

**THE BALANCED SCORECARD AND PERFORMANCE OF PUBLIC SECTOR  
ORGANIZATIONS IN THE MINISTRY OF ENERGY AND PETROLEUM IN  
KENYA.**

**BY  
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**DECLARATION**

This research proposal is my original work and has not been presented for the award of any degree in any other university.

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## **DEDICATION**

I dedicate my research to my late dad; Wilfred Muiruri, mum; Josphine Muiruri and daughter Tiffany Amani.

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## **ACRONYMS AND ABBREVIATIONS**

<b>BSC:</b>	Balanced Score Card
<b>BPR:</b>	Business Process Reengineering
<b>DEA:</b>	Data Envelopment Analysis
<b>EAC:</b>	East African Community
<b>ERP:</b>	Enterprise Resource Planning
<b>ESM:</b>	Evaluation Subordinate Management
<b>EVA:</b>	Economic Value Added
<b>ICT:</b>	Information, Communication and Technology
<b>IS :</b>	Information Systems
<b>KNBS:</b>	Kenya National Bureau of Statistics
<b>KPI:</b>	Key Performance Indicator
<b>MAS:</b>	Management Accounting Systems
<b>MBO:</b>	Management By Objective
<b>MRI:</b>	Management Resources Information
<b>MVA:</b>	Market Value Added
<b>OCS:</b>	Other Control System
<b>ROCE:</b>	Return on Capital Employed
<b>ROE:</b>	Return on Equity
<b>SME:</b>	Small and Micro Enterprise
<b>SVA:</b>	Shareholder Value Added
<b>SD:</b>	Standard Deviation
<b>SWOT:</b>	Strength Weakness Opportunities Threats
<b>ERP:</b>	Enterprise Resource Planning

## **Operational Definition of Terms**

**Balanced ScoreCard:** It is a framework that is used extensively in business and industry, government, and nonprofit organizations to align business activities towards monitoring or tracking down execution of activities performed by an organization in line with its vision and strategy.

**Performance indicators:** variables which help an organization define and reach its goals.

**Firm performance:** realization of the goals and objectives of an organization by its employees.

**Public sector organizations:** sector of the economy in which the government has control and spends its own resources.

## **Abstract**

The objectives that are stated by the BSC are more than just a collection of financial and non-financial measures; it is a holistic process of identifying the individual parts, needs and goals of the organization and recognizing that each arm is intimately connected to the success and health of the firm as a whole. If organizations are to survive and succeed in the information age of exceptional competition, it is vital that they derive strategies and implement measurement capabilities. “The BSC retains financial measurement as a critical summary of managerial business performance, but it highlights a more general and integrated set of measurements that link current customer, internal process, employee, and system performance for long-term financial success”( Kaplan & Norton, 1996, pg. 25). Implementing these four perspectives an organization is able to form a more complete picture of the needs of its individual business units, and therefore a more concise view on how to measure them (Kaplan & Norton, 1996). The study aimed at finding out the application of the balanced score card in the public sector organizations in Kenya. The objectives of the study included a deeper insight of the four BSC perspectives that is the financial, customer, internal business process and innovation and learning on organizational performance. The study took a descriptive research survey by selecting the ten parastatals in the Ministry of Energy and Petroleum. The respondents were classified into two categories namely officers in charge of performance contracting and heads of departments namely; ICT, Human Resource Management, Finance and Customer service. The researcher used one instrument of research that is the questionnaire which was designated for the Heads of Departments and for the officers in charge of performance contract exercise too. Data collected was thoroughly analyzed using (SPSS). Themes were presented as they emerged in the data analysis. The findings revealed that holding Financial; Internal Business Process; Innovation and learning; and Customer Focus perspectives of the BSC to a constant zero, performance of the Business Organizations in public sector in Kenya would be at 3.938 and a unit increase in business performance would be due to a change in financial factors by 0.205; Internal Business Process by 0.771, Innovation and learning factors by 0.344 and Customer Focus factors by a 1.024. This clearly shows that there is a strong positive relationship between Innovation and learning perspective and performance of the business organizations in public sector in Kenya.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background Of The Study

The Balanced Score Card (BSC) is a system used strategically in business and industry, government and nonprofit organizations worldwide to align business activities to the vision and strategy of the organizations so as to improve internal and external communications and monitor organizations' performance against strategic goals. The BSC tool has its origin at Harvard School of Business by Drs. Robert Kaplan and David Norton. This tool was developed by Kaplan and Norton in 1992 after conducting a study that focused on the failure of financial measures to adequately measure organizational performance. In the realm of knowledge-based competition, the ability of organizations to develop, nurture, and mobilize their intangible assets are critical for success (Kaplan & Norton, 2001). The primary type of performance measurement used at the time was lagging financial indicators, such as; return on equity and earnings per share. These antiquated forms of measurement failed to capture the value of operational measures that include; employee skills, customer loyalty, and dealer relationships.

There is a belief that when financial measures are the only source of Performance Management (PM), the vital areas of innovation of products and services are neglected. These often overlooked elements are key components of running and maintaining a successful organization. The BSC was created to bridge this gap, and implement a more thorough approach to the measurement of an organization's goals and success. By going beyond the traditional financial measurements of success, the BSC approach has given the management a clearer view of how their firms are really performing (Angel & Rampersad, 2005).

A pivotal requirement for the success of the BSC and the success of the organization is communication. Internal communication within an organization creates unity and allows for the affective transfer of knowledge from management to employees. According to Atkinson and Epstein (2000), it is a necessity that any organization whether private or public has strategy for communication established. Without this strategy, the tool that the

management has implemented will remain unproductive, and unused. Kaplan and Norton (2001) claim that communication strategy is one of the BSC's main area of usage, and if applied correctly will aid in the organization's communication blockade. The BSC allows the management to look at the business from four important perspectives that is customer perspective, internal perspective, innovation and learning perspective and financial perspective.

The customer focus perspective indicates how an organization's projects are successful from the point of view of the customer (Kaplan & Norton, 1992). In order to measure the customer perspective, the objective should include several standard measures such as customer satisfaction, customer retention and loyalty through market shares, customer value and customer profitability (Kaplan & Norton, 2001). The measures of these perspectives provide an indication of the impact on customer outcomes of the organization's actions. The core measures are connected to the organization's strategy and directly connected to its financial objective of long-term superior returns (Kaplan & Norton, 2004).

The internal business process perspective provides objectives for the organization to excel in its performance by identifying and evaluating the value of both the customers and shareholders' goals (Kaplan & Norton, 1992). The objectives of this perspective represent the sharpest distinction between the BSC and other performance measurement systems that use nonfinancial measures. Thus, the internal business process perspective ties into the customer and financial perspectives by incorporating the value propositions that are important to its target segment and by meeting shareholder expectations on financial returns (Kaplan & Atkinson, 1998).

In the learning and growth and innovation perspective, the goal is to determine what is necessary in order to achieve the objectives set in the previous three perspectives. As Kaplan and Norton (1996) point out, objectives in this perspective usually pertain to one of the following three categories: employee capabilities; information system capabilities; and motivation, empowerment, and alignment. He argued that the perspectives are composed of leading and lagging indicators. The former drive performance, that is

measures of internal business, innovation and learning, and the latter benefit from performance drivers, which are indicators addressing financial and customer issues. The balanced scorecard constitutes a systematic attempt to measure the relationship between the results and the operating activities as well as a powerful instrument to communicate a firm's goals and objectives to operating managers (Atkinson and Epstein, 2000).

### **1.1.1 The BSC And a Firm's Strategic Management Process**

According to Yabs (2010) strategic management is the art of mobilizing resources and the science of formulating, implementing and evaluating decisions that enable an organization to realize its objectives. Atkiston and Epstein (2000) defines strategic management as the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long term objectives. Strategic management is the process by which an organization manages relationships with its external environment while following its organizational mission. Grunig and Repper (1992) maintained that it was the way to keep the balance between internal activities and strategies to manage responses to external factors, or the environment.

The strategic management process encompasses four distinct phases. In order to succeed, a strategy must succeed in each phase. Strategic management begins with the formulation phase, where the firm's management develops an overall strategy for achieving the firm's objectives. The second phase is implementation Strategies are usually implemented from the top down. To begin with, the top management team will inform line managers about the strategic changes, and line managers will, in turn, pass this information on to their subordinates. Implementation leads to the third phase of evaluation, objectives set are evaluated against the firm goals. Evaluation is used to measure the success of the strategy. Barfield (1999) asserts that strategies may be successful on the first attempt but more often, there is room for improvement. Modification is another phase which comes in if the strategy deployed has not achieved all its desired goals.

Various constraints make it difficult to implement strategy today. The pace of change continues to accelerate, technology changes frequently and the workforce is more diverse and mobile than ever before. But the underlying reason it is difficult to implement strategy today is because business and business strategy are fundamentally different today than they were even ten years ago (Brewer, 2004). The industrial age has been replaced by the knowledge age, with transformational effects on the economy and the workplace. While the business world continues to evolve, management systems have not kept up. According to Kaplan and Norton (2006) most management systems and measurement systems were designed to meet the needs of a stable, incrementally changing world; they do not meet the needs of today's dynamic economy.

The Balanced ScoreCard can be thought of as the "strategic chart of accounts" for an organization. It captures both the financial and the nonfinancial elements of a company's strategy and discusses the cause-and-effect relationships that drive business results. It allows, for the first time, an organization to look ahead using leading indicators instead of only looking back using lagging indicators. The Balanced ScoreCard puts strategy the key driver of results today at the center of the management process. The basic premise behind the Balanced ScoreCard is mainly measurement motivates. Even if there are no incentives tied to the achievement of a particular goal, the simple measurement of it will make people pay attention (Kaplan & Norton, 2001).

A review of literature by Powell (1992) also indicates that firms which adopt strategic management generally improve their performance. Strategic implementation is the process that puts plans and strategies into action to reach goals. A strategic plan is a written document that lays out the plans of the business to reach goals. Strategic implementation occurs after the environmental scans, SWOT analyses and identifying strategic issues and goals.

### **1.1.2 BSC and Firm Performance**

Performance can be defined as the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed (McAdam & Bailie,

2002). In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract. In the past profitability measures have been in use as benchmark for good company performance. The dawn of the knowledge economy has shown that those profitability measures have somehow become redundant because they present just the company's current performance and say little concerning where it is going. It is against this background that the Balanced Score Card was introduced by Kaplan and Norton (1992). They introduced the BSC because the management system at that time was mainly focusing on measuring performance based on financial measures. They argue that managers tend to forget other aspects of the business that are vital for the company's success. According to Kaplan and Norton (1992) a company can stay in business only if it improves on its processes, maintains good customer relationship, is innovative and above all learn all the time.

