

***Practice and Challenges in Planning, Implementation and Evaluation  
of the Balanced Scorecard: The Case of Oromia Justice Sector's  
Professional Training and Legal Research Institute***

***A Thesis Submitted to the School of Graduate Studies of Jimma University in  
Partial Fulfillment of the Requirements for the Award of the Degree of Master  
of Business Administration (MBA)***

**BY:**

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**JIMMA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
MBA PROGRAMME**

**MAY 27, 2016  
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Ander the Guidance of

Dr. Workineh Bayisa

And

Ato Chalachew Alemaw



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## **CERTIFICATE**

This is to certify that the thesis entitles “Practice and Challenges in Planning, Implementation and Evaluation of the Balanced Scorecard: The case of Oromia Justice Sector’s Professional Training and Legal Research Institute, submitted to Jimma University for the award of the degree of Master of Business Administration (MBA) and is a record of bona fide research work carried out by Mr. Mitiku Terefe, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institution for the award of any degree or diploma.

Main adviser’s Name

date

signature

Co-adviser’s Name

date

signature

## **Declaration**

I hereby declare that this thesis is entitled “Practice and Challenges in Planning, Implementation and Evaluation of the Balanced Scorecard: The case of Oromia Justice Sector’s Professional Training and Legal Research Institute, has been carried out by me under the guidance and supervision of Dr. Workineh Bayisa and Ato Chalachew Alemaw.

The thesis is original and has not been submitted for the award of any degree or diploma to any University or institutions

Researcher’s name

Date

Signature

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## ***Abstract***

*The goal of BSC is to assist organizations as a communication tool, measurement system, and strategic management system. These goals are very difficult to achieve unless it is planned, implemented, and evaluated properly. The general objective of the study is to explore the practices and challenges in planning, implementation, and evaluation of BSC in the case of Oromia Justice Sector's Professionals Training and legal Research Institute. As a result, the study organization BSC was evaluated with American Balanced Scorecard Institute's Model of nine steps of BSC. The study used descriptive research technique and starts with assessing the steps of BSC and evaluating the role of top management in the BSC design and implementation in the study organization. The qualitative and quantitative data collections were used. The researcher used census method and data were collected from 206 employees. The researcher reviewed the study organization's BSC document and conducted Semi-structured interview with BSC technical team members. The major findings of the study revealed that: there is a gap in identifying customer's needs and demands, there is a gap on setting objective commentary for each objective, the strategic map is not properly serving as tool of communication, the performance measures mixture are not keeping the balance between leading and lagging measures, there was problem on setting baseline, target and threshold clearly, data collected on measurement were not validated by authorized body, lack of appropriate automation software, lack of clarity in data definition table, individual scorecards are not properly aligned to work unit strategy. Based on the findings the study proposes that the organization have to set up qualified BSC review team which will be supported by professional external consultant that conduct assessment review, and manage change to confront the challenges related with BSC planning, implementation, and evaluation techniques, and the top leadership have to show its full commitment and involvement in implementation stage, and also conduct intensive awareness creation in order to reap the benefits of the Balanced Scorecard.*

***Key words:*** *Balanced scorecard, Designing stage, Implementation stage, BSC Perspectives.*

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## **Acronyms**

<b>BSC:</b>	Balanced Scorecard
<b>BPR:</b>	Business Process Reengineering
<b>OCSGGB:</b>	Oromia Civil Service and Good Governance Bureau
<b>MoCS:</b>	Ministry of Civil Service
<b>OJSPTLRI:</b>	Oromia justice sector's professional Training and Legal Research Institute
<b>EC:</b>	Ethiopian calendar
<b>KPI:</b>	key performance indicator
<b>ICT:</b>	Information communication Technology
<b>FDRE:</b>	Federal Democratic Republic of Ethiopia
<b>RTT:</b>	Regional Technical Team
<b>SPSS:</b>	Statistical Packages for Social Sciences



# CHAPTER ONE

## 1. INTRODUCTION

This chapter deals with the back grounds of the study, statement of the problem, research questions, objective of the study, Scope of the study, significance of the Study, limitations of the study, organizations of the Study, and finally definition of terms.

### ***1.1. Background of the study***

According to Kaplan and Norton, (1992)the Balanced Scorecard concept as a new system for organizing both financial and non-financial performance measurements. In the beginning of their article they discuss that “if you can’t measure something, you can’t manage it properly”, which points out the authors’ view on the role of BSC in managerial work, (Kaplan and Norton, 1992). The wide range of financial and non-financial measurements, which the scorecard offers, provides managers with a comprehensive framework representation of both the organization’s tangible and intangible assets. Gerrish & Lacey (2010) evolve the concept further to become a strategic management system, which they argue supports four managerial processes, namely, clarify and translate vision and strategy, communicate and link strategic objectives and measures, plan, set targets, and align strategic initiatives, and enhance strategic feedback and learning.

Since the concept was introduced in the early 1990s as a performance measurement system, the Balanced Scorecard (BSC) has attracted considerable interest among different organizations, practitioners and researchers. According to Niven (2006), 60% of the Fortune 1000 companies are either implementing or attempting to implement the BSC. Further, a study conducted by Bain and Co (2009) states that about 49% of organizations in North America, 54% in Europe, 52% in Asia, and 56% in Latin America use the BSC. Due to its wide acceptance and effectiveness, the BSC was proclaimed one of the 75 most influential ideas of the twentieth century by *The Harvard Business Review* (Niven, 2006).

Kaplan and Norton,(1996) demonstrated that balanced scorecard enables any organizations to translate their visions and strategies into comprehensive objectives and substantial set of performance measures. Thus BSC provides enterprise view of organization’s overall performance by integrating financial measures with other key performance indicators around

customer perspectives, internal business processes, and organizational growth, learning, and innovation (Kaplan and Norton, 1996). Nowadays, the private and public sector organizations throughout the world exercise BSC as change and strategic management system. However; the public organizations that employ BSC as change and strategic management system encountered difficulty with its planning, implementation and evaluation.

Since 1990's, almost all aspects of the country have been touched by the reform initiatives and all the reform measures were geared towards all-round performance improvement of the sector for efficient, effective and quality service delivery to the citizens and reduce the level of poverty in the country (Ministry of Civil Service, 2013). As part of its effort to improve the performance of the public service, the government has introduced different performance management tools mainly Business Process Reengineering (BPR) in 2004 and Balanced Scorecard (BSC) in 2010, (FDRE-MoCS, 2013)

Based on government initiatives, almost all of public sectors in Oromia national regional state have been implementing BSC since 2010, according to Oromia Civil Service and Good Governance Bureaus (OCSGGB) report, (2014). Though all public sectors in Oromia national regional state established an ad hoc team to study and develop the system and adapt to its context, the planning and implementation process is apparently turns out to be full of challenges, according to BSC Regional Technical Team (RTT) report, (2014).

Accordingly, the researcher has learnt that there was a significant skill gaps in proper designing and implementing the BSC. Thus the researcher is motivated to undertake research on the practice and challenges of BSC planning, implementation, and evaluation: in the case of Oromia justice sector's professional Training and Legal Research Institute.

The general objective of the study is to explore the practices and challenges in planning, implementation and evaluation of BSC in Oromia justice Sector's professional Training and Legal Research Institute. This study is quite important as the Oromia justice sector's professional Training and Legal Research Institute is intensively working to drive the planning, implementation, and evaluation of their public service upward starting from 2010, when Oromia national regional state five years strategic plan adopted at regional level by using the Balanced Scorecard as a communication tool, a measurement system, and strategic management system.



The study is relevant and timely to pinpoint key challenges and practices as it was conducted amid of high efforts to institutionalize planning, implementation, and evaluation system of BSC and process in a new form by introducing new strategic management tool.

Oromia justice sector's professional Training and Legal Research Institute (OJSPTLRI) is one of the Oromia Regional state public sectors that has been implementing and automating the Balanced Scorecard. The OJSPTLRI serve as a case study. Oromia Justice Sectors Professionals' Training and Legal Research Institute (OJSPTLRI) was established as of September, 2007 by Regulation N<sup>o</sup>: 77/2007, as the regional implementing agent of justice reform program. The overall objectives of the Institute is to make the justice system efficient and effective by improving the knowledge, skills and ethics of the professionals of the justice sector and by introducing the principles of transparency and accountability in to the system by conducting legal researches. To achieve such objective it would be essential to put in place reform measures that enhance the contribution of the Institute so as to play enablers role of improving the knowledge, skills and ethics of the professionals of the justice sector. Recently, the Institute is implementing different change management tools to bring about institutional transformations. Among these one is Balanced Scorecard (BSC). The Institute has five work processes (Units) and 219 employees.

## ***1.2. Statement of the problem***

According to Kaplan & Norton (2001), the balanced scorecard is more than just a collection of measures; it is a strategic management system that managers can use to clarify and implement strategy. Although many different organizations are using the BSC as a management technique to implement corporate strategy, a number of them have encountered different problems when trying to introduce the concept in their organizations. The majority have either implemented the BSC but without any significant improvement in performance, or they have given up in the implementation process itself.

The BSC in public sector is recently criticized concerning lack of cause-and-effect relationships, lack of clarity, and failure to consider some types of stakeholders (Johanson et al. 2006; Norreklit, 2003). Other scholars have also raised questions regarding the BSC's effectiveness (Othman et al. 2006) and the adequacy of BSC in varying circumstances and differing firm types (Howard. 2003).

In different organizations, BSC, with all its limitations, is perceived to bring basic changes. The goal of Balanced Scorecard is to assist organizations as a communication tool, measurement system, and strategic management system. These goals are very difficult to achieve unless it is planned, implemented, and evaluated properly. Designing and Implementing BSC as a communication tool, a measurement system, and as a strategic management system is very essential to reap the benefits of BSC (Othman et al. 2006).

Oromia regional state has announced BSC implementation under the Civil Service Reform Program. Following this governmental initiative, all public organizations have started to plan for reform and organizational change using BSC. Based on this, the regional state has allocated substantial amount of budget for design and implementation of BSC, hoping that it help as a communication tool, a measurement system, and strategic management system to attain the organizational objectives and mission. Accordingly, Public sectors in the Oromia national regional state announced and celebrated that they are implementing the BSC. Oromia justice sector's professional Training and Legal Research Institute is one of those sectors.

Though the Institute established technical team to study and develop the system and adapt to its context, the planning, implementation and evaluation process is apparently turns out to be full of challenges, no one can give assurance whether the efforts are on the right track or not. From the preliminary assessment of the researcher, some of the troubles are lack of alignment, keeping the scorecard at the top, measurement development and lack of top management commitment, and generally lack of proper designing and implementation. There is no empirical research done on the study, planning, implementation, and evaluation of BSC practices and challenges in oromia Justice Sectors. Thus, the researcher has concluded that there was a significant skill gaps in proper designing and implementation of the BSC, and motivated to conduct research on the issue. Understanding the use of the Balanced Scorecard involves how the BSC is designed, and being implemented in the organization. As a result, this study tried to explore the planning, implementation and evaluation of BSC according to American Balanced Scorecard Institute model of the nine steps (Assessment, strategy, Objectives, strategic map, performance measures, Initiatives, Automation, Cascading, and Evaluation) model of BSC in Oromia justice Sector's professional Training and Legal Research Institute. The sustainability of the system and the commitment of the leadership were also examined.

### **1.3. Research questions**

To address the stated problem and to identify the practices and challenges in BSC planning, implementation, and evaluation and to bring recommendations, this study answers the following basic research questions:

- What are the challenges of nine steps of BSC planning, implementation, and evaluation process?
- What are the overall roles and commitment of the top leadership in the planning, implementation, and evaluation of BSC?
- Does the organization align information systems, and organizational system that assure the sustainability of the BSC?
- What are the experiences gained from the planning, implementation, and evaluation BSC in OJSPTLRI?

### **1.4. Research Objectives**

#### **1.4.1. General Objective**

The general objective of the study is to explore the practices and challenges in planning, implementation, and evaluation of BSC in Oromia justice Sector's professional Training and Legal Research Institute.

#### **1.4.2. Specific Research Objectives**

- To examine the overall roles and commitment of the top leadership of OJSPTLRI in the planning, implementation, and evaluation of BSC.
- To identify the challenges of the nine steps of BSC planning, implementation, and evaluation in OJSPTLRI.
- To describe factors that influences the alignments of information systems and organization to maintain the sustainability of BSC.
- To assess the strengths and weaknesses in planning, implementation, and evaluation in the study organization.

## 1.5. Scope of the Study

The study relay on describing the experience of BSC planning, implementation, and evaluation, and it was not covered the impacts of BSC implementation, and the study assessed the planning, implementation and evaluation status of the system from September, 2010 to January, 2016.

## 1.6. The Significance of the Study

The Balanced Scorecard is a communication tool, a measurement system, and a strategic management system designed and implemented in the entire public sector of the Oromia regional state. There are challenges in its planning, implementation, and evaluation. The study will provide some insight about balanced scorecard planning, implementation, and evaluation to the management of OJSTLRI. It is also hoped that, the study will be useful particularly for public sectors which strive to implement the BSC to help them avoid challenges in its planning, implementation and evaluation. It will increase the knowledge in the area and fill the current gaps in empirical literature for further studies on BSC.

## 1.7. Definition of Terms

- **Balanced Scorecard:** is a tool that translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. According to Niven (2006), the Balanced Scorecard described as a carefully selected set of quantifiable measures derived from an organization's strategy.
- **Balanced Scorecard Perspective:** the performance lens through which the organization shall gauge its performance.
- **BSC designing stage:** is a planning process that comprises six steps (Assessment, strategy, Objectives, strategic map, performance measures, and Initiatives).
- **BSC implementation stage:** is a BSC system rollout that comprises three steps (Automation, Cascading, and Evaluation).

## **1.8. Organization of the Paper**

This research work has been organized in five chapters. Chapter 1 provides the overall view of the whole research. It highlights the background, problem statement, research questions, objectives, significance, scope, limitation, definition of terms, and organization of the paper. Chapter 2 covers literature in the areas of planning, implementation, and evaluation, in the balanced scorecard. The discussion of the literature is rooted in the theory and practice of BSC. In Chapter 3, it covers the methodology of the research where it explains how the research is to be carried out in order to obtain data used to test the research questions generated from Chapter 1. This chapter elaborates on the research perspective, research methodology, participants, data collection and analysis, sampling and sampling techniques, Reliability test, and ethical considerations.

