ADDIS ABABA UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS, DEPARTEMENT OF MANAGEMENT

BALANCED SCORECARD IMPLEMENTATION, SUCCESS FACTORS AND CHALLENGES IN ETHIOPIAN FINANCIAL SECTOR. THE CASE OF ETHIOPIAN INSURANCE CORPORATION AND COMMERCIAL BANK OF ETHIOPIA.

A research paper submitted to Addis Ababa University, College of Business & Economics, in partial fulfillment of the requirements for the degree of Masters of Business Administration.

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Addis Ababa, Ethiopia

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Statement of Declaration

I, the undersigned, declare that this thesis is my own original work. All sources of materials used for this thesis have been duly acknowledged and cited.

Declared by

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Addis Ababa University

School of Graduate Studies

This is to certify that the thesis entitled, ***"*****Balanced Scorecard implementation, success factors and challenges in Ethiopian financial sector. The case of Ethiopian Insurance Corporation and Commercial Bank of Ethiopia*****"*** was carried out by Simbo Dereje under the supervision of Yohhanes Workaferahu (Ph.D) submitted in partial fulfillment of the requirements for the degree of Master of Business Administration complies with the regulations of the University.

Approved by the Examiners

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Acronym

BSC: Balanced Scorecard

BSCI: Balanced Scorecard Institute

CBE: Commercial Bank of Ethiopia

EIC: Ethiopia Insurance Corporation

ERCA: Ethiopia Revenue and Customs Authority

HEI: Higher Education Institute

IBP: Internal Business Process

KPI: Key performance Indicator

L&G: Learning an Growth Perspectives

PEST: Political, Economic, Social and Technological

PSCAP: Public Sector Capacity Building

SPSS: Statistical Package for Social Science

SWOT: Strength, Weakness, Opportunities and Threats

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Abstract

The purpose of the study was to assess the implementation of Balanced Scorecard (BSC) in Ethiopian Financial sector the case of Ethiopian Insurance Corporation (EIC) and Commercial Bank of Ethiopia (CBE) and thereby to see the adequacy of the procedure followed to implement BSC, identify successes and challenges and then provide recommendation. To attain these objectives, the study employed Descriptive research design. Accordingly, survey questionnaire and interview questions were administered to a sample of 351 respondents from total population of 2890, 98 (28%) from EIC and 251 (72%) from CBE. From 351 questionnaires distributed 322 of them were properly filled and returned. The questionnaires were analyzed quantitatively and qualitatively using frequency distribution, mean scores and mode with the help of Statistical Package for Social Science (SPSS). The major findings of this study indicate that the readiness for BSC design and implementation made by the sector was satisfactory. The designing phase was done properly in terms of BSC assessment, Strategic plan, Strategic objectives, Strategic map, Performance measures, and Strategic initiatives. With regard to BSC implementation phases such as automation, cascading and evaluation the sector was in poor state. The following success stories were registered: BSC Make the strategic direction clear, it helped rewarding practice to be objective, It improve Communication of strategic objective, encourage learning and continuous improvement, The strategic map makes clear the cause and effect relationship among the four perspective. Change resistance, lack of knowledge on the use and importance of BSC, insufficient participation in the process of the implementation, lack of automating and cascading BSC to individual level, Poor linking of the Performance appraisal result with reward system and recognition, lack of readiness in terms of mentality, skill and competence and negative perception toward BSC implementation were challenges during BSc implementation. It is recommended that the sector have to increase employee participation s, revise the cascaded objectives, automate the implementation process and organize discussion as well as awareness creation program. All together the organizations should allocate the necessary amount of financial and human resource to fully implement BSC throughout the sector.

Key words*: Balanced Scorecard, Ethiopian Insurance Corporation, Commercial Bank of Ethiopia success and challenge*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The BSC was originally developed as a performance measurement system in 1992 by Dr. Robert Kaplan and Dr. David Norton at the Harvard Business School. The BSC measures performance across a number of different perspectives, namely a financial perspective, a customer perspective, an internal business process perspective, and learning and growths perspective. Through the use of the various perspectives, the BSC captures both leading and lagging performance measures, thereby providing a more balanced view of company performance. Leading indicators include measures, such as customer satisfaction, new product development, on-time delivery, employee competency development. Traditional lagging indicators include financial measures, such as revenue growth and profitability (Kaplan and Norton, 1992).

The objectives of BSC are very fundamental including customer satisfaction, increase performance and communication, promotion of strategic leadership. These objectives are very difficult to achieve unless the system is designed and implemented properly. Designing and Implementing BSC performance and change management tool is very essential, but it is difficult to give assurance whether the efforts are on the right track, having the expected results from designing and implementing BSC.

In Ethiopia lots of public sector organizations have implemented BSC due to government reforms. Public organizations such as, Ethiopian Airlines, Ethio-Telecom, Ethiopian Insurance Corporation, Commercial Bank of Ethiopia, Ministry of Health, Most of Higher Institutes, most of government offices are few of them that employ BSC as change and strategic management system. Financial sector and its role in the process of economic development have attracted notable attention since the early 1990s. The financial sector plays a fundamental role in economic development. A very close relationship exists between financial sector growth and economic growth. Financial sector includes banking system, microfinance, insurances and other financial institutions.

Thus, it is important to ask if this financial institutions are actually implementing this tool if then, are they following the right procedures, because few is known about their implementation process. Therefore, the researcher is motivated to undertake research on the implementation, success and challenges of BSC in Ethiopia financial sector which include Ethiopian Insurance Corporation (EIC) and Commercial Bank of Ethiopia (CBE) to find out if this performance and strategic management tool is implemented as per government initiatives. As a result, these financial institution's BSC should be evaluated with American Balanced Score Card Institutes Model of six steps of building and three steps of implementation of BSC. The sustainability of the system should also be assessed. The study investigates the implementation of BSC in Ethiopian Insurance Corporation (EIC) and Commercial Bank of Ethiopia (CBE) with special emphasis on success factors and challenges. EIC and CBE are the only financial institutions that implemented BSC throughout Ethiopian Financial Sector. That is why these institutions are taken as unit of analysis.

1.2. Background of the organizations

It is well noted that the government of Ethiopia has embarked on institutional development efforts across layers of government and expanded the scope of Public Sector Capacity building initiatives (PSCAP). The PSCAP has six priority areas:

- Civil Service;
- District-Level Decentralization
- Urban Management
- Tax Systems Reform
- Information and Communications Technology and
- Justice Systems Reform.

The civil service reform is one of subprogram of PSCAP aims to promote the development of an efficient, effective, transparent, accountable and ethical civil service (The Ministry of Capacity Building, 2006).

Among the subprograms activities of the civil service reform improving the governance of human resource management that is the execution of strategic performance management system is the thematic area of this research. Hence as of May 2010 the balanced scorecard card (BSC) performance management system that is tool for change and strategic management system has been implemented in many public sector organizations in Ethiopia including Ethiopian Insurance Corporation (The Ministry of Capacity Building, 2006).

The state Bank of Ethiopia was founded in 1942 with twin objectives: performing the duties of both commercial and central banking. In 1963, the Commercial Bank of Ethiopia (CBE) was legally established as share Company to take over the commercial banking activities of the state bank of Ethiopia. In 1974 revolution, CBE got its strength by merging with the privately owned Addis Ababa Bank. Since then, it has been playing significant role in the development endeavor of the country. The CBE, which is striving to embark into a world-class commercial bank, is rendering state-of-the art and reliable services to its millions of customers both locally and abroad. The business strategies of the bank focus on the stakeholders it serves. As at June 30th 2019 the number of branches reached 1,456 and stretched across the length and breadth of the country and have 37,894 employees all over the country (Commercial Bank of Ethiopia, http://www.combanketh.et/AboutUs/CompanyProfile.aspx)

The Ethiopian Insurance Corporation (EIC) was established on 1st January 1976, by proclamation number 68/1975 and managed in accordance with the public enterprise proclamation number 25/1992 with the objectives of engaging in the business of rendering insurance services to the attainment of its purpose. Starting from its establishment, EIC has been providing insurance services to its customers for more than 40 years. At present, EIC has 83 direct branch outlets, 1369 employees, more than 705 active sales agents and also works with different renowned reinsurers, local and international brokers and banks. EIC provides life, property and liability insurance policies (EIC archive, 2018).

1.3. Statement of the Problem

The Balanced Scorecard (BSC) is used to plan, implement, monitor and measure the performance of all actors involved in the implementation of the goals and objectives of the organization. It is an integrated approach to strategically plan, implement, and measure the performance of all actors involved. Because of its strategic approach, balanced set of measures (the four perspectives) and strategic alignment, the BSC has been taken as the most important tool to be implemented in almost all government institutions throughout the country (Civil Service Ministry, 2013).

A study conducted by Rigby, D. and Bilodeau, B. (2009) indicates that about 49.1% organizations in North America, 54% in European, 52% in Asia, and 56% in Latin America use the Balanced Scorecard. Due to its wide acceptance and effectiveness, the Balanced Scorecard (BSC) was proclaimed one of the 75 most influential ideas to the twentieth century by the Harvard business review. Balanced Scorecard was originally conceived for profit world mind; however due to demonstrating accountability and generating results attracting scarce resources, creating a focus on strategy, producing information, self-preservation, driving change and inspiring trust (Niven, 2005).

Different scholars have studied BSC implementation in different organizations and point out the following success and challenges. BSC has an overall positive effect on the performance of an organization but finds not all aspects of the BSC are beneficial. While some aspects or uses of the BSC assist to improve performance, others hamper performance. As a result, the BSC has different benefits to organizations depending on the purpose of the implementation (Madsen and Stenheim, 2014). Also, BSC benefits organizations by providing managers with a deeper insight into business operations and into different ways to create value. In particular, strategy maps provide managers with a visual illustration of the inter-relationships between employee activities and strategy implementation (Casey and Peck, 2004). Furthermore, Nazim (2015) adds that the BSC improves achievement of strategy since it transforms a strategy into tangible performance metrics, it also enables managers to align strategy vertically, from strategic management to operational management as well as horizontally between employees.

Whereas, others scholars find challenges of BSc implementation. BSC had positive impact on sales, gross profit and net profit, and its removal had negative impact sales, gross profit and net profit. However, further analysis indicates firm that had not implemented the BSC had achieved similar financial returns. BSC was time intensive for employees and consumed the time they would have otherwise used to execute their assigned responsibilities (Neely, Kennerley, and Martinez, 2004). BSC requires an organization to gather new data, which could create work overload for some departments. It could potentially lead to employee resistance as well as to managerial resistance due to increased availability of information. Slightly more than half the companies implementing the BSC have no idea about how to identify success factors, developing key performance indicators and cause-and-effect relationships because the BSC does not provide a template nor explicitly define the process (Antonsen, 2010).

