



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**EVALUATING IMPLEMENTATION OF BALANCED
SCORECARD APPROACH: A CASE STUDY ON
DEVELOPMENT BANK OF ETHIOPIA**

BY:
YARED ERGETEKAL

FEBRUARY, 2015
ADDIS ABABA ETHIOPIA

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Tiruneh Legesse, Asst. Professor. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning degree.

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FEBRUARY, 2015

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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FEBRUARY, 2015

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LIST OF ACRONYMS

- ✓ BPR - Business Plan Reengineering
- ✓ BSC - Balanced Scorecard
- ✓ DBE – Development Bank of Ethiopia
- ✓ IPM - Integrated Performance Measurement system

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ABSTRACT

The purpose of the study is on evaluating the practices on the building and implementation of the Balanced Scorecard system in Development Bank of Ethiopia. The study basically pin points on identifying the preparation activities performed prior to the commencement of the implementation process, how the implementation process was handled and indentifying the status at which DBE is in the process of implementation. In addition to this, it focuses on whether DBE follows the essential steps in developing and implementing the BSC. Also it tries to identify the challenges faced and the achievements obtained as a result of implementing BSC in DBE. To achieve this, descriptive survey research design has been deployed. The study employs simple random sampling technique based on which 75 respondents were selected for gathering data through self developed questionnaire, which is the main data collection instrument. The results of the questionnaire were compiled by using SPSS. Descriptive statistics method was used for analyzing data obtained through questionnaire. While the data obtained from interview was analyzed thematically. The outcomes of the analysis were presented using tables and graphs. All in all, the findings of the study reveal that DBE has fully implemented the Balanced Scorecard System. In doing so, it has been observed that employees' involvement in the building process was neglected, gap has also been observed with regard to the development of realistic performance measures understanding the measures and difficulty in applying them. Having these facts at hand, the researcher concluded that DBE has handled the building and implementation of BSC in a very good way. In order to fill the gaps cited above, recommendations forwarded were to improve the level of employee participation at different position, reevaluate and clarify the performance measures in consultation with operational employees, , and finally, to seriously evaluate and monitor the system periodically.

CHAPTER ONE

1. INTRODUCTION

1.1 Back ground of the Study

One of the hallmarks of leading edge organizations be they public or private has been the successful application of performance measurement to gain insight into, and make judgments about, the organization and the effectiveness and efficiency of its programs, processes, and people. However, leading organizations do not stop at the gathering and analysis of performance data; rather, these organizations use performance measurement to drive improvements and successfully translate strategy into action. In other words, they use performance measurement for managing their organizations. Leading organizations agree on the need for a structured methodology for using performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, confirm or change current policy or program directions to meet those goals, and report on the success in meeting those goals, (Goodwin, 2009).

Organizations have Varsity of operational objectives such as total customer satisfaction, zero defects, minimal lead time to market, and social responsibility for the environment. Even though poor or excellent performance in these areas will be reflected in the financial measures, these objectives cannot be defined directly using traditional financial terms. Alternative performance measures are required to capture the non- financial aspects of performance and to achieve important critical success factors of a company, (Barfield, Raiborn and Kinney, 2009).

Different performance management systems have been deployed at different time, such as Integrated Performance Measurement system (IPM), Business Plan Reengineering (BPR), Balanced Scorecard (BSC) and Caisson are some of them. Thus, this study focus on one of the Performance Management system among, which is Balanced Scorecard (BSC).

The Balanced Scorecard was first developed in the early 1990s by two guys at the Harvard Business School: Robert Kaplan and David Norton. The key problem that Kaplan and Norton

identified in today's business was that many companies had the tendency to manage their businesses based solely upon financial measures. While that may have worked well in the past, the pace of business in today's world requires better and more comprehensive measures. Though financial measures are necessary, they can only report what has happened in the past where your business has been and they are not able to report where it is headed. In order to provide a management system that was better at dealing with today's pace of business and to provide business managers with the information they need so that they can make better decisions, Kaplan and Norton developed the Balanced Scorecard. Measurement is a key aspect of the Balanced Scorecard, but it is much more than just measurement: it is a means to setting and achieving the strategic goals and objectives for your organization, (Hannabarger, Buchman & Peter, 2007).

What is the Balanced Scorecard? In short, it's a management system that enables your organization to set, track and achieve its key business strategies and objectives. Once the business strategies are developed, they are deployed and tracked through what we call the Four Legs of the Balanced Scorecard. These four legs are made up of four distinct business perspectives: The Customer Leg, the Financial Leg, the Internal Business Process Leg, and the Knowledge, Education, and Growth Leg. According to (Hannabarger, Buchman & Peter, 2007) "if any one of these four legs is ignored, it will be like sitting on a four- legged chair with a broken leg. You are eventually losing your balance and fall flat on your face."

1.2 Statement of the Problem

The primary task of a manager in an organization is to develop and define a well formulated strategy as it gives direction for the attainment of stipulated objectives. The Balanced Scorecard approach insists that organizations performance should be measured from four perspectives; namely: financial, customer, internal process and the innovation and learning measures. Thus, a company may need to improve customer and employee satisfaction, minimize administrative cost, to have a better decision making mechanism and so on. So it's advised to use Balanced Scorecard approach. Because that is what balanced scorecard do. This as a result broadens the

performance measurement system which traditionally focuses heavily on financial indicators and which fails to show the performance of intangible assets of an organization.

Before implementing the designed performance measure an organization should weight its current performance and that whether it's ready enough for several changes. In addition should its put the strategies in line with the prerequisites as the new system needs. Otherwise, it's considered spending valuable resources for nothing. After putting the necessary procedures, then after, the greater problem fall on the implementation of the formulated strategies that is on how to make people in an organization understand, internalize and execute the formulated strategy. Aligning the operational tasks to the overall strategy in order to measure and identifying the degree to which the strategies are met and the direction to which the organization is heading is also another problem. In order, to tackle this and other related problems, current managers are using balanced scorecard system.

Development Bank of Ethiopia is one of governmental institution that uses Balanced Scorecard. Since, BSC introduced in Ethiopia recently, it is difficult to exercise the whole mechanisms at once. Here the problem starts with the preparation of DBE to implement BSC, since before implementation there are a number of prerequisites. Plus applying of BSC approach is not a final phase by itself. Rather studying whether it is effectively implemented or not and what feedbacks given in return must be known. Showing an increase on the financial perspective only or an increase in employee satisfaction by itself is not effective BSC system; perhaps all the four must be integrated with each other and should lead the organization to success. So the researcher will try to identify the effective implementation of BSC system based on the four perspectives, which are Financial, Customer Satisfaction, Internal Business process and learning and growth. Also what major achievements did obtain and what challenges faced, thus, those issues will be raised as a problem.

1.3 Research Question

Related to the above cited ideas, the study aims to answer the underneath listed research questions.

1. What preparations and readiness were made for implementation of BSC? (Related with the prerequisites)

2. What major achievements have been obtained from implementing BSC? (Related with the four Perspectives)
3. How does the effective monitoring and evaluation system for BSC looks like?
4. What is the attitude of employees towards BSC?
5. What challenges did the organization face while implementing BSC?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of the study is to evaluate the Effective Implementation of BSC approach in Development bank of Ethiopia.

1.4.2 Specific Objectives

The following are the specific objectives of the study

- To show whether DBE fulfill the prerequisite to implement BSC.
- It would inspire the BSC implementation team and concerned decision makers of DBE to undertake further study on the prevailed gaps.
- To identify the attitudes of employees and customers towards BSC.
- It may add some insights in to the literature regarding the challenges of implementing BSC.
- It would help as a stepping stone for other researchers studying on similar area.

1.5 Significance of the Study

The result of this study is believed to contribute on providing empirical evidence on the effective implementation of BSC in DBE. It intends to help the management of Development Bank of Ethiopia to have clear information on what areas of the BSC program needs improvement and correction and also what kind of mechanisms has to be used to get the most out of the program. For the employees this study will make them understand how the program adds value to their service and useful to their knowledge and ability to perform their job also what benefit it brings to them. On the other hand, since BSC is a new concept for our country, it would serve as an

input for other Ethiopian organizations that are interested on BSC and would like to implement same. Finally, it will help to increase the understanding of the researcher, the readers and decision makers about BSC and its perspectives. Can also used as reference for further researches on this area.

1.6 Scope of the study

The scope of the study might be limited only on describing the extent of “Evaluation of Effective Implementation of BSC system in Development Bank of Ethiopia.” The research will conduct only on the main branch. The reason why for the limitation is that researcher believes it could be harder to include all the given branches due to time, budget and resource shortage. Also one other major limitation was the unavailability of standard tool/questionnaire previously designed by authorities for gathering data used to assess the building and implementation practice of BSC system.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. What is Performance Management?

A leading-edge organization seeks to create an efficient and effective performance management system to translate agency vision into clear measurable outcomes that define success, and that are shared throughout the agency and with customers and stakeholders, to provide a tool for assessing, managing, and improving the overall health and success of business systems, continue to shift from prescriptive, audit- and compliance-based oversight to an ongoing, forward-looking strategic partnership involving agency headquarters and field components, include measures of quality, cost, speed, customer service, and employee alignment, motivation, and skills to provide an in-depth, predictive performance management system and to replace existing assessment models with a consistent approach to performance management, (Hannabarger, Buchman & Peter, 2007).

According to (Aguinies, 2009) Performance Management is what organizations do to become more successful and stay ahead of their competitors. In fact, managing performance is the most critical task of any executive or manager. If organizations get it right, their performance management processes allow them to define and communicate their strategies, measure, report and monitor progress in order to manage and improve business performance.

