

**ASSESSMENT OF BALANCED SCORE CARD IMPLEMENTATION  
IN THE CASE OF GULELE SUB-CITY EDUCATION OFFICES**

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## **Acronyms and Abbreviation**

<b>AACBB</b>	Addis Ababa Capacity Building Bureau
<b>BPR</b>	Business Process Reengineering
<b>BSC</b>	Balanced score card
<b>DFID</b>	Department for International Development
<b>EFQM</b>	European Foundation for Quality Management
<b>GoE</b>	Government of Ethiopia
<b>PEST</b>	Political, Economical, social and Technological
<b>NPSEs</b>	Nonprofit and Public Sector Enterprises
<b>SPSS</b>	Statistical Package for Social Science
<b>TQM</b>	Total Quality Management

## ***Abstract***

*The purpose of the study was to assess the design and implementation of Balanced Scorecard in Gulele Sub-City education offices and thereby to see the adequacy of the procedure to design Balanced Scorecard, the extent of Balanced Scorecard implementation success and identify the major challenges encountered during the design and implementation process and then provide alternative recommendation to the identified challenges. To attain these objectives, the study employed descriptive survey method. Accordingly, survey questionnaire, focus group discussion and interviews questions were prepared and pilot tested and administered to a sample of 114 subjects which are composed of 11woreda Heads, 6 Core Process owners and 99 employees. A total of questionnaires were properly filled in and returned. Interview and document analysis were also made to complement the information obtained. All the closed ended questions of the questionnaires were analyzed quantitatively using percentage and means, whereas the data obtained from open ended questions, interviews, focus group discussion were transcribed and narrated to supplement the quantitative data. The major findings of this study indicated that the readiness for Balanced Scorecard design and implementation made by the offices were good. The designing phase was done properly in terms of strategic plan preparation, theme identification, and strategic perspectives, corporate objectives and measures preparation. With regards to Balanced Scorecard implementation, it was in direct stage at corporate level and at process level; however, it was at near the beginning stage in individual level. Lack of adequate knowledge on Balanced Scorecard, insufficient participation, lack of consistent monitoring and evaluation, gaps in setting measurement and targets in the cascading process, resistance to change and in ability to automate at individual implementation process, lack of incentive and job displacement is also one of the factors that lead the employees' resistance to the implementation of the BSC, problems of delivering continuous training and far beyond education to officers are the major problems. The researcher concluded that the major causes of the above challenges were derived from lack of understanding of the tool and its early attachment of performance of the employee with payment. It is recommended that the education offices have to create enabling environment to increase the involvement of employees, revise the cascaded objectives, automate the implementation process and organize discussion as well as awareness creation program to check and recheck the implementation process.*

# CHAPTER ONE

## BACKGROUND OF THE STUDY

### 1.1 Background of the study

Organizations in today's change filled, highly competitive environment must devote significant time, energy, and human and financial resources to measuring their performance in achieving strategic goals. Most do just that, but despite the substantial effort and related costs, many are dissatisfied with their measurement efforts (Niven, 2006). Performance measurement system enables informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data (Kermally, 1997). According to Kaplan and Norton (1992), during 1980s, many executive were convinced that traditional measures of financial performance didn't allow them manage effectively and wanted to replace them with operational measures. Arguing that executives should track both financial and operational metrics, Norton and Kaplan suggested four sets of parameters namely (customer, internal processes, employee learning and growth, and finance), which finally leads to the birth of the Balanced Scorecard (BSC).

The Balanced Scorecard is a set of measure that gives top managers a fast but comprehensive view of the business. In addition to the traditional financial measures that tell the results of actions already taken, the balanced scorecard accompanies other operational measures on customer satisfaction, internal processes, and the organization's innovation measures or learning and growth that are drivers of future financial performance (Kaplan and Norton, 1992). In addition to this, these authors have found out that, BSC is management tool to measure work performance in organization.

BSC is different from other strategic measurement systems in that it is more than collection of financial and non-financial measures. It contains outcome measures and the performance drivers of outcomes, linked together in cause- and- effect relationships and thus aim to be a feed-forward control system.). Since the concept was introduced in the

early 1990's by Kaplan and Norton as performance measurement system, the balanced scorecard (BSC) has attracted Considerable interest among different organization practitioners and researchers. Consequently, BSC is broadly accepted and implemented in thousands of companies across the world and penetrated even non-profit organizations and organizations in public sector (Petr, Wagner, and Michal, 2012).

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 (Niven 2005). Balanced scorecard was originally considered for profit world mind; however due to demonstrating accountability and generating results, attracting insufficient resources, creating a focus on strategy, producing information, self preservation, driving change and inspiring trust now days. Balanced scorecard is popular in governmental organizations too. The city of Charlotte, North Carolina is one example from government run organizations to which is widely considered the best example of balanced scorecard success in such bureaus (Niven 2005).

In Ethiopia, balanced scorecard was first introduced in Addis Ababa city administration, which it has implemented it based on the best practice of the city Charlotte that experience sharing was conducted in 2002 E.C Addis Ababa is a capital and central of political, economic, social and cultural activities of the Federal Democratic Republic of Ethiopia. Balanced scorecard (BSC) is a milestone in an effort to create developed and democratic country. Accordingly, implementing the national policies in line with missions, visions, the country is only possible by measuring all the activities of the organization (The role of leadership on the implementation of BSC, 2002 E.C). As well, when the strategic balanced scorecard prepared in 2002 E.C, the directives was provided in which the strategies balanced scorecard should be based on the growth and transformational plan of Ethiopia (GTP). In its own part, the education sector development program (ESDP IV) was also designed by the council of Addis city Ababa administration (2003 E.C).Additionally, Ministry of Civil Service on the manual of "change masses building of federal civil service" state balanced scorecard is the only management tool that used for performance result based measurement (2005E.C). According to the strategic manual (2002) for the implementation of balanced scorecard

Addis Ababa City Administration, justification for launching balanced scorecard is to develop strategy that focus on public organization, to build up results based measurement system and develop new attitude of employees who choose to be measured only through their results. in addition, it was adopted to sustain the results those have been achieved by implementing BPR, the increasing desires of improved accountability both politically and administratively that is meant to improve performance ranging from "good to great" etc. The need to clearly communicate the strategy to all employees, to meet citizen's needs, improve organization alignment and link strategy and operations, produce a balance strategic plan and evaluate strategy performance were all additional intents of balanced scorecard(see Kaplan and Norton, 1996; Niven, 2002).

Addis Ababa city Administration has prepared strategic balanced scorecard (2003 E.C- 2005 E.C) and signed the team charters of corporate balanced scorecard between of Addis Ababa city administration mayor and all head bureaus of Addis Ababa (2003 E.C) The corporate scorecard is cascaded to all Addis Ababa bureau sectors contextually(AACBB, 2013b). Besides, the corporate scorecard of Addis Ababa city education bureau is cascaded to all sub city education offices, woreda education offices and to all government schools at all levels respectively. Now, balanced scorecard (BSC) is considered as a management, communication and measurement tool of Addis Ababa city administration.

Balanced scorecard is established by a process that builds consensus and clarity about how to translate strategy in to operational objectives and measures. This means that the scorecard represents the collective knowledge of managers of the organizations. The scorecard projects is not an initiative to improve measurement system but rather to make change in the way the organization views and manages itself (Kaplan Norton, 1996). Balanced scorecard has a capability for organizations to keep the balanced in terms of objectives; financial and non-financial measures, lagging and leading indicators; and external and internal performance. Balanced scorecard is used to accomplish the following management process: clarifying and translating vision and strategies; communicating and linking strategies objective and measure; planning, targets and

aligning strategic initiatives and enhancing strategic feedback and learning (Kaplan Norton, 1996).

The implementation of balanced scorecard in Education Bureau and Sub City Education office has taken six years; however, in capacity to execute strategy of the education sector that have barriers on implementation of strategy in vision, people, management and resources though balanced scorecard exists to overcome this incapacity. Therefore, balanced scorecard (BSC) has not yet known either in the right track or not but the researcher will assess the implementation of balanced scorecard in the Gulele sub-city education offices.

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

Education office of Gulele sub-city gets on developing and implementing BSC officially since July 2009. The office has been working with the system for the last 6-years and currently. The office has been motivated to introduce balanced scorecard for the following basic reasons: to sustain the improvements that were introduced following the organizational re-establishment or reform, to measure its performance from different perspectives and to link reward with performance (Gulele sub-city annual report , 2007E.t).

Balanced scorecard has promised many benefits, according to Lawson, Hatch and Desroches (2008), as cited by Masresha mulat (2015) mainly there are two benefits organizations can expect from effectively implementing the balanced scorecard. These are operational and strategic benefits among the operational benefits; the major one is tracking progress toward achieving organizational goals, measuring performance at various levels from various perspectives. On the other hand, major strategic benefits are communicating strategy to everyone, and linking and aligning the organization around strategy.

In spite of the benefits that are promised by the balanced scorecard, practical studies show that there are challenges of implementation (Marr, 2010). Many organizations assume that once senior management have agreed on their Balanced

Scorecard, strategic map and their indicators everyone will happily implement it and collect and report the data. Don't underestimate the need for training and communication about the Balanced Scorecard initiative and its aims and objectives. Again, this is especially important since there are so many different interpretations of what a Balanced Scorecard is and what it is for. Experience has shown that the support of lower and middle tier managers is essential for the success (Marr, 2010).one of the main problems with Balanced Scorecards arises when senior managers use the performance indicators identified to apply a command-and-control approach in which they use the indicators to punish or reward people. This creates fear, resistance and cheating. Instead, managers should use their Balanced Scorecards to foster a learning culture where everybody is encouraged to collect performance information to improve future performance (Marr, 2010). Another problem that organizations frequently make is jumping into a measurement program too fast and making the program too complicated. Deriving meaningful measurements, gathering reliable data, developing useful analytical techniques, and educating managers about how to use the data are all difficult steps. Doing all this at one time with a bucket full of 50 different measures is doomed to failure, (Zimmerman, 2004),

Study found that lack of communication and misalignment between organizational functions, selection of an appropriate measures inefficient implementation by the management, delay in feedback (Paranjape, Rossiter, and Pantano,2006) are that significantly reduce the affectivities or drive of BSC mentioned by Malina and Selto (2001) among the causes of unsuccessful implementations. As well, evaluations to which conducted in 2005 EC shows that there were tremendous problem in implementing part rather than in building Balanced Scorecard. Even the evaluation indicate most top officials implementation of balanced scorecard left to the middle managers (Report of Education Bureau, 2005 EC, cited by Habtom,2014) .

Ethiopian Government has launched a massive civil service reform program throughout the country by 2002; all public institutions are compelled to re-engineer their services to become responsive, efficient and effective of their performance. The Ethiopian Government has given high emphasis and dedication towards institutional

excellence, For instance, as earlier indicated above as a new proclamation was issued for higher education institutions in 2009. At present, almost all public institutions are undertaking Balanced Scorecard (BSC) as a strategic planning and management tool to measure work performance of any organization. Among the effects for public sector reform is the efforts to improve public sector services, through process improvement. The reforming aimed at promotion of efficiency (cost effectiveness) and provision of effective services to the public.

I don't get enough research conducted in the education offices of Gulele sub city that the researcher intended to study. However; it is shown that other institutions which have attempted BSC implementation in Ethiopia is like Habtom Kahsai Challenges of Implementing Balanced Scorecard: The Case of Sub-city Education Offices in Addis Ababa, Mamushet W/ Amanuel The assessment of Achievement and Challenges of BSC Implementation in the Public sector of Addis Ababa City Administration, Dereje Kebede, The Implementation, Achievements and Constraints of Performance Management Using the Balanced Scorecard in Addis Ababa City Administration

Saint Paul's Hospital Millennium Medical College which is a referral hospital in Addis Ababa under the Ethiopian Federal Ministry of Health (FMOH) and Higher Education Institution (HEI). Although its transition to a medical college had its own challenges, the staff members at St. Paul are striving to set high academic standards which produce competent and kind physicians. Taking this (there exists ineffective communication within an organization. This means that not everyone in the organization understands the concept and thus may even oppose it. Zimmerman (2004) many managers simply implement a balanced scorecard as if it were a recipe. If they do not understand what is, how it works and why they implement it then they might copy it) as a foundation, it will be assessed if there is any relation between the many reasons discovered by researchers and the reasons identified as causing the BSC implementation in the Gulele sub- City Education office to fail.

However, these challenges are not systematically sorted out and the effect and depth of each of challenges on the implementation was not structurally studied. As a result, it is

not possible to work them out and deal with them accordingly for the smooth implementation of the system. Therefore, in this study an attempt is made to assess the status of balanced scorecard implementation and fill the research gap and information gap in the education office of Gulele sub-city.

### **1.3. Basic research question**

1. To what extent the BSC were planned and implemented in the education office of Gulele sub-city
2. To what extent is the BSC monitoring and evaluation system in place in the education office of Gulele sub-city
3. What are the achievements of BSC implementation?
4. What are the challenges of BSC implementation?

### **1.4. Objective of the study**

#### **1.4.1. General objective**

To assess practice of implementing balanced score card in the office and sort out challenges faced during implementation.

#### **1.4.2. Specific objective**

1. To know the extent to which BSC measurement has been implemented in the office of Gulele sub-city
2. To assess evaluation of BSC
3. To identify the achievement of BSC implementation
4. To investigate barriers to the effective implementation of score card in education office of Gulele sub-city

### **1.5. The Significance of the study**

The BSC is change, communication and strategic management package designed and implemented in the entire public sector of the country. There are challenges in the building and its implementation. Hopefully the result of this investigation will contribute to solve problems related to the design and implementation of the BSC in Ethiopia public

sector. Yet BSC is among the modern and complicated management tools that require through understanding of its methods application be effective. Therefore; the importance of this study are significant for the following reasons:-

1. It point out the barriers to the effective implementation of scorecard as well as the key drivers of effective score card implementation in education office of Gulele sub-city
2. The study will provide some on the way about balanced scorecard implementation to the management of Gulele-sub-city education office;
3. It will be a good indicator for decision makers to identify the gap between the expected benefits of the balanced scorecard and the existing benefits that the office is getting;
4. It will fill the current gaps in practical literature for further studies
5. It provides guidelines to leaders for the effective use of leadership actions and positively contributes to the effective implementation of scorecard (BSC)

#### **1.6. Limitation of the study**

There was different limitation during the researcher because of shortage of time; the study had not investigated all factors that affect implementation of balanced scorecard. Additionally, balanced scorecard is a new emerging management theory, and there is not enough scientific studies in the area of performance management in the Gulele sub-city Education offices context; the literature review part of the study was not rich enough with cases, these things make the study harsh.

#### **1.7. Delimitations of the Study**

This study was delimited both geographically and conceptually. Concerning geographical delimitation, it was sampled from one sub-cities education office and ten woredas within Gulele sub-city, under the sub-city education offices. Practically, the study was limited to assess the implementation of balanced scorecard that included the implementations of part of balanced scorecard like cascading (based on level), automation, evaluation, motivation and the role of leadership and subordinates toward implementations of balanced scorecard and also assess knowledge gaps and challenges of implementation. These delimitations were because of the topic is broad and couldn't addressed within a specific time; it needed deep investigation from time constraints and

data availability. However, this study gives an opportunity to further investigate that matter.

## 1.8. 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.

**Tiers:** the levels through which the balanced scorecard is implemented throughout the organization. Usually, the first tier scorecard is the corporate level scorecard and the last tier scorecard is the individual or employee level scorecard.

**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.

**Corporate scorecard:** is a tool that facilitates the implementation of long terms goal and strategies through a mechanism of measurement.

**Performance Measure:** An indicator of performance that show how successful we are in achieving our outcomes.

**Index:** It is a combination of several individual measures combined in some way to result in a single, overall indicator of performance.

**Performance management:** is a systematic process for improving organizational performance by developing the performance of individual and teams. It is a means of getting better results from the organizational, teams and individuals by understating and managing performance with an agreed framework of planned goals, standards and competence requirements

**Condition:** to implement Balanced Score card that must exist before balanced scorecard make possible.

**Cascade:** The process of developing aligned scorecards throughout an organization each level of the organization will develop scorecards based on the objectives and measure. It can influence from the scorecard of the group to which they report.

**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. Employee satisfaction may be considered a lag indicator. 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.

**Strategic management system:** describes the use of the balanced scorecard in aligning organization short time actions with strategy often accomplished by cascading the balanced scorecard to all levels of the organization, aligning budgets and business plans to strategy, and using the scorecard as feedback and learning mechanism.

**Sub-city:-**is the second administration stratum of the city.

## **CHAPTER TOW**

### **LITERATURE REVIEW**

This chapter holds both of the theoretical and empirical understanding of the concept of the balanced scorecard. In doing this, the overall concept with the origin and meaning of the balanced scorecard is briefly stated and the over confidence of companies on financial measures is criticized. Then, the chapter briefly introduces of the components of balanced scorecard and what it takes to implement it. In the final parts of the chapter, the common challenges of implementing the balanced scorecard are stated.

