balanced scorecard in strategy implementation at Barclays Bank of Kenya Limited, the study established that Barclays Bank has used the balanced scorecard framework to provide a connection between strategic business performance and individual employee performance. The bank has extended the balanced scorecard to reward. Kariuki (2010) studied the balanced scorecard as a strategy implementation tool at AAR Kenya. The study found out that AAR Kenya Ltd has been using the balanced score card for the last five years and it has achieved immense benefits. The organization according to the study uses all the four perspectives of the balanced score card; Internal business process, customer perspective, Financial perspective and learning and growth perspective. Organizations such as the Red Cross and KWS have also implemented BSC with varying results.

However the researcher did not come across any study examining the effect of balance scorecard on organizational performance in the public sector in Kenya. This study was geared towards filling this research gap.

1.4 Research Objectives

1.4.1 General Objective

The general objective of the study was to examine the effect of balance scorecard on organizational performance in the public sector in Kenya.

1.4.2 Specific Objectives

The study was guided by the following specific research objectives:

(i) To establish the effect of Customer focus on the performance of the Kenya Revenue Authority.

(ii) To ascertain the effect of financial management on the performance of the Kenya Revenue Authority

(iii) To determine the effect of internal processes management on the performance of the Kenya Revenue Authority

(iv) To find out the effect of organisational learning on the performance of the Kenya Revenue Authority
1.5 Research Questions

In order to fulfil the study's objectives the study was guided by the following research questions:

(i) What is the effect of Customer focus on the performance of the Kenya Revenue Authority?

(ii) What is the effect of financial management on the performance of the Kenya Revenue Authority?

(iii) What is the effect of internal processes management on the performance of the Kenya Revenue Authority?

(iv) What is the effect of organisational learning on the performance of the Kenya Revenue Authority?

1.6 Significance of the Study

This study shall be important to various stakeholders including the management of Kenya Revenue Authority, future researchers and academicians and government policy makers.

To the management of KRA the study shall give them an understanding of BSC in the public sector and how to make modifications in it to make it suitable for the public sector. In addition the study will inform them on the BSC processes that lead to improvement on the performance of KRA.

Scholars in the fields of economics, research methods and public management studies shall find this research study useful. In particular, this research study will be beneficial to the researchers with research interests in BSC, by serving as a point of reference. In addition, future researchers will formulate further studies based on the recommendations of this study.

The author, who is also a knowledge seeker, will be awarded a Master of Business Administration degree by successfully completing this research study.

Government and policy makers shall find the findings and recommendations of this study useful in formulating future BSC regulations, policies and laws that will aid in regulating and implementation of BSC in public sector organisations in Kenya.
1.7 Scope of the Study
The target population of this study was the KRA headquarters in Nairobi, Kenya. The Data was collected by administering a questionnaire to managerial staff in the organisation.

1.8 Limitations and Delimitations of the study
This research study encountered a number of limitations and hence delimitations

The data collection was subjected to managers in the organisation who may have their own formed opinions on the BSC at KRA, which they may fail to articulate or tend to overemphasize for fear of the information being used for other reasons other than academic.

Data collection procedure was restricted to the use of questionnaires thereby locking out other vital data collection tools like document analysis as they may not be availed by the companies for scrutiny.

The researcher carried along an introduction letter from the University to confirm that the data requested was only used for academic reasons.

The researcher visited the organisations website and the other secondary data sources to add on the information collected. The study also looked into other studies that have been done by other scholars on this subject.
2.1 Introduction

This chapter summarises the information from other researchers who had carried out their research in the same field of study. The study specifically covers the theoretical discussions, origins of the balance score method, a comparison of balanced score card between the private and public sectors, the empirical review and the conceptual framework.

2.2 Theoretical Review

2.2.1 Stakeholders Theory

The importance of stakeholders from a strategy development and service planning perspective is well acknowledged (Ackermann and Eden, 2001; Neely et al., 2001). Still, the role of stakeholders and performance measurement has been little discussed (Yee-Chin, 2004). The issue of who is seen as the end user of the performance measurement information generated has received little attention and yet, particularly in the public sector, is of critical importance.

Applying a stakeholder conception of organizations as opposed to the more traditional input-output perspective implies adhering to a belief where all actors are involved with an organization in order to obtain benefits. This differs from the input-output model that illustrates how certain actors contribute input which the black box of an organization converts to benefits for its customers (Donaldson and Preston, 1995).

Stakeholder theory is primarily a management instrument. The attributes power, urgency and legitimacy of claims define an organization's stakeholders. Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders (Mitchell et al, 1997). Stakeholder theory thus contains methods for identifying and managing stakeholders. In addition, a substantial amount of work has been done on identifying the relative influence of different stakeholders (e.g. Mitchell et al, 1997).

In order to be able to identify stakeholders, it is important to have a clear notion of what a stakeholder is. Freeman's (1984) definition of stakeholders is still frequently cited and does provide a general understanding of the concept: "...any group or individual who can affect or is affected by the organization's objectives." Stakeholder theory is justified on the basis of
three mutually supportive aspects: (1) descriptive accuracy, (2) instrumental power and (3) normative validity (Donaldson and Preston, 1995).

Since the publication of Freeman's book Strategic Management: A Stakeholder Approach (Freeman, 1984) about a dozen books and more than 100 articles with primary emphasis on the stakeholder concept has appeared. The idea that organizations have stakeholders, has become commonplace in management literature. Also, studies of health care organization embrace the logic of stakeholder theory (Varvarovszky and Brugha., 2000).

Stakeholder theory has been applied in various settings to support strategy development and implementation. The public sector performance measurement problem is exacerbated by the existence of a large number of stakeholders with multiple views of what good performance means. Despite the opposition from prominent proponents of the theory, the stakeholder concept has even found its way into the scholarly discussion of the public administration literature (Tennert & Schroeder, 1999) and the public sector practice. Donaldson & Preston completely doubt the value and appropriateness of such undertaking (Donaldson & Preston, 1995) because they see the theory as merely one of the (private-sector) firm governed by fundamentally different principles and implications than any public sector organization.

However, even though most public-sector managers perform their tasks for different ends (e.g., public interest) as opposed to their private-sector counterparts (e.g., survival of the firm, or profit), their decisions have the same capacity of affecting individuals or groups when pursuing their organization's objective. Just as in the private sector the public managers and their governmental organizations can be affected themselves by others as a consequence of their own decision-making. In other words, Freeman's stakeholder definition applies to managerial decision-making also in a governmental context.

This section has demonstrated the nature and some key advantages of stakeholder theory. The theory contains both descriptive and instrumental tools that are especially suited to increase the understanding of, and the ability to map, complex situations. We have also shown a number of application areas where stakeholder theory, and particularly stakeholder analysis, has been successfully applied. Common for these application areas is that they can all be characterized as complex settings.
2.2.2 Management by Objectives (MBO)

The Balanced Scorecard management approach developed by Kaplan and Norton (1995) is based on several foundational management theories including, Management by objectives (Drucker, 1954). As defined by Kaplan and Norton (1996) the Balanced Scorecard is a framework designed to translate an organization's mission and vision statements and overall business strategy into specific, quantifiable goals and objectives and to monitor the organization's performance in terms of achieving these goals.

The Balanced Scorecard concept uses a "strategic measurement system" at the root of the theory. One of the most widely used measurement and management practices is Management by Objectives (MBO) introduced by Peter Drucker (1954). As defined by George Odiorne (1965), Management by Objectives is "a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members". In this definition, the key is that subordinates participate in the goal setting process.

One of the key foundational concepts of The Balanced Scorecard is that employees are motivated by a clear 'line of sight' from their activities to the strategy of the organization (Kaplan and Norton, 1996). The broader principle behind MBO is to make sure that everybody within the organization has a clear understanding of the organization's goals, as well as awareness of their own roles and responsibilities in achieving objectives that will help to attain those goals.

The complete MBO system aims to get managers and empowered employees acting to implement and achieve their plans, which automatically achieves the organization's goals. In MBO systems, goals and objectives are written down for each level of the organization, and individuals are given specific aims and targets. The principle behind this is to ensure that people know what the organization is trying to achieve, what their part of the organization must do to meet those aims, and how, as individuals, they are expected to help. This presupposes that organization's programs and methods have been fully considered.

Echoing Drucker's philosophy, "the one thing an MBO system should provide is focus; most people disobey this rule, try to focus on everything, and end up with no focus at all," says
Andy Grove, who ardently practiced MBO at Intel. This implies that objectives are precise and few in effective MBO systems. Similarly, for MBO to be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company goals set by the board of directors.

As Drucker wrote, “A manager’s job should be based on a task to be performed in order to attain the company’s goals, the manager should be directed and controlled by the objectives of performance rather than by his boss”. The managers of an organization’s various units, subunits, or departments should know not only the objectives of their unit but should also actively participate in setting these objectives and make responsibility for them. The review mechanism enables the organization’s leaders to measure the performance of the managers who report to them, especially in the key result areas: marketing, innovation, human organization, financial resources, physical resources, productivity, social responsibility, and profit requirements.

2.3 Origins of the Balance Scorecard Method
The Balanced Scorecard was developed by Robert Kaplan and David Norton (1992). In 1990, Kaplan and Norton led a research study of a lot of companies with the purpose of exploring the new methods of performance measurement. The importance of the study was a growing belief that financial measures of performance were ineffective for the modern business enterprise. Representatives of the study companies, along with Kaplan and Norton, were convinced that reliance on financial measures of performance had an effect on their ability to create value.