Performance Management can basically be defined as a set of management processes, often supported by information technology, that help to improve the strategic decisions people make every day. In the end it is the quality of those decisions that will separate successful companies from the rest as (Grote, 1996) explained. In addition to this the author elucidate, performance Management is therefore a modern umbrella term for a set of management approaches that enable organizations to define and execute their strategy, and to measure and monitor performance in order to inform strategic decision making and learning. The basic performance management model integrates processes for defining strategic objectives, measuring performance, analyzing performance and reporting and reviewing performance and aligning

people and culture. All of these are focused on performance improvement which is the central premise of performance management.

2.2. Performance Measurement

A process of assessing progress toward achieving predetermined goals, including information on the efficiency with which resources are transformed into goods and services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied) and outcomes (the results of a program activity compared to its intended purpose), and the effectiveness of government operations in terms of their specific contributions to program objectives, (Adams & Kennerley, 2002).

As Fitzroy and Hulbert, (2005) suggests, the use of performance measurement information is to have a positive effect in organizational culture, systems and processes, by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or program directions to meet those goals, and sharing results of performance in pursuing those goals.

2.3. Balanced Scorecard

Leading organizations agree on the need for a structured methodology for using performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, confirm or change current policy or program directions to meet those goals, and report on the success in meeting those goals. A 1998 study by the Gartner Group found that “at least 40 % of Fortune 1000 companies will implement a new management philosophy...The Balanced Scorecard... by the year 2000.” The balanced scorecard is a conceptual framework for translating an organization’s strategic objectives into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth. Some indicators are maintained to measure an organization’s progress toward achieving its vision; other indicators are maintained to measure the long term drivers of success. Through the balanced scorecard, an organization monitors both its current performance (finance, customer satisfaction, and business process results) and its efforts to improve processes, motivate and

educate employees, and enhance information systems—its ability to learn and improve, (Goodwin, 2007).

As Smith (2007), defined, Balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It was originated by Drs. Robert Kaplan (Harvard Business School) and Robert Kaplan as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The “new” balanced scorecard transforms an organization’s strategic plan from an attractive but passive document into the "marching orders" for the organization on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies.

BSC is management system that enables your organization to set, track and achieve its key business strategies and objectives. Once the business strategies are developed, they are deployed and tracked through what we call the Four Legs of the Balanced Scorecard. These four legs are made up of four distinct business perspectives: The Customer Leg, the Financial Leg, the Internal Business Process Leg, and the Knowledge, Education, and Growth Leg, (Hannabarger, Buchman, and Economy, 2007).

Other authors have defined BSC by their own word but referring to the description of Kaplan and Norton. For example; Leopold (2004), defined BSC as an approach to strategic management that provides a clear prescription as to what organizations should measure in order to “balance” the financial perspective.

(Virtanen, 2009) defined BSC is a management system that enables organizations to clarify their vision and strategy and translate them into action.

2.4 The Four Perspectives of Balanced Scorecard

2.4.1. FINANCE PERSPECTIVE

According to Nair (2004) Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

2.4.2. CUSTOMER PERSPECTIVE

This perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. (Nair, 2004) also cited that customer perspective is viewed as the set of objectives the organization must achieve to gain customer acquisition, acceptance, and perpetuation

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups, (Hannabarger, Buchman & Peter, 2007).

2.4.3. INTERNAL BUSINESS PROCESS

Kaplan & Norton (1996) states that managers identify the critical process at which they must excel if they are to meet the objectives of the shareholders and the targeted customer segments. The demand for internal process performance should be derived from the expectations of specific external constituencies. The internal- business- process value chain encompasses three principal business processes that is innovation, operations and Post sale service. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with unique missions, these are not something that can be developed by outside consultants. (Nair, 2004). This perspective focuses on the internal business results that lead to financial success and satisfied customers. To meet organizational objectives and customers' expectations, organizations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory. Internal business processes are the mechanisms through which performance expectations are achieved, (Hannabarger, Buchman & Peter, 2007).

2.4.4. LEARNING AND GROWTH PERSPECTIVE

This perspective looks at the ability of employees, the quality of information systems, and the effects of organizational alignment in supporting accomplishment of organizational goals. Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. (Rohm, 2007). This perspective takes on increased importance in organizations that are undergoing radical change. In order to meet changing requirements and customer expectations, employees may be asked to take on dramatically new responsibilities, and may require skills, capabilities, technologies, and organizational designs that were not available before, (Nair,2004).

As Goodwin, (2009) noted, this perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training

funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization. Kaplan and Norton (1996) emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed.

2.5 BENEFITS OF IMPLIMENTING BALANCED SCORECARD

2.5.1.) Balanced view of company performance

A research by Green, (2001) by looking at four aspects of a company's performance, you really do get a balanced view of company performance. Unlike traditional methods of tracking the financial health of a business, the balanced scorecard gives you a full picture as to whether your company is meeting its objectives. While it may seem that a company is doing well financially, it may be that customer satisfaction is down, employee training is inadequate, or that the processes are outdated.

2.5.2) Long term strategy

Second, by using a balanced scorecard approach, the immediate future isn't the only thing being evaluated. Often, when an accountant sees the financial bottom line (perhaps the company isn't doing well), suggestions are given that are immediate, but do not look at the long-term. Using balanced scorecards allows for stakeholders to determine the health of short, medium, and long term objectives at a glance, (Waal, 2007).

2.5.3) Strategy matches the outcome

(Waal, 2007) also explained, by using a balanced scorecard, a company can be sure that any strategic action implemented matches the desired outcomes. Will raising the price of a product help the bottom line of the company in the long run? It might, if the customer is satisfied with that product, or if the processes involved with creating that product make the product of a higher quality.

2.5.4) Scorecards drive better performance.

The evidence is clear that solid feedback enhances performance at all levels and across all organizational units. When people and groups throughout an enterprise know how they are doing and what needs improving, they do better, (Frost, 2002).

2.5.5) Scorecards implement strategy.

Scorecards translate your strategy into concrete terms and help you track its implementation. Though scorecards also reflect operational issues, they are developed in a way that specifically directs attention to your strategy and future direction, (Frost, 2002).

2.5.6) Scorecards help ensure that you have the right measures.

According to (Frost, 2002) a group of measures implemented without a well-thought-out performance model in mind or, worse yet, imposed from the outside, seldom bring new focus or drive desired actions. Effective performance scorecards are, by nature, consciously and purposefully constructed. In building one, you develop a logical structure that helps everyone know what should be measured, what belongs on the scorecard and what does not belong.

2.5.7) Scorecards encourage balanced performance.

Executing today's work is absolutely crucial, but so is implementing the strategic initiatives that prepare the enterprise for tomorrow. The proper scorecard design keeps the right balance of operational and strategic factors on your radar screen, (Frost, 2002).

2.5.8) Scorecards point out what's missing.

Because your scorecard is designed to offer a comprehensive view of how the enterprise is doing and where it's going, the scorecard will help you see if any key factors are missing the gaps stand out. Those who use unstructured measures without an underlying performance model have no way of knowing what may be missing, (Frost, 2002).

2.5.9) Scorecards encourage good management.

As (Frost, 2002) noted earlier, scorecards make it possible to readily monitor all the measures in a complex organization. As a result, reviews are more regular and more thorough. When performance issues stand out on a top-level scorecard, it's possible to "drill down" to layers of data that give further details. The bottom line is that scorecards encourage thorough monitoring and timely corrective actions.

2.5.10) Scorecards communicate, they tell the story.

Many individuals and groups take a keen interest in the performance of an enterprise. Strong scorecards help you tell the full story of performance how the complex variables are being balanced and optimized as a group. This allows you to present a compelling picture of performance that is undistorted by focus on an individual issue, (Frost, 2002).

2.6 Building and Implementing a Balanced Scorecard: Nine Steps to Success

Rohm (2007) in his article 'The Balanced Act' discusses how a Balanced Scorecard performance system is developed in nine steps. He divided the nine steps framework of BSC into two broad phases: The Building Phase and The Implementation phase. The first six steps are stage where high level corporate scorecards are built while the remaining three are performed to implement the scorecard system at all levels of an organization. However, there are also cases where the process of building scorecards starts from strategic business unit or support unit, and becomes the basis for subsequent units and corporate scorecards.

2.6.1 Building the Balanced Scorecard System

Assessment: An organization's strengths, weaknesses, opportunities, and threats are developed, discussed, and documented. There is no need to repeat this "environmental scan" of an organization if the information is available and current, say within the past six months. It is important, however, to ensure that the assumptions that underlie the basis for the organization's existence and its business strategies are still valid and sound, (Rohm, 2007).

Other important aspects of the self-assessment step are to choose a champion and the core Balanced Scorecard team, set a schedule for the development steps, secure resource commitments necessary to develop and sustain the scorecard system, and develop a rollout communications plan to build buy-in and support for the changes that will follow.

Communications planning includes internal and external public information activities that will be used to spread the word about the Balanced Scorecard initiative and what it means for managers and all employees, (Rohm, 2007).

Strategy: As (Rohm, 2007) this is a step where overall business strategy is developed. In larger organizations, several overarching strategic themes are developed that contain specific business strategies. In addition to describing what the approach is, business strategy, identifies what approaches have not been selected. Strategy is a hypothesis of what we think will work and be successful. The remaining steps in the scorecard building phase provide the basis for testing whether our strategies are working, how efficiently they are being executed, and how effective they are in moving the organization forward toward its goals.

Objectives: This stage deals with the decomposition of business strategy into smaller components, called Objectives. Objectives are the basic building blocks of strategy – the components or activities that make up complete business strategies, (Rohm, 2007).

Strategic Map: Strategy mapping is a technique of drawing the intricate relationships of cause and effect among all perspectives and their contributing parts (Nair, 2004:26). Using cause-effect linkages (if-then logic connections), the components (objectives) of strategy are connected and placed in appropriate scorecard perspective categories. The relationship among strategy components is used to identify the key performance drivers of each strategy that, taken together, chart the path to successful end outcomes as seen through the eyes of customers and business owners, (Rohm, 2007).