Chapter 4 reports the results obtained from the data analysis techniques used in this study. The results cover the preliminary analysis, document review, and descriptive statistics. Lastly, Chapter 5 includes a comprehensive discussion of the findings and results of this study which can provide additional insights.

# **CHAPTER TWO**

## **2. REVIEW OF RELATED LITERATURES**

The main purpose of this chapter is to get the theoretical understanding of the concept in planning implementation, and evaluation of the balanced scorecard. Accordingly, the origin of the Balanced Scorecard is briefly stated. Then, the chapter briefly introduces the meaning of a Balanced Scorecard and its four perspectives.

In the final parts of the chapter, the importance's of the balanced scorecard in the public organization and the nine Steps of BSC building and implementation stages in public organizations briefly stated, and conceptual framework was extracted from the literature reviewed.

### **2.1. The Origins of the Balanced Scorecard**

The Balanced Scorecard was developed by Robert Kaplan, a Harvard University professor, and David Norton, a consultant from the area of Boston. In 1990 they started research in several companies with the aim of exploring new methods of performance measurement. Traditionally, industries had been relying mainly on financial measures to indicate performance. Many criticisms arose about using only financial measures to track organization performance. In their study, Kaplan and Norton argue that financial measures were too one sided and not relevant to many levels in the organization and that reliance only on financial measures may affect the ability of organizations to create value (Niven, 2006).

Kaplan and Norton (1992) argue that focusing exclusively on financial performance measurements worked well in the era of industrialization, but in the era where new competences were emerging, financial measurements are not enough. Niven (2006) indicated some criticism of the excessive use of financial measures:

The rising importance of intangible assets: Traditional financial measures are not designed to capture the aspects or performances of customers, suppliers, employees, company culture, quality, and opportunities for learning and innovations. Performances of these intangible assets should be performance.

No predictive power for the future, Even if financial measures are an excellent summary of past achievements, they are not able to show the right path for future activities and events, (Thompson John, 2007).

They do not represent cross-functional and team-work activities: A great deal of business value is created by the collective efforts of different functional areas. Financial statements, on the other hand, represent individual achievements of different functional areas summarized in the overall company picture. They are not able to track the various relationships which continuously develop within an organization in different functional areas Short-term view: Focusing only on financial measurements may harm long term success. In contrast to activities which bring results in the long term such as research and development, employee training, or customer relationships, cost reductions may lead to temporally better financial results but threaten future development and the creation of long-term value, (Pandey, 2005).

In the last 30+ years there has been a paradigm shift in the public sector toward the adoption of new public management which is more strongly aligned with private sector management systems (Chang, 2007). This encourage the adoption of more advanced performance management systems that is the balanced scorecard (BSC) which has been widely adopted by both private and public organizations around the world (Davis and Albright, 2004). In Oromia in May 2010 the BSC which is considered as change and performance management tool has been implemented in many public sector organizations in the region.

Some practitioners argue that managers can hardly work with multiple measurements of performance. However, Kaplan and Norton (1992) make an analogy with an airplane cockpit. They explain that for the complex task of navigating a plane, the pilot should rely on a number of indicators and instruments to reach the destination safely and efficiently. He needs detailed information about fuel, airspeed, pressure, altitude, destination, and other indicators that summarize the current and predicted environment. Relying only on one instrument could be fatal. The same can be said for organizations. Managers should recognize the need to track performance in several areas. The Balanced Scorecard should therefore provide answers to four basic questions that look at the business from four important perspectives (Kaplan and Norton, 1992): How do customers see the business? How do shareholders see the business? What is it important to excel in? Can the business continue to improve ability and create value?

## **2.2. Meaning of a Balanced Scorecard.**

According to Niven (2006), the Balanced Scorecard described as a carefully selected set of quantifiable measures derived from an organization's strategy. The measures selected for the Scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives. A simple definition, however, cannot tell us everything about the Balanced Scorecard. In my work with many organizations and research into best practices of Scorecard use, we see this tool as three things: communication tool, measurement system, and strategic management system.

## **2.3. The Balanced Scorecard Perspectives**

The original Balanced Scorecard designed by Kaplan and Norton identified four perspectives. The Balanced Scorecard supplements the traditional way of measuring performance with financial measures by adding measures from the perspectives of customers, internal processes, and learning and growth. In this way, it enables organizations to monitor the intangible assets needed for future growth (Hannah Nørreklit, 2000). The four perspectives are: the Customer Perspective; the Internal Process Perspective; the Learning and Growth Perspective; and the Financial Perspective.

### **2.3.1. Customer Perspective**

In the Customer Perspective, the aim is to identify the customer and market segments in which the organization will compete, and, accordingly, the measures to track related performances (Kaplan and Norton, 1996a). The Customer Perspective should ask how an organization appears to customers in order to achieve the organization's vision and mission. This reflects the factors that are really important to customers (Kaplan and Norton, 1992). Kaplan and Norton (1992) recognized these factors in: time, quality, performance, service, and cost. Niven (2006) argues that to achieve positive financial results, organizations need to create and deliver products and services which customers perceive as adding value.



### **2.3.2. Financial Perspective**

Although the Balanced Scorecard was developed in part as a reaction against the excessive reliance on financial measures, the financial measures are still an important component of the Balanced Scorecard (Niven, 2006). According to Kaplan and Norton (1992) and Niven (2006), measures in the Financial Perspective indicate whether the implementation of the company strategy and its execution are contributing to the improvement of bottom-line results. Focusing resources, energy, and capabilities on customer satisfaction, quality, knowledge, and other factors in the other perspectives without incorporating indicators showing the financial returns of an organization may produce little added value (Niven, 2006). According to Niven (2006), the Financial Perspective focuses on measures which have the goal of enhancing shareholder value. The most commonly used measures are derived from the objectives of revenue growth and productivity, such as return on equity, return on investment, revenue, gross margin, and other indicators (Niven, 2006).

### **2.3.3. Internal Process Perspective**

Great customer performance is the result of processes, decisions, and actions which managers need to focus on in order to satisfy customer needs (Kaplan and Norton, 1992). According to Kaplan and Norton (2000), in the Internal Process Perspective the organization determines how it will achieve the value proposition for its customers and the productivity improvements to reach its financial objectives in order to satisfy its shareholders. This perspective measures the business processes that have the greatest impact on customer satisfaction. It measures factors like quality and employee skills. Here, companies should identify and measure their core competencies and technologies critical to ensuring market leadership (Kaplan and Norton, 1992). Measures that can represent this perspective are inventory turnover, delivery, productivity, cycle time, and research and development expenses (Niven, 2006).

### **2.3.4. Learning and Growth Perspective**

The next perspective is represented by the Learning and Growth Perspective. By measuring the organization's ability to innovate, improve, and learn, the Learning and Growth Perspective identifies the needed infrastructure to support the other three perspectives. Niven (2006) argues

that measures of the Learning and Growth Perspective are the enablers of the other perspectives and represent the foundation of the Balanced Scorecard. According to Kaplan and Norton (1992), continual improvements and the ability to learn and introduce new products and services are the precondition to survive, expand in the global marketplace, and increase the company's value. Knowledge, employee skills and satisfaction, the availability of information and adequate tools are frequently the source of growth and therefore the most common measures of this perspective (Niven, 2006).

Historically, BSC has gone through several stages of steady development. From 1990 to 1996, the focus was more on how to use the BSC to measure performance; the focus was shifted toward improving the management of performance at the organizational level from 1996 to 2000, and later on that is from 2000 up to the present time, the BSC methodology has evolved into dynamic process for strategic management. (Asian Development Bank, 2007)

In the last 30 years there has been a paradigm shift in the public sector toward the adoption of new public management which is more strongly aligned with private sector management systems (Chang, 2007). This encourage the adoption of more advanced performance management systems that is the balanced scorecard (BSC) which has been widely adopted by both private and public organizations around the world (Davis and Albright, 2004). Since 2010 the BSC which is considered as a communication tool, a measurement system, and strategic management tool, has been implemented in almost all public sectors in Oromia regional state.

## **2.4. The Balanced Scorecard in the Public Organization**

Although the balanced scorecard (BSC) was originally developed for the private sector, it has also become more widely used in public sectors. The public organizations are interested in performance measurement for improving performance and increasing accountability (Barry 2000; Berman and Wang, 2000).

As BSC was originally developed for the private sector consumption as a strategic management instrument, it places financial results at the top of strategic hierarchy. However, it has been widely applied in the public and voluntary sectors with only slight modifications (Gomes & Liddle, 2009; Mackie, 2008; Kaplan, 2010). Unlike the private sector, the 'client/customer' perspective of the scorecard comes at the head of the strategic hierarchy (Mackie, 20011).

There for; the major departure of public organization BSC from private one is the public organization's BSC focus in three high-level perspectives that are costs of rendering services for public, value/benefit of the service, and support of legitimizing authorities (Niven, 2002) Unlike the private sector, where financial measures are used for profitability in the public sector the focus is of initiating the programs and making best use of resources. None the less, the assignment of shaping the measures, targets and collecting the relevant information for nonfinancial measures is difficult task (Niven 2005; Davig et al. 2004).

According to Kaplan (2001) the balanced scorecard has enabled public owned organizations to link their vision, mission and strategy statements to day-to-day operational actions. It is also shift their focus from programs and initiatives to the outcomes of the programs and initiatives. It is yet align initiatives, departments, and individuals to work so as to reinforce each other that dramatic performance improvements can be achieved. Thus achievement for public organizations should be measured by how effectively and efficiently they meet the needs of the public. Concrete objectives must be defined for customers and community. Financial considerations can play a facilitating or constraining role, but will hardly ever be the primary objective (Kaplan and Norton, 1996)

#### **2.4.1. The Balanced Scorecard as a Communication Tool: Strategy Maps**

Niven (2006), define Strategy Maps as a one-page graphical representation of what you must do well in each of the four perspectives in order to execute your strategy successfully. We're not taking any measurements in the Strategy Map; there's no tallying of results here. Instead we're communicating to all audiences, internal and external, what we must do well if we hope to achieve our ultimate goals. Hence the description of the Strategy Map as a powerful communication tool, signaling to everyone within the enterprise what must occur should they hope to beat the almost overwhelming odds of strategy execution. So why do we use the term "map"? Why not a more mundane moniker, such as "strategy sheet" or "must-do" list? A map guides us on our journey, detailing pathways to get us from point A to point B, ultimately leading us to our chosen destination. So it is with a Strategy Map; we are defining causal pathways weaving through the four perspectives that will lead us to the implementation of our strategy (Kaplan and Norton, 2001).

#### **2.4.2. The Balanced Scorecard as a Measurement System:**

When Kaplan and Norton initially conceived the Balanced Scorecard, they were attempting to solve a problem of measurement. It would not be an exaggeration to suggest that measurement is at the very heart of the Balanced Scorecard system; it's in the tool's very DNA, and has been from its inception in 1990. Strategy Maps communicate the strategic destination, while performance measures housed within the Balanced Scorecard monitor the course, allowing us to ensure we remain on track (G.J.M. Braam and E.J. Nijsen, 2004),

#### **2.4.3. The Balanced Scorecard as a Strategic Management System**

*Overcoming the Vision Barrier through the Translation of Strategy:* According to Niven, (2011) the Balanced Scorecard is ideally created through a shared understanding and translation of the organization's strategy into objectives, measures, targets, and initiatives in each of the four Scorecard perspectives. *Cascading the Scorecard Overcomes the People Barrier.* To implement any strategy successfully, it must be understood and acted upon by every level of the firm. Cascading the Scorecard means driving it down into the organization and giving all employees the opportunity to demonstrate how their day to-day activities contribute to the company's strategy. All organizational levels distinguish their value-creating activities by developing Scorecards that link to the high-level corporate objectives (Kaplan and Norton, 1992).

*Strategic Resource Allocation Overcomes the Resource Barrier:* Developing Balanced Scorecard provides an excellent opportunity to tie these important processes together. When we create a Balanced Scorecard, we not only think in terms of objectives, measures, and targets for each of our four perspectives, but just as critically we must consider the initiatives or action plans we will put in place to meet our Scorecard targets. If we create long-term stretch targets for our measures, we can then consider the incremental steps along the path to their achievement. The human and financial resources necessary to achieve Scorecard targets should form the basis for the development of the annual budgeting process (Niven 2006)

*Strategic Learning Overcomes the Management Barrier:* In the rapidly changing business environment most of us face, we need more than an analysis of actual versus budget variances to make strategic decisions. Unfortunately, many management teams spend their precious time together discussing variances and looking for ways to correct these "defects." The Balanced

Scorecard provides us with the necessary elements to move away from this paradigm to a new model in which Scorecard results become a starting point for reviewing, questioning, and learning about our strategy. The balanced scorecard is an instrument for strategy implementation. It improves performance by converting an organization's mission and strategy into specific objectives and comprehensive performance measures (Kaplan and Norton, 1996)

Today, public and private owned organizations are working in complex environments. Hence; the BSC help these organization to clarify and translate their vision and strategy, communicating their strategy, aligning work unit and individual goals to strategy, linking strategic objectives to long term targets and budgets, and undertaking periodic performance evaluation (Kaplan and Norton, 2001)

Thus the balanced scorecard is not simply an operational measurement system; it is rather an integrated management system consisting of three components that are strategic management system, communication tool, and measurement system (Kaplan and Norton, 2001).

## **2.5. Types of Balanced Scorecards**

There are three types of BSCs in private and public owned organizations. These are Type I BSC: that is a multidimensional framework for strategic performance measurement that combines financial and non-financial strategic measures. Type II BSC: a Type I BSC that additionally describes strategy by using cause-and-effect relationships. And finally Type III BSC: a Type II BSC that also implements strategy by defining objectives, action plans, results and connecting incentives with BSC ( Speckbach, et.al.2003)

More than fifty percent of the organizations use type I BSC, 29% with a type III BSC and 21% with a type II BSC. Only the companies that use type III BSC are in position to fully benefit of the BSC as a performance management system that bridges the gap between strategic plans and real activities (Speckbach, et. al.2003).

## **2.6. Getting Started BSC**

### **2.6.1. Readiness Assessment**

The senior management body of the public organizations is the champion of the balanced scorecard. Besides; middle and lower level public organization leadership have to fully

committed in the involvement, conceptual understanding, communication, and serving as process owners. Without this commitment, the result is failure. Prior to BSC can be implemented, the organization's mission, vision, and strategic plan must be well-defined Gardner, John W. 1988),

### **2.6.2. Engaging/Involving Leadership**

The commitment of leadership is the most critical factor for the success and failure of BSC. The heads of public organization, more than any other individual, has to be the sponsors of the balanced scorecard. BSC building and implementation is a gradual process. Therefore, the public organization leadership views BSC as a long-term process and be ready to commit to change over a longer period of 3 to 5 years time (Niven, 2009).

