



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**PROSPECTS AND CHALLENGES OF BALANCED
SCORECARD IMPLEMENTATION:
A CASE OF DEVELOPMENT BANK OF ETHIOPIA**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)**

BY
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MAY, 2015
ADDIS ABABA

**Prospects and Challenges of Balanced
Scorecard Implementation:
A Case of Development Bank of Ethiopia**

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**Submitted to: St. Mary's University, School of
Graduate Studies**

**In Partial Fulfillment of the Requirements for the
Degree of Master of Business Administration (MBA)**

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May, 2015

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DECLARATION

I, hereby, declare that this research report entitled '**Prospects and Challenges of Balanced Scorecard Implementation: A Case of Development Bank of Ethiopia**' is my original work and has not been submitted earlier either to this university or elsewhere for an award of any other degree.

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DEDICATION

I dedicate this research work to my father, Ato Habte and my mother, W/ro Mulunesh for their passion, dedication and burning desire to educate their children, even at their sufferings and downs. Proud of you & this happens because of you!!

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ACKNOWLEDGEMENTS

This study has come to succeed with the help of the Almighty God and a collective effort of different people whom I am owed to acknowledge.

First and foremost, I would like to thank my Lord to help me in all my endeavors, and to be with me in times of ups and downs throughout my life. In times I felt I was sinking, you appeared and rescued me. Thank you for keeping me afloat, Lord!!

I am indebted to my advisor, Doctor Elias Nour, for his professional guidance and supervision. He also persistently encouraged me throughout the course of this study. Without his immediate assistance, corrections and valuable comments, I would not have met the deadlines for this study. Thank you, Doctor!!

Ato Habte (my father): without your courage and unwavering support in all respects, my dreams for this day would never come true. What a wonderful dad! We made it, cheers!!

I am also grateful to the rest of my family for their understanding, courage and inspiration.

Finally, my sincere gratitude extends to Ato Molla, Ato Shimekit, Ato Asegid, Ato Seifu and staff members of DBE for their assistance in distributing and collecting questionnaires and for their unreserved, valuable information and time during interviews and in filling questionnaires.

List of Acronyms

BSC	Balanced Score Card
CSRP	Civil Service Reform Program
DBE	Development Bank of Ethiopia
IT	Information Technology
MoCB	Ministry of Capacity Building
MoCS	Ministry of Civil Service
MoFED	Ministry of Finance and Economic Development
PEST	Political, Economic, Social and Technological
PSCBP	Public Sector Capacity Building Program
SWOT	Strength, Weakness, Opportunity, and Threat
NPLs	None Performing Loans

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ABSTRACT

The Development Bank of Ethiopia is one of the state owned financial institutions that implemented BSC with the notion of improving its overall organizational performance. (However, the required level of success has not been achieved due to diverse reasons. The recurring customers' and staff complaints can be evidences to this point). The purpose of this study was, therefore, to explore the major challenges and impedimental factors encountered in the implementation process of BSC and its associated prospects at the Head office of the bank while drawing valuable recommendations. To arrive at a sound conclusion, descriptive method of research with a mixed approach of qualitative and quantitative theme was applied. Relevant data for the study was collected mainly from primary sources using interview and questionnaire. The major findings of the study revealed that strategic thinking and direction has been maintained with regard to the bank's vision, mission and strategy; while other activities such as employees level of attitudinal change, the core intangible assets (Human Resource) use and coordination, employees' and customer satisfaction, operational efficiency, level of management commitment and dedication, in general properly application of basic principles of BSC in DBE is found to be below expectation.

Key Words: Performance, Balanced Scorecard, Prospect, Challenge, Implementation

CHAPTER ONE

INTRODUCTION

This chapter briefly introduces background information of the study along with statement of the problems, research questions, objectives, significance, scope, limitations and organization of the entire paper.

1.1. Background of the Study

The recent wave of global political and economic integration and increased concerns about standardized and customer tailored service delivery activities have posed challenges on firms all around the world which, in turn, led to an increased focus on competition through more flexible, customer oriented, prompt and up to date services as a driving force for improved productivity and enhanced overall organizational performance.

As a result, good governance and implementation of development policies and programs in developing countries is very crucial, and not a matter of choice, in a way to take advantage of and survive this era of firm competition and globalization which is characterized by dynamism elsewhere around the globe.

The long rooted inefficient, bureaucratic and poor service delivery mechanism and system of administration in developing countries, especially in sub-Saharan Africa, has made the continent stay stagnant of development and lag behind all the continents of the earth, and Ethiopia is no exception.

From our past history, we can infer that although the genesis of Civil Service in Ethiopia dates back to 1907, it was characterized by inadequate structures, delayed and inefficient service delivery, poor IT support of the work, weak follow up, lack of accountability & sense of ownership in matters of public concern, and incompetence in overall organizational performance.

In Ethiopia, the establishment of public service system has passed a history of 100 years. However, until the down fall of the military regime (1991) many public service institutions lacked visionary leadership, and public organizations operated under very poor conditions for many years (Zerihun and Tesfaye, 2014, p.115)

The required level of efficiency in performance by the public sector in general and the banking sector in particular was also deterred by such factors.

In view of this, the current Ethiopian government has embarked on various change initiatives through subsequent reform programs in the past years with the notion of building competent civil service institutions, improving their productivity, competency and performance through improved working systems, restructuring and organizing public institutions, ensuring accountability and good governance at federal, regional and local levels.

Thus, according to MoCS (2013), the Civil Service Reform Program has initiated different change tools such as Strategic Planning & Management, Quick Wins, Management by Objective, Business Process Re-engineering (BPR), BSC and recently, Civil Service Change Army (Yelewt Serawit).

These initiatives aimed to radically transform the public service system into modern, effective & efficient system that allows government to attain the vision and policy strategies. Some tangible results in improving structures, organizational competencies and service delivery have been registered due to these reform programs (Zerihun & Tesfaye,2014, p.116)

BSC is currently a widely accepted system of performance measurement and management at every corner of the world which is used to plan, implement, monitor and measure the performance of an organization using financial and non-financial metrics.

...the BSC has grown tremendously both in stature and adoption since its inception; it has been hailed as one of the 75 most influential

business ideas of the 20th century and relied on in thousands of organizations spanning every conceivable type and size across the globe (Niven, 2005, IX)

According to a survey on ‘Management Tools and Trends’ made by Bain & Company (2013), BSC was ranked the fifth most widely applied management tool. It is; therefore, due to its strategic approach that BSC implementation was taken as the most important tool to be applied in almost all government institutions throughout Ethiopia since its introduction in 2009. Consequently, the Ethiopian financial sector, particularly the banking sector has experienced notable improvement in service delivery and performance in recent years.

Despite its success stories; however, the implementation of BSC is not an easy task. Many organizations have encountered different challenges in the implementation process. Majority of them have either implemented the BSC, but without any significant improvement in their overall performance or they have even given up in starting the concept. According to Atkinson, (2006), it was estimated that 70% of BSC initiatives failed without any contribution in performance. Yet, issues related to challenges or barriers in BSC implementation remain under researched. “...though scorecard proponents have begun to address scorecard implementation, little academic research has been done on balanced-scorecard implementation issues” (Tayler, 2010, p. 109)

The Development Bank of Ethiopia is one of the state owned financial institutions established in 1909. The bank has played significant role in addressing the country’s development plan through provision of short, medium & long term development credit with special emphasis on government priority area projects. Structurally, it is supervised by the Public Financial Enterprises Agency (PFEA) which is a Directorate under the Prime Minister’s Office. The operations of the Bank are the direct responsibility of the top Executive Management Committee (EMC), which consists of the President and four Vice Presidents. The President chairs the EMC and acts as the official representative

of the Bank. Besides, the banks' organizational set up includes 17 Processes and Bureaus, 5 Regional Offices, 12 Branches and 20 Sub-Branches located at different parts of the country.

DBE has introduced BSC to enhance its overall organizational performance and to supplement the implementation of Business Process Re-engineering (BPR). Subsequently, some tangible result has been achieved especially in creating strategic thinking, aligning individual & team level activities to its strategy etc. However, the required level of quality service and efficiency in performance is not achieved due to different factors. According to the bank's 2nd quarter report of 2014/15, unfavorable performance of foreign currency sales, less effort in loan disbursement, taking prolonged time for handling complaint, low effort in recruitment of potential customers etc are among the factors for under achievement.

Lack of management commitment, resistance by parts of the employees, poor interface among work units, bureaucratic and delayed decision making etc are also among the major reasons for the gap in performance. This has, in turn, resulted in frequent internal and external customer complaints.

The motive and purpose of this study is, therefore, to identify the major prospects derived from and prominent challenges encountered in implementing BSC in the bank. It is also aimed to contribute to understanding of threats that are critical to BSC implementation and suggest solutions.

1.2. Statement of the Problem

The need for improvement in performance and level of service delivery in line with the reform program promoted the use of Balanced Scorecard as a key instrument & management initiative tool for measuring and managing performance particularly in the Development Bank of Ethiopia (DBE). However, the achievement of such required efficiency in performance at the bank has been hindered by different factors. The recurring customer and staff complaints

can be cited as major signals for the gap in performance concerning service delivery, internal business process & management of human resources. The major statement of the problems of the study can be categorized as follows:

a) Problems related to Operational factors

The bureaucratic internal business process, weak interface among work units and poor usage of the available IT system resulted in delayed service delivery which can be exemplified by incompetent and late loan processing cycle time, delayed international banking services far below standard, delayed decision making etc. The bank's 2014/15 second quarter report strengthens this fact. Accordingly, the report states that the average cycle time taken for project financing (48 working days) was above set target by BPR (32 days), and weak monitoring of critical IT system and lack of SWIFT interface to Core Banking system were also among the major reasons for the gap in performance.

b) Problems related to Employee-Employer factors

Lack of commitment and sense of ownership by part of the management at all levels can be considered as the major reason or challenge which resulted, in turn, inappropriate perception and poor communication about the concept, objectives and results of the BSC implementation in the bank. This has been worsened by biased performance evaluation in some processes and poor linkage of performance results to benefit packages and promotional scheme which is contrary to the principles of BSC.

Resistance by some employees and unorganized human resource management are the other challenges for implementing BSC successfully in the bank, which is the direct reflection of lack of concern and commitment by the management.

It is also indicated in the bank's 2014/15, 2nd quarter report that misconception about the ultimate goal of performance management system and lack of ownership and commitment particularly in individual scorecards became critical challenges.

c) Problems related to Customer Issues

The recurring customers' complaints which are the direct consequences of factors mentioned above can be considered as major indicators of weak performance of the bank in responding to customers' expectations and needs. Such a long service delivery cycle time accompanied by repeated visits to the bank triggered additional expense, time and other costs related to inflation and foreign exchange fluctuation. This problem has become the major cause for customers' dissatisfaction, and hence resulted in loss of some corporate clients of the bank. Furthermore, the impact of such gaps in performance has resulted in negative consequences on the bank's earnings and image.

From such premises, it can be drawn that there exists some problem in the bank's operation or some other reasons for the weak performance. Yet, effort exerted by the bank to take timely corrective action on such problems is low. The following questions were aimed to identify reasons for the gap in performance and benefits derived from implementing BSC in the bank.

1.3. Research Questions

- ▶ What are the benefits of implementing BSC in Development Bank of Ethiopia?
- ▶ What is the level of commitment, knowledge and attitude of actors of the scorecard towards implementation of BSC in the bank?
- ▶ Does the bank provide customer tailored services?
- ▶ What do employees perceive about the progress of BSC implementation in DBE?
- ▶ What are the existing major challenges in implementing BSC in the bank? What are the root causes of such impedimental factors?

1.4. Objectives of the study

1.4.1. General objective

The main objective of this study is to identify the prospects and explore existing major detrimental factors (challenges) that hindered successful implementation of BSC in the bank while drawing valuable recommendations.

1.4.2. Specific Objectives

The following are specific objectives of the study:

- To identify benefits derived from implementation of BSC in DBE
- To scrutinize the level of commitment, knowledge and attitude of actors of the BSC towards its implementation in the bank.
- To ascertain the level of progress of the BSC implementation in the bank
- To identify the major challenges encountered in implementing BSC in DBE and explore their root causes
- To spot the key performance improvement areas in the bank
- To assess the extent to which employees' satisfaction is achieved due to implementation of BSC in the bank

1.5. Significance of the study

According to Taylor (2010), most of the research done on BSC deal with its development and success stories; the issues and challenges related to BSC implementation still remain an under-researched area. This is also true for Ethiopia as it is a recent phenomenon in most organizations in the country. This study is, therefore, believed to bridge the gap and contribute to the following:

- Results may assist in identifying the benefits derived from and critical detrimental factors (challenges) encountered in implementing BSC successfully.
- The finding results may have practical significance/contribution to the bank and other public organizations that have faced similar problems.

-
- The study can be used as input by researchers who are interested in the subject matter to conduct similar or in-depth studies.
 - To examine what BSC users perceive to be the main problems associated with its implementation

1.6. Scope of the Study

This study is limited to examining the prospects and challenges encountered in implementing BSC at the Headquarters of DBE. Branches are not covered as the bank's branch offices are located out of Addis and due to constraints in time and resources. The reason for selecting the bank for the study is (i) DBE is one of the organizations that implemented BSC, and (ii) accessibility of information, work exposure and close observation of stated problems by the researcher.