According to (Kaplan & Norton, 2006) business units develop strategy maps and balanced scorecards to help them gain consensus for the strategy among the senior executive team, communicate the strategy to employees so that they can help the organization implement the

strategy, allocate resources consistent with the strategy, and monitor and guide the strategy's performance. All these activities enable a business unit to create value from its customer relationships

Performance Measures: At this stage, performance measures are developed to track both strategic and operational progress. To develop meaningful performance measures, one has to understand the desired outcomes and the processes that are used to produce outcomes. Desired outcomes are measured from the perspective of internal and external customers, and processes are measured from the perspective of the process owners and the activities needed to meet customer requirements. Relationships among the results we want to achieve and the processes needed to get the before we can assign meaningful performance measures. We use the strategic map developed in Step Four, and specifically the objectives, to develop meaningful performance measures for each objective. Thus, we look for the few measures (key performance drivers) that are critical to overall success, (Rohm, 2007).

Developing meaningful performance measures (metrics) and the expected levels of performance (targets) is hard work if done correctly, and the development process is fraught with challenges. One challenge is the tendency to hurry and identify many measures, hoping that a few good ones are in the group and will “stick”. The problem with this approach is that the value of information generated is limited, and the burden of data collection and reporting can quickly become overwhelming, (Rohm, 2007).

One of the mistakes made at this stage is to take measures that already exist, categorize them into four scorecard perspectives, and then announce that the corporate scorecard had been built! These “metric” scorecards are of little value to an organization, as they bear little relationship to strategy, desired results, and the processes needed to produce desired results. Another challenge is a tendency to rush to judgment – not thinking deeply about what measures are important and why. However, measures are a means to an end, not the end themselves, (Rohm, 2007).

Initiatives: An initiative is a program, an activity, or a project that will meet an objective alone or in combination with other initiatives (Nair, 2004). New Initiatives are identified that need to be funded and implemented to ensure that our strategies are successful. Initiatives developed at

the end of the scorecard building process are more strategic than if they are developed in the abstract, (Rohm, 2007).

2.6.2 Implementing the Balanced Scorecard

Implementing refers to turning the scorecard into a true management system and deploying, managing, and sustaining the newly created system. There are three steps to implement the scorecard: Automation, Cascading, and Evaluation.

Automation: Once we have a good set of strategic performance measures, a Performance Measurement information system is needed to collect and report performance data and transform the data into performance information. This step involves automating the Balanced Scorecard system, and 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, 2007).

Apart from cost consideration of purchasing software, it also requires timeliness. Purchasing software too early limits creative strategic thinking, and purchasing software late makes it difficult to sustain momentum for the new system, as performance information reporting and utilization is clearly an early benefit to be captured from the process of building the scorecard system. Hence, it is commendable to analyze your software options early in the building process, decide if a software selection early on will add value to the process of building the scorecard, and then timing the software purchase to maximize the value to the Balanced Scorecard team and the managers and other employees who will use the performance information to better inform decision making, (Rohm, 2007).

Cascading: Niven in Nair defined cascading as the process of developing balanced scorecards at each and every level of your organization (Nair, 2004). It involves cascading the corporate scorecard throughout the organization to business and support units, and ultimately to teams and individuals. Cascading refers to translating the corporate scorecard into department and division scorecards that are aligned with corporate strategy, (Rohm, 2007).

According to Rohm (2007), the most effective way of cascading is to start with the objectives and measures from the enterprise-wide (Tier 1) strategy map, and develop supporting objectives (and measures) for business and support units (Tier 2), and again for teams and individuals (Tier 3). In a typical organization, separate scorecards are developed for each major department and support office, and these scorecards are linked to the corporate scorecard through objectives. Since objectives are the building blocks of strategies, the alignment of objectives aligns strategy and performance measures as well. Cascading to the objectives, tasks, and activities of Tier 3, aligns department strategy to teams and individuals. In some (typically large) organizations, an additional cascading level may be used, such as for customer-facing services, (Rohm, 2007).

Strategies developed during the corporate scorecard building process are the links that make the mission and vision of the corporate organization operational to operating business and support units, such as IT and human resources. Starting with a corporate scorecard and cascading objectives down to business and support units and then to teams and individuals assures that the work performed in all organization units is relevant and linked to organization mission and strategy. Each business and support unit can “connect the dots” and trace the work that they do back up to the overall “big picture” direction of the organization, (Rohm, 2007).

Some organizations start not with a Tier 1 scorecard, but with a Tier 2 scorecard. This could occur when a support unit scorecard is built first (e.g., IT). In this scenario, other scorecards are developed horizontally. In these situations, it is important to keep strategic intent of the organization in mind, to avoid sub-optimizing a department’s activities at the expense of enterprise goals, (Rohm, 2007).

Evaluation: During this step, evaluating the success of chosen business strategies will be attempted. The key question is: Were the expected results achieved? Remember that strategies developed in Step Two were hypotheses of how an organization believes it creates value for customers and stakeholders. Adjustments to strategy (mission and vision, if necessary) are likely as performance information is analyzed and market competitive forces are considered. Creating an analysis feedback loop to test strategic assumptions is an important step and one that many organizations overlook in their strategic planning implementation. The evaluation step includes:

ensuring that organization learning and knowledge building are incorporated into planning, making adjustments to existing service programs, adding new programs if they are more cost effective, eliminating programs that are not delivering cost-effective services or meeting customer needs, and linking planning to budgeting, (Rohm, 2007).

2.7 Challenges or Limitations of Balanced Scorecard

Different authors suggest different limitations/challenges of BSC, some of them are

- Not all stakeholders were included in the BSC, in particular, suppliers and public authorities, which can be decisive for many organizations, (Atkinson et al, 1997).
- (De Haas & Kleingeld, 1999) points the flaw in the process of cause-and-effect relationship is crucial, since invalid assumptions fed the control system with incorrect information that will cause the anticipation of the results of the performance indicators, resulting in dysfunctional organizational behaviors and sub-optimal performance.
- BSC makes invalid assumptions about causal relationships between performance indicators. The invalid assumptions may actually cause dysfunctional organization behavior with negative consequences on the organizational performance, (Norreklit, 2000).
- The lack of focus on the human resources dimension of organizations is perhaps the greatest weakness of the BSC, (Maltz, Shenhar & Reilly, 2003).
- According to (Kennerley & Neely, 2003) the BSC contains a serious failure in their construction, once it focused management strictly on a set of pre-defined indicators and measures and they are not able to respond to simple and fundamental question, such as “what our competitors are doing ?
- In practice organizations submerge in the task of generating indicators without devoting sufficient time to the definition of the strategy and the results are indicators that are not aligned with the strategic objectives (Richardson, 2004).
- If establishing significant correlations between measures and casual chains was immediately obvious then the need for strategy diminished dramatically, (Bukh & Malmi, 2005).

- (Kennerley & Neely, 2003) cited due to problems in the implementation of the strategy is difficult to achieve a balance between financial and non-financial measures.
- The difficulty in studying the BSC result of absence of consensus about what the BSC is all about. BSC has had different meanings at different times, (Othman et al., 2006).
- Davies (2007) points out the danger of establishing "narrow goals", not realizing that to achieve it is necessary to obtain adequate levels of organizational capabilities and competences.
- Very often the organizations do not understand what exactly the BSC is and what its implementation involves, (Othman, 2009).

2.8 The Four Processes in Managing BSC

Recently, some companies move beyond the early vision for the scorecard to discover its value as the cornerstone of a new strategic management system. Used this way, the scorecard addresses a serious deficiency in traditional management systems: their inability to link a company's long-term strategy with its short-term actions. Most companies' operational and management control systems are built around financial measures and targets, which bear little relation to the company's progress in achieving long-term strategic objectives. Thus the emphasis most companies place on short-term financial measures leaves a gap between the development of a strategy and its implementation, (Sim and Koh, 2001).

(Sim and Koh, 2001) also explained managers using the balanced scorecard do not have to rely on short-term financial measures as the sole indicators of the company's performance. The scorecard lets them introduce four new management processes that, separately and in combination, contribute to linking long-term strategic objectives with short-term actions.

Managing Strategy: Four Processes

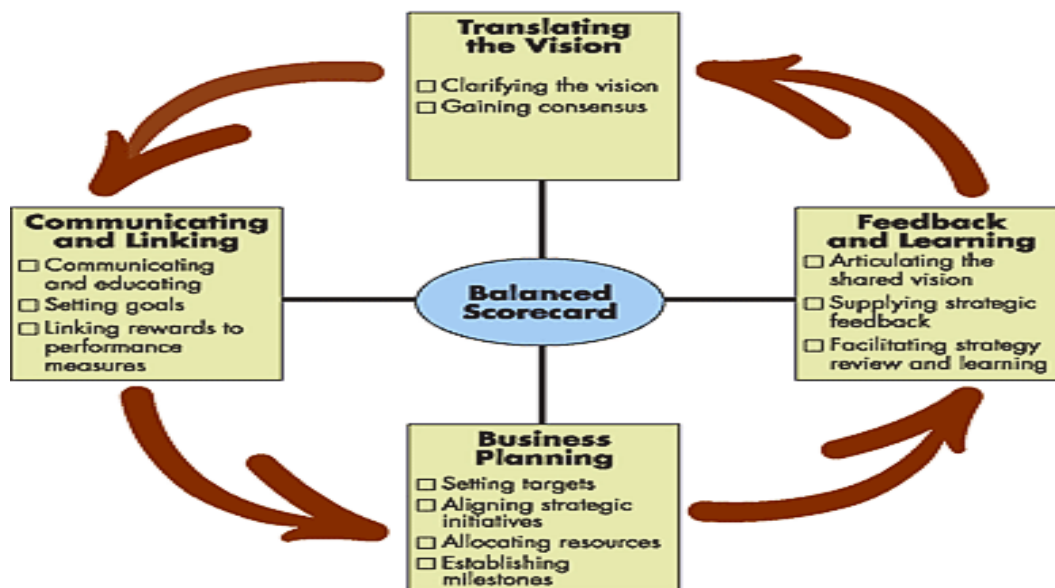


Fig 2.1 “Managing Strategy: Four Processes.”) (Sim and Koh, 2001)

Source: Sim and Koh, 2001

The first new process, translating the vision: helps managers build a consensus around the organization’s vision and strategy. Despite the best intentions of those at the top, lofty statements about becoming “best in class,” “the number one supplier,” or an “empowered organization” don’t translate easily into operational terms that provide useful guides to action at the local level. For people to act on the words in vision and strategy statements, those statements must be expressed as an integrated set of objectives and measures, agreed upon by all senior executives, that describe the long-term drivers of success, (Sim and Koh, 2001).