According to Niven (2002), the BSC is a set of measures derived from an organization strategy that helps management of the organizations to communicate the outcomes and performance drivers by which the organization plans to achieve its mission and strategic objectives. The BSC comprises of three systems, a measurement system, a strategic management system and a communication system. Davis and Albright (2004) posit that measuring performance of the business is by comparing the performance data of adopters before and after adoption of the BSC.

The bottom line measure of a company's performance is the shareholder value creation whereby substantial amount of researches have been done to herald the performance of companies using BSC in both the private and public organizations. Crabtree and De Busk (2008), posit that firms that adopt the BSC significantly outperform firms that did not adopt BSC using different matching criteria. The BSC could be quite useful in a public setting organizational context. Studies by DeFeo and Richard (2007), showed how a city council in public sector was able to use BSC to enhance the planning process, team management and improve the performance of the individual staff.

In Kenya, the first performance measurement system to be used was the Performance Contracting which was a hybrid borrowed from international practices and the BSC. According to the World Bank (2004), the Performance Contracting and evaluation system

best practices were drawn from USA, UK, Malaysia and South Korea. Kenya Railways Corporation and National Cereals and Produce Board were the first state government agencies to be piloted. The results achieved from these two agencies indicated that there was no adequate linkage between performance contracting and budgeting systems. The performance contract matrices were many hence hindering effective implementation. It was recommended that there was a need for development and adoption of a comprehensive performance measurement system that will incorporate other tools like the BSC Performance Index. A pivotal requirement for the success of the BSC and the success of the organization is communication. In an organization internal communication creates unity and allows for effective transfer of knowledge from management to employees. According to Kaplan and Norton (2001), posit that communication strategy is one of the BSC's main areas of usage and if applied correctly will aid in the organization's communication blockade.

## **1.2 Statement of The Problem**

The BSC concept has been substantially studied from the corporate sector. Evidence from both online and offsite publications indicate that much more research has been done in the corporate sector than in the public sector. For example, when a search in Scopus was performed on April 20, 2009, the term Balanced Scorecard during 1998-2002, showed 210 studies, but when the term public sector was added only 34 studies was reported. The same search was done on Google Scholar and resulted in 6,590 studies on the term "Balanced Scorecard" and 1,760 when the term public sector was added. In addition most of research has been done in the developed countries such as United States of America, United Kingdom, Malaysia and South Korea (World Bank, 2004) as opposed to the developing countries. Those that have been done in the developing countries have tended to focus on case studies of individual organizations. For example; Maingi (2009) focused on strategic management practices adopted by Local Authorities in Kenya of Thika, Ruiru, Kiambu and Mavoko local authorities though unpublished and Njanja (2005) who did a case study on strategic management practices in the agricultural sector of the statutory bodies in Kenya. The current study is therefore motivated to explore the BSC

and performance in public sector organizations in Kenya. A survey of the ten parastatals at the Ministry of Energy and Petroleum in Kenya.

### **1.3 General Objective**

The general objective of this study was the Balanced ScoreCard and Performance of Public sector Organizations in the Ministry of Energy and Petroleum in Kenya.

#### **1.3.1 Specific Objectives of the Study**

- i. To investigate the relationship between the financial perspective of BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya.
- ii. To establish the relationship between internal business process perspective of BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya.
- iii. To determine the relationship between innovation and learning perspective of BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya.
- iv. To find out the relationship between customer perspective of the BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya.

#### **1.3 Research questions**

- i. What is the relationship between the financial perspective of BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya?
- ii. What is the relationship between internal business process perspective of the BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya?
- iii. What is the relationship between learning and innovation perspective of BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya?

- iv. What is the relationship between customer perspective of the BSC and performance in public sector organizations in the Ministry of Energy and Petroleum in Kenya?

### **1.5 Justification and Significance of the Study**

The BSC is one of the effective management control tools at the disposal of the managers to use in performing their managerial duties. The world today is characterized by rapid change and competition; organizations face an innumerable amount of leadership challenges. Implementing the BSC provides managers with a tool to translate strategy into action and measurable results. The findings of this study are beneficial to managers and heads of departments in various organizations for effective management system. These include among other ministries' departments and parastatals that will not be sampled and private sector organizations. The findings of this study may also spark further intellectual study by other scholars to fill in the gaps which have been identified.

### **1.6 Delimitation of the Study**

The study was delimited to balanced score card and performance of the public sector organizations. Thus the researcher only focused on the selected ten parastatals at the Ministry of Energy and Petroleum in public sector in Kenya.

### **1.7 Limitations of the Study**

Actual data collection from the field was prone to various challenges. Some respondents were not willing to disclose information for unknown fears. The researcher asserted the confidentiality of the information given and proved the academic purpose of the study. Kenyan government is undergoing restructuring under Constitution of Kenya 2010 and thus the researcher only sampled those institutions that have not been affected greatly by the ongoing restructuring system.

### **1.8 Assumptions of the Study.**

The study had three basic assumptions:

- i. The study assumed that all the information given by the respondents was honest and without any bias.
- ii. The study also assumed that all the target population was to be easily accessible during the actual study.
- iii. The study finally assumed that balanced score card is being used in the selected public sector organizations.

### **1.9 Scope of the Study**

The researcher collected data from the ten parastatals under the Ministry of Energy and Petroleum in Kenya. The respondents were the officers in charge of performance contracting and heads of departments of Information, Communication and Technology, Human Resource, Customer Service and Finance.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

According to Dent (2005) the BSC is undoubtedly the most popular management system in organizations. It is popular because of the belief that it brings all the strategic objectives of a business into a single and balanced framework (Kaplan & Norton, 2003). The BSC emerged following a lot of critic from using only financial measures to evaluate the performance of a company. Kaplan and Norton (1992) proposed that the financial measure of a company's performance be supplemented with other measures like customers, internal process, learning and growth. They posit that the BSC as a balanced measurement system which provide top management of the organization with a quick and yet comprehensive view of the organizational performance. The measures in the balanced scorecard framework help managers to make better decisions that will lead the organization or business unit to succeed.

#### **2.2. Theoretical Review**

The shareholder value analysis (SVA) model of Rappaport (1986:76), the economic value added (EVA) and market value added (MVA) concepts are the most important developments in financial management research and practice which have resulted into new thinking and refinements to the initial model popularized by Stewart (1991: 153) and Stern (1993: 36).

Rappaport's model indicates that shareholder value is driven by seven factors, namely sales growth, the operating profit margin, the cash tax rate, investment in working capital, investment in fixed assets, the cost of capital and the planning period (the length of time over which the future cash flow projections are made). Support for using the SVA model to measure corporate financial performance came from Barsky and Bremser (1999: 4) and Barfield (1999: 33). Two limitations of the SVA model are the difficulty of estimating future cash flows and the absence of a performance measure to which remuneration can be linked.

The EVA model is based on the assertion that economic profits (EVA) have the greatest impact on shareholder value as measured by the MVA and that EVA should therefore be maximized. EVA is a better performance measure than net profit because it is calculated after taking into account the full cost of capital, including an opportunity cost for using equity. The biggest limitation of EVA (and also its strength) is the fact that it is a single measure of performance. In spite of early reports of good correlation between EVA and MVA by Stern (1993: 36), research to date has not proved conclusively that EVA correlates better with shareholder wealth than other traditional accounting measures. Support for using the EVA along with, or as part of, the balanced scorecard came from Cates (1997: 21; 1998: 60) and Skyrme and Amidon (1998: 23).

The financial strategy matrix by Hawawini and Viallet (1999: 507) is a noteworthy financial innovation in the context of finding an appropriate financial perspective. Two variables, namely wealth creation (EVA) and cash management, are used to evaluate a company and to place it in a certain quadrant on the financial strategy matrix. A relative measure of wealth creation, the return spread, is used instead of EVA, and the cash management is measured by the difference between sales growth and the sustainable growth rate (Sim & Koh, 2001).

### **2.2.1 Financial Perspective**

Financial perspective examines if the company's implementation and execution of its strategy are contributing to the bottom line improvement. It represents the long-term strategic objectives of the organization and thus it incorporates the tangible outcomes of the strategy in traditional financial terms. The three possible stages as described by Kaplan and Norton (1996) are rapid growth, sustain and harvest. Financial objectives and measures for the growth stage will stem from the development and growth of the organization which will lead to increased sales volumes, acquisition of new customers, growth in revenues etc. The sustain stage on the other hand will be characterized by measures that evaluate the effectiveness of the organization to manage its operations and costs, by calculating the return on investment, the return on capital employed.

Finally, the harvest stage will be based on cash flow analysis with measures such as payback periods and revenue volume. Some of the most common financial measures that are incorporated in the financial perspective are EVA, revenue growth, costs, profit margins, cash flow and net operating income (Philips & Louvieris, 2000).

According to Kaplan and Norton (1992) the financial perspective can be analyzed in form of; cash flow, sales growth, operating income, market share and return of equity (ROE). It is worth noting that two of the five measures mentioned, namely sales growth and market share, link directly to the customer perspective. Various developments in financial management research and practice just before and since 1992 have resulted in new thinking and refinements to the initial model.

Financial measures are valuable in conveying the readily measurable economic consequences of action already taken. According to Lipe (2001) financial measures are typically focused on profitability related measures such as return on capital, return on equity, and return on sales among others. The measures are necessary for any organization trying to measure performance for a number of reasons. First reporting of financial measures is expected and governed under the law. Another reason is that reporting of certain financial measures of firm performance are required by institutional bodies. Finally report of financial measures is expected from all stakeholders and is ingrained in history as a way of framing and comparing organizational performance. Banker (2004) used Data Envelopment Analysis to measure tradeoffs between different balanced score card metrics in the telecommunication industry. They also found trade-offs might not exist between different metrics in a balanced scorecard. They concluded that measures that require trade-off with financial measures should be included in the balanced scorecard.

According to Kaplan and Norton (2006), the balanced scorecard approach to evaluating corporate performance has certainly advanced the ability of management to add value to shareholders in the long term. However, the financial component of the balanced scorecard lagged behind in terms of reflecting the latest developments in financial management and contributing to the goal of maximizing shareholder value.

The initial measures that Kaplan and Norton (1992: 76) considered important from a financial perspective were cash flow, sales growth, operating income, market share and ROE. New developments in financial management theory, which somehow need to be reflected in an appropriate financial perspective, include the shareholder value (SVA) model of Rappaport (1986: 76), the EVA and MVA concepts popularized by Stewart (1991: 153) and Stern (1993: 36), and the financial strategy matrix developed by Hawawini and Viallet (1999: 507).

Clearly, the ‘holy grail’ of a single reliable financial performance measure does not exist or has not been found. At least research to date has shown that some combination of measures would be required for a balanced financial view (Kanji, 2002). It is concluded that the suggested balanced financial scorecard better predicts shareholder value (MVA) than traditional accounting ratios over the long-term. According to Angel and Rampersad (2005) traditional accounting measures should be replaced by the real drivers of shareholder value, including EVA, spreads and invested capital. Other combinations of measures could undoubtedly be just as, or more, effective in measuring the drivers of shareholder value. Even so, it is believed that the suggested balanced financial scorecard, as part of a larger overall balanced scorecard, could make a significant contribution towards more elegant financial navigation.