### **2.6.3. Education of Internal and External Stakeholders**

The BSC concept and theory has to communicate for all level of leadership. All level of leadership members need to understand BSC concept and prepared to educate internal staff and customers. The critical factor for success is communicating BSC to all to achieve specific performance measures and achieving organization-wide support and commitment (Niven, 2007). The balanced scorecard's strategic objectives and measures have to communicate with print and electronic media. The communication serves to indicate to all staff and customers the objectives that must be accomplished. Once the employees understand high-level objectives and measures, they can establish local objectives that support the business unit's corporate strategy (Kaplan and Norton, 1996).

### **2.6.4. Data: Gathering, Processing, and Benchmarking**

The data collection is an important consideration for BSC planning and implementation. The Information technology infrastructure should be considered when implementing the BSC. In addition to ICT infrastructure issues, the human resource knowledge and time must be considered. Time spent on collecting and reporting data that has no direct linkage with the achievement of performance strategies can be minimized (Niven, 2003)

Benchmarking can be internal and external. Internal benchmarking is related with the selection of a set of measurements and indicators that attach to internal standards established without regard to performance by public organization that provide similar services. Internal

benchmarking focuses on the rate of improvement rather than reaching an external standard or benchmark. External benchmarking relies on standards and measurements that relate to other public organizations (Gerhard et al, 2003).

### 2.6.5. Building Long-term Sustainability

The balanced scorecard is a system that used to clarify and communicate strategy, align work units and individual goals to the strategy, link strategic objectives to long-term targets and annual budgets, identify and align strategic initiatives, perform periodic and systematic strategic reviews, and obtaining feedback to improve strategy. Hence; it is time and effort taking to build and fully implementing (Howard Rohm, 2003),

Implementing a BSC is a gradual process. Head of the public organization in particular, should be tolerant. The process is time taking, requires overall changes within an organization at all levels (Niven, 2003).

## 2.7. Nine Steps of BSC building and implementation in public organization

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Figure 1: Nine Steps of BSC building and implementation in public organization

Source: *Balanced Scorecard Institute, 2007*

**Step 1: Assessment:** The organizational assessment is the first step which is dealing with checking whether the organization is ready for building and implementation of the BSC. The major tasks in this level are conducting SWOT analysis, identifying organization pains, and enablers from SWOT analysis (Olve et al. 2003).

The first steps of assessments has passed through three steps, these are; launching BSC Program that is dealing with crafting team charter that defines roles and responsibilities, schedule and resourcing and training. The second step is conducting organization assessment. This is basically deals, identifying customers and stakeholders, organization internal and external pains and enabler. The last step is managing change that is basically deals with conducting readiness assessment, organization change management strategy and plan and communications strategy and plan (The Balanced Scorecard Institute, 2007).

**Step2: Strategy Development:** The second step design of BSC is developing strategic plan which considers organization's mission, vision. The mission answers why does the organization exist? The vision gives answer for where is the organization going and what should it looks like in 5–10 years? To achieve the vision and mission, strategic themes indicates the organization's most important areas for strategic focus? (Asian Development Bank, 2007)

In this step perspectives are selected from alternative, customer/stakeholder needs and value proposition are develop, strategic themes and critical success are identified, Othman et al. (2006)

**Step 3: Objectives Development:** The third step of BSC is identifying high-level objectives for each BSC perspective. It is noted that strategy is a hypothesis of the best way for the organization to achieve its vision and mission. The strategy is long and short term that requires selection among alternative ways of doing things, focusing on a few things, (Niven, 2006).

In this phase, strategic themes are translated in to tangible and feasible strategic objectives. Strategic objectives are fundamental building blocks for a strategy and define the organization's strategic intent. At this step, the organization defines core strategic objectives for all the four perspectives of the organization.

**Step 4: Strategic Map:** It is the stage where we link strategic objectives in a web of cause and effect relationships. For instance, a plain causal linkage of strategic objectives would be: “the improved processes lead to shorter customer lead times, improved on-time delivery, and fewer



defects experienced by customers; the quality improvements experienced by customers lead to higher satisfaction, retention, and spending, which drives, ultimately, higher revenues and margins”. All the strategic objectives are interlocked together in cause-and-effect chains beginning with employees, going through processes and customers, and ending in greater financial performance or customer satisfaction depending on the nature of the organization i.e. business or public entity (Kaplan, 2010). The cause-and-effect relationship along with performance drivers enables an organization's BSC to be linked to its strategy (Howard Rohm, 2002),

Strategy maps provide a visual representation of an enterprise’s critical objectives and the crucial relationships among them that drive organizational performance (Othman, 2009). There for the process of designing a strategy map should stimulate senior management to enter into a cause-and-effect analysis by using appropriate lagging (outcome) measures in conjunction with the leading measures that drive performance on the outcome measures (Lawson, Stration, and Hatch, 2006).Therefore; strategy maps for the public organization usually illustrate objectives in four perspectives that are financial, customer, process, and learning and growth. The financial perspective is balancing revenue growth with increases in productivity, efficiency, and costs (Niven, 2002). The Customer perspective is balancing the value propositions. The core outcome measures of customer perspectives are customer satisfaction, customer retention, new customer acquisition (Asian Development Bank, 2007; Niven, 2002). However the key customer performance drives for the public organization include a satisfied community (LGA Annual Reports 2000/2001, 2001/2002).

The internal Process is identifying the core business processes that are critical for effective delivery of value proposition. In the internal-business-process perspective, the leadership identifies the core internal processes that are critical for the organization success or failure. The scorecard approach, however, will usually identify entirely new processes at which an organization must excel to meet customer and financial objectives (Rohm,et al, 2013). Organizational learning and growth come from three principal sources: people, systems, and organizational procedures (McAdam, Hazlett, and Casey, 2005).

It is the stage where we link strategic objectives in a web of cause and effect relationships. For instance, a plain causal linkage of strategic objectives would be: “the improved processes lead to

shorter customer lead times, improved on-time delivery, and fewer defects experienced by customers; the quality improvements experienced by customers lead to higher satisfaction, retention, and spending, which drives, ultimately, higher revenues and margins". All the strategic objectives are interlocked together in cause-and-effect chains, beginning with employees, going through processes and customers, and ending in greater financial performance or customer satisfaction depending on the nature of the organization i.e. business or public entity (Kaplan, 2010).

**Step 5: Performance Measures/Indicators:** The fifth step is identifying one or more measures that will drive improved performance on each objective. The performance measures are indicators of tracking performance of an organization's strategies and they are means of measuring both organization effectiveness and operational efficiency (Norreklit, 2003),

At Performance Measures phase performance measures are developed for each strategic objective along with baseline or benchmarking data and clear targets. It is quite important to identify a basket of measures so as to make sure that both qualitative and quantitative results are properly considered. As rule of thumb the number of measures should be between 2 and 5 (Stellar Leadership Ltd., 2013).

The most common measures of the objectives in the four perspectives are customer measures which includes, customer retention, acquisition, satisfaction, profitability; financial measures which includes return-on-investment, profitability, revenue growth, cost reduction productivity; learning and growth perspective which includes employee satisfaction, retention, information systems capabilities, motivation, empowerment; internal process which includes quality, response time, cost, (Kaplan and Norton, 2000)

In this step the objectives and measures have to keep balance between financial and nonfinancial indicators of success, lagging and leading indicators of performance, long term and short term, and finally keeping balance between enablers and outcome. Besides, target has to establish for the measures for three to five years that will transform the organizations (Olve, JanRoy, and Wetter. (2007).

Using performance targets is a standard and accepted procedure among Balanced Scorecard practitioners. A threshold target stood for minimum acceptable performance on the measure. No

incentive compensation would be paid on a measure for which the threshold was not achieved (Niven, 2006).

**Step 6: Initiatives:** In this step once targets for financial, customer, internal process, and learning and growth measures have been established in the step five, then after any organizations which try to introduce BSC have to assess whether their current initiatives will help achieve these ambitious targets, or whether new initiatives are required (Weiss, 1998). At present, many organizations have a numerous of initiatives under way. For example, total quality management, Kaizen, and BPR .While the formulation and mobilization of initiatives to achieve stretch performance targets is largely a creative process.

**Step 7: Automation:** The seventh step is automating the work process. The automation processes is basically deals employing information communication technology to support the BSC. The automation of work processes has many advantages. It can help to use software to automate the collection, reporting, and visualization of performance data, and better inform decision making (The Balanced Scorecard Institute, 2007).

**Step 8: Cascading:**

Cascading the balanced scorecard is a method designed to bridge the considerable learning gap that exists in most organizations. Specifically, cascading refers to the process of developing balanced scorecards at lower levels of organization. Cascading strategy maps down and across the organization helps business units internalize their dual roles of local optimization and corporate contribution (Rohm, et al., 2013).

The eighth step is concerned with getting the organizational strategy down to all units/departments, and individual employees in the organization. This is the stage that the corporate strategic plan is cascaded in to lower level objectives and measures.

The function of BSC cascading is basically related with creating alignment around the organization's shared vision, to make strategy actionable to departments, and down to individuals. Consequently individual scorecards would align to departments and support units' objectives that link with rewards, recognition, and incentives to results (Rohm, et al, 2013).

Therefore; it is essential for the private and public organization to establish and sustain vertical and horizontal alignment by cascading strategic objectives vertically throughout the organizational structure and cross functional requirements of supporting work units can be

identified in a horizontal alignment. Thus cascading and alignment can create synergies among head quarter and branch offices functions (Asian Development Bank, 2007)

Linking the compensation system to the scorecard measures is also another important function of this stage. Private and public organizations are linking their compensation system to the measures. For the scorecard to create the cultural change, the compensation scheme must be connected to achievement of scorecard objectives and outcome (Andersen, Cobbold, and Lawrie, 2001).

**Step 9: *Monitoring and Evaluation:***

Evaluation ensures that the strategic planning and management system is dynamic and incorporates continuous improvement into day –to- day operations and management (Rohm, etal. 2013). This phase includes key activities such as designing monitoring and evaluation system; developing evaluation plan; evaluating actual performance against planned strategic objectives; and taking corrective measures based on the results. This step should be considered to be the most important aspect of the entire scorecard management process. The main task of this stage is reviewing periodically the organization strategy map and BSC. The evaluation is basically deals with assessing the strategic results achieved following to the execution of BSC. Based on the assessment finding the tasks of reviewing and updating organization strategic elements undertake. Besides modifying strategy, objectives, strategy map, performance measures, initiatives are necessary. Based on the assessment finding organization structure change is also undertaken if necessary. A strategic feedback system is an integral part of evaluation framework. It is designed to test, validate, and modify the corporate strategic plan, (Weiss, C. H. 1998).

The organization process is similar for all types of organizations, but how often it's performed depends on the operating environment and the need for performance information to better inform decision making (Rohm, et al, 2013). They stated organizations that operating in dynamic competitive environment evaluate more frequently.

Generally for sustaining the BSC all nine steps stated above are critical& mandatory in building and implementation of BSC. Besides, for sustainability of the BSC the public and private organizations maintain committed and engaged leadership, create a results-oriented culture, enhance individual accountability for results through objective ownership, align the organization,

systems and employee performance around strategy through a rewards and recognition program, emphasize continual improvement basically in processes, in learning and skills development, in understanding customer needs and satisfaction, and in ensuring employee satisfaction, evaluate the progress and use automation to support BSC, (Schneiderman,1999).

## **2.8. Empirical Literature**

### **2.8.1. Challenges of Implementing the Balanced Scorecard**

In their study to assess the challenges faced by organizations that implemented the balanced scorecard system, Domanovic, et al.(2011), found out very little or no company has implemented the concept of balanced scorecard in the way the literature explains and the way it is implemented by companies in other countries. Though this was concluded from a sample of a small number, the study states that these companies were reputable companies in Serbia.

Similarly, according to Kaplan and Norton (1992), during the first couple of years of introducing the balanced scorecard in some of the companies, as the controllers and finance vice presidents of these companies took the concept back to their organizations, the project participants found that they could not implement the balanced scorecard without the involvement of the senior managers who had the most complete picture of the company's vision and priorities. This was revealing, because most existing performance measurement systems have been designed and overseen by financial experts.

Bourne and Bourne (2007), as cited by Brunette (2010), reasons for failure of the BSC are due to the company selecting the wrong measures, and the measures selected not being relevant to those chosen to run the business. The measures are not aligned with the goals and people do not understand the system. Essentially not enough time and effort are invested into training and education; there is a lack of support from top management with no performance-review mechanism in place. Measures become dated; or measures are in conflict with the reward system; or they are not used; or they are resisted. Similarly despite many stories of successful implementation of the balanced scorecard in large companies, Kaplan and Norton (2001), based on their experience of balanced scorecard implementation in many organizations, identify a poorly designed balanced scorecard lead to its failure in an organization. A poor design includes:

- Too few measures in each perspective, leading to failure to obtain a balance between leading and lagging indicators or financial and non-financial indicators.
- Too many indicators without identifying the critical few: in this case, the organization will lose focus and be unable to find linkage between indicators.
- Failure of measures selected to depict the organization's strategy. This means the organization's strategy is not translated into action and it thus does not obtain any benefit from the balanced scorecard (Kaplan and Norton, 2001).

The other challenge according to Bourne and Bourne (2007), as cited by Brunette (2010), is failure of use. Without review and visible action being taken that are based on the results of the measures, commitment to the process will be lost and the scorecard will decay. Even having a high-performance BSC that is out of date can take the organization in the wrong direction unless it changes the strategy when the environment changes. Similarly Performance measures need to be realigned as failure to do this will result in the strategy being focused on one or more aspects, and the employees being guided to focus on others. In addition to this, if a company wants to implement the balanced scorecard properly and reap all the benefits, people should first learn about it.

### 2.8.2. Application of BSC at ESSAR Telecom Kenya Limited empirical study findings

A case study was conducted to assess the application of balanced score card in performance measurement at ESSAR Telkom Kenya Ltd which is the subsidiary of partially privatized public owned Telkom Kenya Ltd with data being collected by use of personal interviews with the heads of departments mainly the technical, information technology, customer experience, finance, human resource, sales and marketing.

The study revealed that the company primarily uses balanced score card for strategy implementation and as a performance measurement tool. The major strengths and challenges of BSC application in the company are stated below.