#### **2.1 Theoretical Literature**

##### **2.1.1 Meaning and Definition of Balanced Scorecard**

Balanced Scorecard is a performance management tool that enables an organization to translate its vision and strategy into a tangible set of performance measures. However, it is more than a measuring device (Kaplan and Norton1996b). It is also defined by Balanced Scorecard Institution as a strategic planning and management system that is used extensively in business and industry, government, and nonprofits organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals (BSC institute 2015).

The Balanced Scorecard is a system in which the procedures of applying it are a critical part of it. Some measures may give real picture about the performance of the

organization. If they have been designed by a team of planners without the contribution of the different levels of business units and departments and without using the scorecard as a means of communication, cascading, and alignment, it gives the same results of any traditional performance measurement model. Much of the success of the scorecard depends on how the measures are agreed, the way they are implemented and how they are acted upon. So the process of designing the scorecard is just as important as the scorecard itself.

The scorecard provides an activity view of an organization's overall performance by integrating four perspectives, financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning, and innovation. Kaplan and Norton describe the innovation of the balanced scorecard as follows: "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation (Kaplan and Norton 1996b as cited in Molleman, 2007). The idea of the Balanced Scorecard is based on the general inclusive concept that measure the performance of an organization by a single metric (or a single category of metrics) such as profit or financial metrics is not adequate. In contemporary organizations, whether for-profit or public, using non-singular metrics, as opposed to singular metric, that cover a variety of performance dimensions can obviously be related to a relative comprehensiveness of measurement process (Kureshi, 2014).

Scorecard measures are typically a combination of lag and lead indicators. A lag measure is defined as one that reflects an outcome, or present-day bottom-line result. The ultimate lag measure in many public sector organizations is customer satisfaction, which can be measured through surveys, number of criticism Surveys quantifying the level of satisfaction reflect the success / failure of all the things the organization has done to try and keep their constituency happy. Lead measures are defined as those that drive future

outcomes or bottom line success. Lead measures typically reinforce certain types of behavior within the organization (Smith, 2012).

## **2.1.2. Evolution of Balanced scorecard and Historical Nature of balanced scorecard in Public Organization**

### **2.1.2.1. Evolution of Balanced scorecard**

A recent survey determined that companies use an average of 13 management tools or frameworks at the corporate level. Many of these are tools intended to help measure or monitor the performance of an organization, and within this list the most popular performance related framework was the Balanced Scorecard (57% reporting use of a Balanced Scorecard) (Rigby and Bilbodeau 2005). This is a remarkable achievement for a simple framework introduced only about eleven years earlier. A key contributor to this long-term success has been the steady evolution of the Balanced Scorecard framework in the light mainly of practical experience. (Guidoum 2000, Lawrie & Cobbold 2004).

The evolution of the management of public administrations has led them to the need to change their strategic approach. Public authorities have to pay more attention to the objectives of efficiency, effectiveness and economy. As a consequence of that, a growing number of public sector organizations, worldwide, are adopting the BSC for performance management. (Bocci, 2005; Farneti, 2007; Bianchi and Montemaggiore, 2008; Farneti and Guthrie, 2008; Farneti, 2009).

Many changes have been conducted through the past two decades, either in the model basic design or in its application. Variations in the basic design are common. Typical changes include changes in the categorization of perspectives (Innovation and

Learning of Employees, in place of Learning and Growth) and the number of perspectives /adding Stakeholders as a fifth separate, perspective/ (Rohm,2002 as cited in Administrator 2007).

The changes at the end of the 20th and at the beginning of the 21st century have become faster and more radical than ever before. Global technological, economical, political, legal and socio cultural factors influence the speed of changes, as well as shaping of management methodology and practice. Today's modern environment is becoming increasingly dynamic and uncertain. The only certainty is the certainty of change, and the only stability is the stability of changes Peter Drucker (1998) the founder of modern management as cited in Sandra 2010).From the outset, it has been clear that the primary focus of Balanced Scorecard is to be a control tool for managers (Kaplan and Norton, 1992). But there are different types of control exercised by managers: Kaplan and Norton appear from the outset to associate the Balanced Scorecard with what Muralidharan (1997) calls strategic control 'rather than management control'(see also Bungay and Goold, 1991). But in practice, considerable academic and practical attention has focused on the application of Balanced Scorecard for management control purposes (Neely *et al*, 1994, Lingle and Schliemann, 1996, Frigo, 2000). This in part may be linked to the prevalence of simple 1st Generation Balanced Scorecard models being used as the basis for academic contributions (e.g. Kennerley et al, 2000).

The transition from 1st Generation to 2nd Generation Balanced Scorecard designs coincided with a reinforcement of the positioning of Balanced Scorecard as a tool to support strategic control. The concurrent development of practical approaches to Balanced Scorecard design focused on forming a consensus within a management team is clearly consistent with thinking on leadership articulated over many years (e.g. Thomson, 1967, Kotter 1995, Katzenbach, 1997). As noted previously the use of simple causal models to support the articulation of strategic priority objectives was consistent with work on organizational change and learning being promoted by Burke and others (Burke *et al*, 1992, Kotter 1995, Senge et al. 1999, and Argyris, 1977).

The transition from 2nd Generation to 3rd Generation Balanced Scorecard designs, although in design terms less significant than the earlier transition, represents a significant change in the approach to Balanced Scorecard design activity. The adoption of 3rd Generation Balanced Scorecard designs has been particularly helpful in supporting the development of multiple Balanced Scorecards within complex organizations (Shulver et al, 2000), and it is our view that this is largely because of its ability to address issues of information irregularity. Oliver Williamson writing on Transaction Cost Economics in the 1970s (Williamson 1975) articulates clearly the issue of communication band width limiting the ability of one party to know ‘what another party knows. Williamson focused on what he called “information expectedness” as it applied to contractual forms used in the Insurance industry, but others have made similar observations about information asymmetries elsewhere (e.g. Rothschild and Stiglitz 1976, Mintzberg 1990).

These observations suggest that the projection of a centrally developed strategy into components of an organization can become problematic. Corporate Performance Management software systems have been presented by some as a solution to part of this problem by making it economic for large volumes of detailed information about activities and performance of the organization to be collected and assessed centrally: a key feature of such contributions is the ability to drill down ‘into information recursively to get to the root cause of performance anomalies (Marr and Neely, 2001). However the information asymmetry viewpoint challenges the utility of such activity, as the software provides at best only a partial solution to the asymmetry problem. Similarly more complex ‘alternatives to Balanced Scorecard (e.g. Kennerley *et al*, 2000) do not openly address the informational issues presented by this increase in complexity. Shulver *et al* have shown that one development of 3rd Generation Balanced Scorecards has been to support alternative management models that tolerate or accommodate the information asymmetry issue through facilitation of the summarizing articulation and communications of key data, and through facilitating the identification communication criticalities in an organization’s hierarchy (Shulver *et al*, 2000).

Across its three generations, the Balanced Scorecard has evolved to be a strategic management tool that involves a wide range of managers in the strategic management

process, provides boundaries of control but is not rigid or stifling and most importantly removes the separation between formulation and implementation of strategy (Cobbold and Lawrie 2003).

#### **2.1.2.2. Historical nature of Balanced Scorecard in public organization**

The Balanced Scorecard was developed by two men, Robert Kaplan, an accounting professor at Harvard University, and David Norton, a consultant in Boston. In 1990s, Kaplan and Norton led a research study of a dozen companies exploring new methods of performance measurement. The drive for the study was a growing belief that financial measures of performance were ineffective for the modern business enterprise. The study companies, along with Kaplan and Norton, were convinced that a reliance on financial measures of performance was affecting their ability to create value. The group discussed a number of possible alternatives but settled on the idea of a Scorecard featuring performance measures capturing activities from throughout the organization customer issues, internal business processes, employee activities, and, of course, shareholder concerns.

At this time, our world is not in a certainty rather many things make their world uncertainty finding. So the world organization is making major changes in responding to an increasing global change indeed, the need for fundamental change is so strong that some leading authorities from academic organization and industry have called for a complete rethinking and re-engineering the organizations. According to Niven (2005), the radical change that had take place in many organizations over proceeding decade such as line in time, business process reengineering (PBR), systems thinking, economic value chain analysis, and many more. All these techniques were developed to help improve business performance: these are essentially process level tools to drive efficiency and effectiveness rather than strategic management tools like the balanced scorecard, which aims to set and organization direction of considerable influence during this period was the rise of Japanese industry as it was reconstructive following World War II.

In particular, and largely attributable to Deming, was the rise of the quality philosophy, aimed at delighting customers. Because of this philosophy several

management tools were emerged Like, total quality management (TQM], quality circles, the Deming model, the Baldrige awards, and the European foundation for quality management (EFQM) excellence model another emerging idea. Criticize the philosophy of Deming that in the late 1980s poor economic condition Contributed to the business failure of a number of Baldrige award winners. This has brought some doubt on the validity of their business excellent model and the quality philosophy, as an indicator of good organizational performance.

MG Brown commenting on the pursuit of quality in America industry during the 1990's say the price of quality, however, often was lower financial results, some companies with best quality in their industries went out of business" MG brown additional stated that since 1995; quality has had bad reputation. Even the Malcolm Baldrige national quality award has removed most of the reference to quality from its 1995 criteria.

Kaplan and Norton's work was also discord to minimize the weakness of quality philosophy, which directed at seeking to establish an alternative administration to improve the chance of organizational survival and success (Niven, 2005).

A key conclusion of the research under taken by Kaplan and Norton (1990) was that: in order to be successful, a company has to address long issues and not just simply rely on producing good short term results. Kaplan and Norton argue that financial measures were too one sided and not relevant to many levels in the organization and that reliance only on financial measures may affect the ability of organizations to create value (Niven, 2006). Moreover, Kaplan and Norton (1999) argue that focusing exclusively on financial performance measurements worked well in the area of industrialization, but in the era where new emerging, financial measurements are not enough. Some practitioners argue that managers can hardly work with multiple measurement of performance. However, Kaplan and Norton (1992) make an analog with an airplane cockpit. They explain that for the complex task of navigating a pilot, the polite should rely on a number of indicators and instruments to reach the destination safely, and efficiently. He needs detailed information about fuel, air speed, pressure, altitude, destination, and other

indicators that summarize the current and predicted environments. Relying only on one instrument could be fatal. The same can be said for organization Managers should recognize the need to track performance in several areas.

The balanced scorecard should therefore provide answer to four basic questions that look at the business from four important perspectives (Kaplan and Norton, 1992). How do customers see? The organization on customer perspective what is it important to excel in?

To internal process perspective, can the organization continue to improve ability and create value? Learning is growth perspective and how do shareholders see the organization and financial perspective. From its development as a performance measurement tool, the balanced scorecard has considerably evolved.

According to Lawrie and Cobbold (2004), the evolution of the balanced scorecard may be represented by three generations of balanced scorecards. The main concern of the first generation of the Balanced Scorecard as a performance measurement tool was to solve the measurement problem of balancing the accuracy and integrity of financial metrics with the drivers of for future financial success (Niver, 2005). Lawise and Cobbold (2004) argue that in the origin design of the BSC concept, the election of which measures to include was not sufficiently clear. This was evident in two respects: the organization did not know what measures to include in the scorecard, and it was not clear which measures should appear for which perspective.

To overcome those shortcomings, Kaplan and Norton (1993) introduced the concept of strategic objective. In their view, there should be direct mapping between each strategic objective placed in the four perspectives with one or more performance measures.

This would justification for the selected measures. In addition, they linked the strategic objectives in a tool called strategy map to show the causality between them (Lawrie and Cobbold 2004). In the second generation from a strategic measurement

system, the balanced scorecard involved in to a strategic management system with the intention of supporting management implementation of strategy (Niven, 2005).

The criticism of the second generation of the BSC was based on the lack of interpretation and understanding of the vision and mission statements from lower levels of the organization, which were preserved only for high-level management (Lawrie & Cobbold, 2004). Niven (2005) argues that the use of a balanced scorecard may be seen as a tool for measurement performance, a strategic management tool and a tool for communication.

Enhancing the communication role of the BSC was the goal of the third generation of its development. According to Niven (2005), company strategy should be understood not only by executive, but it should be transformed into simple objective and measures understood by all the people in the company and this should lead them to achieve real results. The third generation of the balanced scorecard aimed to all levels of the organization by cascading high-level balanced scorecards to lower levels. Further, through the description in the strategy map, the BSC should are employees what they must do in each of the four perspective in order to execute the organization strategy.

### **2.1.2.3. The Introduction of the Balanced Scorecard in the Ethiopian Public Service**

The Balanced Scorecard (BSC) was fully introduced to the Ethiopian government service in 2010 after a relatively long time study in how to adapt it to the Ethiopian public sector context. Some Ethiopian public sector organizations have tried to implement BSC before 2005 (Tessema, 2005 quoted in de Wall, 2007). Balanced Scorecard as performance management tool was able to attract the attention of organization leaders and managers in Ethiopia.

In connection to this DeWall (2007: para.5) noted that: *In Ethiopia, there are some developments for the benefit of performance management. More and more Ethiopian enterprises are expressing a strong interest in the BSC, their managers are starting to acknowledge the importance of regular formal and*

*informal performance review meetings, communication about results is being improved by applying modern means of communication like the intranet, people are willing to train in the use of performance management, and government is fostering the improvement of performance.*

Ministry of education had been one of the public organizations in taming the concept (BSCI, 2013). Department for International Development (DFID, 2013:9) states that the Ethiopian government (GoE) has introduced performance management system throughout federal and regional public service organizations using the Balanced Scorecard methods. The same source underscores that BSC was designed for organizational and individual performance management purpose across Ethiopian public service institutions.

According to official records and survey findings in the study sub-cities and Woredas plans and reports to sector offices, BSC is being implemented in combination with BPR (business process reengineering) starting from 2010. Addis Ababa City Government Capacity Building Bureau states that to meet the transformational needs of public institutions in the city administration and ensure service delivery from balanced perspectives; BSC has been introduced as key performance management and measurement system (AACBB, 2013a:1). The same source indicates that BSC is being used in combination with BPR as there is no one single performance management tool that can cure all the organizational dissatisfaction. The argument goes on to say that there are problems that BPR alone cannot redress and thus requires the implementation of BSC to uproot these challenges. BPR is concerned with processes while BSC focuses on identification of organizational strategic goals, selection of priority themes, setting organizational targets, performance measures and indicators. Thus, integrated application of the two tools will lead to better organizational performance.

### **2.1.3. Use of the balanced scorecard**

Public organizations are trying to create public confidence through more disclosure to citizens (Marcuccio & Steccolini, 2005). Another aspect that public organizations use in order to create the confidence is citizen participation. Citizen

participation is a good way to increase accountability because it gives citizens an opportunity to get into the business (Recited by Marcuccio & Steccolini, 2005).

Since the introduction of the Balanced Scorecard approach by Kaplan and Norton, the methodology has been utilized in a number of for-profit and not-for-profit organizations. The literature is replete with examples of the successful implementation of the Balanced Scorecard approach, especially in for-profit organizations. In the for-profit sector, companies have recognized that financial metrics by themselves are inadequate for measuring and managing their performances (Kaplan 2001). Kaplan and Norton (1992, 1996) complemented the financial perspective with the other three perspectives: the customer, the internal process, and learning and growth. For-profit seeking corporations, the financial perspective provides clear long-run objectives (Kaplan 2001).

On the other hand, in the not-for-profit sector, the financial perspective provides a constraint rather than an objective. While the not-for-profits monitor spending and adhere to financial budgets, their success or failure is not measured by spending in relationship to budgeted amounts. According to Kaplan, the typical not-for-profit has had difficulty placing the financial perspective at the top of the Balanced Scorecard. He suggests that the not-for-profits consider placing a mission objective at the top of their scorecard as the mission represents the accountability between the not-for-profit and society. He also suggests the not-for-profits expand the definition of who their customer is. As noted by Kaplan, a growing number of not-for-profits have begun using the Balanced Scorecard model (Kaplan 2001) While initially, Robert S. Kaplan developed for private sector enterprises, the Balanced Scorecard was soon extended to nonprofit and public sector enterprises (NPSEs). Prior to the development of the Balanced Scorecard, the performance reports of NPSEs focused only on financial measures, such as budgets, funds appropriated, donations, expenditures, and operating expense ratios. Clearly, however, the performance of NPSEs cannot be measured by financial indicators. Their success has to be measured by their effectiveness in providing benefits to constituents. The Balanced Scorecard helps NPSEs select a coherent use of nonfinancial measures to assess their performance with constituents (Kaplan 2010).

Ethiopia's and other country's researchers have suggested that there is growing interest in the use of BSC in more firms with support from government (Tessema 2005). In Ghana, following the liberalisation of the economy, the public sector has implemented performance management as a way of ensuring efficiency and effectiveness in organizations (Ohemeng 2009: 109). Despite such efforts, the consensus is that performance management has not made tremendous contribution to organizational efficiency and effectiveness in Ghana (Ohemeng 2009: 120).