The second process, Communicating and linking: lets managers communicate their strategy up and down the organization and link it to departmental and individual objectives. Traditionally, departments are evaluated by their financial performance, and individual incentives are tied to short-term financial goals. The scorecard gives managers a way of ensuring that all levels of the organization understand the long-term strategy and that both departmental and individual objectives are aligned with it, (Sim and Koh, 2001).

The third process, Business planning: enables companies to integrate their business and financial plans. Almost all organizations today are implementing a variety of change programs, each with its own champions, gurus, and consultants, and each competing for senior executives' time, energy, and resources. Managers find it difficult to integrate those diverse initiatives to achieve their strategic goals—a situation that leads to frequent disappointments with the programs' results. But when managers use the ambitious goals set for balanced scorecard measures as the basis for allocating resources and setting priorities, they can undertake and coordinate only those initiatives that move them toward their long-term strategic objectives, (Sim and Koh, 2001).

The fourth process, Feedback and learning: gives companies the capacity for what we call strategic learning. Existing feedback and review processes focus on whether the company, its departments, or its individual employees have met their budgeted financial goals. With the balanced scorecard at the center of its management systems, a company can monitor short-term results from the three additional perspectives—customers, internal business processes, and learning and growth—and evaluate strategy in the light of recent performance. The scorecard thus enables companies to modify strategies to reflect real-time learning, (Sim and Koh, 2001).

Building and implementing a scorecard system is more about changing hearts and minds and sustaining new directions, than it is about selecting performance measures. Hence, it is a long journey to implement the strategy it requires patience and commitment. Failure to properly execute these processes may lead an organization to a more disorganization and inefficiency. Thus, the bigger challenge of BSC is not about understanding the concept. Rather, it is on proper execution of the building processes which comprises of the organizational assessment, strategy formulation, objectives setting, designing strategy map, setting performance measures, and identifying initiatives and the implementation process, which refers to automation, cascading and evaluation.

2.9 Empirical Literature Review

In order to check the causal relationship between BSC and enhancement of strategic goal accomplishment and performance, quasi-experimental and longitudinal design research were

conducted by Chi and Hung experimenting companies in the popular software industry in Taiwan. The findings of the study demonstrated that in comparison to control group which did not implement BSC, the experimental companies that had implemented BSC tended to accomplish the goals or have better performance. Hence, the results confirmed that implementation of BSC management could effectively enhance accomplishment of strategic goals and performance, (Chi & Hung, 2011).

Jusoh (2006) in his survey of 120 Malaysian manufacturing firms to investigated the relationship between business strategy and BSC measure usage and their effects on firm performance. The result of research provide enough evidence for proposition that the degree to which a firm emphasizes a given business strategy is associated with the extent to which it uses appropriate BSC measures. The results of the study also indicated that an appropriate match of all four perspectives of the BSC measures with all types of business strategies is associated with high firm non financial performance.

However, since the balanced scorecard model originated by Kaplan and Norton and many other huge organization executives considering the performance reporting practices and problems that existed in western organizations operating in the developed world. Taking this into consideration, a study has been conducted by James, Frans and Rabiya (2012) to identify whether or not the application of the balanced scorecard model is relevant to corporations operating in Africa. The findings of the study made revealed that an African framework is different from the Western capitalist framework in that its socio-cultural setting is inclusive and stakeholder-centered unlike the exclusive and shareholder-centered of the Western society. As a result, the current balanced scorecard model completely ignored or given less emphasis in stakeholders such as suppliers, government, debt financiers, competitors, the community and the natural environment. Thus, the research indicates that the current conceptualization of balanced scorecard model is not fully relevant to an organization operating in an African environment. As a result, it suggests the need to redesign the current balanced scorecard model to reflect realities of the African socio-cultural framework, (James, Frans & Rabiya, 2012).

Lee (2006) develops a case study to measure the performance of public schools in Malaysia. The respondents came from three distinct populations: school administrators, teachers and students. In this research work, the predictor variables are financial management, learning and growth, internal process and customer orientation while the criterion variables are effectiveness of services and academic performance and student quality. A structural equation model was specified for evaluating the relationship between the predictor and criterion variables. The results revealed that there is significant cause –effect relationships are existed with in performance determinant and between performance determinants and the overall performance of the school.

Gaym (2012), when concluding his study indicated that organizations in least developed countries that are trying to adopt the BSC could be faced with set of challenges that are different from set of challenges that organizations in developed countries face.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter focuses on the applied research methods, data sources, sampling techniques, data collection instruments and procedures, and data analysis methods while undertaking the study.

3.1 Research Design

In this study, a descriptive survey research design has been employed by using both qualitative and quantitative methods that is mixed research approach. Descriptive research aims at describing phenomena clearly and evidently. Hence, since the aim of this research is to describe presenting actual happenings, descriptive survey research was selected as an appropriate design. According to Cohen, Anion & Morrison (2005), survey research design is used to collect numerical data from large population. Besides, employing a mixed approach help to capture the best of both research methods, and to obtain the desired data type for the study at hand, mixed approach which comprises both quantitative and qualitative research methods was used in this research.

3.2 Data Sources and Data collection Tools used

The data for the study were collected both from primary and secondary sources. Employees of Development bank of Ethiopia are considered as primary data source, in order to obtain relevant, detailed and factual information. Management, administering staffs, supervisors, professionals (job performers) were requested to fill an open and close ended questionnaire and interview was also conducted. Among other stakeholders, the employees of DBE are considered as best candidates for indicating the actual scenario in the bank as they are directly involved in the building and implementation process of the BSC system and are also the actual part of the bank.

➤ Questionnaire

The questions presented include both open and close ended type. This technique was chosen because it is flexible and can be used to gather information from large number of people.

Besides, it is relatively inexpensive to administer and allow respondents to fill out at their own convenience.

The questionnaire used for data gathering has different sections. Part one deals with questions focusing on personal profile of respondents, part two contain questions related to the six major steps of building BSC. This mainly indicates whether the DBE has made the necessary preparation and readiness prior to commencing the implementation of the system. Part three focuses on achievements obtained through BSC. The fourth section of the questionnaire deals on the monitoring and evaluation practice of DBE. The last section of the questionnaire deals on the employee's attitude towards BSC practice.

➤ **Interview**

Interview was conducted with supervisors, top management and responsible staffs about BSC. This method is selected because people may sometimes fail to reflect their true opinion on self administered questionnaires or may get board or even may not be good at reflecting their opinion in writing. Besides, it helps to obtain information on issues that are difficult to address through questionnaire and gives chance for the researcher to make sure that the respondents have understood what the researcher wants to ask.

As a secondary source of data, both published and unpublished materials like books, articles, journals, different studies, organizational documents and websites were used to develop the related literature review of the study.

3.3 Population and Sampling Technique

The study includes different level management, employees, and Administrative Staffs of main branch of Development Bank of Ethiopia. Consequently, there are around 310 total numbers of employees as population size. Since it is not possible to study the whole population, simple random sampling technique is installed in order to select the number of sample respondents and reached a total number of 75. According to Yamane (1967:886), provides a simplified formula to calculate sample sizes i.e.

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

Where, n = sample size, N= Population size (310) and e= level of precision (Sampling error) which is 10%.

3.4 Method of Data Analysis

The primary data collected through questionnaire organized and depicted in tables and graphs depending on the nature of the data for further clarity and understandability. Then summarized by using descriptive statistics such as frequency and percentage The compiled data is also coded by using scientific statistical data analysis software particularly SPSS. The data obtained from interview, was thematically analyzed content wise and presented in light of the research question.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter focuses on the presentation, analysis and interpretation of data collected from Development Bank of Ethiopia. It is to find appropriate answers to the basic questions raised at the beginning of the study. To this effect the necessary data for the study were collected by using instruments like questionnaire and interview. The respondents involved in this study were different level managers, employees and administrative staffs of the bank. The researcher believes that the respondents are direct stake holders and as the result they were considered to be relevant as main source of information for the study.

Two techniques were used in collecting the data for the study; questionnaire and interview. A total of 75 questionnaire were distributed to the employees of Development Bank of Ethiopia. Out of questionnaire administered, 70 have been collected. This makes the response rate to be 93.3%. The remaining five questionnaires not returned. In order to increase the validity of the information obtained, interview was made with three different level managerial position personnel. The basic rationale of using this different data gathering technique is mainly to obtain clear information and to triangulate the information secured through questionnaire so as to improve the validity of the information for interpretation.

4.1 Demographic Information of Respondents

Under this section, the profile of the respondents of the study is summarized in light of their gender, age group, educational status, work experience, and their position classification.