The challenges of using balanced scorecard to measure performance in the company includes the management is too busy in solving and implementing short term goals; inadequate top management support; lack of highly developed information system to support balanced score

card; lack of linkage of balanced score card to employee reward; balanced score card is time consuming to develop; lack of skills and know how in developing and implementing balanced score card ;trapped with organizational politics (Stephen and Gabriel,2010)

The major strength of using balanced scorecard to measure performance in the company includes the performance measures were clearly defined in each performance area and linked to compensation to a great extent; information from employees is highly valued; measures are used for strategic planning; balanced score card complements the financial measures of past performance with operational measures that drive future growth; performance and that the benefits will outweigh the costs if balanced scorecard was implemented fully (Stephen and Gabriel,2010).

Generally for sustaining the BSC all nine steps stated above are critical& mandatory in building and implementation of BSC. Besides, for sustainability of the BSC the public and private organizations maintain committed and engaged leadership, create a results-oriented culture, enhance individual accountability for results through objective ownership, align the organization, systems and employee performance around strategy through a rewards and recognition program, emphasize continual improvement basically in processes, in learning and skills development, in understanding customer needs and satisfaction, and in ensuring employee satisfaction, evaluate the progress and use automation to support BSC (The Balanced Scorecard Institute, 2007)

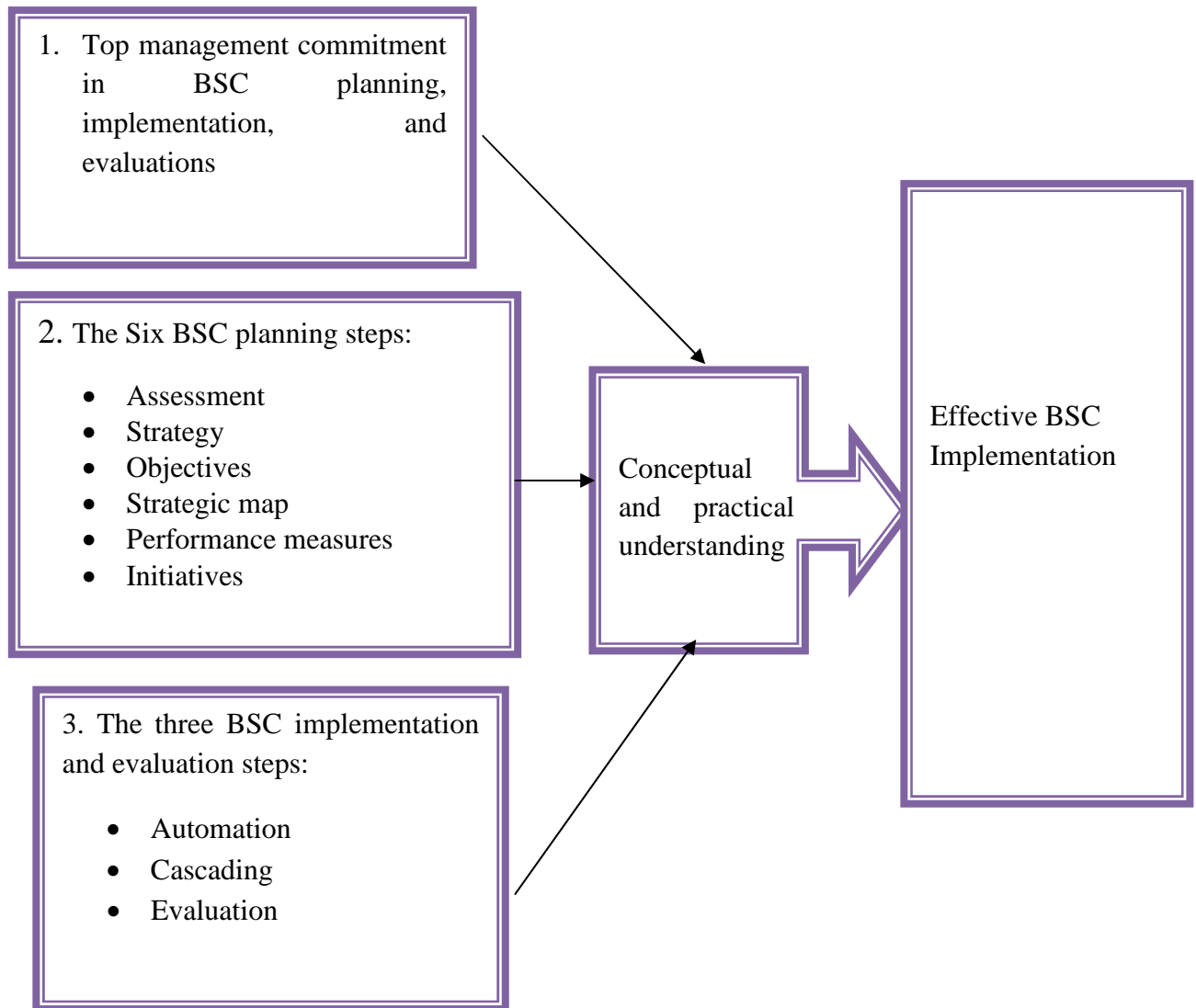
## **2.9. Conceptual Framework**

The literature reviewed in this section has provided clear insight about the width and depth of BSC planning, implementation, and evaluation in public sector organizations. Apart from the preliminary assessment and informal observation stated in problem statement, the researcher believes that the theoretical concepts of the balanced scorecard were not followed in the study organization and this might be the challenge that makes unable to fully harvest the benefits of adopting the system. The researcher believes that the planning, implementation, and evaluation practices of BSC are not well studied in the region. But knowing and closely studying the planning, implementation, and evaluation practices and the obvious challenges faced will initiate decision makers to immediately address the challenges. It also helps others similar organizations take lessons for effective planning, implementation, and evaluation of the same without making similar mistakes made by the already implementing organizations. The popular benefits that are promised by the balanced scorecard will realize when the key parts of BSC planning, implementation, and evaluations are properly developed in the study organization.

The major lessons drawn from the literature is that to be effective planning, implementation, and evaluation of the BSC, all nine steps stated are critical and mandatory in planning, implementation, and evaluation of BSC. Besides, for sustainability of the BSC the public and private organizations maintain committed and engaged leadership, create a results-oriented culture, enhance individual accountability for results through objective ownership, align the organization, systems and employee performance around strategy through a rewards and recognition program.

Accordingly, the researcher presupposes that if such factors are well addressed in the study organization the overall planning, implementation, and evaluation of the balanced scorecard system would be successful. Finally, based on the literature review, the researcher has developed the following conceptual framework.





**Figure 2: Conceptual Framework (as drawn from the literature review)**

**Source:** *Researcher's Own Construction Based on the Literature Review*

# CHAPTER THREE

## 3. RESEARCH DESIGN AND METHODOLOGY

This chapter provides an overview of the research method. The chapter also looks at the reason why the researcher chose each of the options used in the study. According to Catherine (2002), the research methodology is the philosophy or general principle which guides the research.

### 3.1. Research design

As Sekaran (2000), stated descriptive study is appropriate for ascertaining and describing the characteristics of the variables of interest in a specific situation. Based on this, the study adopted descriptive research technique with a primary purpose of exploring the practice and challenges of the study organization's BSC as their communication tool, a measurement system, and strategic management system with particular emphasis on planning, implementing, and evaluation of the balanced Scorecard.

Accordingly, case study methodology was used to examine the balanced scorecard planning, implementation and evaluation in OJSPTLRI. Saunders et al. (2007) stated the case-study approach is suitable for descriptive studies which have the ability to generate answers to the research questions. Yin (2009) explained that the "case study method allows investigators to retain the holistic and meaningful characteristics of real-life events such as organizational and managerial processes". The choice to design a case study is informed by the need to develop a valid study to describe the phenomena which is the BSC in OJSPTLRI. Stake (1995) explained, "A case study is intended to catch the complexity of a single case". A case study is used when the researcher want to study the uniqueness and complexity of a single case in order to understand a case under study in depth. A case study is about concentrating on one situation; it is not research based upon large samples.

The study starts with assessing the steps of BSC planning, implementation, and evaluating the role of top management in the successful strategy implementation in OJSPTLRI. The researcher then compares these theoretically against the nine steps of BSC building and implementation

steps. The steps were used as an aid to structure the questionnaires and lead the conversation in the course of interview to assure coverage from all respondents on a number of identified issues.

### **3.2. Data Collection method**

The primary data were collected through the survey methods including questionnaire and interview form OJSPTLRI employee. Structured and self administered questionnaires were distributed to employees. The semi-structured interview guide provides a clear set of instructions for interviewers and can provide reliable, comparable qualitative data (Bernan, 2000). Semi-structured interviews were held with the BSC implementation technical team members of the study organization. This approach was chosen for this research because it allows opportunities for additional questions to get a more in-depth view. In addition to the primary data collection, the researcher reviewed the OJSPTLRI's BSC document from 2010 – January 2016.

The survey was used to obtain a contextual understanding of OJSPTLRI employees on the balanced scorecard. In business and management, Likert scales are often used by researchers to collect data (Gerrish et al, 2010). A structured questionnaire arranged in standardized 5-point Likert's scale was chosen because of the strengths of this method. A structured questionnaire allows all the participants to respond to the same questions, as participants are offered the same options on each statement and it provides an efficient way of collecting responses from a large sample (Saunders, Lewis, & Thornhill, 2009). Closed ended questionnaire also provides confidentiality to the respondents to enable them complete the questionnaire honestly; and its use also tends to increase the response rate (Khomba, 2011). That is why the researcher chooses a Likert scale survey questionnaire as the main instrument to gather quantitative data for this study.

The survey questionnaires were redeveloped from Yang,(2005), and Howard,(2003), and divided in to three parts with five Likert scales. The first part related to top leadership commitment in terms of engagement, conceptual clarity, communication and serving as change agent. The second part related with six steps of BSC planning stage that are: the organizational assessment, developing strategic plan, identifying high-level objectives for each BSC perspective, strategy mapping, identifying measures that will drive improved performance on each objective, and strategic initiatives. The third and final part of the questionnaire incorporate questions on the implementation stage (automation, cascading, and evaluation) of the BSC.

### **3.3. Target Population**

The study population was the total employees (census). The researcher hoping that, conducting a census results in enough respondents to have a high degree of statistical confidence in the survey results. Based on this, all employees with one year and above work experience were included in the study. The OJSPTLRI has five work processes (units) and 219 employees. From 219 total employees, four employees were not included because of their work experiences (less than one year), five were because of annual leave and long term training, and accordingly a total of 210 questionnaires were distributed. In general out of the 210 questionnaires sent out, 206 were completed and returned. Accordingly, five BSC implementation technical team members and ICT expertise with BSC automation experience were interviewed with in depth knowledge of BSC designing and implementation, so that leadership commitment, six steps of building and three steps of implementation were examined in depth.

### **3.4. Data Analysis**

After collecting and sorting all relevant data using the data collection tools, quantitative responses were sorted, coded, computed and analyzed using Statistical Package for Social Sciences (SPSS) version 20.0. Appropriate statistical analysis such as frequencies, mean score, and standard deviations were used.

In addition, the researcher assessed OJSPTLRI's BSC documents of 2010-2015 to evaluate the practice and challenges in planning, implementation, and evaluation. The analysis is handled in a way that each elements of issue included in the study was addressed. The researcher examined the qualitative and quantitative approaches in the context of their strengths. Qualitative research has several strengths and applications. According to Schwandt (2000), as cited, by Dahlan (2009), it is well suited for describing phenomena as they are situated and embedded in local contexts. Qualitative research has its own limitations. Its findings are not usually generalisable due to small number of respondents, the findings are interpretive and subjective (Sekaran, 2000). Similarly quantitative research has its own strength. Its main strengths are that it generates precise, numerical data from large survey sizes. Furthermore, the findings are reliable and can be generalized and replicated to many populations (Maxwell and Delaney, 2004)

A combination of qualitative and quantitative approaches can build on the strengths and minimize the weaknesses of both (Dahlan, 2009). Similarly Saunders, Lewis, & Thornhill (2009), argue that mixed methods are useful if they provide better opportunities to answer research questions and allow to evaluating the extent to which the research findings can be trusted. This research therefore used mixed approaches in a complimentary manner.

The statistical description of the response was presented in relation to the question raised. Instead of writing interviews as a whole, the researcher summarized the important and central parts of the interview. The written material was then subjected to interpretation and meaning condensation.

### **3.5. Ethical Consideration**

In conducting this study, the researcher has taken into account the well established and thorough research ethics. Brynard et al (1997) as cited in Shafudah (2011) remind us that it is unethical to a researcher to present a biased report or not to report the truth as it is. They further state that respondents of the research must be informed about the purpose of the study and personal information must be kept anonymous. In addition to prevent any likelihood of harms that respondents may face, this strategy provides fertile ground to elicit open, sincere and honest thoughts of the respondents. Brikci and Green (2007) on their part remark that researchers have responsibilities to their respondents, readers and users of their findings.

Beauchamp and Childress (1983 quoted in Brikci and Green) identify four basic ethical principles in undertaking research project viz. (1) autonomy- giving due respect to the rights of individuals, (2) relevance- doing good, (3) non- malicious - abstaining from causing harm and (4) justice- specifically equity (Gabrielian, Yang and Spice, 2008, Justice, 2008). The other big ethical concern in undertaking research study is plagiarism i.e. claiming credit for somebody else's effort and work. This researcher kept in mind all these ethical principles, conducts and standards from beginning to the end in undertaking this study.

### 3.6. Validity and Reliability Test

One of the most popular reliability statistics in use today is Cronbach's alpha. According to Nunnally and Bernstein (1994) stated in Sixholo (2011), Cronbach's alpha is used to test the reliability of the quantitative questionnaire for internal consistence, and an alpha value with a lower limit of 0.7 and upper limit of 0.9 is considered acceptable. As shown in table 1 the reliability test run for the questionnaire of the study indicating an acceptable internal consistence.

