



**ST. MARY'S UNIVERSITY GRADUATE SCHOOL**

**PRACTICE OF BALANCED SCORECARD (BSC)**

**IMPLEMENTATION AT COMMERCIAL BANK OF**

**ETHIOPIA**

**BY**

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A THESIS SUBMITTED TO SAINT MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES,  
IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS OF  
QUALITY AND PRODUCTIVITY MANAGEMENT

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ADDIS ABABA, ETHIOPIA

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## **Declarations**

I, Yechale Yibeltal, hereby declare that this research paper entitled “Practices of BSC Implementation in Commercial Bank of Ethiopia” is my original work and has been submitted for award of MSc in quality and productivity management programs in St.Mary’s University. I also declare that I have fully acknowledged all the sources used.

Declared by Yechale Yibeltal \_\_\_\_\_date\_\_\_\_\_

Confirmed by Melaku Girma (Ph)\_\_\_\_\_date\_\_\_\_\_

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## **ACRONAMS**

CBE-Commercial Bank of Ethiopia

ATM-automated teller machine

CEO-chief executive officer

IS-information system

QA-quality assurance

BSC-balanced scored card

BPR-business process re-engineering

PMS-performance management system

SDT-service delivery time

IB-internet banking

MB-mobile banking

CQA-corporate quality assurance

BM-branch manager

FM-financial management

VP-vice president

HRD-human resource development

HR-human resource

IFB-interest free banking

KPIs,-key performance index

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## **Abstract**

*The basic purpose of this study is to assessing the practice of CBE on implementation of Balanced Scorecard and challenges faced while implementing the system. The study tried to evaluate performances measurement tools and challenges by providing practical solutions and recommendations so that the banks choose the best option. the study has been conducted by preparing eight semi structured interview questions and other two questions mainly focus on non-financial performance of the bank answered by secondary sources. Qualitative and quantitative (mixed) research methodology has been used by researcher. The total population size of the study was 133s involving managerial and non-managerial staffs and directors of the bank who works on quality department. The study adopted non-probability purposive sampling technique to select 13 interviewee. Key informants who have the working knowledge of the system, from those samples the responses of all interviewee were analyzed using qualitative method and the data from secondary sources analyzed in quantitative way tabular, diagram and tables. In doing so the finding revealed that service delivery has been improved to expected level; after balanced score card implementation financial performance of the bank achievements in banking industry increased, Commercial bank of Ethiopia should engage balanced scorecard as their primary performances measurement tool a factor that will enhance their performance, increase their competitive edge and enhance their customer satisfaction .in contrary individual performance evaluation is carry out without reliable performance data, the bank is not satisfactory to give adequate training on BSC to update skills and improve employees for better performance. Furthermore, the major challenges are lack of effective Information Technology support regarding performance evaluation system and failure to get information on BSC. The study advised CBE to conduct intensive awareness activities; align individual performances to reward system with reliable performance data and carry out bench mark assessments from industry best implantations*

**Key Words:** *Balanced scorecard (BSC), Practice, Service Quality, Financial/Nonfinancial, Performance, CBE, and Customer Satisfaction*

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Introduction

This is the 1<sup>st</sup> chapter (chapter 1) which introduces about back ground of the study, statement of the problem, basic research questions which have been addressed in the study, objectives and scopes of the study and also organizational structure of the research.

### 1.2. Back Ground of the Study

The balanced scorecard (BSC) is a management framework which, since its inception by Kaplan, 1992, in the early 1990s, has been adopted, modified and applied by hundreds of organizations worldwide (Atkinson, 2006). The BSC is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communication and monitor organizational performance against strategic goals. It is a performance measurement tool that considers not only financial measures but also customer satisfaction, business process and learning measures (Johnson, 2008) since its introduction in 1990s, the Balanced Scorecard has been widely appreciated and used by corporations around the world (Chan, 2004).

The balanced scorecard is perceived by scholars, academicians and business managers to be a key administration and management framework that is often employed widely in businesses, charitable associations and governments worldwide to drive corporate vision, mission and objectives of firm, enhance outer and inward correspondences, and closely monitor performance of the organization (Norton and Kaplan 2006). A balanced scorecard can be important instrument that helps to translate a firm's strategy and mission to comprehensively actionable targets and performance targets that offer a stable structure for a strong vital estimation and management framework. It retains prominence of accomplishing monetary targets whilst additionally incorporating the performance drivers of the money related goals.

In Ethiopia the banking industry is slow-growing in financial strength, in kind of services and application of Technology. Poor quality service is one of the major factors for the failure of many financial institutions and service organizations. Mostly, customer's dissatisfaction is related to poor quality services that can result poor organization image.

In the current competitive world the services industry is changing rapidly. The newly emerging technologies have changed the method of customer services provision in many service organizations. Financial industries adopting different quality improvement tools to deliver the newest and most attractive services to their customers. Customers demanding are increased and changed from time to time.

Banks in Ethiopia have recently taken much attention on how to provide better services and develop the loyalty of customers than their competitors. In an effort to outperform their competitors, banks are introducing different quality improvements tool to improve service delivery and quality services and also invest on quality improving activities (Auka, 2012). The growth and sustainability of customer loyalty has become crucial in maintaining competitiveness in the market.

CBE is one of the prominent state owned banks that render conventional bank services to the public in the country with 78 years of experience .as a leading bank of Ethiopia. Commercial bank of Ethiopia also has introduced new technologies. Such as, introduce electronic banking payment services through the country by means of ATMs, POS, mobile banking, internet banking and CBE-birr services. Not also new technologies only as a leading bank implemented new quality management tools like PMS, BPR, currently CBE adopted BSC inorder to satisfy increasing customer wants.(www.combanketh.et)

CBE has a vision to become a world class bank on 2025 .in order to meet their vision the bank undertake different projects to ensure the realization of its vision evidence tells that after the bank has implementing BPR to fundamentally re-engineer its business process in 2008 it has invested big amount of money in IT projects (sahilu, 2018) Commercial bank of Ethiopia currently using BSC tools of quality improvements.

When CBE providing service it should be realize that the bank's vision which being a world class commercial bank at 2025. One way of insuring this is by implementation balanced

score card (BSC) to achieve organization objectives. This research is helpful in identifying its benefit, challenges improving the process of implementation BSC in the bank; it identifies link BSC with goals set and how to use it to the bank's advantage.

Therefore, in order to achieve those goals the bank enhancing the quality systems from time to time need to motivate employees to achieve organizational goals and enable managers to make better decisions. The bank implementing Balanced Scorecard to enhancing quality (BSC) framework (Norton K. &, 2012) had been more widely accepted (Xu &Goedegebuure, 2005).

Some researchers stated BSC approaches were developed out of the need to focus on non-financial measures and achieve the ultimate financial objectives. The BSC lays emphasis on the impacts of non-financial measures such as employee satisfaction through internal marketing, product/service quality, and customer satisfaction on financial measures. It further stresses on the notion of linking performance measures on associated cause-and-effect relationships (Bisbe&Otley, 2004). It is a model that keeps managers from focusing too much on improving one measure at the expense of others (Hoque& James, 2000; Al Sawalqa, et al. 2011).

### **1.3. Statement of the Problem**

Currently the banking institutions such as Metro Bank, Deutsch Bank, JP Morgan have already implemented BSC (azturkandalicoskun 2016,) organizations that implement BSC have realized successes as the same time failures records. According to Pforsich (2005) about 70% of all implementation of balance scorecard was failed.

According to Gitonga (2014) assess Balanced Scorecard implementation in consolidated bank of Kenya, and found that BSC has been useful tool for bringing attainment of the mission of the bank; and yet some challenges have been faced including resistance to change, lack of sufficient knowledge of the staff aspects of operation that are difficult to measure and lack of objectivity in appraisal of staff. According to Olve .G., Roy, J. & Wetter, M (2003) not all measures belong to the scorecard, just the important ones organization will still have numerous other metrics, but only those that contribute to the

execution of the company strategy should be incorporated in the score card.( Roos, L.Feltham, .G.A. and Xie, J. 1997) explain that for performance measures to be effective they have to be reliable and consistent with the actions of the unit, and with the short- and long term goals of the whole organization.

One of the challenges levelled against Implementation of BSC model is it's over reliance on subjective measures. This is even more evident in cases where measures are tied to employee evaluation and bonuses. Again, according to (P feffer& Sutton 2000) a particular case in where bonuses for branch managers of Citibank branches in California were tied to BSC measures. The performance clearly stated in the company manual that lacking an objective indicator for people performance, evaluation will be based on the subjective judgment of employee.

According to Franco & Bourne (2003) stress there is a lack of empirical evidence that explores BSC impacts especially on employee's performance. Waal (2003) argued that important precondition for successful implementation of BSC is to involve employees in the development and implementation of the scorecard. Most of the study done on BSC deal with its development and success stories consequently, Taylor (2010) asserts that the issues performance improvement and challenges related to BSC application is not uniform in developed and developing countries .

In the rapid development of financial markets, commercial banks are facing with intense competition. The traditional performance management appears to be inadequate in how to measure all-round performance to meet the banking needs of strategic development.

Organization's strategy is not translated into action and the organization does not obtain any benefit from the Balanced Scorecard, Some of them the key impediment or challenges of implementing BSC: - Lack of senior management commitment where delegation of the BSC project is left to middle management and defining the project as performance measurement. This has been described as one of the most common causes of failure since the focus and alignment to implement strategy is lost. This is a process that can only be led from the top and too few individuals are involved resulting to lack of shared commitment which is required to align the organization (Niven, 2006)

The vast majority of employees do not understand the organizations strategy especially lower level employees were in adequately trained, Consequences employees had insufficient capabilities to perform their job in addition organization structure is hampering employees. To successfully implement any strategy it must be understood, acted on by every level of the firm and cascading the score card means driving it down into the organization and giving all employees the opportunity to demonstrate how their day to day activities contribute to the company's strategy. (Niven, 2006)

Researcher's [preferred&Sutton \(2000\)](#) stated that Employees which have worked in the same position even if working in the same branch have different measurement parameters and results. This treatment has the reason for customer dissatisfaction. Due to this In Ethiopia especially in Addis Ababa many customers' voice concerns about inefficiency and lack of quality excellence in the banking sector. There is a complaint of long waiting at the banking hall, failure of network system and Automatic Teller Machines and finally, defection to other banks. Therefore, the emerging situation calls for the assessment of service quality in relation to customer expectation and service performance to help the commercial bank to improve its service quality and enhance satisfaction so as to ensure customer loyalty.

Therefore, this research asses the current situations of BSC contributions and challenges faced while implementation of this instrument by the bank.

#### **1.4 Research Questions**

This study was conducted to answer the following basic questions:

1. Did BSC positively contributes to enhance financial performances of the bank?
- 2, what are the contributions of BSC towards improving customer' satisfaction of the bank?
3. What is CBE employee's perception towards BSC quality assurance management & performance measurement practices?
4. Does BSC practiced in well structured manner in CBE?
5. What were the major challenges that CBE faced while implementing BSC?

## **1.5 Research Objectives**

### **1.5.1 General Objective**

The general objective of this research proposal is to assess the BSC implementation practices in CBE.

### **1.5.2 Specific Objectives**

The following statements are the specific objectives of this research:-

1. To analyze BSC contributions in financial performances enhancement of the bank.
2. To assess the BSC's contributions towards customers' satisfactions.
3. To measure CBE employees' perception towards BSC practices.
4. To evaluate the structural implementation of BSC in CBE.
5. To identify and analyze major challenges that CBE faced in the implementation of BSC.