### **2.2.2 Internal Business Process Perspective**

This is concerned with the processes that create and deliver the customer value proposition. It focuses on all the activities and key processes required in order for the company to excel at providing the value expected by the customers both productively and efficiently (Kaplan & Norton, 1996). These can include both short-term and long-term objectives as well as incorporating innovative process development in order to stimulate improvement. In order to identify the measures that correspond to the internal process perspective, Kaplan and Norton propose using certain clusters that group similar value creating processes in an organization. The clusters for the internal process perspective are operations management (by improving asset utilization, supply chain management among others), customer management (by expanding and deepening relations), innovation (by

new products and services) and regulatory and social (by establishing good relations with the external stakeholders).

The internal process perspective is based on the notion that to satisfy customers and earn a financial return, the business must be efficient and effective at what it does. Its' measures are typically based on the objective of most efficiently and effectively producing order conversation rate, on time delivery from suppliers, cost of non-conference and lead-time reduction (Garrison, Noreen & Brewer, 2006). When firms enter business of geographical unfamiliar environments they face unfamiliar contexts with rules which are defined by the political, social, legal and economic institutions with which they must comply. The drive for legitimacy challenges the corporation to adapt. There are two largely opposing pressures which exist; one towards isomorphism as compliance to institutional pressures within the larger corporation and other towards isomorphism as adaptation to local environment pressures. According to Powell (2003) internal pressures rest on taken-for-granted assumptions that are embedded in the firms operations built on past experiences, power relations inertia common beliefs and memories.

The internal process introduces the concept of hard and soft measures. Hard measures are scaled to the standardized performance of the organization's process. These measures are objective and calculated by relatively standard practice. Examples of hard measures include output, cost, time and quality. On the other hand soft measures tend to be more interpretive or subjective in nature. These measures are often determined by subjective interpretation and or feel which make their validity and reliability less attractive than empirical hard measures. Examples include work habit, work climate, feelings and attitudes and development advancement (Garg & Ma, 2005). A benchmarking study from Frigo and Litman (2002) finds that when a company emphasizes active participation among all personnel in gathering intelligence, the competitive intelligence function within that company is viewed as "more effective" by 40% of the management participants.

Arnett, Menon, and Wilcox (2000) publish empirical research conducted through survey questions indicating that “relationship factors” (involvement, communication, credibility, and trust) encourage people to view competitive intelligence as useful. Their results suggest that relationship factors affect the use of competitive intelligence, which, in turn, affects user’s decision-making abilities and their attitude toward competitive intelligence. However, Cook and Cook (2001) discovered after researching many competitive intelligence projects that typically no time was spent evaluating effectiveness by competitive intelligence users.

Davison (2001) argues that it is necessary to classify competitive activities as either strategic or tactical in order to measure effectiveness. Evaluation of strategic competitive output would measure the proportion of accurate to inaccurate predictions of the future. Evaluation of tactical competitive output would include an estimate of the money saved by not doing something, or information about price changes or product efficiency. Davison concludes that a blend of both strategic and tactical approaches along with consumer satisfaction ratings will produce an effective method for competitive departments to demonstrate accountability for the work they produce as an internal process perspective of the Balanced ScoreCard.

### **2.2.3 Innovation and Learning**

Innovation and learning is the foundation of any strategy and focuses on the intangible assets of an organization, mainly on the internal skills and capabilities that are required to support the value creating internal processes. It is concerned with the jobs (human capital), the systems (information capital) and the climate (organization capital) of the enterprise. According to Kaplan and Norton these are three factors is the infrastructure that is needed in order to enable ambitious objectives in other three perspectives to be achieved.

Organizations are open systems with multiple interactions with their environments that constrain firm’s ability to survive and prosper. The existence of pressure to adapt to local environments was noted, in institutional theory, by DiMaggio and Powell (1983), who defined isomorphism as the pressure exerted upon an organization to conform to existing

firms in the same environment. Organizations then must comply with the rules, norms and behaviors set forth by the institutions in the places where they operate, to build their legitimacy (Dilla & Steinbert, 2005). Bean and Jarnagin (2002) argued that the institutional perspective focuses on the embeddedness of economic action in a social milieu that influences choices, and stated that firms' success is partially due to the environment surrounding them and how well they deal with or change that environment. Population ecology recognizes that forces exogenous to organizations likely to produce uniform configurations include environmental selection for competitive fitness within ecological niches (Barsky& Bremser,1999). According to Garrison (2006) an organization should be understood as a system based on knowledge a system through which circulate information and basic knowledge, knowledge acquired from the outside (absorptive capacity) or existing knowledge in the organization. This circulation knowledge creates a knowledge flow through various processes of transformation (organizational learning) which when applied (innovation) generates essential competences for the firm. Innovation is influenced by several environmental and firms dimensions and produces impacts.

Weerawardena (2003) posits that learning process should focus on the acquisition of managerial competencies that permit the organizational stay ahead of competitors. Organizational learning is the process by which new knowledge and information are applied with the goal of improve routines and performance (Phillips & Louvieris, 2005). This is also the development of new knowledge or insights that have the potential to influence behavior which can be distinguished from individual learning in an organization. Tas (1998) defines organizational learning as the various process by which additional technical skills and knowledge are acquired by individuals and through them by the organization. This process encompasses group's interpretation, interaction and integration of individual knowledge which result is superior to the parts (Tran, 2008). In this case the output is greater than the sum of the parts formed by knowledge from internal process (exploitation) and external sources (exploration). Crossan, Lane and White (1999) posit that exploration involves creating new knowledge and exploitation involves using existing knowledge. According to Smith and Prieto (2008) the two forms

of knowledge can originate from outside the organization as with absorptive capacity (Zahra & George, 2002), or from inside the organization through various mechanisms of intra-organizational knowledge sharing (Tsai, 2002). Tran asserts that this information becomes the firm's knowledge base and is embedded in the information system routines, procedures and history that make up the organization's memory that the knowledge remains even when member exit.

According to Figueiredo (2003) organizational learning can be categorized in two related processes; knowledge acquisition and knowledge conversion. The first is linked to the individual level and the second to the organizational level. Both are divided in two distinct sub-processes, generating four learning processes: external and internal knowledge acquisition; and knowledge socialization and codification.

Niven (2002) also proposes organizational learning as comprising of four learning activities: knowledge acquisition (the development or creation of skills, insight, relationships); knowledge sharing (the dissemination o others of what has been acquired by some), knowledge utilization (integration of the learning so that it is assimilated, broadly available and can also be generalized to new situations) and unlearning (the review and renewal of existing knowledge and communication of changes within the firm). Figueiredo (2003) stresses three key features of the intra-firm learning processes variety, intensity and functioning. Variety is the absence of different kinds of learning process within firm, intensity means the extent to which continuous efforts to create, upgrade, use, improve and strengthen learning processes actually take place within then firm and functioning is understood as the way learning processes are built and work over time within the firm.

#### **2.2.4 Customer Focus Perspective**

Customer focus perspective includes several core or general measures from the desired successful outcomes of a well-formulated and implemented strategy. According to Kaplan and Norton (1998) and Light (1998) the core measures may include overall indicators such as customer satisfaction, customer complaints, customers lost/won, on-time delivery and sales from new products. Measures related to customers include results

from customer surveys, sales from repeat customer and customer profitability. Kaplan et al (2001) posits that the customer perspective is a core of any business strategy which describes the unique mix of product, price, service, relationship and image that a company offers. The customer perspective defines how the organization differentiates itself from competitors to attract, retain and deepen relationships with targeted customers. According to Kaplan and Norton (2001b) the value of the customer perspective is crucial because it helps an organization connect its internal process to improved outcomes with its customers.

The customer focus perspective is the crucial one among the four tenets of the BSC. Beasley (2006) point out the customer based virtuous circle whereby investment in employee training leads to improved service quality which in turn results in higher customer satisfaction to increased customer loyalty. According to Becker (2001) measures selected for the customer perspective should measure both the value that is delivered to the customer i.e. value proposition which may involve time, quality, performance and service and cost and the outcomes that come as a result of this value proposition. The value proposition can be centered on one of the three: operational excellence, customer intimacy or product leadership while maintaining threshold levels at the other two.

In manufacturing, quality is defined as product conformation to specifications. In services, evaluating the level of quality is much more elusive. Richard (2003) asserts that quality specifications come from multiple simultaneous sources, including the company and the individual customers.

Services characteristics encompass the intangible; it involves the concept of inseparability, heterogeneity of the variation inconsistency from one service transaction top the next, and the finally the perish ability character. In general, service quality is more difficult to evaluate for services than for goods. First, service quality is based on consumer perceptions of the outcome of the service. For example, most teenagers will readily see that evaluating the quality of medical or legal care is more difficult than evaluating the quality of a set of cellular phones. Secondly, it is how the service was

performed. The fact that thousands of individuals can attend a concert and leave with varying levels of service quality evaluations indicates that service quality is based on individual perceptions. Thirdly, service quality perceptions result from a comparison of what was expected to what was received. If we are asking movie-goers how many were disappointed with a movie they watched. Often this disappointment occurs because they were lead to have high expectations.

Customer satisfaction drives by service performance and it's resulted from the quality of the services. Cleaverley and Cleaverly (2005) have summarized that the product for marketing quality services is the service performance. It is actually the performance which customers buy. Therefore service quality is something each customer expects and something they value when they purchase a service. In the case of a hotel as hospitality providers the customer satisfaction is a result of service performance. Since the product delivered is intangible and the levels of quality expected are varies and very much based on the perceived level of expectations of the specific customers. In the study by Yahya (2001) in higher Malaysian educational institution, Bashah (2003) in banking and Bungsu (2004) in automobile industry showed that there are differences between customers' perceptions and expectations and its level of differences varies among industries. Siddik (1996) have identified gaps in hotel service quality delivery and the study proves that there is no difference on overall customer perception and overall perception of the hotelier. However Cokins (2004) ascertains in airline industry customer has higher expectation compared to their perception. Their highest expectation is on reliability and no significant difference was found between customer profile and their expectation and perception factors.

Managing customer's desires and adequate services may look quite practical, but it should also to be borne in mind that customer expectations are learned partly from experience, and that the very act of over delivering will increase expectations for the next encounter (Davison, 2001). In the long run perhaps for better and straightforward management practice, organizations just deliver exactly what they promise, every time. Dilla and Steinbert (2005) in their research emphasized that management of expectations should be taken seriously. Their research revealed that numerous customer complaints about lower

service quality were because they have been over promising the service expectations. According to Fletcher and Smith (2004) management should use their utmost efforts to meet and exceed customer expectation by excelling in service delivery and by being great at service recovery. On the marketing side, Frigo and Litman (2002) suggest management to focus on new efforts and paradigm shift on working more closely with customers to clarify their expectations. Marketers are now required to be innovative and develop new ways of helping their organizations meet and exceed customer expectations.