**Table 1: Cronbach's Alpha coefficient**

N <sup>o</sup>	Questionnaire category	Cronbach's Alpha coefficient	No. of Items
1	Top management commitment in BSC planning, implementation and evaluation.	0.90	9
2	Organizational assessment,	0.87	5
3	Strategy Planning Process	0.85	5
4	Developing Strategic Objectives for theme.	0.86	5
5	Developing Strategic Mapping	0.87	4
6	Performance measures	0.78	6
7	Strategic Initiatives	0.89	5
8	Automating the Balanced Scorecard	0.86	5
9	Cascading the Scorecard	0.79	5
10	Evaluation on Balanced Scorecard	0.88	7
	<b>Average</b>	<b>0.85</b>	

# **CHAPTER FOUR**

## **4. RESULTS AND DISCUSSIONS**

### **4.1. Introduction**

This chapter deals with analysis, discussion and interpretations of the data to answer the main research questions of the study. The data were gathered through questionnaires, interviews, and OJSPTLRI's 2010- 2015 BSC document reviews. It depends on presentation and interpretation of findings, in an attempt to answer research questions derived from the problem outlined in the first chapter. The results are arranged in line with the research questions, BSC planning, implementation, and evaluation adopted for this study, the conceptual framework developed by the researcher based on the literature review and logically constructed questionnaires. Accordingly, the results were presented in tables to show frequencies, mean score, and the standard deviations technique were employed to investigate the variations within the questionnaire items and followed by narrative explanations.

As stated in chapter three the researcher used census survey technique. Accordingly, a total of 210 questionnaires were distributed. In general out of the 210 questionnaires sent out, 206 were completed and returned, so that leadership commitment, six steps of building and three steps of implementation and evaluation were examined in depth.

## 4.2. Characteristics of Respondents

Data were collected from 206 employees and their characteristics shown below on table 2 based on sex, age, educational level, and work experience.

Table 2: Characteristics of the respondents

No	Variable	Descriptions	Frequency	percent
1	Sex	Male	120	58.25
		Female	86	41.75
	Total		206	100
2	Age	18 - 30	83	40.29
		31 - 40	96	46.60
		41 - 50	24	11.65
		51 - 55	3	1.46
		56 and above	-	-
	Total		206	100
3	Education level	Less than Diploma	12	5.82
		Diploma	71	34.46
		1 <sup>st</sup> Degree	107	51.94
		2 <sup>nd</sup> Degree	16	7.77
		3 <sup>rd</sup> Degree(PHD)	-	-
	Total		206	100
4	Work experience With BSC implementation	Less than one	-	-
		1-2 years	21	10.19
		3-4 years	54	26.22
		5-6 years	131	63.59
		7-8 years	-	-
	Total		206	100

Source: Survey Data



The respondents were asked particularly to indicate their experience on BSC implementation. The data shows that more than 89.81 % of respondents worked in the BSC framework for more than two years. From these one can infer that the respondents can combine their professional experience with the BSC framework.

Concerning the respondents' academic qualification as shown above in table 2, the participants in the survey are literate people who have already achieved different levels of education.

Generally the data indicated that the respondents are educated, experienced and they are expected to have in-depth knowledge and first hand information about the planning, implementation and evaluation of BSC.

### **4.3. Analysis of the Main Questions**

This section deals with the main results of the data gathered through questionnaire, in-depth interview with BSC technical team, and document review for additional purpose. In order to answer the research questions, three variables that refer to the critical components of balanced scorecard namely management commitment and involvement in BSC planning implementation, and evaluation in the BSC planning (Building) stage, and implementation stage were taken to design the questionnaire and analyze the response. These variables are among the major success factors for effective planning, implementation and evaluation of the balanced scorecard system. Accordingly, frequencies and percentages were employed to investigate the questionnaire items. For each variable, the researcher has managed to design five to nine questions which supposed to be better represent the variables. After inserting the raw Likert scale data to SPSS version 20.0, the responses were analyzed and summarized by taking the mean score and standard deviation obtained under each question to arrive the stated variables (planning, implementation and evaluation). The mean score above 3.00 and the standard deviation below 1.00 is acceptable (Dunlap, 1988). The results are presented in tables with paragraphs explaining the tables.

For the convenience purpose, the presentation and analysis is categorized in to three major dimensions: Leadership commitment, BSC designing stage which has six steps (Organizational assessment, Strategic planning, Strategic objectives, Strategic Mapping, Performance measurement, and Strategic Initiatives), and BSC implementation stage which has three steps (Automation, Cascading, and Evaluation). These critical three dimension are serving as checklists as to whether or not BSC is properly designed and implemented in OJSPTLRI.

### **4.3.1 Top Management Commitment in Planning, Implementation and Evaluation of BSC**

The first objective of this research question was to identify the response towards the leadership and commitment of their top management towards planning, implementation and evaluation of the BSC in the study organization. In describing the commitment of the top management of the organization heads of the public organizations, more than any other individual, are the champions of the balanced scorecard. The top management and other leadership commitment in terms of involvement, conceptual understanding, communication, and serving as change agent is essential for BSC building and its implementation. Therefore; the employees were asked to know the level of top management commitment that can be explained in different ways. The response is presented in the following table as follows:

**Table 2: Top management commitment in planning, implementation and evaluation of BSC**

	QUESTIONS	N	Mean score	Std. deviations
1	The OJSPTLRI's management well defined the organization mission that defines why it exists.	206	4.02	0.55
2	The OJSPTLRI's management well defined the organization vision that shows future intent.	206	3.58	0.86
3	The OJSPTLRI's management well defined the organization corporate values.	206	3.52	0.74
4	The management fully committed in the process of the Institute BSC designing stage.	206	3.62	0.67
5	The management fully committed in the process of the Institute BSC implementing.	206	2.89	0.99
6	The management understand the concept of BSC.	206	3.74	0.66
7	The management communicates clearly and concisely to employees about the BSC	206	2.84	1.00
8	The management is committed to provide all the required resources to design and implement the BSC.	206	3.13	0.82
9	The management form BSC team comprising of change agent to build the Institute BSC	206	3.14	0.60
Aggregate mean score			3.48	

Source: Survey Data

Based on evaluation of 2016 used in order to identify Management commitment in its involvement of BSC planning, implementation and evaluation in OJSPTLRI, as shown on table 3 above the system was measured by designing nine relevant questions.

Accordingly, with regard to “The management communicated clearly and concisely to employees about the BSC”, and “the management fully committed in the process of the Institute BSC implementing” the respondents have expressed their disagreement with low mean scores of (2.84 and 2.89) respectively.

Although the results showed a low level of management commitment and leadership in the implementation of the BSC, the respondents believed with maximum mean sore of (4.02) that the management well defined the organization mission that defines why it exists. The respondents also believed that the management played an important role in setting organization vision and corporate core values.

The data shows that managements were more committed in BSC designing stage than implementation stage. The respondents also revealed their agreement with mean score of (3.14) on the “management form BSC team comprising of change agent to build the Institute BSC”. Except the two low mean score variables , for all other questions raised under management commitment in involving BSC planning, implementation, and evolution the respondents have agreed significantly with mean score of (3.13) and above.

Similarly, during the interview, the fact is also supported by the BSC technical team members, who were responsible for designing and implementing OJSPTLRI’s BSC. According to the team members, the top management of OJSPTLRI well defined the organization mission and vision that defines why it exists and future intents of the Institute’s respectively. Thus there is no gap in defining organization mission, vision, and core values.

The interview with the BSC team also revealed that management commitment and involvement was better in BSC designing stage than in the implementation of the BSC in the organization, which supports the fact on the table 3 above. The team members disclosed that the top management of the Institute slightly delegated its responsibility to BSC implementation committee rather than closely involving in the implementation stage. However, delegation of the project to middle management or committee is described as one of the most common causes of failure, by missing focus and alignment to implement strategy. It is a process that can only be led from the top.

In describing the commitment of the top management of conceptual understanding and teaching BSC to employee and customers; it has to communicate to all level of leadership and employees. All levels of leadership need to understand BSC concept and prepare to educate internal staff & customers.

Interview with BSC technical members revealed that there was a gap in educating the internal staff, however there is no gap with regard to the top management in BSC conceptual clarity.

Thus, there is gap in management commitment and involvement in communicating clearly and concisely to employees about the BSC, and there is lack of full involvement in the process of the BSC implementation stage in the OJSPTLRI.

### 4.3.2. Data presentation and analysis of BSC planning or designing stage

This section is dealing with the BSC planning (designing) stage that basically consists of six steps namely: organizational assessment, Strategy planning, Strategic objectives, Strategic mapping, Performance measure, and Strategic Initiatives. So in order to identify whether OJSPTLRI designed BSC on the steps discussed in literature review the researcher used questioner, BSC document review and interview with BSC technical team. Accordingly, each step presented and analyzed based on data gathered from survey as hereunder.

#### 4.3.2.1. Organizational Assessment,

Launching balanced scorecard program, conducting organization assessment (Environmental Scan) and managing change are the major tasks of the first step of building BSC.

Employees Perception concerning organizational assessment in BSC designing stage in OJSPTLRI

**Table 3: Organizational Assessment,**

	QUESTIONS	N	Mean score	Std. Deviations
1	OJSPTLRI conducted SWOT analysis in formulating strategic plan	206	4.10	0.54
2	OJSPTLRI identify organization pains from SWOT analysis	206	3.15	0.95
3	OJSPTLRI identify organization enablers from SWOT analysis	206	3.46	0.81
4	OJSPTLRI well defined the organization's mission, long term vision, and core values	206	3.72	0.60
5	OJSPTLRI identify its customer's needs and demands	206	2.72	1.0
Aggregate score			<b>3.43</b>	

**Source:** survey Data

Employees were asked concerning organizational assessment whether OJSPTLRI conducted organizational assessment during its BSC planning or designing steps. As table 4 above indicates; the majority of the respondents disagreed on the specific question "OJSPTLRI identified its customers' needs and demands in its organizational assessment" during BSC designing stages by low mean score of (2.72). This indicates that internal and external customers

are not properly participated in the strategic plan development processes, however OJSPTLRI's BSC documents of (2010- 2015, pp 38) revealed that the Institute identified its customers' needs and demands from SWOT analysis which does not support the issue.

The respondents also showed their agreement with maximum mean score (4.10) on the "OJSPTLRI well defined the organization's mission, long term vision, and core values". The researcher reviewed OJSPTLRI's BSC document whether or not the Institute developed clear mission, vision, and core values. Accordingly, OJSPTLRI BSC document of (2010-2015 pp 12-13) revealed that the Institute determine its mission that define why the organization exists, reflecting its purpose and incorporate features of the organization. Similarly the OJSPTLRI's vision is coined with emotionally inspiring words of future success (to be the leading legal research and training Institute in the country and one of the best in Africa by 2020) that describes where the organization to be in the future which supports the fact on the table 4 above.

On the other hand, for all questions raised under organizational assessment in BSC designing stage in OJSPTLRI, the respondents have agreed significantly with mean score of (3.15) and above. The researcher also reviewed OJSPTLRI's BSC documents of 2010 - 20015 which supports the fact that the Institute undertakes organizational assessment by identifying the internal strength and weakness and assessing external opportunities and treats.

Although, there is no gap on the issue of defining the organization's mission, long term vision, and core values, data on table 4 shows that there is a gap in identifying customers needs and demands.

### 4.3.2.2. Strategy Planning Process

This section is dealing with the second step of building BSC that is basically related with strategic planning. Strategy is best way of doing business to achieve corporate vision and mission. It requires selection of best way of doing business from alternatives.

Employees were asked their Perception concerning OJSPTLRI strategy planning process in BSC designing stage.

**Table 4: Strategy Planning Process**

	QUESTIONS	N	Mean score	Std. deviation
1	Your organization strategic focus areas are well defined and understood.	206	3.91	0.35
2	Your work process uses customer, financial, internal process, learning and growth perspectives	206	4.03	0.41
3	Your work process identify strategic theme which represent the major focus area	206	3.46	0.81
4	Your work process strategic theme and goals are linked with Budget	206	2.40	0.87
5	Your work process identify strategic results that used for successful execution of the strategic theme	206	3.33	0.75
Aggregate score			<b>3.42</b>	

With regard to strategy planning process used in the OJSPTLRI's balanced scorecard as table 5 shows the system was measured by designing five relevant questions. Accordingly with regard to "Your work process strategic theme and goals are linked with budget" the respondents have expressed their disagreement with mean score of (2.40), however its standard deviation is 0.87. Document reviewed and discussion made with BSC team was disclosed that, however budget was prepared with BSC planning document, budget allocation has not been based on BSC document, because Oromia Finance Bureau used budget ceiling system. Accordingly, these low mean score can be attributed to the Oromia Finance Bureau budgeting system, not the facts of the BSC planning step.

The data on table 5 also indicates that the respondents agree with mean score of (3.91) that the Institute strategic focus areas are well defined and understood. Similarly, whether or not the

organization develop strategic theme and identified critical success factors, OJSPTLRI's BSC document reviewed (2010-2015 pp. 42) depicted that three strategic themes were identified. Discussion made with planning, evaluation and monitoring head and technical team supports the fact that the strategic themes are also attested that they aligned with the organization vision & mission. Thus, there was no problem in identifying and developing strategic theme. Except the low mean score budgeting system for all other questions raised under strategy planning process used in the balanced scorecards, the respondents have agreed significantly with minimum mean score of (3.33) and above. Thus, there is a gap in linking strategic theme and goals with Budget. In responding to the question whether or not each OJSPTLRI process uses four perspectives (customer, financial, internal process, learning and growth) perspectives. As table 5 above the respondents agree with maximum mean score of (4.03) that OJSPTLRI work process uses four perspectives (customer, financial, internal process, learning and growth) perspectives. As OJSPTLRI's BSC document of 2010-2015 is reviewed to know whether or not the four perspectives are used; the Institute has chosen four perspectives such as customer, finance, internal process, learning and growth. Thus, this indicates that there is no gap in identifying the basic four perspectives. But, it would be appropriate to ask from four perspectives which one is given the highest weight.

The researcher also discussed with BSC technical team and process owners concerning whether or not each OJSPTLRI's work process identified strategic results that used for successful execution of the strategic theme and reviewed BSC document (2010-2015, pp 47-49) revealed that the Institute identified strategic results for each work process that used for successful execution of the strategic theme.

However the Institute identified strategic results for each work process that used for successful execution of the strategic theme, data shows that there is a gap on employees understanding in linking strategic result with their strategic theme.



### 4.3.2.3. Developing Strategic Objectives for Theme.

This section is dealing with the third step of building BSC that is basically related with formulating strategic objectives. The objectives are the building blocks of strategy. Employee were asked about the process of developing Strategic Objectives for theme in OJSPTLRI's BSC designing step

**Table 5: Developing Strategic Objectives for Theme.**

	QUESTIONS	N	Mean score	Std. Deviation
1	Your work process develops strategic objective for each theme	206	3.63	0.64
2	Your work process strategic objective are derived from the themes	206	3.14	0.77
3	Your work process performance indicators are related to the objectives of organization	206	3.44	0.80
4	Your work process Objective commentary documented well	206	2.82	0.95
5	Your work process Objectives were categorized by strategic theme	206	4.00	0.62
Aggregate score			<b>3.40</b>	

Source: Survey Data

In responding to the question whether or not OJSPTLRI's Develops Strategic Objectives for each theme, table 6 above indicates that the majority of the respondents agree with mean score of (3.63) on that "OJSPTLRI's develops Strategic Objectives for each theme" however only the mean score of (3.14) agree that whether or not "their work process strategic objective are derived from the themes".