## **1.6. Significance of the Study**

The study had the following benefits to the stock holders:

Because of, the research focused on BSC implementation practice and its challenges in CBE. The study also facilitates other financial institutions to know and appreciate the benefits of BSC systems to enhancing customer service delivery in their respective banks and enhancing their competitiveness in the market.

Furthermore it helps to give the necessary supportive information as an input for further researches and it provided additional knowledge and awareness for the employees in the banking sector about BSC improvement.

## **1.7 Scope of the Study**

In order to make the research effective and well manageable, this study focused only on the BSC implementation practice process and its challenges in CBE, Addis Ababa city branches in order to get specific and reliable answers. It focused on primary data collection methods and it has used interviewed four employees from each CBE city districts and one employee at head office level. Those who had directly responsible with quality improvements and BSC implementation and it used secondary data from banks website in order to get the previous performance of the bank.



As we know due to the pandemic dieses of covid-19it is difficult to address all branches. But, the selected branches assume to represent the rest branches of the city because their duty is routine and uniform as well as the recorded data's are the results of all branches.

### 1.8. Organization of the Study

This study organized in to five chapters as follows: The first chapter introduces the reader about the study areas. It contains the statement of the problem, research questions, general as well as specific objectives of the research, significance of the study, scope of the study, limitations and some definitions of terms which include in the title briefly.

The second chapter deals with past theoretical and analytical/empirical reviews of the area and conceptual framework of the study.

The third chapter discuses on research methodologies, about sampling Techniques sampling methodology, sample size, about data collection tools and methods stated clearly.

The fourth chapter states about data analysis, interpretation and discussions.

The last chapter five presents about results of findings, conclusion and recommendation for the Bank, employee, and customers will clearly expressed.

### 1.9. Operational Definitions:

- **Customer satisfaction:** Is a state when the customer feels a product or a service meets his/her expectations ([Juran, 1992](#)).
- **Service quality:** The difference between customer's expectations and that of his perceived concept of real performance of service ([Zethaml&Bitner, 1996](#)).
- **Balanced Scorecard;** is a tool that translates an organization`s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system ([Norton & Kaplan., 1996](#)).
- **Performance Measurement Tool;** The goal of performance measurement is to help optimize the interaction of strategy, decision making and all aspects of operation consequently, it is a means to that end. Moreover, performance measurement tool used to map the relationship between organizational activity and results

## CHAPTER TWO

### 2. LITRATURE REVIEW

#### 2.1 Theoretical Review

##### 2.1.1. Introduction

The primary purpose of this chapter is to get a hold of the theoretical and empirical understanding of the concept of the balanced scorecard. In doing this, the overall concept with the origin and meaning of the balanced scorecard is briefly stated and the over reliance of companies on financial measures is criticized. Then, the chapter briefly introduces of the components of balanced scorecard and what it takes to implement it, empirical literature which is reviewed in connection with the challenges of implementing the balanced scorecard are stated.

The chapter briefly introduces of the components of balanced scorecard and what it takes to implement it. In addition to this the chapter empirical literature which is reviewed in connection with the challenges of implementing the balanced scorecard are stated.

This chapter was also present some concept and framework of BSC in the implementation process. It contain BSC concept, Building and implementing BSC, Performance Management System, BSC in CBE, The success factor in BSC implementation and challenges of BSC implementation in commercial bank of Ethiopia

##### 2.1.2. What is Balance Score Card?

**Balanced Scorecard (BSC)** is born from this rich history of measurement and serves the same purpose to business as the timepiece served the ancient mariners. BSC attempts to move businesses from monitoring to measurement; from measurement to management and from management to direction setting :(Nair, 2004)

**Balanced Scorecard (BSC):-** as a carefully selected set of quantifiable measures derived from an organization's strategy. The measures selected for the Scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic

objectives. This tool as three things: communication tool, measurement system, and strategic management system.

(Niven, 2006)The quotation above goes to emphasize the usefulness of the balanced scorecard in assessing organizational performance. It brings the importance of using both financial and non-financial key performance indicators (KPIs) that are critical to the health of the organization and that give the organization all the information that is required to focus on the achievement of its strategic goals.

### 2.1.3. Evolution of BSC

The evolution of the Balanced Scorecard may be represented by three generations of Balanced Scorecards. They concluded that the evolution of the BSC was mainly driven by the empirical evidence of weaknesses found in previous generations. In the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid-1990s the focus moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool (Othman et al., 2006).

The main concern of the first generation of the Balanced Scorecard as a performance measurement tool was to solve the measurement problem of balancing the accuracy and integrity of financial metrics with the drivers for future financial success (Niven, 2005). Lawrie and Cobbold (2004) argue that in the original design of the BSC concept, the selection of which measures to include was not sufficiently clear. This was evident in two respects: the organization did not know what measures to include in the Scorecard, and it was not clear which measures should appear for which perspective.

To overcome these weaknesses, Kaplan and Norton (1993) introduced the concept of strategic objectives. In their view, there should be direct mapping between each strategic objective placed in the four perspectives with one or more performance measures. This would provide justification for the selected measures. In addition, they linked the strategic objectives in a tool called a strategy map to show the causality between them (Lawrie and Cobbold, 2004). In the second generation, from a strategic measurement system, the Balanced Scorecard evolved into a strategic management system with the intention of supporting management in the implementation of strategy (Niven, 2005).

The criticism of the second generation of the BSC was based on the lack of interpretation and understanding of the vision and mission statements from lower levels of the organization, which were preserved only for high level management (Lawrie and Cobbold, 2004). Niven (2006) argues that the use of a Balanced Scorecard may be seen as a tool for measuring performance, a strategic management tool, and a tool for communication. Enhancing the communication role of the BSC was the goal of the third generation of its development. According to Niven (2005), company strategy should be understood not only by executives, but it should be transformed into simple objectives and measures understood by all the people in the company and this should lead them to achieve real results. The third generation of the Balanced Scorecard aimed to reach all levels of the organization by cascading high level Balanced Scorecards to lower levels. Further, through the description in the strategy map, the BSC should show all employees what they must do in each of the four perspectives in order to execute the company strategy.

#### 2.1.4. Over View of Balanced Scorecard

The ability to monitor the performance and results of a company's strategies through the selection of very few critical metrics/measures that permeate the entire organizational structure taking into account both internal and external factors.

The balanced scorecard translates an organization's strategy into four perspectives (financial, customer, internal business processes and learning and growth) with a balance among the following elements:

- ✓ Internal and external measures
- ✓ Objective and subjective measures
- ✓ Performance results and drivers of future results and
- ✓ The balanced scorecard [also balances] traditional financial measures with non-financial measures (Mayer, 1997), 1997; Kaplan et al., 1992).

The four Perspectives of Balanced score card introduced by Kaplan and Norton are discussed below:-The balanced scorecard was introduced as a performance measurement approach to assess the activity of both tangible and intangible assets of an organization. Kaplan and Norton

(1992) described current performance measurements, based on internal financial data, as obsolete and unresponsive to the activity of an organization. The genesis of balanced scorecard also includes activity based costing (ABC) approaches introduced in the 1980's by Johnson and Kaplan (1987).

The balanced scorecard approach was introduced to move organizations away from financially biased measurement to a more balanced approach that links four perspectives of an organization's success: financial, customer, internal processes and learning and growth. The balanced scorecard framework has evolved from this multi-perspective performance measurement system to a complex strategy management and control system. There has been a revolution of performance measurement techniques and frameworks in the last 20 years after the balanced scorecard has been so widely accepted that an editorial in the Harvard Business Review called it one of the most influential management ideas of the twentieth century. (Kaplan and Norton, 2007)

According to the balanced scorecard is considered one of the most significant developments in management accounting. The first Kaplan and Norton book (1996) has been translated into more than 18 languages. The concept has received much praise and a great deal of usage in the public, private, and non-profit sectors. Strategy focused consultants have made millions of dollars helping organizations implement the balanced scorecard framework (Kaplan, 2002). BSC defines as a theory or management approach that was first viewed in the Harvard Business Review (Kaplan, R. S. and Norton, D. P. 1996). The new improvement on this theory appeared in the Kaplan and Norton book. The balanced scorecard defined as: "The Balanced Scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system."

To ensure a balanced scorecard, the organizational management team copies the mission, vision, and strategy into a scorecard. This scorecard depicts the long term and short term success of the strategy. The scorecard should have the outcome measures which represent the excellent prior performance, and the performance drivers that lead to the successful future performance.

While the management team have balanced scorecard, then they have the four strategic management team processes, which are:

1. Clarify and translate vision and strategy.
2. Communicate and link strategic objectives and measures.
3. Plan, set targets, and aligns strategic initiatives.
4. Enhance strategic feedback and learning.

Kaplan and Norton argued that the implementation of the theory has the same importance of the improvement of the strategy.

They clarified that the successful implementation leads to the principles of the strategic management ([Kaplan, R. S. and Norton, D. P. 2001](#)):

1. Translate the strategy to operational terms.
2. Align the organization to the strategy.
3. Make strategy everyone's everyday job.
4. Make strategy a continual process.
5. Mobilize change through executive leadership.

The scorecard is paired with a strategy map to be used as a visual to communicate and correlate the intangible assets to tangible assets. It is a simple map showing how the foundation of people and technology affect process, customer satisfaction and eventually financial measures. It is a communication tool to show employees how their jobs fit in to the organization's strategy ([Kaplan 2001, 50](#)).