Hoque and James (2000) have reported in their Meta analysis on 20 studies have found a positive relationship between quality and business performance. In other studies (Kanji & Sa, 2002, McAdam and Bailie, 2002) have identified the two key components of service quality, namely, the management of customer expectations and service reliability, which also contribute to business performance. The hotel industry is one of the surveys done and reported by Philips and Louvieris (2005). Study on the customer perspective shows that the underlying reason for seeking service quality improvement is the inference that the increase of customer satisfaction can contribute significantly to performance (Medori & Steeple, 2000). Another study found the link between service quality and profitability through activities for customer retention (Sim & Koh, 2001).

Among cost and benefit cited by Kaplan and Norton (2001b) in relation to business performance derived from successful service quality were satisfied and retained customers and employees; opportunities for cross-selling; the attraction of new customers; development of customer relationships; increased sales and market shares; enhanced corporate image; reduced costs and increased profit margins and business performance. The service quality measures above suggest that the gap between perceived service and expectation has given rise not only to the construct of service quality but also to that of satisfaction. According to Dilla and Steinbart (2005) like service quality, satisfaction has also been linked to performance. The distinction between satisfaction and quality that is often made is that satisfaction is transaction specific while quality is an overall evaluation of long-term attitude to the service product offering (Fletcher & Smith 2004; DeFeo, 2000; Hoque & James, 2000; Kaplan, 2005; Garrison 2006).

## **2.3 Empirical Review**

### **2.3.1 Theoretical Framework**

The BSC is not meant as a tool of substitution, rather, a measurement system that aims to guide and measure the achievements of the organization. The system is used to recognize areas of strength, but first and foremost an area that can or should be improved in some way and therefore requires some sort of action. It allows managers to convert their vision into clear measures of success (Heery & Noon, 2001).

The objectives that are stated by the BSC are more than just a collection of financial and non-financial measures; it is a holistic process of identifying the individual parts, needs and goals of the organization and recognizing that each arm is intimately connected to the success and health of the firm as a whole. If companies are to survive and succeed in the information age of exceptional competition, it is vital that they derive strategies and implement measurement capabilities. “The BSC retains financial measurement as a critical summary of managerial business performance, but it highlights a more general and integrated set of measurements that link current customer, internal process, employee, and system performance for long-term financial success”( Kaplan & Norton, 1996, pg. 25). Implementing these four perspectives an organization is able to form a more complete picture of the needs of its individual business units, and therefore a more concise view on how to measure them (Kaplan & Norton, 1996).

According to Tarantino (2003) the external perspective means that the company should analyze how customers perceive the organization, for example by measuring customer satisfaction. The internal perspective means looking inside the organization spotting where the company must succeed and can be improved. The innovation and learning perspective means examining how the organization grows. And finally the financial perspective includes the financial performance of the organization (Tarantino, 2003).

Many management scholars have attempted to define or to describe BSC notably Niven (2002) describes BSC to be a set of measures derived from an organizational strategy that

helps management of the organization to communicate the outcomes and performance drivers by which the organization plans to achieve its mission and strategic objectives. He further notes that the BSC comprise of three systems: a measurement system, a strategic management system and a communication system. Garg and Ma (2005) posit that the BSC is a customized communication tool within a management control system applied at different levels of the organization for different strategies. Earlier researchers focused their attention at understanding the concept by investigating organization that purported to use BSC so as to understand what the balanced score card meant to them. McAdam and Bailie (2002) carried out an interview from several organizations and their business units in order to gather the perception of the managers concerning BSC. According to Kaplan and Norton (1996) BSC is viewed as a management communication tool that could be used to spread the vision of the organization to its stakeholders and to communicate and measure the success of the strategy. Medori and Steeple (2002) validated this view in their study of a large manufacturing organization that had implemented the BSC. Other researchers have found the BSC to be an instrument that could facilitate the planning process and serve as a means of getting adequate feedback from performance.

Some researchers have focus on measuring the business value from implementing BSC by comparing the performance data of adopters before and after adoption or data from peer companies to establish if their performance differs owing to using BSC (Davis and Albright 2000). Cratbree and DeBusk (2008) and Greatbanks and Richard (2007) proof that the firm that adopted the BSC significantly outperform the firm that did not adopt BSC using different matching criteria. Greatbanks and Richard (2007) further acknowledge that BSC could be quite useful in a public setting organizational context as their study show how a public sector council was able to use BSC to enhance the planning process, team management and improve the performance of the individual staff. A study by Fernandes and Kiran (2006) on small and mid-sized enterprises (SME) found that the BSC constitute quite a useful tool for SME's also.

The divergent results obtained from using BSC have prompted researchers to actually look into other the other variables that can lead to a successful implementation of the BSC. Law and Ngai (2007) found that factors like the skills of the in-house IT staff, support from top management, extend of business process redesign(BPR) and the IT infrastructural compatibility impact of enterprise resource planning (ERP) system adoption. Most ERP applications have a module for BSC these factors also apply to influence BSC adoption success although at the organizational level. A study by Sandlin (2008) explored how cultural, personal action and results controls work together to achieve performance goals in a growth firm context. He argues further that the type of controls to introduce in an organization depends on the functional demands of the managers pointing out that in most small firm's control is largely informal and as the firm grows the need for formal controls become apparent. Sandlin (2008) posits that the use of informal cultural, personal and action controls working in harmony can substitute for a formal control system in an organization. He notes how different types of control in an organization affects the performance of the organization by arguing that performance objectives can be achieved by various control system both formal controls and informal form of controls.

Baird, Harrisson and Reeve (2004) studied the effects of strategy and organizational structure on the adoption and implementation of activity management practices by firms in Australia. In their investigations they found out that business unit size and three business unit cultural dimensions (innovation, outcome orientation and tight versus loose control) were associated with activity management practice adoption and use. They further assert that multiple means of control in an organization do not only complement each other but can even substitute one another. Management control does not only involve adoption of management accounting system (MAS) but also included subjective judgments and evaluation. Wiersman (2009) identified some of the factors that motivate individual managers to adopt management accounting systems. The factors include; the other control system already in place in the organization (OCS), how the manager evaluates subordinates (ESM) and how receptive are the managers to information from ne resources (MRI). Data for the study was collected using a survey questionnaire to

nineteen Dutch firms and a few hundred managers responded. By using factor analysis he came up with three dimensions for which individual manager's use BSC; decision support (making decisions and rationalizing the decisions), co-ordination of work and for self-monitoring of performance.

### **2.3.2 Types of Balanced Scorecard**

Malmi (2001) observed that companies and their business in Finland were using BSC either as a mere information system or a management by objective (MBO) tool that is like a key performance indicator (KPI) scorecards. Malmi (2001) defines the KPI scorecard as a set of strategically relevant information on the company's performance compiled in a framework to help the managers focus. He points out that in companies where there are no targets for the measures in the scorecard, the scorecard barely represents an information system (IS) because there were no targets set that needed to be measures. KPI scorecard only reports on the performance of the organization from its main area of operations believing that most of the early adopters of the balance scorecards used the KPI scorecards. The KPI score card comprises of all the relevant measures considered to be crucial for the organization's success it has a weakness of not reflecting the organization's strategy. The results from KPI comprise data from past activities (that is lagging performance indicators) and measures are usually developed from the KPI in each of the BSC perspectives usually neglecting the linkages between the different perspectives of the BSC.

According to Kaplan and Norton (1996) the strategy scorecard is developed based on the strategy of the company. The BSC strategy is developed when the governing body of the organization defines what needs to be measured , set targets for each measure and assigns someone of the responsibility for achieving those targets and then rewards them based on the level at which the targets are achieved. The strategic score card takes a long term view of the organization this is because such score cards will normally include both leading and lagging performance measures which has been developed based on a cause

and effect relationships of the organization's strategy. Strategy scorecard therefore communicates the organizations goals to every employee using strategy maps.

Kaplan and Norton (2001) describes the BSC as a managerial equivalent to the stakeholder theory. According to this theory firms should consider the interest of the different stakeholder when executing their strategy. The theory is in contradiction with value maximization theory which states that firm maximizes value on a competitive market environment. According to the stakeholder score card companies should consider the interest of different stakeholder such as employees, shareholders and the society when implementing strategy. This score card should then report on the performance of the major stakeholder of the organization. Often in the stakeholder scorecard, performance indicators are assigned to the different stakeholders like shareholders, customers and employee. The stakeholder score card may aim to fulfill other corporate governance and social responsibilities needs of their organizations. This attribute make it possible in a stakeholder scorecard for it to have as many dimensions of measures as the needs of the company permits in order for it to achieve its goals.

Kaplan and Norton (2001) assert that a stakeholder scorecard defines the goals of the organizations for its major stakeholders. This notion has subjected the stakeholder scorecard to a lot of criticism. Jensen (2002) in his study argues that an organization cannot pursue multiple objectives at a time and be successful as the stakeholder BSC specifies. It is also argued that the stakeholder scorecard only cares about the goals of the stakeholders and do not explain the strategy of the organization to its member thereby not actually serving as BSC of performance measures (Kaplan & Norton, 2001). Conclusively three types of BSC exist, a stakeholder score card, key performance indicator (KPI) and a strategy scorecard.