Table. 4.1 Gender, Age group and Educational status of Respondents

Gender	Frequency	Percent
Male	45	64.3
Female	25	35.7
Total	70	100
Age	Frequency	Percent
20-29	16	23.0
30-39	29	41.4
40-49	17	24.2
Above 50	8	11.4
Total	70	100
Educational Status	Frequency	Percent
Certificate	-	0
Diploma	15	21.4
Degree	43	61.4
Masters	12	17.2
Total	70	100

Source: Questionnaire

Out of the total 70 respondents, about 64.3% (45) of the respondents were male while the remaining 35.7% (25) were female. Regarding the age group of the respondents, the larger portion of the respondents that is 41.4% (29) fall within the age group of 30 to 39. Age group from 20 to 29 and 40 to 49 holds 23% (16) and 24.2% (17) number of respondents respectively. There are 8 respondents from age group 50 and above that contribute 11.4% of total respondents.

In addition to this, the educational status of the respondents, the number of degree graduates takes the larger share which is around 61.4% (43) of the total respondents. Respondents with diploma graduates and master degree holders take the second and third larger share of respondents which is 21.4% (15) and 17.2% (12) respectively. There is no respondent as certificate graduates. In all, the fact that almost all of the respondents being educated though in

different levels is believed to contribute for the understanding of the questionnaire as desired by the researcher.

Table. 4.2 Work Experience and Position Allocations

Work Experience	Frequency	Percent
< 1 year	8	11.4
1-2	14	20
3-4	17	24.3
5-6	14	20
More than 6 years	17	24.3
Total	70	100
Position Allocation	Frequency	Percent
Managerial	14	20
Supervisory	7	10
Professionals	33	47.2
Other support staff	16	22.8
Total	70	100

Source: Questionnaire

Employees with 3 to 4 and more than 6 years work experience in DBE have equal number of respondents that contributes around 48.6% (34) of the total 70 respondents, which is the highest. On the other hand, the number of respondents with 5 to 6 and 1 to 2 years of work experience also have equal number if respondents i.e. Around 20% or 14 number of respondents each, which is the second largest. Finally employees with less than one year work experience takes 8 respondents which is 11.4%. Since, most of the respondents have more than one year working experience in DBE, it will be good enough to have a critical analysis regarding the implementation of BSC.

With regard to the position classification of respondents, the larger shares of respondents were professionals and other support staff member comprises around 47.2% and 22.8% of respondents, respectively. The remaining 30% goes to respondents working in managerial and supervisory positions with around 20 % and 10% correspondingly.

4.2 Preparation of DBE to implement BSC

The introduction of a balanced scorecard system in an organization calls for preparation as any other system prior to the commencement of implementation process. The way the preparation processes are conducted could one way or the other affect the success of a system in general. According to Rohm (2007), the building and implementation of BSC system requires the successful completion of nine important steps to be taken while handling the building and implementation process for the output of the system to be fruitful and meet its intended purpose.

To this end, the first question raised for the respondents through the distributed questionnaire was, who participate in designing the BSC system in DBE. As of the respondents, there is a very high degree of involvement by the higher officials or those working at managerial level. The involvement of professionals and first line supervisors is at minimal rate. On the contrary, according to Rohm (2007) 'Build it and they will come' concept doesn't work in BSC rather it should be 'Let them build it and they will use it'. Hence, this indicates that the initial processes were dominantly held by the top and middle management members of the organization.

According to Rohm (2007), the building processes of BSC system comprises the first six steps namely; assessment, strategy, objectives, strategy map, performance measures and initiatives where high level corporate scorecards are build and where the foundation is set. Hence, in order to answer how DBE handled the preparation and readiness of implementing BSC, looking into its practice in view of these six stages would be vital.

Table. 4. 3 Preparations of DBE to implement BSC

No	Question	SA		A		MA		DA		SD		DK	
		F	%	F	%	F	%	F	%	F	%	F	%
1	Selection of the right people.	29	41.4	33	47.1	3	4.3	1	1.4	-	0	4	5.8
2	SWOT analysis.	24	34.3	30	42.9	5	7.1	3	4.3	-	0	8	11.4
3	Business strategy development.	56	80	14	20	-	0	-	0	-	0	-	0
4	Survey made on the cause and effects of BSC.	18	25.7	22	31.4	10	14.3	4	5.8	2	2.8	14	20

5	Key Performance measures (PM) in terms of financial, customer, business process and the learning and development aspects.	10	14.3	12	17.1	9	12.9	23	32.9	8	11.4	8	11.4
6	Performance measures are easy to understand and use.	11	15.7	14	20	14	20	18	25.7	8	11.4	5	7.2
7	Task are linked to the performance is measure mechanisms.	15	21.4	22	31.4	8	11.4	13	18.6	6	8.6	6	8.6
8	Strategic initiatives/ were properly conducted.	9	12.9	8	11.4	23	32.9	11	15.7	2	2.8	17	24.3

Source: Questionnaire

(Key: SA- Strongly Agree, A- Agree, MA- Moderately Agree, DA- Disagree, SD- Strongly Disagree, DK- Doesn't Know)

The summarized table clearly shows that the selection and assigning of the right people in terms of ability and qualification, the greater majority of the respondents that is 47.1% (33) and 41.4% (29) respondents responds that they agree and strongly agree while 5.8% (4) of them doesn't know whether the bank selects appropriate man power in designing the BSC program. While 4.3% (3) of the responses are moderately agreed. The rest 1.4% or only 1 respondent disagreed. There is no respondent for strongly disagree. Generally the majority of the respondents as shown on the table indicate that the selected people as champions and BSC teams are the right people with the right qualification and ability, so DBE chooses qualified personnel in designing and developing the BSC approach.

Different level managers were interviewed while a serious training program was conducted to the employees before implementation, and their response was, a simple training was conducted, but this training didn't contain or address the whole portion of the system, rather highlight and major factors that employees should focus on is given.

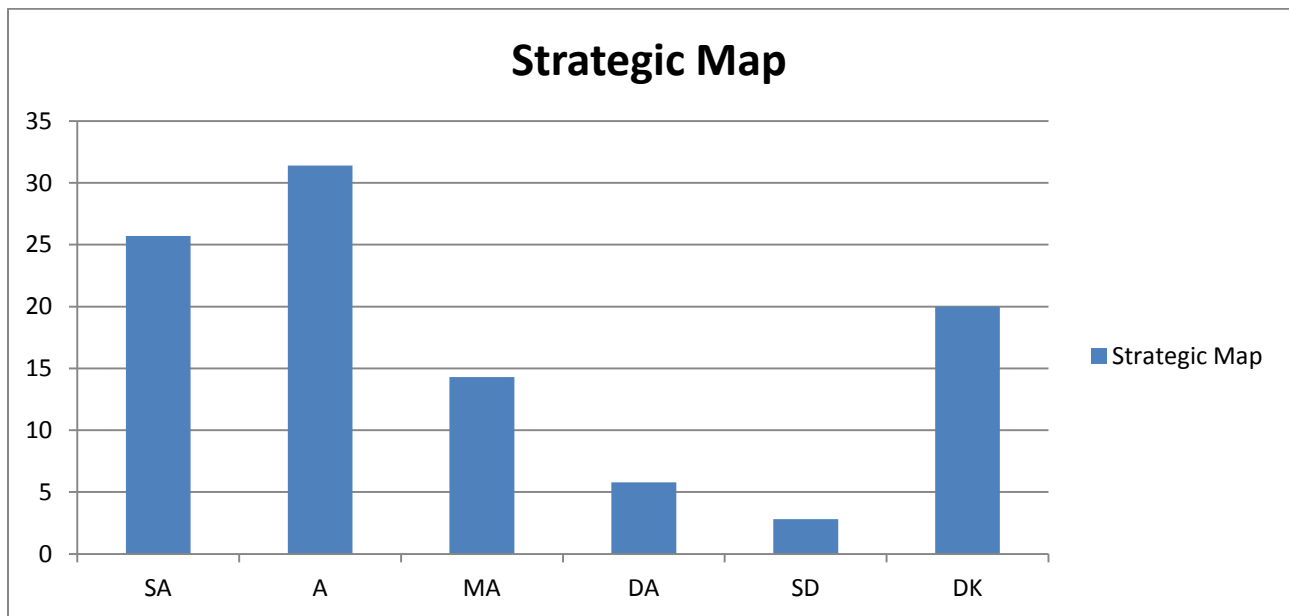
Separately, whether DBE identifies its opportunities and strengths (enablers) as well as weaknesses and threats were asked and it is confirmed as 42.9% (30) agreement and 34.3% (24) strong agreement of the responses obtained. On the other hand, 11.4% (8) of them doesn't know whether DBE make SWOT analysis. Around 7.1% (5) respondents moderately agree that DBE conduct SWOT analysis prior to implementing BSC. The rest 3 respondents disagreed. Performing SWOT analysis helps to recognize the organization's position both internally as well

as in the external environment. This enables DBE to know who its customers, stakeholders and competitors are. Such action helped the bank to define its area of focus.

Similarly, the responses obtained from the question whether DBE's vision, mission and core values show the bank's clear direction. For this, all the responses lie on the strongly agree and agree choices. i.e. 80% (56) respondents reflect their opinion that they strongly agree and 20% (14) of the respondents agree. There is no respondent for the other given choices. This reflects that the mission, vision and core values were well defined and showed clear direction where the bank head towards the end goal.

As we can see from the table above, 57.1%, (25.7% - strongly agree and 31.4 – agree) has indicated that DBE has developed its strategy map clearly in a way that it shows what it wants to achieve. This means strategic results are tied to its vision and its causal relation in accordance with BSC perspective i.e. financial, customer/stakeholder, internal business process and learning and growth are linked. The rest 42.9%, separately 10 (14.3%) moderately agree, 4 (5.8) disagree, 2 (2.8%) strongly disagree and 14 (20%) of the respondents doesn't know. This analysis is show on graph below.