Recently, the Ethiopian public institutions, especially, state owed financial institutions are implementing different change management tools to bring about institutional transformations. As a result, all public financial institutions have engaged themselves in the development and implementation of BSC. As being part of government reform programs Ethiopian Insurance Corporation and Commercial Bank of Ethiopia implemented BSC as strategic management and as performance management tool since 2013 GC. It is important to see if the initiatives taken by Ethiopia government in reforming these financial institutions is following the right procedures. There exist a gap in evaluating this sector's BSC with American Balanced Score Card Institutes Model of six steps of building and three steps of implementation of BSC.

Previous studies try to study BSC implementation in public institutions and its effect on performance but, there is no study that evaluated BSC implementation in these institutions using the nine steps of BSC implementation that is developed by Balanced Scorecard Institution. Therefore, the result of this paper can contribute to the information gap that exist about BSC implementation in these financial institutions and give assurance if the reform is in the right track. Beyond understanding it will also help to keep up the strength and work on the challenges. The success in implementing reforms specifically the Balanced Score Card at institutional level is constrained by several factors both internal and external. Therefore success and failures in reform seek a closer look and understanding by all stakeholders.

1.3. Research Questions

1.3.1. How effective is BSC implementation as performance management tool in Ethiopian Financial sector?

1.3.2. What are the success factors of BSC implementation in Ethiopian Financial sector?

1.3.3. What are the challenges encountered during implementation and afterwards in Ethiopian Financial sector?

1.4. Objectives of the Study

1.4.1. General Objective

The main objectives of this study is to assess the effectiveness of Balanced Scorecard (BSC) implementation, success factors and challenges in Ethiopian financial sectors.

1.4.2. Specific Objectives.

1.4.2.1. To assess the BSC implementation in Ethiopian Financial sector.

1.4.2.2. To find out the success of BSC implementation in Ethiopian Financial sector.

1.4.2.3. To identify challenges of BSC implementation in Ethiopian Financial sector.

1.5. Significance of the Study

Hopefully the result of this study will contribute to solving problems related to the design and implementation of the BSC in Ethiopian Financial sector. Hence, examining the effectiveness of BSC as strategic and performance management tool will help the financial sector to clearly see if the tool is correctly implemented. In addition, it is important to identify the success factors and challenges of this management tool in order to make recommendations to gain a better use of the tool by keeping the success and working on the challenges. Furthermore, it will give an input to further studies regarding the subject under consideration.

1.6. Scope of the Study

It is well noted that the government of Ethiopia has embarked on institutional development efforts across layers of government and introduced BSC as performance management tools to improve performance of government organization. Financial sector includes banking, insurance and microfinances. Ethiopia financial sector include government owed and private banks, insurances and microfinances. Ethiopian Insurance Corporation and Commercial Bank of Ethiopia are government owed institutions. This unit of analysis is selected because these financial institutions are the only Ethiopian financial institutions that implemented BSc as performance and strategic management tool. Specifically the paper focuses on BSC implementation, success factors and challenges. The study was conducted in the head offices of these two organizations.

1.7. Limitations of the study

The purpose of the study is to assess BSC implementation in Ethiopia financial sectors. But, only two organizations were selected for this particular study which are Ethiopian Insurance Corporation (EIC) and Commercial Bank of Ethiopia (CBE). Since the paper is limited to the two financial institutions head offices the researcher recommends further study to be carried out to better understand BSC implementation in Ethiopia financial sector as a whole.

1.8. Organization of the paper

The thesis is organized in five chapters. In chapter one overview of the whole thesis is given like background of the study, statement of the problem, research questions, research objectives, significance of the study, and scope of the study. In chapter two theories of BSC, BSC's four perspectives, implementation processes, its success factors and challenges, empirical reviews, and finally conceptual frame work are also included. Chapter three is all about research methodologies, topics like research design, population and sampling technique, sources of data, data collection instrument, and data analysis tools are discussed. In chapter four data presentation, discussion and analysis are included. In the fifth chapter summary of the findings, conclusion and recommendation are provided. Lastly, references and appendixes are also attached.

1.9. Summary

To sum-up, the objective of the study is to assess BSC implementation, success factors and challenges in Ethiopia Financial sector. The result of this study will hopefully contribute to solve problems related to the design and implementation of the BSC. In the next chapter literatures related to BSC definition, its perspectives, implementation process, success factors, and challenges will be discussed in detail to give better understanding about BSC and what surround it. Finally, conceptual framework for the paper is also provided.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

INTRODUCTION

2.1. Theoretical Literature

2.1.1. Defining Balanced Score Card

From the beginning, it is important to understand why measuring an organization's performance is both necessary and vital. An organization operating without a performance measurement system is like a CEO operating without a strategic plan. The purpose of measuring performance is not only to know how a business is performing but also to enable it to perform better. The ultimate aim of implementing a performance measurement system is to improve the performance of an organization so that it may better serve its customers, employees, owners, and stakeholders. If one gets performance measurement right, the data generated will tell the user where the business is, how it is doing, and where it is going. In short, it is a report card for a business that provides users with information on what is working well and what is not. A performance measurement system enables an enterprise to plan, measure and control its performance according to a predefined strategy. In short, it enables a business to achieve desired results and create shareholder value (Johnson, 2010).

To ensure their survival and growth in this neck-to-neck racing business environment, organizations need to measure their performance from time to time and make the necessary adjustments depending on circumstantial factors. Measuring organizational performance strongly affects positively the behavior of people from within and outside of an organization. The measurement system employed by the organization needs to be holistic one that is derived from its strategy and capabilities (Kaplan & Norton, 1992).

In the early 1990s, Kaplan and Norton (1992) began a research project with the purpose of evaluating the success factors of 12 superior US companies and studied their performance assessment methods. Their results indicated that the financial metrics, as the ultimate outcome that measures the company success should be combined with the metrics from three additional perspectives namely learning and growth, the customer and the internal business process perspectives as drivers for creating long-term value. The combined perspectives will result in a comprehensive system for performance evaluation. Their findings confirmed that the companies should determine their overall objectives with respect to each one of these four perspectives. Then, companies should determine quantitative targets for each of these measures and finally should plan and implement necessary actions and initiatives to achieve their goals. They named this approach balanced scorecard (BSC) and introduced the mission and strategy as its central core.

Niven (2002), sees the Balanced Scorecard as three things: a measurement system, a strategic management system and a communication tool. He thus thinks that the Balanced Scorecard is more than just a measurement tool: Related to the Scorecard, is a continuous process in which the Scorecard is used to emphasize that which is prioritized by the organization. The organization‘s vision is made clear, and it is communicated via objectives and associated incentives.

2.1.2. Perspectives of balanced scorecard

The balanced scorecard perspective originally designed by Kaplan and Norton identified four perspectives. The balanced scorecard supplements that traditional way of measuring performance with financial measures by adding measures from the perspectives of customers, internal processes, and learning and growth. In a way it enables organizations to monitors the intangible asset needed for future growth (Kaplan and Norton, 1992). Kaplan and Norton, (1992) four perspectives: the learning and growth, the customer, the internal process and the financial perspective, which each of them is discussed here under.

I. Financial Perspectives

The financial perspective seeks to answer the question: to succeed financially, ‘how should we appear to our shareholders?’ Other perspectives are not important unless they have financial effects and are reflected in the financial perspective. If the adjustments in the other perspectives do not reform the financial perspective, they should be revised according to company's mission and strategy. Financial Measures have been the traditional method of analyzing organizational success and involves such elements as profitability, sales growth, and revenue per sales. Although the BSC stresses the need to incorporate additional measures to determine success, the need for financial measures is still an extremely strong element to determine success. Financial measures are a critical component of the Balanced Scorecard, especially so in the for-profit organization. The objectives and measures in this perspective tell us whether our strategy execution, which is detailed through objectives and measures chosen in the other perspectives, is leading to improved bottom-line results. We could focus all of our energy and capabilities on improving customer satisfaction, quality, on-time delivery or any number of things, but without an indication of their effect on the organization‘s financial returns, they are of limited value. We normally encounter classic lagging indicators in the financial perspective. Typical examples include profitability, revenue growth, and asset utilization (Niven, 2002).

In order to attain objectives in the financial perspective, all measures in other perspectives should be linked. For this set of measures, the BSC retains the traditional measures of organization performance along with measures that reflect the strategy and environment in which the particular business unit operates. For most organizations, the financial themes of an increase in revenues, improvements in productivity and enhancing assets utilization could provide the necessary linkages to the other perspectives. There are three core financial themes that can drive the business strategy which are; revenue growth, cost reduction and asset utilization (Ruben 1999).

II. Customer Perspective of BSC

These measures should answer the question, how should we appear to our customers? Choosing measures for the Customer Perspective of the BSC depends on the type of customers desired and the value that the organization provides to them.

In the customer perspective of the balanced scorecard, managers identify the customer and market segments in which the business unit will compete and the measures of the business unit's performance in these targeted segments. This perspective typically includes several core or generic measures of the successful outcomes from a well formulated and implemented strategy. The core outcome measures include customer satisfaction, customer retention, new customer acquisition, customer profitability, and market and account share in targeted segments. But the customer perspective should also include specific measures of the value propositions that the company will deliver to customer in targeted market segments (Kaplan and Norton, 1992).

Customer perspectives tend to fall in to four categories: time, quality, performance and service, and cost; - Time could be measured by lead time which can be the time from receiving the order to the time the company actually delivers the product or service to the customer. - Quality measures the defect level of incoming products as perceived and measured by the customer. - The combination of performance and service measures how they company's products or services contribute to creating value for its customers. - Cost measures beside price many other cost elements such as the administrative hassles of ordering, invoicing, inspecting, and paying for materials. An excellent supplier may charge a higher unit price for products than other vendors but nonetheless be a lower cost supplier because it offers more administrative facilities (Ruben 1999).

III. Internal Process Perspective

Measures in this perspective answer the following question; what processes must we excel at? It entails the procedures that an organization must develop and master to be successful. The internal business processes perspective determines the processes that satisfy the company shareholders and customers. Deciding the means by which the company can realize various improvements include the following; how we can realize customer's satisfaction, how we can reduce costs, how we can enhance quality, how we can improve productivity and how we can raise our profits. The solutions of all these problems lie in the continuous development of the operational efficiency. In the Internal Process Perspective of the scorecard, we identify the key process at which the organization must excel in order to continue adding value for customers. Our task in this perspective is to identify those processes and develop the best possible measures with which to track our progress. To satisfy customers, you may have to identify entirely new internal processes rather than focusing your efforts on the incremental improvement of existing activities (Kaplan and Norton, 1992).