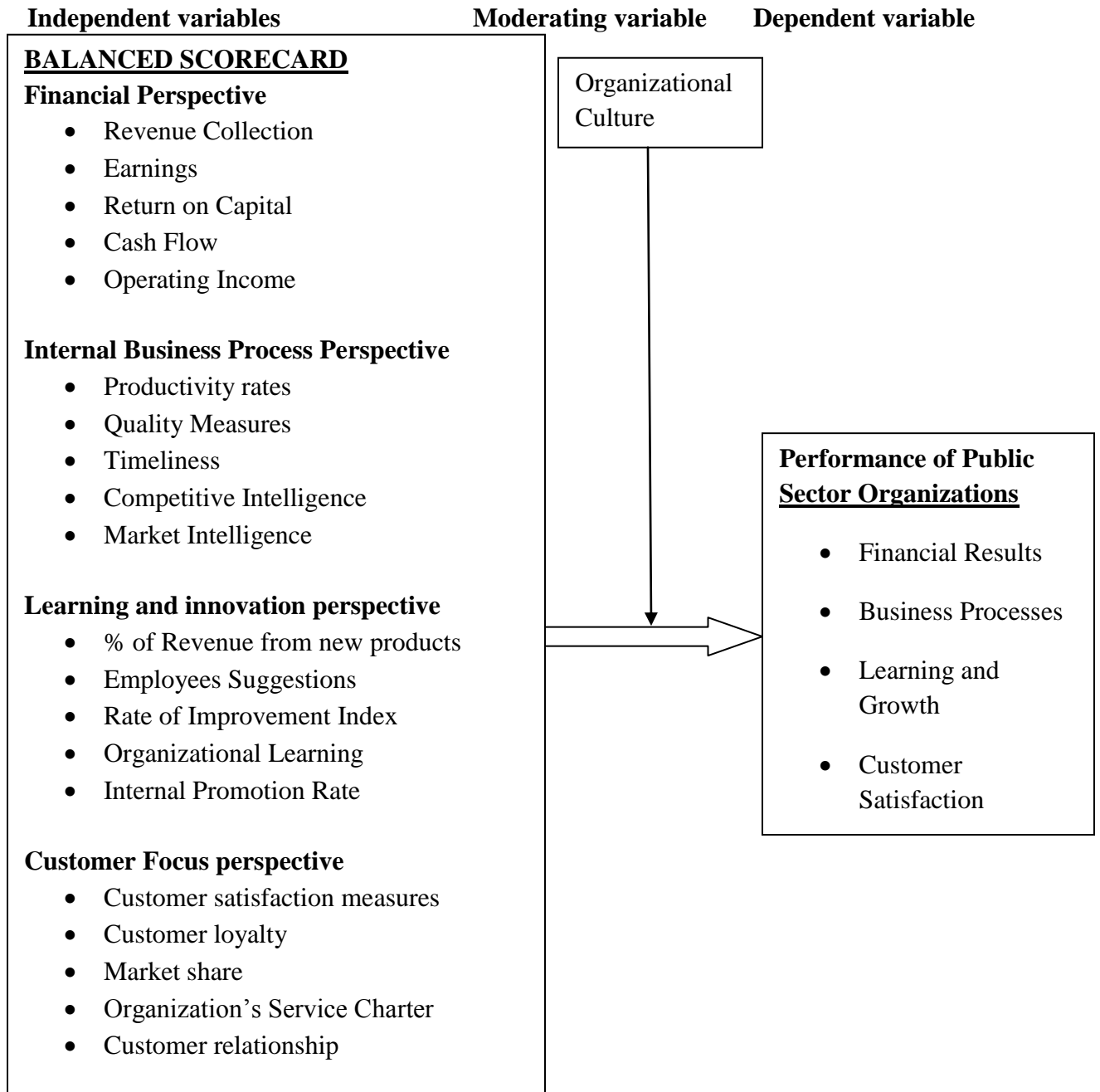
### **2.3.3 Deriving Balanced ScoreCard Measures**

Generally there are two ways through which BSC measures are derived. First, BSC is used as an information system, this means that there are no targets to measure and no one is accountable for the measure, but when the scorecard is used as a MBO tool the

measures are derived on the key performance indicators (KPI). The KPI are measures which the organizations must excel for it to realize its vision. A drawback to derive BSC measures by means of KPI is as follows. The KPI scorecard may emphasize what to measure in each BSC perspective while ignoring the link between the different perspectives. It then means the perspectives are not linked to each other. In situations where there is more than one KPI in the different perspectives the BSC becomes full with measures. This makes it difficult for the employee to understand the business strategy. According to Kaplan and Norton (2001) BSC can be useful if the purpose for implementing the BSC is to reflect the level of organizational performance.

Secondly BSC measure can be derived from generating them from the business strategy, in such situations the business strategy is seen as a series of cause and effect relationship between different perspectives and measures in the BSC. For instance if an organization aim at maximizing its return on capital employed (ROCE) a lagging indicator of performance then the rest of the measures; process quality, on-time delivery and loyal customer base are the indicators that will lead the organization towards attaining the ROCE goal. For the realization of higher ROCE the company then ought to train its employee to perform better. Better training will reflect in the process quality, on-time delivery of services, satisfied customers, revenue increases and higher ROCE for the firm.

The amount of measure to be included in the scorecard varies depending on the purpose for using the BSC. An exploratory study by Malmi (2001) revealed that most of the early companies which adopted BSC in Finland had at least a minimum of four measures in the BSC and a maximum of 25 measures overall. The managers have the discretion of choosing the number of perspective and measures for their BSC. According to Kaplan and Norton (1996) the measure for a typical balanced scorecard is about 20-25.



**Figure 1: Conceptual Framework.**

**Source: Author (2014)**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discussed the research design, variables both independent and dependent, location of the study, target population, sample and sampling procedures, research instruments, pilot study, validity and reliability of research instruments, data collection procedure and data analysis.

#### **3.2 Research Design**

A research design is the planning of a scientific inquiry and deciding on a strategy for finding something out (Orodho, 2002). A research design can also be described as an entire process of research from conceptualizing a problem to writing the narrative. Creswell (2003) note that there are two major aspects of research design: the first is to specify as clearly as possible what needs to be found out and second is to determine the best way to do this. Descriptive research design was used to carry out the survey.

#### **3.3 Target population**

Population, according to Mugenda and Mugenda (1999) is a term that sets boundaries on study units. These are all the members of a real or hypothetical set of people, events or objects to which the researcher wishes to generate the results of the research. The target population for the study included the ten parastatals in the Ministry of Energy and Petroleum in public sector in Kenya. The respondents were various departments in the sampled organizations and officers in charge of Performance Contracting.

#### **3.4 Sampling Techniques and Sample Size**

The researcher used convenience sampling technique exclusively. In this respect the researcher collected data from only those parastatals that are known to have used BSC in their systems. The researcher selected the ten parastatals in the Ministry of Energy and Petroleum whereby 4 departments in each comprising the Information Communication

and Technology, Human Resource Management, finance and customer service formed the sample size.

Table 3.1 sample population

S/N	MINISTRY OF ENERGY	NUMBER OF DEPARTMENTS	SAMPLE SIZE	NUMBER OF RESPONDENTS
1.	Kenya Electricity Generating Company Ltd.	24	4	5
2.	Kenya Power Limited	16	4	5
3.	Electricity Regulatory Commission	7	4	5
4.	Kenya Pipeline Company Limited	11	4	5
5.	National Oil Corporation of Kenya Ltd.	12	4	5
6.	Rural Electrification Authority	11	4	5
7.	Energy Regulatory Board	7	4	5
8.	Kenya Petroleum Refinery Limited	6	4	5
9.	Geothermal Development Company Ltd.	9	4	5
10.	Kenya Electricity Transmission Company	9	4	5
TOTAL		109	40	50

Source: KNBS (2013)

### **3.5 Research Instruments**

The researcher used questionnaires as the only instrument of data collection. These were issued out to all officers in charge of performance contracting and the Head of Departments in all the sampled institutions.

### **3.6 Validity**

According to Orodho (2009) validity is the isomorphism between the reality studied and the reality reported. Overall validity of the research is about the piece of research as a whole, and refers to the extent to which the different parts of the study fit together. While internal validity is about the study's research design. External validity refers to the generalizability of the study's findings. The researcher presented her questionnaire and the interview schedule to her supervisor at Kenyatta University at the department of Business Administration to test the face and content validity of her research instruments.

### **3.7 Reliability**

The most common approach to reliability in research involves the study of an instrument's consistency or stability over time. Measuring instrument is reliable to the extent to which similar results are observed and conversely, unreliable to the extent to which results differ. Orodho (2009) holds that stability over time can be directly assessed in most circumstances by administrations of the same instrument at two points in time. This is called test-retest reliability. The researcher used the test-retest reliability on the same respondents, to check the reliability of the instrument. The pilot study was used to test the reliability of the research instruments.

### **3.8 Data Collection Procedure**

The researcher sought the authority to conduct the research from Kenyatta University through the School of Business. She then went round seeking permission from the selected organizations before the actual administration of the research tool. The questionnaires were then administered to the sampled officers in charge of performance contracting. Heads of departments sampled were also given questionnaires to fill for the purpose of data collection.

### 3.9 Data Analysis and Presentation

Descriptive statistics was employed to analyze the data. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. Tables were used to summarize responses for further analysis and facilitate comparison. This helped to generate quantitative reports through tabulations, percentages, and measure of central tendency. Cooper and Schindler (2003) note that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons. The study used both descriptive and inferential statistics. The mean score for each attribute was calculated and the standard deviation used to interpret the respondents deviation from the mean. The results were presented on frequency distribution tables, pie charts and bar charts. Here the interest was focused on frequency of occurrence across attributes of measures. Under the inferential analysis, a multivariate regression model was applied to determine the relative importance of each of the variables with respect to performance of organizations in public sector in Kenya.

The regression model used was as follows:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

**Where:**

Y = Performance of Public sector Organizations

$\beta_0$  = Constant Term

$\beta_1$  = Beta coefficients

$X_1$  = Financial Perspective

$X_2$  = Internal Business Process Perspective

$X_3$  = Innovation and learning perspective

$X_4$  = Customer Focus perspective

$\epsilon$  = error term (residual term that includes the net effect of other factors not in the model and measurement errors in the dependent and independent variables).

### **3.10 Ethical Consideration**

The researcher revealed her true identity to the respondents to avoid deception. Researchers are criticized for ignoring the powerful, and they are also criticized by the powerful for being biased toward the less powerful. To avoid this, the researcher used current media information to make up follow ups especially in issues regarding political power. The researcher was also confidential with the respondents.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION AND PRESENTATION

#### 4.1 Introduction

This chapter presents the research findings on the application of the Balanced Score Card and Performance of Public sector Organizations in Kenya. The study was conducted on ten parastatal in the Ministry of Energy and Petroleum whereby 5 respondents from each organization formed the sample size. These respondents were served with questionnaires; all the 50 respondents filled-in and returned the questionnaires which made a response rate of 100%, which was commendable for the researcher to achieve the objectives of the study. Both descriptive statistics and inferential statistics were used to analyze the data. In the descriptive statistics, relative frequencies were used in some questions and in inferential statistics, multiple linear regressions were used.

#### 4.2 Background Information

The researcher requested the respondents to indicate a summary of their background in gender, age, years of experience and their level of understanding the application of the BSC.