Figure. 4.1 Strategic map



Kaplan and Norton (2001) indicated that now-a-days where organizations are involved in knowledge based activities, employees are tasked with implementation strategy and are often the ones who come up with innovative ideas that make strategies work. Hence, the survey shows that the strategy map of DBE contributes for the translation of the bank's strategy to operational terms, which is one of the principles of a strategy, focused organization.

According to Rohm (2007), performance measures should link organization's vision through the objectives on the strategy map. It provides a clear direction of what "good" is, and should accurately and consistently measure the intended result. In light of this, Table 6 depicts that the majority that is 32.9% of the total respondents disagree on key performance measures regarding the financial, customer, business process and the learning and development aspect are allocated in a balanced manner in DBE. While 17.1% and 14.3% of them agreed and strongly agree on the issue. On the other hand 12.9% of the respondents moderately agreed that the bank allocate all the four perspectives at balanced manner. The rest 22.8% or 16 respondents' compresses equal number of respondents for doesn't know and strongly disagree. This indicate that majority of the respondents disagree on the existence of balancing the four perspectives. Since, large amount of respondent fall on disagree it means that the bank didn't exercise fair allocation among the four perspectives, but, of course, there are large number of respondents agreed for the issue raised, however, while, comparing their average rate agree contributes 14.7% and disagree contributes 22.2% which is much greater.

Rohm (2007) stated that performance measures are developed to track both strategic and operational progress. And to develop meaningful measures, one has to understand the desired outcomes and the process that are used to produce the outcome. Similarly, the response obtained for the question that asks whether targets set for performance measures are easy to understand, and the majority (18) respond disagree and contributes 25.7%. Around 20% (14) respondents agree and moderately agreed respectively. While 15.7% (11) and 11.4% (8) respond as strongly agree and strongly disagree. Since majority of the responses reflect agreement, most of the employees understand the targets set for performance measures. So DBE puts a meaningful and clear performance measure in order evaluate the strategic and operational progress.

For the question which was asked whether every task they do is linked to the indicators and goals to which their performance is measured, the majority of the respondents that is 64.2%, of that

21.4% strongly agree, 31.4% agree and 11.4% of them moderately agree. Strongly disagree takes the least number of respondents equal with doesn't know respondents i.e. 8.6% (6) each. The rest 18.6% is for disagreed respondents.

The table above portrays opinions of respondents with regard to initiatives that were identified and conducted in DBE. The majority 32.9% (23) of the respondents moderately agree and 24.3% (17) of them doesn't know that the required strategic initiatives were properly identified or not. This shows 57.2% of the total respondents are not certain, which is a very large number of respondents. While 15.7% (11) and 2.8% (2) of the respondents disagree and strongly agree on the idea, the rest 12.9% and 11.4% goes to strongly agree and agree. From the above analysis moderately agreed respondents comprises a significant percent of the total respondents. Hence, from the responses obtained, one can concluded that the strategic initiatives were to some extent identified and conducted, which still requires further improvement.

In addition to the questionnaire an interview was conducted with different management position staffs in order to summarize the above issue, the question raised was does DBE successfully handle the preparation and readiness for the implementation process? And the answer was DBE puts its maximum effort and spends much more resources in order to develop the system. The management also mentions experienced BSC team was selected in order to install the system.

The other question raised was, which of the six implementation phase was the challenging one for DBE? The managers reveal that greater challenges were faced in the process of strategic mapping and putting the performance measures. The organizational strategy down to business process level as well as individual level in an aligned manner. That is, there exists understanding gap on employees for identifying their roles, allocating resources in proper manner and setting personal objectives that are aligned with business process objectives. Regarding creating awareness among employees, the managers replied, DBE didn't face a bigger challenge that is because, the employees first oriented about the system and what is expected from them, of course as mentioned above there was an understanding gap among them, but it is avoided through open communication and discussion with their supervisors. From the customer's perspectives, since the program makes the customer handling very effective and easy, the customer's feedback is positive.

For the question asked if the top executives and employees are committed to BSC system. Accordingly, the response was the top executives of DBE and employees are committed to the BSC. And they support the BSC in a way that they devote of their time and they supervise with interest to attain the success of the system.

To this end, the researcher can conclude that the readiness and preparation of the BSC system in DBE was given much time and soundly handled. But there were some areas that need an improvement specially creating a well defined understanding among the perception of the employees.

4.3 Implementation of BSC

According to Kaplan and Norton (2004), the existence of a separate scorecard for the different levels of organization is important to translate higher level scorecards down to individual level. Starting with a corporate scorecard and cascading objectives down to business processes and then to teams/individuals assures that the work performed in all work units is aligned to the organizations overall strategy.

Table. 4.4 Implementation of BSC

No	Question	SA		A		MA		DA		SD		DK	
		F	%	F	%	F	%	F	%	F	%	F	%
1	BSC program launched on schedule.	15	21.4	17	24.3	22	31.4	10	14.3	6	8.6	-	0
2	Implemented BSC system is linked to mission and vision.	28	40	32	45.7	8	11.4	-	0	-	0	2	2.9
3	Financial sector of DBE is forwarding effectively.	22	31.4	27	38.6	12	17.1	-	0	-	0	9	12.9
4	Rise in customer satisfaction.	18	25.7	26	37.1	9	12.9	3	4.3	-	0	14	20
5	DBE is well in achieving its objectives after BSC. (Internal business).	21	30	33	47.1	12	17.1	2	2.9	-	0	2	2.9
6	Employees incentive well exercised.	12	17.1	14	20	8	11.4	15	21.4	19	27.2	2	2.9

Source: Questionnaire

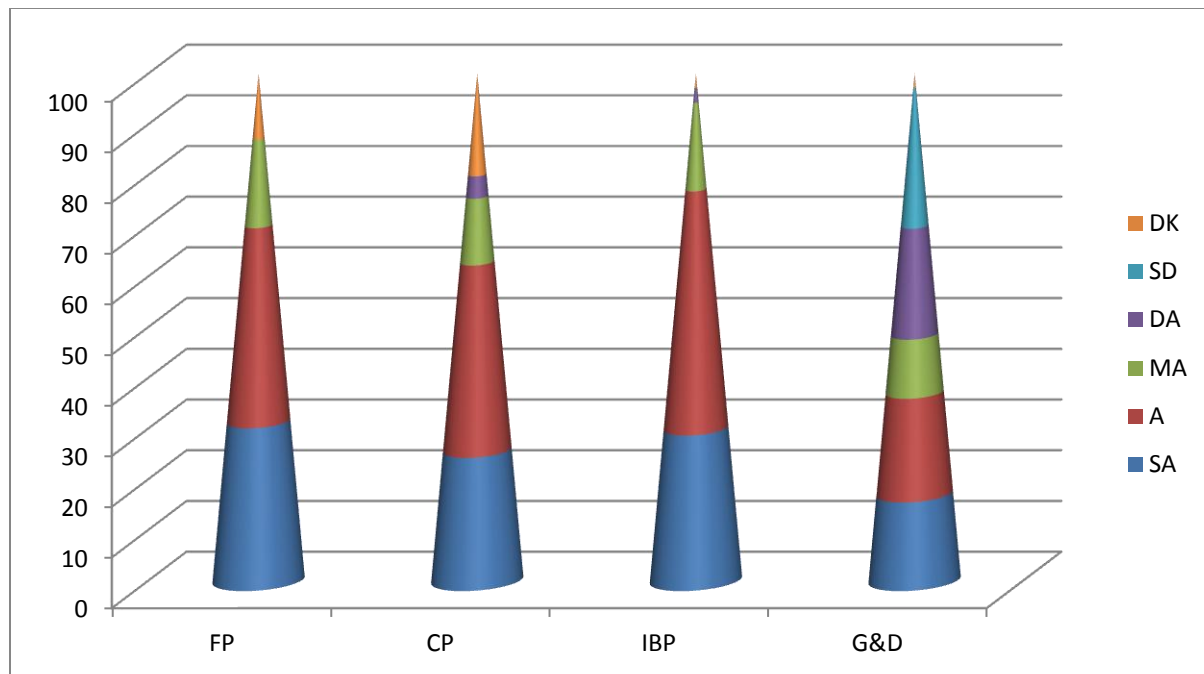
For the first question which is, the BSC program launching schedule was clearly identified, 31.4% of the respondents moderately agreed, 24.3% of them agreed, 21.4% are strongly agree and 14.3% of them disagreed. The rest 8.6% strongly disagree. The above question raised to the manager through interview, and the response is regarding the time schedule there was some adjustment made while building the BSC program and also resources scarcity, due to such factors the implementation period was extended to some additional time period.

Regarding the relatedness of the implemented BSC system with the bank's mission and vision statement, almost all of the respondents 97.1% of them strongly agree, agree and moderately agree. Each contributes 40%, 45.7% and 11.4% respectively. The rest 2.9% respondent doesn't know. Which means the banks selects the appropriate performance measurement system.

As (Hannabarger, Buchman, and Economy, 2007) BSC is management system that enables your organization to set, track and achieve its key business strategies and objectives. Once the business strategies are developed, they are deployed and tracked through what we call the Four Legs of the Balanced Scorecard. These four legs are made up of four distinct business perspectives: The Customer Leg, the Financial Leg, the Internal Business Process Leg, and the Knowledge, Education, and Growth Leg. "if any one of these four legs is ignored, it will be like sitting on a four- legged chair with a broken leg. You are eventually losing your balance and fall flat on your face."

To easily show the interaction of the four perspectives of BSC, the above table is presented in a simple graph as shown below.

Figure. 4.2 Implementation of the Four Perspectives in DBE



Key: FP- Financial Perspective, CP- Customer Perspective, IBP- Internal Business Perspective, G&D- Employee growth and development.