It is possible to say that BSC enables managers to craft organizational strategies in line with their vision, define strategic objectives in line with organizational mission and vision, develop strategic plan by integrating various issues, monitor and adjust the implementation of their strategies and to make fundamental changes in them. If used correctly, BSC not only creates concrete results, but also creates a long-term balance in the organization. This balance can be described from many different angles. It provides a balance between the short-term and the long-term. This means that it offers a balance between what is important today and what is important tomorrow. It also gives a balance between external and internal measures, indicating a balance between what is important to us and to our key stakeholders. Moreover, BSC gives you a balance between financial (hard) and non-financial (soft) measures (Kaplan and Norton 1996 cited in Mamushet, 2014).

The scholarly evidence of use of balanced scored system was initially provided by Silk (1998), reporting through estimation that 60% of USA Fortune 500 companies have either implemented or are managing their business through balanced scorecard. While the emergence of the balanced scorecard phenomenon remained in USA initially, it soon spread around the world. Martinez (2005) reported that the utilization rate of balanced scorecard around the world is 44%, with 57% of UK companies, 46% of USA companies and 26% of German & Austrian companies use Balanced Scorecard (Silk 1998). 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 goals and associated incentives.

#### **2.1.4. Perspectives of balanced scorecard**

The balanced scorecard perspective to original balanced scorecard 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 monitor the intangible assets needed for future growth (Kaplan and Norton, 1996). The four perspectives—the learning and growth, the customer, the internal process and the financial perspective, which each of them are discussed here under.

The first perspective is the financial that focuses on the strategy for growth, comparability, and risk viewed from the perspective of the shareholder. The second one is the strategy for creating value and differentiation from the perspective of the customer. The Internal Business Processes is the third strategic priorities for various business processes that create customer and shareholder satisfaction. The fourth and the last perspective is the learning and growth strategy that prioritize to create a climate that supports organizational change, innovation, and growth. (Kristin 2009). Kaplan and Norton (1996, 2001 and 2006) the financial perspective is used as an avenue for summarizing the readily measurable economic consequences of actions already taken. They relate to profitability and include operating income, return on capital employed and economic value added. The customer perspective identifies the customers and market segments in which the business unit will compete and measures the business units in these targeted segments.

The perspective should also include specific measures of the value propositions that the organization will deliver to the targeted market segments. The internal business process perspective measures focus on the internal processes that will have the greatest impact on customer satisfaction and achievement of an organization's financial objectives. Lastly, the learning and growth perspective identifies the infrastructure that

the organization must build to create long-term growth and improvement. Whereas the customer and internal business process perspective identify factors most critical for current and future success, businesses are unlikely to meet their long term targets for customers and internal processes using today's technologies and capabilities. This gives rise for the need for learning and growth (Mghanga 2010).

Kaplan and Norton (1996) repeatedly emphasize that the perspectives should not be seen as a straight jacket in which the Balanced Scorecard adopting organization should be constrained, but that the perspectives can, and should, be adapted to the organization and that new perspectives can be developed.

#### **2.1.4.1. Customer Perspective of BSC**

Customer management process focus on the relationship and image dimensions of the basic customer value proposition. Customer retention and customer growth processes build relationships with targeted customers (Kaplan & Norton 2004). The emphasis that private businesses place on the customer has caught on in the public sector. The District of Columbia Financial Responsibility and Management Assistance Authority used customer service as its first criterion for allocating budgetary resources to new projects for fiscal year 1998. With improved transportation and telecommunication services, residents and business have more choices for where to locate. The leaders of the governments know that high quality, low cost public services can influence a family's or businesses' location decision. The public sector balanced scorecard demands that government leaders convert customer service slogans into concrete measures of performance.

Unlike the private sector, public sector customers are more likely to complain than exit. In the short run, a resident or business is not likely to move to an adjacent jurisdiction because recreational services in their city are not adequate or that the roads are not maintained properly. A jurisdiction is not likely to feel the effect of unhappy customers in the short run, but will likely suffer the loss of residents, businesses and visitors in the long run if it does not offer good customer service. Agencies cannot afford to wait until the local government tax base is diminished before they start measuring and

responding to customer wants and needs. The balanced scorecard requires that agencies identify their customers and stakeholders-- there are often many and develop measures that matter to them (Estis, 1998).

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 & Norton, 1996a, p. 26) the balanced scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. Kaplan and Norton (1992) see that customer's concerns 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 (Kaplan & Norton 1992)

#### **2.1.4.2. Internal Process Perspective**

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. Many organizations rely heavily on supplier relationships and other third-party arrangements to serve customers effectively. Such organizations should consider developing measures in the Internal Process perspective to represent the critical elements of those relationships. (Niven, 2006). Deciding the means by which the company can realize various improvements such as: - How we can realize customers 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 are implied 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.

Service development and delivery, partnering with the community, and reporting are examples of items that may be represented in this perspective.(Niven,2005: pp.15-16) 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 devise measures that are influenced by employees' actions. Since much of the actions take place at the department and workstation levels, managers need to decompose overall cycle time, quality, product, and cost measures to local 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 activities that will contribute to the company's overall mission (Kaplan and Norton, 1992).

The internal perspective reminds us that the background works, driven by objectives and goals, must be in place to ensure that the customer and financial objectives are achieved. Typically, organizations have habits or internal behavior will sabotage their ability to meet targets in the customer and financial perspectives. "These organizations must re-tool to win, and this perspective helps them define what this retooling is. Conversely, if an organization can identify these internal characteristics and define ways to enable them, their execution arsenal can be turned to win the customer and also to destroy the competition"(Nair, 2004: pp.23-24 as cited in Administrator 2007).

#### **2.1.4.3. Employee Learning and Growth Perspective**

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. The achievement of measurements under the strategic driver's perspective would become the driver for the achievement of strategic objectives under the strategic outcomes 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. Kaplan and Norton emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed (BSC institute 2015).

The objectives and measures in the Employee Learning and Growth perspective of the Balanced Scorecard are really the enablers of the other three perspectives. In essence, they are the foundation upon which the Balanced Scorecard is built. As with the other three perspectives of the Scorecard, the researcher would look forward to a mix of core outcome measures and performance drivers (lead measures) to represent the Employee Learning and Growth perspective, employee skills, employee satisfaction and availability of organization's stakeholders. Kaplan and Norton (1992) argue that an organization's ability to continually improve and renew can be directly linked to its ability to create value: When the organization wants to achieve ambitious results for internal processes and customers, the Learning and Growth Perspective is the perspective in which the enablers of these gains can be found

The Learning and Growth Perspective can be said to be the foundation on which the Balanced Scorecard is built (Niven, 2002). Once measures for the Customer- and Internal Process Perspectives have been identified, the core, strategic competencies for supporting these need to be identified. 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, availability of information, alignment and capital investments (Niven, 2002). It is normally 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 it is mentioned above, the measures they develop 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 (Niven, 2006).

#### **2.1.4.4. Financial Perspectives**

Financial measures are a critical component of the Balanced Scorecard, especially so in the for-profit world. 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, 2006). 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 (Kaplan and Norton, 2001).

The four perspectives provide a foundation in which to communicate with clarity the strategy and intentions of organization while also articulating to the employees the drivers to future success. By clearly expressing the outcomes the organization desires and the drivers of those outcomes, management hopes to energize, encourage and culminate the abilities and initiative of the individuals within the firm to achieving the long-term goals (Kaplan and Norton, 1996 as cited in Kamran 2009). Implementing the BSC provides managers with a tool to translate strategy into action and measurable results. The BSC allows the management to look at the business from four important perspectives and to receive answers to four important questions (Kaplan & Norton, 1992 as cited in kamran 2009).

The most interesting part of BSC is the established linkages among these four dimensions using the strategy map. Kaplan and Norton, the designers of the concept, argue that balanced scorecard as a performance management mechanism gives due emphasis to Clarify and gain consensus on the strategy of the organization, Communicate strategy throughout the organization, Align departmental and individual goals to the strategy, Bind strategic objectives to long term targets and annual budgets, Identify and align strategic initiatives, Undertake periodic and systematic reviews, and Obtain

feedback to learn about and improve strategy and overall performance of the organization (1996:19).

The innovators of the idea/tool of balanced scorecard, Robert S. Kaplan and David P. Norton of the Harvard Business School, further argue that the name ‘balanced scorecard’ reflects “the balance provided between short and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between internal and external performance perspectives” (Kaplan and Norton, 1996: viii). Using the BSC, managers decide what is required to deliver and sustain the strategy, and how to monitor progress in regard to the four perspectives/dimensions: finance, customer/citizens, process and people. The perspective measures within these angles are used to communicate the strategy, assign responsibilities and time frame, and to check progress (Mackie, 2008).

### **2.1.5. Phases of the Balanced Scorecard**

Unlike the BPR, which has three phases, BSC has nine phases. The first six are called preparation phases while the last three are implementation phases (BSCI, 2013; AACBB, 2013a). 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, 2008; Niven 2002; AACBB, 2013a).

#### ***Stage 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 PEST (political, economic, social and technological) and SWOT (strength, weakness, opportunities and threats) 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 (AACBB, 2013a; Stellar Leadership Ltd., 2013).

#### ***Stage 2- Strategy 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 (Stellar Leadership Ltd., 2013).

***Stage 3- Objectives Development:***

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

***Stage 4- Strategic Map:***

It is the stage where we link strategic objectives in a web of cause and effect relationships. For instance, a plain causal linkage of strategic objectives would be: “the improved processes lead to shorter customer lead times, improved on-time delivery, and fewer defects experienced by customers; the quality improvements experienced by customers lead to higher satisfaction, retention, and spending, which drives, ultimately, higher revenues and margins”. All the strategic objectives are interlocked together in cause-and-effect chains, beginning with employees, going through processes and customers, and ending in greater financial performance or customer satisfaction depending on the nature of the organization i.e. business or public entity (Kaplan, 2010: 21).

***Stage 5- Performance Measures/Indicators:***

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

### ***Stage 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 (Ibid).

### ***Stage 7- Automation:***

This phase is concerned with development and availing of appropriate software for simplified performance tracking and reporting, and knowledge sharing. Automation facilitates provision of the right performance information at the right time to the right people/decision makers (AACBB, 2013a; Stellar Leadership Ltd., 2013).

### ***Stage 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 (AACBB, 2013a).

### ***Stage 9- Monitoring and 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 (Ibid).

## **2.1.6. Balanced Scorecard as Strategic Management tool**

Strategic Management is managing for the Future or Competing for the Future as had been remarked by the renowned strategic management experts, Hamel and Prahalad. As Peter Drucker had warned, management — has no choice but to expect the future, to attempt to mould it, and to balance short-range and long-range goals. The futures will not just happen if one wishes hard enough. It requires decision-now. It requires risk-now. It

requires action-now. It requests allocation of resources-now. It requires work-now|| (Administrator, 2006). Strategic management process is a full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness (Hitt et al., 2011). It involves the planning, directing, organizing, and controlling of company's strategy related decisions and actions (Wachiuri, 2008). Pearce and Robinson (2011) have defined strategy management as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. Therefore, strategy management deals with the formulation, execution, assessment, and control of strategic decisions in order to achieve organizational goals and objectives.

The concept of strategy is multidimensional in which different scholars have defined differently depending on the context and perspective. Some scholars including Hofer and Schedule (1978), and Grant (2010), have looked strategy as the link between organization and its environment. Others such as Pearce and Robinson (2011), Johnson, Schools, & Whittington (2008), and Chandler (1962) have noted strategy as determination of long term direction, and purpose for an organization (Mohamed 2013). The BSC as a strategic management system provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance results. When fully deployed, the BSC can provide an efficient and effective performance-based management system that (Norton and Kaplan, 1993, 2000):

The justification behind the Balanced Scorecard concept is to move beyond financial or cost accounting performance metrics as long-term strategic drivers. Reasons for this include looking beyond short- term focus and not using only financial performance indicators, because financial performance alone cannot communicate an organization's strategy to its employees and management. (Kamran, 2009).

Be aware of strategy is represented by the high-level plans management set up to lead the organization into the future. Others would argue strategy rests on the specific and detailed actions you take to achieve your desired future. To others still, strategy is practically the same as to best practices. Finally, some may consider strategy a guide of consistency of action over time (Niven, 2006). Niven also ideally produced the Balanced

Scorecard through a shared understanding and translation of the organization's strategy into objectives, measures, targets, and initiatives in each of the four Scorecard perspectives.

The Balanced Scorecard is more than a critical or an operational measurement system, it depends on how an organization brings the Balanced Scorecard tool to play, it can be used both for internal management control and/or as a more externally oriented system, designed to create admission for owners and other interest parties (Andre'asson, 1999:Pp.36-37). Innovative companies are using the scorecard as a strategic management system, to manage their strategy over their long run (Kaplan& Norton, 1996a: p10).

### **2.1.7. BSC as a tool for performance measurement in organization**

The BSC is considered by internal (politicians, managers, councils) users as a good and useful tool for performance measurement in Local Governments LGOs (Malmi, 2001; De Bruijn, 2007; Johnsen&Vakkuri, 2006; Lilian Chan, 2004). Kaplan and Norton (1992) argue that the BSC is used to measure the financial and non-financial goals in public organizations as well as to clarify organizations' strategies. Kaplan and Norton (2001) also claim that the original intention of the BSC was to be used for profit making firms. However, the BSC can be applied in the Public organization as well by putting customers at the top of the hierarchy. In public organizations, the focus is mostly on the citizens. Customers in the public services sector are clients, students, patients and citizens, and the owners are the parliament and the government (Talbot, 1999). Public organizations do not exist to make profit because they provide public services to citizens (Kelly & Lewis, 2009).

Public organizations are characterized by customer focus and quality of services, which means that non-financial factors are equally important (Aidemark, 2001). Kelly and Lewis (2009) mean that the Public Sector organizations are providing public services to citizens, which means that public organizations are considered as non-financial performers. According to Aidemark (2001), the BSC measures more than just financial dimensions and that are why the BSC fits into the Public Sector (Reshitaj, Tikhonova 2013).

To assist the company's strategic and learning processes, the balanced scorecard should be continually updated with current and operationally relevant information. Inputs are needed at all stages of BSC initiative. It should act as a facilitator and has an important role at different stages of the BSC initiative in forms of (Olve et al 2003): preparing the initial stages of the BSC programmed, defining and linking measures setting goals, and observing performance, managing strategic initiatives and action plans. At the beginning of the BSC initiative, a summary of materials, which arise from working on the strategy, must be introduced in the scorecard. This process could be considered well formulate if the strategy map explicitly links the goals with the more concrete success factors and metrics in each perspective; followed by a set of initiatives.

Further, the relationship between different scorecards must be clearly articulated every metric must be defined in a concise and systematic way. In accordance with the predefined time schedules, targets must be reviewed and appropriate initiatives defined. As is already stated, operating and maintaining the scorecard requires continuous in puts.

The BSC is supposed to boost new behaviors, communication and cooperation if information is not duly entered into the system, the balanced scorecard initiative will probably be worthless. Even if the required information is recorded in the scorecard and its databases, it has never been retrieved and viewed by the people who are supposed to benefit from the system; it will not make only worthwhile contribution to the organization or justify the investment put into the balanced scorecard (Olve et al, 2003) Niven (2006) emphasizes the problem of gathering and entering data into the BSC, in this view, this can sometimes represent a unique challenge. He uses the form "balanced scorecard police" for people I the organization that, trying to collect data on the origination, have to negotiate with different owners of the data and measures.

By definition, the balanced scorecard is not a complex concept (no more than 20 measures scorecard spread across four perspectives, combining financial and nonfinancial measures). In the effect, the processes of collecting, analyzing, reporting and distribution information related to a BSC initiative can be labor intensive and time consuming, which may create many problems, especially in large or complex organizations. This process

my represent exhausting work on which people may spend the majority of the time planned for the BSC initiative. Such problems may be overcome by designing a system to provide scorecard information automatically from other transaction systems in the origination (Niven, 2006, Olve, 2003).

From the above-mentioned idea, it can infer that balanced scorecard has its own software that helps to implement process. By applying performance measurement software one can thus get the right performing information to the right people at right time. This software is called automation that also adds structure and discipline to implementing the BSC system helps transform disparate organizational data into information and knowledge, and helps communicate performance information. Similarly, automation can be defined briefly as follows: Using software to automate the collection, reporting, and visualization of performance data. Transforming performance measurement data into useful information and business intelligence; presenting performance information to the people who need it in a visually appealing format and using performance information to better in terms of decision-making.

Automating your balanced scorecard provides several advantages like maximizes its use as a measurements system, strategic management system, and communication tool; allows organizational to perform. Complicated evaluations of performance and critically examine the relationship among their performance measures I supports true organization wide deployment of the tool; without thus of an automated solutions managing the process and ensuring alignment can prove difficult; and also communication and feedback may also be dramatically improved with scorecard software.