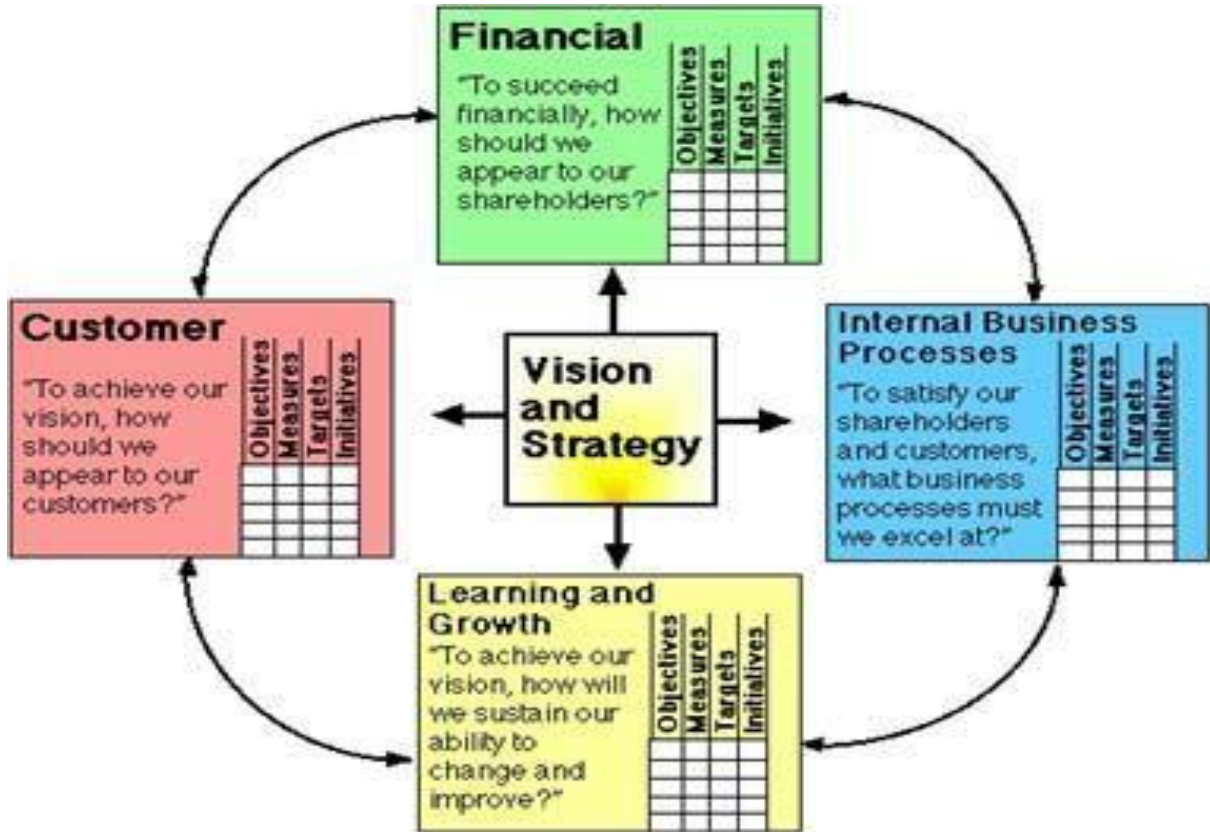
## **2.2. The Four Pillars of BSC**

The etymology of the word perspective is from the Latin prospectus, to look through or see clearly, which is precisely what aim to do with a Balanced Scorecard: examine the strategy, making it clearer through the lens of different viewpoints ([Niven, 2006](#)). If companies are to survive and prosper in information age competition, they must use measurement and management systems derived from their strategies about customer relationships and capabilities. The balanced scorecard retains financial measurement as critical summary of managerial and business performance, but it highlights a more general and integrated set of

measurements that link current customer, internal process, learning and growth to long term financial success (Kaplan and Norton, 1996).

Kaplan and Norton expressed the four pillars graphically on their 1996 works as follows.

**Fig 2.1 Four Pillars of BSC Kaplan and Norton 1996**



### 2.2.1 Financial Perspective

The financial perspective demonstrated the strategy of increasing profitability while maintaining both business equity and proprietor's income (Shadbolt et al, 2003). Private sector financial objectives generally represent clear long-range targets for profit-seeking organizations. Under this perspective the most common performance measures incorporated are the traditional financial measures: ROI, Cash Flow, Net Operating Income, Revenue Growth, etc. So success is measured through financial measures. These measures differ from one company to another, which mean there is no standard set of financial measures applicable

across different contextual organizational frameworks and environments [Al-Sawalqa, Holloway and Alam, \(2011\)](#).

In the government arena, the “financial” perspective differs from that of the traditional private sector. Success for public organizations should be measured by how effectively and efficiently they meet the needs of their constituencies [Ronchetti, \(2006\)](#)

Therefore, in the government, the financial perspective emphasizes cost efficiency, i.e., the ability to deliver maximum value to the customer.

### **2.2.2. Customer Perspective**

When choosing measures for the customer perspective of the scorecard, organizations must answer three critical questions: Who are our target customers? What is our value proposition in serving them? And what do our customers expect or demand from us? Sounds simple enough, but each of these questions offers many challenges to organizations ([Niven, 2006](#)). In the customer perspective, the aim is to identify the customer and market segments in which the organization will compete, and, accordingly, the measures to track related performances ([Kaplan and Norton, 1996](#)). Most organizations will state that they do in fact have a target customer audience, yet their actions reveal as all things to all customers strategy. As strategy guru Michael Porter has taught, this lack of focus will prevent an organization from differentiating itself from competitors ([Niven, 2006](#)). According to [Kaplan and Norton \(1992\)](#), customer concerns have a tendency to fall into four different categories: time, quality, performance and service, and cost. Therefore, to get the balanced scorecard to work they advocate that the company should articulate goals for time, quality, and performance and service, then translate these goals into detailed measures.

### **2.2.3. Internal Business process perspective**

Internal business Processes, represents the impact of product and service quality and helps identify which internal business processes must operate with excellence in order to satisfy customers. In other words, the objectives of the internal business process perspective highlights the processes which are most critical for the strategy of the organization to succeed and to meet customer expectations ([Kaplan & Norton, 1992](#); [Kaplan & Norton, 1996a](#)). In the Balanced Scorecard of a commercial business, the Internal Business Processes objectives and



measures should not focus solely on enhancing processes per se but should also focus on those capabilities that deliver competitive advantage (Mackay, 2010). Internal business process metrics are then developed, which communicate the level of product quality through the monitoring of in-process metrics, as well as measuring productivity associated with the number of units produced or services provided (Brown, 1996). Metrics defined for the internal business Process perspective are those that can be associated with satisfying customers and delivering value. After all, exceptional customer performance descends from excellent internal processes (Kaplan & Norton: 1992). Typically the measures of this perspective are based on producing goods and services in the most efficient and effective methods. Commonly used measures for this perspective are: cost of quality, cost of non-conformance, process innovation, time savings etc. These processes also enable the business to satisfy the shareholder expectations of the company's financial return (Kaplan & Norton, 1996a). The internal business process perspective demonstrated the strategy of increasing and intensifying production while satisfying partners and operating in a socially responsible manner (Shadbolt et.al:2003). However, for non-profits, realizing excellence in internal operations correlates to increased constituent or congregant satisfaction, not financials (Niven, 2003).

#### **2.2.4. Learning and Growth Perspective**

The intense global competition of today's world requires the companies to be able to change fast and be innovative (Kaplan & Norton, 1992). The products and processes need continuous improvement to be able to keep up with the fast pace. The main sources of organizational learning and growth are people, systems and organizational procedures (Kaplan & Norton, 1996c).

The learning and growth perspective demonstrated the strategy of utilizing technology, improving partner and employee knowledge through off and entraining and developing (Shadbolt et al, 2003). Learning and Growth, enables the other three perspectives and defines what type of staff and automation the organization must have in order to achieve the mission, support the internal processes, and satisfy the customers. So this perspective, along with the internal process perspective, hub on identifying factors of long-term and short-term success.

Kaplan and Norton acknowledge that the learning and growth measures are the most difficult to select; therefore they suggest the following measures as examples: employee

empowerment, employee motivation, employee capabilities, and information systems capabilities (AL-Najjar&Kalaf, 2012).

### 2.3. BSC Implementation

Currently the use of BSC is widespread across all industry sectors, from manufacturing to service industries, from large to small businesses and from public to private projects. The strength of the BSC is integrating three non-financial metrics, customer, internal process, and learning and growth with the traditional financial metrics. The common uses of the BSC are performance measurement, strategic management and project management. The benefits of the BSC include overcoming inadequacies of the traditional financial-based performance measurement tools, providing a holistic performance outlook, but it faces different challenges.

According to Bourne and Bourne (2007) is failure of use. Without review and visible action being taken that are based on the results of the measures, commitment to the process will be lost and the scorecard will decay. Even having a high-performance BSC that is out of date can take the organization in the wrong direction unless it changes the strategy when the environment changes. Similarly Performance measures need to be realigned as failure to do this will result in the strategy being focused on one or more aspects, and the employees being guided to focus on others. In addition to this, if a company wants to implement the balanced scorecard properly and reap all the benefits, people should first learn about it.

Emad A. And Amir A. (2015), finding, the BSC has serious limitations both in concept and in practice. The evidence is a greater number of organizations implementing the BSC have either failed to achieve their intended objectives or encountered serious problems during implementation. The main limitations include. The concept of the BSC has no clearly defined relationship with organization performance, the objective and definitions of measures exclude key stakeholders, lacks the definition of key success factors necessary for identifying KPIs, and the four categories limits the view of the organization. In practice, the BSC focuses resource to achieve its goals leading to underutilization of organizations" potential beyond the targets of the BSC; hampers inter-organizational innovation; perceives an organization has hierarchical structures, clearly delineated job responsibilities and one- way linear cause-and-effect relationships; and promotes closed innovation. These limitations hamper the

effectiveness of the BSC and contribute to some organizations wanting to abandon the BSC altogether for better alternatives (Kraaijenbrink, 2015). A viable alternative to the BSC is Performance Prism (Cennerley and .M, 2005)

The Balanced Scorecard aims for a complete description of everything that it is important to know in order to execute the company strategy spread over four perspectives (Olve et al., 2003). Besides introducing non-financial measures to motivate optimal management decisions, the Balanced Scorecard shows its “balance” in a few other ways.

The Balanced Scorecard is linked through a series of cause-and-effect assumptions (Olve et al. 2003). According to Kaplan and Norton (2000), strategy is the movement of an organization towards a desired but uncertain future position

### **2.3.1 BSC Application in Ethiopia**

BSC is a strategic management and measurement tool. It measures performance by taking intangible assets in to consideration, but most of the banks in Ethiopia measure their performance mostly taking their tangible asset in to consideration and their growth also measured likewise. (Fikadu, 2009)in his book in its thesis, recommended that CBE is better utilize BSC approach for its performance management in addition to traditional approach because BSC measures performance of the business taking in to account the long run aspects of the business like Customer satisfaction, internal business process and Learning and growth perspective of the business rather than only dwell on financial matters.

Some authors even recommend BSC to curb the problem of employee dissatisfaction that emanated from low salary and benefit. Because BSC attaches performance with reward system in order to motivate employees. As (Ataklity, 2011)stated absence of reward system and low level of salary in public organization especially in civil service adversely affected employee motivation and caused high labour turn over.” Likewise the employee dissatisfaction of the three organizations MoLSA, CBE and DBE’s is emanated from low salary and benefit ,so in order to solve the problems the authors recommended the introduction of reward system in line with desired result or behaviour. That is introduction of result oriented performance management system (using BSC as a tool) is assumed that it will solve this problem.

(Getachew, 2014) Finding also, the implementation of BSC helps the employee and the organization in order to enhance their knowledge in regarding to their organization vision, mission and objectives; it also enhances the knowledge of effective time management, commitment to work, having responsibility for their work.

However BSC has the following challenges. These are, manipulation of targets, resistance to change, politicizing the tool and early cascading are the major ones. The major cause of the above challenges emanated from lack of understanding of the tool and its early attachment of performance of the employee with compensation.

Actively supported at the highest levels of governments in Ethiopia, policy makers have adopted the ‘Balanced Scorecard’ , an accounting concept introduced into the management literature in the 1990s (Kaplan and Norton, 1996) to stimulate and inform performance planning and monitoring with the intention of creating a more ‘strategically coordinated’ public service (Perkins, 2010). According to our ‘insider’ account, (Perkins, 2010) state that BSC was chosen mindful of the need to coordinate activity not only vertically between governmental policies and individual ministries but also horizontally across public service agencies, to deliver integrated performance management motivated by a more stakeholder centered approach.