In the Internal Process perspective of the Scorecard, the key processes are identified and the firm must excel at in order to continue adding value for customers and ultimately shareholders. Each of the customer disciplines just outlined will entail the efficient operation of specific internal processes in order to serve customers and fulfill our value proposition. The main task here is to identify those processes and develop the best possible objectives and measures with which to track progress. To satisfy customer and shareholder expectations, new internal processes might have to identify entirely rather than focusing efforts on the incremental improvement of existing activities. Product development, production, manufacturing, delivery, and post-sale service may be represented in this perspective (Niven, 2003).

The internal measures for the Balanced Scorecard should stem from the business processes that have the greatest impact on customer satisfaction factors that affect cycle time, quality, employee skills, and productivity. To achieve goals on these factors, managers must device measures that are influenced by employees' actions. Since many of the actions take place at the department and workstation levels, managers need to decompose overall cycle time, quality, product, and cost measures to low levels. That way, the measures link top management's judgment about key internal processes and competencies to the actions taken by individuals that affect over all corporate objectives. This object ensures that employees at lower levels in the organization have clear targets for actions, decisions, and improvement of activities that will contribute to the company's overall mission (Kaplan and Norton, 1996).

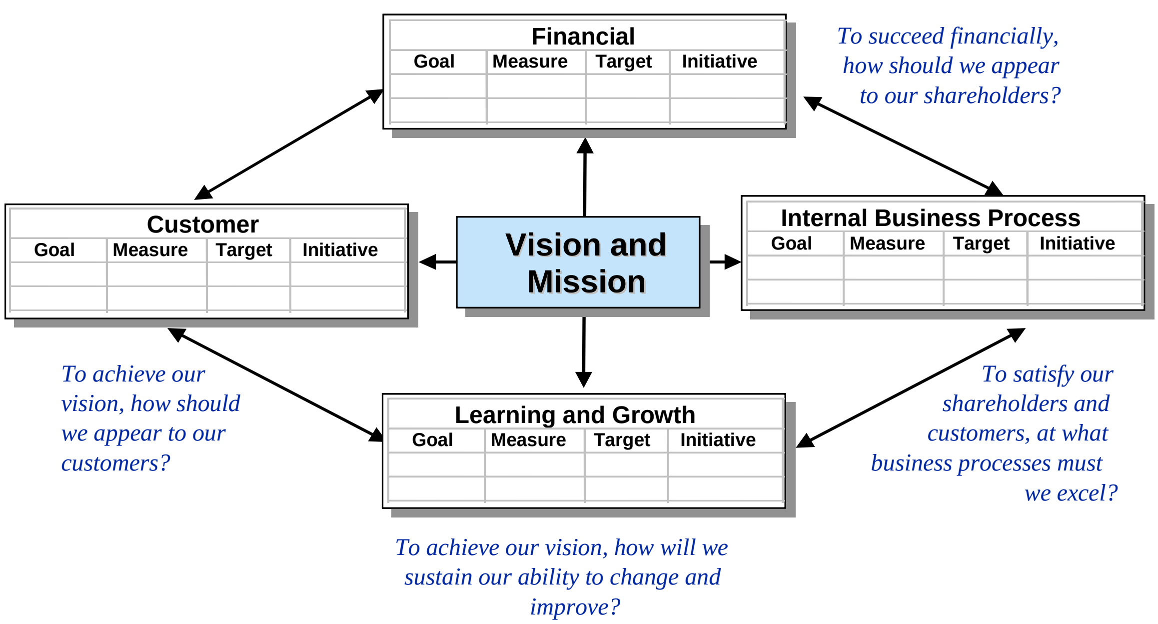
IV. Employee Learning and Growth Perspective

These measures answer the question, “How can we sustain our ability to change and improve?” This perspective is the backbone to a successful scorecard application because it involves employee skills and information systems. The learning and growth perspective eliminates the gaps between the current levels of organizational structure and the desired level for achieving the goals. In order to attend to the structural gaps, learning and growth measures should be used in performance evaluation systems. Accordingly, the following measures are the typical learning and growth measures that can be applied: Employee productivity percentage, employee work promotion opportunities indicators, average employees' service years, staff satisfaction and motivation indicators, staff training hours, and applied employee suggestions and viewpoints indicators (Kaplan and Norton, 1992).

Information and alignment could all have a place in this perspective. The learning and growth perspective is a driver for achieving strategic objectives under the strategic drivers’ perspective. This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge worker organization, people the only repository of knowledge are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge worker organization (BSC institute 2012).

Knowledge, motivation and availability of adequate tools are frequently the source of growth and therefore common measures of this perspective are employee skills, employee satisfaction, and availability of information, alignment and capital investments. It is commonly the last perspective to be developed. Perhaps the teams are intellectually drained from their earlier efforts of developing new strategic measures, or they simply consider this perspective soft stuff best left to the Human Resources group. No matter how valid the rationale seems, this perspective cannot be overlooked in the development process. As mentioned above, the measures developed in this perspective are the enablers of all other measures on their Scorecard. Think of them as the roots of a tree that will ultimately lead through the trunk of internal processes to the branches of customer results and finally to the leaves of financial returns. Depending on the actual employee and desired employee skills, some organizations change job descriptions, relocate employees to other departments and/or implement incentive programs designed to motivate employees to provide suggestions, receive education or training, and/or gain tenure through continued employment (Niven, 2002).

Figure 1. The Balanced Scorecard's four perspectives framework



Adopted from Kaplan and Norton, 1996

2.1.3. Phases of the Balanced Scorecard

BSC implementation has nine phases. The first six are called preparation phases while the last three are implementation phases. There are distinct activities that the organization undertakes in each phase. The first 6 stages are balanced scorecard building/preparation steps while the last three are execution phases (BSCI, 2012; Niven 2002). The following stages of BSC implementations are listed on the BSCI, (2012); Kaplan and Norton, (1996).

Phase 1- *Assessment*:

In this stage, the organization conducts thorough assessment of the current situation of the organization and the environment it operates in. It focuses on analysis of key issues and challenges, usually using political, economic, social and technological (PEST) and strength, weakness, opportunities and threats (SWOT) techniques in order to identify what needs to be done to achieve success in the current and predicted environment. It is very essential phase to have stakeholder and management buy-in (BSCI, 2012).

Phase *2- Strategy Plan Development*:

The organization decides on elements of its strategy, including strategic objectives for the four perspectives (financial, customer, internal business processes and learning and growth). The primary attention, at this stage, rests on customer needs and financial necessities and how the organization intends to deliver these through Internal Processes, and Learning and Growth perspectives (BSCI, 2012).

Phase *3- Objectives Development*:

In this phase, strategic themes are translated into 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 (BSCI, 2012).

Phase *4- Strategic Map*:

The fourth stage is reviewing strategy map to ensure the reliability of the cause-and-effect relationships (the relationship between the four perspectives have cause and effect relationship because change in one perspective or improvement in one perspective will positively or negatively affect the other perspectives) across objectives in multiple perspectives. The cause-and-effect relationship along with performance drivers enables an organization's BSC to be linked to its strategy. Strategy maps provide a visual representation of an enterprise's critical objectives and the crucial relationships among them that drive organizational performance. Therefore, strategy maps for the public organization usually illustrate objectives in four perspectives that are financial, customer, internal business process, and learning and growth (BSCI, 2012).

Phase *5- Performance Measures/Indicators*:

The fifth stage 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. Therefore, the objectives and measures are organized and stated properly into a BSC. The well-structured balanced scorecard consists of a mixture of 15 to 25 financial and nonfinancial measures. These measures should be grouped into four perspectives (BSCI, 2012).

The most common measures of the objectives in the four perspectives are customer measures which include the following customer retention, acquisition, satisfaction; financial measures which include return-on-investment, profitability, revenue growth, cost reduction; learning and growth perspective which include employee satisfaction, retention**,** information systems capabilities, motivation, empowerment; internal process which include quality, response time, cost (BSCI, 2012).

Phase *6- Initiatives:*

This is the phase where programs and projects that lead to the materialization of the strategic objectives are identified and agreed. The initiatives (programs and projects) are vehicles that carry and move the organization towards the strategic objectives and targets (BSCI, 2012).

Phase *7- Automation*:

This phase is concerned with development and availing of appropriate software for simplified performance tracking, reporting and knowledge sharing. Automation facilitates provision of the right performance information at the right time to the right people/decision makers (BSCI, 2012).

Phase *8- Cascading:*

The eighth step is concerned with getting the organizational strategy down to all units/departments and individual employees in the organization. The cascading process is done based on the conformity between the nature of the task and the nature of the unit/department, and staff member. It is based on the cascaded plan that each unit or individual's performance is evaluated at the end of the year (BSCI, 2012).

The function of BSC cascading is basically related to creating alignment around the organization's shared vision to make strategy actionable to departments and down to individuals. Consequently individual scorecards would be aligned to departments and support units objectives that link with rewards, recognition, and incentives to results (BSCI, 2012).

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 also across functional requirements of supporting work units can be identified in a horizontal alignment. Thus cascading and alignment can create synergies among the function of head quarter and branch offices functions. 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 (BSCI, 2012).

Phase *9- Evaluation*

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. Evaluation is a strategic learning framework. This step should be considered to be the most important aspect of the entire scorecard management process.

The main task at this stage is reviewing periodically the organization strategy map and BSC. The evaluation 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 (BSCI, 2012).

2.1.4. Success factors to effectively implement a Balanced Scorecard

There are a number of critical factors that should be present in an organization to ensure the success of the balanced scorecard method. The list below should be used as a check and balance before implementing the program as an ongoing exercise to assist in continuing success (Niven, 2003).

- Commitment: Commitment must be demonstrated at all levels of the organization, especially at the executive level.
- Clarity: The objectives of the program and the underlying reason for the change should be understood by all employees and stakeholders.
- Communication: Communication should be an ongoing process and often checked to ensure that proper and timely communications are being practiced throughout the entire organization.
- Accountability: There should be clearly assigned and understood accountability for the process and results of the Balanced Scorecard program.
- Performance Measures: A system for measuring performance that is positive not punitive must be developed to provide sufficient and accurate information to decision makers. Employee rewards and recognition should be tied to the performance measures through the employee evaluation process.
- Link to Strategy: The Balanced Scorecard at the department level should be clearly linked to the organization’s strategy. All objectives and tasks performed and measured should contribute to the overall progress toward success.
- Reporting: This is a critical factor that can be easily overlooked. Comprehensive reports documenting the success of the program, especially in a pilot program, can serve as tools for acceptance and expansion of the balanced scorecard program.