The group discussed a number of possible alternatives but settled on the idea of a scorecard, featuring performance measures capturing activities from throughout the organization - customer issues, internal business processes, employee activities, and of course shareholder concerns. Kaplan and Norton introduced the new tool the Balanced Scorecard and later summarized the concept in the first of three Harvard Business Review articles, “The Balanced Scorecard - Measures That Drive Performance.” The Balanced Scorecard has been translated and effectively implemented in both the non-profit and public sectors. Success stories are beginning to accumulate and studies suggest the Balanced Scorecard is of great benefit to both these organization types.
What is a Balanced Scorecard? The Balanced Scorecard can be understood as a management system, which is structured according to the logic of the management circle ("plan-do-check-act"). The Balanced Scorecard resembles a typical management fashion. For instance, Van den Heuvel and Broekman (1998) wrote that “a self-respecting organization apparently can no longer do without the Balanced Scorecard” and Hers (1998) pointed to an abundance of congresses, seminars and publications on the theme. In crescendo, commentators spoke of “a real trend” (Koning and Conijn, 1997), “a fad-like impression” (Du Mée, 1996) and “a true hype” (Hers, 1998). Such statements suggest that the Balanced Scorecard has become popular and brought about many changes in a variety of organizations.

Kaplan and Norton position the Balanced Scorecard as a tool for organisations to manage the demands of relevant stakeholders and to translate strategies into action ("from strategy to action"). Possible stakeholders that are strategically relevant could be shareholders, customers or employees. Their demands are integrated into core management of companies within a “financial”, “customer” or “learning” or “process” perspective (Figure 2.1 below). So, the frame of the Balanced Scorecard consists of four perspectives (Figure 1). Each perspective consists of relevant strategic goals, indicators and measures to achieve them.

One should emphasize the fact that the concept remains open for integrating further relevant stakeholders or perspectives, e.g. an environmental perspective (Kaplan and Norton 1997). When conceiving the BSC, Kaplan and Norton, maintained that companies lack sophisticated tools for the management of intangible or qualitative assets (e.g. customer satisfaction, processes quality, infrastructures, know-how). Intangible assets, however, seem vital in order to stay competitive in the future. So, the Balanced Scorecard provides ‘enablers’ that focus on the achievement of strategic goals in the future (leading indicators) as well as results (lagging indicators) to depict the effectiveness and efficiency of measures in the past.

Strategies can be usually interpreted as a set of hypotheses of causes and effects. So within a BSC the relevant goals and corresponding indicators are linked to each other revealing this structure of causal relationships. Such relationships are both relevant within each perspective and also between them. Objectives of the “learning” perspective, for instance, serve as ‘enablers’ for the achievement of goals of the other ‘overarching’ perspectives (e.g. customers, finance).
The BSC was originally created primarily as a measurement system and as an answer to a criticism concerning the unilateral measurement of the performance ability of a company. It was organised through four different perspectives:

**The financial perspective:** to succeed financially, how should we appear to our shareholders? Examples of this perspective include financial ratios and various cash flow measures.

**The customer perspective:** to achieve our vision, how should we appear to our customers? Examples of this perspective include the amount of time spent on customer calls and customer survey data.

**The internal perspective:** to satisfy our shareholders and customers, what business processes must we excel at? The internal business processes that are often classified as mission oriented.
and support oriented. Examples of this perspective include the length of time spent prospecting and the amount of rework required.

**The learning perspective**: to achieve our vision, how will we sustain our ability to change and improve? Includes employee training and organizational attitudes related to both employee and organizational improvement. Examples of this perspective include the amount of revenue that comes from new ideas and measures of the types and length of time spent training staff.

The starting point of the Balanced Scorecard is the vision and the strategy of a company. The BSC takes the vision and the strategy as a given. The BSC should translate a business unit’s mission and strategy into tangible objectives and measures. The measurement focus of the BSC is used to accomplish the following management processes: Clarifying and translating vision and strategy, communicating and linking strategic objectives and measures planning, setting targets and aligning strategic initiatives enhancing strategic feedback and learning.

This measures function as a link between the strategy and operative action. The core question is the selection of goals and measures to monitor the implementation of the vision and the strategy.

Kaplan and Norton recommend a nine-step process for creating and implementing the balanced scorecard in an organization. These are; perform an overall organizational assessment, Identify strategic themes define perspectives and strategic objectives and develop a strategy map, drive performance metrics refine and prioritize strategic initiatives, automate and communicate, Implement the balanced scorecard throughout the organization and collect data, evaluate, and revise.

There are many benefits and challenges to the balanced scorecard. The primary benefit is that it helps organizations translate strategy into action. By defining and communicating performance metrics related to the overall strategy of the company, the balanced scorecard brings the strategy to life. It also enables employees at all levels of the organization to focus on important business drivers.

The main challenge of this system is that it can be difficult and time-consuming to implement. Kaplan and Norton originally estimated that it would take an organization a little more than
two years to fully implement the system throughout the organization. Some organizations implement it quicker, for some it takes longer. The bottom line is that the balanced scorecard requires a sustained, long-term commitment at all levels in the organization for it to be effective.

There are many benefits and challenges to the balanced scorecard. The primary benefit is that it helps organizations translate strategy into action. By defining and communicating performance metrics related to the overall strategy of the company, the balanced scorecard makes the strategy come alive. It also enables employees at all levels of the organization to focus on important business drivers.

2.4 The Balanced Scorecard in the Public Sector

The BSC is an approach to strategic management developed by Kaplan and Norton in the early 1990s, representing a main development in management accounting in the past decade (Ittner and Larcker, 2001). According to many researchers, its main purpose is to enable organizations to formulate strategic goals and associated measures (Andersen et al., 2000; Rigby, 2001). Specifically, Kaplan and Norton proposed the BSC model as a tool able to overcome the limitations of the traditional performance measurement tools previously adopted by organizations.

These traditional tools, such as the income statements and balance sheet, were purely financial, but several studies, among which it is possible to cite the works by Kaplan and Norton, 1992, 1993, 1996a, 1996b, 2001a, 2001b, 2004; Shields, 1997; Atkinson et al., 1997; Ittner and Larcker, 1998b; Banker et al., 2000; Hoque and James, 2000, Bigliardi and Bottani, 2010, criticize these metrics due to the fact that they fail: to translate corporate strategy and vision into terms that can be understood and acted upon; to link company’s strategies to long-term and short-term resource allocation, and strategies to departmental, team and individual goals; to provide strategic rather than tactical feedback; to provide information about the drivers of future performance (e.g., customer satisfaction, internal process efficiency, employees morale and capabilities, or intellectual capital), and to reflect the value of intangible assets (Bigliardi and Bottani, 2010).

The BSC is among all the performance measurement systems (PMS) the most widely used approach in order to overcome the limitations above mentioned. Originally, the BSC
introduced by Kaplan and Norton (1992) allowed measurement of performance in an organization by analyzing the organization itself by four standpoints, the so called perspectives, namely: the “financial perspective”: it represents the long-term strategic objectives of the organization, by incorporating tangible outcomes of the strategy in traditional financial terms.

Specifically, this perspective examines whether the implementation and execution of company’s strategy are contributing to the bottom-line improvement of the company; the “customer perspective”: it defines the value proposition that the organization will apply to satisfy customers, that is to generate more sales to most profitable customer groups; the “internal business processes perspective”: it refers to the process of creating and delivering the customer value proposition, by focusing on all activities required to reach excellence in efficiently providing the value expected by the customers; the “learning and growth perspective”: this perspective focuses on the intangible assets of an organization, mainly in terms of the internal skills and capabilities required to support the internal processes of value creation. The learning and growth perspective covers jobs (human capital), systems (information capital), and climate (organization capital) of the enterprise.

Each perspective is related to the other three perspectives, meaning that the performance obtained in one perspective may influence the performance obtained in the remaining. These relationships are schematically represented in the so called “strategic map”. Moreover, for each one of the four perspectives, it has to be defined an objective, that is the aim of the perspective measurement, the measures that refer to this objective, the target values for each measures, that is the value the organization aims to reach, and finally the initiatives, that is the actions that have to be implemented in order to reach the above mentioned target values.

PMS in the field of public administrations have received a growing attention by both academics and practitioners in the last two decades. This fact is demonstrated by the proliferation of papers in the management literature on this matter. Research on PMS in the public context covers different issues: types of PMS available (Newcomer, 1997; Wholey, 1999), their main barriers of implementation (Ammons, 1992; De Lancer Julnes, 2009; Kravchuk and Schack, 1996; Mann, 1986), and the results derived from their utilization in public administrations (Bowden, 1996; Marshall, 1996; Newcomer and Wright, 1997).
Different Authors agree in stating that PMSs represent the principal element driving the management process and that the information produced by PMSs can be used for diverse purposes. As De Lancer Julnes (2009) has recently stressed “the measurement of performance is comparable to the production of knowledge, therefore the use of performance measures can be assimilated to a problem of the use of knowledge”. Other Authors have proven that PMSs contribute to the organizational learning process (Torres and Preskill, 2001; Halachmi, 2002).

Furthermore PMSs can be used to promote and communicate organizational contribution in respect to the objectives and aspirations of the stakeholders. Nevertheless, as Behn (2003) has underlined, in the public sector managers rarely use information with regard to accountability activities. The literature on the matter of performance measurement still offers few approaches specific for the public sector. Gooijer (2000), for example, proposed a knowledge management performance framework and provides some interesting parallels.

Similarly, Kloot and Martin (2000) provided a detailed review of performance management within the local government sector in Australia. For a public organization, the role of stakeholders is seen as an important issue, thus representing an important issue also in the performance measurement tools. (Neely et al., 2001; Kennerley and Neely, 2002): as Wisniewski and Stewart (2004) stressed, in fact, “the end-user of the performance measurement information generated is of critical importance”. In 1998, Bendheim et al. (1998), commented that stakeholders influence all aspects of performance measurement and management, and define five key stakeholder groups, namely: community relations, employee relations, environment, customers and shareholders. More recently, Sole and Schiuma (2010) stressed in their paper the main challenges of public administrations in using performance measures in general.