Similarly, data indicated that the majority of the respondents disagree with low mean score of (2.82) on that "Your work process Objective commentary documented well". This shows that the objective commentary for each objective was not well documented and due to this there is a gap in defining, scope and meaning of the strategic objectives.

The researcher also reviewed document on whether or not the Institute developed strategic objectives for each theme; OJSPTLRI's BSC document of (2010-2015, pp. 49) depicted that for

each corporate strategic themes; twelve (12) strategic objectives were developed under four perspectives. Discussion made with BSC technical team also reveals that the strategic objectives are cascaded from strategic theme and logically linked.

Although there is no gap in developing strategic objectives for each theme, the researcher found that there is a problem of clearly communicating and convincing employee how strategic objectives are linked to their strategic theme and visions. There is a gap on setting objective commentary for each objective that define its scope and meaning,

#### 4.3.2.4. Developing Strategic Mapping

This section is dealing with the fourth step of building BSC that is basically related with formulating strategic Mapping. The Strategic mapping is a graphical picture of the customer value chain. It is a tool for creating organization alignment. Employees response on OJSPTLRI's Strategic Mapping in its BSC designing stage.

**Table 6: Developing Strategic Mapping**

	QUESTIONS	N	mean score	Std. deviation
1	OJSPTLRI developed strategic mapping in its BSC designing stage	206	4.11	0.55
2	OJSPTLRI uses strategic map as a communication tool about organization strategy	206	2.69	0.99
3	OJSPTLRI posted its strategic map on its office board visible area for the strategic period	206	2.86	0.88
4	OJSPTLRI's strategic map linked the strategic objectives with its cause-and-effect relations	206	3.29	0.94
Aggregate score			<b>3.23</b>	

Source: Survey Data

In responding to the question whether or not OJSPTLRI developed strategic mapping in its BSC designing stage, table 7 above indicated that respondents show their agreement with maximum mean score of (4.11) however they disclosed their disagreement with minimum low score of (2.69) on issue that "OJSPTLRI uses strategic map as a communication tool about organization strategy".

In responding to the question on whether or not the strategic map is used to link strategic objectives and results to vision, and vision linked to strategic theme, OJSPTLRI's BSC document of (2010-2015, pp. 74-75) depicts that the strategic objectives of the Institutes are linked with its vision, and also its vision is linked with three strategic themes.

Accordingly, this low mean score is attributed to the low mean score (2.81) of the response given on whether "OJSPTLRI posted its strategic map on its office board visible area for the strategic

period”, however the BSC technical team of the Institute argued that the organization was posted its strategic map in its offices notice boards with the purpose of communicating and educating the internal and external stake holders.

The Balanced Scorecard is a tool to facilitate communication within the process of translating the strategy. Positing strategic map on the notice board to be noticed and internalized by internal staff and external customers can be a means for education and communication, however it is not an end by itself. Therefore; strategic map should be used to properly communicate the organization objectives, their cause-and-effect relations, alignment of vision and objectives.

Thus, the data indicates that there is gap in the strategic map serving as a communication tool for the internal staff and external customers about the organization strategy.

#### 4.3.2.5. Performance Measures

This section is dealing with the fifth step of building BSC that is basically related with performance measure. To check reflection on the set of performance measures, the respondents were asked to express their level of agreement with some basic questions about the performance measures of balanced scorecard. Employees were asked about their organization performance measures of balanced scorecard.

**Table 7: Performance Measures**

	QUESTIONS	N	Mean score	Std. Deviations
1	The objective measures are identified for each theme	206	3.56	0.80
2	Balanced Scorecards at all levels have sufficient key performance indicators to measure objectives.	206	2.91	0.96
3	Measurement data sources are clearly stated	206	3.46	0.81
4	The data collected on measurement validated by authorized body.	206	2.62	0.73
5	For each measures baseline, target and threshold were set clearly.	206	2.40	0.87
6	BSC’s performance measures keep balance between lagging and leading indicators of performance,	206	2.97	0.94
Aggregate score			<b>2.98</b>	

Source: Survey Data

In responding to the question whether or not “the objective measures are identified for each theme” as table 8 above indicates that respondents agree with maximum mean score of (3.56), however the respondents were expressed their disagreement with low mean score of (2.91) on “Balanced Scorecards at all levels have sufficient key performance indicators to measure objectives of the Institute”.

Similarly, in responding to the question whether or not data collected on measurement validated by authorized body” and “ for each measures baseline, target and threshold were set clearly”, respondents disclosed their disagreement with low mean scores of (2.62 and 2.72) respectively. Thus, data collected on measurement was not validated by authorized body means there is no means to know whether or not the organization measures what is to be measured.

Accordingly, for each measure: baseline, target and threshold should be set clearly. Threshold determines whether good performance is anything equal to or greater than the target value, or some other range determined by the organization. Thus, the organization was not determined what range of measure value should be considered satisfactory, and what range should be considered poor clearly.

In responding to the question on whether or not the performance measures keep balance between lagging and leading indicators, short term and long term the respondents shows low mean score of (2.97); OJSPTLRI’s BSC document of 2010-2015 illustrated that most of the indicators are leading (performance drives) measures, that leading indicators are outweigh in number than the outcome measure or lagging indicators. Accordingly, there is a need to find a tool that has the ability to measure the impacts, influence and the leverage of the organizational activities, and other long-term goals in general. Thus, there is a gap related to KPIs:

- There was problem on setting performance measures baseline, target and threshold clearly,
- Balanced Scorecards at some levels have no sufficient key performance indicators to measure objectives.
- Data collected on measurement were not validated by authorized body.
- The performance measures are not keeping the balance between leading (performance drives) and lagging (outcome measures).

### 4.3.2.6. Strategic Initiatives

This section is dealing with the sixth (last) step of building BSC that is related with strategic initiatives. In this step once targets for customer, financial, internal process, and learning and growth measures have been established in the step five, then after any organizations which try to introduce BSC have to assess whether their current initiatives will help achieve these ambitious targets, or whether new initiatives are required

**Table 8: Employees Response to OJSPTLRI Strategic Initiatives.**

	QUESTIONS	N	Mean score	Std. deviation
1	OJSPTLRI identify and selected strategic initiatives	206	4.15	0.57
2	The initiatives are tied to strategic vision and mission	206	3.33	0.75
3	OJSPTLRI strategic initiatives are significant to solve organization pain.	206	3.52	0.91
4	OJSPTLRI set strategic initiatives ownership, scope, schedule, and deliverables expected clearly.	206	2.90	0.82
5	OJSPTLRI's strategic initiatives were Prioritized	206	3.50	0.89
	Aggregate score		<b>3.48</b>	

Source: Survey Data

In responding to the question whether or not “OJSPTLRI set strategic initiatives ownership, scope, schedule, and deliverables expected from the initiatives clearly” table 9 above indicates that respondents disagreed with low mean score of (2.90). On the other hand for the rest questions raised under OJSPTLRI Strategic Initiatives, the respondents have agreed significantly with minimum mean score of (3.33) and above.

Similarly, OJSPTLRI's BSC document of 2010-2015 reviewed to test whether or not selection criteria are set to prioritize initiatives. Accordingly, OJSPTLRI's BSC document (2010-2015, pp. 88) reveals that the organization uses selection criteria such as linkage to strategic theme, Pain alleviated or benefit captured, alignment with organizational strategy, quantity of measuring goals, and significance to the outcome were used to select and prioritize the initiatives. Thus, there is no gap in prioritizing and selecting initiatives in BSC planning stage.

On the other hand the researcher tried to review OJSPTLRI's BSC document in responding to the question on whether or not the strategic initiatives are tied to the objectives, perspectives; vision and mission, OJSPTLRI's BSC document of (2015-2015 pp. 88-90) depicted that the total of eleven(11) strategic initiatives are identified and linked with perspectives, **12** objectives, vision, and mission.

However, there is no gap in identifying and linking initiatives with objectives, perspectives, vision, and mission on the document, the researcher found that some project cascaded without expected results; some are without scope that supports the fact on the table 9 with low mean score of (2.90).

Thus there is gap on setting strategic initiatives, scope, and deliverables expected clearly. Some initiatives were not cascaded to lower level (tied at corporate level) hence some are not performed until the last strategic year.

### 4.3.3. Data analysis of BSC Implementation stage

This section is dealing with the BSC implementation stage (system roll out) that has three steps namely: Automation, Cascading, and Evaluation.

#### 4.3.3.1. Automation

As it is discussed briefly in the literature part; automation is requirement for system roll out (BSC implementation). Automating data collection and reporting for the scorecard requires an assessment of the data that needs to be collected, performance information that needs to be communicated, and the information technology options that will be used to process the data and transform it into information. IT should act as a facilitator and has an important role as support at different stages of the BSC initiative in terms of preparing the initial stages of the BSC project; defining and linking measures; setting goals, and observing performances; managing strategic initiatives and action plans.

The BSC is supposed to boost new behaviors, communication and cooperation. If information is not duly entered into the system, the Balanced Scorecard initiative will probably be worthless

**Table 9: Employees concern on whether or not OJSPTLRI uses Automation in BSC.**

	QUESTIONS	N	Mean score	Std. Deviation
1	OJSPTLRI uses software to Communicate performance information	206	3.39	1.16
2	OJSPTLRI uses appropriate software to automate its performance measures	206	2.73	1.01
3	Your work process uses software to automate the collection and reporting quantitative data	206	2.94	1.14
4	Your work process transfer data in to relevant information.	206	2.57	1.13
5	Your work process uses software to Communicate performance information to decision makers visually	206	3.02	1.05
Aggregate mean score			<b>2.93</b>	

Source: Data Survey



The data on table 10 above revealed the mean score of (3.39) shows that OJSPTLRI uses software to Communicate performance information to decision makers visually. However, the aggregate mean score (2.93) of the table shows the disagreement of the respondent on the issue.

The researcher tried to confirm whether or not OJSPTLRI uses Automation in its performance report. Accordingly, Semi-annual and annual report soft copy from ICT department (2012- 2015) of the Institute supports the fact that OJSPTLRI uses automation in its BSC implementation.

The researcher also interviewed ICT experts of the Institute to check whether or not automation supports the organization BSC. That means using software to automate the collection, reporting and visualization of performance data. It is confirmed; however, the organization does not use appropriate software which supports the data collection and reporting performance measures with deferent features such as measuring dual polarity, user requirements. Discussion made with the team revealed that the organization faced different challenges in automating the BSC:

- Highly fluctuations of targets, thresholds, and baselines
- Lack of accurate data
- Lack of validity (measuring what to be measured)
- Lack of clarity in data definition table (data source, owner, frequency)
- Lack of appropriate software to measure dual polarity etc

However, the study organization tried to support the OJSPTLRI's BSC with automation to report performance data and the organization has good experience on BSC automation, the Institute does not use appropriate software.

### 4.3.3.2. Cascading the Scorecard

This section is dealing with the eighth step of implementing BSC that is basically related with cascading.

The BSC cascading basically deals with the function of translating high-level corporate strategy into aligned lower-level objectives and measures. It creates alignment around the organization's shared vision that make strategy actionable to work units and down to individuals. Cascading can also link departmental scorecards to corporate vision and strategy.

**Table 10: Employees response on Cascading BSC in OJSPTLRI**

	QUESTIONS	N	Mean score	Std. Deviation
1	Your work process developed department scorecards that aligned to corporate vision	206	3.86	0.43
2	Your work process translates high-level strategy in to aligned lower level objectives	206	2.28	0.82
3	You develop individual scorecard, aligned to work process	206	2.56	0.78
4	The strategic map of the higher tier (unit) team clearly set	206	3.16	0.94
5	Work units and individuals Score card aligned with recognition and incentives.	206	2.61	0.81
Aggregate score			<b>2.89</b>	

Source: Survey Data

With regard to cascading, as table 11 shows the listed five questions were raised to the respondents. Accordingly, a minimum mean score of (2.56) on “Your work process developed individual scorecard, aligned to vision and work process” that revealed the gap in developing department & individuals scorecards aligned to corporate score card and strategy. On the purpose of “Your work process developed department scorecards that aligned to corporate vision” the maximum mean response of (3.86) were registered. However the standard deviations of the variables less than one, the table above revealed that the respondents disagreed on “Work units and individuals Score card aligned with recognition and incentives” and “Your work process

translates high-level strategy in to aligned lower level objectives” with low mean score of (2.61 and 2.28) respectively. This implies that, the basic concept and application about the balanced scorecard cascading has been encouragingly created up to work units.

OJSPTLR’s BSC document of 2010-2015 reviewed to test whether or not the organization high level strategy is translated in to lower level objectives and measures. There for, the organization’s three high level strategic themes and their subsequent results were cascaded and aligned to 12 strategic objectives and 23 financial and non financial measures, OJSPTLRI’s BSC document (2010-2015, pp.101-110).

However, corporate strategic objectives and measures were cascaded properly until work unit; individual scorecards were not well aliened with work units. Similarly there is a problem of aligning work units and individuals scorecard with recognition and incentives scheme. The incentive compensation of individuals and work units is not linked with the achievement of scorecard objectives and outcome.

### 4.3.2.9. Evaluation on Balanced Scorecard

This section is dealing with the ninth (last) step of implementing BSC that is basically related with evaluation. Evaluation is the process of reviewing the organization progress toward its strategic goals. It is also assessing the balanced scorecard strategic planning and management system to determine where efficiency and effectiveness can be improved.