2.1.5. Barriers or challenges to implement a Balanced Scorecard

In order to have a successful implementation of a Balanced Scorecard, the organization must understand the barriers that may impede success. Once the barriers are identified, strategy can be developed to minimize or eliminate the barriers. Kaplan and Norton, (2001) have identified some of the barriers or challenges that the organization may encounter while trying to implement the scorecard.

- Vision Barrier: All levels of employees must be able to understand and embrace the vision, mission and values of the organization. If there is resistance to acceptance of the vision, then the implementation of the scorecard may not achieve the expected success.
- People Barrier: The Balanced Scorecard links employee incentives to achieving the organizational strategy. Employees must be willing to accept this link and realize the long-term connection between day-to-day performance and long-term goals and objectives.
- Resource Barrier: An underlying concept of the Balanced Scorecard is that the budget is tied to the strategy. Especially in the public sector, the budget process is stretched throughout two or more years, so the tasks, goals and objectives that support the strategy must be developed in advance of the actual budget year implementation.
- Management Barrier: The importance of gaining and maintaining executive level support cannot be disregarded. The actions of top level management must match verbal support. If full support is not executed throughout the implementation of the Balanced Scorecard, too much time will be spent on reactive measures than strategic measures.

2.2. Empirical evidence

Implementation of Balanced Scorecard in Ethiopia public sector is a recent phenomenon. Even though there are researches done in Ethiopia public sectors especially in public services there are few in public enterprises. Below are few studies undertaken in different organization and their findings.

Bose and Thomas (2007) studied the application of the BSC in Fosters Brewing Group in Melbourne Victoria. Fosters Brewing Group was experiencing a decline in performance. The application of the BSC reversed the declining performance by improving the market value of Fosters Brewing Group. However, implementation of the BSC had several challenges. It took a long time because the BSC's top down structure placed a greater emphasis on senior management. The changing nature of the business environment new competitors and changing customer tastes required several re-conceptualization of the BSC and multiple revisions of key indicators. The final limitation was the application of the BSC was for meta-change initiative, which requires high costs of maintenance and dedicated leadership, either of which could potentially stall the maintenance of the BSC.

Basu, Little, and Millard (2009) studied the application of the BSC in a major public infrastructure project having multiple stakeholders. The project was the expansion of the Heathrow Airport's Terminal 5. The BSC was adopted because of its flexibility enabled project managers to identify, customize and review performance metrics according to the project's objective. While the application of the BSC was successful, it raised critical issues (limitations) about its applicability to project management. Unlike in a business organization, the success of a project depends on suppliers, the neighborhood communities and the environment.

Shadbolt, Beeby, Brier, and Gardner (2003) studied the application of the BSC to small-scale organizations as a strategic management tool. The study aimed to examine the applicability of the BSC and its impact on improving the success of small-scale organizations. The study finds the application of the BSC assists small-scale organizations to avoid failure and to improve performance by linking external factors to learning and growth perspective, and internal processes to the financial perspective. The customer perspective required re-naming to supply chain perspective. The second limitation was deciding which perspective was more appropriate to address family expectations such as time-off, holidays and children education, which are part of business expenses since the family is both owner and employee. To accommodate family expectations, the financial perspective required expansion to include shareholder (family) interests and renaming financial/shareholder perspective.

According to Tilaye, (2010) so far, no Higher Education Institute (HEI) in Ethiopia has ever built its scorecard so as to manage its performance based on diverse parameters. Instead, all HEIs rely on traditional measurement tools, which focus on lagging factors of the educational system rather than that of leading factors. Limitations of such measurement approach are widely felt among policy makers and executives of HEIs as they do not provide the complete picture of the current states of the institutions. In particular, the Government of Ethiopia has urged all HEIs to change their management systems to make them quality conscious, dynamic, responsive and accountable to their key stakeholders. Moreover, the fact that Ethiopian HEIs are under reform has necessitated the BSC to be considered as a must apply management tool in those institutions.

Mamushet (2015) has indicated that, there was multifaceted challenges to the implementation of the BSC in Addis Ababa Gulele and Arada sub cities Trade and Industry Development Office. Among the challenges weak support, lack of commitment and poor visionary leadership, problem of understanding between the top managements and the process owners to give support to the officers, lack of incentive packages and job displacement are also one of the factors that lead the employees' resistance to the implementation of the BSC. There was no proper management policy and system that manages the human resource that led to the high staff turnover, inadequate continuous monitoring and evaluation of the performance and problems of delivering continuous training.

Yoseph (2014) has found that the presence of balanced scorecard has influenced the organization strategy plan implementation at Ethiopia Revenue and Customs Authority (ERCA) head quarter and branch operations. The ERCA' BSC has got considerable strength and scalable limitation. The most important strength of ERCA's BSC was the top management commitment from inception throughout its design and system roll out (implementation). The major weaknesses of ERCA in the building of the corporate BSC is lack of participation. BSC requires participatory strategic planning and development processes. However; the top management of ERCA and the working unit which were responsible for Strategic Plan development (Planning and Monitoring Directorate) were merely prepare strategic plan. Besides, internal staff and external customers were not properly participating in the strategic plan development processes.

According to Wubeamlak, (2016) the most significant problem found in Ethio Telcom procurement department were as follow, Balance Scorecard measurement implementation data sources are not clearly stated, BSC evaluation system was not user friendly, Performance progress was not monitored periodically before formal evaluation, boss influence on evaluation process, Evaluation was not performed always based on plan, and lack of technical skill on balanced scorecard.

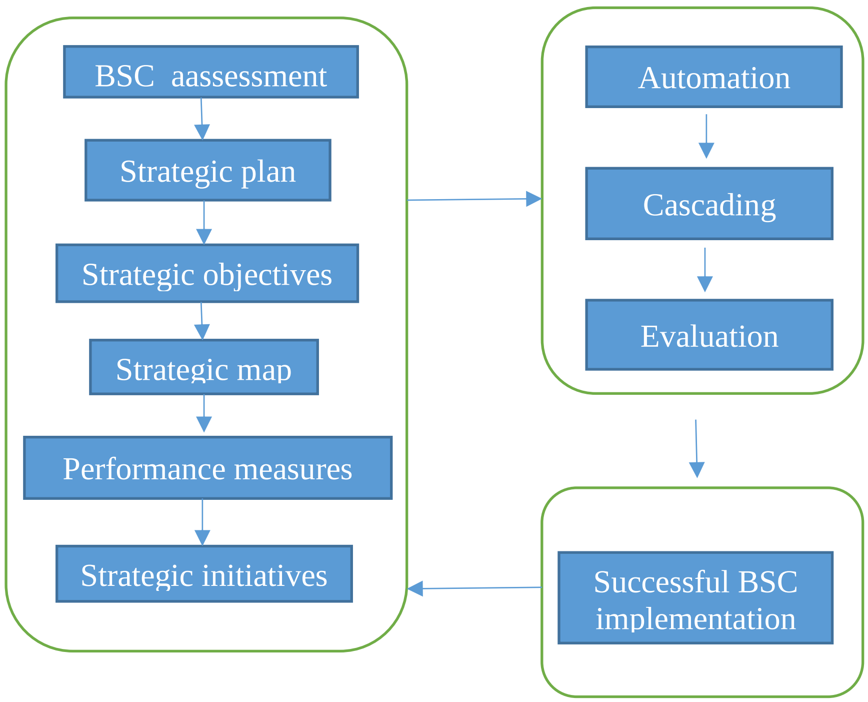
Adamitu (2016) from the results of the study it can be concluded that BSC implementation at Jimma University was done following standard procedures and steps. The leadership of the University has made tremendous effort in implementing balanced score card for improvement of its organizations performance. The university community who responded to question raised during the survey has felt that the implementation of BSC specially when supported with automation reduces time, cost and improves productivity of goods and services. In summary, BSC implementation has achieved its intended objectives as strategic planning and performance measurement tool.

Hailemariam (2016) with regards to BSC implementation in Gulele sub-city education office, it was in a well-brought-up stage at corporate and process level; Therefore today as a result of this reform tools more bureaucratic tendencies were minimized somehow and issue of flexibility, responsiveness and accountability to provide socio-economic service have been given better attention. Besides this, the positive impressions indicated in the study was evident that service delivery was observably improved in terms of reducing the set time of process and delivering speedy services to the public at large.

Tolla and Daniel, (2015) studied selected public sectors in Oromia region suggest that, if implemented correctly, the use of BSC has strong potential to deliver the following positive outcomes: Shortened cycle times; improved quality of customer service; better results in customer satisfaction and achieving performance goals and targets; and most importantly better information sharing as well as persuading the organizations to think in terms of building their capacity.

2.3. Conceptual framework

Figure 2: BSC Nine step framework



Source: self-developed

2.4. Summary

To sum up, Ethiopia government compelled all public institutions to re-engineer their services to become responsive, efficient and effective of their performance. Tools like BSC is implemented throughout public institutions and some institutions are coming up with success stories while others with challenges. At present, Ethiopia Financial institutions are undertaking Balanced Scorecard (BSC) as a strategic planning and management tool to measure work performance of the organization.

Balanced score card 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. The balanced scorecard perspective originally designed by Kaplan and Norton identified four perspectives. Four perspectives: the learning and growth, the customer, the internal process and the financial perspective.

BSC implementation has nine phases. The first six are called preparation phases (BSC assessment, strategic plan, strategic objectives, strategic map, performance measures and strategic initiatives) while the last three (cascading, automation and evaluation) are implementation phases. Ethiopian financial sector's BSC will be evaluated using this nine phases of BSC implementation.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. 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.

Balanced Scorecard Perspective: it’s a way of regarding situations, facts and judging their relative importance on a proper or accurate point of view or the ability to see in that way.

Lagging indicators: measures that represent the consequences of actions previously taken, which it also referred to as lag-indicators. They frequently focus on results time and characterize historical performance. A good balanced scorecard must contain a mix of lag and lead indicators.

Leading indicators: these measures are considered the “driver” of lagging indicators. There is an assumed relationship between the two that suggests that improved performance in a leading indicator will drive better performance in the lagging indicator.

3.2. Research Design

Research design is a plan of collecting and analyzing data in an economic, efficient and relevant manner. It is a plan of organizing framework for doing the study and collecting the necessary data. Descriptive research design was used to meet the aim of the research which is to make a close analysis of BSC implementation and to provide recommendations for future improvement. Descriptive research design is used when researchers want to explain events as they happen and report the facts on the ground and make judgment as to what ought to be done. Descriptive statistics tools such as frequency distribution, mean and mode were used. Both qualitative and quantitative research design were used to analyze the data obtained from the respondents.