2.4.1 Comparing the Balanced Scorecard between Private and Public Sectors

Using the same performance metrics in the public sector as the private sector is likely to be ineffective since public sector goals differ drastically from those of the private sector. Private sector focus is primarily on shareholder value: the bottom line. Funding comes from various sources, and as long as shareholder financial needs are met, the company can function as it pleases.
The public sector faces a quite different environment. Public sector funding comes, in most cases, from the taxpayers it is servicing. The measure of success is not shareholder value or profit but rather how well the agency is meeting the mission given to them by congressional statute or executive order. Although the agency can oftentimes perform this mission in whatever way it sees fit, it is still bound by the directive of the mission. Thus, strategic value comes in the form of fulfilling the mission, and fulfilling the mission comes down to customer satisfaction with the agency’s service. However, defining customer needs is a bit more complex. A second difference evolves through the number of customers or stakeholders that a public sector organization must serve.

Table 2.1 Comparison of Balanced Scorecards in the Private and Public Sectors

<table>
<thead>
<tr>
<th>Features</th>
<th>Private Sector</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Shareholder value</td>
<td>Mission effectiveness</td>
</tr>
<tr>
<td>Financial goals</td>
<td>Profit; market share growth; innovation; creativity</td>
<td>Cost reduction; efficiency; accountability to the public</td>
</tr>
<tr>
<td>Efficiency concerns of clients</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Desired outcome</td>
<td>Customer satisfaction</td>
<td>Stakeholder satisfaction</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Stockholders; bondholders</td>
<td>taxpayers; legislators; inspectors</td>
</tr>
<tr>
<td>Who defines budget priorities</td>
<td>Customer demand</td>
<td>Leadership; legislators; funding agencies</td>
</tr>
<tr>
<td>Key success factors</td>
<td>Uniqueness; advanced technology</td>
<td>Sameness; economies of scale; standardized technology</td>
</tr>
</tbody>
</table>

Source: Nicholas J. Mathys (2006)

Financial measures in the BSC relate to financial performance, which is a means to satisfy investors (shareholders, investment firms, bondholders). In the public sector organization, the financial measures are just part of what is needed to please the “investors,” which in this case would be the funding agencies.
While private sector clients are not concerned with an organization's internal efficiency so long as their product, price, and service needs are met, internal efficiency is of great concern to the public sector's stakeholders, who are also its source of funding. Taxpayers also require accountability that their tax dollars are being used effectively and efficiently. Therefore, program performance, efficient use of resources, and satisfaction with the service by the public are additional key issues. These differences lead to a different sort of hierarchical model for the balanced scorecard, as seen in Figure 1.

First, as increasing shareholder wealth does not have primacy in a governmental operation, financial performance becomes less critical. Reaching the mission of the organization is of key interest to those who fund the organization. Hence, the government model needs some changes in the hierarchical ordering compared to how Kaplan and Norton arranged the hierarchical ordering in their mapping article. Some public sector balanced scorecard advocates have put financial measures at the bottom of the model to indicate the importance of having adequate funding as a precursor to developing the organization, as done in Figure 2. However, to be consistent with usage in the private sector, we look at financial measures as output measures that are precursors to meeting the mission, which will in the end lead to adequate future funding. Internal process management would be similar for government and for profit-seeking enterprises as both relate to the key value-added processes that the organization provides. For a car manufacturer, the key process would be producing automobiles and trucks. For the government agency, it is providing the service promised through its mission. This is why there is a direct line from internal processes to both customer/user satisfaction and to financial performance.
In the world for-profit, the financial ties directly to the overall goal; in government organizations it is only one part of fulfilling the mission, with customer/user satisfaction the other part. Cases, learning and growth support the development of internal processes. In summary, the balanced scorecard is an effective management tool that can support improvements in government sector organizations.

There needs to be some modification in the basic strategic mapping model provided by Kaplan and Norton to align elements in the BSC to correspond to the environment faced by government organizations. It allows a focus on the mission of the organization as the focal point rather than return to shareholders. We now focus on two government organizations that have adopted the balanced scorecard as a major part of the management effort.
The Balanced Scorecard can be effective in the public, if and only if, the current perspectives are rearranged. The four perspectives of the current version of the Balanced Scorecard can still be applied in government organizations as long as they are rearranged according to governmental priorities. Therefore, it is clear that above considerations seem to have considerable impact on the ability of the Balanced Scorecard in ensuring best customer satisfaction. These considerations, if positively dealt with, may contribute to employee satisfaction, superior employee performance, sound internal business process and in turn, may lead to efficient stewardship of taxpayers’ money.

Furthermore, the best possible use of taxpayers’ money may eventually lead to achieving the bottom-line objective - absolute customer satisfaction. In the light of the above observations, it is clear that some modifications are needed to the current version of the Balanced Scorecard for its use in the government sector as an effective performance measurement and management tool.

Although significant research has taken place and various modifications to the current version of the Balanced Scorecard have been suggested by the researchers for the private sector, no studies have been found recommending a modified Balanced Scorecard model for the government sector. Figure 2 is suggested for the government sector, keeping in mind that “Customer” perspective is the bottom line of government sector.

The Balanced Scorecard Institute has compared the different strategic objectives of the public and private Sectors.

Table 2.2 Comparison of Private and Public Sector Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Private Sector</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common target</td>
<td>Competitive</td>
<td>Achievement of mission</td>
</tr>
<tr>
<td>Financial target</td>
<td>Profit, growth, increasing market share</td>
<td>Cost reduction, effectiveness</td>
</tr>
<tr>
<td>Values</td>
<td>Innovation, creativity, acceptance</td>
<td>Responsibility to the public, equity, integrity</td>
</tr>
<tr>
<td>Desired result</td>
<td>Customer satisfaction</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Founder, market, stockholder</td>
<td>Tax payer, legislator, auditor</td>
</tr>
<tr>
<td>Prioritisation of budget</td>
<td>Customer demand</td>
<td>Management, legislator</td>
</tr>
<tr>
<td>Orientation in terms of security</td>
<td>Securing intellectual property</td>
<td>National security</td>
</tr>
<tr>
<td>Critical factors for Success</td>
<td>Growth rate, revenue, market share, uniqueness, superior technology</td>
<td>Best management practices, consistency, standardised technology</td>
</tr>
</tbody>
</table>


A special requirement for adoption is needed for the financial perspective even though the Balanced Scorecard seems to be balanced in all perspectives and profitability of the organisation. The Public Sector’s financial perspective is mainly adjusted to budget targets, saving potentials, securing the basis for taxes, sustenance of credit worthiness and similar. Some of the facts which are especially important for adoption of the Balanced Scorecard approach in public sector are: The closeness to political interests needs a special thoughtfulness and sensibility and it is important to explain employees and representatives the Balanced Scorecard’s usefulness.

The implementation of a Balanced Scorecard requires an effective controlling system which assembles measures, values and other significant reporting data. Public sector still needs to catch up in this area. Accordingly from the beginning this should be allowed for a balance between a tight schedule and adequate time for practice, communication and feedback during strategy discussion has to be found. To keep motivation high the rollout should be kept short and adoption needs dynamics, especially in the Public Sector.

2.5 Empirical Review

2.5.1 Effectiveness of Balanced Scorecard

The data reported on the effectiveness of Balanced Scorecard predominantly remains anecdotal in nature. While many instances are available, linking use of Balanced Scorecard to
increased bottom-line performance, exact results are usually not available owing to proprietary factors in private sector. Similarly data security needs of public sector organizations have been cited as one of the reasons of non-reporting of empirical success. While analyzing the success, it also needs to be kept in view that most Balanced Scorecard initiatives do not come alone. They accompany several other performance improvement initiatives, together attributable to the status quo dissatisfaction and dynamism of top management.

As reported in Rigby (2001), the mean satisfaction ratings of Balanced Scorecard as a management tool stands at 3.85 on an ascending scale of 5, ranked below other tools such as One-to-one marketing (4.09), Cycle Time Reduction (4.06), Pay-for-Performance (3.97) and Strategic Planning (3.93). Balanced Scorecard has scored higher than other management tools such as Knowledge Management (3.02), Core Competencies (3.61), Reengineering (3.66), Supply Chain Integration (3.75), Outsourcing (3.77) and TQM (3.82); as reported in Rigby (2001).

In a more recent study published online by Bain and Company (Rigby 2011), it has been reported that the usage of Balanced Scorecard by firms has increased from approximately 35% to 53%; from 1996 to 2008. Interestingly, the usage has been reported as approximately 70% in 2006. The same work reports that the satisfaction level of firms with the results of balanced scorecard has remained approximately at 3.8 on an ascending scale of 5 from 1996 to 2008, with little variation. The lowest satisfaction rating coincides with the highest usage year; approximately 3.5 in 2006.

The abovementioned figures, however, should be used with caution while judging the efficacy of Balanced Scorecard generally and in Public Sector organizations particularly since the techniques scoring higher in usage and satisfaction ratings do not generally apply to public sector. In addition, the figures of the earlier study may have become archaic keeping in view the development of Balanced Scorecard since the study was conducted. In its latest "versions" Balanced Scorecard seems to have encompassed many other management tools in itself, such as Strategic Planning, Knowledge Management, Customer Satisfaction Measurement, Supply Chain Integration; to name a few.
Dinesh and Palmer (1998) compared and contrasted Management By Objectives (MBO) and Balanced Scorecard, both aligning an organization’s tangible objectives with strategy. They have reported that the roots of both the management philosophies converge to the same idea. They outlined two problems that underlined MBO and its implementation: partial Implementation and development of Goals without consulting all stakeholders.