**Table 11: Employees response on Evaluation on Balanced Scorecard**

	QUESTIONS	N	Mean score	Std. Deviations
1	Your work process developed an evaluation Plan	206	4.01	0.48
2	Your work process Evaluation is always based on plan.	206	3.62	0.85
3	Your work process analyze strategic results against planned results	206	3.46	0.79
4	Your work process performance appraisal of team and individual is based on concrete data	206	2.97	0.97
5	Based on evaluation your work process modify strategy, Objectives, Strategy map, Performance Measures, as necessary	206	2.89	0.99
6	The boss influence on evaluation is reduced	206	3.74	0.66
7	The result of evaluation is used for decision making.	206	3.53	0.70
	Aggregate mean score		3.46	

Source: Survey Data

With regard to evaluation used in the balanced scorecards as table 12 shows the system was measured by designing seven relevant questions. Accordingly, with regard to “work process modify its strategy, strategic Objectives, Strategy Map, Performance Measures, and Strategic initiatives as necessary based on evaluation” the respondents have expressed their disagreement with mean score of (2.89). This lowest mean score can be attributed to the fact that the low mean score of (2.97) disagreement of respondents on work processes performance appraisal of team and individual is based on concrete data, however the result of evaluation is used for decision making.

The result of evaluation is used to modify the organization planning assumptions, strategy, objectives, performance measures and targets, strategic initiatives, and budget. On the other

hand, for all other questions raised under evaluation, the respondents have agreed significantly with minimum mean score of (3.46) and above.

In responding to the interview questions on whether or not OJSPTLRI's work process, team, and individual performance appraisal is based on concrete data; the interview made with planning, monitoring and evaluation head and the ICT expert who automate performance data supported the fact that the low mean score(2.97) of "work processes performance appraisal of team and individual is based on concrete data" by confirming that there are some work processes that their performance evaluation is based on relevant and genuine manually recorded performance data. There are also some work units that are evaluating performances without reliable performance data. Accordingly, sometimes work processes, work team, and individual evaluation reports are rejected by the top management due to hyper inflated performance evaluation. The fact is attributed to challenges that in automation and measurement steps such as lack of data validation and verification by the authorized body.

Thus there is a gap in the Institute's work process, team, and individual performance evaluation processes. This is because the individual performance evaluation is undertaken without accurately captured and organized performance data. Since the evaluation is conducted without factual data the end result is misleading and inappropriate to use

#### 4.3.2.10. The Summarized table on variables.

**Table 12: Aggregate mean score on the Summarized 10 variables**

N <sup>o</sup>	Variables	N	Aggregate mean score
1	Top management commitment in BSC planning, implementation and evaluation.	206	3.48
BSC Building stage			
2	Organizational assessment,	206	3.43
3	Strategy Planning Process	206	3.42
4	Developing Strategic Objectives for theme.	206	3.40
5	Developing Strategic Mapping	206	3.23
6	Performance measures	206	2.98
7	Strategic Initiatives	206	3.48
BSC Implementation stages			
8	Automating the Balanced Scorecard	206	2.93
9	Cascading the Scorecard	206	2.89
10	Evaluation on Balanced Scorecard	206	3.46

Source: survey data

The lowest aggregate mean score of 2.89 on table 13 above indicated that there was a gap in BSC implementation stage in cascading the scorecard to the lower level in the study organization. This implies that, the basic concept and application about the balanced scorecard cascading has not been encouragingly created up to individual level.

OJSPTLR's BSC document of 2010-2015 reviewed to test whether or not the organization high level strategy is translated (cascaded) in to lower level objectives and measures. There for, the organization's three high level strategic themes and their subsequent results were cascaded and aligned to 12 strategic objectives and 23 financial and non financial measures, OJSPTLRI's BSC

document (2010-2015, pp.101-110). However, corporate strategic objectives and measures were cascaded properly up to work units; individual scorecards were not well aligned with work units. Similarly there is a problem of aligning work units and individuals scorecard with recognition and incentives scheme. The incentive compensation of individuals and work unit is not linked with the achievement of scorecard objectives and outcome.

The low aggregate mean score of 2.93 on table 13 above also shows that the study organization encountered the problem of automating the scorecard in BSC implementation stage; in step seven. This low aggregate mean score is attributed to the lack of alignment or lack of proper cascading of high level strategy in to lower levels.

The researcher also interviewed ICT experts of the Institute to check whether or not automation supports the organization BSC. That means using software to automate the collection, reporting and visualization of performance data. It is confirmed; however, the organization does not use appropriate software which supports the data collection and reporting performance measures with deferent features such as measuring dual polarity, user requirements. Discussion made with the team revealed that the organization faced different challenges in automating the BSC:

However, the study organization tried to support the OJSPTLRI's BSC with automation to report performance data and the organization has significant experience on BSC automation, the Institute does not use appropriate software, there is highly fluctuations of targets, thresholds, and baselines, lack of accurate data, lack of validity (measuring what to be measured), lack of clarity in data definition table, lack of appropriate software to measure dual polarity.

Similarly, the low aggregate mean score of (2.98) on table 13 above disclosed that there was a gap in BSC planning stage that is in step five (performance measurement).

OJSPTLRI's BSC document of 2010-2015 illustrate that most of the indicators are leading (performance drives) measures, that leading indicators are outweigh in number than the outcome measure or lagging indicators. Accordingly, there is a need to find a tool that has the ability to measure the impacts, influence and the leverage of the organizational activities, and other long-term goals in general.

Similarly, there was problem on setting performance measures baseline, target and threshold clearly. Balanced Scorecards at some levels have no sufficient key performance indicators to measure objectives, Data collected on measurement were not validated by authorized body. The

performance measures are not keeping the balance between leading (performance drives) and lagging (outcome measures)

Generally, the data on the table 13 shows that the study organization encountered greater challenges in BSC implementation stage specifically in automating and cascading the balanced scorecard than in BSC planning stage.



#### **4.1. Major Findings.**

In this chapter, the summary of findings are presented in chronological order. On all questions, the responses related to top management commitment is presented first, then after the six steps of building BSC and finally the analyzed data related with three steps of implementing BSC (System roll out) is presented respectively.

The top management commitment was evaluated from the parameters of involvement, conceptual understanding, communication, and commitment to provide all required resources to design and implement the BSC, which are critical for BSC building and its implementation. The top leadership of the study organization was involved in the introducing the concept & theory BSC to the institute, launching the strategy and plan, defined the organization mission, vision corporate values and fully committed in the process of the Institute BSC designing stage (aggregate mean score of 3.48 on table 3). As discussed in literature review, mission statements require the broad and high-level thinking of an executive to consider the spectrum of alternatives facing the organization (Niven, 2005).

The major weakness of the top management of the study organization was that management did not communicate clearly and concisely to employees about the BSC, and the management was not fully committed in the process of the Institute BSC implementation stage (mean scores of 2.84 and 2.89 on table 3) respectively.

The six steps of building are very critical phase of the BSC system efficiency & effectiveness. The major tasks are organization assessment; determining the organization mission, long term vision and strategic plan; identifying high level objectives for all BSC objectives; strategic mapping; develop performance measure; and lastly identifying strategic initiatives. There for the major summary of findings are presented in the outline of strength & weakness and presented as follows:

The major strengths of OJSPTLRI in the building of the corporate BSC are: the organization has properly analyzed the internal weakness and strength and of the external threats and opportunity in formulating strategic plan. The corporate vision, mission and core values are well defined. Strategic themes are identified and developed which are also demonstrated that they are aligned with the organization vision & mission. The strategic objectives are develops for each theme. All

the strategic objectives are cascaded from strategic theme and logically linked up to work units. The performance indicators are developed for each strategic objective on logical approaches. The others most important strengths of the organization BSC building phases encompass the uses of the strategic map to link strategic objectives and results to vision, and vision also linked to strategic theme. The strategic map is serving as tool of linking all perspectives with strategic objectives. The strategic map has properly aligned strategic objectives throughout four perspectives such as, customer, finance, internal process and learning and growth. It is well noted in the literature review part that the basic four perspectives of the BSC that are finance, customer, internal process, learning and growth have been common and found across a wide range of private and public organizations. However; they are not strait jacket. Depending on the organization context one or more additional perspectives may be used (Kaplan and Norton, 1996).

All objectives are linked with in cause-and –effect relations. The initiatives were properly identified and linked with objectives and perspectives. The initiatives were identified and prioritized with standard criteria and linked with vision, mission and objectives.

The major weaknesses of OJSPTLRI in the planning of the BSC are: there is a gap in identifying customer's needs and demands, internal staff and external customers are not properly participating in the strategic plan development processes. There is a gap in linking strategic theme and goals with Budget. There is a gap on employees understanding in linking strategic result with their strategic theme. There is a problem of clearly communicating and convincing employee how strategic objectives are linked to their strategic theme and visions. There is a gap on setting objective commentary for each objective.

The strategic map is not properly serving as tool of educating and communicating the internal staff and external customers about the organization strategy. The Balanced Scorecard is a tool to facilitate communication within the process of translating the strategy. If the BSC is used only as a tool for measuring and monitoring performance in the dimensions incorporated in it, without implementing the related process, this will restrict the effectiveness of the Scorecard and it is more likely to fail (Olive et al., 2003; Davis, 1996; Hasan and Tibbit, 2000 as stated by Othman et al., 2006).

Positing strategic map on the notice board to be noticed and internalized by internal staff and external customers can be a means for education and communication, however it is not an end by itself. Therefore; strategic map should be used to properly communicate the organization objectives, their cause-and-effect relations, alignment of vision and objectives.

The performance measures mixture are not keeping the balance between leading (performance drives) and lagging (outcome measures) and that may bring adverse effect in the total achievability of BSC system in the study organization. As stated in the literature review a good balanced scorecard is an appropriate mix of outcomes (lagging indicators) and performance drivers (leading indicators) of the work unit's strategy (Kaplan and Norton, 1996).

There was problem on setting performance measures baseline, target and threshold clearly. Data collected on measurement were not validated by authorized body.

**On the other hand the three steps are directly related to BSC implementation and evaluation. The three critical phases includes: automation, cascading and evaluation.**

The major strengths of BSC implementation and evaluation in OJSPTLRI are: the organization BSC is supported with automation software. The organization's three high level strategic themes and their subsequent results are aligned to the organization shared vision. The major weaknesses in the OJSPTLRI's BSC implementation are: the organization' BSC is lack of appropriate automation software, the problem of highly fluctuation of targets, thresholds, and baselines, lack of clarity in data definition table.

Individual scorecards are not properly aligned to corporate level score card and strategy. The strategy is to be successful, the highest - level scorecard cascades down to individual business units, overarching strategic objectives and measures are translated into objectives and measures appropriate to each particular group implementing a strategy and it begins with educating those who have to execute it (Kaplan and Norton, 2007).

Individual scorecards were not well aliened with work units. The organization's work units and individuals score card are not linked with recognition and incentives. The incentive and compensation of individuals and work units are not linked with the achievement of scorecard objectives and outcome. The individual scorecard should be aligned to departments and support units objectives to tie with rewards, recognition, and incentives to results (The Balanced Scorecard Institute, 2007).

Although, the OJSPTLRI uses the 360<sup>0</sup> performance evaluation method, some work units and individuals performance evaluation is undertaken without appropriately captured and organized performance data. As the evaluation is conducted without the support of accurate data; the outcome is misleading and inappropriate to use in decision making. As literatures of performance evaluation point out the performance evaluation of any organizations have to fit with normal distribution curve. According to normal distribution curve 80% performers fall under average performance while 10% from the total is above average and 10% below average respectively (Armstrong, 2006). Generally there are quite a significant strength and ample weakness throughout the nine steps of BSC building and implementation stages.

# CHAPTER FIVE

## 5. CONCLUSION AND RECOMMENDATION

### 5.1. Conclusion

While many approaches to strategy development exist, the unique characteristics and mission of each organization must dictate the approach used to move the organization toward fulfilling its mission. The use of the Balanced Scorecard model provides an innovative alternative for many public organizations that do not find private sector strategic planning models applicable to their unique planning needs.

One of the 20th century innovations in the field of strategic management and performance management is balanced scorecard. It is an integrated management system consisting of three components namely, strategic management system, communication tool, and measurement system (Niven, 2002). Although the balanced scorecard was originally developed for the private sector, it has become more extensively used in both the private and public sectors.

In Oromia National Regional State, lots of public sector organizations have embarked on to use BSC as strategic management system in the framework of Public Sector Capacity Building Initiatives. However; the organizations that employ BSC as strategic management system stumble upon difficulties with its top management commitment, planning, implementation and evaluation. Thus, the researcher selected OJSPTLRI to undertake research in its BSC planning, implementation and evaluation. Hence; the researcher found that the presence of balanced scorecard has influenced the organization strategy plan implementation at OJSPTLRI's operations. The OJSPTLRI's BSC has got considerable strength and scalable limitation. The most important **strength** of OJSPTLRI's BSC is the top management commitment from inception throughout its design by properly defining the organization's mission, vision and core values (aggregate mean score of 3.48 on table 3).

Besides; the organization is analyzing the internal weakness and strength and of the external threats and opportunity in formulating strategic plan. This is key steps for defining the corporate vision; mission and core values appropriately. The three strategic themes are identified and developed which are also attested that they are aligned with the organization vision and mission

(mean score of 3.40 on table 6). The strategic objectives are cascaded for each theme and logically linked until work units.

The other notable strengths of the study organization BSC designing phases which are encompasses: the strategic map is used to link strategic objectives and results to vision and vision also link to strategic theme. The strategic map has properly aligned with strategic objectives throughout four perspectives such as customer, finance, internal process, and learning and growth. All objectives are linked with in cause-and –effect relations and serving as tool of linking perspectives with strategic objectives (mean score of 3.29 on table 7).

The other strengths incorporated that the strategic initiatives are identified and prioritized with standard criteria. They are linked with objectives, vision, and mission ( mean score of 3.48 on table 13).

Similarly OJSPTLRI has got considerable strength of BSC in its implementation and evaluation. BSC automation was used throughout the strategic years (mean score of 3.39 on table 10). High level strategies are properly cascaded up to work units, objectives and measures. Three high level strategic themes and their consequent outcome are aligned to the organization corporate vision.

Regarding to the OJSPTLRI' BSC **weakness** which is divided in to two parts and presented as follows. The major weaknesses of OJSPTLRI in the planning of the corporate BSC are lack of properly identifying customers and stockholders needs (low mean score of 2.72 on table 4). BSC requires participatory strategic planning and development processes. However; the top management of OJSPTLRI and the work unit which were responsible for Strategy Planning Management development were merely prepare strategic plan. Besides, internal and external customers were not properly participating in the strategic plan development processes that lead to improper identifications of customer and stockholders needs and wants.

Strategy map provides a visual representation of an organization's critical objectives. It indicates the crucial relationships among objectives that drive organizational performance .It also uses as tool for communicating and education. However; OJSPTLRI designed strategic map to indicate objectives and its cause- and effect relationship, the staffs are not familiar with strategic map. This is because the organization does not use strategic map for strategic objectives' communication and education purposes (low mean score of 2.69 on table 7).