### **2.3.2. Background of CBE**

State Bank of Ethiopia established in 1942 then, it was legally formed as a share company in 1963. In 1974 CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing Significant roles in the development of the country. Pioneer to introduce modern banking to the country. Until the end of December, 2020 CBE has more than 1646 branches stretched across all over the country. CBE is the leading East-African bank with assets of more than 903.6 billion birr as on December 2020. CBE also plays a catalytic role in the economic progress & development of the country. (www.combanketh.et)

CBE is the first bank in Ethiopia to introduce ATM service for local users. Currently CBE has more than 26.5 million account holders and the number of Mobile and Internet Banking users also reached more than 3 million as of December 2020 bank reports and also Active ATM card holders reached more than 7 million. It has strong correspondent relationship with more than 70

renowned foreign banks like Costomz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank.CBE has a SWIFT bilateral arrangement with more than 700 others banks across the world. (<https://combanketh.et>)

CBE combines a wide capital base with more than 49,000 talented and committed employees. Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 31 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money. CBE has opened four branches in South Sudan and they have been in the business since June, 2009.

Currently CBE sets its vision to become world class bank in the year 2025 by improving quality of services for customer and rendering services outside of Ethiopia.CBE also committed to best realize stakeholder's values through enhanced financial intermediation by deploying best professional employees as well as state-of-the-art technology. CBE strongly believe that winning the public confidence is the basis of our success (CBE website September, 2020).

CBE strongly believe in service quality improvements in order to win public confidence and to get competitive advantage in the local market as well as global market shares. In order to improve services in the last two decades CBE was trying to adopt BPR,PMS,KAIZEN and currently PMS and BSC are applied.

### **2.3.3. BSC Implementation in CBE**

[Fikadu, 2009](#), in his thesis, recommended that CBE is better utilize BSC approach for its performance management in addition to traditional approach because BSC measures performance of the business taking in to account the long run aspects of the business like Customer satisfaction, internal business process and Learning and growth perspective of the business rather than only dwell on financial matters.

But most of the banks measure their performance mostly taking their tangible asset in to consideration and their growth also measured likewise.

[DraganPujas \(2010\)](#), the findings show that the barriers found in the literature and the reasons which led the BSC initiative in Plava Laguna to fail are similar. All barriers found in the literature were present in PlavaLaguna's BSC initiative of 2002 and caused its failure.

Unwillingness to change is signalled as an additional potential reason for the BSC to fail in Playa Laguna.

The most significant problem was found in the lack of BSC knowledge. This shortcoming affected most of the other actions and caused many subsequent problems. The undeveloped IT slowed the initiative and caused many frustrations for the project team. Losing support from the top of the firm and the apparent unwillingness of some members of the company to change caused the BSC to remain only an unrealized wish of the company.

## 2.4. Nine Steps to Implement BSC

Fig. 2.1 Nine Steps to Implementing BSC



Source:-[WWW.Balancedscorecard.org](http://WWW.Balancedscorecard.org) accessed on 03/04/18

### 2.4.1 Assessment

The first question in assessment phase is answering really that Balanced Scorecard implementation is needed or not? To affirm this issue an organization should answer In order

to implement BSC successfully organization should undertake SWOT analysis, and then identify enablers (opportunity and strength) and pains (weakness and threat).

### **2.4.2 Strategy**

Strategy is a hypothesis or a best way, for the organization to achieve its vision and mission and satisfy its customers and stakeholders. In this phase the organization identifies the business strategy taking the mission, the vision and the core values of the organization in to account. But we have to bear in mind that BSC is not a tool to formulate strategy; it is a tool to implement and take action on the designed strategy, so in order to be successful in implementation of the strategy According to Beer & Eisenstat (2000) strategies will fail if it is/has:- Top down style,

- unclear and conflicting priorities,
- ineffective senior team,
- poor vertical communication,
- poor coordination across business units or functions and
- Inadequate down the line leadership skills

Then formulating strategic theme is an area in which your organization must excel in order to achieve your vision. According to 3tm balanced scorecard Institute, themes are essential strategic elements that form the foundation for a balanced scorecard.

### **2.4.3 Strategic Objectives**

Objectives refer to the actual results the organization hopes to achieve. A strategic objective is used to break strategic themes in to more actionable activities that lead to the strategic results (Rohm, 2008).

### **2.4.4 Strategic Mapping**

A strategy map links the high level goals of the organization, its mission, values and vision with meaningful and actionable steps each employee can take. Strategy maps are built around the structure of the four perspectives.

These linkages show that each of the four perspectives serves to enhance the other perspectives, while improving overall organizational performance, in this way, goal and

actions of the organization, departments, and individuals can be combined and coordinated to improve outcomes. They also ensure that the organization's objectives in each of these perspectives are consistent and internally aligned. [Isoraite \(2008\)](#)

According to the research made by [Othoma \(2006\)](#) the evidence suggest that developing a causal model of a strategy affects the implementation of the BSC. It shows that those who did not develop a causal model encountered considerable Problem in implementing the BSC, among other things, the absence of a causal model created difficulties in developing the non-financial measures, developing an action plan of the strategy and the process of cascading the scorecard to lower levels of the organization. The absence of a causal model of the strategy may lead organizations to develop performance measures that are unconnected to the strategic issues of the organization. The absence of causal model of the strategy is akin to a person driving a car in an unfamiliar place without a map. The simple act of describing strategy via strategy maps and scorecards makes a major contribution to the success of the transformation program” ([Kaplan and Norton, 1996](#); [Mackay, 2010](#))

#### **2.4.5 Performance measure**

Measures define how the organizational unit measures its performance. These are indicators to track the performance of the organization by providing essential information needed to enable control and monitor the organization. Performance measures are linked to objectives and allow the organization to measure what matters and track progress toward desired strategic results. Targets and thresholds provide the basis for visual interpretation of performance data, to transform the data into business intelligence. [Ketelhohn \(1999\)](#) and [Vasconcellos \(1988\)](#) found that the identification and selection of appropriate measures and key performance indicators enhance the implementation and acceptance of business strategy, at the same time as enhancing employee understanding of the business. Furthermore, [Forza and Salvador's research \(2000, 2001\)](#) supports the suggestion that employee communication that focuses on feedback from measures increases collaboration and facilitates buy-in. But [Braam and Nijssen \(2004\)](#) argue that performance will be harmed if the measures are seen as an end instead of a means.



### 2.4.6 Initiatives

Initiatives refer to the programs or policies the organizational unit will employ to reach its objectives and targets; these are projects or actionable projects that help to ensure strategic successes. Initiatives translate strategy into operational terms, and provide a basis for prioritizing the budget and identifying the most important projects for the organization to undertake. According to settler leadership Initiatives and action plans are agreed as a set of programs and projects that need to be implemented to ensure the success of a strategy. After this step completed scorecard rollout will be made.

### 2.4.7 Automation

Once a good set of strategic performance measures developed, a performance measurement information system is needed to collect and report performance data and transform the data into performance information (Rohm, n.d).As the balanced scorecard evolved from a pure measurement system to a strategic management system, to a powerful communication tool with the advent of strategy maps, the paper-based reports used by early adopters were hard pressed to keep up with progress in the field. The reporting, analysis, and communication requirements represented by these advances required new tools (Niven, 2014). Automating the balanced scorecard system consists of analyzing software options and user requirements to make the most cost effective software choice for today and to meet enterprise performance information requirements in the future (Rohm, n.d).

### 2.4.8 Cascade

Once an organization has developed a BSC the next task is to move the concept down the organization hierarchy and devise complementary scorecards. Cascading is about creating alignment around the organization's shared vision, to make strategy actionable to departments and down to individuals. Align the organization through strategy, using the strategy map, performance measures and targets, and initiatives. Scorecards are used to improve accountability through objective and performance measure ownership.

Cascading is important to clearly translate the organization mission, vision and strategic objective down to the organization hierarchy, however; too much drill down will develop a plethora of lag and lead indicators and the linkages between them and the business vision would be lost (Shadbolt et al 2003). So this lead the BSC to becoming a measurement process

and not a management process as it is designed to be. However; given the complexity of some of the complex businesses researched some drilling down is essential if strategy is to be translated into operational terms. This ensures that the efforts of the organization's employees are relevant, understandable, measurable and controllable.

#### **2.4.9 Evaluation**

The effectiveness of the balanced score card is based on its ability to translate a firm's mission and strategy in to a comprehensive set of performance measures (Kaplan et al., 2001a). Besides in order to succeed, it cannot be viewed as a one-time event.

Determining your objectives in developing the Balanced Scorecard will go a long way in securing the evolution of the tool in your organization. Niven (2006) states that, specifically, the BSC framework seeks to identify the critical economic activities of the company that generate current and future cash flows and to build a causal model of the process by which the company generates profits by focusing on both financial and non-financial indicators of firm performance. The results of the organization becoming more strategy-focused are evaluated, and changes in strategy, measures, and initiatives reflect organization learning.

### **2.5. Challenges and Failure of BSC**

Despite many stories of successful implementation of the Balanced Scorecard in large companies, Kaplan and Norton (2001: 360), based on their experience of Balanced Scorecard implementation in many organizations, identify two sources of failure of the Balanced Scorecard in large companies: the design and process failure.

BSC often fails to achieve its goals when it focuses on trying to balance conflicting stakeholder interests or when it acts as a management scorecard (Gering et.al ,2000) in this case, BSC ceases to become a focused operationally of a coherent strategy. Gering and venkatramen (2000) and Christopher Ittner& David Larcker categorized this kind of failure as design failure. According to (man, 1999)as cited by (Itter and Larcker) negotiated, rather than stakeholder focused performance targets is one of the reason that BSC fails.

BSC can be ineffective or even potentially damaging if it becomes a "balanced brain storm"( Gering et al., 2000a) or grap –bag of ideas to satisfy each constituency independent of common strategic objectives or, even worse, as set of " scorecards", pitting different and

sometimes conflicting indicators against each other and on an equal footings. Thus the stakeholders BSC does not specify any single objective which the organization aims to achieve, instead it gives managers unlimited power to do what they want only subject to the restrictions from financial markets.

Studies by [Lorange and Murphy \(1984\)](#) and [Goold and Quinn \(1993\)](#) indicate that formal strategic control systems may reduce performance by focusing attention on incomplete or incorrect goals and performance measures and fostering behavioural and political barriers that adversely affect the utility of the strategic controls. [Ittner and Larcker\(2003\)](#) & (man, 1999)also state that poor metrics is one of the reason for BSC failure, as Kaplan and Norton Richardson (2011) described this as failure of measures selected to depict the organization strategy which is categorized as deign failure by Kaplan and Norton

Another problem that organizations frequently make is jumping into a measurement program too fast and making the program too complicated. Deriving meaningful measurements, gathering reliable data, developing useful analytical techniques, and educating managers about how to use the data are all difficult steps. Doing all this at one time with a bucket full of 50 different measures is doomed to failure. ([Jerold, 2004](#))

Other researcher like Professors Christopher [Ittner and David Larcker](#) classifies source of failures in to two, one is design failure and the other transitional failure. [Nelly et al \(2002\)](#) classifies source of failure of BSC to three, content issue, contextual issue and procession issue. [Christopher Ittner and David Larcker](#) at Wharton classifies design failure in seven different items

1. Confusion regarding primary performance drivers often, financial measures carries more weight within an organization than non-financials, but to drive through a holistic, long-term and sustainable strategic re-alignment, the needs of non-owner stakeholders (service users, service delivery partners, etc) should also be considered.
2. Lack of a delivery-level target deployment system ([man, 1999](#))[Murby& Gould \(2005: 23\)](#)
3. No state-of-the-art improvement system is used; ([man, 1999](#))[Murby& Gould\( 2005:23\)](#)
4. There is no, and cannot be a quantitative linkage between non-financial and expected financial results. /([man, 1999](#)), [Murby& Gould \(2005:23\)](#)

## 5. Being inward looking and examining the impact of external discontinuities

The most common causes of process failure include (Kaplan and Norton, 2001: 361):

- ✓ Too few individuals involved;
- ✓ Keeping the scorecard at the top;
- ✓ Overly long development process;
- ✓ Treating the Balanced Scorecard as a one-time measurement project;
- ✓ Treating the Balanced Scorecard as a systems project;
- ✓ Hiring inexperienced consultants;

Introducing the Balanced Scorecard only for compensation

### 2.6. Advantage of BSC

According to Iqra et al. (2013:136) Balanced score card has got advantages over other performance measurement tools due to

Its ability to measure the performance from multiple perspectives;

It also helps organizations translate strategy into action;

It enables employees at all levels of the organization to focus on important business drivers;

It periodically reminds the organization what are the critical strategic issues and gives the necessary feedback on the progress toward achieving them;

It tells the story of the strategy through both outcome and driver indicators and is balanced between financial and non-financial operating measures (Shadbolte et al., 2003).