1.7. Limitations of the Study

There were certain constraints in conducting this study. The major limitations encountered include the following:

- a) Resource constraints: time, secondary data especially shortage of similar studies in Ethiopian context,
- b) Lack of experience in conducting similar research, which in turn resulted in consuming much time & effort to carry out the study,
- c) Some of the questionnaires were not returned back due to different reasons
- d) Insufficient time availed for the study exposed the researcher to tension & stress.
- e) Lack of cooperation among some individuals and organizations in providing data required for the study

1.8. Organization of the Study

The study is organized in to five chapters: Chapter One introduces the study and explains the background & motivation of the study, statement of the

problems, research questions, objective, significance and delimitations of the study.

In Chapter Two, review of literature related to the study is presented. Chapter Three deals with the research methodology applied including sample size and sampling technique. Chapter Four outlines analysis of the research findings, and finally summaries of the findings, conclusions and recommendations are drawn based on the results of the findings on Chapter Five.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

In this chapter the idea of performance measurement, theoretical framework of the balanced scorecard, its origins, evolution, concept, features and associated prospects and challenges are discussed. Empirical evidences are also presented to support the theoretical arguments.

2.1. Brief Overview of Performance Measurement

Ahmad (2012), notes that the idea of performance measurement is not a new concept although it was not recognized as a formal management practice until late 1960's. It is one of the most popular and widely accepted terms in today's public sector management which is adopted globally.

Nani, Dixon and Vollman (1992), define performance measurement as “the process of ensuring that an organization pursues strategies that lead to the achievement of overall goals and objectives”. Cheng (2008) defines it as “the system by which an organization monitors its operations and evaluates whether the organization is attaining its goals”

Given the definitions above, it can be inferred that performance measurement refers to any integrated, systematic approach to improve organizational performance and achieve strategic objectives through efficient allocation of resources and closely monitoring and reporting on how well the overall components of an organization are doing.

William Thompson (Lord Kelvin, 1824-1907, cited in Kaplan, 2010, p.3), state the importance of measurement as: “when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind.”

Osborne and Gaebler (1992) also strongly supported this idea with their statement “What gets measured gets done. If you don’t measure results, you can’t tell success from failure. If you can’t see success, you can’t reward it. If you can’t reward success, you’re probably rewarding failure. If you can’t recognize failure, you can’t correct it.”

Historically, performance measurement systems were developed to maintain organizational control. It was mainly concerned with financial aspects that used cost benefit analysis during 1960s, a practice that was later criticized and mostly abandoned.

Ahmed (2012), also highlights that throughout the 1960s and 1970s, different performance measurement and management systems were introduced into the public sector, most of which were at their experimental stage. It was around 1980s that interest in performance measurement and management had stirred from the academia to the public organizations around the world and different types of performance measurement were born, adopted and put into practice at the end of 1980s. Consequently, traditional performance measurement systems that were developed from cost and accounting systems were criticized for their weaknesses of being short term oriented, lacking strategic focus, and ignoring other elements that are critical for organizational success or failure.

It was in an attempt to overcome such criticisms that performance measurement and management frameworks were developed in a way that integrate a more balanced view among internal and external factors, long term and short term aspects, and financial and non-financial measures.

The four perspectives of the Scorecard approach, thus, represent one of the most prominent inventions of these frameworks which significantly transformed organizational performance measurement systems.

2.2. The Origins of the Balanced Scorecard

According to Kaplan (2010), the conception of the performance measurement using both financial and non financial metrics dates back to 1950s when General Electronics Company introduced these two parameters to measure divisional performance for its business lines before it took its current form. As Kaplan notes, it is unfortunate that “the noble goals of the 1950s GE corporate project never got ingrained into the management system and incentive structure of GE’s line business units” (Kaplan, 2010, p.5)

As the traditional industry performance measurement systems mainly relied on financial information, they were subject to criticisms for ignoring other intangible assets which are critical drivers of future financial performance , and hence lack the ability to track overall organizational performance.

It was in response to these growing criticisms that the Balanced Scorecard was developed by Robert Kaplan, who was an accounting professor at Harvard University and David Norton, a consultant from the Boston area in 1992.

The BSC was, therefore, developed by its proponents in a way that can measure all aspects of an organization using four dimensions: customer, internal business process, learning & growth, and financial perspectives after extensive study made by Kaplan and Norton. Currently, it is implemented as a strategic planning and management system that is used extensively in business and industry, government and non for profit organizations worldwide.

2.3. The Evolution of the Balanced Scorecard

The Balanced scorecard has significantly evolved from its early stage as a simple financial and non-financial performance measurement framework to a holistic strategic planning, management and execution tool of organizational strategies. The main reason for the evolution was due to empirical evidence of shortcomings found in preceding generations and the resulting growing criticisms by academicians, authors and management consultants.

Despite the advocacy of these scholars; however, the primary management system for most companies, until the 1990s, used financial information almost exclusively and relied heavily on budgets to maintain focus on short-term performance (Kaplan, 2010, p.7).

On the other hand, the use of financial information alone for organizational performance measurement was increasingly criticized by many authors throughout 1980s to 1990s.

According to Lawrie and Cobbold (2004), the evolution of BSC is represented by three generations: in the early 1990s, the focus was on developing *financial* and *non-financial* measures of performance (i.e using the four perspectives); in the mid 1990s the focus moved to *aligning* the measures with strategy (i.e. BSC began to align individual, team and process activities to organizational strategy, transformed from strategic *measurement* to core *management* tool linking measures in a cause and effect relationship), and in 2001 it took its current form as a strategy implementation tool.

2.4. The Concept of Balanced Scorecard

The traditional mode of evaluating an organization's performance was primarily based on financial aspects: profitability through increased revenues & reduced costs and other financial analysis techniques such as return on assets (ROA), return on Investment (ROI), profit margin etc.

As a result, such measures of organizational performance were criticized by many authors and management consultants for being: short term oriented, considering past performance, being non consistent with current business's environment, focusing on tangible assets, and lacking predictive power.

According to Kaplan and Norton (1992), this traditional accounting performance measurement method neither provides appropriate and adequate guidance for organizations to take in the future nor satisfy the needs of stake

holders in today's dynamic and competitive environment. Further, they have pointed out those accounting-based measures: (1) are too historical; (2) lack predictive power; (3) reward the wrong behavior; (4) focus on inputs and not outputs; (5) do not capture key business changes until it is too late; (6) reflect functions, not cross-functional processes within a company; and (7) give inadequate consideration to difficult-to-quantify resources such as intellectual capital.

Intangible assets such as employee knowledge, customer satisfaction and loyalty, innovation, environmental competitiveness, research and development, productivity, and other important company-specific factors are the key to success in achieving overall organizational performance in today's economy.

Thomas Stewart (cited in Niven, 2006, p.5), has strongly supported this idea as "the most important of all are 'soft' assets such as skills, capabilities, expertise, cultures, and loyalties and so on. These are the knowledge assets—intellectual capital—and they determine success or failure."

However, Ruben (1999) notes that accounting-based measures (lag indicators) are unable to capture such key elements of an organization.

Thus, due to the growing criticism on use of such financial measures as organizational performance measurement system, researchers and academicians had exerted their effort to develop more sound approaches to measure performance.

It was in 1992 that Kaplan and Norton introduced the Balanced Scorecard (after they made extensive study with a number of companies since 1990) which considers both financial and non-financial metrics as a measurement of overall performance of an organization. Since then, the BSC has become very popular and attracted considerable interest among academics, practitioners, firms, organizations and others all over the world.

Furthermore, it enables executives to truly execute their strategies on a continual basis and both in quantitative and qualitative terms.

In general, the core concept of BSC dictates that organizations must continuously innovate and learn, continue to improve the internal processes, and achieve the maximum level of customer satisfaction so as to attain their financial goals.

2.5. Perspectives of the Balanced Scorecard

The word “perspective” is derived from the Latin *perspectus*, meaning “to look through” or “see clearly” (available at ‘www.yourdictionary.com’). The conceptual framework of the BSC is, thus, to execute a strategy, making it clearer through the views of different perspectives. Any effective strategy includes descriptions of financial aspirations of an organization, markets to be served, processes and technologies to be implemented and people who will competently guide the company to success.

The Balanced Scorecard is, therefore, a multi-dimensional and broad set of measure that is related to the important parts of an organization, mostly structured into four perspectives. These set of measures are integrated across the functional boundaries and developed in line with the strategy and mission of the organization. The four perspectives developed by Norton and Kaplan are discussed here below:

2.5.1. Financial Perspective

➡ How Do We Look to Share Holders?

“Financial measures indicate whether the company’s strategy implementation and execution are contributing to the bottom line improvement” (Kaplan and Norton, 1992, p.77). According to Paul R.Niven (2006), the Financial Perspective focuses on measures which have the goal of enhancing shareholder value. Possible performance measures under this perspective are

derived from the objectives of revenue growth and productivity which include profitability, cost/unit, revenue growth, asset utilization etc.

Niven (2006), also states that focusing resources, energy, and capabilities on customer satisfaction, quality, knowledge, and other factors in the rest of the perspectives without incorporating indicators showing the financial returns of an organization may produce little added value.

2.5.2. Customer Perspective

➡ How Do Customers See Us?

The customer dimension of the Scorecard contains several core or general measures which include high degree of satisfaction of clients, customer retention, attraction (acquisition) of new clients and market share etc.

According to Kaplan and Norton (1996a), the objective of an organization with this perspective is to identify the customer and market segments in which the organization will compete and, accordingly, the measures to track related performances. This enables an organization to identify and focus on factors that are really important in meeting customers' demands.

Niven (2006) also notes that to achieve positive financial results, organizations need to create and deliver products and services which customers perceive as adding value to them. He remarks that the measures in the customer perspective should answer three basic questions: What are our target groups of customers? What do they expect or demand from us? What would the value proposition for us be in serving them?

According to Kaplan and Norton (2000), the value proposition may be chosen within three differentiators:

- Operational excellence – focus on low price and convenience;
- Product leadership – offer the best product in the market;

-
- Customer intimacy – focus on long-term customer relationship through a deep knowledge of their needs.

Niven (2006), also states that the most common measures for this perspective include: customer satisfaction, customer loyalty, and market share.

2.5.3. Internal Business Process perspective

➡ *What Must We Excel at?*

The internal business process perspective of the BSC mainly emphasizes that organizations must control important working conditions or inner process that may create value to customers and shareholders. For an organization to be effective in performance, the internal working process and systems should be as excellent as possible in assisting operational units provide values to attract and retain clients of the market.

Kaplan and Norton (1992), presume that great customer performance is the result of processes, decisions, and actions which managers need to focus on in order to satisfy customers' needs. This perspective measures the business processes that have the greatest impact on customer satisfaction. Niven (2006) highlighted that this perspective measures an organization's performance with respect to *speed* (on-time delivery, process cycle time, customer response time etc), *quality* (continual improvement, rework, repair and scrap, process capability etc), *Measures of cost* (costs of waste, cost per transaction etc) and *other measures* (floor space utilization, forecasting and planning accuracy etc).

2.5.4. Learning and growth perspective

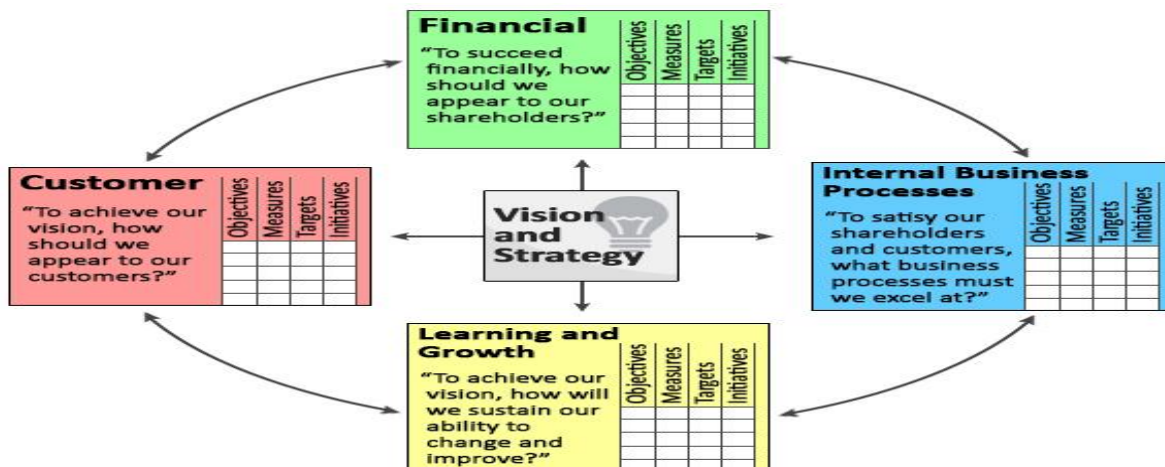
➡ *Can We Continue to Improve and Create Value?*

“Internal measure for the scorecard should stem from the business processes that have the greatest impact on customer satisfaction factors that affect cycle time, quality, employee skills and productivity”(Kaplan and Norton, 1992, p.75)

This perspective answers the fundamental question ‘to achieve our targets and accomplish core activities, how must we learn, communicate & work together?’ and it is the foundation up on which the balanced scorecard is built. Niven (2006), notes that measures of the Learning and Growth perspective are the enablers of the other perspectives. It also emphasizes that knowledge, employee skills and satisfaction, the availability of information and adequate tools are frequently the source of growth and therefore the most common measures of this perspective.