#### **2.1.8. Benefits from Effectively Implementing a BSC Model**

Organizations initially adopt the BSC for a variety of reasons, including gaining clarification, consensus, and focus on their strategy and then communicating that strategy throughout the organization. However, the BSC is more than a tactical or an operational measurement system. The BSC can be the foundation of an organization's management system since it helps to align and support key processes, including clarification of

strategy, communication of strategy, alignment of multiple objectives, alignment of strategic initiatives, and linking of strategic objectives to long-term goals. Used in this way, the BSC can become a powerful strategic management system (Norton and Kaplan, 1996, 2000).

The BSC has brought a revolution into performance measurement as it provides various benefits, like helping to clarify gain consensus about strategy, improving communication of the organizations vision and strategy, linking strategic objectives to long term targets and annual budgets, increases focus on organizational strategy and results, more organizational performance by measuring what matters, aligns organization strategy with the work people do on a day to day basis align departmental and personal goal to the strategy, focuses the drivers of future performance, encourages organization to perform periodic and systematic strategic reviews, helps to prioritize / initiatives, and helps organizations to obtain feed back to learn about and improve strategy( Kaplan and Norton, 2001;1996 as cited in Tilaye, 2011).

Kaplan and Norton (1996) argue that the BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the BSC transforms strategic planning from an academic exercise in to the nerve centre of an enterprise. More specifically, the BSC has brought a revolution into performance measurement as it provides the following benefits: BSC is also gaining acceptance by public as well as the not-for-profit organizations across the globe. However, the adoption and use of BSC in higher education institutions is relatively new with little research carried out in the area. It is due to such theoretical and practical gaps common in Ethiopia that this case study was conducted by the researcher (Kaplan & Norton (1996)

In the 1980s many academics and consultants became concerned that too much emphasis was being put on financial and accounting measures of performance. Management accounting systems had been perfected to produce detailed cost breakdowns

and extensive variance reports but these were seen as not being useful for managing a business because they were too internally focused and were backward looking. To overcome these shortcomings various academics and consultants started to consider the concept of balance. (Bourne, 2000: p.11).

Translates mission and vision into clear measurable outcomes that define success, and that are shared throughout the organization as well as with customers and shareholders; Provides a tool for assessing, managing, and improving the overall health and success of organizational systems; Facilitates the shift from prescriptive, compliance-based oversight to an ongoing, forward-looking strategic partnership; Includes measures of quality, cost, customer satisfaction, employee satisfaction, motivation, and employee skills to provide an in-depth understanding of the critical performance drivers; Measures process efficiency providing a rational basis for selecting what business process improvements to make first; Allows managers to identify performance drivers and cause and effect relationships and expand their usage in new strategic initiatives (Polymenidis June 2003)

### **2.1.9. Factors that impact on the implementation of scorecard**

The public sector found that even with unique characteristics not found in the private sector, they were able to easily adapt and implement the Balanced Scorecard as a performance management tool. Some of the characteristics unique to the public sector that impact the implementation of the scorecard are: (Procurement Executives' Association, 2005)

1. Budget Process: Agencies must budget up to two years in advance.
2. Data Collection: Data collection and reporting are delayed.
3. External Factors: Uncontrollable political factors affect the process.
4. Hiring and Training Constraints: Limited flexibility at the department level.

Despite these and other unique characteristics of the public sector, there have been noted successes of agencies implementing the Balanced Scorecard method as a strategic tool. In order to achieve success, agencies had to move from the old method of

measuring performance, which was a concentration on goals and projects, but not strategy, to a new idea, which is based on strategy and objectives. The public sector reforms have focused on increasing efficiency and effectiveness, seeking excellent organization. To achieve this aim, the need to plan, control and report on the performance of public sector organizations has been a central idea in many government reforms.

Many scholars have referred to profit maximization as the main difference between the private and the public sector (e.g. Boland and Fowler, 2000), and hence the lack of a bottom line against which performance can be measured in the public sector. On the other hand, some argue, that since there still exists an equivalent financial measure to profitability in the public sector which is value for money||, then, there is no considerable difference between both sectors (Jackson, 1990). In this respect, it can be argued that difficulties with Performance Measurement Systems (PMS) in the public sector do not lie in the lack of bottom line performance measure but in the complexities surrounding its measurements. Notably, however, given a profitability measure and the objective of making a profit, the various levels of a private firm can in principle relate their activities to the contribution they make to the firm's profitability (Jackson, 1986).

The lack of clear objectives for the public sector organizations, on the other hand, makes it problematic to set intermediate objectives for all levels of employees within the public sector. It should be noted at this stage that a key potential role of performance indicators in performance measurement in the public sector is clarification of objectives, which becomes even more important with the presence of Performance related pay (PRP) and performance management systems such as Office for Standards in Education (OFSTED) in schools (Mayston, 2000).

According to Dixit (2002), the one distinguishing feature of the public sector is the presence of multiple principles which influences the optimal performance measurement and incentive structure. Moreover, as a service provider, the public sector will be faced with the difficulties of quantifying their main performance measures such as customer satisfaction, and quality of service (Jackson, 1990); which also mainly rely on human resources who being calculative receptors have discretion over their effort and

hence need consistent monitoring and directing towards the organization's goals (Neely et al., 1995 as cited in Sor 2006).

The Balanced scorecard (BSC) implementation in nonprofit organizations is similar with public sector organization. From the literature on balanced scorecard, it can be seen that the four major perspectives can be adjusted. Some national units with special conditions and some non-profit organizations have the same balanced scorecard structure as the business balanced scorecard. The literature also suggests that profit and non-profit organizations could have the same balanced scorecard framework. Non-profit organizations must emphasize the financial costs and benefits of performance management, whereas profit organizations must emphasize on achieving the organizational mission and vision.

The culture characteristics of non-profit organizations must pay close attention to their mission and vision. However, the main objective of profit organizations is to create profits and maintain sustainable business operations. Hence, businesses must pay attention to their financial performance. Therefore, balanced scorecard framework of profit or non-profit organizations can adjust according to individual case study or industry culture characteristics (Frank, 2010). The intention of the Public Sector Scorecard (PSS) is to compliment the BSC, fitting the culture and values of the public and voluntary sectors. It focuses much more on the outcome and this emphasis is made in the seven different perspectives; Service user/Stakeholder, Strategic key performance outcomes, Financial, Operational Excellence, Innovation and Learning, Leadership, and People, Partnership and Resources. The perspectives can be seen in *Figure 2*, which also shows how they are divided into three different levels; 1) Capability, 2) Processes, and 3) Outcomes (Sheffield Hallam University, 2009).

The Public Sector Scorecard (PSS) is an integrated service improvement and performance management framework for the public and third sectors. It has three phases - strategy mapping, service improvement, and measurement and evaluation.

## **2.2. Application of balanced scorecard in performance measurement**

In regard to private organizations, Speckbacher, Bischof and Pfeiffer (2003) have conducted a study to obtain practical evidence about the use of the BSC in German language countries, observing the practical evidence of the relation between the organization size and the use of the BSC. Russo and Martins (2005) have observed that limited liability companies use the BSC less, and those companies which capital is mostly controlled by big companies and that export to certain markets use the BSC more. On the other hand, Bedford et al. (2008) have conducted a study in Australian companies, observing that the BSC offers more benefits when connected to the incentives and rewards system, is applied in various levels (in a subunit, or even at the individual employee level as a “personal scorecard”. A wide range of empirical research supports the effectiveness of the BSC in translating strategic objectives into relevant performance measures that drive performance toward those objectives.) Within the organization, and the cause-effect logic is used amongst the measures

Braam and Nijssen (2011) have obtained empirical evidence of the association between the BSC implementation and the existence of dynamic and turbulent environments, that bigger companies are more prone to adopt the BSC, and that its receptivity is positively influenced by the prior adoption of similar instruments. In the public sector internal modernization that contributes to the redesign of the interface between administration and its political, economic and social environment (Naschold & Daley, 1999). Naschold, Oppenet al. identify four key competencies of strategic management: (1) value management, (2) management of structures, (3) management of change, and (4) strategic evaluation (Naschold et al. 1998). Value management involves addressing the behavior of employees, as well as their attitudes, values and beliefs.

Therefore, Naschold argues, it is critical to link cultural change programs within an organization to organizational strategy rather than simply basing them upon organizational development processes. He argues that processes of cultural and organizational change have to proceed in parallel, with employees involved at every stage and in every aspect of these processes (Naschold, et al. 1997). For public sector, financial measures are not the most relevant indicators of whether the organization is delivering on the rationale for its existence. Instead, public-sector organizations need to measure how

effectively and efficiently they are meeting the needs of their constituencies. The financial perspective, which is affected by its restrictive character, consequently takes a back seat compared to its leading position in the enterprises 'BSC (Jonen et al., 2004). Other researcher argument about public non-profit organizations, Chan (2004) has observed that big local governments have adopted more the BSC than the government of smaller municipalities. On the other hand, within the scope of the study conducted in Finnish local governments, Rautiainen (2009) has observed that the decision to adopt the CMI was influenced by mimetic, rational and normative aspects.

The shortcomings and dysfunctional consequences of performance measurement systems have been discussed in the academic literature for at least fifty years (Ridgway, 1956), but recently there has been a flurry of activity. Throughout the 1980s vocal and influential authors criticized the measurement systems used by many firms (Johnson and Kaplan, 1988; Hayes and Abernathy, 1980). By the 1990s the noise made by these voices had grown to a build-up (Neely et al., 1995; Marr and Schiuma, 2002) and increasing numbers of firms appeared to be "re-engineering" their measurement systems, with data suggesting that between 1995 and 2000, 30 to 60% of companies transformed their performance measurement systems (Frigo and Krumwiede, 1999).

According to different scholars reported data on the effectiveness of Balanced Scorecard predominantly remains subjective in nature. While many instances are available, linking use of Balanced Scorecard to increased bottom- line performance, exact results are usually not available owing to proprietary factors in private sector. Similarly data security needs of public sector organizations have been cited as one of the reasons of non-reporting of empirical success. While analyzing the success, it also needs to be kept in view that most Balanced Scorecard initiatives do not come alone. They accompany several other performance improvement initiatives, together attributable to the status dissatisfaction and dynamism of top management.

As reported in Rigby (2001), the mean satisfaction ratings of Balanced Scorecard as a management tool stands at 3.85 on an ascending scale of 5, ranked below other tools such as One-to one marketing (4.09), Cycle Time Reduction (4.06), Pay-for-Performance

(3.97) and Strategic Planning (3.93). Balanced Scorecard has scored higher than another management tools such as Knowledge Management (3.02), Core Competencies (3.61), Reengineering (3.66), Supply Chain Integration (3.75), Outsourcing (3.77) and TQM (3.82); as reported in Rigby (2001) and cited by Kureshi, N. (2014).

In Ethiopia, there is growing interest in the use of the BSC in more firms with support from government (Tessema 2005). In Ghana, following the liberalisation of the economy, the public sector has implemented performance management as a way of ensuring efficiency and effectiveness in organizations (Ohemeng 2009: 109). Despite such efforts, the consensus is that performance management has not made tremendous contribution to organizational efficiency and effectiveness in Ghana (Ohemeng 2009: 120). There are still grey areas in financial management and ‘service delivery’ in the public institutions (Gilham 2010). According to Balin (2004) about 57% of global companies were working with the balanced scorecard. Much of the information in the commercial sector is proprietary, because it relates to the strategies of specific companies. Public-sector (government) organizations are usually not concerned with proprietary information, but also they may not have a mandate to post their management information on web sites (Balanced Scorecard Institute 2014).

According to Kaplan and Norton (2004) an authority or stakeholder perspective is added, aiming at represent the city in its dimension of owner of public affairs. Thus, a general recognized architecture for the BSC for a public organization has to take into account the relationships existing between communities and public organizations. Moreover, Wisniewski and Olafsson (2004) have also discussed about the relevance of the BSC perspective labels for a public organization. Specifically, they stressed that the customer label could be a problematic one for a public organization, due to the variety of its stakeholders and customers. Similarly, the learning and growth perspective may be relabeled: in fact, while for a private organization growth and increasing market share are strategic goals, for a public one a reduction in activity and size may be more appropriate.

They propose to reliable also the internal business processes perspective, as a process is a term usually not used in a public organization (Wisniewski and Olafsson

2004). Thus, a general recognized architecture for the BSC for a public organization has to take into account the relationships existing between communities and public organizations. Moreover, Wisniewski and Olafsson (2004) have also discussed about the relevance of the BSC perspective labels for a public organization (Bigliardi 1, Dormio 1 & Galati 2 2011).

Bolton (2003) has stressed that the performance measurement frameworks adopted in public organizations are often derived from the private sector, thus implementing difficultly within a public sector environment. Micheli and Kennerley (2005) have commented that still only few attempts have been made to provide public and non-profit organizations with a framework in order to monitor and enhance their performance. Moreover, many studies stressed the problematic nature of public sector performance measurement, notwithstanding the exponential growth of interest that performance measurement has registered in recent years (Moullin, 2004; Neely, 2005).

Across all sectors, it has been suggested that 70% of Balanced Scorecard implementations fail (Neely and Bourne, 2000). Two main reasons proposed for this high failure rate are poor design and difficulty of implementation. Results from the Hackett Group show that less than 20% of organizations that have mature Balanced Scorecard implementation are generating business value (Answer think, 2004). According to Hackett's research, most organizations are having significant difficulty in taking the Balanced Scorecard from concept to reality.

Interestingly, the Senior Business Advisor for the Hackett Group comments that, most organizations get very little value out of Balanced Scorecards because they haven't followed the basic rules that make them effective (McDonald 2012).

### **2.2.1. Problems Associated with Measuring Government Performance**

Despite its worldwide popularity and its recognition as a powerful management tool, the Balanced Scorecard (BSC) is not always used successfully. Although many organizations have adopted the BSC, a great number of them have encountered problems when trying to introduce the concept in their organizations. Unlike private organizations,

governments do not receive regular and clear signals from their customers through market mechanisms. Governments receive signals from the market, but few of the signals are as immediate and clear as, for example, customers deciding to purchase a competitor's product. In the private sector, a change in consumer demand can reveal itself in the second quarter deal report. For governments, marketplace signals exist, but they are slight, and come infrequently.

In addition to the relative difficulty of using promote signals to measure the performance of government organizations; government performance is hard to measure for many other reasons. Among these is the fact that the outcomes governments wish to effect is not dependent on them alone. Governments want to educate children but they depend on the parental involvement to reinforce the lessons taught at school. Governments want to restructure poverty but depend on the private sector economy to offer jobs. Furthermore, the goals of government organizations are often broad and vague such as maintain a clean and safe environment, promote safety, and provide leisure services to residents. Because there is often confusion or even disagreement about what government agencies are supposed to accomplish, finding an effective and efficient means of measuring what they do is problematic (Estis 1998).

Despite the evidences suggesting that the Balanced Scorecard provides effective way for organizations to develop a multidimensional view of performance measurement, the Balanced Scorecard is not without its shortcomings. First of all, Kaplan and Norton (1996b) admit potential limitations of the Balanced Scorecard that the effectiveness of Balanced Scorecard will suffer if the included none (no one). Financial measures are not linked to or aligned with the organization's strategic objective. Furthermore, they argue that Scorecards built upon lagging, non-strategic indicators represent only a limited application of the full power of the Balanced Scorecard. (HC 2012). Furthermore, Norreklit (2000) points out that ultimately the Balanced Scorecard can only be as successful as the strategy that underpins it.

The Balanced Scorecard's four pillars do not take account of all of an organization's stakeholders, that it does not take account of competitor actions,

developments in technology or, for that matter, any unexpected even, which makes it static rather than dynamic and thus fails to establish a basis for continuous improvement. This would be especially hazardous in environments classified as uncertain where there is a clear need for organizations to be flexible in meeting unexpected demands (Nørreklit, 2000, 2003).

Moreover, Norreklit (2000) argues that mechanisms need to be in place to capture and incorporate the ideas of low-level managers into organizational strategy and that employee involvement or lack formally in developing a Balanced Scorecard will influence the success or failure of implementation. But, he concedes that such a level of employee involvement is not in agreement with the top-down approach control function of the Balanced Scorecard, whereby strategy and performance objectives are determined by upper management as expressed by (Kaplan et al., 2001b and cited by HC 2012).

### **2.2.2. Challenges in implementing Balanced Scorecard**

A number of challenges have faced in recent years, however, that have complicated the strategic management process. Some of those challenges include the impact of globalization, electronic commerce, diversification of the workforce, the learning organization rapid technological advances, governmental regulations, and increasing competitive forces in the environment (Wheelan and Hunger 2008).