They forecasted that Balanced Scorecard will suffer from the former problem of partial implementation. The increased pace of business and fierce competitiveness encourages this; as described in the management dilemma discussed earlier in this paper. They however, concluded that balanced scorecard may not suffer the later problem because of increased influence of TQM which encourages collaboration.

Ahn (2001), reporting the results of a pilot project of balanced scorecard implementation in ABB Industrie AG, Switzerland ahs outlined a range of difficulties faced during development and usage of balanced Scorecard. The report by Ahn (2001) confirmed the warning given by Weber and Schäfer (2000) that Balanced Scorecard requires more management capacity than expected.

A study by American Productivity & Quality Center (APQC) reported that of the 80 companies investigated regarding scorecards and performance measures, 24% tracked only accounting and operations. 28% of 76% (that were more balanced) described their scorecard as balanced though their initiatives were not strictly using the Kaplan and Norton perspectives. The study narrowed the scope by selecting best 5 companies having the most balanced scorecards (relatively) including Bank of America, Saturn, LL Bean, Crown Castle and Jet Blue. The reported results suggest that there are no scorecards in a shape that did into need further refinement. Even the best performing companies on BSC are struggling in coming up with best metrics to drive employee behavior & decision making.

Brown (2007) has reported a list of top ten problems with most scorecards. Table 2 summarizes the problems, in the same order. It is obvious that these problems relate to both the private and public sector equally.

The findings of Ahn (2001) and Brown (2007) have confirmed the scepticism expressed by Dinesh and Palmer (1998) and Weber and Schäfer (2000). The challenge seems to be even
harder since diverse challenges of implementing balanced scorecard may not completely utilize the benefits of other management systems such as TQM. This is particularly relevant since. Balanced Scorecard is often compared and contrasted with initiatives such as TQM and ISO 9000 (Rigby, 2001), rather than building upon them.

It can be seen from the above review that balanced scorecard methodology has lived through various problems and continues to evolve. Particularly in the context of public service sector, this methodology requires extreme caution at both design and implementation levels due to the many diverse challenges. These challenges include; compatibility with legacy management systems in use the challenge of doing it quickly (in one management change cycle), organization wide understating of metrics, acceptance of a new performance management system by employees, ethics in reporting performance, lack of linkage between service benefits and performance metrics, the managers' dilemma; seeking a balance between the comprehensiveness of balanced scorecard and time and resource constraints.

Obviously many remedies are suggested in contemporary literature for the issues discussed above. Many scholarly works (Brown 2007, Bititci et al. 2005) have reported best practices from case studies and consultancy experiences. However, as discussed at length in this paper, public sector balanced scorecards require significant work and available literature and consultancy remains only general guides.

To achieve best practice in the use of the BSC, Kaplan and Norton (2001a) emphasise the importance of both good design and effective implementation. In relation to good design, Niven (2002) outlines the essential steps in both the planning and development phases which include developing objectives for the BSC, determining the appropriate organisational unit, gaining executive sponsorship or leadership, building the BSC team and formulating the project plan.

The other essential steps are, developing a communication plan, gathering and distributing background material, developing or confirming mission, values and strategy, conducting executive interviews, developing objectives and measures in each of the BSC perspectives, gathering employee feedback, developing cause-and-effect linkages, establishing targets for measures, and developing an ongoing BSC implementation plan. In relation to effective implementation, Niven (2002) suggests that cascading of strategy, linking the BSC to
compensation, and maintaining the BSC through constant review and automated systems are critical elements.

2.6 Conceptual Framework
The conceptual framework is developed from the review of literature discussed above and presented in figure 2.1. This study proposes a conceptual framework in which the dependent variable is the performance of the public sector and the independent variables are customer focus, financial management, internal process management and organizational learning and growth. The effect of the independent variables on the dependent variable is the subject of the study.
Figure 3: Conceptual Framework

Customer Focus
Customer Value
Efficient service delivery
Customer needs and expectations
Customer friendly employees
Customer loyalty

Financial Management
Financial accountability and transparency
Resources available for investments
Value for money
Budget management

Internal Process Management
Shared goal
Aligned internal processes
Meet customers expectations

Organizational Learning and Growth
Organizations infrastructure
Innovativeness
Continuous improvement and learning

Organizational Performance
Revenue Growth in Kenya Revenue Authority

Source: Author (2013)
Customer Focus

Customer focus is defined as the organisational culture that creates effective and efficient behaviours to produce superior customer value. It links organisations' service delivery mechanisms to customers' needs and expectations, which in turn, is expected to result in improved service quality. Having employees who are sensitive to the needs of the customer and who use appropriate customer orientation behaviours (COBs) will influence customer loyalty. Appiah-Adu and Singh (1998) emphasised that customer focus should be considered an integral part of the overall organisational culture.

Financial Management

Public financial management is absolutely critical to improving the quality of public service outcomes. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services. Also, it is more than likely that the general public will have greater trust in public sector organisations if there is strong financial stewardship, accountability and transparency in the use of public funds.

It is important for governments to get it right because it impacts on a broad range of areas including: aggregate financial management, fiscal sustainability, resource mobilisation and allocation, operational management, performance, value-for money and budget management, governance, transparency and accountability and fiduciary risk management, controls, compliance and oversight.

Internal Processes Management

Internal Processes management involves organisations getting everyone working towards the achievement of a common goal. The process empowers organisations to align their internal processes so that they provide more value to both their internal and external customers and better fulfil the customers' needs. It identifies those internal business processes that enable the firm to meet the expectations of customers in the target markets and those of the shareholders.
Organizational Learning and Growth

The learning and growth perspective identifies the organization’s infrastructure needed to support the other perspectives’ objectives. This perspective measures a company’s ability to innovate, improve, and learn. Organization learning and growth occurs at individual level.

People strive to attain what has been laid down as organizational policy and use evidence and experience to filter and refine what they are doing. The next stage, going beyond individual learning, is a collective process, a ‘something more’ that takes place at the group or organizational level. In this case, the most important areas are qualification, motivation and goal orientation of employees, and information systems.

Revenue growth

At the end of each year, organizations compare their realized financial figures to the ones they estimated at the beginning of that year, and evaluate their financial performance accordingly. This approach is definitely a good indicator of current performance, but does not give any idea about future performance. In the Balanced Scorecard Framework, traditional financial measures are not totally disregarded, but they are balanced with measures indicating future performance.

Customer Satisfaction

One of the changes in business practices dictated by the transition from the industrial age to the information age is the shift of enterprises from being production- and product-focused to being customer-focused. This shift has happened as a result of the realization of the increase in the bargaining power of customers due to richness of and ease of access to information.

Enterprises have recognized that an unsatisfied customer can easily switch to another supplier that meets the same need with a lower price or a better service. This recognition has led enterprises to set targets like “Customer Satisfaction” and “Customer Retention”. In the Balanced Scorecard Framework, the measures used to evaluate current performance with respect to the level of achievement of such targets are also leading indicators of future performance.
Improved service delivery processes

In order to meet the goals set forth in the Customer Perspective, in other words, in order to ensure that the products or services of the enterprise not only conform to customer requirements and expectations, but also guarantee customer satisfaction and retention; enterprises should continuously improve their internal business processes.

This improvement can be in the form of decreasing the number of defects and the processing time by setting a target such as “Efficient Production” or in the form of decreasing the time to market of newly designed products by setting a target such as “Rapid Design”. In the Balanced Scorecard Framework, the measures in this perspective are also leading indicators of future performance. This perspective is referred as the Internal Business Process Perspective (Kaplan and Norton, 1996).

Innovativeness and Growth

In today’s rapidly changing business landscape, enterprises cannot catch up with the continuously evolving technological initiatives unless they support continuous learning and improvement and invest considerable amount of resources in new technologies. Therefore, in order to ensure long term growth and improvement, an enterprise should set targets such as “Improved Employee Capabilities”, which can be attained by continuous learning and sharing of information among employees. Another target can be “Effective Use of Information Technology”.

32
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data.

3.2 Research Design
This study research design was a descriptive survey. A descriptive survey is primarily concerned with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes (Gill & Johnson, 2002). Moreover descriptive research designs are characterized by systematic collection of data from members of a given population through questionnaires (Lewis, Saunders, & Thornhill, 2009). A descriptive research design would provide an appropriate technique and detailed information regarding the effect of balanced scorecard on organizational performance.

3.3 Target Population
The population of interest for this study was senior staff in all the functional departments in Kenya Revenue Authority. Currently KRA is structured into 10 departments. The study was a survey where data was collected from all the departments in the Kenya Revenue Authority and the respondents will comprised of 194 managers in the different departments of KRA. The study relied on the managers of the departments since they are involved in the day to day running of the organization and thus are well conversant with the effect of balance scorecard on organizational performance at KRA.
### Table 3.1 Sampling Frame

<table>
<thead>
<tr>
<th>Department No.</th>
<th>Department Name</th>
<th>Population size</th>
<th>Sample Percentage</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Domestic Taxes Department</td>
<td>38</td>
<td>35%</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>Customs Services Department</td>
<td>32</td>
<td>35%</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>Road Transport Department</td>
<td>25</td>
<td>35%</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Investigations &amp; Enforcement Department</td>
<td>15</td>
<td>35%</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Finance Department</td>
<td>18</td>
<td>35%</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Legal Department</td>
<td>14</td>
<td>35%</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Research Department</td>
<td>14</td>
<td>35%</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Corporate Services Department</td>
<td>12</td>
<td>35%</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td>Procurement and Supplies Department</td>
<td>14</td>
<td>35%</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>Marketing &amp; Communication Department</td>
<td>12</td>
<td>35%</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>194</strong></td>
<td></td>
<td><strong>69</strong></td>
</tr>
</tbody>
</table>

**Source:** Human Resource KRA (2013)

### 3.4 Sampling Frame

Sampling frame is the rule governing parameters on sampling from the target population and is an objective list of the population from which the researcher can make a selection (Denscombe, 1998).

