INVESTIGATION OF FACTORS AFFECTING IMPLEMENTATION OF
BALANCED SCORECARD

A SURVEY OF SELECTED COMMERCIAL BANKS IN MERU TOWN

By

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ABSTRACT
Balanced Scorecard has turned out to be the custom in the current world. This has been necessitated by poor performance of the enterprises both private and public and therefore becoming load both financially and administratively. Tax payers have come out honestly demanding the value for their money i.e. efficient, effective and ethical delivery of service to the citizens. Also due to high competitions experienced, there is need for the organizations to manage their performance and let individual performance to be accountable. In Kenyan banks, reforms have been embraced partly through signing of Balanced Scorecard as a tool of performance management. It has not been easy to implement this tool; therefore this research paper focused on the factors affecting implementation of Balanced Scorecard as a tool of performance management in Kenyan banks, with a special focus on selected commercial banks in Meru town. It tried to find out whether the process of implementation is not followed and whether there are other variables which the banks needs to check in order to have smooth implementation. These independent variables include lack of clear job descriptions, lack of top management commitment, lack of baseline data, organizational culture, poor communication, immeasurable targets among other variable outlined in the conceptual framework as a guide. There is also dependent variable which is implementation of Balanced scorecard. This research employed both descriptive research design and causal comparative design which answered the question; ‘what are the factors affecting implementation of Balanced Scorecard?’ target population was commercial banks in Meru town. A stratified random sampling was employed to ensure that there is equal representation in all the banks. Primary data was used and collected using questionnaires. The data was analyzed using descriptive statistics and logistic regression with an aid of statistics Program for social sciences (SPSS). The data is presented through frequencies and percentages that give information to users and easier interpretation to non users. A population of 105 respondents was considered. Probability sampling was used to identify the sample size. The result of this research will help to improve implementation of Balanced Scorecard. The policy makers who are the management will use the information when deciding on policies geared toward implementation of this tool. Due to many limitations encountered in gathering some data, this was overcome by consulting the officers of Central Bank, at an extra cost of time and money. There was also hesitant in giving the data until permission granted by Directors/Managers from the head offices. Justifications of the project are outlined as well as the objectives. This paper encompasses both theoretical and empirical literature review, showing what others views Balanced Scorecard. The study found that top management commitment, baseline data, supervision, communication, among other variable outlined in the conceptual framework were very significant to the majority of the banks surveyed, but job descriptions was found not to be significant to the implementation of balanced scorecard in Kenyan banks. A simple regression analysis ascertained that those factors are significant to the implementation of the balanced scorecard. The study recommends that any employer who wants to introduce Balanced Scorecard for his employees should ensure that other factors which may hinder Balanced Scorecard implementation are addressed. These include both financial and other related working tools which should be availed in time. Working environment must also be addressed for better results and targets set between the employer and the employee must be SMART and negotiated. A solid legal framework, setting out the basic premises and the status of the Balanced Scorecard should established. This avoids adhoc and fragmented solutions and the eventual court cases. Management must respect the operational autonomy of the contracted departments. This calls for interference being kept out of performance. Organizational structure is supposed change to match with scorecard. The contract management should be carried out before a Balanced Scorecard is implemented. Degree of tolerance in the early years of Balanced Scorecard is necessary as mistakes are likely made but what is critical is drawing lessons for innovations and creativity for future performance.