3.3. Population and Sampling Techniques

At present, EIC have 83 direct branch outlets, 1369 employees and 2 main districts named district ‘A’ and district ‘B’. Under district ‘A’ there are 6 districts and under district ‘B’ there are 8 districts. In EIC head office and district A there are 807 employees. And at present Commercial Bank of Ethiopia have 37894 employees and more than 1456 branches across the country. At the commercial bank of Ethiopia head office there are 2083 employees. This paper focuses on the head office and district ‘A’ of EIC and head office of CBE. All together the sum of these two organization population will be 2890. These two institutions have different number of employees, the researcher find it important to give them ratio in order to give them fair representation in the sample.

Mixed sampling technique was used which combined Simple random sampling and Purposive sampling technique to collect data from employees of EIC and CBE head offices. Primary purposive sampling was used to select departments and respondents who have been participating in the process of BSC implementation and after identifying those department simple random sampling was used to collect data from respondents. The rational for choosing this technique is to get more accurate data about BSC. In this type of sampling technique it is possible to select respondents with more information and understanding about BSC. The sampling size is determined using (Yamane, 1967) simplified formula for calculating sample sizes.

Which is $n=N/1+N(e)^2$

Where, n= is the sample size,

N= is the population size, and

e= is the level of precision.

The level of precision, sometimes also called sampling error, which is the range in which the true value of the population is estimated, for the purpose of this study 0.05 level of precision at 95% of confidence level is taken.

$n= 2890/1+2890(0.05)^2$ $n= 351$

Calculating the sample size using the above formula will give us 351 sample size.

Table 1: Total population and sample size of EIC and CBE

Organization	Total population	Ratio assigned (%)	Sample size
Ethiopian Insurance Corporation	807	28%	351x0.8=98
Commercial Bank of Ethiopia	2083	72%	351x0.72=253
Total	2890	100%	351

Source: EIC and CBE archive 2019

3.4. Source of Data

Both primary and secondary sources of data were used in order to collect the appropriate data. Primary data was collected from unpublished sources from employees of EIC and CBE head office and district ‘A’. Secondary data were collected from different published materials like report and manuals of the organizations, journals, books, websites, research findings and other relevant materials.

3.5. Data Collection Instruments

In order to obtain relevant and adequate information the researcher used questionnaire and structured interview. The questionnaire close-ended and open-ended questionnaires consisting five-point Likert Scale from strongly disagree (1) to strongly agree (5) to measure Balanced Scorecard implementation, success factors and challenges in Ethiopia Financial sector. Structured Interview was conducted with strategic and marketing directorate directors of EIC and with change and development department of CBE mainly these two departments are responsible to monitor and evaluate BSC implementation in their respective organization

3.6. Method of Data Analysis

Data analysis is the process of bringing order, structure and interpretation to the mass of collected data. It involves the coding, editing and cleaning of data in preparation for processing. The completed questionnaires were received, checked for completeness and edited for correctness. Descriptive statistics such as frequency distribution, mean scores and mode were used to analyze the data in this study with Statistical Package for Social Science (SPSS) as the main tool for data analysis and presentation. Both qualitative and quantitative research analysis were used. Qualitative analysis is given along with quantitative presentation and for the interview section of the study. Quantitative data were analyzed through the use of frequency distribution, mean scores and standard deviations.

3.7. Ethical consideration

Data collection was undertaken after permission had been obtained from the concerned body. Study participants were asked for verbal consent before being asked for any information. Informed verbal consent were obtained from every study participant. Objectives of the study were explained for every participant and they were asked to give information only after they gave their consent.

No person was obliged to participate to the study without his/her consent. The information provided by each respondent is kept confidential. Study subjects were fully authorized to withdraw from the study at any time of their involvement. Moreover, any information that can be perceived as spoiling the goodwill and the reputation of the organizations under study was not included in the report of the study.

3.8. Validity and reliability

Validity and reliability must be addressed in every study because the accuracy, dependability and credibility of the information depend on it. Validity indicates a degree to which a test, measurement and instrument is capable of achieving certain aims. Validity is an integral mandatory component for any type of measurement, test or instrument. In order to test the strength of questionnaires, the researcher undertook pilot test for questionnaires and all the necessary amendments such as reorganization of questions along research questions, eliminating of unnecessary questions, and eliminating of grammatical errors were made. The pilot test was held in EIC head office which was included in the sample. Based on the data collected, the validity and reliability of the tools were analyzed and necessary modifications were made.

The study used Cronbach's alpha (a measure of the internal consistency of the questionnaire items). Using data from 20 sample respondents the Cronbach's alpha coefficient for the nine items shows 0 .941, suggesting that the items have high internal consistency. (Note that a reliability coefficient of 0.70 or higher is considered “acceptable" in most social science research situations). The value of coefficient alpha ranges from zero (no internal consistency) to one (complete internal consistency) (Hair, 2007). The Cronbach's alpha test was carried out using SPSS and the results are presented as follows:

Table 2: reliability statistics

Cronbach's Alpha	N of Items
0.941	9

Data source: SPSS output

As it can be seen in the above table the Cronbach's alpha is 0.941 showing that there is a good or an acceptable internal consistency in the items.

CHAPTER FOUR

Data analysis and presentation

In this section, the results of the study are analyzed presented and interpreted. The information obtained through questionnaires and interview are analyzed and presented so they can answer the research questions raised in the first chapter.

As stated in the third chapter, the sample size is 351; therefore, a total of 351 questionnaires were distributed for each of the sample respondents. But 29 of them were excluded in the analysis because 11 of them were unreturned and 18 of them were invalid due to wrong and omitted inputs. As a result, there are 322 respondents that are included in the analysis.

4.1. Personal data of respondents

First, the personal data of respondents are presented. Then, the results for all the BSC implementation processes and its effectiveness which were put as statements in a Likert scale where respondents can choose between a scale of 1-5 where 1 represents "strongly disagree" and 5 represents "strongly agree" are presented. The items are finally grouped together in to the nine implementation process stated and explained in the conceptual framework and their total descriptive statistics were carried out and presented. Finally the interview questions are analyzed and presented.

Table 3: personal data frequency distribution

No	Item	Frequency	Percent %
1	**Sex**		
	Male	233	72
	Female	89	28
	Total	322	100
2	**Age**		
	18-30	94	29
	31-40	165	51
	41-50	20	6
	Above 50	43	14
	Total	322	100
3	**Education level**		
	Diploma	0	0

	First degree	177	55
	Second degree	130	40
	Third degree	16	5
	Total	322	100
4	**Work position**		
	Director	39	12
	Principal	63	20
	Team leader	141	44
	Employee	79	25
	Total	322	100
5	**Experience**		
	Up to 2 years	16	5
	3-5 years	63	20
	6-9 years	161	50
	Above 10 years	82	25
	Total	82	100

Data source: SPSS output

As it is shown in the above table, the first personal data is gender distribution of respondents. The results show that 72% of the respondents are male and the remaining 28% are female respondents, so it is possible to say the respondents are male denominated.

When we look at the next personal data, we find age distribution of respondents. It is shown in the table that most of the respondents (51%) are between the ages of 31-40. Following that, 29% are between the ages of 18-30, and then 14% are above the age of 50 and finally 6% of the respondent falls in the age range of 41-50.

As we go through the third personal data, we have educational level of respondents. Most of the respondents (50%) are first degree holders. Following that, 40% of the respondents are second degree holders and (5%) of the respondents are third degree holders.

The fourth personal data is work position of respondents. As shown in the above table, 44% of the respondents are team leaders, followed by employees which is 25%, 20% of them are principals and 12% of them are directors.

Finally, we have the fifth demographic characteristic which is work experience of respondents. The above table shows that 50% of the respondents have 6-9 years of work experience following that, 25% of them have above 10 years of work experience, 20% of them have 3-5 years of work experience, and finally, 5% have up to two years of work experience.

4.2. Implementation process analysis

Questionnaire analysis

In this section, three statements in each of the nine BSC implementation processes tabulated below were provided for respondents and they were asked to choose their level of agreement on a scale of 1-5 where 1 represented strong disagreement and 5 represented strong agreement. The results for these three statements are analyzed and summarized in to the nine implementation processes and presented in the following sections.

4.2.1. BSC Assessment

In this section, all the three questions under BSC assessment were grouped in Statistical Package for Social Science (SPSS) and total descriptive statistics was run. The table below shows the overall mean and mode for BSC assessment.

Table 4: Total frequency distribution, mean and mode for BSC assessment

Items		Strongly disagree	Disagree	Neutral	Agee	Strongly agree	Mean	Mode
Develop SWOT analysis	N	16	31	47	173	55	3.68	4
	%	5	9.6	14.6	54	17		
Develop clear vision and mission to provide organizational direction	N	20	12	0	130	161	4.25	5
	%	6.3	3.7	0	40.3	50		
Involve employees in development of organization strategic plan	N	30	37	31	161	63	3.59	4
	%	9.3	11.5	9.6	50	19.6		
Average mean							3.84	

Data source: SPSS output

As table above illustrates, the level of BSC assessment, with a minimum mean score of 3.68 for a question presented to respondents if their organization has Developed SWOT analysis during BSC implementation. On the other hand, the maximum mean score of 4.25 is recorded for the question presented to the respondents if their respective organization has developed clear vision and mission to provide organizational direction. The average mean of the three item presented for respondents indicate 3.84. This implies that totally, the level of BSC assessment conducted by the sector is sufficient to implement BSC.

Table 5: level of BSC assessment across the financial sector

Items	Name of the organizations	
	EIC	CBE
Develop SWOT analysis	3.50	3.86
Develop clear vision and mission to provide organizational direction	3.97	4.53
Involve employees in development of organization strategic plan	3.44	3.74
Average mean	3.64	4.04

When we compare the assessment of BSC across the organizations the table above displays that the Commercial Bank of Ethiopia (CBE) has better BSC assessment with an average mean score of 4.04, and Ethiopian Insurance corporation (EIC) has an average mean score of 3.64 implying the limited, still satisfactory, level of BSC assessment, which is the result of the late introduction of the system in the Ethiopian Insurance Corporation.

4.2.2. Strategic Plan

In this section, all the three questions under strategic plan were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for strategic plan.