Organizational learning and growth come from three principal sources: people, systems, and organizational procedures...businesses will have to invest in reskilling employees, enhancing information technology and systems, and aligning organizational procedures and routines (Kaplan and Norton, 1996, pp.28-29).

Figure 1: Framework and Perspectives of BSC



Source: Adapted from Kaplan & Norton (1996, P.76)

2.6. Cause- and- Effect Relationship among BSC Perspectives

According to Kaplan and Norton (1996, 1999), the BSC breaks the overall organizational strategy into actionable components i.e. strategic objectives

linked in a value creating story (strategic map) through four distinct perspectives, also called performance lenses: learning and growth, internal business process, customer, and financial perspectives. These measures should be linked in to a logical, step-by-step, cause and effect relationship to mediate the organizations business concept to the employees.

Good relations between the perspectives provide improvements in employee skills, which in turn, cause improvements in process quality and process cycle time, which, consequently, improves delivery time, customer loyalty, and as a final result, affect the return on investment (Kaplan and Norton, 1999, p. 37).

Kaplan, (2010), stated the importance of this causal relationship more precisely as follows:

- ◆ investments in employee training lead to improvements in service quality
- ◆ better service quality leads to higher customer satisfaction
- ◆ higher customer satisfaction leads to increased customer loyalty
- ◆ increased customer loyalty generates increased revenues and margins.

A strategy is a set of hypotheses about cause and effect. Cause-and-effect relationships can be expressed by a sequence of if-then statements....a properly constructed scorecard should tell the story of the business unit's strategy through such a sequence of cause-and-effect relationships (Kaplan and Norton, 1996, p.149).

From the above statements, it can be drawn that maintaining causal inter relationship among strategic objectives is critical to the successful implementation of the BSC in an organization.

2.7. Features of a Good Balanced Scorecard

A good Balanced Scorecard uses a multiplicity of management processes to assess individual and collective effectiveness including reward and

compensation; alignment of different operational units to the organizational strategy; communication and learning; setting operational, team and individual level objectives; resource allocation and budgeting; setting targets; exploiting information technology; interactive participation and commitment of management in promoting the testing, learning, adaptation and implementation process; and senior leadership's use of measurement to drive organizational change.

More specifically, a good balanced scorecard is characterized by the following major principles/issues:

- i) It communicates and clarifies the vision, mission and overall strategic direction of the organization to all organizational members so that all actors involved in the implementation process maintain proper knowledge, action plan and the ability to make the strategy their day-to-day task which in turn enables them contribute to the success of the strategy.
- ii) Transforms organizations to use performance measurement systems from a command and control to empowerment and coaching culture.
- iii) Improved processes, motivated employees, enhanced information systems, continuously monitored progress, greater customer satisfaction, and increased financial and non financial resources utilization.
- iv) A good BSC is a comprehensive tool to understand the target customers, their requirements, and the performance gaps.
- v) It links the four perspectives in a set of cause and effect relationship. According to Kaplan and Norton (1996b), a good balanced scorecard should have an appropriate mix of outcomes (lagging indicators) and performance drivers (leading indicators of the business unit's strategy) linked in a causal interrelations between the perspectives of *learning and growth* → *Internal processes* → *customer* → *finance*
- vi) A good BSC channels the energies, abilities and knowledge held by people throughout the organization towards achieving the long-term strategic goals.

-
- vii) It requires sense of ownership and active involvement of the executive management.
 - viii) According to Kaplan and Norton (1996a), the Balanced Scorecard should be aligned with the organizational incentive or reward management system. They note that doing this brings cultural change, improved financial performance and increased employees' understanding of strategic objectives resulting in improved overall organizational performance.
 - ix) The communication process of a good BSC does not end after design and implementation, rather it is an on-going process and the employees should be provided with periodic feedback on their performance.
 - x) It is characterized by the presentation of a combination of both quantitative (tangible or lag indicator) and qualitative (intangible or lead indicator) measures for an organizational performance.
 - xi) It is able to articulate the strategy of growth with business excellence which requires greater focus on non-financial initiatives.

2.8. Prospects of BSC Implementation to an Organization

The balanced scorecard (BSC), together with corporate strategy, is a performance measurement and management system for enabling organizations achieve their strategy.

In the last two decades, the BSC evolved from a simple performance measurement index to a tool that can effectively guide and implement strategic objectives and fulfill it in overall organizational activities. Bible, Kerr and Zanini, (2006) also stressed that the BSC eventually became a strategic performance management system centered on strategies for organizational performance measurement.

It began as a measurement system, translating an organization's strategy into an interconnected set of financial and nonfinancial measures used to communicate strategy, build alignment, inform decision making, power

performance management, and prioritize resource allocation (Niven, 2005, Preface)

Currently, it is a widely applied performance measurement and management system across the globe and it is still under continuous study to add other features or improve its limitations such as to incorporate corporate social responsibility and suppliers' relation in the performance measurement.

This may provide more refinement in providing adequate measures and making the BSC all rounded and holistic strategy and performance management system. Furthermore, the implementation of the BSC in an organization has a number of merits.

These include clarifying and gaining consensus about strategy, aligning departmental and personal goals to strategy, linking strategic objectives to long-term targets and annual budgets, identifying and aligning strategic initiatives, and obtaining feedback to learn about and improving strategy (Kaplan and Norton, 1996, p. 19).

Its ability to measure performance in a balanced way, and align individual, team and departmental activities to the organization's mission and strategy also made the BSC one of the best management practices in the past, and expected to derive performance of organizations if properly implemented and communicated. Besides, as a management system, the Scorecard channels and coordinates the energies, abilities, competency and knowledge held by individuals and teams towards achieving long-term strategic objectives.

BSC can also enhance organizational performance in a number of ways. It enables the actors have a shared vision and common direction of their organizational strategies, and better understand and react to customers' needs through improved organizational performance by focusing on what matters.

In addition, the BSC helps leaders make better decisions based on leading performance indicators (performance drivers) instead of relying merely on

lagging financial information. It also promotes productivity and efficient allocation and monitoring of resources through motivating employees and creating innovative work environment and empowerment.

The empowerment feature of the BSC also promotes facilitated work reducing bureaucracy which in turn improves service delivery and customer satisfaction. It's ability to enable employees link strategic objectives to their day-to-day operations along with creation of value through causality relation among the perspectives contributes for management focus on more relevant issues and execute strategic objectives in a more efficient and effective way.

...the purpose for introducing the Balanced Scorecard was not for effective strategy execution, but for more tactical reasons, such as to change the compensation system, to reinforce a quality management system, or to change the reporting system to give managers more access to information about their operations. ...future research studies of BSC implementations could certainly benefit from measuring organizational leadership in each implementation and assessing this factor's role in creating success (Kaplan, 2010, p.30)

Such features of the BSC, among others, may contribute to business organizations in the future and achieving their overall organizational performance and may significantly aid them tackle the dynamic and firm competition through competent expertise, enhanced internal processes, and excelled customers' expectations and hence, improved financial rewards.

2.9. Brief Overview of BSC in Africa

Over the past decades, many African countries have reformed their public sector to improve efficiency, accountability and good governance as part of their efforts to improve service delivery & performance. "Virtually every country in the region (Africa) has undergone some kind of civil service reform program" (Van, W., 2001, p.84).

Currently most organizations in Africa have adopted BSC for their organizational performance measurement and management system to cope with the firm global and local competition. “Use of the Balanced Scorecard is growing rapidly on the continent of Africa” (BSI Africa, 2015).

However, there are contradicting arguments about the effectiveness of BSC implementation with African context. Some argue that as this initiative tool is originated in a developed country in milieu of the advanced N. American & Western World business settings, it doesn't fit African existing culture.

According to Kamwachale (2011), the socio-cultural disparities between the African and the Western settings is quite wide in that the African framework is humanist, inclusive, socialist, community based in nature and stakeholder oriented, whereas the Western framework is exclusive and shareholder centered. He also argues that, because the current BSC model is developed to fit the Western socio-cultural framework which is based on maximization of shareholders' wealth, it contradicts the African inclusive and stakeholder oriented governance. Thus, he stresses, it is not ideal and helpful to an organization operating in African environment; to implement the BSC effectively in African organizations, it should incorporate suppliers, government, competitors, community and environmental concerns.

However, others argue that failure in implementation of BSC in some African organizations is due to lack of government and management commitment in addressing the basic requirements of BSC right from project initiation and throughout the implementation process in a continuous & consistent manner.

Yet there are sufficient evidences (eg. Kaplan, 2010, Nivev, 2006) that BSC promotes significant improvements and enhances efficient resource allocation and utilization, improved work culture and system, enhanced customer satisfaction, and in general greater organizational performance if it is properly implemented and gets on time support, commitment and continuous

monitoring from government and management at all levels regardless of level of advancement or cultural aspects of a nation or a continent.

2.10. Brief Background of BSC in Ethiopia

According to (Mesfin, 2009 and MoFED, 2012), the Ministry of Capacity Building was established in 2002 to undertake capacity building activities and to maintain centralized direction and leadership of government organizations that were fragmented. Later, it was merged with the Federal Civil Service Agency and named Ministry of Civil Service in 2010.

The introduction of Civil Service Reform Program (CSRP), as part of the 14 national capacity building programs, was in response to weaknesses in the administrative system and the public service delivery and to stimulate the overall development effort of the country.

Mesfin (2009), also notes that the emergence of Public Sector Capacity Building Program (PSCBP) in 2004 has laid the foundation for different capacity building programs with the objective of improving the scale, responsiveness & efficiency of public service delivery and promoting good governance both at federal, regional and local level.

MoCS (2013), highlights that to realize the objectives of the program, different management initiatives such as Strategic Planning and Management (SPM), Quick Wins, Management by objective (MBO), Business Process Re-engineering (BPR), BSC and recently, Civil Service Change Army (Yelewt Serawit) have been introduced to Ethiopia's management system subsequently.

A report by MoFED, (2012), also affirms that the implementation of BPR at all levels of government organizations and BSC in majority of the federal and regional institutions are evident to this point. As BPR did not bring rapid improvement in institutional performance, later reformulation of Performance Based Management accompanying the outset of Balanced Scorecard as a

management, evaluation and communication tool was introduced. Adebabay (2011), asserts that initially performance measurement and management system was launched in Ethiopian civil service in 2003 with the objective of assisting employees and management focus on results that may add value to achievement of organizational objectives and goals. However, such measures were short of some basic features: they focused on measurement aspects only and were not aligned to organizational strategies and objectives.

The challenge with the first generation of result - oriented individual performance appraisal system (2002 – 2007) is its focus on measurement alone which is unwanted business by employees. The other challenge is misalignment of individual performance with that of the organization (Adebabay, 2011, p.11)

The balanced score card, which is under implementation in different organizations throughout the country was, then, determined by the government to be implemented in all federal organizations. “BSC is introduced in Ethiopia since 2009 and to date 27 % of civil service institutions have undertaken BSC change initiative” (Ibid).

2.11. Significance of BSC in the Banking Sector

Globalization and the increased competition today in the service sector, particularly in the banking industry, gave rise to an increased focus on more sophisticated ways of their overall operations and service excellence to cope with the recurrent pace of change in the industry. This forced the industry to look for different management tools and change initiatives which may enable them attain their strategic objectives through working towards more predictive (future oriented) processes to ascertain their sustainability in the long run.

The banking industry has become a complex business due to dramatic change in the technology; markets they operate and increase in geographical scope they cover which are the results of the global business integration. As such

complexities are increasing in a fast pace, managers within the banking industry find themselves in a business where innovation & change management tools come first hand which are new ways to effectively communicate and meet strategic decisions and sustainably attain profitability.

BSC is one such "innovative" structure that several banks have recently adopted much due to the fact that they have put greater emphasis on the positive outcomes the BSC has produced." (Olstand and Duljevic, 2008, pp.10-11)

The advantages of the BSC implementation in the banking industry are numerous. Some of them include the following:

- It is used as a tool in assessing & developing strategic objectives in banks
- It is an approach for specifying and supervising the performance of key stimulants that may lead to successful application of the bank's strategy
- The BSC approach is an effective tool to ensure the constant betterment of the bank's system and process.

2.12. Implementation of the Balanced Scorecard

An organizational success relies heavily on how the measurements are used, and not just what is measured. It is believed that good balanced scorecard builds consensus and clarity among all actors involved in the implementation process about the vision and strategy of their organization and how to translate this strategy into operational objectives and measures. According to Kaplan and Norton (1996), the implementation process of the BSC should take in to consideration and meet the following major objectives:

- a) Clarify and gain consensus about vision and strategy
- b) Build a strategic management team
- c) Communicate the strategy throughout the organization
- d) Align department goals to the strategy
- e) Set strategic targets

-
- f) Perform periodic and systematic strategic reviews, and
 - g) Obtain feedback to learn about and improve strategy.