According to Cooper and Schindler (2003), the basic idea of sampling is selecting some of the elements in a population so that they may draw conclusions about the entire population. Cooper and Schindler (2000), add that a sampling frame should be a complete and correct list of population members only. The list constitutes; Domestic Taxes Department, Customs Services Department, Road Transport Department, Investigations and Enforcement Department, Finance Department, Legal Department, Research Department, Corporate Services Department, Procurement and Supplies Department, and Marketing & Communication Department.
Services Department, Procurement and Supplies Department and Marketing and Communication Department all based within Nairobi area.

3.5 Selection of Respondents
Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms were selected in order to make a sample. Stratified proportionate random sampling technique was used to select the respondents. According to Deming (1990) stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population.

The population was segregated into different strata depending on different departments in place referred to as department name. Stratification aims to reduce standard error by providing some control over variance. From each stratum the study used simple random sampling to select the 69 respondents. According to Cooper and Schindler (2003), random sampling frequently minimizes the sampling error in the population. This in turn increases the precision of any estimation methods used.

3.6 Data Sources, Instruments and Data Collection Procedures
The instruments used to collect primary data were questionnaires both closed and open-ended questions and structured interviews. Secondary data was collected from libraries, internet, magazines and organization reports.

In order to examine the effect of balance scorecard on organizational performance in the public sector in Kenya at KRA, the researcher used structured questionnaires as the main data collection instrument. The questionnaires had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open-ended questions provided additional information that may not be captured in the close-ended questions.

3.7 Data Analysis and Presentation
Before processing the responses, the completed questionnaires were edited for completeness and consistency. A content analysis and descriptive analysis were employed. The content
analysis was used to analyze the respondents’ views about the effect of balance scorecard on organizational performance at KRA. The data was then coded to enable the responses to be grouped into various categories. Descriptive statistics specifically mean and standard deviation were used to summarize the data. The information was presented using percentages in comparing the different management levels views. Presentation was given in form of graphs, tables and charts. In order to determine the effect of balanced scorecard on organizational performance (first objective), the data collected from the questionnaires was then analyzed using percentages and mean. The use of inferential statistics such as correlation, regression and analysis of variance were used to analyses.

Data will be analysed using the Statistical Package for Social Sciences (SPSS) software. Measures of central tendency of the mean and that of dispersion of the standard deviation were used to summarise the data. The study used multiple linear regression analysis to measure the relationship between the independent variables and dependent variable. The regression model used was of the form:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where;

\( Y \) presents performance (the depended variable),

\( \beta_0 \) is a constant term,

\( X_1 \) = Customer focus,

\( X_2 \) = Financial management,

\( X_3 \) = Internal process management

\( X_4 \) = Organizational learning and growth

\( \epsilon \) = is the Error term.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction
This chapter entails analysis and findings of the study with the guidance of the research objectives. The results are mainly presented in the form of demographic information of the study respondents, analysis of descriptive statistics and regression results that test the relationship between organizational performance and the independent factors affecting it. The study had a response rate of 72.5% with 50 out of the targeted sample size of 69 having responded.

4.2 Respondents Demographic Statistics
This section presents the demographic statistics of the respondents in the study. This includes gender, age, the length of time they have worked in their respective organizations, and their respective job positions.

4.2.1 Gender of the Respondents
The study sought to establish the gender distribution of respondents. From the findings illustrated by figure 4 below (58%) of the respondents was male while (42%) were female. This finding can be attributed to the fact that the senior staff in all the functional departments in Kenya Revenue Authority is largely dominated by male employees. However the 42% proportion of females indicates that there is a positive trend towards gender equality.

Table 4.1: Gender of Respondent

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>29</td>
<td>54.7</td>
<td>58.0</td>
<td>58.0</td>
</tr>
<tr>
<td>Female</td>
<td>21</td>
<td>39.6</td>
<td>42.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>94.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>3</td>
<td>5.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)
4.2.2 Age of the respondents

Majority of the respondents in this study were relatively young. About 38 percent of the respondents ranged from the age of 28 to 37 as illustrated by figure 5 below. This was followed by 32 percent of respondents ranging from the age of 18 to 27. Most of the younger respondents were either in junior managerial positions in their departments or trainees. Whole about 20 percent of all the respondents consisted of employees ranging from the age of 38 to 47, only 10 percent were above 47 years old. This implies that the average age of staff at the senior managerial level of the organization has gone down considerably as younger people are incorporated.

Table 4.2: Age of Respondent

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-27 years</td>
<td>16</td>
<td>30.2</td>
<td>32.0</td>
<td>32.0</td>
</tr>
<tr>
<td>28-37 years</td>
<td>19</td>
<td>35.8</td>
<td>38.0</td>
<td>70.0</td>
</tr>
<tr>
<td>38-47 years</td>
<td>10</td>
<td>18.9</td>
<td>20.0</td>
<td>90.0</td>
</tr>
<tr>
<td>48-57 years</td>
<td>5</td>
<td>9.4</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>94.3</td>
<td></td>
<td>100.0</td>
</tr>
<tr>
<td>Missing System</td>
<td>3</td>
<td>5.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)
4.2.3 Length of Time Worked in the Organization
The observations about the age of the respondents were further reinforced by the results indicating the average length of time employees had worked in their departments. As illustrated in figure 6, about 54 percent of the respondents have been in the organization for less than five years. This is followed by about 28 percent of employees who have worked between 5 and 10 years. This can explain why most of the staff are young, implying that most of them have been employed in the past few years. Only a total of about 20 percent of the employees have worked in the organization for more than 10 years with only about 3 percent having worked over 15 years.

Source: Survey Data (2013)

Figure 5: Age of respondents
Table 4.3: Number of years in organization

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5 years</td>
<td>26</td>
<td>49.1</td>
<td>54.2</td>
<td>54.2</td>
</tr>
<tr>
<td>5-10 years</td>
<td>13</td>
<td>24.5</td>
<td>27.1</td>
<td>81.3</td>
</tr>
<tr>
<td>Valid</td>
<td>11-15 years</td>
<td>8</td>
<td>15.1</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>15-20 years</td>
<td>1</td>
<td>1.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>90.6</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>5</td>
<td>9.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)

Figure 6: Length of tenure in organization

4.2.4 Job Position in the Organization

Results of the survey indicated that majority of the respondents held middle management and supervisory jobs in the organization as illustrated in figure 7 below. While 36 percent of the respondents worked as supervisors in their departments, 34 percent held middle level
management positions. It was also established that top management staff made 10 percent of the respondents. This implies that the results of this survey are strongly valid since a total of about 80 percent of the respondents were in a position to fully understand BSC implementation in the organization. The remaining 20 percent of the respondents was made up of subordinate staff.

Table 4.4: Position in Organization

<table>
<thead>
<tr>
<th>Position in Organization</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>5</td>
<td>9.4</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Middle Management</td>
<td>17</td>
<td>32.1</td>
<td>34.0</td>
<td>44.0</td>
</tr>
<tr>
<td>Supervisor</td>
<td>18</td>
<td>34.0</td>
<td>36.0</td>
<td>80.0</td>
</tr>
<tr>
<td>Subordinate Staff</td>
<td>10</td>
<td>18.9</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>94.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>3</td>
<td>5.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)

Source: Survey Data (2013)

Figure 7: Position of respondents in Organization
4.2 Descriptive Statistics

Descriptive statistics were applied in the description of basic features of data in a study. They provide simple summaries about variables and their measures. Descriptive statistics form the basis of virtually every quantitative analysis of data.

4.2.1 Customer Focus

To understand the effects of Balanced Score Card to the performance of KRA, respondents in the study were required to indicate the extent to which they agreed with various statements in the questionnaire. The scale of agreement increased from 1 to 5 with the lowest being “Strongly agree” and the highest being “strongly disagree”. The first area of focus for the survey was customer focus.

Results from the survey indicate that customer focus is a strong integral part of authority at KRA at a mean of 1.54 and standard deviation of 0.798; the participants also strongly agreed that authority service delivery was geared towards customer needs and expectations at a mean of 1.71 and standard deviation of 0.824; there was also a strong agreement that employees at KRA are sensitive to customer needs at a mean of 1.73 and standard deviation of 0.869; respondents agreed with the fact that organizational culture in the organization creates effective and efficient customer value at a mean of 2.02 and standard deviation of 0.956; there was strong agreement that there are mechanisms in the organization to solve customer dissatisfaction at a mean of 1.94 and standard deviation of 0.665. Finally, the respondents strongly agreed that managers in the organization are accountable for their performance, with the mean being 1.58 and the standard deviation being 0.710. All the statistics above are illustrated in table 4.5.
Table 4.5: Customer focus

<table>
<thead>
<tr>
<th>Aspects of customer focus</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer focus is integral part of authority</td>
<td>48</td>
<td>1.54</td>
<td>.798</td>
</tr>
<tr>
<td>Authority service delivery geared towards customer needs and expectations</td>
<td>48</td>
<td>1.71</td>
<td>.824</td>
</tr>
<tr>
<td>Employees sensitive to customer needs</td>
<td>48</td>
<td>1.73</td>
<td>.869</td>
</tr>
<tr>
<td>Culture creates effective and efficient customer value</td>
<td>48</td>
<td>2.02</td>
<td>.956</td>
</tr>
<tr>
<td>Mechanisms to solve customer dissatisfaction are in place</td>
<td>48</td>
<td>1.94</td>
<td>.665</td>
</tr>
<tr>
<td>Managers accountable for performance</td>
<td>48</td>
<td>1.58</td>
<td>.710</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate</td>
<td></td>
<td>1.75</td>
<td>0.804</td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)