Table 6: Total frequency distribution, mean and mode for strategic plan

Items		Strongly disagree	Disagree	Neutral	Agee	Strongly agree	Mean	Mode
Formulation of strategic plan based on in-depth analysis of internal and external environment	N	20	12	79	145	67	3.71	4
	%	6.2	3.7	24.5	45	20.8		
Linkage of budget to performance measure	N	12	16	63	117	114	3.95	4
	%	3.7	5	19.6	36.3	35.4		
Balance of the four perspective in the organizational structure	N	8	12	102	149	55	3.75	4
	%	2.5	3.7	31.7	46.3	17		
Average mean							3.8	

Data source: SPSS output

As the table above shows the mean for the three items is above 3.5 indicating that most of the respondents tends to “agree” in the formulation of strategic plan based on in-depth analysis of internal and external environment. Also most of the respondents agree on the linkage of budget to performance measure as well as in the balance of the four perspective in the organizational structure. The average mean of 3.8 indicate that the sector under consideration formulate strategic plan during implementation of BSC.

Table7: level of strategic plan across the financial sector

Items	Name of the organizations	
	EIC	CBE
Formulation of strategic plan based on in-depth analysis of internal and external environment	3.55	3.87
Linkage of budget to performance measure	3.83	4.07
Balance of the four perspective in the organizational structure	3.55	3.95
Average mean	3.64	3.96

With regard to designing strategic plan across organizations under study, as table above shows, respondents from both organizations have proved their respective organizations prepare strategic plan for the implementation of BSC, with maximum mean score of 3.96 from the respondents of CBE and the minimum mean score of 3.64 by the respondents from the EIC.

4.2.3. Strategic objective

In this section, all the three questions under strategic objectives were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for strategic objectives.

Table 8: Total frequency distribution, mean and mode for strategic objectives

Items		Strongly disagree	Disagree	Neutral	Agee	Strongly agree	Mean	Mode
Placement of strategic objectives in the themes of the organization	N	10	53	79	114	67	3.55	4
	%	3	16.5	24.5	35.4	20.8		
Linkage of performance indicators to the organizational objectives	N	16	31	31	177	67	3.77	4
	%	5	9.6	9.6	55	20.8		
Organization define core strategic objectives for all of the four perspectives.	N	13	31	47	181	50	3.51	4
	%	4	9.6	15	56.2	15.5		
Total							3.6	

Data source: SPSS output

As illustrated in the above table, a minimum mean response of 3.51 and the maximum mean response of 3.77 was registered and representing a significant level of agreement. The total mean of 3.6 implies that the sector have prepared strategic objective for the implementation of BSC.

Table 9: level of BSC assessment across the financial sector

Items	Name of the organizations	
	EIC	CBE
Placement of strategic objectives in the themes of the organization	3.16	3.94
Linkage of performance indicators to the organizational objectives	3.34	4.2
Organization define core strategic objectives for all of the four perspectives.	3.41	3.61
Average mean	3.30	3.92

As the above table describes, comparing the level of strategic objective achievement through BSC across organizations under study, respondents from CBE have significantly agreed to the preparation of strategic objective showing a mean score of 3.94. On the other hand, there is a relatively lower level of agreement from EIC with mean score of 3.30. This implies that the level of strategic plan of these organizations is not to the level that is expected but still it is encouraging.

4.2.4. Strategic Map

In this section, all the three questions under strategic map were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for strategic map.

Table 10: Total frequency distribution, mean and mode for strategic map

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Mode
Have strategic map to facilitate communication	N	16	24	51	132	100	3.56	4
	%	5	7.5	15.8	41	31		
Strategic map demonstrate the link between the four perspectives	N	16	0	110	157	39	3.63	4
	%	5	0	34.2	48.8	12		
Strategic map create organizational alignment between departments	N	16	47	63	149	47	3.50	4
	%	5	14.6	19.6	46	14.6		
Total							3.56	

Data source: SPSS output

As we can see from the above table the three items in total have average mean of 3.56 indicating agreement in having strategic map to facilitate communication, to demonstrate the link between the four perspectives and to create organizational alignment between departments. From this it can be concluded that most of the respondents agree that the sector develop strategic map during BSC implementation.

Table 11: level of strategic map across the financial sector

Items	Name of the organizations	
	EIC	CBE
Have strategic map to facilitate communication	3.34	3.78
Strategic map demonstrate the link between the four perspectives	3.71	3.55
Strategic map create organizational alignment between departments	3.48	3.52
Average mean	3.51	3.62

With regard to preparation of strategic map across the organizations under study, as table above shows, respondents from both organizations loosely agree on the efficiency of the strategic plan in assisting their respective organizations with maximum mean score of 3.62 from respondents of EIC and the minimum mean score of 3.51 from respondents of CBE.

4.2.5. Performance Measures

In this section, all the three questions under performance measures were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for performance measure.

Table 12: Total frequency distribution, mean and mode for performance measure

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Mode
Linkage of performance measure to the organizational objectives	N	12	67	31	192	20	3.44	4
	%	3.7	20.8	9.6	59.6	6.2		
Performance measures include leading and lagging indicators	N	16	47	63	145	51	3.52	4
	%	5	14.6	19.6	45	15.8		
Measures in each perspectives are capable of measuring the objectives	N	12	35	79	130	68	3.45	4
	%	3.7	11	24.5	40.4	21		
Total							3.47	

Data source: SPSS output

As displayed in the above table the mean for the three items have a mean of above 3.0 showing the agreement in the linkage of performance measure to the organizational objectives. Also the respondents agree that the performance measures include leading and lagging indicators as well as the measures in each perspectives are capable of measuring the objectives. In total the respondents have loosely agreed with the mean score of 3.47 that the sector have performance measure capable of measuring the organizational performance.

Table 13: level of performance measures across the financial sector

Items	Name of the organizations	
	EIC	CBE
Linkage of performance measure to the organizational objectives	3.18	3.70
Performance measures include leading and lagging indicators	3.47	3.57
Measures in each perspectives are capable of measuring the objectives	3.45	3.45
Average mean	3.37	3.57

As the above table illustrate both organizations have loose agreement on the capability of the performance measurement in measuring performance of the organization during BSC implementation with minimum mean of 3.37 for EIC and Maximum mean 3.57 for CBE.

4.2.6. Strategic initiatives

Here in this section, all the three questions under strategic initiatives were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for strategic initiatives.

Table 14: Total frequency distribution, mean and mode for strategic initiatives

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Mode
The organization identify strategic initiatives	N	27	35	63	137	59	3.5	4
	%	8.4	10.9	19.6	43	18.3		
Perspectives are defined in terms of ownership and schedule	N	31	59	63	118	51	3.3	4
	%	9.6	18.3	19.6	36.6	15.8		
The strategic initiatives solve significant organizational problems	N	16	126	39	122	20	3.02	2
	%	5	39	12	37.9	6.2		
Average mean							3.27	

Data source: SPSS output

As table above illustrates the mean for the two item is above 3.0 indicating that the organization identify strategic initiatives and also perspectives are defined in terms of ownership and schedule. This implies average mean for the three items is 3.27 indicate that the sector's strategic initiatives are not capable enough in changing the organizational objectives in to action.

Table 15: level of strategic initiatives across the financial sector

Items	Name of the organizations	
	EIC	CBE
The organization identify strategic initiatives	3.63	3.37
Perspectives are defined in terms of ownership and schedule	3.49	3.11
The strategic initiatives solve significant organizational problems	3.13	2.91
Average mean	3.42	3.13

With regard to the level of strategic initiatives across the two organization though slight difference exist both organizations loosely agree on the capability of the strategic initiatives for BSC implementation with minimum average mean of 3.13 for CBE and maximum average mean of 3.42 for EIC.

4.2.7. Automation

Under this section, all the three questions under automation were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for automation.

Table 16: Total frequency distribution, mean and mode for automation

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Mode
Using of software to automate collection of data	N	114	102	32	63	12	2.25	1
	%	35.4	31.6	9.76	19.5	3.7		
Transfer of data into information for purpose of performance measure	N	79	141	47	16	39	2.95	2
	%	24.5	43.9	14.6	5	12.1		
An appropriate IT system is designed to help employees to collect data	N	100	125	39	48	10	2.89	2
	%	31	38.8	12	14.9	3.1		
Average mean							2.69	

Data source: SPSS output

As displayed in the above table the mean for the two item is below 3.0 indicting that the respondents disagree in the usage of software to automate collection of data as well as the respondents disagree on the transfer of data into information for purpose of performance measure.

In summary, average mean for automation is below 3.0 indicating that the sector perform low in the automation of BSC.

Table 17: level of automation across the financial sector

Items	Name of the organizations	
	EIC	CBE
Using of software to automate collection of data	1.64	2.86
Transfer of data into information for purpose of performance measure	2.91	2.99
An appropriate IT system is designed to help employees to collect data	2.87	2.91
Average mean	2.47	2.92

As the table above shows the two organizations average mean is below 3.0 indicating disagreement on the automation of BSC implementation in their respective organizations. This implies that there is no any customized IT system being used by these organizations in order to fully take hold of all the benefits that would be provided by the balanced scorecard system.

4.2.8. Cascading

Under this section, all the three questions under cascading were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for cascading.

Table 18: Total frequency distribution, mean and mode for cascading

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Mode
The organization develop individual scorecard	N	60	79	66	82	35	2.89	4
	%	18.6	24.5	20.4	25.6	10.9		
Individual scorecard is aligned with recognition and incentives	N	67	126	67	47	16	2.44	2
	%	20.8	39	20.8	14.6	5		
Cascading of strategic objectives horizontally and vertically	N	84	145	30	47	16	2.62	2
	%	26.1	45	9.3	14.6	5		
Average mean							2.65	

Data source: SPSS output

As depicted in the above table a mean below 3.0 for the items that says the organization develop individual scorecard and individual scorecard is aligned with recognition and incentives indicating disagreement. And also the respondents disagree Cascading of strategic objectives horizontally and vertically throughout the organizations. In summary from the total mean 2.65 it is possible to say that the sector is weak in cascading BSC to team and individual level.

Table 19: level of cascading across the financial sector

Items	Name of the organizations	
	EIC	CBE
The organization develop individual scorecard	2.80	2.98
Individual scorecard is aligned with recognition and incentives	1.92	2.96
Cascading of strategic objectives horizontally and vertically	2.02	3.22
Average mean	2.25	3.05

Furthermore, the analysis result indicates the level of cascading of BSC through the two organizations is low with maximum mean of 3.05 for CBE and minimum mean of 2.25 for EIC. Very low cascading is registered by EIC when compared to CBE mainly for the late implementation of BSC in EIC.