Ideally, the basis for a successful implementation of a balanced scorecard relies heavily on the extent to which a shared and agreed up on understanding (common direction) of the organization's vision is created and the business strategy is communicated to the organizational members as a whole. It is also determined by extent to which balanced view among short-term and long-term organizational objectives (i.e. lagging and leading indicators) is maintained. Thus, the collection of these measures should be aligned to the use of incentive & compensation payments both at individual and group (departmental) levels.

According to Kaplan and Norton (1996), organizations should avoid the following four specific barriers to effectively implement their balanced scorecard

- a) Vision and strategy that is not actionable
- b) Strategies that are not linked to departmental and teams goal
- c) Strategies that are not linked to resources allocation, and
- d) Feedback that is tactical and not strategic.

Kaplan and Norton also identified that the root causes of these barriers can be grouped in to the following three categories:

- a) Quality of direction (leadership)
- b) Quality of communication (cultural readiness).
- c) Quality of learning (organizational learning)

2.13. Challenges of Balanced Scorecard Implementation

Despite many stories of successful implementation of BSC, significant number of organizations encountered different challenges right from introducing the concept in their organization throughout the implementation process.

It is evident from different related literature that majority of the organizations have either implemented the BSC, but without any significant improvement in their overall performance, or they have even given up in starting the concept. According to Atkinson, (2006), it is estimated that 70% of BSC initiatives have failed without any contribution in performance.

Kaplan and Norton (2001) identified two major challenges of the BSC implementation in organizations: failure in design and process.

a) Failure in Design

A poorly designed Balanced Scorecard is one of the major reasons that may lead to failure in BSC implementation. Such design is characterized by the following major features (Kaplan and Norton, 2001, p.360):

- Too few measures in each perspective, leading to failure to obtain a balance between leading & lagging (financial & non-financial) indicators
- Too many indicators without identifying the critical few: this makes the organization lose focus and be unable to find linkage between indicators.
- Failure to link measures to the strategy of an organization. This means the organization's strategy is not translated into action, thus, it does not obtain any benefit from the BSC.

b) Failure in Process

Process failures are the most common causes of failure in Balanced Scorecard implementation and include the following (Kaplan and Norton, 2001, p. 361):

- Lack of senior management commitment
- Too few individuals involved

-
- Keeping the scorecard at the top
 - Overly long development process
 - Treating the Balanced Scorecard as a one-time measurement project
 - Hiring inexperienced consultants
 - Introducing the Balanced Scorecard only for compensation.

Given the facts above, it can be drawn that weaknesses of implementing bodies in continuously addressing the objectives and principles of the scorecard, undoubtedly, result in poor communication which, in turn, lead to lack of understanding and support of the concept by organizational members and, thus, they may even resist and oppose it.

The other major challenges and impedimental factors in the implementation process of the BSC include, among others, the following:

i) Conceptual Issues

Failure in understanding and interpreting the concept of the Scorecard is one of the major challenges for implementing the BSC successfully. Underestimating the need for training and communication about the BSC initiatives and objectives may leave the entire effort ineffective and fruitless.

ii) Lack of senior management support, ability and commitment

The success of any BSC implementation can easily be jeopardized due to lack of commitment and support by senior and executive management.

The Balanced Scorecard is not a one-time project: it is a continual process. It translates strategy to operational terms, aligns the organization to strategy, and makes strategy everyone's everyday job. All of these elements must be fully supported by senior management and the executive leadership (Kaplan and Norton, 2001, p. 361).

Successful implementation of BSC requires continuous communication and feedback among organization members, and closely monitoring activities in an

ongoing basis. Without commitment and continuous support of key management members in such engagements, the implementation of BSC would come to fail.

iii) Using BSC for additional top-down control

Using the Scorecard performance indicators as command-and-control system by senior management in which they use the indicators to punish or inappropriately reward people may become one of the serious problems and challenges for Balanced Scorecard implementation. This may create fear, resistance, underperformance and cheating among employees.

iv) Lack (absence) of Causal Relationships

According to the theoretical assertion made by Kaplan and Norton (2001), failure to develop and test causal relationships between the measures of BSC is essentially critical challenge that impedes the objectives of the BSC.

Hoque and James (2000, p. 3) strongly support this idea with their statement “the use of a BSC does not mean just using more measures; it means putting a handful of strategically critical measures together in a single report, in a way that makes cause-and-effect relations transparent”. Othman (2006) also identified that organizations that had not developed a causal relationship (model) faced additional potential challenges and problems not faced by organizations that established the model.

v) Weak Infrastructure

Lack of good office layout, backed by weak IT infrastructure and automated data gathering system lets organizations spend too much of their time and resources on technical aspects of BSC concept & ignore the conceptual issues.

vi) Too much focus on measurement aspects

One of the prominent challenges in the process of BSC implementation is

strong focus on measurement aspects instead of developing the concept of BSC in organizations. As a result organizations tend to have less focus on organizational and strategic issues.

vii) Social issues (Organizational Culture)

Lack of organizational commitment, attitude, weak participation and incompatible organizational culture are often cited challenges in the literature concerning implementation of BSC. An organizational culture dominated by resistance to change, single dimensional measurement and control system, low level of intellect and commitment is likely to face problems in the implementation process of BSC. Likewise, in organizations that are not participatory, their members may remain passive, less responsive, less concerned and slow down the implementation process.

Lack of organizational commitment among central actors in the implementation process of the BSC including management members at all levels or the project team can also be critical challenge in implementing the BSC successfully

viii) Political issues

Issues related to the political theme in the BSC implementation process are among the major challenges to be closely monitored. Most commonly encountered such issues include power games among different interest groups, insufficient time and resources, lack of BSC concept champion, lack of continuity from different units of the organizations.

ix) Huge Investment of Time and other resources

Successful implementation of BSC requires organizations to invest much time to understand and use the concept, resources, willingness, commitment and patience which most organizations fail to address.

x) Lack of Continuity

A good BSC implementation is an ongoing process that continually communicates strategies and feedback to all organizational community. However, the continuity of this process is often threatened by many factors such as high turnovers and new hires among top management, project team members & other well experienced staff. The tendency different organizational members to revert back to old habits due to considering the concept as onetime project is also a big challenge in the implementation process of the BSC

xi) Resistance

Resistance to the implementation of BSC may exist because the concept is new to the organization or due to previous failure story (experience) of other new management concepts.

In general, such problems appear to be inter-related in many instances. For example, organizations that face conceptual problem may use the BSC as a mere performance measurement instrument rather than using it as a strategic management system, and lack of continuity may also get back employees in to their old way of doing things which is direct reflection of resistance to change.

2.14. Empirical Study on Prospects & Challenges of BSC Implementation

Over the last two decades, a variety of research has been carried out by researchers from different disciplinary backgrounds and geographical areas to examine diverse aspects of the Balanced Scorecard implementation and came out with different findings.

Malina and Selto (2001) conducted a research to assess the relationships between communication and management control attributes and organizational effectiveness of the balanced scorecard. Their study revealed that the implementation of BSC promoted significant opportunities to develop,

communicate and implement strategy which affirms Kaplan and Norton's concept of causal relationship.

Another study made by Davis and Albright (2004) revealed that significant improvements were found in service industries due to introduction of BSC to their management system. In the study they made in the banking industry in the US, they found that superior financial performance was achieved by those banks adopting BSC compared to the non-BSC adopting ones.

However, other empirical research findings indicate that there are different factors that hinder successful implementation of BSC in organizations.

Andon, Baxter and Mahama (2005), for instance, in their empirical study found that resistance from different individuals and groups in different organizations they studied posed significant challenges in successful implementation of the scorecard. Such individuals and groups felt they were threatened and the implementation of the BSC concept unable to serve their individual or group interests. As a result, they attempted to bring the BSC implementation to a stand-still and continued doing their activities the old way.

According to a recent survey on existing challenges of BSC implementation made by Behdad and Mohammad (2014), insufficient information system to support BSC, lack of top management support and dedication, organizational politics and the fact that BSC implementation is time consuming were the major challenges encountered in implementing the BSC.

Moreover, a study conducted by Wickramasinghe, Gooneratne and Jayakody (2007) found that owner-managers' lack of commitment to the concept and having focus more interest on financial (lag) indicators was serious challenge of the implementation process which discouraged innovative work environment. From this brief empirical literature review it can be drawn that BSC implementation is a complex process where organizations can benefit from, and encounter different challenges and obstacles in the implementation process.

CHAPTER THREE

RESEARCH DESIGN and METHODOLOGY

This chapter briefly presents the methodology applied in the course of the study. Design of the research, sources of data, data collection technique, population of the study, sampling technique, sample size, reliability, validity and ethical considerations are highlighted.

3.1. Research Design

The methodology applied for this study was a mixed approach consisting of qualitative and quantitative research methods with descriptive theme. The rationale for the use of these methods is that such studies are more helpful to describe and interpret the trend of events that exist. It was also aimed to better meet the objectives of the study set out under the first chapter.

3.2. Data Sources

Primary sources were the main sources of data for this study as more sound & reliable information could be obtained from practical experiences of respondents. The tools applied in doing so were questionnaires and interviews. The questionnaire comprised of demographic factors including service year of respondents in the bank and questions related to attitude, knowledge, challenges etc related to implementation of BSC in DBE.

3.3. Data Collection Techniques

Non-management staffs, management members and formerly BSC project team members were communicated to collect the relevant data by means of primary data collection methods (questionnaire and interview).

The questionnaires were addressed in both close and open ended form and Lykert type scale of measurement was used to determine the level of agreement

or disagreement represented by numerical values ranging from one to five. The open ended questions were aimed to enable to discover the feelings, opinions, and practical experiences of performers about merits and challenges of BSC implementation. Interviews were conducted at premises of Head office of DBE.

3.4. Population, Sampling Technique and Sample Size

3.4.1. Population of the Study

The pools of population for this study were non-management, management and former BSC team members of DBE. Only employees who have worked for or more than a year in the bank were included in the pool as recently recruited employees may not have deep knowledge of the benefits and root causes of challenges of BSC implementation in the bank. The number of employees working at Head Office of DBE who had a year or more experience as of April, 2015 was 681 (of whom 90 management and 591 non-management members). Three of management members were part of the former BSC project team

3.4.2. Sampling Technique and Sample Size

Both probability and non-probability (simple random and purposive) sampling techniques were applied for this study. The rationale for applying the simple random sampling was aimed to have equal probability of selection for the entire population and purposive sampling made possible to intentionally select key informants who had more exposure and experience in the implementation process of BSC in DBE. To randomly select participants, sample frame or target population was obtained from Payroll Team of HRM process of the bank. 'Lottery' method was used to draw samples from each group (i.e. management and non-management) based on the pre-determined sample size, except for those key informants who were selected purposely.

The sample size for this study was drawn such that all the three former BSC team members were accounted for and the remaining sample is drawn using the following formula which was developed by Yamane Taro (1967)

The reason for using this formula is that it is the most simplified and widely applied in determining sample size in such research works. A 95% confidence level and $e = 0.5$ precision are assumed for the Equation.

$$n = \frac{N}{1 + N(e)^2}$$

Where, n=sample size

N= Population size of each variable (Mang't & non-mang't members)

e= level of precision

Thus, the sample size for the study using the above formula was as follows:

Table 3.4.2: Sample Size

Sr. No	Variable	Population Size	Sample Size
1	Management members	87	72
2	Former BSC team members	3	3
3	Non-management employees	591	239
Total		681	314

3.5. Data Collection Procedure

Interviews were conducted to fourteen staff members (i.e. four management, three BSC team, and seven non-management members) who the researcher believed to have sufficient background knowledge regarding BSC implementation in the bank to obtain more information and understanding in areas that were not covered through questionnaires. IT professionals, accountants, loan officers, managers at different positions had participated in interviews. The interviews were semi-structured in form. The respondents were communicated at Head Office of DBE in their offices. The questionnaires were pilot tested among employees at different levels for reliability and distributed at Head office of the bank.

3.6. Data Analysis Technique

Findings of the study are categorized and presented under thematic areas and analyzed using different descriptive statistical tools such as graphs, pie charts, tables and percentages accompanied by supporting qualitative information. Software Package for Social Sciences (SPSS) was applied in analyzing the data.

3.7. Validity and Reliability

‘Validity’ refers to the extent to which the results of the study are accurate. Findings of the study are, thus, presented based on actual results with utmost objectivity of the researcher. Further, to minimize any possible biasing effect and error, Software Package for Social Sciences (SPSS) was applied in analyzing findings of the questionnaires. The researcher also tried to assure the validity of the research instruments in close consultation, comments and recommendations of the advisor.