4.2.3 Financial Management

Several aspects of financial management were investigated in the survey to establish the impact on BSC on financial management in KRA. The study established that respondents agreed that there is improved provision of financial data (Mean of 2.10 and standard deviation of 1.015); respondents agreed that there is transparency in authority finances at a mean of 2.20 and 0.948; it was also agreed that there is accountability in the authority’s finances at a mean of 2.20 and standard deviation of 0.881; it was indicated that the allocation of resources in the authority is fair at a mean of 2.18 and standard deviation of 1.273. It was agreed at a mean of 2.04 and standard deviation of 1.106 that there is value for money with regard to financial expenditure; it was agreed at a mean of 2.50 and standard deviation of 1.940 that there was improvement in financial management with implementation of BSC; similarly it was strongly agreed at a mean of 1.90 and standard deviation of 0.973 that there was growth in revenue attributed to implementation of BSC. There was agreement at a mean of 2.02 and standard deviation of 0.845 that transparency and accountability improved with implementation of BSC. Finally, respondents strongly agreed at a mean of 1.94 and standard deviation of 0.818 that the implementation of BSC has led to economic growth in the country.
Table 4.6: Financial management

<table>
<thead>
<tr>
<th>Aspects of financial management</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved provision of financial data</td>
<td>50</td>
<td>2.10</td>
<td>1.015</td>
</tr>
<tr>
<td>Transparency in authority finances</td>
<td>50</td>
<td>2.20</td>
<td>.948</td>
</tr>
<tr>
<td>Accountability in authority's finances</td>
<td>50</td>
<td>2.20</td>
<td>.881</td>
</tr>
<tr>
<td>Resource allocation fair in the authority</td>
<td>50</td>
<td>2.18</td>
<td>1.273</td>
</tr>
<tr>
<td>Value for money with regard to financial expenditure</td>
<td>50</td>
<td>2.04</td>
<td>1.106</td>
</tr>
<tr>
<td>Financial performance improvement from implementation of BSC</td>
<td>50</td>
<td>2.50</td>
<td>1.940</td>
</tr>
<tr>
<td>Revenue growth from implementation of BSC</td>
<td>48</td>
<td>1.90</td>
<td>.973</td>
</tr>
<tr>
<td>Transparency and accountability improvement from implementation of BSC</td>
<td>50</td>
<td>2.02</td>
<td>.845</td>
</tr>
<tr>
<td>Achievement of BSC has helped in economic growth</td>
<td>50</td>
<td>1.94</td>
<td>.818</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aggregate</strong></td>
<td></td>
<td>1.86</td>
<td>1.088</td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)

4.2.4 Internal Process Management

The survey revealed that as far as the impact of BSC on internal process management was concerned, respondents strongly agreed at a mean of 1.82 and standard deviation of 0.950 that there is sufficient contact between management and employees at KRA; it was strongly agreed at a mean of 1.76 and standard deviation of 0.830 that the management in the Authority provides a clear sense of direction; it was strongly agreed at a mean of 1.88 and standard deviation of 0.992 that Employees new to the department are given clear understanding of what is expected of them; it was also strongly agreed at a mean of 1.98 and standard deviation of 0.989 that everyone is working towards a common goal in the organization due to implementation of BSC.

It was agreed at a mean of 2.52 and standard deviation of 2.757 that internal processes are aligned towards customer needs at KRA; the respondents further agreed strongly at a mean of 1.78 and standard deviation of 0.823 that there is continuous improvement of authority’s internal processes; respondents strongly agreed at a mean of 1.80 and standard deviation of 0.979 that clear communication to the entire authority over new processes introduced. It was also strongly agreed at a mean of 8.14 and standard deviation of 0.898 that BSC has enabled embracement of technology in the internal processes of KRA. Finally, respondents strongly
agreed at a mean of 2.06 and standard deviation of 1.107 that measures have been put in place to ensure customer loyalty in Authority.

Table 4.7: Aspects of internal process management

<table>
<thead>
<tr>
<th>Aspects of internal process management</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sufficient contact between management and employees in authority management provides clear sense of direction</td>
<td>49</td>
<td>1.76</td>
<td>.830</td>
</tr>
<tr>
<td>Employees new to the department are given clear understanding of what is expected</td>
<td>49</td>
<td>1.88</td>
<td>.992</td>
</tr>
<tr>
<td>Everyone working towards common goal</td>
<td>48</td>
<td>1.85</td>
<td>.989</td>
</tr>
<tr>
<td>Internal processes aligned towards customer needs</td>
<td>49</td>
<td>2.53</td>
<td>2.575</td>
</tr>
<tr>
<td>Internal processes provide value for internal and external customers</td>
<td>49</td>
<td>1.98</td>
<td>.854</td>
</tr>
<tr>
<td>There is continuous improvement of authority’s internal processes</td>
<td>49</td>
<td>1.78</td>
<td>.823</td>
</tr>
<tr>
<td>Clear communication to the entire authority over new processes introduced</td>
<td>49</td>
<td>1.80</td>
<td>.979</td>
</tr>
<tr>
<td>Embracement of technology in internal processes</td>
<td>49</td>
<td>1.84</td>
<td>.898</td>
</tr>
<tr>
<td>Measures in place to ensure customer loyalty in authority</td>
<td>49</td>
<td>2.06</td>
<td>1.107</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate</td>
<td>49</td>
<td>1.756</td>
<td>0.941</td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)

4.2.5 Organizational Learning and Growth

As regards organizational learning and growth as one of the important determinants of organizational performance, implementation of BSC at KRA has affected the aspects of organizational leaning in various ways. Respondents strongly agreed at a mean of 1.84 and standard deviation of 0.889 that the BSC has enabled ownership of targets; they also agreed at a mean of 2.10 and standard deviation of 1.199 that employees are consulted by supervisors before being given targets under BSC.

There was strong agreement at a mean of 1.98 and standard deviation of 0.979 that employees are satisfied with priorities and directions from departments; respondents also agreed at a mean of 2.16 and standard deviation of 1.167 that decision management concerning
employees is fair, similarly respondents agreed at a mean of 2.18 and standard deviation of 1.044 that there are more opportunities to learn about available job openings in the organization. Respondents agreed at a mean of 2.58 and standard deviation of 1.341 that KRA promotes competent employees; similarly they strongly agreed at a mean of 1.84 and standard deviation of 0.710 that employees appreciated their work more due to the improvements brought about by BSC. There was agreement at a mean of 2.10 and standard deviation of 1.093 that employees are made to feel like part of the management, similarly there was agreement at a mean of 2.30 and standard deviation of 2.929 that employees are sufficiently trained to deal effectively with customers. Respondents also strongly agreed at a mean of 1.86 and standard deviation of 0.881 that the Authority has taken advantage of the evolving technologies initiatives to meet customer needs. Finally, respondents agreed at a mean of 2.46 and standard deviation of 1.140 that the authority now supports continuous learning and growth.

Table 4.8: Aspects of organizational learning and growth

<table>
<thead>
<tr>
<th>Aspects of organizational learning and growth</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership of targets given under BSC</td>
<td>50</td>
<td>1.84</td>
<td>.889</td>
</tr>
<tr>
<td>Employees consulted by supervisors before being given targets under BSC</td>
<td>50</td>
<td>2.10</td>
<td>1.199</td>
</tr>
<tr>
<td>Employee satisfied with priorities and directions from departments</td>
<td>50</td>
<td>1.98</td>
<td>.979</td>
</tr>
<tr>
<td>Decision management made concerning employees are fair</td>
<td>50</td>
<td>2.16</td>
<td>1.167</td>
</tr>
<tr>
<td>Opportunities to learn about available job openings</td>
<td>50</td>
<td>2.18</td>
<td>1.044</td>
</tr>
<tr>
<td>The authority promotes competent employees</td>
<td>50</td>
<td>2.58</td>
<td>1.341</td>
</tr>
<tr>
<td>Employees appreciated for their work</td>
<td>50</td>
<td>1.84</td>
<td>.710</td>
</tr>
<tr>
<td>Employee made to feel like part of the management team</td>
<td>50</td>
<td>2.10</td>
<td>1.093</td>
</tr>
<tr>
<td>Employees sufficiently trained to deal effectively with customers</td>
<td>50</td>
<td>2.30</td>
<td>2.929</td>
</tr>
<tr>
<td>Authority has taken advantage of the evolving technologies initiatives to meet customer needs</td>
<td>50</td>
<td>1.86</td>
<td>.881</td>
</tr>
<tr>
<td>Authority supports continuous learning and growth</td>
<td>26</td>
<td>2.46</td>
<td>1.140</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aggregate</strong></td>
<td></td>
<td>2.127</td>
<td>1.216</td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)
4.2.6 Organizational Performance

The participants in this study were asked to give their assessment about the Balanced Score Card as a performance management system. As illustrated in figure 8 below, a significant majority of the respondents (94 percent) indicated that it is a good performance measurement system. Only 6 percent of the respondents indicated that it is not.

Source: Survey Data (2013)

Figure 8: Is the BSC a good performance measurement system?

The study also sought the opinion of the respondents about the improvements in KRA associated with the implementation of the Balanced Score Card. As illustrated by figure 9, 86 percent of the respondents indicated that there were significant improvements in the organization since the implementation of the BSC. Only 10 percent of the respondents felt there were no significant improvements.

Table 4.9: Significant improvement as a result of BSC implementation

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid Yes</td>
<td>43</td>
<td>81.1</td>
<td>89.6</td>
<td>95.0</td>
</tr>
<tr>
<td>Total Missing</td>
<td>5</td>
<td>9.4</td>
<td>10.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)
Source: Survey Data (2013)
Figure 9: Are there improvements as a result of BSC implementation?

The study also sought to understand whether all BSC perspectives had been put into considerations to ensure improvement of performance in the department at KRA. Findings indicate that over 84 percent of the respondents in the study agreed that this had been done. As illustrated by figure 9, the remaining 16 percent indicated that they felt this had not been achieved.