4.2.9. Evaluation

Here in this section, all the three questions under evaluation were grouped in SPSS and total descriptive statistics was run. The table below shows the overall mean and mode for evaluation.

Table 20: Total frequency distribution, mean and mode for evaluation

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Mode
Development of evaluation plan	N	32	63	39	102	86	3.45	4
	%	10	19.6	12	31.7	26.7		
Periodic review of progress towards strategic objectives	N	47	99	16	76	84	3.16	2
	%	14.6	30.7	5	23.6	26.1		
Evaluation of organizational plan, strategy, objectives, performance measure and strategic initiatives	N	31	79	47	98	67	3.28	4
	%	9.6	24.5	14.6	30.4	20.8		
Total							3.2	

Data source: SPSS output

As table above illustrates the mean for the three item is above 3.0 indicate the weak agreement in the development of evaluation plan and periodic review of progress towards strategic objectives. As well as the respondents loosely agree in the periodic evaluation of organizational plan, strategy, objectives, performance measure and strategic initiatives. This implies most of the respondents agree that the sector undertake evaluation during BSC implementation but periodic evaluation is not in place.

Table 21: level of evaluation across the financial sector

Items	Name of the organizations	
	EIC	CBE
Development of evaluation plan	3.02	3.89
Periodic review of progress towards strategic objectives	3.11	3.21
Evaluation of organizational plan, strategy, objectives, performance measure and strategic initiatives	3.27	3.29
Average mean	3.13	3.43

As the table above illustrates evaluation of BSC across the two organizations show slight difference with average mean of 3.13 and 3.43 for EIC and CBE respectively. This implies CBE has better evaluation program when compared to EIC.

4.2.10. Open ended questions

Respondents were asked in open questions to rate the effectiveness of BSC as strategic and performance management tool. Though slight difference exist between these two organizations respondents from both organizations believe on the effectiveness of BSC in giving balanced proportion between the four perspectives , in enhancing communication, and respondents also responded that BSC has served its purpose as strategic and performance management in contributing to organizational performance. Though respondent believe on the effectiveness of BSC the linkage between employee satisfactions with balanced scorecard methodology is relatively low in both organizations.

Respondents mention the following benefit of BSC; It brings strategy in action, implementation throughout, reduced practices and improved processes, Helps in tracking and driving the growth based on its strategy, It is the most dominant comparative advantage which has brought by BSC, Communication and clarity in role expectations have been brought by implementing Balanced

Scorecard and BSC allows aligning different matrix to get a balanced view and also it enables to understand the cause and effect relationship between the four perspectives.

Respondents point out the following challenges they face in their organizations: Communication between supervisors and employees is not regular. This adversely impacted on employees' awareness, Poor setting of measurement indicator and target for employees, wrongly appraisal score given for financial, nonfinancial and final ratings, Poor linking of the Performance appraisal result with Reward system and recognition such as salaries, incentive, allowance, and bonus. This demoralizes employees in the implementation process, Employees indicate lack of readiness in terms of mentality, skill and competence and negative perception toward BSC implementation.

4.3. Interview analysis

In this section personal interview was conducted with strategic and marketing directorate director of EIC and with change and development manager of CBE. These two department heads are the one responsible for BSC implementation and are the one that can see the overall performance of BSC. So, these department of the organizations have more in-depth understanding about the performance of BSC. Almost no difference exist between the interviewees response so their cumulative responses are summarized below.

The first interview question was why did your organization decide to implement balanced scorecard as strategy development and performance measurement tool?

> The response were in addition to the initiatives Ethiopia government take to improve performance of public enterprise the organizations also believe that BSC can addresses various issues that were not being considered. For example, the institutions used to reward employees based on financial performance in most cases by ignoring the non-financial performance. Moreover, BSC is helpful and simple to align day to day performance with strategy, which ensures strategic alignment can be insured using BSC.

The next interview question was what measurement tool used to measure organizational performance before implementation of BSC?

> The interviewees answered the organizations were using Financial based measurement together with relatively subjective judgments of mangers evaluation using Human Resource Key Performance Indicators.

The third interview question was how far BSC has solved the challenges of the previous measurement tools?

Their responses were that BSC is used to address issues related with focusing non-financial performance perspectives such as customer, IBP and L&G which was not considered earlier and instead to focus only on finance perspective all.

The fourth interview question was what have been the success factor of implementing balanced scorecard?

The interviewees point out the following regarding BSC success factors.

- One of BSC success story is that it helped rewarding practice to be objective.
- BSC Make the strategic direction clear to the directorate and to the team leaders
- It also improve Communication of strategic objective to directorate and to employees.
- BSC encourage learning and continuous improvement in the organization.
- The strategic map makes it easily for everyone to sees the cause and effect relationship among the four perspective
- BSC explicitly show owners of strategic initiatives

The fifth interview question was what major challenges were faced in the implementation process?

Their respective organizations have faced the following challenges during BSC implementation.

- Vision barrier (Change resistance and lack of knowledge on the use and importance of BSC), was the main challenge the organization has faced so far.
- Involvement of too few individual in the process of the implementation like not cascading to individual level.
- Problems of delivering continuous training and far beyond education to employees of the organization.
- BSC as a tool did not consider competitor issues. Among the four perspectives there is no strategic objectives or strategic initiatives that address competitors related issues.
- Lack of adequate training on balanced scorecard.

The next interview question was do you think that BSC tool is the right tool and easily understandable?

The interviewees responded that BSC is not simple to understand unless proper focus on awareness creation to avoid vision barriers and change management has been given.

CHAPTER FIVE

Summary of findings, conclusion and recommendations

In this chapter, all the findings reported in the previous chapter are summarized, concluded and recommendations are given. As it was mentioned in the first chapter the study had an objective of answering the initially raised three main questions: the first being how effective is BSC implementation as performance management tool in Ethiopian financial sector. Following that what are the success factors of BSC implementation in Ethiopian financial sector and finally, what are the challenges encountered during implementation and afterwards in Ethiopian financial sector. These questions were briefly explained and answered in chapter four. In this chapter the findings presented in chapter four are summarized as follows.

5.1. Discussion of findings

5.1.1. Personal data summary

In this section, the personal data of respondents were assessed with five item questions (i.e. gender, age, educational level, work position and work experience). The results for these five questions are summarized as follows:

Most of the respondents are male indicating that the work population is male dominated. Most of the respondents were also degree holders and fall in the team leader section of work position. Following that, Most of the respondents were within the age range of 31-40 and have 6-9 years of work experiences.

5.1.2. Implementation phase summary of BSC

In this section, the findings for all the item questions raised under the nine implementation process of BSC (BSC assessment, strategic plan, strategic objectives, strategic map, performance measure, strategic initiatives, automation, cascading and evaluation) in financial sectors (EIC (Ethiopian Insurance Corporation) and CBE (Commercial Bank of Ethiopia)) are summarized.

Both organizations undertake BSC assessment and the findings indicate majority (77%) of the respondents agree their respective organization analyzes its Strength, Weakness, Opportunity and

Threat (SWOT) during BSC implementation and also develop clear vision, mission and core values to guide the organization and in the involvement of employees on the development of strategic plan. The rest 15% and 8% of the respondent disagree and are undecided about BSC assessment respectively. Finally the total statistic shows Ethiopian financial sector undertake BSC assessment during BSC implementation.

Finding of the study shows most of the respondents (67%) agree in the formulation of strategic plan based on in-depth analysis of internal and external environment, on the linkage of budget to performance measure as well as in the balance of the four perspective in the organizational structure and 25% of the respondents are uncertain about strategic plan. The rest 8% disagree on adequacy of strategic plan during BSC implementation. In summary, the total statistics shows Ethiopian financial sector formulates strategic plan during implementation of BSC.

Majority (68%) of respondents agree in the placement of strategic objectives in the themes of the organization, the linkage of performance indicators to the organizational objectives and define core strategic objectives for all of the four perspectives. The rest 15% and 17% of respondents disagree and are undecided respectively. Finally, total statistics shows the sector is developing strategic objectives necessary for implementation of BSC.

The result indicate most (65%) of the respondents agree their respective organizations have strategic map to facilitate communication, to demonstrate the link between the four perspectives and to create organizational alignment between departments. The remaining 12% and 23% of respondents disagree and are undecided respectively. So, the total statistics show the sector develop strategic map during BSC implementation.

Majority (63%) 0f respondents agree in the linkage of performance measure to the organizational objectives and also agree that the performance measures include leading and lagging indicators as well as the measures in each perspectives are capable of measuring the objectives. The remaining 20% of respondents disagree and 17% of respondents are uncertain about performance measures. From the total statistics it is possible to conclude the sector have performance measure capable of measuring the organizational performance during BSC implementation.

In this case 53% of respondents agree in capability of the strategic initiatives in changing the organizational objectives into action. Even though, almost equal Percent 30% and 17% of respondents disagree and are undecided respectively that the sector identify strategic initiatives and perspectives are defined in terms of ownership and schedule. In summary it is possible to conclude the sector's strategic initiatives are not capable enough in changing the organizational objectives in to action.

Regarding automation of BSC majority (69%) of the respondents disagree in the usage of software to automate collection of data as well as the on the transfer of data into information for purpose of performance measure. The remaining 19% and 12% of respondents agree and are uncertain respectively. This implies the absence of automated BSC system in order to fully take hold of all the benefits that would be provided by the balanced scorecard system.

58% of respondents disagree in development of individual scorecard, alignment of recognition and incentives with individual scorecard and also cascading of strategic objectives horizontally and vertically. 25% and 17% of respondents agree and are indifferent respectively. The total statistics shows existence of gap in cascading BSC throughout the organizations.

Regarding evaluation of BSC more than half (53%) of the respondents agree in the development of evaluation plan, evaluation of organizational plan, strategy, objectives, performance measure and strategic initiatives. The rest 36% of respondents disagree on the presence of periodic evaluation. The total statistics indicate the sector undertake evaluation during BSC implementation but periodic evaluation is not in place.

Even if BSC implementation faces challenges the following success factors were registered after implementation of BSC: it assist the rewarding practice to be objective, Make the strategic direction clear to the directorate and to the team leaders, It improve Communication of strategic objective to directorate and to employees, encourage learning and continuous improvement in the organization, The strategic map makes it easily for everyone to sees the cause and effect relationship among the four perspective, it explicitly show owners of strategic initiatives, It brings strategy in action, reduced practices and improved processes, Helps in tracking and driving the growth based on its strategy, Communication and clarity in role expectations and it allows aligning different matrix to get a balanced view of the four perspectives.