‘Reliability’, in this context, refers to the degree to which consistency of the research instrument is maintained. Thus, to ensure the reliability of this study, the research instruments were pre-tested, the questionnaires were re-structured and re-defined, and some wordings were corrected in a way to be understood by respondents. Before the last questionnaires were distributed, a pilot test of 41 questionnaires was distributed among employees at different levels (6 management and 35 non-management staff). The questionnaires were administered twice to different groups of respondents and the findings revealed similar results. This may indicate the reliability of the research instruments.

3.8. Ethical Considerations

The researcher made use of different data collection instruments from different sources. Utmost effort was exerted to acknowledge materials referred & the researcher takes the responsibility to keep confidentiality of respondents’ opinions & unanimity of the rest of the information.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter presents analysis of the data collected from respondents using different data collection techniques. The chapter also presents the major reasons for the problems stated under 1.3 and provides justification for the questions paused under 1.4 in chapter one.

4.1. Demographic Profile of Respondents

4.1.1. Profile of Interviewed Employees

Fourteen management, the formerly BSC team, and non-management staff members who had close involvement in BSC implementation were interviewed to obtain more information on the subject.

Table 4.1.1: Profile of interviewed employees

Category	Frequency	%
Management members	4	29
Former BSC team members	3	21
Non-management staff	7	50
Total	14	100

As shown in table 4.1.1 above, of the total interviewed employees, 4(29%) were management members, 3(21%) formerly BSC implementation team members and the remaining 7(50%) non-management staff (performers).

4.1.2. Summary of Questionnaires distributed and collected

A total of 314 questionnaires were distributed among different groups of employees at the Head Office of DBE per pre-determined sample size, out of which 285 questionnaires were returned with the rate of return of 91%.

Table 4.1.2: Questionnaires distributed & collected

Respondents	Distributed	Collected	Return Rate
Management members	72	61	85
Former BSC team members	3	2	67
Non-management staff	239	222	93
Total	314	285	91

4.1.3. Demographic Profile of Respondents

Summary of demographic characteristics of respondents who filled & returned the questionnaires is tabulated as follows:

Table 4.1.3: Demographic profile of respondents who filled & returned Questionnaires

No	Description	Frequency	%
1	Gender		
	Male	184	64.6
	Female	101	35.4
	Total	285	100
2	Age		
	21-30	141	49.5
	31-40	105	36.8
	41-50	35	12.3
	>50	4	1.4
	Total	285	100
3	Educational Level		
	Grade 12 & below	2	0.7

	Certificate	3	1.0
	Diploma	17	6
	1 st Degree	245	86
	2 nd Degree	18	6.3
	Total	285	100
4	Year of Experience		
	1-5	124	43.5
	6-10	78	27.4
	11-15	45	15.8
	16-20	26	9.1
	>20	12	4.2
	Total	285	100

As can easily be understood from table 4.1.3 above, majority of the respondents (64.6%) were male and the remaining (35.4%) female. Concerning age of the respondents, most of them (49.5%) fall under the range of 21-30 years, 36.8% between 31-40 years, 12.3% between 41-50 years, and the remaining 1.4% aged more than 50 years.

With regard to educational level of respondents, majority of them are first degree holders accounting for 86% followed by second degree holders (6.3%), while the remaining were diploma and certificate holders accounting for 6% & 1.1% respectively. Only 0.7% of the respondents had educational level of grade 12 or below. Concerning the level of experience of respondents in the bank, as indicated in the table, 43.5% of them had worked for 1 to 5 years, 27.4% for 6 to 10 years, and the remaining 9.1% and 4.2% of them had work experience of 16 to 20 & >20 years in DBE respectively.

4.2. Data Presentation and Analysis

To make ease of presentation and analysis of the information, the data obtained from respondents is grouped in to eight inter related (thematic) areas.

4.2.1. Awareness, Clarity, Attitude & perception of employees concerning BSC implementation in DBE

a) Employees' level of Awareness and Clarity on BSC implementation

The primary task in the implementation process of the balanced scorecard is having clarity and awareness among all staff members on the organization's vision, mission and strategy. Interview results also strengthened this idea that unless common understanding and direction is maintained, it is difficult to attain the objectives of such initiatives in any business organization.

Table 4.2.1(a): Employees' Clarity & awareness level on DBE's vision, mission & strategy

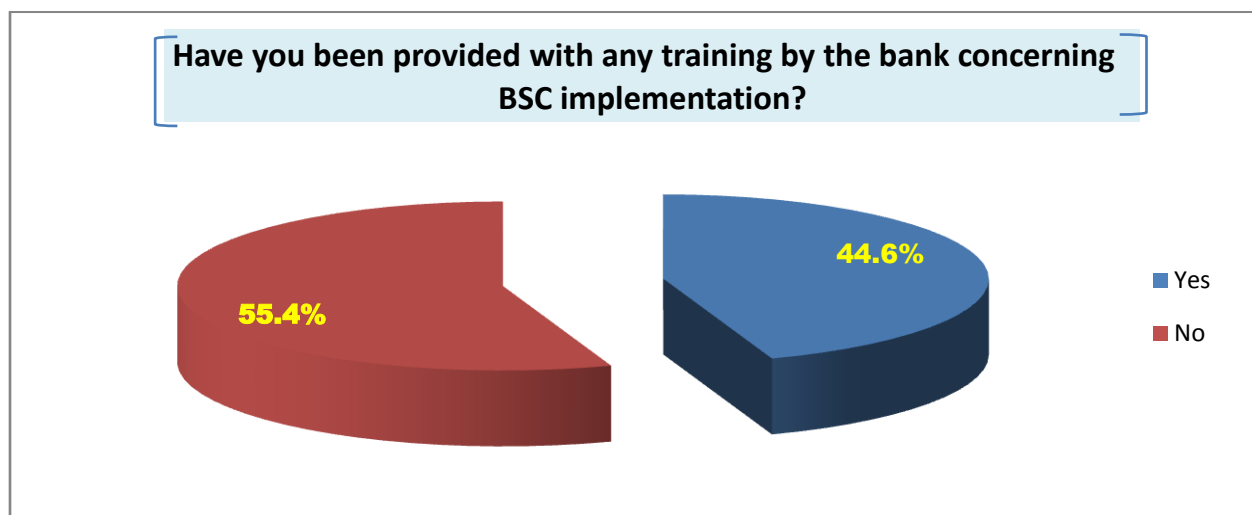
Statement	Scale						Total
		Very High	High	Mode rate	Low	Very Low	
Level of awareness & clarity about vision, mission & strategy of the bank	Frequ ency	83	118	77	7	-	285
	%	29.1	41.4	27	2.5	-	100

As indicated in the table above, 29.1% of respondents were very much aware of the bank's vision, mission, and strategy, 41.4% had high awareness level and the remaining 27% & 2.5% understand moderately and to a low level respectively. This implies that majority of the employees (70.5%) were aware of the bank's vision, mission and strategy enabling the bank do the implementation process positively with common direction.

b) Employees' access to training on BSC implementation

Failure in understanding and interpreting the concept of BSC in any organization is one of the major challenges in implementing BSC. Underestimating the need for training & communication about BSC concepts, initiatives and objectives leaves, in most instances, the entire effort ineffective and unproductive. Having this fact in mind, finding results indicated that there were a number of employees who were not provided with training on BSC.

Figure-4.2.1(b), Access to BSC training in DBE



As depicted in *Figure 4.2.1(b)* above, majority of the respondents (55.4%) were not provided with training on BSC. Thus, it can be inferred that lack of continuous training on concepts of BSC has contributed for resistance and knowledge gap which also become among serious challenges in the implementation process of BSC in DBE.

C) Level of Employees' Attitude & Perception on BSC Implementation

Employees' attitude and perception on different aspects of business activities can be the direct reflection of their practical experiences or close observation of events, facts etc in their business environment. The following table depicts respondents' attitude and perception concerning BSC implementation in DBE:

Table 4.2.1(c): Respondents' attitude & perception on BSC Implementation in DBE

Item	Statement	Scale					Total	
			Strongly agree	Agree	Neutral	Disagree		Strongly Disagree
I	Benefits of BSC outweigh than its drawbacks	Frequency	77	145	50	7	0	279
		%	27.6	52	17.9	2.5	0	100
II	Satisfied with progress of BSC implementation in DBE	Frequency	23	80	122	45	15	285
		%	8.1	28.1	42.8	15.8	5.3	100
III	BSC implementation in DBE is a success & met its targets	Frequency	-	100	98	63	19	280
		%	-	35.7	35	22.5	6.8	100

As can be seen from the table above (**Item-I**), more than half of the respondents (79.6%) perceived that benefits of implementing BSC exceed than its drawbacks, and the remaining 20.4% had reservation (i.e. 17.9% remained neutral, and 2.5% disagreed). Thus, it can be drawn that the implementation of BSC is beneficial to DBE in executing its strategic objectives.

Under '**Item-II**', majority of respondents (63.9%) had reservation concerning their satisfaction on progress of BSC implementation in the bank (i.e. 42.8% remained neutral, 21.1% disagreed or strongly disagreed), while the remaining 36.2% of them were very happy or happy and satisfied.

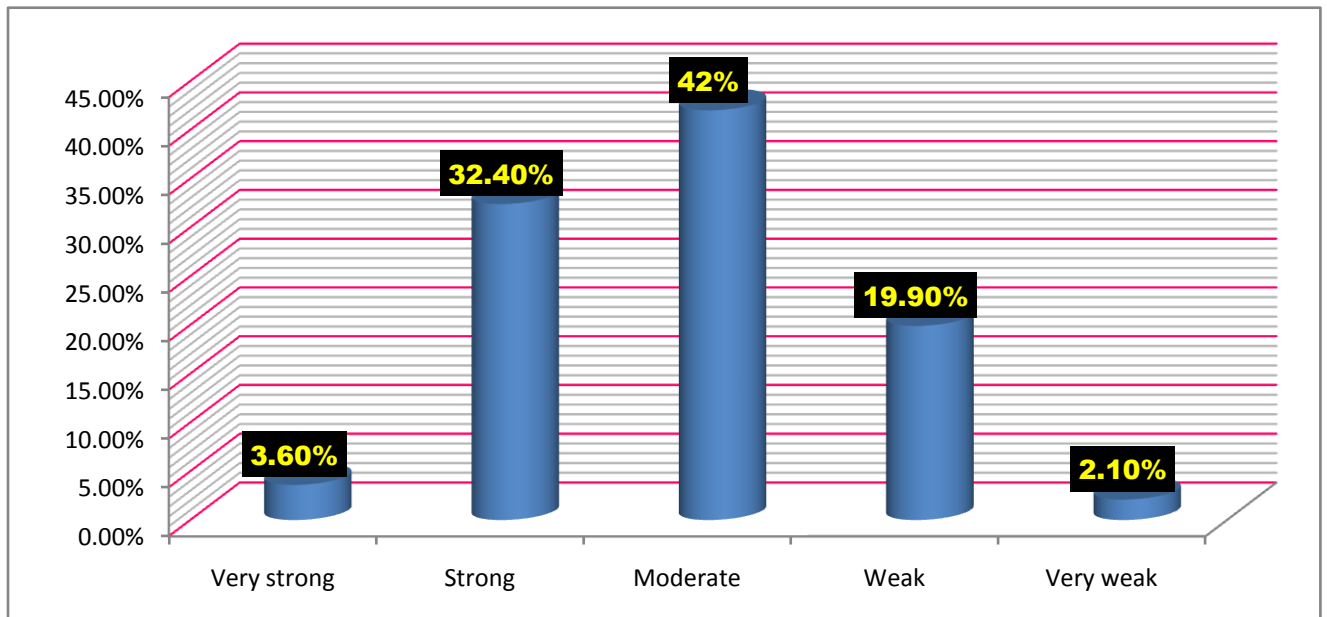
Under '**Item-III**', only 35.7% of the respondents agreed that the implementation of BSC in the bank was a success and met its targets, while 35% remained neutral and the rest (29.3%) disagreed or strongly disagreed with the statement. This implies that lack of management commitment and on time follow-up has significantly contributed for weak progress of the BSC implementation in DBE.

4.3. Opinion of Employees on General Concepts of BSC Implementation

4.3.1. Level of Causal relationship among perspectives of BSC in DBE

BSC outcome measures should be linked in to a cause-and-effect relationship in order to mediate the organizations business concept to the employees (Kaplan and Norton, 1999). This improves employee skills, which leads to improvements in process quality and cycle time, which again improves delivery time, customer loyalty, and as a final result, affect the financial return. To this regard, the assessment made in DBE is presented with the following graph.

Fig. 4.3.1: Strength of causal relationship of BSC perspectives maintained in DBE



As depicted in the graph, 36% of the respondents believed that the causal relation was very strong or strong; while majority of the respondents (64%) had reservation (i.e. 42% doubted and the remaining 19.9% and 2.1% thought that the causal linkage was weak or very weak respectively). This implies that the outcome measures of BSC were poorly linked which might have adverse effect on realizing the BSC objectives of the bank.

4.3.2. Organizational Learning (The ‘Intangibles’)

“Organizational learning and growth come from three principal sources: people, systems, and organizational procedures...businesses will have to invest in re-skilling employees, enhancing information technology and systems, and aligning organizational procedures and routines” (Kaplan and Norton, 1996).