Source: Survey Data (2013)
Figure 10: Improvement of performance in departments through BSC
The main aim and function of KRA is to collect as much revenue as possible for the government. Therefore performance in revenue collection in essence directly measures the performance of the Authority. This study established that implementation of BSC plays an important role in the collection of revenue. As illustrated by figure 11, according to about 54 percent of all the respondents in the study, KRA’s revenue performance is attributable to implementation of the BSC. However a significant 40 percent of the respondents felt that this was not the case.

Table 4.10: Authority’s revenue performance attributable to implementation of BSC

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>27</td>
<td>50.9</td>
<td>57.4</td>
<td>57.4</td>
</tr>
<tr>
<td>Valid Total</td>
<td>20</td>
<td>37.7</td>
<td>42.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Missing</td>
<td>47</td>
<td>88.7</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)

Figure 11: KRA revenue performance attributable to implementation of BSC

Source: Survey Data (2013)

Figure 11: KRA revenue performance attributable to implementation of BSC
4.2.7 Implementation of the Balanced Scorecard

This study also examined the various aspects directly related to implementation of the BSC as a measure of its success and organizational performance. There was strong agreement that BSC targets at the Authority makes it to meet its objectives (Mean of 1.62 and standard deviation of 0.635); respondents also strongly agreed that BSC has brought about reasonable achievable targets for the Authority (Mean of 1.74 and standard deviation of 0.803); it was strongly agreed that BSC is an effective strategic management system (Mean 1.54 and standard deviation of 0.646).

Respondents further agreed strongly at a mean of 1.54 and standard deviation of 0.646 that achievements of BSC outweigh costs if it is implemented successfully. It was strongly agreed that implementation of BSC has streamlined the internal processes of the Authority (Mean of 1.82 and standard deviation of 0.774). It was also strongly agreed that BSC links authority mission and strategy with objective measures (Mean of 1.73 and standard deviation of 0.730). Respondents strongly agreed that BSC has helped shift authority's focus from results to customer focus (1.96 and standard deviation of 0.781). Finally the respondents strongly agreed that BSC has enhanced transparency and accountability in the Authority (Mean of 1.90 and standard deviation of 0.974).

Table 4.11: Aspects of implementation of BSC

<table>
<thead>
<tr>
<th>Aspects of Implementation of the BSC</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC targets help meet authority's objectives</td>
<td>50</td>
<td>1.62</td>
<td>.635</td>
</tr>
<tr>
<td>BSC has brought about reasonable achievable targets</td>
<td>50</td>
<td>1.74</td>
<td>.803</td>
</tr>
<tr>
<td>BSC is an effective strategic management system</td>
<td>50</td>
<td>1.54</td>
<td>.646</td>
</tr>
<tr>
<td>Achievements of BSC outweigh costs if implemented successfully</td>
<td>50</td>
<td>1.54</td>
<td>.646</td>
</tr>
<tr>
<td>BSC has streamlined the internal processes of authority</td>
<td>50</td>
<td>1.82</td>
<td>.774</td>
</tr>
<tr>
<td>BSC links authority mission and strategy with objective measures</td>
<td>49</td>
<td>1.73</td>
<td>.730</td>
</tr>
<tr>
<td>BSC has helped shift authority's focus from results to customer focus</td>
<td>50</td>
<td>1.96</td>
<td>.781</td>
</tr>
<tr>
<td>BSC has enhanced transparency and accountability</td>
<td>50</td>
<td>1.90</td>
<td>.974</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate</td>
<td>50</td>
<td>1.73</td>
<td>0.749</td>
</tr>
</tbody>
</table>

Source: Survey Data (2013)
4.3 Regression Analysis

The researcher conducted a multiple regression analysis so as to test relationship among variables. The research used the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. Table 4.12 provides the summary of the regression model applied in this study.

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 (Organizational performance) that is explained by all the four independent variables (Customer focus, financial management, internal process management, and organizational learning and growth).

Table 4.12: Model Summaryb

<table>
<thead>
<tr>
<th>Model</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>.904a</td>
<td>.817</td>
<td>.800</td>
<td>.21050</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Organizational Learning and Growth, Customer Focus, Internal Process management, Financial Management

b. Dependent Variable: Organizational Performance

Source: Survey Data (2013)

According to the model applied by this study, Adjusted R Square was 0.800 meaning that the independent variables studied explain 80.0% of the effects of Balanced Score Card implementation on the performance of the Kenya Revenue Authority (KRA). This implies that the other variables not studied in this research contributed 20.0% of the variability in
performance and thus further research should be conducted to investigate these other effects of BSC implementation on the performance of the Authority.

Table 4.13 represents the ANOVA report which assesses the overall significance of the regression model applied in this study. According to the findings, p<0.05 (Sig. =0.00) and therefore our model is significant.

Table 4.13: ANOVA Table

<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>8.884</td>
<td>4</td>
<td>2.221</td>
<td>50.126</td>
<td>.000</td>
</tr>
<tr>
<td>1 Residual</td>
<td>1.994</td>
<td>45</td>
<td>.044</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10.878</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance  
b. Predictors: (Constant), Organizational Learning and Growth, Customer Focus, Internal Process management, Financial Management

Source: Survey Data (2013)

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 4.14, with a B value of 0.338 customer focus was the most important significant variable in this study (p=0.000). The next factor with the greatest effect on performance was organizational learning and growth (B=0.268; p=0.039) followed by internal process management (B=0.227; p=0.048). According to the model, financial management was not significant (p=0.133).
As per the SPSS results generated, the equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \) translates to \( Y = 0.413 + 0.512X_1 + 0.151X_2 + 0.202X_3 + 0.227X_4 + \varepsilon \). This regression equation indicates that taking all the factors into account (customer focus, financial management, internal process management, and organizational learning and growth) at constant zero then profitability is 0.413. However taking all the independent variables at zero, then a unit increase in customer focus will lead to a 0.512 increase in organizational performance, similarly a unit increase in financial management will lead to a 0.151 increase in organizational performance. A unit increase in internal process management will lead to a 0.202 increase in organizational performance and finally a unit increase in organizational learning and growth will lead to a 0.227 increase in organizational performance.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter discusses overall findings with the aim of answering the research questions. The chapter also presents the conclusions and recommendations from the current study based on the effects of implementation of Balanced Score Card on the organizational performance of KRA. The specific objectives of this study included: To establish the effect of Customer focus on the performance of the Kenya Revenue Authority; To ascertain the effect of financial management on the performance of the Kenya Revenue Authority; To determine the effect of internal processes management on the performance of the Authority, and to find out the effect of organizational learning on the performance in the Authority.

5.2 Summary of Findings
The findings revealed that since the implementation of the Balanced Score Card, customer focus is a strong integral part of authority at KRA. Basically, it was strongly indicated that service delivery in KRA is geared towards meeting the needs and expectations of customers. In relation to that respondents strongly indicated that employees in the Authority are sensitive to customer needs and that the organizational culture prevailing in the Authority creates effective and efficient customer value. The study also revealed that KRA has established mechanism to solve problems relating to customer dissatisfaction; the managers in the Authority are also accountable for their performance.

Financial management is also one of the factors of performance that has been positively impacted by implementation of the BSC at KRA. The study revealed that there is now improved provision of financial data in the Authority and that there is more transparency in the management of Authority financial resources. The study also reveals that there is increased accountability with finances in the Authority and that allocation of resources within the organization is now fair after the implementation of the BSC. Financial expenditure is also one of the areas that have considerably improved in the organization with increase in value for money now being evident. It was also strongly indicated that there has been growth in revenue and that the country’s economy has generally grown because of this. Generally,
Implementation of the BSC has substantially improved financial management at KRA and in turn positively affected the Authority’s performance.

The BSC has also improved the internal process management at KRA to a substantial level. This study reveals that there is now sufficient contact between the management at KRA and employees working for the Authority. With the implementation of the BSC, the management in the organization now provides a clear sense of direction to the Authority and new employees now get a clear understanding of what is expected of them. The study also established that everyone in the organization is now working towards achievement of common goals in the Authority as a result of the implementation of the BSC. Internal processes at KRA are now aligned towards customer needs in the organization and there is continuous improvement of the authority’s internal processes. Finally, BSC has enabled embracement of technology in the internal processes of KRA and the authority has been able to implement measures aimed towards customer loyalty.

This study also established that the implementation of BSC at KRA has been instrumental towards improving organizational learning and growth and subsequently boosting the performance of the Authority. It was found that the BSC has enabled ownership of targets in the Authority and that there is increased consultation between employees and supervisors before targets are given out. Employees at the Authority are now generally satisfied with the priorities and directions from their departments, they also indicated that management now make fair decisions about employees and that opportunities to learn about available job openings within the organization have increased.

It has been established by the study that with the implementation of the BSC, employees appreciate work more due to the various improvements in working condition at the organization and KRA now promotes competent employees whenever the opportunity arises. Other improvements that can be attributed to implementation of the BSC include that employees are now made to feel like part of the management, they are sufficiently trained to deal effectively with customers and the Authority has taken advantage of new technology initiatives to meet customer needs. Continuous leaning and growth of employees is also one
of the most important factors that the implementation of BSC has enabled in the Authority and this contributes substantially towards the improvement of organizational performance.

This study tried to directly assess the organizational performance of KRA following the implementation of the BSC. The study established that majority of the workers at the Authority feel that the BSC is a good measure of organizational performance. As regards improvement in organizational performance, the study established that there was significant improvement in the performance of KRA since the BSC was introduced in the organization. The implementation of the BSC itself has been satisfactory at the Authority with a significant majority of the respondents indicating that all the perspectives of the BSC had been considered in the implementation to ensure improvement of performance. According to majority of the respondents in the study, KRA’s improved revenue performance is attributable to implementation of the BSC. However, it is worth observing that almost half of the respondents (40 percent) did not attribute the improvement in revenue collection to implementation of the BSC.