It is well noted that the objectives and measures should be organized and stated properly into a BSC. The balanced scorecards need to be more than a mixture of financial and nonfinancial measures, grouped into perspectives. However; some of the study organization performance measures are not capable to measure the organizations objectives. Few of the notable problems are: There is highly fluctuation of targets, thresholds, and baselines, lack of clarity in data definition table, Balanced Scorecards at all levels have no sufficient key performance indicators to measure objectives, measurement data sources are not clearly stated, data collected on measurement were not validated by authorized body, performance measures were not keeping the balance between lagging and leading indicators of performance (low mean score of 2.98 on table 8). Thus, there is a gap in the performance measures. The performance measures are not keeping the balance between leading (performance drives) and lagging (outcome measures) and this may cause adverse effect in the practicability of BSC system.

Similarly OJSPTLRI's BSC has got considerable shortfall in its implementation and evaluation. There is a problem of using inappropriate soft ware for data collection, reporting, and visualization of performance. There is a problem of using irrelevant data for performance measurement, due to this problem the performance evaluation of individuals and teams are fake and highly exaggerated (low mean score of 2.93 on table 10). Another important concluding remarks regarding implementation and evaluation is due to improper cascading, the organization faced challenges in translating high-level strategy into aligned lower-level objectives and measures. Some work team scorecards are not aligned to corporate vision and strategy (low mean score of 2.28 on tale 11). Besides, the individual scorecards are not aligned to operation and support units' objectives (low mean score of 2.56 on table 11). This poses problem in alignment around the organization's shared vision, to make strategy actionable from the work units down to individuals.

Performance appraisal of team and individual is not based on concrete data (low mean score of 2.97 on table 12). The study organization does not modify its strategy, Objectives, Strategy map, Performance Measures, as necessary (low mean score of 2.61 on table 11).

Finally the scorecard is believed that incentive compensation must be connected to achievement of scorecard objectives. However OJSPTLRI's score card objectives does not link with rewards, recognition, and incentives (low mean score of 2.61 on table 11). This poses problem in creating a results-oriented culture. This shows that the organization does not significantly aligned,

information systems, and organizational system that assure the sustainability of the BSC. Thus, there is huge gap in BSC implementation stage in the study organization, specifically in automation and cascading stapes (aggregate mean scores of 2.93 and 2.89 on table 13) respectively.

In order to **aligning information systems, and organizational system**, the scorecard is believed that incentive compensation must be connected to achievement of scorecard objectives, and strategy should cascade up to individual levels. However OJSPTLRI's score card objectives does not link with rewards, recognition, and incentives (mean score of 2.61, table 11), this poses problem in creating a results-oriented culture. This shows that the organization does not significantly aligned, information systems, and organizational system that assure the sustainability of the BSC.

**The lessons gained from the organization:** Engagement of the leadership at the highest possible level is important, commitment to journey, not a project.

Using cross functional team is very important to build the system, it needs to incorporate different "voice".

Avoiding the "rush to judgment" on performance measurement the organization should ask "what should we measure?", not "which of our current measure should we use?" software purchase, Just buy or develop BSC software that will give the organizations scorecard,

## **5.2. Recommendation**

Based on the research findings, the study has produced the following recommendations to improve the BSC planning, implementation, and evaluation process in the study organization.

According to Niven (2006), no two BSC implementations are completely alike. Further, the same author states that organizations which decided to implement the tool should do so in a way that fits the individual culture, current management processes, and readiness for such a major change initiative. Therefore, the findings, results and recommendations of this thesis cannot be generalized and taken for granted by other organizations, researchers or others interested in the topic. However, the stated findings recommendations and practices can be adapted to the context of the organization.



Many public organizations in Oromia national regional state have been faced challenges in the planning, implementation, and evaluation of BSC. Because of the fact that lots of the public organizations once they have implemented a balanced scorecard system, they do not have mechanisms to evaluate whether they are achieving the results they desire or not. Once the scorecard is built and implemented, ensuring its fitness and effectiveness is the critical issues.

To exploit the benefits of implementing the balanced scorecard the study proposes the following recommendations around planning, implementation, and evaluation to be considered by OJSPTLRI:

- The overall most important finding of the thesis and that the critical challenge of balanced scorecard in the study organization's is BSC designing and implementation stages.
- It is well acknowledged that the BSC implementation phase is the final mosaic or an Integrated Planning and Management Scorecard System phase.
- Hence, the top management of the study organization has to demonstrate its commitment for full-fledged BSC through proper planning, implementation and evaluation. The higher level score card and strategy should be aligned with lower level work units & individual scorecards objectives and measures.
- Besides, individuals and team performances should be linked with rewards, recognition, and incentives. Above all the organization' BSC has to be supported with appropriate software.
- The other critical factor for the success and failure of BSC in the study organization is the task of educating and communicating the concept of BSC to lower staff. Therefore well structured, systematic and continuous training has to provide for employees.
- The study organization's has to pay due attention for organizational assessment that is dealing with examination whether the organization is ready for building the BSC. The significant challenges in the planning of the BSC is directly associated with organizational assessment phases.
- The critical challenges as indicated in the conclusion which includes participatory strategic plan development process, BSC linkage with performance based budgeting and

other barriers related with strategic map, performance measures, the leading and lagging indicators stem from the poor organization assessment.

- There for; the study organization have to set up qualified BSC review team which will be supported by professional external consultant that conduct assessment , review, and manage change to confront the challenges related with BSC planning techniques.
- The alignment of the study organization toward the strategy must ultimately be motivated through the incentive and reward systems. However; the study organization cannot link BSC with compensation system. For the scorecard to create the cultural change and to achieve strategic objectives, incentive compensation must be connected to attainment of scorecard objectives and outcome.
- Sustaining the scorecard system is critical for the study organization's success. It should be well acknowledged that BSC is not a “one-shot” process; rather creating a performance, results oriented culture in long process. The the study organization leaderships engaged in planning BSC should be viewed in implementation stages as a long-term process and be prepared to commit to change over a longer period, using BSC as the strategic planning and management framework; aligning the organization, systems and employee performance around strategy through a rewards and recognition scheme; linking budget formulation and emphasizing continual improvement in the work processes, employee learning and skills development, and in understanding customer needs and satisfaction, and in ensuring employee satisfaction, the the study organization can sustain the BSC system.

### **5.3. Suggestions for Further Research**

The case study focused on the application of balanced score card at Oromia Justice Sector's professional training and Legal Research Institute and it is recommended that a similar study be replicated in other public organization in the Justice sectors where this tool has been adopted. Further research should also be done involving BSC impacts of OJSPTLRI.

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## APPENDIX – I



Jimma University

Business and Economics College

Management Department

### ***QUESTIONNAIRE:***

The researcher is a Post graduate Student at Jimma University and he is doing his final research Paper in partial fulfillment of the requirements of the award of a Masters Degree in Business Administration (MBA).

The research topic is “**PLANNING, IMPLEMENTATION AND EVALUATION OF THE BALANCED SCORECARD**” **Experiences from OJSPTLRI**. It is in this regard that the researcher humbly requesting your support in answering the questions here below and to assure you that all information provided will be treated confidentially and will not be use for any other purpose than academic.

Thanking you in advance for your cooperation, time, and efforts.

- I. General Information: Please indicate your appropriate choice among the options provided by circling the alphabet that best represents you.

- |                           |              |            |                 |                  |                 |
|---------------------------|--------------|------------|-----------------|------------------|-----------------|
| <b>1. Sex:</b>            | a. Male      | b. Female  |                 |                  |                 |
| <b>2. Age:</b>            | a. 18-30     | b. 31 - 40 | c. 41 -50       | d. 51- 55        | e. 56 and above |
| <b>3. Education Level</b> | a. < Diploma | b. Diploma | c. First Degree | d. Second Degree | e. Third Degree |



**4. Work positions:** a. File and rank b. Researcher c. Trainer d. process owner e. others

**5. Work experience:** a. < 1years b. 2-3 years c. 4-5 years d. 6-7 years e. 8 and above

II. Please indicate how much you agree or disagree with each of the following statements by circling the number that best represents your opinion.

1. Strongly disagree (SD) 2. Disagree (D) 3. Uncertain (U) 4. Agree (A) 5. Strongly Agree (SA)

		QUESTIONS	SD	D	U	A	SA
1	<b>Managem nt &amp; Leadership</b>	The OJSPTLRI's management well defined the organization mission that defines why it exists.	1	2	3	4	5
		The OJSPTLRI's management well defined the organization vision that shows future intent.	1	2	3	4	5
		The OJSPTLRI's management well defined the organization corporate values.	1	2	3	4	5
		The management fully committed in the process of the Institute BSC designing stage	1	2	3	4	5
		The management fully committed in the process of the Institute BSC implementing.	1	2	3	4	5
		The management understand the concept of BSC..	1	2	3	4	5
		The management communicates clearly and concisely to employees about the BSC	1	2	3	4	5
		The management of the Institute supports the BSC initiative at all levels.	1	2	3	4	5
		The management is committed to provide all the required resources to design and implement the BSC.	1	2	3	4	5
		The management form BSC team comprising of change agent to build the Institute BSC	1	2	3	4	5

2	<b>BSC Design stage</b>						
2.1	Organizational Assessment	OJSPTLRI conducted SWOT analysis in formulating strategic plan.	1	2	3	4	5
		OJSPTLRI identify organization pains from SWOT analysis	1	2	3	4	5
		OJSPTLRI identify organization enablers from SWOT analysis	1	2	3	4	5
		OJSPTLRI well defined the organization's mission, long term vision, and core values	1	2	3	4	5
		OJSPTLRI identify its customers needs and demands	1	2	3	4	5
2.2	<b>Strategy planning</b>	Your organization strategic focus areas are well defined and understood.	1	2	3	4	5
		Your work process uses customer, financial, internal process, learning and growth perspectives	1	2	3	4	5
		Your work process identify strategic theme which represent the major focus area	1	2	3	4	5
		Your work process identify strategic results that used for successful execution of the strategic theme.	1	2	3	4	5
		OJSPTLRI strategic theme and goals are linked with Budget.	1	2	3	4	5
		OJSPTLRI identify competitive critical success factors	1	2	3	4	5
		Your work process strategic theme and goals are linked with Performance-based Budgeting	1	2	3	4	5
2.3	<b>Strategic objectives</b>	Your work process develops strategic objective for each theme	1	2	3	4	5
		Your work process strategic objective are placed in the themes	1	2	3	4	5
		Your work process performance indicators are related to the objectives of organization	1	2	3	4	5

		Your work process Objective commentary documented well	1	2	3	4	5
		Your work process Objectives were categorized by strategic theme	1	2	3	4	5
2.4	<b>Strategic mapping</b>	OJSPTLRI developed strategic mapping in its BSC designing stage	1	2	3	4	5
		OJSPTLRI uses strategic map as a communication tool about organization strategy	1	2	3	4	5
		OJSPTLRI posted its strategic map on its office board visible area for the strategic period	1	2	3	4	5
		OJSPTLRI's strategic map linked the strategic objectives with its cause-and-effect relations	1	2	3	4	5
2.5	<b>Performance measure</b>	The objective measures are identified for each theme	1	2	3	4	5
		Balanced Scorecards at all levels have sufficient key performance indicators to measure objectives.	1	2	3	4	5
		Measurement data sources are clearly stated	1	2	3	4	5
		The data collected on measurement validated by authorized body.	1	2	3	4	5
		For each measures baseline, target and threshold were set clearly.	1	2	3	4	5
		BSC's performance measures keep balance between lagging and leading indicators of performance,	1	2	3	4	5
2.6	<b>Strategic Initiatives</b>	OJSPTLRI identify and selected strategic initiatives	1	2	3	4	5
		The initiatives are tied to strategic vision and mission	1	2	3	4	5
		OJSPTLRI strategic initiatives are significant to solve organization pain.	1	2	3	4	5
		OJSPTLRI set strategic initiatives ownership, scope, schedule, and deliverables expected clearly	1	2	3	4	5

		OJSPTLRI's strategic initiatives were Prioritized	1	2	3	4	5
<b>3</b>	<b>Stage 2: BSC Implementing steps</b>						
3.1	<b>Automation</b>	OJSPTLRI uses software to Communicate performance information to decision makers visually	1	2	3	4	5
		OJSPTLRI uses appropriate software to automate its performance measures	1	2	3	4	5
		Your work process uses software to automate the collection and reporting the quantitative data	1	2	3	4	5
		Your work process transfer data in to relevant information.	1	2	3	4	5
		Your work process uses software to Communicate performance information to decision makers visually	1	2	3	4	5
3.2	<b>Cascading</b>	Your work process developed department scorecards that aligned to corporate vision	1	2	3	4	5
		Your work process translates high-level strategy in to aligned lower level objectives	1	2	3	4	5
		You develop individual scorecard, aligned to work process	1	2	3	4	5
		The strategic map of the higher tier (unit) team clearly set	1	2	3	4	5
		Work units and individuals Score card aligned with recognition and incentives.	1	2	3	4	5
3.3	<b>Evaluation</b>	Your work process developed an evaluation Plan	1	2	3	4	5
		Your work process Evaluation is always based on plan.	1	2	3	4	5
		Your work process analyze strategic results against planned results	1	2	3	4	5
		Your work process performance appraisal of team and individual is based on concrete data	1	2	3	4	5

	Your work process modify strategy, strategic Objectives, Strategy Map. Performance Measures, and Strategic initiatives as necessary	1	2	3	4	5
	The boss influence on evaluation is reduced	1	2	3	4	5
	The result of evaluation is used for decision making.	1	2	3	4	5

**9. Would you like to give more information about any of you responses? Please include the number of the statement you are discussing.**

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**10. Would you please explain the practical challenge you encountered in the building of your specific work unit BSC and or implementation your personal score card accordingly?**

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## APPENDIX – II



Jimma University

Business and Economics College

Management Department

### **Interview Questions for BSC team members**

1. What was the management contribution in defining your organization BSC planning stage?
2. What was the management contribution in defining your organization BSC implementing stage?
3. How strategic themes and objectives are selected?
4. How OJSPTLRI uses strategic map as a communication tool about organization strategy?
5. How measurements targets and thresholds are identified?
6. How does the organization automat the measurement system?
7. How the cascading process takes place?
8. To what extent the scorecard cascaded at lower tiers?
9. Did the data collected at each tiers validated at the higher tiers (levels) before using to decision making?
10. What are the challenges faced in BSC planning?
11. What are the challenges faced in BSC implementation?