Pearce and Robinson (1991) introduces there are usually several challenges to strategy implementation. These include implementation taking longer than expected, uncontrollable factors and their adverse effect on implementation, major problems that had not been expected surfacing during implementation, competing activities, and crises that distract attention from implementation. Others include inadequate planning and communication, ineffective coordination of implementation activities, insufficient capability of employees, inadequate training given to lower level employees, lack of clear responsibility being fixed for implementation and lack of support from other management levels (Mghanga 2010). One of the challenges in BSC is having the baseline or benchmark which performance is measured against.

Evaluation is impossible without a baseline or benchmark. First, a baseline for evaluation should be determined and then we should do the evaluation against the baseline. However baseline and benchmarks are hard to determine and can be ambiguous. Because Data Envelopment Analysis (DEA) is based on relative comparison, the Decision Making Units (DMUs) are evaluated against each other. By combining the BSC with DEA we answer important challenge of BSC, namely, the need to determine baseline and benchmark (Eilat et al., 2008 as cited in Mousavi, 2014).

According to Eccles (1991) dissatisfaction with using financial measures to evaluate business performance has been reported. During the 1980s, many executives saw their companies 'strong financial records get worse because of unnoticed declines in quality of customer satisfaction or because their market share lost to global competitors. In addition, traditional performance measures, which include return on investment (ROI), return on assets (ROA), return on sales (ROS), purchase price variances, sales per employee, profit per unit production, and productivity, based on traditional accounting systems (Ghalayini, 1997) lack the focus and robustness that needed for internal management and control (Atkinson, Waterhouse, and Wells, 1997 and cited by HC 2012).

Despite the advantages discussed above and the wide acceptance of the Balanced Scorecard, some challenges in implementing Balanced Scorecard were reported. First of all, Neely et al. (1997) comment that it is necessary to consider the purpose of the measure, the frequency of measurement and the source of data, and developing a balanced scorecard is a complex process. It is difficult to determine which measures should be used in each perspective. Similarly, points of view from Nigel (2005) given that the adoption of Balanced Scorecard requires commitment of resources and the alignment of strategy with performance measures. All these requirements result in the drawback of time-consuming in the development and implementation of the Balanced Scorecard model (HC 2012). Next, Heather and II-woon (2005) identifies several barriers buried in the Balanced Scorecard. Firstly, Balanced Scorecard is unable to recognize community and environmental issues. It does not include supplier-related or competitor-related measures while these two areas are vital to the business survival. Secondly, there

is a pitfall that focusing on the lagging financial indicators instead of the leading non-financial indicators. Wrong focus may be harmful for a company in the long term. Third, it is difficult to obtain timely and cost-effective data for the use of Balanced Scorecard. Consequently, they concluded that Balanced Scorecard has relative little effect on organization performance. Final, Shulver and Lawrie (2009) explain the major challenges in Balanced Scorecard design are the selection of measures an activity that is often undertaken using specialist external support and the introduction of new ways of working that actually make use of the information generated by the Balanced Scorecard (HC 2012).

In situations where the public sector acts less as the provider and more as a partner in the provision of services, challenges unique to public/private partnerships arise at three levels: (i) the choice regarding types of partnerships (joint ventures; purchaser/producer' equation etc.); (ii) the regulatory arrangements for private sector development; and (iii) impact based partnerships, etc. Regardless of whether these partnerships are seen as public enterprises or as quasi public sector initiatives, the key elements that must guide all partnerships are cost efficiency, sustainability and equity in the delivery of the services. However it is also argued that public enterprise (given its nature and role) is intrinsically a part of the governmental agenda and cannot be seen as a partner (Expert Group Meeting 2005).

According to Beiman (2007) one of the challenges facing implementation of balanced scorecard in China is that the management environment in China differs from that of Western countries. From the Chinese experiences, there has to be a comprehensive approach to implementation of balance scorecard than how it has been done in western countries. In addition, research evidence shows that most companies in China have not carried out comprehensive analysis of their business before implementing balanced scorecard and hence some may not realize the effectiveness of the tool (Yannan-Wang, 2008: 15; Tuan, 2010: 95). Therefore, it may be possible that China is facing a shortage of qualified manpower that can comprehensively implement balanced scorecard for most companies in a way that suits the Chinese market. China needs to learn a lot from

developed markets like S and UK on the implementation of balanced scorecard and the benefits that can be realized as a result (Berhanu, 2013).

Steven Van de Walle (2007) highlights that the main problem of measuring public sector performance lying on a conceptual instead of measurement. It is a conceptual problem because in order to measure government and government performance, you first have to define government and agree on its objectives. Failure to define those areas would render the measuring effort as technically correct, but at the same time meaningless. Objectives, as in most cases of governments in the world, may not be revealed objectives may be contradictory, or policy makers may just not know what exactly their objectives are. When conflicting and/or vague objectives is an essential feature of governing, measuring government performance will be merely a political exercise at best. Brown (2007) has reported a list of top ten problems with most scorecards.

It is obvious that these problems relate to both the private and public sector equally. The findings of Ahn (2001) and Brown (2007) have confirmed the skepticism expressed by Dinesh and Palmer (1998) and Weber and Schäfer (2000). The challenge seems to be even harder since diverse challenges of implementing balanced scorecard may not completely utilize the benefits of other management systems such as TQM. This is particularly relevant since Balanced Scorecard is often compared and contrasted with initiatives such as TQM and ISO 9000 (Rigby, 2001), rather than building upon them. Balanced Scorecard has been criticized for not having an intrinsic ability to address risks that threaten achievement of strategic objectives. Some public sector organizations such as Australian Navy have built a framework of Corporate Risk Management on top of the Strategic Objectives and KPIs framework of a typical Balanced Scorecard. Similarly, there is no evidence that Balanced Scorecard is being used as a comprehensive performance management system (Kureshi, 2013). Even in organizations using it for more than a decade, other performance management tools such as behavioral evaluation etc. are being used simultaneously.

While implementing the Balanced Scorecard in non-profits, Niven (2002) raises cautions that identify the challenge in Balanced Scorecard implementation in the public sector and other nonprofit organization need to exert proportionately beside the private sector. He continues to argue that in the public sector, there is frequently distrust against private sector spawned solutions. Similarly, the non-profit sector shares this distrust and, in addition, many of its employees have little experience of or exposure to similar efforts. According to Niven (2002), lack of knowledge and potential distrust can create a void which can be filled with negative perceptions of the measurement effort. Negative perception can noticeable itself in firmness that a performance measurement initiative is time consuming and will drain resources from essential projects, which provide the effort unworthy of attention (Niven 2002).

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 The Research Design**

Research design is the logical order that links the useful data to a study's initial research questions and ultimately to its conclusions (Yin, 2003). Several research approaches can be adopted for the conduct of a research study, these were because employing the mixed approach helped to converge or confirm findings from different data sources (Creswell, 2003). Qualitative research has its own limitations. Its findings were not usually generalized due to a small number of respondents, the findings were interpretive and subjective (Sekaran, 2000). Similarly, quantitative research has its own strength. Its main strengths have been that it generates precise, numerical data from large survey sizes.

A structured questionnaire arranged in a standardized 5-point Likert's scale was chosen because of the strengths of this method. A structured questionnaire allowed all the participants to respond to the same questions, as participants are offered the same options on each statement and it provided an efficient way of collecting responses from a large sample (Saunders, Lewis, & Thornhill, 2009). Closed-ended questionnaires also provided confidentiality to the respondents to enable them to complete the questionnaire honestly; and its use also tends to increase the response rate (Khomba, 2011). That was why the researcher chooses a Likert scale survey questionnaire as the main instrument to gather quantitative data for this study and, descriptive survey method was used intensively to analyze key variables..

#### **3.2 Source of Data**

This study used both primary and secondary sources of data. The study largely depended on primary data, which was collected through survey method by using self-

designed questionnaires both close ended and open ended, focus group discussion and interviews. The primary source of data was collected from head office of Gulele sub-city education office, core process owners of the sub-city education office, and subordinates from the sub-city education office and also ten woredas education offices heads and subordinates from woredas. Secondary sources of data was obtained from the annual reports, proclamations, manual, regulations library sources (books and articles) and information contained from web-pages were used for the study.

### **3.3. Sample and Sampling Techniques**

Gay and Airasian (2003:104) stated that the first thing to do in the sample selection process is to 'identify' and 'define' the target population. In other words, a sample that is too small can make the generalize-ability of the study almost impossible and meaningless, this may be used to explain why some scholars, for example, Cohen and others. (2001: 94) believe that the 'larger the sample, the better'. Those scholars suggest that using random sampling technique to select sample size associated with 'confidence level and sample error' is another way of obtaining sample representativeness and also Yemane sample formula is other sampling mechanism. The target populations in this study were Sub City Education Office and ten woredas Education Office in the sub-city.

According to the Gulele sub-city Education office statistics, the total numbers of workers have been 215 in total, 11(sub-city + woredas) head officials, 6 core process which were available samples and 198 subordinates. Specifically, the respondents of the study were sampled from the total population, which were drawn from the offices this study was used both probability sampling and non-probability sample techniques. For the purpose of selecting organizations the study was used probability sampling techniques.

From the sub-city and all ten woredas head offices and the entire core process owner were part of the study by using non- probability sample techniques that were entire sampling. For the purpose of quantitative research, the study was used probability sampling technique which was simple random sampling, it was, selected subordinates from the sub-city education office and ten woredas using lottery techniques.

The total population of subordinates' from the sub-city education office and ten woredas were 198 and out of (50%)those populations 114 samples have been part of the study ,but 15 respondents didn't return back the questioners 99 respondents had properly returned the questionnaires .

Fig 1 population distribution data

No	Name of organizations	Sub city	Total Population									Sample Population					
			Leaders			subordinates			Core process			leaders		subordinates		Core process	
			M	F	T	M	F	T	M	F	T	N	%	N	%	N	%
1	Gulele sub- city education office	Gulele	1	-	1	26	15	41	4	2	6	1	100%	27	65.9%	6	100%
2	Worda one education office	Gulele	1	-	1	10	7	17	-	-	-	1	100%	9	52.9%		
3	Worda two education office	Gulele	1	-	1	12	3	15	-	-	-	1	100%	7	46.7%		
4	Worda three education office	Gulele	1	-	1	9	7	16	-	-	-	1	100%	9	56.3%		
5	Worda four education office	Gulele	1	-	1	11	4	15	-	-	-	1	100%	10	66.7%		
6	Worda five education office	Gulele	1	-	1	9	5	14	-	-	-	1	100%	8	57.1%		
7	Worda six education office	Gulele	1	-	1	12	4	16	-	-	-	1	100%	8	50%		
8	Worda seven education office	Gulele	1	-	1	11	5	16	-	-	-	1	100%	10	62.5%		
9	Worda eight education office	Gulele	1	-	1	12	5	17	-	-	-	1	100%	9	52.9%		
10	Worda nine education office	Gulele	1	-	1	11	4	15	-	-	-	1	100%	10	66.7%		
11	Worda ten education office	Gulele	1	-	1	10	6	16	-	-	-	1	100%	7	43.8%		
total			11	0	11	133	65	198	4	2	6	11	100%	114	57.6%	6	100%

**N.B; the no, of leader is an available number**

### **3.4 Tools of Data Collection**

On the first phase qualitative techniques were focused on the semi structured interview; focus group discussion and document analysis respectively to get detail information about the issue. On the second phase quantitative techniques were focused on the closed ended questionnaire. Consequently, for these study instrument interview schedule, focus group discussion guide and document analysis were used to collect the data from head official and core process owners of the sub-city education office and woredas head officials. The questionnaire was used to collect data from the subordinates of the sub city and woredas education offices.

#### **3.4.1. Interview**

For the study purpose, semi structured interviews were used with eleven (11) officials from sub city education office and ten woredas education offices. Moreover UN (2004) stated semi structured 13item (questions) allow respondents to express their own point of view and to describe situations, events and their experience. The interview question items were focused on their experience, view and understanding about concept of BSC, Implementation of BSC and the role of the organization and also the leader toward general implementation of BSC.

#### **3.4.2. Focus Group Discussion (FGD)**

Focus group consists of small groups of people who brought together by the researcher to explore attitudes, Feelings, beliefs, experience and idea about specific topic (Denscombe, 2007). A group discussion between small (6-10 groups) individuals was selected, because they have some knowledge about the research questions. The focused group point of discussion was the attitudes, feelings, beliefs, experience and idea about concept of BSC, Implementation of BSC and leader toward general implementation of BSC, major challenges of BSC. This, Focus group discussion was conducted with core process owners and case team process from sub city education offices, in one group, with six participants. The participants were selected based on their disparity powers from the

other groups. (Middle to head officials and subordinates) One Focus group discussion was conducted. The Focus group discussion questions were prepared in English language and were translated in to Amharic language for language fluency.

### **3.4.3 Document Review**

Documents can be a source of data collection as an alternative and supplementary to interview and Focus group discussion. Such as official documents ,plans, reports, checklists, strategic manual of leadership on implementation of BSC, performance Evaluation manual of Gulele sub-city 2007 EC

### **3.4.4 Questionnaires**

The second phase quantitative approach was on questionnaire. In order to test the validity and reliability of questionnaires, the researcher undertook pilot test. The pilot test was held in sub-city in one of the sample woredas in Gulele sub city which was included in the sample. Based on the data collected, there was disorganized questions therefore, the validity and reliability of the tools were analyzed and necessary modifications were made, such as reorganization of questions along research questions, then this instrument was designed to collect information about the implementation of balanced scorecard, the role of leaders to implement BSC and about the awareness of it through closed and open ended questions. The respondents of closed and open ended questions were about 114 subordinates distributed from sub-city and ten woredas education officers 99(86.8%) respondents returned back the responses, but 15(13.2%) respondents didn't returned back the questionnaires.

### **3.5 Procedure of Data Collection**

To gather necessary information from the participant closed ended questionnaire with a five-point Likert scale and some open ended questions were used. The reason for using the Likert scale is that it will enable certain arithmetical operations to perform the data that collected from the respondents and it help to measure the magnitude of the differences among the individuals

The questionnaires were prepared by the researcher based on relevant available literature and researchers 'past experience. The Questionnaires for Heads officials, Core Process, Support Process Officers and Employees were prepared in English and; interpreted in Amharic. The questionnaire method as instrument of data collection was used because it provided wider coverage to the sample and also facilitated collection of a large amount of data. Hofstee (2006) reasoned that questionnaires were offered confidentiality and also allowed getting more volume of data as they can be sent to more people.

The questionnaires distributed and collected by the researcher in duration of a two weeks as few (15) respondents fail to return it in time. Beside this, the researcher was conducted structured interview with Top level managers and focus group discussion with core Process. All the related documents and necessary data were obtained from the sub city, and ten woredas education offices.

### **3.6 Method of Data Analysis**

The data analyses were used both qualitative and quantitative (mixed) data analysis method. Qualitative approach of the study; the data was organized through text and multimedia materials (audio and video recording). qualitative data seek to identify and describe patterns and themes, during the data analysis the data was organized definitely, review, and continually coded. In analysis, the qualitative data of the research was the following the steps. Step one First raw data was prepared as notes, tape records, video recording and document reviewer. Second, was organize all collected materials in a compatible way; this helped me searching ease for particular items of data. Step two: was familiar with the data by reading and re-reading text data through, listening at audio recording interview data. In addition, the focus group discussions watching the recorded video: This was helped the researcher to immerse in the details of what was said, what was done, and what was portrayed through the data. Analysis the text and tape-recorded of interview and the text and video recorded of focus group discussions was prepared for data interpretation.

Step three: Interpreting the data Based on the above-mentioned steps the study was carried out the following key activities. Coding the raw data based on the sources

using some former prepared for this purpose: was categorized these codes by identifying ways in which the order was grouped in two categories: then, from identified themes and relationships among the codes and categorical this helped the researcher to make a link from the data was collected; finally, concepts were developed and arrived at some generalized conclusions based on the relationships, patterns and themes this was identified in the data.

Step four: writing the research report in reporting the research result the research was identified the key parts of the data/analysis and prioritizing certain parts over others to show key features in the data rather than showing every detailed in the report of the results of the study.

### **Quantitative approach**

The analysis of the data was employed in percentage to see the variability to its effect. In addition, the researcher was employing Gulele sub-city education office BSC documents of 2003-2007 to assess item that has practical challenge. The analysis has been handled in a way that each elements issue included in the study is addressed. The statistical description of the response was presented in relation to the question raised. Both qualitative and quantitative descriptions were applied. To this end SPSS was the basic tool used to obtain, tables and percentages.

The statistical package for social science (SPSS) makes the data more reliable and acceptable research. In addition, the accuracy of the data analysis was clarified by organizing the respondents' percentages in returning the questionnaire above 86.8 percent of the total sample considered (Kothari, 2004) The second phase quantitative approach the data was organized the questionnaire by arranging the measures into frequency distribution and presenting them in table form. The questionnaire was analyzed and presented using SPSS application and described by percentage.