It helps to clarify and gain consensus about strategy;

It improves communication of the organization's Vision and Strategy; □ It links strategic objectives to long-term targets and annual budgets;

It increases focus on organizational strategy and results;

It improves organizational performance by measuring what matters;

Aligns organization strategy with the work people

Align departmental and personal goals to the strategy;

It helps to prioritize projects/initiatives; and strategy (Kaplan and Norton, 2001; 1996).

## 2.7. BSC Empirical Evidences

Survey data collected by consultancy and commercial research companies suggests that organizations managed through ‘balanced’ performance measurement systems perform better than those that are not (man, 1999); Gates, 1999). Lingle and (man, 1999) report evidence that organizations making more extensive use of financial and non-financial measures and linking strategic measures to operational measures have higher stock market returns. While Lawson et al’s (2003) study shows that the use of a performance measurement system as a management control tool reduces overhead costs by 25% and increases sales and profits. Other authors such as de Waal (2003) and Sandt et al (2001) have found less tangible benefits from the use of performance measurement systems. Dumond (1994) and Sandt et al (2001) suggest that using balanced performance measurement systems improve the decision-making performance of managers and employees. On the contrary on the survey made by Neely., (Cennerley and .M, 2005) from data gathered over three-year period on a major wholesaler of electrical company in the UK, referred to as Electrical which planned to use BCS and the sister company who continued to use traditional methods of performance reporting at the branch level .

The study shows that only companies implementing a more developed BSC

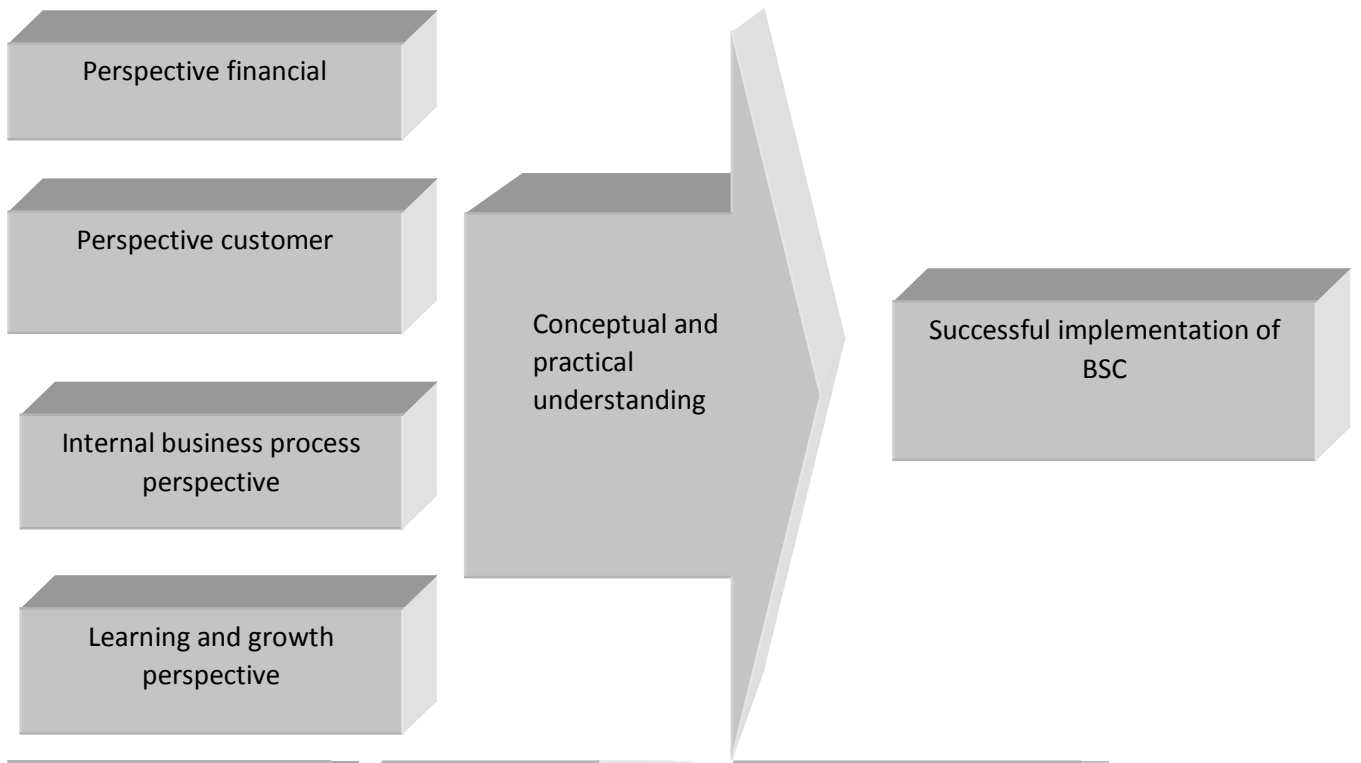
(particularly company’s rely more on the BSC approach and are more satisfied with their BSC than those with a less developed BSC, as per the research made by the above author, out of 50% of the examined companies that use the BSC, only the companies that use BSC are in position to fully benefit of the BSC as a performance management system that bridges the gap between strategic plans and real activities.

Kaplan and Norton (2001) have shown in their latest research that BSC can produce the promised effects. As an example the authors state that companies such as Mobil Oil and Rock water, which have increased their competitiveness and profitability considerably with the implementation of the BSC. Having realized such benefits of BSC, a large number of companies have been adopting it since 1990s. (Elg, 2010) The authors attempted to identify the major characteristics of the BSC application in health care organizations in Sweden. The

authors used a case study approach where they focused on different managerial levels in a hierarchical branch in three health care organizations that used the BSC. The analysis revealed that the BSC is used as a tool for enhancing internal capabilities and organizational development. More specifically, the authors reported that management and employees used the BSC as a tool in discussions, information diffusion, and knowledge creation. The case study produced by Albright, [Davis &Hibbets \(2009\)](#) explained that How BSC implementation in Tri-Cities Community Bank present a big change in their business in three key target areas. The reason from the change as per the information gathered from the journal is that, the manager is determined to bring change in the selected branches and this determination and purpose full action bring change because one of the success of BSC implementation is having purpose or know why the organization implements BSC ([Bourne et al. 2002](#), [Richardson 2011](#))

## 2.8. Conceptual Framework

Fig. 2.3 Conceptual Framework



#### Modified Framework (Kaplan and Norton)

The rationale behind the construction of this conceptual frame work is the theory proposed by [Kaplan and Norton \(1992\)](#). According to them strategy is the movement of an organization toward desired but uncertain future position. So spread an organization strategy over four perspective and employees understanding the hypothesis, aligning them with all organizational units and resource will lead to the successful implementation of BSC.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter covers the research design, the data collection tools, target population and the sampling size & sampling techniques and the data analysis tool used in this study.

#### **3.2. Research Design**

In conducting a research, there are different ways of approaching the situation. According to Creswell (2009) there are three approach of a research: Quantitative, Qualitative and Mixed. Quantitative research is a means of testing objectives by examining the relationship among variables (Creswell, 2009). Quantitative research can make general statements about what is likely to be true overall and can allow collecting and analyzing much more information.

Qualitative research includes words, opinions, thought and feeling and behaviours. It gives detail information about specific cases people or group but it is difficult to make a general statements and time consuming. Mixed research approach employs both quantitative and qualitative research approach. Hence based on the above discussion of the three research approaches this study was used qualitative and quantitative research approach, and the type is descriptive, particularly survey study, because it used to collect and analyze interview and self-observation data. The collected data described through qualitative technique deduction and secondary data is analysed by quantitative data presentation techniques.

#### **3.3 Sources and Data Collection Tools**

In order to collect reliable data the researcher employ both primary and secondary sources of data. Primary data means original data that has been collected from the original source first hand and it is more reliable, authentic and objective. Secondary data is the data that has been already collected by and readily available from other sources and it is quickly obtainable (Creswell, 2009),



Primary data had collected through open ended interview questions and secondary data collected from bank's web site, published materials, Magazines, Periodic Reports Etc...

Interview questions prepared to know employees perception, opinion and ideas about BSC implementation practice and its challenges, on BSC implementation and effectiveness of BSC on the bank used as key information for this study this helps to collect reliable data from the right one.

Therefore this research interview followed Semi-structured interview type. As it can use to discuss detail concepts and ideas while conducting face to face interview.

### **3.4 Population**

The targeted population of this research are Quality Control Managers of CBE in Addis Ababa City Branches and different department. There are above 133 grade four and special city branches. Those grade four and special city branches selected by CBE quality department recommendation, this was my population framework.

### **3.5 Sampling Technique and Sample Size**

Sampling means choosing a smaller more manageable number of people to take part in the research from the population (catherine, 2002), the appropriated sample size is required for validity. If the simple size is too small, it will not yield valid results and appropriated sample size can produce accuracy of results. Moreover the result from the small sample size is questionable (charmaz, 1990) A sample size that is too large will result in wasting money and time.

The sample size used in interview often smaller than quantitative research( questionnaire) because interview method often concerned with garnering in depth understanding of a phenomenon or it focuses heterogeneities in meaning focused on why and how of a particular issue.

The sample size of this research is 13, those are quality control Director, managers and officers. The sample size determine by using method of (shetty, 2002) He suggest a minimum of 10 and maximum of 30 participants is acceptable in interview researches .and some studies have noted having a sample size as little as 10 can be extremely fruitful and applicable . routine and similar duties done with all grade four and special city branches this routine works help to determine my sample by conducting 13 grade four and special branches . This helps to me save time and money, Samples selected through non- random purposive sampling method. These were:

- 1 quality control director from head office

- 4 quality control managers from 4 districts offices
- 4 branch quality assurance managers and
- 4 employees selected from grade four and special city branches.

### **3.6. Data Analysis, Presentation and Interpretation**

Data analysis can help a researcher to interpret data for the purpose of providing meaningful insights about the problem being examined. Descriptive statistics allow the researcher to describe the data and examine relationship between variables (times, 1977)

The collected primary data is analysed and interpreted through inductive descriptive analysis method and the secondary data also analysed by using appropriate statistical tools such as tables and graphs

## CHAPTER FOUR

### 4. DATA ANALYSIS AND INTERPRITATIONS

#### 4.1 Demographic Characteristics

As we have seen from the below table 4.1 there were 13 participants of the interview female interviewees were only 2 that covered only 15% and the remaining 11 or 85% of them were male participants. All are 1<sup>st</sup> degree and above degree holders. And also most of their work have directly related to BSC and quality management process. This will help us to reach at the conclusion of the participants have known how about BSC implementation, practices and challenges that follow. Collecting information from those people may help us to reach at reliable and accurate conclusions.