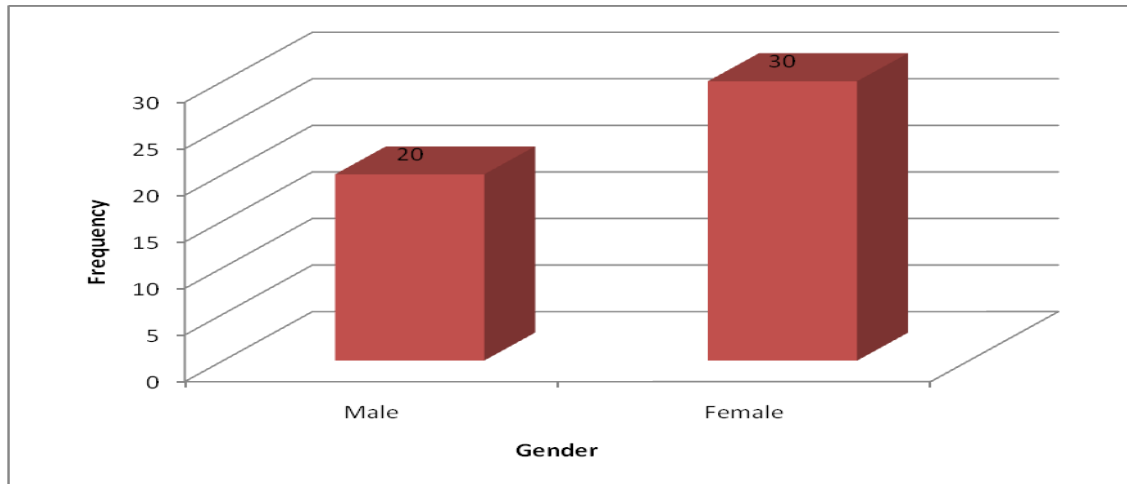
##### 4.2.1 Respondent's Gender

The respondents sampled in the study were requested to indicate their gender to be able to show how many were male and female.

**Table 4. 1 Gender Distribution**

Gender	Frequencies	Percentages
Male	20	40.0
Female	30	60.0
Total	50	100.0

**Source: Survey Data (2014)**



**Figure 2: Gender Distribution**

**Source: Survey Data (2014)**

The study aimed to establish the respondent's genders, from the findings a significant number of the respondents was females as shown by 60% (30), while 40% (20), were males. This indicates that female employees dominated the organizations.

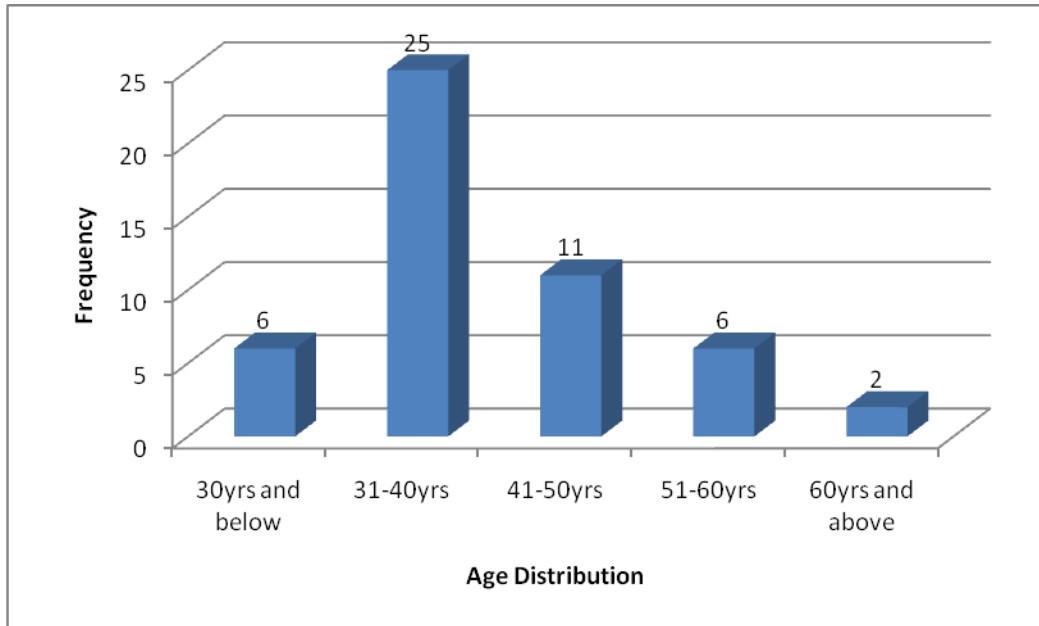
#### **4.2.2 Respondent's Age**

The respondents were requested to indicate their age in years ranging between below 30 and above 60.

**Table 4. 2 Age Distribution**

<b>Age</b>	<b>Frequencies</b>	<b>Percentages</b>
30 years and below	6	12.0
31-40 years	25	50.0
41-50 years	11	22.0
51-60 years	6	12.0
60 years and above	2	4.0
Total	50	100.0

**Source: Survey Data (2014)**



**Figure 3: Age Distribution**

**Source: Survey Data (2014)**

From the findings on the age of the respondents as indicated in figure 3 above, the study found out that majority of the respondents as shown by 50% (25) were aged between 31-40 years, 22% (11) of the respondents were aged between 41-50 years, 12% (6) of the respondents were aged between 51-60 years and, 12% (6) were aged below 25 years. Also, 4% (2) indicated to be between 60 years and above years.

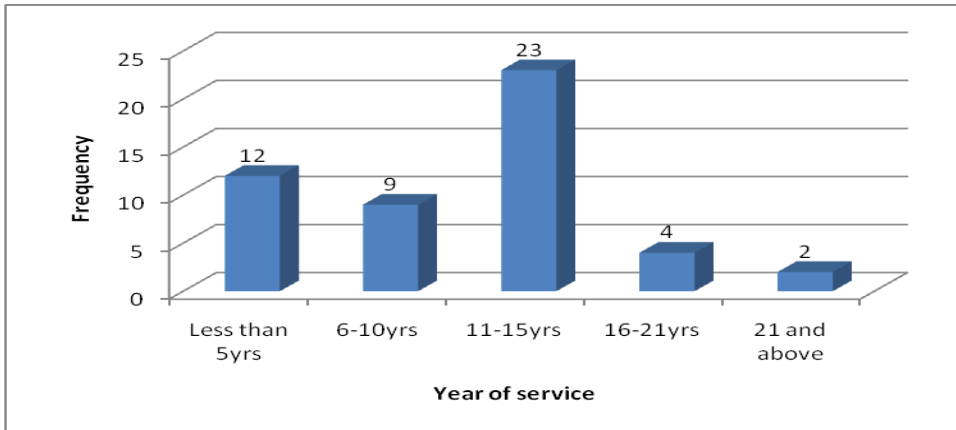
#### **4.2.3 Respondents' Years of Service.**

The respondents were requested to indicate their years of experience at their various organizations. This ranged between less than 5 and above 21.

**Table 4.3 Years of experience**

<b>Experience</b>	<b>Frequencies</b>	<b>Percentages</b>
Less than 5 years	12	24.0
6-10 years	9	18.0
11-15 years	23	46.0
16-21 years	4	8.0
21 years and above	2	4.0
Total	50	100.0

**Source: Survey Data (2014)**



**Figure 4: Years of experience**

**Source: Survey Data (2014)**

From the findings on the age of the respondents as indicated in figure 4 above, the study found out that majority of the respondents as shown by 46% (23) had worked for 11-15years; 24% (12) less than 5 years, 18% (9) for 6-10 years and 8% (4) for 6-21 years. Also, 4% (2) indicated to be between 60 years and above years.

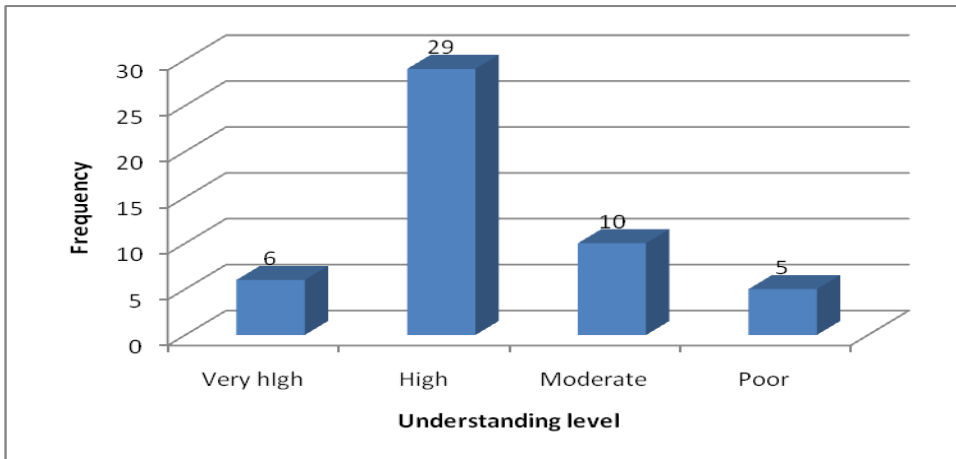
#### **4.2.4 Respondent's Level of Understanding application of BSC**

The respondents were requested to indicate their level of understanding application of the BSC ranging between very high and poor.

**Table 4.4 Understanding level of application of BSC**

<b>Understanding</b>	<b>Frequencies</b>	<b>Percentages</b>
Very high	6	12.0
High	29	58.0
Moderate	10	20.0
Poor	5	10.0
Total	50	100.0

**Source: Survey Data (2014)**



**Figure 5: Understanding level of application of BSC.**

**Source: survey Data (2014)**

The results from figure 5 above, the study found out that majority of the respondents as shown by 58% (29) had had high understanding levels on the application of BSC. Only 10% (5) had inadequate knowledge BSC in the organizations.

### **4.3 Descriptive Analysis**

The descriptive analysis of the findings below provides a summary of analysis about observations that have been made. The mean was used as a measure of central tendency while standard deviation measured variability to describe the characteristics of responses on each variable.

#### **4.3.1 Descriptive Findings on Financial Perspective**

The findings shows the highest mean value of 2.2600 at attaining high returns on capital employed and lowest at maintaining stable cash flows at 1.6000.

**Table 4.5: Financial perspective and performance**

Statement	Frequency/percentage	Response				Mean $\bar{x}$	Standard deviation
		Very high	High	Moderate	slightly		
Tightening measures for revenue collection	Frequency	12	38	0	0	1.7600	0.4342
	Percent	24	76	0	0		
Maximizing earnings from business	Frequency	16	30	4	0	1.7600	0.5909
	Percent	32	60	8	0		
Attaining high returns on capital employed	Frequency	12	21	9	8	2.2600	1.00631
	Percent	24	42	18	16		
Maintaining stable cash flows	Frequency	20	22	4	4	1.6000	0.6389
	Percent	40	44	8	8		
Operating income as per the budget	Percent	12	26	8	4	2.08000	0.853325
	Frequency	24	52	16	8		
<b>Aggregate</b>						<b>1.892</b>	<b>0.7047</b>

**Source: Survey Data (2014)**

The results from table 4.5 above show that Maintaining stable cash flows has the greatest influence on performance of business in public sectors since it is the highest widespread. This is indicated by the lowest value of mean ( $\bar{x}$ =1.6000, s.d =0.6389). This implies that stable cash flows assist in facilitating sales growth, operating profit margin, cash tax rate, investment in working capital, investment in fixed assets, cost of capital and the planning period. Also, tightening measures for revenue collection highly contributed to the performance of the organization as indicated by the lowest value of Standard deviation ( $\bar{x}$  = 1.7600, s.d. =0.4342). However, attaining high returns on capital employed was

slightly emphasized by the management as indicate since it has the lowest widespread as shown by its highest value of (s.d. =1.00631).