From the above graph one can understand that all the four perspectives of BSC are exercised in DBE. But the level of practice varies from one perspective to the other. Almost the three perspectives i.e. financial perspective, Customer perspective and internal business perspective are used at equal manner and at a balanced rate. But, it's clearly seen that the employee growth and development practice contributes half of agreement and the rest half to the disagreement. This particularly implies that DBE didn't fully apply the growth and development perspective towards the staff members.

In addition to what has been discussed so far, the information obtained through the interview made with supervisors disclosed that the implementation of BSC enabled to look into performance gaps from different angles that are from the four BSC perspectives. This, as a result, creates room for evaluating employees in 360 degree. The need for setting individual performance objectives in line with the business process objectives has enabled the staff to understand the organization overall strategy, mission and vision in addition they gain additional knowledge about how to handle and satisfy the customers. This, therefore, has increased

personal initiatives of employees and makes them think better ways of handling tasks. Besides, the meetings held on weekly and monthly basis within business processes have created room for open discussion on weaknesses and negotiations. As a general speaking the supervisor position staff of DBE believes that the bank is implementing BSC at equal level with respect to the four perspectives.

4.4 Monitoring and Evaluation

Table. 4.5 Monitoring and Evaluation

No	Question	SA		A		MA		DA		SD		DK	
		F	%	F	%	F	%	F	%	F	%	F	%
1	Management meeting is held to review the strategy issues.	18	25.7	19	27.1	17	24.3	4	5.7	-	0	12	17.2
2	DBE checks whether strategic themes are achieved.	21	30	19	27.1	9	12.9	3	4.3	-	0	18	25.7
3	Identified weakness or failures are taken as lesson.	23	32.9	28	40	9	12.9	2	2.8	-	0	8	11.4

Source: Questionnaire

The summarized table clearly shows the monitoring and evaluation practice of DBE. Regarding this, the first question raised was if regular management meeting is conducted to review strategic issues. The majority of the respondents that is 27.1% (19) and 25.7% (18) responses show that they agree and strongly agree while 24.3% (1) and 17.2% (12) of the responses obtained moderately agree and they doesn't know. The rest 5.7% goes for disagree. In general speaking, DBE held regular management meeting in order to review strategic issues which is an important step for effective implementation of BSC.

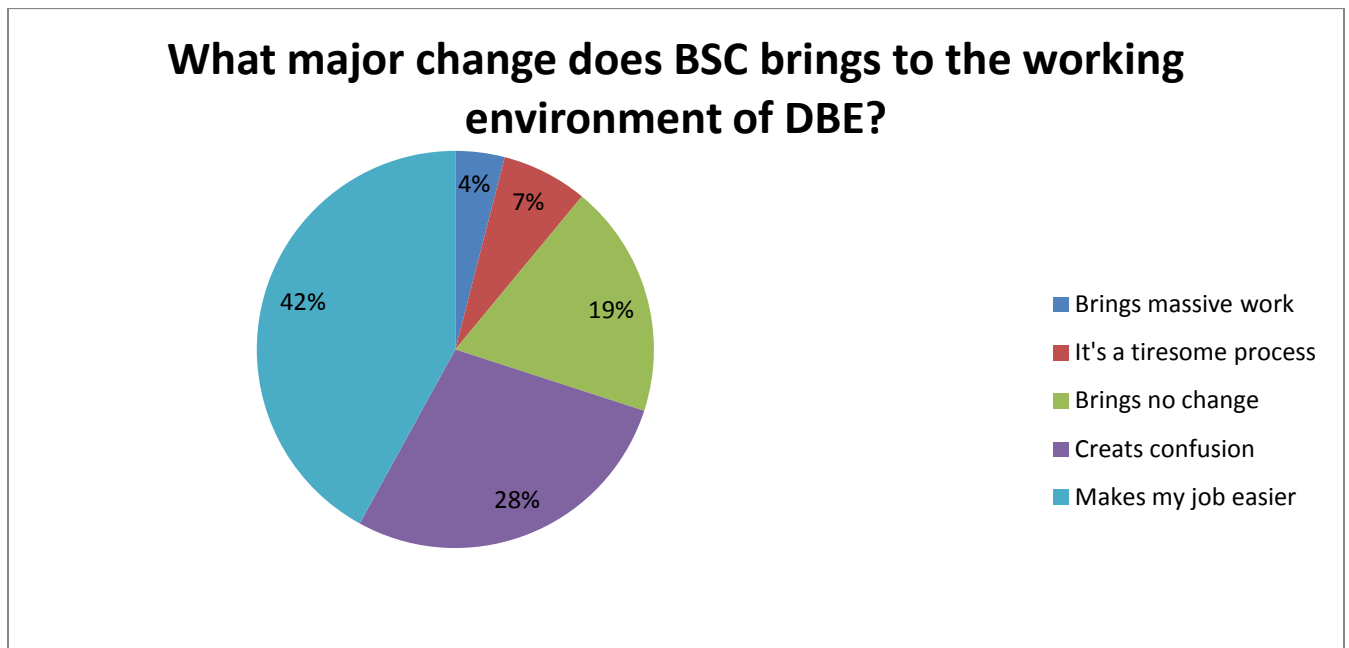
For the question posed whether DBE checks the achievement of strategic objective in a timely manner, again 30% (21) and 27.1% (19) of the respondents strongly agree and agreed. Only 4.3% of the respondents disagree and the rest 18 (25.7%) of them doesn't know. Hence, it indicates that majority of employees agree that DBE control and check efficient practices of the strategic themes in a timely manner.

The final question on the section of monitoring and evaluation distributed was that, the identified weakness or failures are taken as a lesson and are incorporated in the planning for future correction. Around 73% of the respondents strongly agree (32.9%) agreed (40). And on the other side 2.8% is for disagree and no for strongly disagree. Thus it shows a definite agreement on the question raised. Thus, DBE identifies weakness and failures and takes future correction but it didn't give too much weight and time for the situation.

4.5 Employees Attitude towards BSC.

Two open ended questions was distributed for the employees about their expectation on BSC; the responses were analyzed as follows.

Figure 4.3. Employee attitude towards BSC



The first question was, while DBE implement BSC, what it brings to your working environment? And the majority 42% of the employees replied that BSC makes their job easier, next 28% of the employees got confused. Around 19% of them saw or recognize no change when comparing with their previous one and 7% replied that it's a tiresome process for them. The rest 4% of them replied BSC brings massive work than before. So we can conclude that BSC system is suitable for most of the employees. Regarding the rest the bank should clearly put the procedures and should arrange a training session in order to avoid the dilemma created among them.

The second question was what benefit you got from the system, and around 74.3% (52) of respondents in summarized presentation replied that the system makes their working environment safer and secured from any work risks and are performing their job freely. It also enables them to freely communicate with their immediate supervisors and subordinates. Plus their performance rate is on an efficient and effective manner. Few response shows that some of the staff members of DBE get additional knowledge and skills, plus the system helps them to understand different ways of performing a given task within a given time period.

In general, from the above two analysis of the staff members of DBE response, the majority of the employee got an advantage in their working environment and understands their path in order to achieve the organization future objectives. But, still DBE needs some improvements on the employee understanding about BSC system through training and development programs.

4.6 Challenges Faced

Information obtained through an interview with the responsible agent (BSC team) about what major challenges were faced in the process of cascading the organizational strategy down to business process level. That is, there exists understanding gap on employees for identifying their roles and setting personal objectives that are aligned with business process objectives.

Besides, the process of identifying measures and setting targets in quantifiable terms was found to be the other challenging task which employees face when asked to set their own individual goal. According to them, this step was difficult because not all activities performed are easy to quantify. However, still a gap has been observed on cascading objectives that are described in financial units at business process level to personal level.

Difficulty has also been observed not only while setting the objectives but also while evaluating it. That is, in cases where works are handled in groups, separately identifying individual performance from team performance is a challenging task. Thus, currently they tend to give equal mark for the group despite the individuals contribution.

The other challenge pointed was on record keeping. Some of the respondents have also cited that they used to face challenges in understanding the performance recording forms in previous times. According to them, the understanding gap was resolved by the explanation and support received from the BSC team. However, still reluctance to regularly keep records is observed. The unavailability of benchmarking data for setting objectives especially in previous times where the system was introduced and where appropriate documentation of records does not exist was another challenge.

Finally an interview question was forwarded to randomly selected managerial level personnel about the future prospects of BSC, generally their reply points on one direction which is currently they understood that BSC is suitable and accurate to achieve their organization mission, vision and objectives: and they are observing it clearly. But to the future, since, there is a rapid and radical change on the country's economy, so that, there an amendment need, DBE might practice better performance measurement systems that are suitable with the future organizational environment.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

The major purpose of this study was to assess and describe the building and implementation of BSC system in Development Bank of Ethiopia. So as to be able to collect and analyze this research, descriptive survey research design was employed by using mixed research approach which comprises both quantitative and qualitative methods of data gathering. In addition to the data gathered through questionnaire, interview was also made to triangulate and increase the validity of the data obtained, 75 questionnaires were distributed by using simple random sampling technique. Out of which, 70 of the questionnaires were collected. The data collected from target respondents through closed ended questionnaire was compiled and summarized by using SPSS software. The variables were analyzed by using frequency counts and percentages. Finally, information obtained through open and closed ended questionnaire and interview were analyzed and interpreted.

This chapter deals with the major summarized conclusions drawn and recommendations needed in light of the relevant literature developed by scholars on the subject under study.

5.1 Conclusion

To summarize the major findings of the study, it was identified that DBE has successfully selected the right people (BCS teams) on designing the BSC program, conduct SWOT analysis, and redefine its mission, vision, and core values. However, the building process was dominantly held by the top and middle management members of the bank with a very low participation of the other members. Hence, as cited above, the inadequate involvement of the operational staff would be a source of gap for the attainment of the desired level of commitment as well as to reach the expected level of output. Regarding the development of strategy and strategic objectives, DBE has identified it. In addition, DBE has moderately identified its key performance indicators and this as a result has enabled it to produce a clear strategy map that shows the cause and effect linkages between components of strategies placed in appropriate scorecard

perspectives. In line with the development of performance measures, the key performance indicators are partially linked with the four scorecard perspectives, and all the elements in the performance indicators are in line with their responsibilities.