Table 4.1 characteristics of Participants

Categorized Group		Frequency
<b>Gender</b>	Male	11
	Female	2
	<b>Total</b>	<b>13</b>
<b>Age</b>	Less than 25 years	4
	Between 26-35 years	5
	Between 36-45years	4
	<b>Total</b>	<b>13</b>
<b>Educational Status</b>	Diploma	0
	Degree	7
	Master's degree	5
	PhD /candidate	1
	<b>Total</b>	<b>13</b>
<b>Position</b>	BBO	4
	QA officer	4
	QA director	4
	VP-QA	1
	<b>Total</b>	<b>13</b>

Source: Primary Data Analysis

#### 4.1.2 Reliability and Validity

In qualitative practice, reliability is the dependability/consistency of results and validity speaks to the credibility and trustworthiness of the project and any assertions or conclusions (leavey, 2017)

While (creswell, 2014), states that Qualitative reliability indicates that the researcher’s approach is consistent across different researchers and different projects qualitative validity means that the researcher checks for the accuracy of the findings by employing certain procedures. In order to

assure the reliability and the validity of the process, I have followed the planned research proposal, tried to collect credible information, avoid or minimized personal biasness and so on.

## 4.2 Analysis of primary data

### 4.2.1 Interview Analysis

Q1# what is your organization Vision, mission and strategic plan?

Do you know the word BSC so far?

Majority of the respondents know what BSC is and the meaning of it and they do not take BSC as a time consuming and irrelevant management tool rather the employee accepts BSC as a change tool. Besides, majority of the employees know the banks vision, mission and strategic objective, and they also state that they are well aware, all of them is correctly state the vision, mission and strategic objective, this tell us that the employee internalize their companies mission, vision and strategic objective. The aim of BSC as a strategic management tool is emanated due to majority of the employee to know, vision, mission and strategic objective of the company.

- ❖ We concluded that from the above Interviewee answers all employee had information about BSC but not as much as mission, vision and strategic objective of the bank this implies the bank employees hadn't get training on BSC practices and implementations process.
- ❖ Employees those works on branch levels had not full knowledge about BSC. This indicated that lower level employees haven't got sufficient training on BSC implementation.

Q2#Do you there is Relationship between Balanced Scorecard and Performance?

The interviewee was asked: to indicate whether there is relationship exists between balanced score card and performance. The study found from 11of the respondents that there exists a very important relationship between balanced scorecard and the performance of the bank. The analysis indicated that balanced score card significantly provides the bank management with information on low performance areas and strong performance areas exposing where to improve. Nevertheless, it was found from 2 of the interviewee that there was no relationship between

balanced scorecard and performance of the bank. This went contrary to the previously found information.

- ❖ According to majority of respondents we conclude that exist a very important relationship between balanced scorecard and the performance of the bank. This provides the bank management to give priorities on lower performers and where to improve.

Q3# When does BSC Implementing at CBE?

The bank has officially started developing and implementing the balanced scorecard on 2011/2012. Then, the bank had established a dedicated project team, composing members from every processes of the bank, in order to assess the benefit of adopting the system to the context the bank and it has officially launched the implementation process since 2013.

- ❖ We have to saw the impacts of BSC on CBE results by year results of 2013.

Q4# what is the Impact of BSC in CBE Performances?

The study further sought to establish the impacts of balanced scorecard experienced commercial bank of Ethiopia. The analysis found that BSC has triggered increased profits, indicated it has fuelled increased customer base, the BSC has been a contributor to advanced technology, it has enhanced Professionalism, it has been a key to economic growth and it enhances Competitive edge. This indicates that balanced score card has a significant impact on almost all aspects of banking towards the growth, performance and development of CBE. This agrees with a study by (othman, 2007) that Balanced Scorecard is not only an indicator of appraisal system, but also a strategic management system. The use of the Balanced Scorecard breaks the traditional single-use financial indicators methods which measure performance. Nevertheless, the study found that Implementation of Balanced Scorecard in banks and financial institutions is a very tricky thing as there is huge temptation to focus on financial indicators only. Balanced Scorecard measures key performance indicators in four perspectives: financial, customer, internal processes, learning and growth. It is difficult to say which perspective is the most important but it is possible to say that implementation of financial goals depends on success in the other three categories.

- ❖ We conclude that BSC has a significant impact on almost all aspects of banking towards the growth, performance and development of CBE

Q5# Does Balanced Scorecard (BSC) is important As a Performance Measurement Tool?

The analysis investigated the importance of balanced scorecard as a performance measurement tool in commercial bank of Ethiopia. The study found from 8 of the interviewee that Balanced Score Card (BSC) is a very important performance measurement tool in commercial bank of Ethiopia and currently it solves employee compliance from previous one and the rest interviewee indicated that its Important but it is affected by subjectivity on target proration and not considered locations of the branch had exists even if employee at the same position and at the same grade had different targets.

The high level of importance of balanced scorecard at CBE brings into perspective the findings of (Pearce and Robinson, 2004) who stated that after recognizing some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The Balanced Scorecard helps align key performance measures with strategy at all levels of an organization, provides management with a comprehensive picture of business operations, the methodology facilitates communication and understanding of business goals and strategies at all levels of an organization and finally Maximized Cooperation - Team members are focused on helping one another succeed.

All of the interviewee stated that some process had team based activities ,those activities evaluated at team level because of this it was challenging to cascade objectives and measure .in addition to this natural behaviour measure were also difficult for cascading process. Therefore offices should give special attention for cascading targets especially in group objectives and individual measure

The Balanced Scorecard helps align key performance measures with strategy at all levels of an organization, provides management with a comprehensive picture of business operations.

- ❖ The Balanced Scorecard helps align key performance measures with strategy at all levels of an organization, provides management with a comprehensive picture of business operations.
- ❖ We conclude from the majority of interviewee it was challenging to cascade and measure team based activities and it affected by subjectivity.
- ❖ The system wants continuous training and it wants simplicity and clarity of activities of officers.

Q6# who is Responsible for overall implementation of BSC?

The Office of VP-quality assurance department has been primarily dealing with enabling and monitoring the overall implementation of the balanced scorecard system as the Bank's performance measurement and quality management and improvement tool.

From the interview with the director, the researcher has managed to learn that the bank, after studying the system, has provided an intensive two weeks training to the overall management and has designed a corporate scorecard in balanced scorecard framework. Then the corporate scorecard has been presented to all processes of the bank and then the Executive Management Team has discussed on all corporate objectives and takes each objective on which each process has an influence on it.

Accordingly, each process has designed its own scorecard and has been monitoring its performance quarterly since then. With regard to individual level scorecard, according to the director, the bank has been faced with difficulties of obtaining key performance indicators that can objectively measure the individual performance but it has been cascading the corporate scorecard down to the branch/team level and measure their performance progress accordingly.

- ❖ We concluded that from the interviewee responses, BSC implementation is all CBE staff members but the VP-quality assurance department has been primarily responsible for arranging trainings' and giving training for all employees by their respective hierarchy.

Q7# Does BSC implementation helps to enhance he Banks performances?

BSC brings different changes in the performance of the organization. As a different literature says BSC brings makes performance measurement of the organization based on four



perspectives rather than viewing the organization from financial aspects only. BSC also helps the organization to translate mission, vision, and strategic objective of the business down to individual level and that will be controlled and implemented by use of measurements and target. The measures also help the individual to know what they are going to achieve and how to achieve it.

BSC becomes a management tool that every organization needs to implement. So it seems that BSC has future prospect because most of the organization employee state that BSC is a tool that make the above changes in the organization and proper implementation by understanding will make the outcome more effective.

The interviewee stated that it is not the only fruit of BSC, those below listed number is average of the four city districts. By comparing from the beginning of using BSC and current level of BSC effects. BSC bring quality of service in relative terms from the previous years because their performance is attached with compensation and bonuses,

- ✓ increase in efficiency,
  - ✓ knowledge of time management,
  - ✓ increase responsibility and
  - ✓ Increase commitment in work
  - ✓ BSC also bring to score employee satisfaction from 66% to 79.6% and,
  - ✓ external customer satisfaction from 65% to 84.3% and
  - ✓ Team development is also increased. Besides whether it is due to government's direction or decision the performance of the bank is increased from the previous year's
- ❖ By using majority of interviewee response as an input we conclude that BSC implementation helps to the individual to know what they are going to achieve and how to achieve.
  - ❖ BSC also helps the organization to translate mission, vision, and strategic objective of the business down to individual level and that will be controlled and implemented by use of measurements and target.

- ❖ Most of the interviewee state that they recommend BSC to be implemented by other organization, because BSC enhances and align to meet strategic goal of the organization, to have a shared objective, and how the employee is going to be rated is known.

Q8# what Are the Challenges on implementing BSC on CBE?

The success of BSC performance strategy is depending on number of factors. Apart from the creation of awareness about BSC strategy, it requires implementation follow up and data tracking of individual performance and the subsequent measure to be taken. Having best BSC design does not guarantee the achievement of the goals.

According to the VP-quality assurance director, the major challenges faced by the bank are lack of clarity of the concept on the balanced scorecard though in depth training was provided, difficulty of finding relevant KPIs, inability to back the system with relevant IT system.

A new management system always has a challenge; likewise BSC has faced so many challenges. As per the interviewee's response state that the major challenge of the BSC application is setting of wrong measure and target selection. Lack of understanding on branch managers and lower employee's about BSC.

They also state that lack of understanding of the nonfinancial areas of performance that might advance strategy can allow self-serving managers to choose and manipulate measures. Besides attaching the measure with performance is the biggest challenge that the bank faces by setting the target to be easily achieved by the employees rather than striving to achieve it. Politicizing the tool is another challenge stated by the bank employee, since BSC is implemented and the issue is emanated from the government not from the problem of the organization according to some of the interviewed employee thinks that the tool is implemented only for political issues not for the benefit or to increase the performance of the organization, so it causes resistance to change and Some of the employee's state that cascading problem is the challenge that the bank faces in implementation of BSC in the organization. Because as a tool BSC should took more days to be implemented and get internalized but once the implementation is made in the corporate level without internalizing and shaping the tool. it will be cascaded down ward and let everybody get confused. Some interviewed employee state those who set the measures are more worried on, in

quantifying the work than the quality of the work or measuring what should be measured or the vital few. So, the interviewee stated that all the above stated problems are surely caused by lack of understanding the tool. In addition to that the other major challenge of CBE is the attachment compensation to performance measurement, because as we can observe that ignoring some of the measures, and vowing that the bank achieved its target are one of the challenges that caused by attachment of compensation with employee performance.

- ❖ We conclude that the bank faced those challenges on implementing BSC lack of clarity of the concept on the balanced scorecard and difficulty of finding relevant KPIs, inability to back the system with relevant IT system.
- ❖ From the interviewee responses we conclude that there are many challenges faced by CBE on implementing BSC, as a new management tool it needs a continuous training but not get sufficiently.
- ❖ We conclude that Lack of understanding on branch managers and lower employee's about BSC leads to subjectivity on cascading targets, performance measuring and lack of understanding on the nonfinancial areas of performances. So, it causes resistance to change.