Financial perspective based on the value of standard deviation was scaled based on the following benchmarks:

- 0-0.999                      High focus perspective
- 1                                Average focus on financial perspective
- 1>                              Low focus on financial perspective

The results show that Organizations in public sector are in the category of average focus on financial perspective.

#### 4.3.2 Descriptive Findings on Internal Business Process Perspective.

The results indicates that management mostly emphasized on Implementing Quality Measures as shown by the lowest value of mean ( $\bar{x}$ =1.8200, s.d =0.5602).

**Table 4.6: Internal business process perspective and performance**

Statement	Frequency/ percentage	Response				Mean ( $\bar{x}$ )	Standard deviation (s.d)
		Very high	High	Moderate	slightly		
Auditing Productivity Rate	Frequency	8	26	16	0	2.1600	0.46809
	Percent	16	52	32	0		
Implementing Quality Measures	Frequency	13	33	4	0	1.8200	0.5602
	Percent	26	66	8	0		
Ensuring effective product Timelines	Frequency	16	21	9	4	2.02000	0.914509
	Percent	32	42	18	8		
Competitive Intelligence Reports	Frequency	8	25	17	0	2.18000	0.690755
	Percent	16	50	34	0		
Market Intelligence Reports	Percent	12	21	9	8	2.26000	1.0063
	Frequency	24	42	18	16		
<b>Average</b>						<b>2.088</b>	<b>0.7280</b>

**Source: Survey Data (2014)**

The internal process perspective was measured using five items and respondents were expected to score statements using four point rating scale of; Very high (4), High (3),

Moderate (2) and slightly (1). A higher score indicated higher focus on internal process perspective while a low score indicates a low focus on internal process perspective. The following benchmarks were used for interpretation of the level of focus on internal process perspective based on the value of standard deviation;

- 0-0.999                      High focus perspective
- 1                              Average focus on financial perspective
- 1>                             Low focus on financial perspective

The results from the table reveal that overall the organizations are in the category of high focus on internal process perspective with a mean of 2.088 and Standard deviation of 0.7280.

### 4.3.3 Descriptive Findings on Innovation and Learning Perspective.

The results signify that various managements greatly monitored and evaluated the strategy performance management tool by implementing the Training Policy.

**Table 4.7 Innovation and learning perspective and performance**

Statement	Frequency/percentage	Response				Mean ( $\bar{x}$ )	Standard deviation (s.d.)
		Very high	High	Moderate	slightly		
Percentage of Revenue from new products	Frequency	5	32	8	5	2.2600	0.777489
	Percent	10	64	16	10		
Acting on Employees Suggestions	Frequency	20	25	5	0	3.460	1.2651
	Percent	40	50	0	0		
Rate of Employee Improvement Index	Frequency	12	29	9	0	2.9400	0.65842
	Percent	24	58	18	0		
Implementation of the Training Policy	Frequency	4	20	21	5	2.7000	0.646813
	Percent	8	40	42	10		
Ensures Internal Promotion Rate	Percent	4	4	25	17	3.1000	0.863075
	Frequency	8	8	50	34		
<b>Aggregate</b>						<b>2.892</b>	<b>0.8422</b>

**Source: Survey Data (2014)**

This is indicated by the lowest standard deviation (Std. dev=0.646813) showing that it is widely spread. However, ensuring internal promotion rate and acting on employees suggestions was a slightly used procedure in determining the effectiveness of strategy performance management tools in the organizations; as indicated by the high value of Standard Deviation (Std. dev=.0.863075, Mean =3.1000 respectively).The following benchmarks were used for interpretation of the level of focus on innovation and learning :

- 0-0.999                      High focus perspective
- 1                              Average focus on financial perspective
- 1>                             Low focus on financial perspective

The results in table above shows that the overall standard deviation value is between 0-0.999 (Std.dev=0.8422) implying that all organizations in public sector are in the category of high focus on innovation and learning perspective.

#### **4.3.4 Descriptive Findings on Customer Focus Perspective.**

A high score indicated higher customer perspective in the organization while a low score indicated low customer satisfaction. There were five indicators that focused on customer perspectives and the respondents were expected to rate each item. A high score indicated higher customer perspective in the organization while a low score indicated low customer satisfaction.

**Table 4.8 Customer focus perspective and performance**

Statement	Frequency/percentage	Response				Mean ( $\bar{x}$ )	Standard deviation
		Very high	High	Moderate	Slightly		
Implementing Customers Satisfaction Surveys	Frequency	16	30	4	0	1.7600	0.591090
	Percent	32	60	8	0		
Implementing Customer Service Charter	Frequency	4	42	4	0	2.0000	0.40406
	Percent	8	84	8	0		
Maintaining Customer Relationship in Management	Frequency	24	22	4	0	2.02000	0.914509
	Percent	48	44	8	0		
Implementing Market Intelligence Reports	Frequency	4	30	4	12	2.4800	0.952762
	Percent	8	60	8	24		
Handling of Customers' Feedback	Percent	12	34	4	0	1.84000	0.548095
	Frequency	24	68	8	0		
<b>Aggregate</b>						<b>2.0200</b>	<b>0.6821</b>

**Source: Survey Data (2014)**

The following benchmarks were used for interpretation of the level of customer perspective in the organizations:

0-0.999

High focus perspective

1

Average focus on financial perspective

1>

Low focus on financial perspective

From table 4.8, the overall standard deviation is between 0-0.999 (s.d= 0.6821). These results show that the organizations had a high customer focus perspective. The results also imply that the organizations sampled in public sector perform a little better on customer focus perspective as regards its various customers. There is growing acceptance that business organizations must understand and address the wants, needs and requirements of those it serves. Taking the customer view means focusing on

responsiveness, timeliness and service quality from the customer's point of view. It is undisputable true that customer focus perspective is the most important aspect of any organization's positive performance.

#### 4.3.5 Business Organization Performance

**Table 4.9 Performance of the Organizations**

Statement	Frequency/ percentage	Response					Mean ( $\bar{x}$ )	Std. Dev. (s.d)
		Declining	Stagnant (0%)	Poor at 1%- 20%	Good at 21%-60%	Very good at 61% and above		
Creating a Positive Corporate Image	Frequency	4	5	8	13	20	3.8000	1.2936
	Percent	8	10	16	26	40		
Minimized Staff Turnover Rate	Frequency	5	4	21	8	12	3.3600	1.2249
	Percent	10	8	42	16	24		
Ability to cope with the external environment	Frequency	5	4	21	8	12	3.3600	1.2249
	Percent	10	8	42	16	24		
Implementation of the Strategic Plan	Frequency	4	9	9	16	12	3.3200	1.0961
	Percent	8	18	18	32	24		
Increased Sales and Market Share	Frequency	0	22	0	16	12	3.3600	1.2749
	Percent	0	42	0	32	24		
Ability to meet profit margin targets	Frequency	8	10	24	8	0	3.6400	0.9424
	Percent	16	20	48	16	0		
Continuous Knowledge Management	Frequency	4	4	22	12	8	3.3200	1.0961
	Percent	8	8	44	24	16		
Effective Quality Management System	Frequency	4	5	21	4	16	3.4600	1.2651
	Percent	8	10	42	8	32		
Customer Retention Rate	Frequency	0	8	10	16	16	3.8000	1.0690
	Percent	0	16	20	32	32		
Timely Monitoring and Evaluation Exercise	Frequency	4	8	10	20	8	3.3200	1.0961
	Percent	8	16	20	40	16		
<b>Aggregate</b>							<b>3.138</b>	<b>1.1583</b>

**Source: Survey Data (2014)**

Findings from table 4.9 above reveal the organizations incurred excellent improvement in performance through retaining the customers; as indicated by the lowest value of Standard Deviation at 1.0690. The level of performance was measured using ten items

and respondents were expected to score statements using four point rating scale of; Very Good (1), Good (2), Poor (3), Stagnant (4) and Declining (5) using the following benchmarks based on the values of Standard Deviation:

- 0-0.999                      High performance
- 1                                Average performance
- 1>                              Low performance

The results from the table reveal that overall the organizations are in the category of low performance (Std. dev =1.1583).

#### 4.4 Inferential Analysis

The findings of inferential analysis seek to draw conclusions from datasets arising from systems affected by random variation.

##### 4.4.1 Strength of the Relationship between BSC and Performance

**Table 4.10 Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Change Statistics
					R Square Change
1	.845 <sup>a</sup>	.715	.689	.71001	.715

From the findings in the above summary table the value of adjusted R squared (co-efficient of determination) is 0. 715, an indication that 71.5% of the total variation in Performance of Public sector is accounted for by corresponding change in financial, internal business process perspective, innovation and learning and customer perspectives of the BSC at 95% confidence interval. The study also established that there is strong positive relationship between; financial, internal business process perspective, innovation and learning and customer perspective of the BSC; and Performance of Public sector as shown by correlation coefficient of 0.534.

#### 4.4.2 Model Significance

**Table 4.11 ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	56.835	4	14.209	28.186	.001 <sup>a</sup>
	Residual	22.685	45	.504		
	Total	79.520	49			

a. Financial Perspective ( $X_1$ ); Internal Business Process Perspective ( $X_2$ ); Innovation and learning perspective ( $X_3$ ); and Customer Focus perspectives ( $X_4$ ) of the BSC

b. Dependent Variable: Performance of organizations in public sector in Kenya.

From the ANOVA statistics in the table above, the processed data, which is the population parameters, the data is ideal for making a conclusion on the population's parameter as the value is significant at  $F= 28.186$ ,  $p < 0.001$ .

**Table 4.12 Coefficients<sup>a</sup>**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.938	.427		9.233	.000
	Financial Perspective	.294	.146	.205	2.015	.050
	Internal Business Process Perspective	1.423	.242	.771	5.870	.000
	Innovation and learning perspective	.556	.144	.344	3.874	.000
	Customer Focus perspectives	1.369	.163	1.024	8.419	.000
a. Dependent Variable: Performance of Public Sector Organizations						

**Source: Survey Data (2014)**

From the above table of coefficients, the established regression equation was  $Y = 3.938 + 0.205 X_1 + 0.771 X_2 + 0.344 X_3 + 1.024 X_4$ . The regression equation reveals that holding Financial; Internal Business Process; Innovation and learning; and Customer

Focus perspectives of the BSC to a constant zero performance of the Business Organizations in public sector in Kenya would be at 3.938 and a unit increase in business performance would be due to a change in financial factors by 0.205; Internal Business Process by 0.771, Innovation and learning factors by 0.344 and Customer Focus factors by a 1.024. This clearly shows that there is a strong positive relationship between Innovation and learning perspective and performance of the business organizations in public sector in Kenya. In addition, there is a fair positive relationship between Financial Perspectives and performance of the Business Organizations in public sectors as indicated by factors of 0.205. However, all the variables were statistically significant since their p-values were less than 0.05.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter gives a summary of the study; draws conclusion makes recommendations and suggestions for further studies.