### **3.4.6.1 Pilot Test**

#### **A/ Pilot Test for Validity of Data**

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 sub-city in one of the sample woredas in Gulele sub city 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.

#### **B/Pilot Test for Reliability of Questionnaires**

Reliability of the items had been checked before the distribution of questionnaires and was analyzed by using Cronbach,s alpha test. Then the computed result of questionnaire items was found to be 0.631. Therefore, the pilot test result revealed that the calculated value aimed to test the reliability of the instrument was found to be relevant to measure what was intended to measure, because reliability calculated value above 0.60 is considered to be reliable instrument.

Relatively speaking the more reliable a test is the more valid the data. The researcher must have some way of demonstrating that their findings were true otherwise, no good grounds for anyone to believe it.

Usually, the bases for judging the quality of research have been validity this refers to the appropriateness of the data in terms of the research being investigated; reliability this refers to whether a research instrument is natural in its effect and constraint across multiple occasions of its use (Den Scombe, 2007). So, for increasing creditability of the researching the following instruments were used:

1. **Triangulation:** the data was collected from different sources using different instruments such as interview, focus group discussion, documentation and open ended questionnaire for cross checking the result.
2. **Grounded data:** qualitative research tends to build on a detailed security of the text or visual images involve. This was provided a solid foundation for the conclusion based on the data and was adding to the credibility of the research.
3. **Used detail description.** When interpretation of the data was obtained, Narrate and describe what I understood
4. The questionnaire part in data processing and analysis was made using SPSS that helped to increase the creditability and reliability of the study.

#### **3.4.6.2. Ethical Considerations**

The importance of ethical consideration has been unquestionable (Creswell, 1980). Consequently, for the purpose of this research the following was employed:

The research questions were expressed verbally so that is clearing understood by the participant and the purpose of the researching was described to the participants before taking any information from them.

Before beginning of data collection the participants were told that, they can leave whenever they feel like and if they were not willing to continue the rights of participates, interests and wishes were considered after informing those I was proceeded collecting data.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION DATA**

This chapter emphasized on the analysis and interpretation of the findings, which attempt to answer research questions outlined in the first chapter. As stated in the previous chapter, the purpose of the study was to assess the implementation of balanced scorecard in Gulele sub-city education offices. Data have been collected in three ways: self-administered questionnaire for employers, interview of key respondents (head officers) and conducted focus group discussion with core processes owners of the sub-city education offices. In total, six participants participated in the focus group discussion, and reviewing of secondary sources (reports and plans) in the sub-city and Woreda. In order to answer the research questions, ten variables were taken to design the questionnaire and analyze the response. These variables are among the major success factors for effective implementation of the balanced scorecard system. Accordingly, frequencies, percentages and measures of central tendency (the mean score technique) were employed to investigate the variations within the questionnaire items. For each variable, the researcher has managed to design average five questions which supposed to be better representing the variables. After inserting the raw Likert scale data to SPSS the responses were analyzed and summarized by taking percentage and the mean score obtained under each question to arrive the stated variables.

The conceptual framework developed by the researcher based on the literature review and logically constructed questionnaire. The interpretation data results are presented in tables to show frequency counts, mean score and percentage for each question and followed by narrative explanations.

#### **4.1. Characteristics of respondents**

The sub-city education office and woreda employees from all categories of sex, educational qualification and years of experience were participated in filling out the questionnaire. This was made in order to increase the comprehensiveness and reliability of the data, out of 114 questionnaires distributed to the education employers form sub

city, 26(96%) percent properly completed and from woredas 73(84%) copies were returned and used for the analysis. This shows that both sub-cities and woredas had higher participations.

As indicated in chapter four table 2, 33(28.4%) of the total respondents were females working in the sub-city and Woreda education offices. The percentage of male respondents constitutes the largest part 83(71.6%) in fact; the number of female and male respondents is proportionally, given the total number of male and female employees in the sub-city and Woreda education offices. The other point was respondent experience, 3(2.6%) Respondent in between 1- 5 years experience which shows those are young expertise, 76(65.5%) respondent in between 6-10 year experience those are young enough age expertise, 22(19%) respondent inbetween11-20years experience those are middle aged expertise and above 20 years experienced 15(12.9%) respondent between 41-49 age. From these one can deduct that more than 80 % of respondents are worked in their job for more than 5 years. The respondents are well-experienced and it's believed to reflect on BSC framework in addition professionally. Table 2 in chapter four indicated that number of respondents 108(93.1%) were first-degree holder where as 8 (6.9%) respondents were second degree holders this indicates most of our respondents were first-degree holders. In general all of the participants in the survey are literate people who have already achieved different levels of education. The respondents are well-educated who are believed to be responsible to know about and practice issues related to BSC.

Finally the respondents were asked to indicate their hierarchical position in the organization. Table 2.tell that 14.7 % of the respondents are from the management and the remaining 85.3% are non-managements of the education offices.

**Table 4.1.1: Respondents by Sex, Work Experience and Academic Qualification**

No	Item	Respondents of the offices in Position			
		Management		Non management	
		N	%	N	%
1	<b>Sex</b>				
	Male	15	13%	68	58.6
	Female	2	1.7%	31	26.7
2	<b>Years of Experience</b>				
	<b>1-5</b>	0	0	3	2.6%
	<b>6-10</b>	7	6%	69	59.5%
	<b>11-20</b>	4	3.5%	18	15.5%
	<b>above 20 years</b>	6	5.2%	9	7.7%
3	<b>Academic Qualification</b>				
	<b>Diploma</b>	0	0	0	0
	<b>First degree</b>	14	12.1%	94	81%
	<b>Masters</b>	3	2.6%	5	4.3%

*Source: Survey Data*

As indicated in table 4.1.1 above, 33(28.4%) of the total respondents are females working in the sub-city and Woreda education offices. The percentage of male respondents constitutes the largest part 83(71.6%) in fact; the number of female and male respondents is proportionally, given the total number of male and female employees in the sub-city and Woreda education offices.

Table 2 indicates that 3(2.6%) Respondent in between 1- 5 years experience which shows those are young expertise, 76(65.5%) respondent in between 6-10 year experience those are young enough age expertise, 22(19%) respondent inbetween 11-20years experience those are middle aged expertise and above 20 years experienced 15(12.9%) respondent between 41-49 age. From this one can deduct that more than 80 % of respondents were worked in their job for more than 5 years. The respondents are well-experienced and it's believed to reflect on BSC framework in addition professionally.

Table 4.1.1 indicates that no respondents were diploma holders and 108(93.1%) respondents were first-degree holder where as 8 (6.9%) respondents were second degree holders this indicates most of our respondents were first-degree holders. In general all of

the participants in the survey are literate people who have already achieved different levels of education. The respondents are well-educated who are believed to be responsible to know about and practice issues related to BSC.

Finally the respondents were asked to indicate their hierarchical position in the organization. Table 2.tell that 14.7 % of the respondents are from the management and the remaining 85.3% are non-managements of the education offices.

#### 4.2. Implementation of balanced scorecard

The office readiness to design and implement balanced scorecard (BSC) can be seen in terms of strategic plan preparation, leadership commitment, and employees' supportiveness. Hence, the respondents were asked to respond on education office readiness to design and implementation of BSC.

The items in table 4.2.1 below were specifically designed to examine the degree of readiness of Gulele sub-city and woreda education offices to BSC. The result showed that the 27.3% respondents rated very high and 38.4% of respondents regarding strategic plan preparation rated as high totally 65.7%of respondents said high. This implies that there has been a chance to work on BSC study since the BSC was started with the preparation of strategic plan.

**Table 4.2.1: Rating on BSC Readiness Factors by employers**

I N O	ITEM	VH		H		MO		L		VL		mea n	Std. devi atio n
		N	%	N	%	N	%	N	%	N	%		
1	Well prepared strategic plan	27	27.3	38	38.4	26	26.3	4	4	4	4	1.42	0.640
2	Leadership commitment for BSC	22	22.2	33	33.3	34	34.3	5	5.1	5	5.1	1.55	0.674
3	Balanced scorecard (BSC)training offered to you	7	7.1	10	10.1	43	43.3	31	31.3	8	8.1	2.23	0.726

**VH = Very High, H = High, Mo = Moderate, L = Low, VL = Very Low  $\alpha=0.63$**

No initiative in an organization, regardless of its potential, has any chance of success without a sponsor in top management (Niven, 2005). The same applies with balanced scorecard Niven (2005) stresses the importance of top management for the success of the balanced scorecard initiative. He argues that if top management does not support the BSC initiative, and more importantly, does not appreciate its role in solving real life problems, the BSC will show average results and will probably fail. As shown above in table 4.2.1 Manager's readiness for leadership commitment was rated high by 65.7% of the respondents. This data shows that the management of education offices was good at leadership commitment where as employee supportiveness rated as low. Moreover, the responses of interview and group discussion showed that there was low acceptance at the beginning period of BSC process. Therefore, the education offices readiness were good, however, the supportiveness of employees require attention. Before the education offices begins the work of the design phase, it must arrange the groundwork for design and the implementation of BSC; this may include training, assessment of external and internal organizational environment, and a carefully designed BSC plan to guide the work of the BSC teams, and then the design process will be started. As indicated in the literature review, out of the nine steps of the BSC steps, six of them are in the design phase, the steps also include the preparation period. As it can be seen in above table 4.2.1, about 42.4% of the respondents responded that the training offered was on moderate and 40.4% rated it as Low, while the remaining 17.2% of the respondents rated it as high. In addition, focus group discussion and one of the interviewees said that the training given to the education offices employees was not adequate, it is like an introduction, even the number of days given to the training was limited, and it was not enough to understand the basic concepts of BSC. The training was given on hierarchical level. From the head officer up to individual employees was not adequate. In Table 4.2.1: The office readiness to design and implement balanced scorecard (BSC) can be seen by respondents ( n = 99 ); Well prepared strategic plan ( X = 1.42 , SD = 0.64), Leadership commitment ( X = 1.55 , SD = 0.674), Employee supportiveness for change ( X= 1.72, SD = 0.796), Effort of allocating resources to BSC program(X = 1.90 , SD = 0.802), Balanced scorecard (BSC)training offered to you(X = 2.23 , SD = 0.726) These office readiness to design and

implement balanced scorecard (BSC) were scored on a likert – type scale tool . Since the calculated value of t (Item 1, 2, 3) is less than the critical value (1.764) except in item 3 and 4. I accepted the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

**Table 4.2.2: Balanced Scorecard (BSC) Plan phase**

I.NO	ITEM	SA		A		UD		DA		SD		mean	Std. deviat
		N	%	N	%	N	%	N	%	N	%		
1	Education office was planned for BSC	40	40.4	51	51.5	6	6.1	1	1	1	1	1.10	0.364
2	Necessary resources were allocated for BSC design and implementation	14	14.1	55	55.6	15	15.2	8	8.1	3	3	1.41	0.685
3	BSC committee was established	15	15.2	47	47.5	11	11.1	22	22.2	4	4	1.64	0.874

SA = Strongly Agree A= Agree UD = Undecided DA = Disagree SD = Strongly Disagree  
 $\alpha=0.63$

In the assessments of Gulele sub-city and ten woreda education office’s preparedness for BSC (in table 4.2.1), 91.9% of the respondents agreed and strongly agreed that the BSC plan was prepared. Majority of the respondents did not have different opinion; therefore office plan preparation was very good according the respondents.

As indicated in table 4.2.2 above the resource allocation for BSC, 69.7.6% of respondents was agreed and 19.2% respondents undecided. In addition focus group discussion and interviewed respondent were agreed that there is a resource to design and implement. In this part, the data was collected through interview, focus group discussion, document analysis and questionnaire analysis and interpretations were made. Accordingly, analysis

and discussion of the findings presented as follows. To implement balanced scorecard successfully, several conditions have to full fill such as planning and setting target, linking with resources and management process to balanced scorecard, automation, and conducting develop balanced scorecard at each level of organization.

The respondents were asked about BSC committee establishment, 62.6% of the respondents confirmed that the BSC design was began with committee establishment. Concerning the BSC Committee, Generally the respondents 'opinion in table 4.2.2 and the result of interview and focus group discussions revealed that except the allocation of resources, majority of the respondents agreed that the offices prepared.

In Table 4.2.2: Issues Related with Balanced Scorecard (BSC) Plan can be seen by respondents (n = 99 ); Education office was planned for BSC (  $X = 1.10$  ,  $SD = 0.364$ ), Necessary resources were allocated for BSC design and implementation (  $X = 1.41$  ,  $SD = 0.685$ ), BSC committee was established (  $X = 1.64$ ,  $SD = 0.874$ ),These the assessment of Gulele sub-city and ten woreda education office's preparedness for BSC were scored on a Likert – type scale tool . In case of the items in Table 4.2.2, the decision was: accepted the null hypothesis. Since the calculated value of t (Item, 2, 3) is greater than the critical value (1.383) except in item 1. I accepted the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

**Table 4.2.3: Performance of Education Offices on Strategic Plan Preparation**

I.NO	ITEM	SA		A		UD		DA		SD		mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	Strategic plan was prepared by head office	24	24.2	49	49.5	17	17.2	6	6.1	3	3	1.35	0.644
2	Relevant document and information were adequately analyzed	10	10.1	44	44.4	16	16.2	23	23.2	6	6.1	1.75	0.885
3	Employees adequately discussed on draft Strategic plan	12	12.1	47	47.5	16	16.2	20	20.2	4	4	1.65	0.849

*Source: Survey Data*

SA = Strongly Agree A= Agree UD = Undecided DA = Disagree SD = Strongly Disagree  
 $\alpha=0.63$

The additional significant thing in the plan phase of BSC is the preparation of strategic plan. Strategic plan preparation starts with the data gathering from different resources, such as an interview with head offices, review of documents and research papers; and it also includes meetings and other communication among the organization's leaders. As shown in table 4.2.3 above, 73.7% of respondents confirmed that the strategic plan was prepared by top level management (process council) and 17.2% undecided. Respondents were further asked about the analysis of relevant document and the adequacy of employee discussion on strategic plan. Majority of the respondents (expertise) 54.5% of agreed as indicated in table4.2.3 above, which indicated that relevant documents and information were analyzed adequately for strategic plan preparation; where as 29.3% of the respondents were disagreed. As the result of respondents, majority of respondents agreed on the issue this indicated that the strategic plan was prepared using relevant information and document analysis. Concerning the

adequacy of employee discussion on strategic plan, as shown in table 4.2.3 above 59.6% agreed and 24.2% disagreed. Moreover, most of the time, the strategic plan was prepared by top level management (process council); as result the participation of employee in preparation process was limited. Generally, the opinion of respondents indicated that the strategic plan was prepared with the involvement of all respective body of the education offices.

In table 4.2.3: Performance of Education Offices on Strategic Plan Preparation can be seen by respondents ( n = 99 ); Strategic plan was prepared by head office ( X = 1.35 , SD = 0.644), Relevant document and information were adequately analyzed ( X = 1.75 , SD = 0.885), Employees adequately discussed on draft Strategic plan ( X= 1.65, SD = 0.849), These Performance of Education Offices on Strategic Plan Preparation were scored on a likert – type scale tool .The researcher used the one sample t- test to compare the mean of the group with in case of the items in Table 4.2.3 accepted the null hypothesis. Since the calculated value of t (Item, 2and 3) is greater than the critical value (1.58) except in item 1. I accepted the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

**Table 4.2.4: The Strategic Theme Identification in the Education Offices**

I.NO	Items	SA		A		UD		DA		SD		mean	Std. deviat
		N	%	N	%	N	%	N	%	N	%		
1	The idea addressed the customer service	13	13.1	60	60.6	16	16.2	8	8.1	2	2	1.36	0.662
2	Idea result helped to achieve the office's mission and vision	23	23.2	49	49.5	19	19.2	5	5.1	3	3	1.35	0.628

**Source:-Research Data**

SA = Strongly Agree A= Agree UD = Undecided DA = Disagree SD = Strongly Disagree  
 $\alpha=0$ .

In item 1 of table 4.2.4, respondents were asked about whether the themes are focused on the main area of the education offices. The thematic area of the education offices expected to address the customer service of the offices. Majority of respondents, that is, 73.7% of agreed that the themes of the education offices focused the main service area of the offices, while the remaining 16.2% did not decide in their response. With respect to the linkage of themes, 73.7% of respondents agreed that the themes of the education offices linked with the activities of the offices. **In connection** with this, Majority of the respondents, 72.7%, agree and 19.2% undecided with the issue Regarding the result of themes helped the offices to achieve its mission and vision, as shown in it table 4.2.4,above by 72.7% of respondents confirmed that the result of themes helped the offices to achieve its mission and vision. In general, table 4.2.4 revealed that those selected themes addressed customer service of the education offices, and it linked with process activities. This may help the offices to achieve its mission and vision In table 6: The Strategic Theme Identification in the Education Offices can be seen by respondents (n = 99); The idea addressed the customer service (X = 1.36, SD = 0.66), Idea result helped to achieve the office's mission and vision (X = 1.35, SD = 0.628), These Strategic Theme Identification in the Education Offices were scored on a likert – type scale tool. **The researcher** used the one sample t- test to compare the mean of the group with in case of the items in Table 4.2.4 accepted the null hypothesis. Since the calculated value of t (Item, 1 and 2) is equal and greater than the critical value respectively (1.36). I accepted the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondentsinresponding.