### 4.3 Analysis of Secondary Data

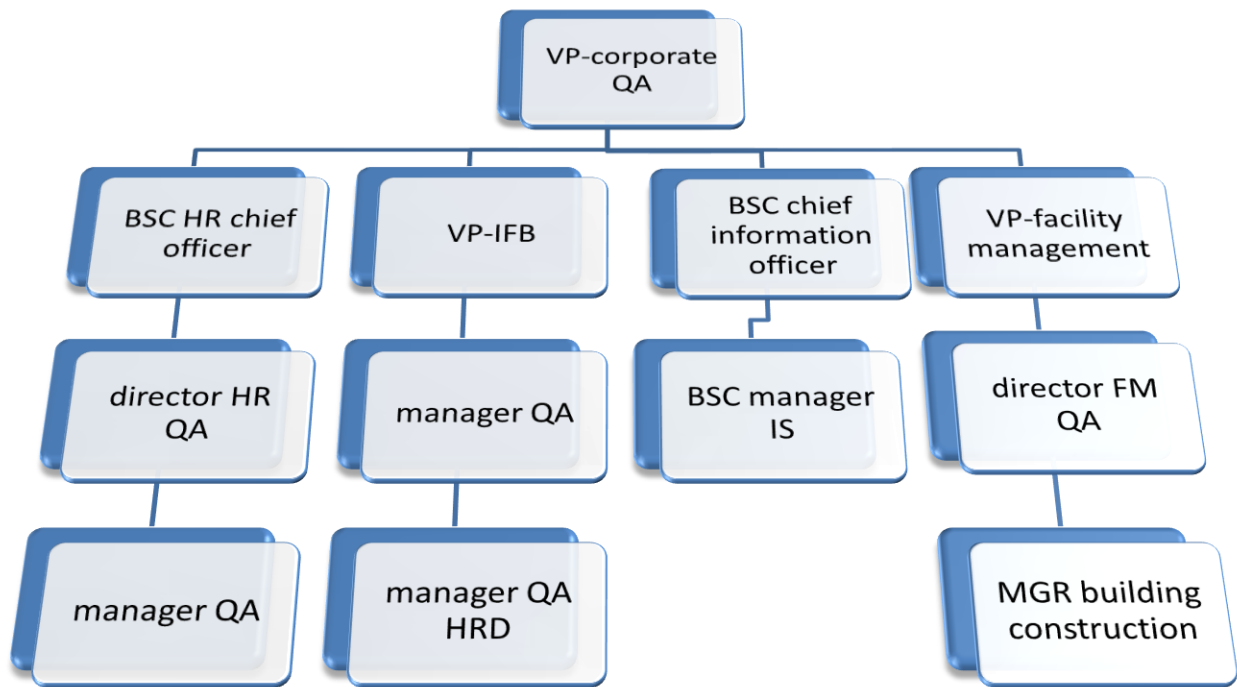
#### 4.3.1 Does BSC Implemented in Organized Manner?

The following organizational structure shows how BSC had implemented, controlled and monitored in the banks organizational hierarchy.

Q9#Does BSC practiced in well-structured manner in CBE?

The banks structure shows how BSC practiced in organized manner as a quality monitoring tools.

Figure 4.2Organizational Structure of the Bank in terms of BSC Quality Assurance



Source: Bank’s Organizational Structure

### **4.3.1 VP-corporate quality assurance**

Assure the participation of their respective quality assurance team and/or the corporate quality assurance division in the absence of quality assurance department under their sector/division, in the course of the development of their sales strategy, sales campaign, service level agreements and service development, action plan initiatives.

Guide and coordinate the overall total quality management function of the bank to introduce. Proactive safeguarding and pro-active practices to strength effectiveness and engender permanent within the bank.

### **4.3.2 Banking Business Quality Assurance**

Guide and coordinate banking business quality management functions to introduce proactive. Safeguarding and proactive practices to strength the effectiveness and engender permanent improvement in the bank branches.

Ensure the identification of SDTs mainly in the branch banking procedure is properly. Implemented or improved to enhance service quality in banking business sector.

### **4.3.3 Director-International Banking Quality Assurance**

Guide and coordinate overall quality management functions in the international banking.

Participate in the development of corporate quality management strategy.

### **4.3.4 Director-Credit Quality Assurance**

Monitor and guide customer compliance management system in the credit sector.

Spearhead business excellence and continuous process improvement activities, program and campaign under the credit sector.

### **4.3.5 Director Facility Quality Assurance**

Participate in the development of development of minimum service quality criterion at corporate level. Ensure their competency attitude constraints of the staff with in the quality assurance department are identified.

#### **4.3.6 Director HR Quality Assurance**

Communicate decisions made by VP-corporate quality assurance in the relation to quality assurance function in HR director.

Review reports related to HR and identify bottlenecks impeding business excellence.

#### **4.3.7 BSC Director IS Quality Assurance**

Review reports related to IS, and identifies bottlenecks impeding business excellence.

Review analysis of audit and risk reports related to IS and proposes the required measures.

#### **4.3.8 Manager IFB Quality Assurance**

Ensure that there exists a single point of contact for IFB customers.

Participate in development of corporate quality management strategy.

#### **4.3.9 Manager District Quality Assurance**

Work closely with the district director and quality assurance teams at the head office to achieve operational excellence in the district and branches.

Plan, coach and coordinate the activities of the staff responsible for quality management function in the district.

#### **4.3.10 Senior Corporate Quality Assurance Officers**

Periodically review customer compliance reports of respective quality assurance departments.

Periodically assess the contribution of the corporate quality assurance towards business excellence.

#### **4.3.11 Corporate Quality Assurance Officer**

Assist in the periodic analysis of reports on various initiatives developed by bank organs

Assist in the development minimum service quality criterion at corporate level.

We recognize by the above information that had implemented quality monitoring tools (BSC) on organized manner.

#### 4.3.12 BSC Chief Quality Assurance

Assure participation of all parties on implementing BSC as corporate level, support and guide the respective organs. Facilitate and control training given by CBE for employee.

Try to make to change the organization on BSC practices on a daily manner.

- ❖ Therefore, we concluded that from the above diagram shows BSC has implemented in CBE in well-organized way.

#### 4.4 Financial Performance Indicators of CBE since its implementation of BSC

From below general financial data of CBE we can notice that CBE has shown remarkable changes in all aspects in the past 8 years. Its deposit has increased from 154,850 Billion birr to 678.7 billion birr it has about 23% incremental. The banks total asset increased from 189.3 billion birr to 903.6 billion birr incremental, this is miracles compared to the previous performances even the bank not collect when it monopolize the market,

Reserved capital of the bank also increased from 9.2 billion to 53 billion birr within 8 years.

Profit of the bank with in the last 8 years is remarkable after implementing BSC ,even with in severe condition of financial institution due to lock down by covid-19 the bank profit increases and the banks become 1<sup>st</sup> from east Africa and 17<sup>th</sup> from African banks.

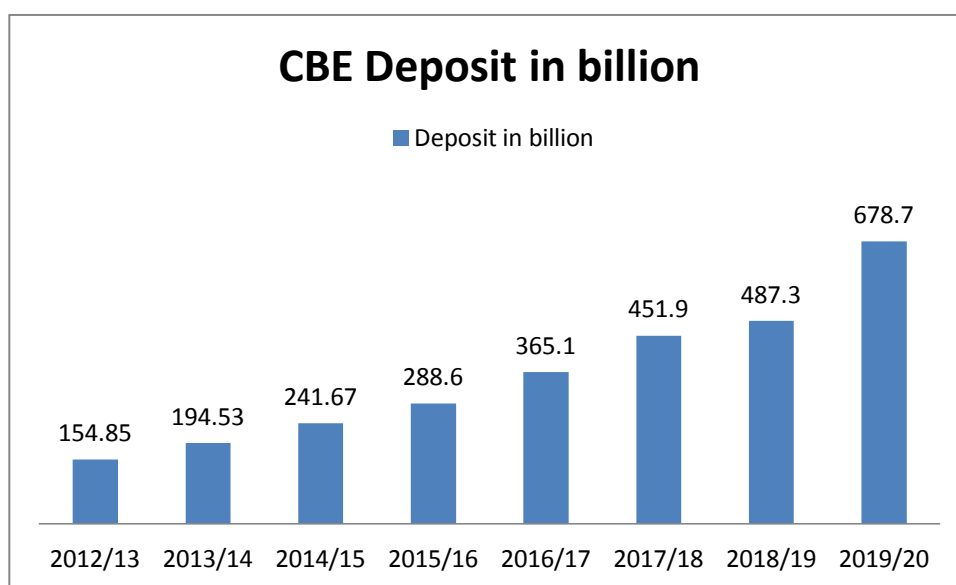
- ❖ We conclude that the banks financial performances are remarkable after implementing BSC.

**Table 4.3 Financial Performance of CBE from 2012/13 to 2019/20 Budget Years**

Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Deposit</b>	<b>154,850bill</b>	<b>194.53 bill</b>	<b>241.67 bill</b>	<b>288.6 bill</b>	<b>365.1bill</b>	<b>451.9 bill</b>	<b>487.3 bill</b>	<b>678.7bill</b>
<b>Capital</b>	<b>9.2 bill</b>	<b>11.1 bill</b>	<b>13.3bil</b>	<b>16.1bil</b>	<b>44.6 bill</b>	<b>47.2 bill</b>	<b>53 bill</b>	<b>57 bill</b>
<b>Total asset</b>	<b>189.3 bill</b>	<b>244.13bill</b>	<b>305.17 bill</b>	<b>384.7 bill</b>	<b>490 bill</b>	<b>573.9 bill</b>	<b>743 bill</b>	<b>903.6bill</b>
<b>profit</b>	<b>7.213 bill</b>	<b>9.95 bill</b>	<b>12.70 bill</b>	<b>13.7 bill</b>	<b>12.5 bill</b>	<b>10 bill</b>	<b>14 bill</b>	<b>16.74bill</b>

Source: Banks Web Site

**Fig.4.1 CBE Deposit Performance**

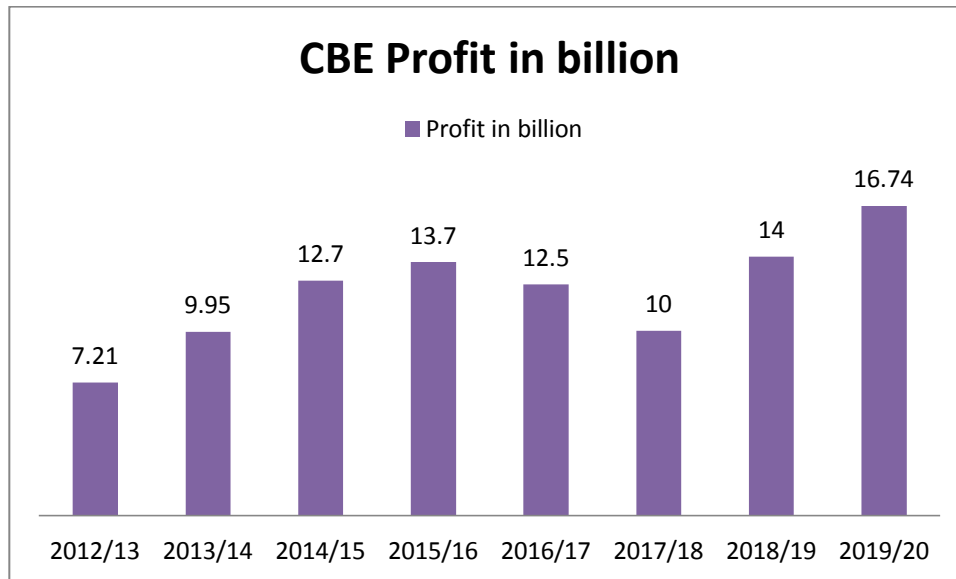


Source: Secondary Data Analysis

As we have seen from the above deposit performance diagram CBE had mobilized huge amount of money in the past 8 years and also it shows sustainable grow in resource mobilization activities. Besides, Currently CBE holds the 1<sup>st</sup> successful bank in east Africa and 17<sup>th</sup> from whole African commercial banks.