The real ability of an organization to innovate, improve and learn depends, to a great extent, on the quality of its human resource, particularly in today’s dynamic business environment. As a result, improving the knowledge, skill, abilities & competency of employees in an ongoing basis is critical. Maintaining employees’ satisfaction through coaching, motivating, rewarding, etc has to be emphasized. In this regard, respondents’ perception and opinions is summarized with the following table:

Table 4.3.2: DBE’s use of its intangible assets for change, learning & growth

Item	Statements	Scale						Total
			<i>Strongly agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	
I	Being creative and innovative is rewarding and recognized in DBE	Frequency	9	57	84	92	39	281
		%	3.2	20.3	29.9	32.7	13.9	100
II	The bank uses BSC to channel energies, abilities & knowledge held by employees	Frequency	13	108	74	68	20	283
		%	4.6	38.2	26.1	24	7.1	100
III	Positioned according to competency & academic qualification I possess	Frequency	51	110	36	62	26	285
		%	17.9	38.6	12.6	21.8	9.1	100
IV	Coached & provided with regular feedback on performance	Frequency	10	116	61	69	19	275
		%	3.6	42.2	22.2	25.1	6.9	100

As indicated on the table (**Item-I**), 23.5% of respondents strongly agreed or agreed, 29.9% had doubt, and the remaining 46.6% disagree or strongly disagree that there was rewarding and recognizing work culture for creative and innovative employees.

Similarly, under (**Item-II**), 42.8% of respondents strongly agreed or agreed, 26.1% remained neutral and 31.1% disagreed or strongly disagreed that DBE uses BSC as a means to initiate & use its employees' abilities and knowledge.

From opinions of respondents on these two statements, (**Items I & II**), it can be inferred that the level of management commitment and attention for innovative and creative working system was too low, and the bank was not using BSC as a good opportunity to exploit employees' potential abilities and knowledge.

In addition, from opinions of respondents for statement under (**Item-III**) in the table, more than half of them (56.5%) agreed or strongly agreed, and 43.5% had reservation (i.e.12.6% remained neutral and the remaining 30.9% disagreed or strongly disagreed) that they were positioned in the bank based on their competency and academic qualification. Thus, it can be drawn that majority of the employees in the bank were positioned line with their qualification and expertise.

As it can be noted from (**Item-IV**), 45.8% agreed or strongly agreed, 22.2% remained neutral and the remaining 32% disagreed or strongly disagreed on the bank's management effort to coach and provide the remaining staff with regular feedback on their performance. This implies that management effort to bridge any knowledge gap was low and; hence, became one of the obstacles in successfully implementing BSC in the bank.

4.3.3. Level of application of Principles of BSC in DBE

As a policy bank of the government, DBE's mission is a national development agenda with emphasis on project finance. The application of any change tool alone, like BSC, doesn't guarantee for sustainable and effective achievement of

such grand policies or strategies. It should continuously be supported by relevant principles and regularly monitored for compliance and consistency. To this point, findings on employees' opinions are summarized as follows:

Table 4.3.3: Respondents' opinion on the extent to which features of a good BSC are applied in DBE

Item	Statements	Scale						Total
			Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	
I	Performance results are aligned with compensation plan in DBE	Frequency	17	111	96	44	11	279
		%	6.1	39.8	34.4	15.8	3.9	100
II	Individual evaluation is based on performance (without bias)	Frequency	38	77	80	69	21	285
		%	13.3	27	28.1	24.2	7.4	100
III	Individual, team & process activities are aligned with the bank's strategy	Frequency	30	156	70	26	3	285
		%	10.5	54.7	24.6	9.1	1.1	100
IV	'Balanced' view of BSC perspectives is maintained in DBE	Frequency	12	102	122	38	11	285
		%	4.2	35.8	42.8	13.3	3.9	100
V	DBE's leadership is committed to successful implementation of BSC	Frequency	24	96	78	71	16	285
		%	8.4	33.7	27.4	24.9	5.6	100
VI	DBE uses both financial & non-financial metrics to measure its performance	Frequency	55	155	50	17	8	285
		%	19.3	54.4	17.5	6	2.8	100
VII	DBE's BSC is properly designed with appropriate mix of measures & indicators	Frequency	25	85	100	52	18	280
		%	8.9	30.4	35.7	18.6	6.4	100

As indicated under **(Item-I)**, 45.9% of respondents agreed or strongly agreed that performance results were aligned to compensation plan in the bank, 34.4% remained neutral and the rest 19.7% disagreed or strongly disagreed. Thus, it can be inferred that more than half of the respondents (54.1%) remained neutral or disagreed or strongly disagreed with the statement. This indicates that the bank did not align performance results to reward or compensation scheme to the required level and expectation of majority of the respondents.

Under **(Item-II)**, 40.3% of respondents strongly agreed or agreed, 28.1% had doubts and the rest 31.6% disagreed or strongly disagreed that they were evaluated based on their performance free of favoritism or partiality. Hence, it can be drawn that there exists a gap in the bank in evaluating performance based on actual performance results or some partiality in doing so.

Concerning level of alignment of individual, team and process activities with the bank's strategy, as depicted under **(Item-III)**, more than half of the respondents (65.2%) agreed or strongly agreed, 24.6% remained neutral, and 10.2% of them disagreed or strongly disagreed. This means, the bank's effort to align individual, team and work unit activities to the corporate strategy is in a good condition. However, it is apparent that more effort is required to fully align the activities, as 34.8% of respondents' opinion reveals they are reluctant or disagree with the statement.

Under **(Item-IV)**, majority (60%) of the respondents had reservation and the rest 40% agreed or strongly agreed on the level of 'balanced' view of perspectives maintained in the bank which revealed that the commitment level of management of DBE in maintaining focus on both lag and lead indicators, long term and short term as well as tangible and intangible aspects is below expectation.

Regarding level of commitment of DBE's leadership for successful implementation of BSC in the bank **(Item-V)**, 42.1% agreed or strongly agreed,

27.4% remained neutral, and 30.5% disagreed or strongly disagreed. From this data, it can be concluded that the involvement and commitment of DBE's leadership in implementing the BSC successfully is low and below expectation.

As it can be seen from **(Item-VI)**, majority of the respondents (73.7%) agreed or strongly agreed, 17.5% remained reluctant and the rest (8.8%) disagreed or strongly disagreed on application of both financial and non financial metrics in DBE to measure the bank's performance.

From this result we can infer that the bank was applying both metrics to a great extent to track and manage its performance.

Concerning the design of the bank's BSC, as shown in **(Item-VII)**, 39.3% of respondents agreed or strongly agreed, 35.7% remained neutral, and 25% disagreed or strongly disagreed. We can conclude from this that design of the DBE's BSC lacked proper mix of measures and indicators. This implies that the bank's BSC design requires revision in a way that maintains appropriate measures that may reflect existing condition of work units.

4.4. Internal Business process (Operational Efficiency)

"Great customer performance is the result of processes, decisions, and actions which managers need to focus on in order to satisfy customer needs"(Kaplan and Norton, 1992).

The internal working conditions or inner process are the major focus areas of business organizations these days. An organization with good inner processes can improve operational efficiency, create value to customers and shareholders, and makes difference in performance. It includes core competencies and technologies, speed, quality, cost etc. Bearing this in mind, the following table summarizes respondents' opinions on the level of operational efficiency in DBE.

Table 4.4: Respondents' opinions on extent to which operational efficiency is achieved in DBE

Item	Statement	Scale						Total
			Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	
I	There is strong interface and coordination among work units	Frequency	7	116	82	63	17	285
		%	2.5	40.7	28.8	22	6	
II	DBE's IT system is used effectively to its full capacity	Frequency	3	61	87	104	30	285
		%	1.1	21.4	30.5	36.5	10.3	
III	Provided with necessary equipment & information to do job	Frequency	31	124	48	71	7	281
		%	11	44.1	17.1	25.3	2.5	
IV	DBE's leadership is informative and communicates all employees regularly	Frequency	12	52	103	93	25	285
		%	4.2	18.2	36.1	32.6	8.8	

As shown under **(Item-I)**, 43.2% of respondents agreed or strongly agreed, 28.8% remained neutral & the rest 28% disagreed or strongly disagreed on the strength of interface and work units' coordination in the bank. Thus, we can infer that the level of interface & coordination among work units in DBE is low.

Concerning effective use of the bank's IT system **(Item-II)**, majority of the respondents (46.8%) disagreed or strongly disagreed, 30.5% remained neutral and the remaining (22.5%) agreed or strongly agreed. This implies that the bank's IT system was poorly used to support its operations.

As depicted with the statement under **'Item-III'**, more than half of the respondents (55.1%) agreed or strongly agreed, 17.1% were in doubt, and the rest 27.8% disagreed or strongly disagreed with the level of equipment and

information provided to them. This indicates that the bank availed the required equipment and information to a satisfactory level.

Regarding the level of effectiveness of communication system of the bank, as stated under '**Item-IV**', majority of respondents (41.4%) disagreed or strongly disagreed, 36.1% remained neutral and 22.4% agreed or strongly agreed. This implies that the level of commitment of DBE's leadership in informing and communicating employees on a regular basis was very low, and this contributed for weak understanding of the BSC concept and objectives and impeded successful execution of the implementation process.

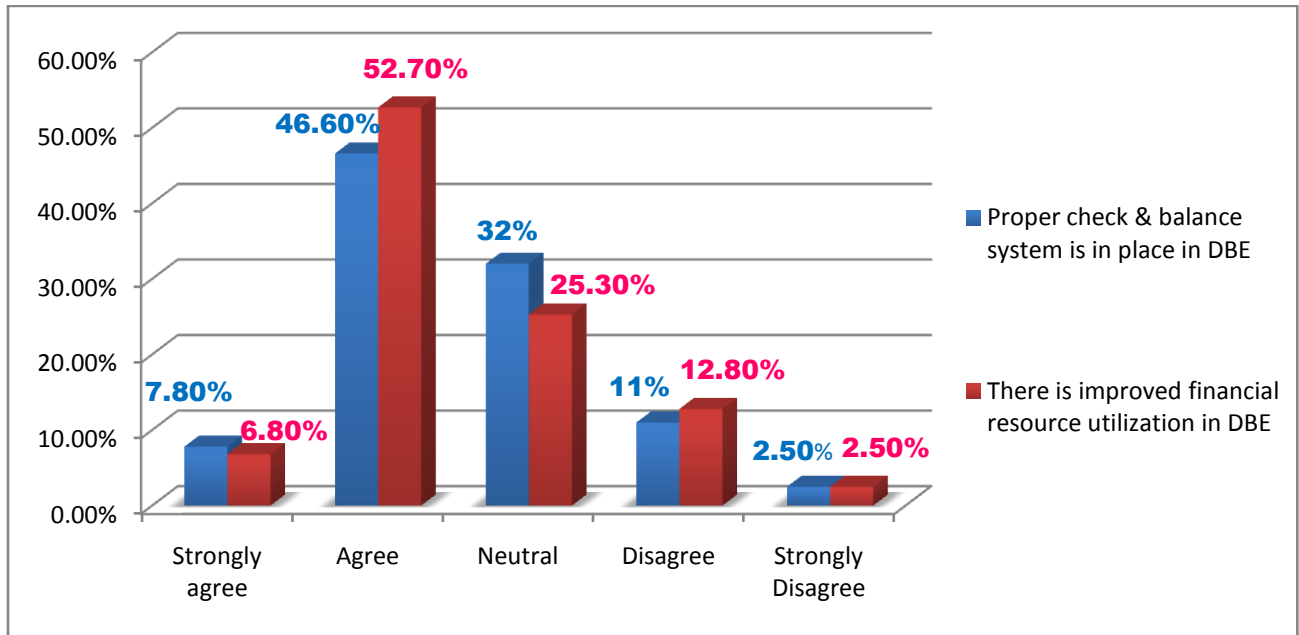
4.5. Level of Financial Efficiency

"Focusing resources, energy, and capabilities on customer satisfaction, quality, knowledge, and other factors in the other perspectives without incorporating indicators showing the financial returns of an organization may produce little added value" (Niven, 2006).

A good use of BSC, under this perspective, improves the implementation and execution of strategy through enhanced asset quality, financial resource utilization, improved productivity, and within frame of regulatory requirements.

The following graph reveals the opinions of respondents to this point.

Fig. 4.5: Respondents' opinions on extent to which financial efficiency was achieved in DBE



As depicted on the chart, more than half of the respondents (54.4%) agreed or strongly agreed, 32% remained neutral and 13.5% disagreed or strongly disagreed on availability of proper check & balance system in the bank. This implies that there was check and balance system in DBE.

Also as shown in the graph, concerning financial resource utilization, majority of the respondents (59.5%) agreed or strongly agreed, 25.3% remained neutral, and 12.8% and 2.5% disagreed and strongly disagreed regarding improvements on financial resource utilization. This implies that the implementation of BSC in DBE has positively affected the bank's financial resource utilization, and hence, beneficial to the bank.

4.6. Service Excellence (Level of Customer Orientation)

Modern organizations invest much of their time and capital in identifying and focusing on target customers through provision of flexible, on-time and less costly services which foster high degree of customer satisfaction. In view of this, respondents' opinions is summarized & presented with the following table.