**Table4.2.5: The Preparation of Strategic Perspective in Education Offices**

I.NO	ITEM	SA		A		UD		DA		SD		mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	The Four perspectives are sufficient to measure the corporate performance of the office	17	17.2	60	60.6	15	15.2	4	4	3	3	1.29	0.593
2	There was relationship among the four perspective	11	11.1	63	63.6	18	18.2	5	5.1	2	2	1.35	0.628

Source:-Research Data SA = Strongly Agree A=Agree UD = Undecided DA = Disagree SD=Strongly Disagree=0.63

The aim of perspective with a Balanced Scorecard is to examine the strategy, making it clearer through the lens of different viewpoints. From Gulele sub-city education offices BSC document, the researcher observed that four perspectives (Financial, Customer, Internal Business Process, and Learning and Growth) were selected to the offices. Accordingly, as shown in item 1 table 4.2.5, majority of respondents, 77.8%, showed that there was agreement and 15.2% undecided on those selected perspectives. This indicated that the four perspectives were enough to Gulele sub-city and ten woredas education offices. As indicated in table 4.2.5, above majority of respondent 74.7% of Support Process confirmed that there was a relationship among the four perspectives and the 19.2% respondents undecided. In addition, the strategic map of the education office’s in BSC document confirmed this point. Concerning the relationship of perspectives, the result showed that there was relationship among the four perspectives. In table 4.2.5: The Preparation of Strategic Perspective in Education Offices can be seen by respondents (n = 99 ); The Four perspectives are sufficient to measure the corporate performance of the office ( X = 1.29 , SD = 0.593), There was relationship among the four perspective ( X = 1.35 , SD = 0.628),These The Preparation of Strategic Perspective in Education Offices were scored on a likert – type scale tool . The researcher used the one sample t- test to compare the mean of the group with in case of the items in Table 4.2.5 accepted the null hypothesis. Since the calculated value of t (Item, 1and 2) is less than the critical value (1.32) except in item 1. I accepted the null hypothesis and

accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

#### 4.2.6: The Preparation of Strategic Objectives

For the success of the education offices, objectives should be customer focused. Therefore, respondents were asked whether the designed objectives are customer focused, the majority of respondent, 84.8%, responded that the objectives were customer focused as indicated in table 4.2.6.below.

Table 4.2.6: The Preparation of Strategic Objectives

I.NO	ITEM	SA		A		UD		DA		SD		Mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	The objectives are customer focused	18	18.2	66	66.7	9	9.1	4	4	2	2	1.21	0.540
2	The objectives were designed in relation to the four perspective	17	17.2	65	65.7	12	12.1	4	4	1	1	1.22	0.526
3	The relationship of objectives under each perspectives (Strategy Maps) provide clarity and serve as powerful communication tools	16	16.2	64	64.6	7	7.1	10	10.1	2	2	1.31	0.680

**Source:-Research Data**

**SA = Strongly Agree A= Agree UD = Undecided DA = Disagree SD = Strongly Disagree**  
 **$\alpha=0.63$**

Concerning the relationship between the designed objectives and the four perspectives (Financial, Customer, Internal Business Process and Learning and Growth) 82.8% of the respondents confirmed that the objectives were designed in relation to the four perspectives as indicated in table 4.2.6 above.

After designing the objectives of the education offices, the strategic map will be followed. The strategic map helped to see the relationships of objectives under each perspective. In relation to this point, the researcher observed that there is a well-designed strategic map on the BSC documents of the offices. Besides, the researcher also asked the respondents with respect to strategic map, how the strategic map helped the education offices as a communication tool and its clarity to understand the overall relationship with objectives. 80.8% of respondents agreed that the strategic map was clear and it served as a powerful communication tool. The remaining 12.1% were disagreed as indicated in table 4.2.6 above. This shows that the strategic map is used as a communication tool, which helped to understand the overall relationship among objectives of the offices.

In table 4.2.6: The Preparation of Strategic Objectives can be seen by respondents (n = 99 ); The objectives are customer focused ( X = 1.21 , SD = 0.54), The objectives were designed in relation to the four perspective ( X = 1.22 , SD = 0.526), The relationship of objectives under each perspectives (Strategy Maps) provide clarity and serve as powerful communication tools ( X= 1.31, SD = 0.68), These The Preparation of Strategic Objectives were scored on a likert – type scale tool .The researcher used the one sample t- test to compare the mean of the group with in case of the items in Table 8 accepted the null hypothesis. Since the calculated value of t (Item, 1and 2) is less than the critical value (1.246) except in item 3.I accepted the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

#### **4.2.7: Rating on Performance Measure**

Performance measures are metrics used to provide analytical basis for decision making and to focus attention on what matters most. They answer the question;-How is the organization doing at the job of meeting its strategic objectives? In addition, the performance measure is used to identify the gap between the actual performances with targeted result. Accordingly, the respondents were asked how much the performance measures were used to evaluate performance and how it helped the education offices to achieve the designed objectives. 78.8% respondents (expertise) agreed that the

performance measures helped them to see the actual performance against the expected result and 14.1% not decided as indicated in table 4.2.7 below. Moreover, the quarter and annual report of the offices showed that the office measured its performance against the expected result. In addition, information obtained from interview and focus group discussion showed that overall achievement of the education offices reported to the respective government bodies using BSC report format.

**Table 4.2.7: Rating on Performance Measure**

I.NO	ITEM	SA		A		UD		DA		SD		mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	Performance measures of the office determine the achievement of the objectives	17	17.2	62	62.6	13	13.1	5	5.1	2	2	1.28	0.590
2	Performance measures is used to evaluate performance against expected results	18	18.2	47	47.5	23	23.2	8	8.1	3	3	1.46	0.690

**Source:-Research Data**

**SA = Strongly Agree A= Agree UD = Undecided DA = Disagree SD = Strongly Disagree**  
 **$\alpha=0.63$**

In table 4.2.7: Rating on Performance Measure can be seen by respondents (n = 99); Performance measures of the office determine the achievement of the objectives ( X = 1.28 , SD = 0.59), Performance measures is used to evaluate performance against expected results ( X = 1.46 , SD = 0.69),These Rating on Performance Measure can be seen by respondents were scored on a likert – type scale tool . These Rating on Performance Measure were scored on a likert – type scale tool .The researcher used the one sample t- test to compare the mean of the group with in case of the items in Table 4.2.7 accepted the null hypothesis. Since the calculated value of t (Item, 1 is less than the

critical value and item 2 is greater) than the critical value (1.37). I accepted the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

#### 4.3 The Implementation Phase of BSC in Gulele sub-city Education Offices

Table 4.3.1: Reviewing and Evaluating Cascaded BSC

I.NO	ITEM	VH		H		MO		L		VL		mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	Alignment to Corporate Scorecards	10	10.1	45	45.5	34	34.3	8	8.1	2	2	1.55	0.674
2	Alignment to Strategy	7	7.1	48	48.5	37	37.4	6	6.1	1	1	1.52	0.629
3	Appropriateness of Objectives & Measures.	10	10.1	34	34.3	45	45.5	8	8.1	2	2	1.66	0.657
4	The clarity and simplicity of activities stated under each	6	6.1	26	26.3	50	50.5	14	14.1	3	3	1.85	0.691
5	The discussion conducted with education office employees on implementation	7	7.1	33	33.3	39	39.4	16	16.2	4	4	1.80	0.756

*Source:-Research Data*

VH = Very High, H = High, Mo = Moderate, L = Low, VL = Very Low  $\alpha=0.63$

Balanced Scorecard is primarily an instrument of change, it is critical to craft a communication strategy and plan. Objectives of the plan may include: building awareness, providing education on key concepts, generating engagement and commitment, encouraging participation, generating interest and providing results to interested parties (Paul R. Niven, 2002).

Cascading process is developing Balanced Scorecards at each level of the organization. These Scorecards align with organization's highest-level Scorecard (Corporate Scorecard) by identifying the strategic objectives and measures that lower-level departments, and groups will use to track their progress in contributing to overall goals (Paul R. Niven, 2002). Accordingly, Gulele sub-city education offices had cascaded the Corporate Scorecard to group and individual level.

As indicated in table 4.3.1 above the respondents were asked to evaluate the cascading process of the offices, 55.6% of respondents replied that the alignment of cascaded scorecard with corporate scorecard was high, whereas 34.3% of the respondents rated as moderate. This clearly indicated that the corporate scorecard aligned with the cascaded scorecard. With regard to the alignment of the cascaded BSC to strategy, 55.6% expertise responded that the alignment was high, where as the total of 37.4% rated as Moderate. This shows that there was alignment between cascaded BSC and strategy as indicated in table 4.3.1 above.

In order to check the appropriateness of objectives and measures, the respondents were asked to point out their view on this issue. The data in table 4.3.1 above showed that 44.4% of respondents rated as high, whereas 45.5% of the respondents rated as moderate. From data obtained from the interview showed that some processes had team based activities, those activities evaluated at team level, because of this it was challenging to cascade objectives and measures. On the other hand the nature and behavior measures were also difficult for the cascading process. Therefore, the offices should give attention for cascading process, especially, in group objectives and individual measures.

About the simplicity and clarity of activities, 32.3% of Officers rated as high, whereas 50.5% respondents rated as moderate, and 17.2% of respondents rated as low.

This result indicated that activities stated under each objective were somehow simple and clear as indicated in table 4.3.1 above.

In addition, the respondents were asked to assess the discussion conducted with employers' in the education offices on BSC implementation. As indicated in table 4.3.1 by 40.4%, of respondents said that the adequacy of the discussion was high and 39.4% said moderate whereas 16.2% rated low. From the open ended question of the questionnaire, respondents stated that the discussion during implementation was not that much satisfactory.

In table 4.3.1: Reviewing and Evaluating Cascaded BSC can be seen by respondents (n = 99); Alignment to Corporate Scorecards (X = 1.55, SD = 0.674), Alignment to Strategy (X = 1.52, SD = 0.629), Appropriateness of Objectives & Measures (X= 1.66, SD = 0.657), The clarity and simplicity of activities stated under each objectives (X= 1.85, SD = 0.691), The discussion conducted with education office employees on implementation of BSC? (X= 1.80, SD = 0.756) These Reviewing and Evaluating Cascaded BSC were scored on a likert – type scale tool .The researcher used the one sample t- test to compare the mean of the group with in case of the items in Table 4.3.1 accepted the null hypothesis. Since the calculated value of t (Item, 1, 2, and 3) are less than the critical value (1.676) and (item 4 and 5) are greater than the critical value (1.676).I accepted the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding

**Table 4.3.2: Rating on BSC implementation level**

I.N O	ITEM	VH		H		MO		L		VL		Mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	Implementing at Corporate level	10	10.1	31	31.3	51	51.5	7	7.1	0	0	1.66	0.609
2	Implementing at core process level	7	7.1	40	40.4	48	48.5	4	4	0	0	1.57	0.574
3	Implementing at individual Level	8	8.1	25	25.3	41	41.4	21	21.2	4	4	1.92	0.765

**VH = Very High, H = High, Mo = Moderate, L = Low, VL = Very Low  $\alpha=0.63$**

BSC is a way of measuring organization, success and the performance of individuals (Niven, 2002). In order to see the implementation level of the Gulele sub-city education offices, the researcher asked the respondents to assess the current level of BSC implementation in the offices. As indicated in table 4.3.2 above, Majority of the respondents 41.4 % of respondent rated the level of implementation at Corporate was high while 51.5% were moderate. Regarding the level of implementation at core process level, 47.5% of respondents rated as high, while 48.5% rated moderate as indicated in table 4.3.2 above.

Concerning the implementation of BSC at individual level, respondents rated as 33.3% high and 41.4% were moderate while 25.3% were low. Responses from open ended questions focus group discussion and interview revealed that the level of implementation at individual level was not like as corporate or core- process level rather It was at early stage. In general, table 4.3.2 shows that BSC was fully implemented at corporate level and at core-process level, however, at the individual level some respondents was not satisfied with implementation. Therefore, the implementation of BSC at individual needs attention

Table 4.3.2: Rating on BSC implementation level can be seen by respondents (n = 99); Implementing at Corporate level ( $X = 1.66$  ,  $SD = 0.609$ ), Implementing at core process level (  $X = 1.57$  ,  $SD = 0.574$ ), Implementing at individual Level (  $X= 1.92$ ,  $SD = 0.765$ ), These Rating on BSC implementation level were scored on a likert – type scale tool . The researcher used the one sample t- test to compare the mean of the group with in case of the items in Table 4.3.2 accepted the null hypothesis. Since the calculated value of t (Item, 1 and 2) are less than the critical value (1.716) and item3 is greater than the critical value (1.716). I accept the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

### 4.3.3: Rating on BSC Implementation Problems at Individual level of Gulele sub-city education offices

The implementation of BSC at individual level is in a weak position by various problems; some of them are communication problem, design problem, lack of commitment among leadership, problems, lack of adequate knowledge on BSC, internal resistance to change etc. In light of this, attempt was made by the researcher to assess the major problems encountered in BSC implementation at individual level. The respondents of the offices were asked to rate the major problems faced in the offices to implement BSC at the individual level. As indicated in of table 4.3.3 below: majority of respondents 39.4% said serious ,38.4% of expertise replied that the Communication problem was somewhat serious, where as 18.2% of them replied as the problem was observed but not serious. In addition the interview and focus group discussion result indicated that there was communication problem was somewhat serious.

**Table 4.3.3: Rating on BSC Implementation Problems at Individual level of Gulele sub-city education offices**

LNO	ITEM	VS		S		SWS		ONS		NO		mean	Std.d evitati
		N	%	N	%	N	%	N	%	N	%		
1	Problem in	13	13.1	26	26.3	38	38.4	18	18.2	4	4	1.87	0.853
2	Inappropriate design	14	14.1	18	18.2	49	49.5	10	10.1	8	8.1	1.94	0.867
3	Lack of commitment among leaders	19	19.2	27	27.3	35	35.4	14	14.1	4	4	1.76	0.846
4	Information technology problem	31	31.3	21	21.2	31	31.3	6	6.1	5	5.1	1.73	0.946
5	Internal resistance to	8	8.1	28	28.3	43	43.4	16	16.2	4	4	1.88	0.824
6	Lack of adequate knowledge on BSC	<b>30</b>	<b>30.3</b>	<b>16</b>	<b>16.2</b>	<b>37</b>	<b>37.4</b>	<b>12</b>	<b>12.1</b>	<b>4</b>	<b>4</b>	1.74	0.828

*Source:-Research Data*

*VS=Very serious, S= Serious, SWS = somewhat serious, ONS =Observed but not serious NO = Not observed  $\alpha=0.63$*

The problem faced due to inappropriate design, 32.3% of expertise was rated as serious and very serious, and 49.5% of the respondents said that the problem was somewhat serious as indicated in table 4.3.3 above.

Lack of commitment among leaders can also be one of the constraints to implement BSC at individual level. As shown in tables 4.3.3 above, by 46.5% of expertise indicated that the problem was serious and very serious, 35.4% respondents was rated as somewhat serious 14.1% of the respondents replied that there was observed but not serious problem in leadership commitment; additional information from interview and focus group discussion indicated that there were somewhat serious problem of commitment among leaders.

One of the problems in evaluating the individual performance was information technology problem. The researcher tried to see this aspect of the problem, in this regard, 52.5% of expertise replied that there was serious problem, and 31.3% respondents replied that there was somewhat serious; this is due to automation problem at core process and individual level as indicated in table 4.3.3 above.

Employee supportiveness for change is important for smooth implementation of BSC; contrary to this employee resistance to change is obstacle for successful implementation. The researcher asked the respondents to rate this problem, Majority of the respondents, that is, 36.4% of respondents indicated that the problem was serious and very serious, and 43.4% rated as somewhat serious; whereas the remaining 16.2% said that the problem was observed but not serious as indicated in table 4.3.3 above

The other problem in the implementation of BSC was lack of adequate knowledge on BSC. With regarding to this, 46.5% of respondents said that the problem was serious and very serious. On the other hand, 37.4% of expertise replied as the problem was somewhat serious, the remaining 12.1% said that the problem was observed but not serious as indicated in table 4.3.3 above. Generally, all the problems existed in the

education offices, inability to evaluate performance using information technology (inability to start automation), resistance to change and lack of adequate knowledge on BSC were the major problems in the implementation of BSC at individual level.