Fig. 4.2 CBE Profit status in Billions



Source: Secondary Data Analysis

From the above diagram we can notice that CBE’s profit performance also shows a remarkable incremental in the last 8 years, except on 2017/18 which lower profit margin than other budget years this decrease was scored due to local currency devaluation decision by government.

#### 4.5 Non-Financial Performance Indicators of CBE

Q10# Does BSC increase customer satisfaction?

The following table (table 4.4) shows some non-financial performance indicators of CBE during last 8 years since BSC get to work as quality assurance and performance measurement tool. CBE show dramatic branch expansion that is 695 branches at 2012/13 to 1646 branches at 2021 nine months implementation that 42% incremental. It also shows remarkable change in the human capital that raised from 15 thousand to more than 42 thousand Permanent employees it is also about 36% increased. Is has also shows impressive changes in ATM, POS and MB users and also in customer and Employee satisfaction.

**Figure 4.4 Non-Financial Performances of CBE from 2012/13 to 2019/20 G.C**

year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Branch Expansion</b>	695	812	953	1137	1228	1287	1451	1646
<b>Employee no</b>	15007	17129	23506	28467	33706	32739	40246	42174
<b>ATM no</b>	300	15641	289621	586378	785428	1.1mil	1.3mil	1.4mil
<b>POS no</b>	231	14568	358412	785221	1.2mil	1.2 mil	1.5 mil	1.8mil
<b>CB</b>	6.2 mil	7.4mil	11.7mil	14.3mil	17.3mil	18.8 mil	21.5mil	27.5mil
<b>Customer Satisfaction</b>	66%	69.10%	74.30%	75.50%	79.90%	85.10%	83.20%	84.30%
<b>Employee Satisfaction</b>	65%	66.70%	67.80%	71.30%	78.90%	86.30%	82.30%	79.60%

Source: Bank Web Site



Source: Secondary Data Analysis

The above diagram shows the CBE's customer satisfaction trends in the last 8 years. It's also shows good progress in customer satisfaction. As customer is everything to banking business, CBE should work hard to increase the current customer satisfaction rate more than this rate. The bank give priorities to customer satisfaction by saying 'customer is always right' and customer is king'

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This final chapter (4) covers the summarized findings of the study, general conclusion, recommendations, limitations of the study and future research suggestions.

#### 5.2 Summary of Findings

- ❖ The analysis indicated that balanced score card significantly provides the bank management with information on low performance areas and strong performance areas exposing where to improve. This finding supports a study by (mucheru, 2008), (2008) who found that the relationship between BSC and organizational performance can be referred through several other similar studies; have found that there is relationship between BSC and performance. Moreover, pointed out that there is relation between growth perspective, learning, and financial, with result displaying innovative technique, performance enhancement and customer oriented performance measures are associated to lower costs, higher sales, and greater market share.
- ❖ Concerning the effectiveness of balanced scorecard in commercial bank of Ethiopia most of the interviewee agrees it is effective .This agrees with a study by According to Kaplan and Norton (1996) BSC can translate a company's vision and strategy into a coherent and linked set of performance measures; these measures should include both outcome measures and the performance drivers (the measures that are unique for a particular business unit) of those outcomes.
- ❖ From the interviewee responses about implementation of BSC on CBE, all staff members are responsible but the VP-quality assurance department has been primarily responsible for arranging trainings' and giving training for all employees by their respective hierarchy.
- ❖ The bank faced those challenges on implementing BSC lack of clarity of the concept on the balanced scorecard and difficulty of finding relevant KPIs, inability to back the system with relevant IT system.
- ❖ The analysis show BSC has a significant impact on almost all aspects of banking towards the growth, performance and development of CBE

- ❖ After implementing BSC in the bank it's also shows good progress in customer satisfaction. As customer is everything to banking business, CBE should work hard to increase the current customer satisfaction rate more than this rate
- ❖ The banks financial performances are remarkable after implementing BSC.
- ❖ From the interviewee responses we conclude that there are many challenges faced by CBE on implementing BSC, as a new management tool it needs a continuous training but not get sufficiently.
- ❖ Lack of understanding on branch managers and lower employee's about BSC leads to subjectivity on cascading targets, performance measuring and lack of understanding on the nonfinancial areas of performances. So, it causes resistance to change.
- ❖ Therefore, we concluded that from the above diagram shows BSC has implemented in CBE in well-organized way.
- ❖ Employees those works on branch levels aren't knowledgeable relative to on district and head office directors about BSC. This indicated that lower level employees haven't got sufficient training on BSC implementation.
- ❖ The few interviewee agrees that it is in effective in cascading and measuring performances of processed based and team based activities and also they believed it is exposed to subjective measurement of performance measurement.
- ❖ The study found most of the respondents that there are a number of factors that affect balanced scorecard implementations at commercial bank of Ethiopia. That the main problem is that it does not provide practical guidance for deployment, and some executives view it as a "quick fix" that can easily be installed in their organizations. Implementing a balanced metrics system is an evolutionary process, not a one-time task that can be quickly checked off as "completed". Lack of efficient data collection and reporting, Lack of formal review structure, No Process Improvement Methodology and Too much internal focus.

### 5.3. Conclusions

After implementation of BSC the organization set its mission and vision which will be achieved in a specific period of time and based on that the strategic objectives and goals, measures and targets are set .The mission and vision of the organization is cascaded to individual level and the credit process unit as a unit implemented BSC till individual level . The interviewed employees stated the mission, vision and strategic objectives of the bank this implies the employees internalize the companies' mission, vision and strategy that following the bank.

BSC helps the employee and the organization in order to enhance their knowledge in regarding to their organization vision, mission and objectives; it also enhances the knowledge of effective time management, commitment to work, having responsibility for their work. Besides CBE performance measurement from four angles or balancing the organization performance from four major perspectives is the achievement of the organization in general and credit process in particular.

The analysis concluded that the relationship between balanced scorecard and performance must be maintained in the bank to sustain the importance at which the system was introduced. The study concluded that there has been visible impact and these are the observable benefits of balanced scorecard as performance measurement tool in cooperative bank. The study concluded that the use of Balanced Scorecard has triggered increased profits in Commercial bank of Ethiopia which is a good indicator that it's one of the best methods for financial institution.

Concerning the effectiveness of balanced scorecard and performances measurement tools in cooperative bank, the study concluded that balanced score cards cannot just work alone without professionals who understand how to use them, organizational good will and directors support and commitment. The study concluded that as much as there are factors that affect balanced score card at cooperative bank, there is a greater need and ensure the balanced score card is a success in the commercial bank of Ethiopia. But this does not mean that the contribution is smooth, because the tool brings so many challenges that even nullify the contributions. These are, manipulation of targets, resistance to change, politicizing the tool, BSC not measure relevant parts of the work rather it highly focus on quantification and wrong

quantification, team based and processed based activities are difficult to cascading, BSC focuses on numerous data and cascading are subjective and it also not considered location of branches and in the same branch and in the grade employees have different target and early cascading are the major ones. The major cause of the above challenges emanated from lack of understanding of the tool and its early attachment of performance of the employee with compensation. So in order to solve the above challenges and problems and to utilize the tool efficiently the following recommendations are drawn.

#### 5.4. Recommendations

- Training should be given to the employees about BSC, in order to create awareness about the bank's strategic objective, vision and mission, the employees should know how their activities contribute to the bank's strategic objectives and to make a great deal of awareness about the specific activities;
- The measurement should include only the activities that could be objectively measured or disregard the irrelevant activities that can be objectively measured but does not contribute much to the strategic objectives of the bank;
- The created measurement should be based on their quality and quantity of the activities. The target should be targets that can be achieved with a maximum effort, so employee should be involved in selecting the measure and setting the targets;
- BSC as a tool, it is better than the other performance measurement tools such as Business process automation (BPA), Business Process Improvement (BPI) and Business Process Reengineering (BPR) in respect to the performance measurement, strategic alignment of vision with individual activities.
- Avoid early cascading to individual level; cascading to individual level should be made after objectives the measures are properly refined up or at the corporate level.
- Avoid subjective cascading for employees and considering locations of the branch in order to solve employee's compliance in relation to bonus and other benefits.
- Try to consider in benefit package of the bank processes based and team based activities by giving special attention for team works
- Commercial bank of Ethiopia should engage balanced scorecard as their primary performance measurement tool a factor that will enhance their performance, increase their competitive edge and enhance their customer satisfaction
- Commercial bank of Ethiopia should provide enough resources especially for funding further comprehensive sensitization on the importance of balanced score card in relation to strategy.



- There is need for a vigorous capacity building program to improve the appreciation and usage of balanced score card.

### **5.5 Limitations of the Study**

Getting the findings from the interview was not a simple task, as most of the interviewee did not want to give their opinion about BSC in the organization. The study further had to take the long process of seeking permission from the relevant authorities to secure a permit to carry out the study.

The process of data collection was very short. Because, of researcher's data collection method chosen face to face interview. face to face interview takes time ,need voluntarily of interviewee .the interviewee are not ready for interview in different situations and some interviewee are not voluntary to recorded the interview.

The employees wanted to know how the researcher was to change the situation given the chance with the fact that researcher was a member of the organization. This made many respondents feel that the researcher wants to measure their status rather doing the study.

### **5.6 Suggestion for Further Studies**

The study focused on balanced scorecard performance and its challenges at Commercial Bank of Ethiopia and it is recommended that a similar study be replicated in other companies in the banking industry where this tool has been adopted. Further research should also be done involving all the employees at Commercial Bank of Ethiopia. The study suggest that more studies should be carried out to determine whether benefits of balanced score card outweigh the costs of implementation when implemented fully, efficiently and effectively and whether it complements the financial measures of past performance with operational measures that drive future performance and growth.

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## ST. MARY'S UNIVERSITY GRADUATE SCHOOL

### ASSESSING PRACTICE OF BALANCED SCORECARD (BSC) IMPLEMENTATION AT COMMERCIAL BANK OF ETHIOPIA

*In order to fulfil my degree of masters in quality and productivity management I have been selected five research question's those five research questions answered by those below listed questions are prepared by yechale yibeltal for interview employees of CBE staffs at different level who are those responsible on quality and productivity of the bank.*

Q1# what is your organization Vision, mission and strategic plan?

Do you know the word BSC so far?

Q2#Do you there is Relationship between Balanced Scorecard and Performance?

Q3# When does BSC Implementing at CBE?

Q4# what is the Impact of BSC in CBE Performances?

Q5# Does Balanced Scorecard (BSC) is important As a Performance Measurement Tool?

Q6# who is Responsible for overall implementation of BSC?

Q7# Does BSC implementation helps to enhance he Banks performances?

Q8# what Are the Challenges on implementing BSC on CBE?

Q9#Does BSC practiced in well-structured manner in CBE?

Q10# Does BSC increase customer satisfaction?