While implementing BSC, the sector faces challenges such as: Change resistance and lack of knowledge on the use and importance of BSC, Involvement of too few individual in the process of the implementation like not cascading to individual level, BSC as a tool did not consider competitor issues, Among the four perspectives there is no strategic objectives or strategic initiatives that address competitors related issues, Lack of adequate training on balanced scorecard, Communication between supervisors and employees is not regular, Poor setting of measurement indicator and target for employees, wrongly appraisal score given for financial, nonfinancial and final ratings, Poor linking of the Performance appraisal result with Reward system and recognition such as salaries, incentive, allowance, and bonus, Employees indicate lack of readiness in terms of mentality, skill and competence and negative perception toward BSC implementation.

5.2. Conclusions

As it is presented in the analysis, the study has assessed BSC implementation in Ethiopia Financial Sector the case of Ethiopia Insurance Corporation (EIC) and in Commercial Bank of Ethiopia (CBE) with American Balanced Score Card Institutes Model of six steps of building and three steps of implementation of BSC. The findings are summarized and stated in the above sections. Here, the research questions raised in the first chapter are answered.

Therefore, based on the findings of the study, both financial institutions (EIC & CBE) have followed the nine step of BSC design and implementation process. The sector has a good practice regarding seven of the designing phase (BSC Assessment, Strategic Plan, Strategic Objectives, Strategic Map, Performance Measure, and Strategic Initiatives) and one of implementation phase (Evaluation). In contrary, weak regarding two of the implementation phase (Automation and Cascading).

BSC has been effective in giving balanced proportion between the four perspectives, in enhancing communication, making link between strategic plan and performance measures and foremost, make change to the tradition way of measuring performance (financial) by bringing three addition perspective to the organizational performance measurement matrix.

The results of the study shows that though slight difference exist between the two organizations BSC design and implementation process in both organizations have similar output. CBE have register better result when it comes to design and implementation of BSC in every level of the organization when compared to EIC mainly for the late implementation of BSC in EIC and less emphasis on its importance. Though the result gain from implementing BSC is not satisfactory especially for EIC it is encouraging beginning. In Ethiopian financial sector BSC is in its first stage of implementation so better result is expected in the second phase of BSC implementation.

The following success factors were obtained from implementation of BSC in Ethiopian financial sector: BSC assist the rewarding practice to be objective, Make the strategic direction clear, improve Communication of strategic objective, encourage learning and continuous improvement, strategic map makes it easily for everyone to sees the cause and effect relationship among the four perspective, it explicitly show owners of strategic initiatives, it brings strategy into action, implementation throughout and helps in tracking and driving the growth based on its strategy, Nevertheless the above success stories are gained from implementation of BSC the following challenges are faced by Ethiopia financial sector: Change resistance and lack of knowledge on the use and importance of BSC, involvement of too few individual in the process of the implementation, the implementation process takes long time and BSC as a tool did not consider competitor issues. Lack of adequate training on balanced scorecard, communication between supervisors and employees is not regular, poor setting of measurement indicator and target for employees, Poor linking of the Performance appraisal result with Reward system and recognition such as salaries, incentive, allowance, and bonus and employees indicate lack of readiness in terms of mentality, skill and competence and negative perception toward BSC implementation.

5.3. Recommendation

Based on the findings of the study and conclusion, the following recommendations are drawn to enhance the implementation of BSC and to overcome the challenges.

Any newly introduced system in an organization, to be effectively implemented, should involve organizational level participation in its development and implementation. The same is true for BSC. Similarly, effective implementation plan and monitoring mechanism should be set and its progress should be attentively followed up by the executive management team of the banks.

Participation of employees in the development of strategic plan is weak so, the organizations need to increase involvement of employees in the process of BSC implementation and revise the cascaded objectives, activities and measure for better achievement. Avoid early cascading to individual level (employees); cascading to individual level should be made after strategic objective measures are properly refined at the corporate level.

It is also mentioned that strategic initiatives are not wide reaching and did not solve significant organization problem. In order to solve this problem the organization need to review its SWOT analysis and try to find out the significant problems so that the problem can be addressed through strategic initiatives.

The sector did not automate BSC till now instead the sector is using manual way of transferring data into information which is time consuming. The researcher recommend that automation is the main benefit of BSC so the organizations should not take time to automate BSC.

Change resistance and lack of knowledge on the use and importance of BSC are main challenge of BSC. So, the organizations should be involved in awareness creation, training on technical aspects, and creating ownership of the tool with employees of the organizations is very important by linking their performance with reward and incentives. Benchmarking and exposure visit with other sectors that have better achievement can bring encouraging result.

Evaluating of BSC process should start from the very beginning to the final steps. It should not be a one time job at the end of quarter of the year or after six months. The implementation of BSC will get refined and eventually become successful if evaluated in every step of the implementation process. Therefore, the sector should arrange regular program every month to check and re-check the implementation process, to bring about the expected result and also align the strategy to motivate through the incentive and reward systems.

Finally, the researcher recommends to reap the full benefit of BSC the organization should allocate the necessary amount of financial and human resource to fully implement BSC throughout the organizations otherwise it is waste of valuable resource of an organization.

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Appendix

Annex 1 Questionnaire

(To be filled by managers, supervisors and employees)

Addis Ababa University

School of Business and Economics

Department of Management Master Program

I am conducting a research on "**The assessment of Balanced Score Card implementation, success factors and challenges, the case of Ethiopia Insurance Corporation and Commercial Bank of Ethiopia**". These research is conducted in partial fulfillment of the requirement for the degree of Masters of Business Administration (MBA). It will be a great contribution if you may complete all the items covered in the questionnaire since your opinion is of utmost importance. Any information you fill in this questionnaire will be kept confidential and used only for this study.

I thank you in advance for sharing your valuable experience and time in completing the questionnaire.

General Instruction

1. No need of writing your name on the sheet
2. Feel free and attempt all questions
3. Put the symbol of (√) in the box for each question

Section one; General information of Respondents

Please fill and tick (√) where appropriate

1	Sex	Male ☐	Female ☐		
2	Age	18-30 ☐	31-40 ☐	41-50 ☐	Above 51 ☐
3	Education level	Diploma ☐	First degree ☐	Second degree ☐	Third degree ☐
4	Work position	Manager ☐	Supervisor ☐	Employee ☐	
5	Experience	≤ 2 years ☐	3-5 years ☐	5-9 years ☐	Above 10 years ☐

Section 2: BSC implementation process. With the experience of using Balanced Scorecard or according to your knowledge, to what extent you agree with the following (Please circle a score in a scale from 1 to 5).

No	Description	Strongly disagree	disagree	Neutral	Agree	Strongly agree
Step 1: BSC Assessment						
1	Your organization analyze the internal weakness and strength and of the external threats and opportunities in formulating strategic plan	1	2	3	4	5
2	Your organization develop clear vision, mission and core values to provide direction for the Organization	1	2	3	4	5
3	Your organization strategic plan is developed by all of employees,	1	2	3	4	5
Step 2: Strategic plan						
1	Your organization formulated strategic plan based on in depth analysis of the internal and external environments	1	2	3	4	5
2	Your directorate or work process uses customer, financial, internal process, learning and growth perspectives to assure the balance in the organization strategies and measures.	1	2	3	4	5
3	Your directorate or work process strategic theme and goals are linked with Performance-based budgeting	1	2	3	4	5
Step 3: Strategy Objective						
1	You agree that your directorate or work process strategic objectives are placed in the themes	1	2	3	4	5
2	Your directorate or work process performance indicators are related to the objectives of organization	1	2	3	4	5
3	The organization defines core strategic objectives for all the four perspectives of the organization.	1	2	3	4	5
Step 4: Strategic Mapping						
1	Your organization use strategic map as a tool of education and communication about organization strategy	1	2	3	4	5
2	Your organization use strategic map to link the strategic objectives with its cause-and-effect relations and demonstrate how value is created through four perspectives	1	2	3	4	5
3	Your organization use strategic map as tool for creation of organizational alignment (work unit, individuals link their strategic objectives to the strategic map)	1	2	3	4	5
Step 5: Performance measure						

1	Your directorate or work process performance measurement links to the organizations visions through the objectives on the strategic map	1	2	3	4	5
2	Your directorate or work process performance measures include leading, lagging, quantitative and qualitative measures in balanced way	1	2	3	4	5
3	Your directorate or work process performance measures in each perspective are capable enough to measure the objectives	1	2	3	4	5
Step 6: Strategic initiatives						
1	Your organization identify potential strategic initiatives, developed selection criteria, analyze selected strategic initiatives	1	2	3	4	5
2	Perspectives are explicitly defined in terms of owners, schedules, action, steps, progress, and expected results and fits with one of the strategic themes	1	2	3	4	5
3	Your organization strategic initiatives are wide reaching (entire organization) and solve a significant organization pain	1	2	3	4	5
Step 7: Automation						
1	Your directorate or work process uses software to automate the collection and reporting of the quantitative data.	1	2	3	4	5
2	Your directorate or work process transfer data in to relevant information and use for performance measurement	1	2	3	4	5
3	An appropriate IT system is designed to help employees to collect data	1	2	3	4	5
Step 8: Cascading						
1	You develop individual scorecard, aligned to department or work process	1	2	3	4	5
2	Individual and team scorecards aligned with recognition and incentives	1	2	3	4	5
3	Your organization sustain vertical and horizontal alignment by cascading strategic objectives vertically and horizontally	1	2	3	4	5
Step 9: Evaluation						
1	Your directorate or work process developing evaluation plan	1	2	3	4	5
2	Your directorate or work process periodically reviews the directorates or work process progress towards its strategic goals	1	2	3	4	5
3	Your directorate or work process uses evaluation to review organization planning, assumption, strategy,	1	2	3	4	5

	objectives, performance measures, strategic initiatives and budget					

Section 3: please write you response to the following questions.

Do you think BSC is effective as strategic and performance management? If yes in what ways?
what challenges do you face while implementing BSC
What benefits do you get from BSC

Annex 2

Interview guideline questions

Addis Ababa University

School of Business and Economics

Department of Management Master Program

The purpose of this interview is to collect primary data from purposively selected respondent in Ethiopia Insurance Corporation. The interview will be conducted with change management directorate director.

1. Why did your organization decide to implement balanced scorecard as strategy development and performance measurement tool?

2. What measurement tool used to measure organizational performance before implementation of BSC?

3. How far BSC has solved the challenges of the previous measurement tools?

4. What major challenges were faced in the implementation process?

5. What have been the success factors of implementing balanced scorecard?

6. What has been done /or what measures have been taken to overcome the challenges you might have faced?

7. Do you think that BSC tool is the right tool and easily understandable?