Table 4.6: Respondents' opinions on extent to which DBE meets customers' expectations & satisfaction

Item	Statement	Scale					Total	
			<i>Strongly agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>		<i>Strongly Disagree</i>
I	Loan requests are processed on time per cascaded BSC	Frequency	-	79	111	85	7	282
		%	-	28	39.4	30.1	2.5	100
II	International banking services are designed to fit customers' expectations	Frequency	12	86	96	80	5	279
		%	4.3	30.8	34.4	28.7	1.8	100
III	DBE's management is committed to internal and external Stakeholders' concerns	Frequency	23	87	115	45	15	285
		%	8.1	30.5	40.4	15.8	5.3	100

For the statement under **'Item-I'** above, concerning timely processing of customers' loan requests, 28% of respondents agreed, and the remaining 72% had reservation (i.e. 39.4% remained neutral, 30.1% disagreed and 2.5% of them strongly disagreed). Thus, it can be inferred that loan requests of customers took longer time beyond the cascaded BSC of the loaning unit.

Similarly, under **'Item-II'**, the employees were requested to express their feelings on how well the international banking service in DBE was designed to fit expectations of customers. Of the total respondents, 4.3% and 30.8% very strongly agreed and agreed respectively and the rest 64.9% had reservation (i.e. 34.4% neutral, 28.7% disagreed and 1.8% strongly disagreed). This implies that the bank's international banking services were poorly designed to serve the needs of customers.

As it can be seen from the table, **'Item-III'**, the respondents were requested to express their level of agreement or disagreement on the statement that the

bank's management was committed to internal and external stakeholders' concerns. Majority of them (40.4%) remained neutral, 8.1% and 30.5% strongly agreed and agreed respectively and the rest 15.8% and 5.3% disagreed and strongly disagreed respectively. Accordingly, it can be concluded that the level of commitment and responsiveness of DBE's management to its internal and external stakeholders' expectations and concerns was low.

4.7. Organizational Culture

Organizational culture refers to the values, beliefs and behaviors that contribute to the unique social and psychological environment of an organization including its philosophy, experiences, expectations etc that holds its members together and identifies it from other similar organizations in terms of its image, internal working systems and interaction with the outside world. It also includes the following:

- The ways the organization conducts its business, treats its customers & employees, and the wider community,
- The extent to which freedom avails in decision making, developing new ideas and expression of thoughts, feelings etc,
- Extent to which power and information flow within an organization's hierarchy, and
- How committed employees and leadership are towards achievement of common goal.

A good organizational culture, thus, promotes productivity, transparency, responsibility, integrity, team work, customer satisfaction, and ultimately, sustained progress or improvement in overall organizational performance. Having these facts in mind, the assessment reveals that most of the respondents had reservation on the fact that the working system and culture of the bank changed to empowerment and coaching from the old aged command & control arrangement

Table 4.7: Respondents' opinion on organizational culture in DBE

Item	Statement	Scale						Total
			Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	
I	DBE transformed from command & control to empowerment & coaching culture	Frequency	12	102	79	73	17	283
		%	4.2	36	28	25.8	6	100
II	Processes & teams work in harmony for same interest and goal	Frequency	30	152	53	42	8	285
		%	10.5	53.3	18.6	14.7	2.8	100
III	Team work became distinguishing feature of DBE	Frequency	20	147	77	38	3	285
		%	7	51.6	27	13.3	1.1	100
IV	Participatory and motivating culture is in place in DBE	Frequency	19	125	63	64	11	282
		%	6.7	44.3	22.3	22.7	3.9	100

As depicted in *Table 4.7* above, under **'Item-I'**, 40.2% of respondents agreed or strongly agreed and the remaining 59.8% had reservation (i.e. 28% neutral, 25.8% disagreed and 6% strongly disagreed) on the statement that DBE transformed from command and control to empowerment and coaching culture. This implies that the level of empowerment and coaching culture in DBE was low.

Under **'Item-II'**, the respondents were requested to express their opinions on the statement that processes & teams of DBE work for same interest & goal, majority of them (63.8%) agreed or strongly agreed, 18.6% doubted, and the rest 17.5% disagreed or strongly disagreed. From their opinion it can be drawn that the bank's teams & processes work in harmony towards achievement of its objectives.

The attitude of the respondents on the statement that 'team work became distinguishing feature of DBE' (under **'Item-III'**) reveals that majority of them

(58.6%) strongly agreed or agreed, 27% had doubt (neutral), 13.3% disagreed and the rest 1.1% strongly disagreed respectively. This indicates that the level of teamwork in DBE was at its moderate state.

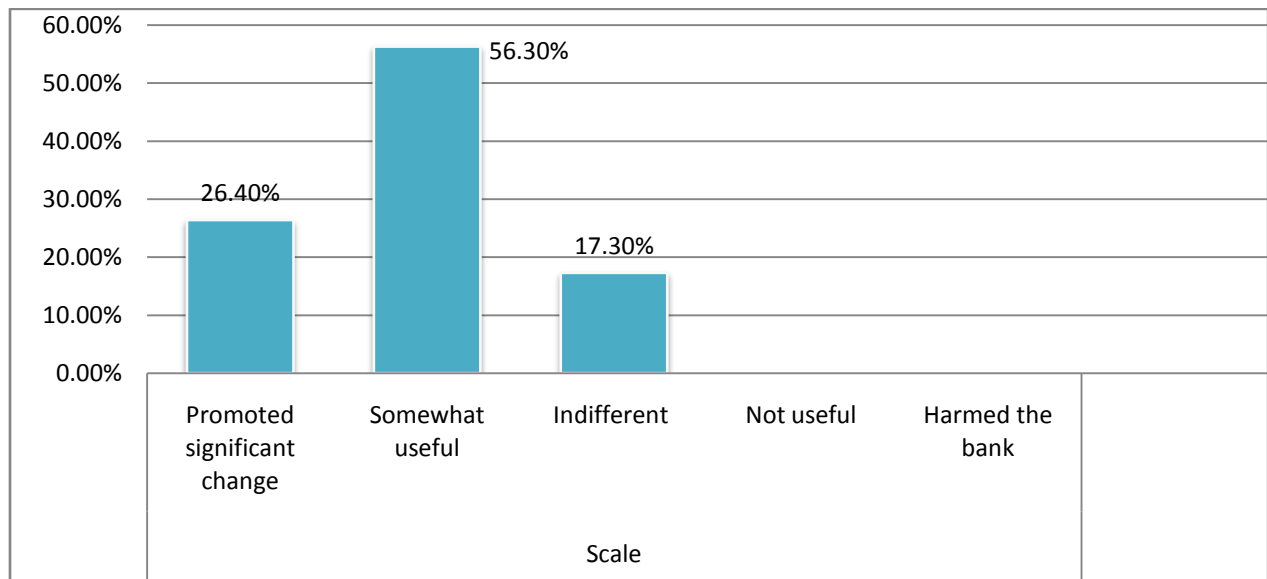
Furthermore, for the statement under **Item-IV**, more than half of the respondents (51%), agreed or strongly agreed and the remaining 49% had reservation (i.e. 22.3% remained neutral, 22.7% disagreed and 3.9% strongly disagreed on the statement that there was motivating and participatory culture in the bank. This implies that participatory and motivating culture in DBE was to a moderate level, and this has benefited the bank and positively affected the implementation process of BSC in the bank.

4.8. Major Benefits derived from Implementing BSC in DBE

Benefits of BSC include “clarifying and gaining consensus about strategy, aligning departmental & personal goals to strategy, linking strategic objectives to long-term targets, identifying and aligning strategic initiatives, and obtaining feedback to learn about and improving strategy” (Kaplan and Norton, 1996)

The respondents’ opinions/feelings on the benefits of BSC implementation to the bank is shown in the following chart.

Fig. 4.8: Respondents’ opinions on extent to which BSC implementation is significant to DBE



As depicted in the graph above, 82.7% of the respondents had no reservation on usefulness of BSC to DBE (i.e. 26.4% responded it ‘promoted significant change’, while 56.3% of them believed that the implementation of BSC was ‘somewhat useful’ to the bank. From this opinion we can deduce that implementing BSC in DBE was helpful in executing its strategic objectives.

According to the findings of the study (interview and questionnaire results), the key facets derived from implementing BSC in the bank include the following:

- ◆ Improved awareness among employees concerning the bank’s vision, mission and strategy
- ◆ Improved performance reporting system using both financial and non-financial metrics (i.e. better organizational performance evaluation in comparison with the former *financial* result based measurement system)
- ◆ Alignment of process, team and individual level activities/performance to the bank’s corporate strategy (i.e. it promoted strategic thinking)
- ◆ Work units able to understand what is expected of them to perform,
- ◆ It is instrumental to identify areas of performance improvement,
- ◆ Initiated the bank to fulfill regulatory requirements (eg. in meeting NBE requirements for NPLs and long outstanding issues)
- ◆ Helps the bank to monitor its performance against strategic targets
- ◆ Promoted team work culture and improved cooperation and learning within teams (i.e. team members cooperate each other for the success of team level objectives, and learn each other through peer-teaching)

4.9. Major Challenges of BSC Implementation in DBE

The major challenges encountered during the implementation process of BSC in the bank were identified using pre-test study. These findings were then summarized and provided to respondents with questionnaire along with other questions. The following table presents the major challenges prioritized/ranked from the most to the least serious in impeding the implementation process.

Table 4.8: Respondents' rankings of major Challenges of BSC implementation in DBE

Sr No	Factors/Challenges	Frequ ency	%	Rank
1	Lack of commitment, sense of ownership and less attention to customers' and employees' needs and expectations by management members	106	37	1
3	Poor work system & culture backed by bureaucratic & delayed decision making, etc.	55	19	2
2	Lack of civil service mentality, accountability, and resistance by non management staff	38	13	3
4	Lack of empowerment, motivation, synergy, dedication etc.	34	12	4
6	Lack of knowledge, skill, ethical behavior etc.	31	11	5
5	Poor office infrastructure and shortage of resources	21	7	6
Total		285	100	

As depicted in the table above, respondents have ranked the most serious challenges and impedimental factors for successful implementation of BSC in the bank in accordance with their severity. Accordingly, it can be inferred that the gap in performance or the challenges related to BSC implementation on DBE was mainly due to lack of commitment, sense of ownership, and low level of response and focus by the bank's management to its internal and external stakeholders' concerns and expectations (ranked the most serious by 37% of respondents). This implies that lack of dedication and commitment of management has adversely affected the implementation process of BSC in the bank and significantly contributed for under achievement of the implementation process of BSC in the bank. The next top two most critical challenges include poor work system and culture accompanied by many handoffs (bureaucratic & delayed decision making) followed by resistance, lack of responsibility and accountability by non-management members, which can be the result of lack of close follow-up, supervision and monitoring of the

leadership. This indicates that lack of coordinated effort in enhancing the old age working conditions along with lack of civil service mentality among some non-management members contributed for weaknesses (challenges) in the implementation process of BSC in the bank.

Lack of empowerment and motivation, poor office layout and infrastructure, skill and knowledge gap were also critical challenges encountered during the implementation process of BSC in the bank.

In addition, interview results revealed that low level of transparency in promotion and transfer, weak alignment of reward systems to performance results, poor support of the work with IT system, weak human resource management, lack of coordination among work units, long chain of decision making, lack of continuous assessment, weak feedback and control system and delayed/absence of corrective measures for future improvement contributed for internal and external stakeholders' dissatisfaction, and hence, were among the most challenging factors in the implementation process of BSC in the Development Bank of Ethiopia.

In general, it can be inferred that weaknesses in management, lack of initiation among employees, poor motivating and innovative work environment and culture, weak effort to transform working conditions etc have adversely affected and contributed for low level achievement of the objectives and the implementation process of BSC in DBE.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, summary and conclusions of the findings are presented and recommendations are drawn based on the data collected; analyzed and interpreted using different instruments and tools in the previous chapter.

5.1. Summary of the Major Findings

In this paper, an attempt was made to examine the benefits derived from and challenges encountered in implementing BSC particularly at Head office of the Development Bank of Ethiopia.

The concept of performance measurement, balanced scorecard and its four perspectives, features/principles, prospects, challenges etc were also discussed with the help of theoretical assertions and supported by empirical evidences.