DBE develop time schedule ahead but due to some adjustments it was extended and there exists that the mission, vision and core value are properly shared. Regarding the four perspectives all of them were exercised. But the level of implementation was not on equal level, especially for employee growth and development perspective. This will create an unbalanced working environment towards individual and team work performances.

Regular meeting is held to discuss on strategic matters, and there exist frequent checking mechanism whether the strategic themes were achieved or not. In addition DBE monitors failures and weaknesses and take a future correction as needed. Hence, this facilitates the monitoring and evaluation process.

It has been found out that employees of DBE are more or less aware of the bank's status in implementing BSC and also have a favorable reaction towards it. BSC makes the employees day to day task easier and efficient.

In addition, the implementation of BSC, makes the employees to understand on how to handle a heavy task, how to communicate to their subordinates, to interact with each other and give and receive feedbacks with each other. It also makes their job secure and safe.

The process of cascading the organizational strategy down to business process level, the process of identifying measures and setting targets, unavailability of benchmarking data for setting objectives specially during the start up period where the system was introduced, the existence of understanding gap on employees were some of the major challenges faced by DBE in the process of building and implementing BSC.

Even if the above cited challenges have been faced by DBE, the bank has managed to overcome the cascading issue as it has been confirmed by the employees on the existence of aligned

scorecards at different levels. Areas like identification of realistic performance measures still require further consideration.

From the study made, it has been noted that DBE has neglected the importance of the involvement of employees in the building process of BSC. Rather, the building and design stage was handled with the involvement of few individuals working at top managerial level, which may bring a lesser result than what could be achieved had they been involved.

A major gap has also been observed with regard to the development of performance measures, which is revealed by the employees' reservation on confirming the meaningfulness and practicality of the performance measures identified. It has also been noted that employees are facing a problem of understanding the measures and difficulty in applying them. Hence, this is believed to emanate from the lack of adequate level of involvement at the designing stage. Therefore, if the problem persists and left unattended, there would be a tendency of returning back to the old system.

In all, despite the above cited weak points on assessment, performance measure and automation, the accomplishment observed on the remaining areas such as having top executives' commitment, well defined mission, vision and core values, identified customer value propositions, clearly developed strategy map and properly handled cascading activities were well handled in Development Bank of Ethiopia. As a result, since, as BSC is a globally contemporary and challenging practice, one can conclude that DBE has handled the building and implementation process of BSC system in a very good way to this stage.

5.2 Recommendation

In light of the major findings of the study and the conclusions drawn, attempts were made to forward possible recommendations for the attainment of a better result out of the balanced scorecard system in Development Bank of Ethiopia. The major recommendations are cited below:

- ✓ Though it is practically difficult to involve all members of the bank in the process of designing the scorecard system at corporate level, but at least it would be feasible if the executive management involves all the team leaders and professionals working under both the core or support processes while building business process and team/personal level scorecards. This is because; such practice would result in the development of the desired culture faster than it currently is and will enhance the level of awareness and commitment as compared to what one can understand simply from training. Thus, it believed to be manageable and fruitful if these groups are given the chance of involvement upon revising the scorecards in the future.
- ✓ DBE should give much more emphasis for its employees regarding the growth and development perspective since employees are the valuable assets of an organization. Plus, without fully practicing the four perspectives we can't say that BSC is effectively implemented. So DBE should work hard and improve in order to apply all the four BSC perspectives at equal manner.
- ✓ On the other hand, continues training should be forwarded to the employees of DBE. New comers and some employees with a negative attitude towards BSC should have the understanding about it and should link the system with the bank's future goal and objective.

- ✓ As the management of DBE pointed out that since the current economic activity of the country is rapid and unstable, the managements of DBE should periodically (shortly) revise the policies, themes and achievements obtained.
- ✓ BSC is a system which requires regular data collection and reporting. Thus, applying unclear measures frequently could lead to unwillingness and this will create an environment that opposes from the culture which DBE wishes to develop. Hence, if the problem persists, there would be a tendency of returning back to the old system if left unaddressed. So, it would be better if the Executive Management makes timely decision before things get messed-up and efforts made to this stage are wasted.
- ✓ The research's policy wise contribution is that BSC is applicable to all types of organizations as it measures both tangible and intangible assets of an organization and turning strategy in to action, it is believed to be value adding if implemented other organizations which has not yet implemented BSC as it enables to measure what has been challenging to measure in previous times that is the intangibles.

In general, it is commendable for DBE to sustain all its current strengths, and improve its weaknesses mentioned in the previous sections as today's environment is changing and filled with different uncertainties.

5.3 Limitation of the Study

In the process of conducting this research different limitations or shortcoming were faced. One of the major limitations was the unavailability of standard tool/questionnaire previously designed by authorities for gathering data used to assess the building and implementation practice of BSC system.

The other limitation was, Since BSC is a new performance measurement system introduced in our country there was a difficulty in finding published and other research works done at national level. Those documents were relevant for the related literature and for the recommendation in order to relate the finding of this research and give significant recommendation.

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APPENDICES

Appendix ‘A’
St. Mary’s University
School of Graduate Studies

Questionnaire to be filled by: The Management and Employees of Development Bank of Ethiopia.

Dear Respondents,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, “Evaluation of the Effectiveness of Balanced Scorecard System in Development Bank of Ethiopia” as partial fulfillment to the completion of the masters program in Human Resource Management at St. Mary’s University. In this regard the researcher kindly requests you to provide me reliable information to the best of your knowledge so that the findings of the study would meet the intended purpose. The researcher strongly assures you of the confidential treatment of your answers, and would like to extend deepest gratitude in advance for being a volunteer to devote your valuable time in filling this questionnaire.

General Instruction

- No need to write your name or any identifying remark.
- Please check the box for the option that suits you.
- For your enquiries please call to: +251-911-00-80-66 or

Email at, yaredergetekal@yahoo.com

Part I – General Information

1. Gender:

Male	Female

2. In which age group do you fall?

< 20	20-29	30-39	40-49	> 50

3. Educational status:

Certificate	Diploma	Degree	Masters	other

4. Years of service in DBE

< 1Year	1-2 years	3-4 years	5-6 years	> 6 years

5. To which category does your position fall?

Managerial	Supervisory/Team leaders	Professional	Support staff

If other, Please specify _____

Part II – Preparation and Readiness to implement BSC.

1. Who are the major participants in designing the balanced scorecard at your Organization? (More than one alternative can be selected)

A	The top management members	
B	The middle management members	
C	The first line or supervisors	
D	Professionals	
E	Other support staff	
F	External consultants	

Others; please specify _____

2. How is your participation in the process of building your business process/work unit scorecard?

A	Very High	
B	High	
C	Medium	
D	Low	
E	Very Low	

Please rate your level of agreement or disagreement for the following questions

Keys: (SA) Strongly Agree (A) Agree (MA) Moderately Agree (DA) Disagree (SD) Strongly disagree (DK) Doesn't know

No	Question	SA	A	MA	DA	SD	DK
3	Right people are selected in designing the BSC program.						
4	An assessment of SWOT analysis is made in DBE before implementation.						
5	Business Strategy developed (Mission and vision clearly stated)						
6	Survey was made regarding the cause and effects that the BSC system might bring to DBE.						
7	Key performance measures regarding the financial, customer, business process and the learning and development aspect allocate in a balanced manner						

8	The performance measures are easy to understand and use.						
9	Every task you do is linked to the indicators and goals to which your performance is measured.						
10	Strategic initiatives/ projects were properly identified and conducted						

Part III- Achievement Obtained while Implementing

No	Question	SA	A	MA	DA	SD	DK
1	The BSC program launching schedule was clearly identified.						
2	The implemented BSC system is relevant and well linked to the corporate mission and vision						
3	The financial sector of DBE is forwarding on the expected path.						
4	You think there is a rise in customer satisfaction? (If any suggestion is given).						
5	How well DBE in achieving its objectives after BSC.						
6	You think employees incentive (Benefit Package like growth & Development) mechanism exercised than before?						

Part IV- Monitoring and Evaluation

No	Question	SA	A	MA	DA	SD	DK
1	Regular management meeting is held to review the strategy issues						
2	DBE tests whether strategic themes are achieved or not in a timely manner.						
3	Identified weakness or failures are taken as lesson and are incorporated in the planning for future correction.						

Part V- Employees Attitude

1. How do you see the introduction of BSC in DBE?

- (A) It brings massive work, thus takes much time.
- (B) It changes the way I do my job hence, creates confusion.
- (C) It is a tiresome process, so better to have other simple tool.
- (D) It is makes my job easier than before, thus it is good.
- (E) Brings no change.

If other, please specify _____

_____.

2. What major benefit do you believe you get from the system? _____
_____.

Appendix 'B'

Interview Questions

1. Does DBE successfully handle the preparation and readiness for the implementation process?
 - 1.1 Which of the nine building and implementation step was challenging?
 - 1.2 What major achievements and challenges were recorded, regarding creating awareness to the employees and customers of DBE?
 - 1.3 How is the commitment of the managers and the employees towards BSC program? What strength and weakness faced on this regard?
 - 1.4 Employees are well trained before implementation and have the knowhow about BSC?
2. Does the BSC system development and implementation process end within the specified time schedule? If No, What major challenges make the delay?
3. Would it be possible to say that DBE has successfully implemented BSC that is from the four perspectives angle?
4. What are the major challenges were recorded while implementing BSC?
5. What would be the future prospect of BSC in DBE?