As concerns implementation of the balanced score card and its role in the organizational performance of KRA, the study established that targets created through the BSC make it easier for the Authority to meet its objectives. There was also a strong indication by the respondents in the study that the score card has enabled determination of reasonable achievable targets for the Authority. The study also established that as far as the employees of KRA are concerned, the BSC is an effective strategic management system and that its achievements far outweigh its implementation costs if it is successfully implemented like in the case of the Authority. Implementation of the BSC has streamlines the internal processes of the authority and its mission and strategy are now well linked with the objective measures. Finally, in recognition of the importance of customer focus towards improved organizational performance, it was established that the BSC has shifted KRA’s focus from results to customers as well as improved transparency and accountability in the Authority.

5.3 Conclusions

From the findings the study concludes that balanced score card is an instrumental system which has accrued many benefits for the organization as indicated by 94% of manager’s
agreement that BSC is truly a good performance measure (indicated in figure 4.7). The factors chosen to measure the effect of balanced scorecard on performance named customer focus, financial management, internal processes and learning and growth were able to provide 80% of the relationship between balanced scorecard and therefore very relevant in measuring the relationship. From the regression equation used in the study $Y = 0.413 + 0.512X_1 + 0.151X_2 + 0.202X_3 + 0.227X_4 + \varepsilon$, it is clear that the factors indicated a positive relationship between BSC and performance thus holding all the other factors constant positive performance would be 0.413 out the influence of BSC. Holding the independent factors constant sequentially, a unit increase in customer focus would lead to 0.512 increases in performance, a unit increase in performance would lead to 0.151 increases in performance, a unit increase in internal processes would also lead to 0.202 in performance and a unit increase in learning and growth would increase performance by 0.227. These findings are in agreement with those of other researchers on performance and BSC like Coop, 2006; Yang et al., 2005; Gumbus et al., 2003 who conducted their studies in the health sector.

5.4 Recommendations
On the basis of the findings and conclusions of this study, the following recommendations were pointed out which may work towards improving, meeting and exceeding customer expectations, enhancing financial accountability and transparency as well as further streamlining of all internal processes.

Kenya Revenue Authority should ensure its BSC has an appropriate mix of leading indicators and lagging indicators of the organizations strategy to avoid having too many indicators and too few measures in each perspective. The study found out that some measures selected for the BSC do not reflect the organizations strategy. Therefore the organizations strategy is not translated into action making KRA unable to obtain maximum benefit from the implementation of the BSC.

Kenya Revenue Authority should embrace a top down approach for the success of the BSC. It should therefore, take a decisive analysis on working as a team whereby senior leadership work together with every member of staff and support the implementation of the BSC,
objectives, measures and targets that will bring about shared commitment that is required to align the organization.

Further, the study found out that implementation of organizational learning and growth perspective had low scores. An exercise by the KRA management to identify the causes and issues contiguous to the low scores with a view of developing mitigating strategies would go a long way in supporting organizational learning and growth perspective of the BSC already in place in the organization. There is pertinent need for the Authority to implement the recommendations already given in the customer and job satisfaction surveys done in the past and have recurred in this study.

5.5 Areas of Further Research
The study focused on Kenya Revenue Authority. The findings of the study therefore can only be generalised to other public sector and other state corporations with prudence. The tools in this study were mainly descriptive in nature and were limited to the implementation of the BSC in KRA.

The study succeeded in ascertaining a relationship between the four perspectives of the BSC but not conclusively, hence the need for further study. Further study is also recommended to clearly ascertain how each perspective in the BSC affects organizational performance.

The independent variables used provident 80% evidence on the relationship between organizational performance and the balanced score card, thus further studies should be done to identify other factors accounting for the remaining 20%.
REFERENCES


Verah Moraa Kambuni
Kenyatta University,
P.O Box 60177 - 00200.
Nairobi.

Dear respondent,

I am currently carrying out research on the effect of Balanced Scorecard on Organizational Performance in the Public Sector. This is in partial fulfilment of the requirements of the degree of Masters of Business Administration (MBA) in Strategic Management at Kenyatta University.

The results of the study will be used to formulate future BSC regulations, policies and improve performance in all aspects of an organization.

Kindly take some time to provide the information on the attached questionnaire. Your response will be treated in strict confidence and at no time will be mentioned in the report.

Thank you for your cooperation and support.

Yours truly,

Verah Moraa
APPENDIX II: QUESTIONNAIRE

This survey instrument is developed to capture data on the effect of Balanced Scorecard on Organizational Performance in the Public Sector. The data obtained from this exercise will be used exclusively for academic purposes and for fulfilment of the requirements of the degree of Masters in Business Administration at Kenyatta University. Kenya Revenue Authority has been identified as a key respondent in this field. In this regard, you are kindly requested to participate in this survey by providing answers to enable the researcher fulfil the research objective.

SECTION A: GENERAL INFORMATION

1. Name of the Department you work in  .........................................................

2. Age (Years)

   18-27  [ ]  28-37  [ ]  38-47  [ ]  48-57  [ ]  

   Above 58  [ ]

3. Gender

   Male  [ ]  Female  [ ]

4. Number of Years in the organization

   1 - 10  [ ]  10 – 15  [ ]  16 – 20  [ ]

   21 – 25  [ ]  26 – 30  [ ]  Above 31  [ ]

5. Position held in the organization

   Top Management  [ ]  Middle Level Management  [ ]

   Supervisor  [ ]  Subordinate Staff  [ ]
SECTION B: CUSTOMER FOCUS

To what extent do you agree with the following statements regarding your organization's Customer Focus?

1- Strongly agree  2- Agree  3- Neutral  4 – Disagree  5 – Strongly disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Customer focus is an integral part of the authority</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2 The authority’s service delivery is geared towards meeting its customers’ needs and expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 The authorities employees are sensitive to the needs of the customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 The authority’s culture creates effective and efficient customer value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Mechanisms to solve customer dissatisfaction are in place</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Managers in this organization are held accountable for their performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 The authority’s management provides a clear sense of direction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION C: FINANCIAL MANAGEMENT

Please tick the most appropriate option using the scale provided

1- Strongly agree  2- Agree  3- Neutral  4 – Disagree  5 – Strongly disagree

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does the authority’s management provide the required financial data?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Is there transparency in the authority’s finances?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Is there accountability in the authority’s finances?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Is resource allocation fair in the authority?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Is there value for money in regards to the authority’s financial expenditure?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Has financial performance improved as a result of BSC implementation?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Can the revenue growth in KRA be attributed to the BSC implementation?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Has transparency and accountability improved after the implementation of the BSC?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Achievements of BSC will help in the economic growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**SECTION D: INTERNAL PROCESS MANAGEMENT**

Please tick the most appropriate option using the scale provided

1- Strongly agree  
2- Agree  
3- Neutral  
4 - Disagree  
5 – Strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is sufficient contact between management and employees in this authority</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The authority’s management provides a clear sense of direction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>In my opinion, employees new to my department are given a clear understanding of what is expected of them.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Everyone in the authority is working towards a common goal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The authority’s internal processes are aligned towards meeting customers’ needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>The authority’s internal processes provide value for both internal and external customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>There is continuous improvement of the authority’s internal processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>There is clear communication to the entire authority when new processes are introduced</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>The authority has embraced technology in its internal processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Are there measures in place to ensure customer loyalty in the authority?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**SECTION E: ORGANIZATIONAL LEARNING AND GROWTH**

Please tick the most appropriate option using the scale provided

1- Strongly agree 2- Agree 3- Neutral 4 – Disagree 5 – Strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I own the targets given to me under BSC and can relate to them</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>I was consulted by my supervisors before finalization of my targets under BSC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>I am satisfied with the priorities and directions of my department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The decisions management makes concerning employees are usually fair.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>There is adequate opportunity for employees to learn about available job openings.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>In my opinion, the company does a good job of promoting the most competent people</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>My supervisor makes me feel like an important team member</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>I am made to feel like a part of the management team.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>I feel I have been sufficiently well trained to deal effectively with our clients/customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The authority has taken advantage of the evolving technologies initiatives to meet its customer’s needs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>The authority supports continuous learning and growth?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION F: ORGANIZATIONAL PERFORMANCE (Please tick as appropriate)

1. In your view, do you think the balanced scorecard is a good performance measurement system?
   
   YES ☐ NO ☐

   If No please give reasons

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


2. Since the implementation of the Balanced scorecard, is there significant improvement in your department?

   YES ☐ NO ☐

   If No Please give reasons

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


3. Have all the four perspectives of the Balanced scorecard been taken into consideration in your department to improve performance?

   YES ☐ NO ☐


4. Can the overall Authority’s revenue performance improvement be attributed to the implementation of the balanced scorecard?

   YES ☐ NO ☐

   If No please give reasons

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

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

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


68
### SECTION G: SUMMARY ON THE IMPLEMENTATION OF THE BALANCE SCORECARD

Please tick the most appropriate option using the scale provided

1- Strongly agree  2- Agree  3- Neutral  4 – Disagree  5 – Strongly disagree

<table>
<thead>
<tr>
<th>The targets given in Balanced Scorecard help the authority meet its objectives</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC has brought about reasonable and achievable targets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced scorecard is an effective and efficient strategic management system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achievements / benefits of the BSC outweigh the cost if successfully implemented</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The BSC has streamlined the internal processes of the authority</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced scorecard clearly links the authority’s mission and strategy with objective measures.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The BSC has aided the shift of the authority’s focus from results to customer focus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The BSC has enhanced transparency and accountability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THANK YOU