The study made use of a mixed (both qualitative and quantitative) approach with descriptive theme. Data was collected through interviews, questionnaires, and observation. The study tried to examine awareness level of employees, management commitment in initiating, implementing, monitoring and communicating the objectives of BSC, the extent to which basic principles of BSC were applied, the level of internal operation efficiency, customer orientation and organizational culture which are pillars to successes of BSC implementation. In the course of implementing the BSC, results of the finding revealed that, some benefits were derived while lots of challenges were also encountered. The major findings of the study are summarized as follows:

i). Summary of findings on prospects of BSC implementation to DBE

a) Awareness and clarity level of employees on DBE's vision & strategy

The effort made by DBE's leadership in creating awareness and clarity on the bank's vision, mission and strategy was found to be promising.

b) Implications of Employees' Attitude and Perception

The implementation of BSC in the bank was supported and positively perceived by employees considering that its merits outweigh than its draw backs. Furthermore, majority of the respondents (82.7%) perceived that the implementation of BSC in DBE was somewhat useful or promoted significant change, which implies prevalence of positive attitude about the concept.

c) Alignment of activities to Strategy

The level of alignment of individual, team and process activities to the bank's strategy was in a good position, for which more than half of the respondents (65.2%) were comfortable with.

b) Application of Performance Metrics

According to interview results and respondents' opinions on questionnaires, the bank has applied the use of both financial and non-financial parameters in evaluating its organizational performance.

c) Level of financial efficiency

Per respondents' opinions, the bank used its financial resources in a satisfactory level, and majority of them believed that there was check and balance system in DBE.

d) Summary of other findings on merits of BSC implementation to DBE

According to interview and questionnaire results, the bank has benefited from implementation of BSC in different ways. It enabled processes and teams to know what they were expected to accomplish due to strategic objectives cascaded to each process and then each team. It also enabled the bank to better understand and make effort to comply with regulatory requirements (such as to meet minimum NPL level and to clear long outstanding issues on time), as these requirements are part of its performance measurement. It also helped the bank's leadership to monitor performance against strategic targets and improve cooperation and learning culture.

ii). Summary of findings on challenges of BSC implementation in DBE

a) Awareness on concepts of BSC

The effort exerted by the management of the bank in fulfilling the need for training on BSC found to be very weak, as majority of the employees were not provided with training. Due to the awareness gap about the concept, some of the respondents found to be confused BSC with BPR during interview.

b) Summary of employees' view on status of BSC implementation

Majority of the respondents were not happy or satisfied about the progress of BSC and they also believed that the implementation of BSC failed to meet its expected objectives to the level they anticipated.

c) Summary on DBE's use of its 'intangibles' (Learning & Growth)

- ▶ The fact that majority of the respondents (76.5%) had reservation on the bank's commitment to recognize and reward creativity and innovativeness implies that the bank's leadership set aside the most important enablers and pillars of successful implementation of BSC or strategy.
- ▶ The level of coaching culture and providing employees with regular feedback on their performance was also weak, indicating the bank's use of BSC focused more for reporting purpose than identifying weaknesses from the grass root level and taking on time corrective measures.

d) Summary of opinions on general concepts & principles of BSC

- ↪ **Causal Relationship:** The causal relationship maintained among perspectives of BSC, (Fig. 4.3.1), in the bank was low, as majority of the respondents marked it 'moderate' or 'low'.
- ↪ **Performance Vs Compensation plan:** The level of alignment of employees' performance results to different reward and compensation plans was weak in DBE.

↪ **Evaluation Vs Performance:** The evaluation system of individual performers found to lack objectivity and was not free of bias in the bank (as 59.7% of respondents had reservation to this point).

↪ **Leadership Commitment to BSC implementation:** The commitment level of leadership in addressing and communicating the concepts, objectives, creating awareness, providing continuous and consistent evaluation and monitoring etc. in the implementation process of BSC was found to be poor, as majority (57.9%) of respondents had reservation.

e) Summary of opinions on extent of strength of internal processes

Based on the opinions of respondents, work units were not strongly interfaced and coordinated, and the role of the bank's IT system in facilitating, supporting and automating the work was weak. The effort made by leadership of the bank to inform and communicate employees on regular basis was also too low, as more than 77% of respondents had reservation to this regard.

f) Level of service excellence (customer orientation)

Customers' requests concerning loan and international banking services were not processed per the cascaded BSC time frame. The bank's management also found to lack concern and responsiveness to customers' and staff complaints.

g) Implications of respondents' opinions on organizational culture of DBE

Based on the findings of the study, respondents' opinions on organizational culture of the bank can be summarized as follows:

- Empowerment and coaching culture was in its infant stage in DBE
- The bank's management made effort to build teamwork culture
- The extent of participatory and motivating culture in the bank was maintained to average level.

5.2. Conclusions

Based on the analysis, interpretation and summary of the findings in the preceding chapter and section, the following conclusion is drawn.

The implementation of Balanced Scorecard in the Development Bank of Ethiopia has triggered consequential benefits in some parts of its operation, yet under achieved due to different challenges and impedimental factors. In general the following conclusion can be drawn from the findings and summary of the study.

- Common understanding and direction maintained by the bank's employees about the vision and strategic objectives may positively affect & can be considered as a good opportunity in smoothly undertaking the implementation process of BSC in DBE, and it is indicator of establishment of strategic thinking in the bank.
- Employees' positive perception & support of the BSC implementation is a good opportunity resulting in positive ground for progress.
- The bank's management effort in aligning individual and collective activities to corporate strategy may enable every member to contribute, add value and focus on critical issues in successfully executing strategic objectives.
- The application of both financial and non-financial metrics (lag and lead indicators) in its performance measurement and management system may enable the bank to identify key performance improvement areas.

However, according to findings of the study, a number of challenges were encountered during the implementation process that hindered effective use of the BSC to its intended objective. As a result, the overall performance level of the implementation process of BSC in DBE found to be low due to the following major factors and challenges.

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- Underestimating the importance of training and communication about the BSC concepts and objectives has become serious challenge and jeopardized the entire effort of the bank. This also reduced the effort and commitment of employees and added to the resistance.
 - The fact that majority of the respondents were not satisfied and unhappy on progress of BSC implementation, and that majority of them believed it didn't meet its targets or it was not a success implies lack of leadership commitment and dedication to strictly and regularly monitor the implementation process. Thus, lack of leadership commitment and dedication has significantly contributed for weak implementation of BSC in the bank.
 - Low level of commitment and focus on establishing creative and innovative work environment along with poor communication, coaching and reaction to feedback made the bank lose momentum in using its 'enablers' / 'intangibles' (i.e. its human resource) properly. This has contributed for the slow progress of the implementation process and adversely affected the objectives of the bank under the rest of the perspectives (i.e. internal processes, customer satisfaction & profitability)
 - The weak causal relationship maintained among perspectives of BSC in the bank indicates that the bank mainly focused on achievement of short term bottom-line (financial) goals without having understood such achievements are beneficial only for short term. This became of the most serious challenges in implementing BSC successfully in the bank.
 - Weak alignment of performance results to reward (compensation) plan has weakened creativity and competition among individuals and work units, which are pillars of performance improvement.
 - Subjectivity and bias in evaluating individual performance became one of the most sever challenges to successfully implement BSC in the bank. It contributed for reduced individual and team productivity; conflict,

resistance, lack of concern and dissatisfaction, the ultimate consequence of which affected the entire organizational performance.

- Lack of leadership commitment and strong involvement in addressing and communicating critical issues such as regularly communicating the concepts of BSC, feedback on performance, and continuously monitoring the progress of the implementation process etc became the foremost challenge in implementing BSC in DBE.
- Lack of strong interface and coordination among processes and work units backed by weak support of the work with the IT system resulted in delayed decision making, from which it can be deduced that weak level of internal process of the bank contributed for impediments in implementing the BSC successfully.
- The bank's ability to provide customer tailored service found to be too weak. Failure in providing timely service has adversely affected its earnings, customer retention, image, reputation and sustainability. Management weaknesses in responding internal and external customer's concerns also contributed to low progress of the implementation process of BSC in the bank.
- Lack of transparency in promotion and transfer backed by weak conflict resolution mechanism which created lots of complaints has contributed to challenges in the implementation process of BSC in the bank.

Furthermore, difficulties in cascading the corporate scorecard to process and individual level, lack of interest and good intention on the part of the employees, weaknesses in HR management and positioning, delayed and bureaucratic decision making, lack of proper job segregation and job description, poor office layout and infrastructure, involvement of only few individuals in developing and cascading the concept of BSC, lack of organizational assessment and feed back or action to learn from past

weaknesses etc found to be among the major challenges that hindered successful implementation of BSC in DBE.

In general, the findings of this study indicate that the implementation of BSC facilitated in maintaining strategic thinking and direction. However, the level of performance in successfully implementing the BSC in DBE during the past five years has not reached to the required level due to different factors.

5.3. Recommendations

The following recommendations are forwarded based on findings of the study concerning prospects and challenges of BSC implementation in DBE. It is the researcher's belief that the problems stated and the questions posed under 1.3 and 1.4 in the first chapter can be addressed if the following recommendations are fully embedded and practically exercised.

a) Use the Opportunity

The bank should sustain and use the strategic thinking maintained among its employees as a good opportunity for improvement in performance. The management should also play a catalyst role in initiating, inspiring, coordinating, motivating employees and communicating the feedback with a great deal of concern, dedication and sense of ownership to the success of the BSC implementation in the bank, which is pillar to effective strategy execution.

b) Improve communication and training

Without creating awareness and understanding about the concepts and objectives of BSC, it will be difficult both to the management and employees to internalize the concept and successfully accomplish its desired objectives. Improving the awareness level of performers and management members is critical in building positive attitude and reduced resistance. To this point the bank should continuously and consistently improve the awareness level of both existing and newly entrant staff members through training and education by

experts, consultants, and in collaboration with concerned institutions like Ministry of Civil Service to bridge the knowledge, attitude and skill gap.

c) Improve Leadership Support and Commitment

The success or failure of any change initiative, including BSC, to a great extent relies on the support and commitment level of top management. The leadership of the bank should give prior emphasis to the successful execution of the BSC through provision of continuous guidance (direction), strict evaluation and taking timely corrective action for improvement.

d) Create strong causal relationship among perspectives

The absence of causal linkage among the four perspectives may mislead performers and management focus only on the financial outcome, which is considered backward system of organizational performance measurement system. Thus, to achieve its financial aspirations, the bank should start its assignment by building strong human resource base through different capacity building activities which, in turn, improves its internal operations, customers' satisfaction and finally financial goal.

e) Align reward and compensation system to performance

Recognition for the value of one's work is an important factor in public service sector retention strategies. The bank's management should use the BSC framework to align individual, team and process level accomplishments to the reward system. This enables the bank to establish ground for competition and best performance through motivation, recognition and incentive.

f) Discourage inappropriate behavior

Individual performance appraisal based on subjectivity, bias and personal relationship or approach kills the entire productivity, performance, work and organizational culture of an organization. The bank's leadership should strictly and openly discourage such wrong behavior in the bank through awareness

creation, follow up and punishment for such acts. The leadership should also establish transparent and performance (competency) based promotion so that everyone get rewarded and promoted based on actual performance.

g) Create effective complaint resolution system

Employee complaints that are not resolved on time are likely to become potential challenge for resistance and reduced individual, team and eventually organization wide productivity and inefficiencies in overall performance. The management of the bank should, therefore, give proper attention and on time response to employees concerns and complaints. The focus of leadership, to this regard, should also extend to other customers' and stakeholders' complaints as well.

h) Create strong interface and coordination among work units

There should be proper coordination and interface among processes starting from the planning stage concerning human resource and other related equipment to avoid the mismatch between the demand and supply, which may adversely affect performance of individuals, teams and processes.

i) Promote work culture and Customer tailored services

Lack of performers and management positive attitude can adversely affect the effectiveness of the BSC implementation and strategy execution of the bank. The leadership of the bank; therefore, should shape and improve the attitudinal level of the remaining staff through guidance, motivation, creating inspiration and conducive work culture and environment. The management and the rest of the staff should also develop '*Customer is King!*' attitude and civil servant mentality in addressing customers' issues.

j) Develop motivating, creative and innovative work environment

The BSC should be used as a tool to channel energies and abilities of individual performers, teams and process level operations through

establishment of motivating and creative work environment which is pillar and foundation of effective implementation of BSC

k) Conduct benchmark assessment from best-in-industry

To tackle the challenges encountered in the implementation process of BSC, the leadership of the bank should initiate and scan the industry level progress of the BSC and learn from best practices of those succeeded in implementing same through creating cooperation and experience sharing.

l) Implement strict and continuous evaluation and monitoring system

The bank has put in place properly designed and developed BSC manual which guides the entire process, from cascading to feed back. However, the root causes for the challenges in implementing the BSC originate from lack of follow-up and strict evaluation in regular basis. Therefore, there should be sound mechanism in place in the bank to undertake such responsibilities.

m) Improve infrastructure

Leadership of the bank should give emphasis and avail proper information management system, office equipment and layout along with IT infrastructure such as improved network, system interface etc so as to avoid delayed service delivery and decision making, which became reasons for employees and customers dissatisfaction. The management should take immediate measure to this regard to avoid such inconveniences.

n) Automate activities with IT system

Proper attention should be given to automate all possible working systems, activities and documentation which may enable to provide on time service both to internal and external customers, improved efficiency, and reduce unwanted costs related to stationary, printing and others.

o) Establish Accountability for performance

The findings revealed that reluctance by some management members and resistance by some performers was among the major hindering factors in the implementation process of BSC in the bank. Clear and structured responsibility and accountability should, thus, be put in place for weak performance contrary to the requirements of BSC and the bank's BSC implementation manual. The bank's leadership should also extend the level of accountability to ethical behavior in performance, compliance, reporting, and providing reliable information by work units for decision making.

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