#### 5.2 Summary of Findings

Chapter one gave the main objectives of the research study which were to find out the relationship between the four perspectives and performance in public sector organizations in Kenya. The following is the summary of findings based the study objectives.

##### 5.2.1 Findings on the Relationship between Financial Perspective of BSC and Performance.

To determine the relationship between financial perspective of the BSC and organization's performance, simple regression model was used. The results are presented in table 4.12. The results in table 4.12 show that focus on financial perspective was a statically significant predictor or organization performance at ( $t=2.015$ ,  $p<0.05$ ) with a strong model fit ( $R^2=0.715$ ) which implies that focusing on the financial perspective contributes up to 71.5% of organizational performance. Thus focusing on the financial perspective of Business organization in public sectors is an important contributor to performance in organization in public sectors.

##### 5.2.2 Findings on the Relationship between Internal Business Process Perspective of BSC and Performance.

The result (table 4.12) from simple regression model show that focus on internal process perspective was a statically significant predictor of organization performance at ( $t=5.870$ ,  $p<0.05$ ) with a strong model fit ( $R^2=0.715$ ) which implies that focusing on the internal process perspective contributes up to 71.5% of organizational performance. In conclusion, focus on the internal process perspective is an important contributor component of organization performance. The above results indicate that the organization

in public sector is practicing good internal operational measures which focus inward into the internal workings of their departments and on those process and activities that deliver critical services to both internal and external customers.

### **5.2.3 Findings on the Relationship between Innovation and learning Perspective of BSC and Performance.**

To determine the influence of innovation and learning perspective on organization performance, simple regression model was used. The results are presented in table 4.12 show that focus on innovation and learning perspective is a statically significant predictor of organization performance at ( $t=3.874$ ,  $p<0.05$ ). Thus, focusing on the innovation and learning perspective is an important component of organization performance. From the study, acting on employees' suggestions had the greatest impact on the on the organizations' performance and found to be the most important statement in relation to the learning perspective.

### **5.2.4 Findings on the Relationship between the Customer Focus Perspective of BSC and Performance.**

To determine the influence of customer perspective on organization performance, simple regression model was used. The results of the model (table 4.12) indicates that the customer perspective is a statically significant predictor or organization performance at ( $t=8.419$ ,  $p<0.05$ ) with a strong mode l fit ( $R^2=0.715$ ) which imply that focusing on the customer perspective contributes up to 71.5% of organizational performance. Thus, focusing on the needs of the customer is an important contributor to performance in institutions of higher learning.

### **5.2.5 Business Performance**

Findings revealed that, though different, all organizations develop their employees' skills and thus performance. Organizations invest in training, innovation and customer satisfaction as such; the four perspectives of the BSC are the most important drivers of an organization's success. All the corporations rated the four BSC perspectives as very important drivers of success. It was revealed that departmental heads strongly agreed that

improvement in one BSC perspective led to improvement in the other perspectives. All corporations develop their employees' skills and performance which led to increased efficiency in their internal business processes. This led to improved customer satisfaction and increased market share, which in turn led to an increase in the firm's profitability. It was affirmed that increased profitability boosted the other functions of the firms which improved rewards to employees and more participation in the overall organizational performance.

### **5.3 Conclusion**

It is evident in the research that the four factors under scrutiny possess certain inherent features by which they influence organizational performance. The results have indicated strong relationships between all the independent and the dependent variables. The study found out that customer focus perspective can contribute to 71.5% of the organizational performance with respondents viewing the perspective as the most important component of the four balanced scorecard perspectives to organizational performance.

The study has established that there is a strong relationship between customer focus perspective and organizational performance with the perspective scoring highest of all the other perspectives tested. The study revealed that focus on internal business perspective can contribute to 71.5% of organizational performance. The study found this to be an average score depicting a relationship between internal perspective and organizational performance.

It is quite evident that the perspectives have influence on the organizational performance and therefore the study concludes that the balanced scorecard influences organizational performance in organizations in public sector. Therefore, the balanced scorecard is not only a measurement system, but also a management tool which enables organizations to clarify their vision and strategy and translate them into goals or actions. It is therefore concluded that organizations that use the balanced score card are able to manage and implement their strategy, monitor and evaluate their activities especially in the public sector where performance reporting based on balanced scorecard principles is an important mechanism for demonstrating accountability for results.

#### **5.4 Recommendations**

In respect to the findings summarized in 5.2, and the conclusions drawn in 5.3, the study recommends adoption of balanced scorecard by all business organizations including non-profit organizations. This is because the study has revealed that all the four perspectives have an influence on organizational perspective.

#### **5.5 Areas for Further Studies**

Due to limitations of the study, the following related research studies are recommended to be done for further implementations on the application of Balanced Scorecard:

A study to examine the application of Balanced ScoreCard on performance of organizations in the public sector in Kenya which have not embraced use of the balanced scorecard.

A study to investigate the effect of the Balanced ScoreCard on Performance on private sector Organizations in Kenya.

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## APPENDIX 1

**This questionnaire is purely meant for academic purpose at Kenyatta University. The aim of this exercise is to examine the application of the balanced scorecard and performance in selected public sector organizations. All the information will be handled with the highest level of professionalism and confidentiality.**

### Section A: Background Information (Please tick one)

1. Gender M  F
2. Years of service in this organization  
Less than 5 [ ] 6- 10 [ ] 11-15 [ ] 16-20 [ ] 21 and Above [ ]
3. Age in Years.  
30 and below [ ] 31-40 [ ] 41-50 [ ] 51-60 [ ] 61 and above [ ]
4. How would you rate your level of understanding of the application of Balanced Score Card?  
Very High [ ] High [ ] Moderate [ ] Low [ ] Poor [ ]

### Section B: Financial Perspective of the Balanced Score Card

1. Indicate the extent to which the management emphasizes prudence in each of the following areas of financial management.  
(Please tick as appropriate where: 1- *Very High*, 2- *High*, 3- *Moderate*, 4- *Slightly*, 5-*None At All*)

STATEMENT	1	2	3	4	5
Tightening measures for revenue collection					
Maximizing earnings from business					
Attaining high returns on capital employed					
Maintaining stable cash flows					
Operating income as per the budget					

**Section C: Internal Business Process Perspective of the Balanced Score Card**

2. To what extent does the management emphasize on the implementation of the following areas of Internal Business Process.

(Please tick as appropriate where: 1- *Very High*, 2- *High*, 3- *Moderate*, 4 - *Slightly*, 5 –*None At All*)

STATEMENT	1	2	3	4	5
Auditing Productivity Rate					
Implementing Quality Measures					
Ensuring effective product Timeliness					
Competitive Intelligence Reports					
Market Intelligence Reports					

**Section D: Innovation and Learning Perspective of the Balanced Score Card**

3. To what extent does the management monitor and evaluate the following areas of Innovation and Learning.

(Please tick as appropriate where: 1- *Very High*, 2 - *High*, 3- *Moderate*, 4 - *Slightly*, 5-*None At All*)

STATEMENT	1	2	3	4	5
Percentage of Revenue from new products					
Acting on Employees Suggestions					
Rate of Employee Improvement Index					
Implementation of the Training Policy					
Ensures Internal Promotion Rate					

**Section E: Customer Focus Perspective**

4. Indicate the extent to which the management emphasizes on monitoring the following areas of Customer Focus

(Please tick as appropriate where; 1- *Very High*, 2- *High*, 3- *Moderate*, 4- *Slightly*, 5- *None At All*)

STATEMENT	1	2	3	4	5
Implementing Customers Satisfaction Surveys					
Implementing Customer Service Charter					
Maintaining Customer Relationship Management					
Implementing Market Intelligence Reports					
Handling of Customers' Feedback					

**Section F: Business Organizational Performance**

5. Over the last 5 years, this Corporation has evaluated its performance on several areas. What has been the recorded trend of change in each of the following areas of performance?

(Please tick as appropriate where; 1 – *Declining- Negative*, 2 – *Stagnant-0%*, 3 - *Poor At 1%- 20%*, 4 - *Good At 21% - 60%*, 5- *Very Good At 61% And Above*)

STATEMENT	1	2	3	4	5
Creating a Positive Corporate Image					
Minimized Staff Turnover Rate					
Ability to cope with the external environment					
Implementation of the Strategic Plan					
Increased Sales and Market Share					
Ability to meet profit margin targets					
Continuous Knowledge Management					
Effective Quality Management System					
Customer Retention Rate					
Timely Monitoring and Evaluation Exercise					

Thank you for your input.

## APPENDIX II

### RESEARCH SCHEDULE

SEPTEMBER 2013 TO FEBRUARY 2014

ACTIVITY	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.
Presentation of a concept paper .....						
Proposal writing .....		.....				
Proposal presentation .....			.....			
Proposal correction .....			.....			
Data collection .....				.....		
Data analysis and report writing .....				.....		
Submission of the report .....					.....	
Binding and submitting final report. .....						.....

### APPENDIX III

#### RESEARCH BUDGET

S/no	Item description	Quantity	Rate Kshs	Cost Kshs
(i)	Stationary		5,000	5,000
(ii)	Up Keep cost and expenses	3 months	1500	4500
(iii)	Travelling allowance	3months	15000	15000
	Research Assistants	5	@5,000	25,000
(iv)	Typesetting and printing proposal	50pages	40	2000
(v)	Typesetting and printing project	70 pages	40	2800
(vi)	Photocopying and printing proposal	50pages (6)	3	900
(vii)	Photocopying project	70pages (6)	3	1260
(viii)	Binding proposal and project	12	40	480
(ix)	Document wallet	6	350	2100
(x)	Contingency		10% of total	3402
(xi)	Grand Total			62,422

## **APPENDIX IV**

### **Introductory Letter**

Zipporah Karimi Muiruri,  
Kenyatta University- School of Business,  
Box 43844,  
NAIROBI.

Dear Sir/ Madam,

I am a post graduate student at Kenyatta University, School of Business conducting a research for my project to examine the application of the balanced scorecard and performance in public sector organizations at the Ministry of Energy and Petroleum.

I request for your assistance in gathering data for this study. The questionnaire should only take a few minutes of your time. Your participation is voluntary. Your completion and return of the questionnaire will constitute your implied consent.

Your response is very important to the success of this study. All information will be kept completely confidential. Your identity will not be given to anyone. All questionnaire responses will be destroyed after the data is entered for analysis. Recognizing the many demands placed on your time, I am grateful for your participation and thank you in advance for your assistance.

Yours Sincerely,  
Muiruri Zipporah Karimi.

Master of Business Administration