In table 4.3.3: Rating on BSC Implementation Problems at Individual level of Gulele sub-city education offices can be seen by respondents ( n = 99 ); Problem in communication ( X = 1.87 , SD = 0.853), Inappropriate design ( X = 1.94 , SD = 0.867), Lack of commitment among leaders ( X= 1.76, SD = 0.846), Information technology problem (X = 1.73 , SD = 0.946), Internal resistance to Change (X = 1.88 , SD = 0.824), Lack of adequate knowledge on BSC(X = 1.74 , SD = 0.828), These Rating on BSC Implementation Problems at Individual level of Gulele sub-city education offices were scored on a likert – type scale tool. We reject the null hypothesis and accept the alternative hypothesis. Therefore, there is a significant difference among respondents in responding

**Table 4.3.4: Rating on Participation of Different groups in BSC**

I.NO	ITEM	RESPONDENTS	VH		H		MO		L		VL	
			N	%	N	%	N	%	N	%	N	%
1	Participation in Design process	head of the offices	16	16.2	32	32.3	45	45.5	4	4	2	2
		core process	11	11.1	42	42.4	39	39.4	7	7.1	0	0
		sub-core process	8	8.1	33	33.3	47	47.5	10	10.1	1	1
		Employee	10	10.1	28	28.3	46	46.5	13	13.1	2	2
		Customer	4	4	13	13.1	37	37.4	16	16.2	29	29.3
2	Participation in Implementation Process	head of the offices	21	21.2	23	23.2	45	45.5	6	6.1	4	4
		core process	10	10.1	44	44.4	38	38.4	5	5.1	2	2
		sub-core process	9	9.1	43	43.4	33	33.3	10	10.1	4	4
		Employee	13	13.1	24	24.2	22	22.2	35	35.4	5	5.1
		Customer	4	4	19	19.2	20	20.2	31	31.3	25	25.3

**VH=Very High, H=High, Mo = Moderate, L = Low VL = Very Low  $\alpha = 0.63$**

As indicated in table 4.3.4, the head officers' involvement in the design process was rated as high and very high by 48.5% whereas 45.5% of respondents said moderate similarly the involvement of core Process also rated as high by 53.5%, whereas 39.4% of respondents said moderate. The response of sub-core process were 41.4% was high and very high, whereas 47.5% of respondents said moderate. With regard to employee involvement 38.4% of the respondents rated as high and very high in addition 46.5% of respondents rated as moderate and 13.1% respondents rated low, as indicated in table 4.3.4 the customer involvement 45.5% rated as low and very low. Concerning the participation in implementation process, the involvement of head officers were 44.4% high and 45.5% moderate, the response of core Process Heads rated that 54.5% high and very high whereas 38.4% rated moderate and employees rated as by 40.5%, low and very low 22.2% where moderate. The participation rate of customers was low and very low by 56.6% and moderate by 20.2%. This indicated that majority of the respondents have rated high with regards to the head officers and the core Process Heads involvement, where as the participation of employees and customer rated as moderate and low respectively.

**Table 4.3.5: Rating on the relevance of BSC to Gulele sub-city education offices**

The researcher had also required the opinions of the respondents on the relevance of BSC to the education offices. As it is shown in the table 4.3.5 below, Majority (65.7%) of the respondents responded that the BSC was highly relevant and 25.3% rated moderate to education offices. These shows that majority of the respondents agreed with BSC relevance.

**Table 4.3.5.BSC Relevance**

I.N O	ITEM	VH		H		MO		L		VL		I Don't know		Mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%	N	%		
1	BSC Relevance	23	23.2	42	42.4	25	25.3	7	7.1	1	1	1	1	1.44	0.688

*Source:-Research Data*

VH = Very High, H = High, Mo = Moderate, L = Low, VL = Very Low  $\alpha=0.63$

**Table 4.3.6: Frequency of Monitoring and Evaluation of BSC Implementation**

I.NO	ITEM	Every day		At the end of every week		At the end of every Month		At the end of every quarter of the year		There was no any mechanism		Mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	frequency of each core process monitors and evaluates balanced scorecard implementation	10	10.1	11	11.1	10	10.1	60	60.6	8	8.1	3.44	1.109

*Source:-Research Data*

Every day, at the end of every week, at the end of every Month, at the end of every quarter of the year, there was no any mechanism  $\alpha=0.63$

The experience of monitoring and evaluation of BSC implementation leads to identify the weakness and strength that overlay the way for better future performance. As displayed in table 4.3.6 above, 61.6 % of respondents that is majority of them, indicated that monitoring and evaluation of the education offices were conducted at the end of every quarter of the year while by 11.1% of respondent rated at the end every week,. Additional information from the respondents of interview and focus group discussion

indicated that the monitoring and evaluation frequency was at the end of every quarter of the year.

#### **4.3.7: Employees Attitude towards the Introduction of BSC**

As indicated in table 4.3.7 below, the attitude of employees towards BSC, 51.5% of respondents replied that they accepted it, but they had complaints, while 41.4% of the respondents accepted BSC, but they did not have complaints,. From this data, it can be observed that even if the majority of employee accepted BSC, they still have complaints on BSC.

**Table 4.3.7: Employees Attitude towards the Introduction of BSC**

<b>I.NO</b>			<b>%</b>	<i>mean</i>	<i>Std .deviation</i>
<b>1</b>	I am accepting it, but I have complaints	<b>51</b>	<b>51.5</b>	1.61	0.767
<b>2</b>	I accepted it, I don't have any complaint	<b>41</b>	<b>41.4</b>		
<b>3</b>	I never ever Accepted BSC	<b>2</b>	<b>2</b>		
<b>4</b>	I initially accepted, but I am now complaining	<b>5</b>	<b>5.1</b>		
<b>5</b>	Other (Please specify	<b>0</b>	<b>0</b>		

*Source:-Research Data*

#### **4.4 Major Success of BSC in Gulele sub-city education offices**

The offices implementation of balanced scorecard (BSC) can be seen in terms of linking daily activity with vision, achievement of objectives, encourages learning and improvement and also equipped employee with accountability. Hence, the respondents were asked to indicate their agreement using a 5-point scale, with SA being strongly agreed, A being, agreed and UD being, undecided ,D being disagreed and SD being strongly disagree on the success of education offices in using BSC. They were also invited to assess the success on, which listed below in tables 4.4.1. As indicated in table

4.4.1below, by 69.7 % of the respondents agreed that the offices were successful in the linking of vision with employees’ daily activities while 21.2% respondents were undecided.

**Table 4.4.1: Rating on the Success of balanced scorecard (BSC) implementation of Gulele sub-city education offices**

I.NO	ITEM	SA		A		UD		DA		SD		Mean	Std.dev ation
		N	%	N	%	N	%	N	%	N	%		
1	BSC linked the vision with daily activities	12	12.1	57	57.6	21	21.2	3	3	6	6.1	1.39	0.652
2	BSC helped the processes to achieve their objectives	18	18.2	61	61.6	11	11.1	5	5.1	4	4	1.29	0.627
3	BSC equipped employee with greater accountability	8	8.1	63	63.6	18	18.2	8	8.1	2	2	1.38	0.666
4	BSC encourages learning and continuous improvement	16	16.2	66	66.7	11	11.1	4	4	2	2	1.23	0.550
5	The education office has been more profitable since the adoption of the BSC	10	10.1	49	49.5	25	25.3	11	11.1	4	4	1.56	0.745
6	BSC has increased employees’ understanding of strategies	24	24.2	46	46.5	18	18.2	3	3	8	8.1	1.40	0.684

**Source:-Research Data**

**SA** = Strongly Agree **A**= Agree **UD** = Undecided **DA** = Disagree **SD** = Strongly Disagree  
 **$\alpha=0.63$**

With regard to BSC support to achieve process objectives, 79.8% of the respondents made their agreement whereas 11.1% of respondents rated undecided as indicated in table 4.4.1 above, With regard to employee equipped accountability as indicated in table 4.4.1 above respondents agree and strongly agree by 71.7%, while 18.2% respondents were undecided.

The majority of the respondents indicated agreed and strongly agreed by 82.8 and 11.1% of the respondents don't decide that BSC encourages learning and continuous improvement as indicated in table 4.4.1 above. With regard to education offices has been more profitable since the adoption of the BSC, majority of the respondents indicated agreed and strongly agreed by 59.6% while, 25.3% of respondents were not decided the remaining 15.2% of respondents were not agreed as indicated in table 4.4.1 above.

The other important points asked respondent was about BSC has increased employees' understanding of strategies majority of the respondents 70.7% of said agreed, while 18.2% of respondent's undecided as indicated in table 4.4.1 above. Additional information from the focus group discussion and interviews indicated that BSC linked organizational vision with daily activities and also, encourage learning and continuous improvement since; education offices had been more profitable. Generally, the majority of respondents confirmed for each item, that the education offices were successful in terms of process objective achievement, learning and continuous improvement, and with the linking of the offices vision in daily activities.

Table 4.4.1: Rating on the Success of balanced scorecard (BSC) implementation of Gulele sub-city education offices can be seen by respondents (n = 99 ); BSC linked the vision with daily activities(  $X = 1.39$  ,  $SD = 0.652$ ), BSC helped the processes to achieve their objectives (  $X = 1.29$  ,  $SD = 0.627$ ), BSC equipped employee with greater accountability (  $X= 1.38$ ,  $SD = 0.666$ ), BSC encourages learning and continuous

improvement ( $X = 1.23$  ,  $SD = 0.550$ ), The education office has been more profitable since the adoption of the BSC ( $X = 1.56$  ,  $SD = 0.745$ ), BSC has increased employees' understanding of strategies ( $X = 1.40$  ,  $SD = 0.684$ ) These Rating on the Success of balanced scorecard (BSC) implementation of Gulele sub-city education offices were scored on a likert – type scale tool . The researcher used the one sample t- test to compare the mean of the group with in case of the items in Table 4.4.1, the decision was: Fail to reject the null hypothesis. Since the calculated value of t (Item 1, 3, 5 and 6) are greater than the critical value (1.375) and (item 2and 4) are less than the critical value (1.375). I accept the null hypothesis and accept the alternative hypothesis. Therefore, there is no significant difference among respondents in responding.

#### 4.5 Major Challenges of BSC in Gulele sub-city education Offices

**Table 4.5.1: Rating on the challenges of BSC Design and Implementation**

I.NO	ITEM	SA		A		UD		D		SD		mean	Std. deviation
		N	%	N	%	N	%	N	%	N	%		
1	In ability to get sufficient information on BSC design & implementation	19	19.2	58	58.6	12	12.1	4	4	6	6.1	1.32	0.652
2	Scorecard terminologies are not consistent with the culture of the education office.	13	13.1	48	48.5	23	23.2	9	9.1	6	6.1	1.54	0.747
3	BSC have had relatively little effect on education office performance.	9	9.1	48	48.5	21	21.2	18	18.2	3	3	1.64	0.814
4	Inability to reach consensus on objectives and Measures	8	8.1	53	53.5	18	18.2	17	17.2	3	3	1.59	0.814

**SA = Strongly Agree A= Agree UD = Undecided DA = Disagree SD = Strongly Disagree**  
 **$\alpha=0.63$**

As indicated in table 4.5.1 above, 77.8% of the respondents showed their agreement on the problem of insufficient information, whereas 12.1% respondents were undecided. With regard to inconsistency of BSC terminology to the culture of the education offices, 61.6% of respondents rated agree, whereas 23.2% of them did not decided show on the problem as indicated in table 4.5.1 above. In table 18.3 above, the problem was related with BSC effect on education offices rated agree and strongly agree, by 57.6% of the respondents and 21.2% respondents undecided where as 21.2% disagree and strongly disagree with BSC effect of BSC on the education offices. In order to get some other problems in addition to what was mention in table 4.5.1, the open ended questions were used.

In table 4.5.1: Rating on the challenges of BSC Design and Implementation can be seen by respondents (n = 99); In ability to get sufficient information on BSC design & implementation (X = 1.32, SD = 0.652), Scorecard terminologies are not consistent with the culture of the education office. (X= 1.54, SD = 0.747), BSC have had relatively little effect on education office performance. (X = 1.64, SD = 0.814), BSC is difficult to understand easily (X = 1.52, SD = 0.813), Inability to reach consensus on objectives and Measures (X = 1.59, SD = 0.808), These Rating on the challenges of BSC Design and Implementation were scored on a likert – type scale tool. The researcher used the one sample t- test to compare the mean of the group in case of the items in Table 4.5.1, the decision was: Fail to reject the null hypothesis. Since the calculated value of t (Item 2, 3, 5) are greater than the critical value (1.522) and (item 1 and 4) are less than the critical value (1.522). I accepted the null hypothesis and the alternative hypothesis. Therefore, there is no a significant difference among respondents in responding.

Questions, focus group discussion and interviews were also asked to list the problems faced by the education offices in the design and implementation of BSC. Accordingly, the following problems were obtained from data collected.

During implementation some activities are difficult to cascade at individual level, Lack of equal understanding among employees and leaders on BSC, resistance to change, weak support of leaders, lack of adequate knowledge and skills, politicizing the tool, lack of BSC understanding and early cascading, Lack of commitment on leadership quality demonstrated by ten woredas education offices as well as the sub-cities were the major ones.

There is also problem of understanding between the head officers and the core process owners to give support to the officers, The lack of incentive and job displacement is also one of the factors that lead the employees' resistance to the implementation of the BSC, Inadequate continuous monitoring and evaluation the performance, problems of delivering continuous training and far beyond education to officers.

The major cause of the above challenges derived from lack of understanding of the tool and its early attachment of performance of the employee with payment

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. Summary

The study has found that Gulele sub-city and ten woredas education offices are preparing their annual plans and implementing balanced scorecard (BSC). The design and implementation of Balanced Score Card may take an organization to a grand success. It can overcome many problems because it can link all the perspectives of organizations. Thus, Balanced Score Card, therefore, is a very important strategic management tool which helps an organization not only to measure the overall status of an organization but also the performance of individuals. Proper implementation of Balanced Score Card can ensure the success of an organization. However, Gulele sub-city education offices have applied BSC since 2002 Et.c as strategic management system and have faced challenges with its implementation as indicated below

##### 5.1.1 Major Findings:

The study confirmed that Gulele sub-city and ten woredas education offices had good readiness and preparation in terms of strategic plan and in leadership commitment whereas employee supportiveness for BSC was low. Also, readiness of education offices in allocation resources was not satisfactory. It was found that the activities performed under the plan phase of BSC were good. This indicated that the plan phase was properly done in terms of strategic plan, theme identification, and strategic perspectives, objectives and measures preparation.

Basically, successful implementation of BSC requires adequate participation of management body, employees and customers. Participation of each and every employee in plan preparation is quite essential to bring about agreement on balanced score card targets at preparation stage. As we have seen in the literature review, participation of employees in setting their own goals, targets and measures motivates them to improve their performances. Individuals contribute their share less unless they are involved in

planning what their organizations desire to achieve. Empirical studies have shown that performance of employees participated in setting goal processes was much higher than their peers who did not participate in planning process (Latham, Borgogni and Petita, 2008).Concerning this, the findings showed that the participation of head officers and core process owners in the design and in the implementation process was high.

Different guidelines and manuals have been prepared and being used in the area of balanced score card implementation .The majority of the interviewees stated that the balanced scorecard was a very helpful instrument supporting a strategy-focusing process and it even helped them to build up a performance measurement system.

Concerning the level of the implementation of BSC, the study indicated that BSC was fully implemented at corporate level and at core process level. However, in individual level, it was at near the beginning stage and it had also some challenges in cascading process of measurements and activities.

The major strengths of Gulele sub-city education offices in the building of the corporate BSC are: the organization has properly analyzed the internal weakness and strength and of the external threats and opportunity in formulating strategic plan. The corporate vision, mission and core values are well defined.

It was also discovered that the education offices has done evaluation at the end of every quarter of the year to see the result of the implementation. But, it seems less effort is made to evaluate it and the culture of discussion on the implementation process was not satisfactory. About the attitudes of employees towards BSC, the result of the study indicated that majority of the employees accepted BSC, but they still have complaints.

Majority of the respondents stated that the training on BSC was very low. Moreover, the outcome of focus group discussion and an interview showed that the training on BSC was inadequate. Hence, it is important that employees are induced in training programs to increase their understanding on BSC

Regarding the cascading process of the education offices plans were not properly cascaded to units (sub-core -process) and individual employees. If an organization is

implementing BSC as performance management instrument, splitting and cascading the corporate office/organizational level target plans to units and employees within it is a requirement (Kaplan & Norton, 2006; Niven, 2002). Cascading is a mechanism that informs units and individuals what is expected of them, where as its alignment with corporate scorecard and strategy was good .Also, the information obtained from the interview and focus group discussion showed that some processes had team based activities where by these activities were evaluated at a team level. As Table 14 shows only 47.5% and 33.4% of the respondents have responded organizational plans were cascaded to units and individual employees respectively. This indicates serious limitation of the performance management system of the study organization ‘Though this is the central point of performance management in any organization, results of this study indicate individual employees were not clear with their role and their actions were not aligned to the organizational goals.

## **5.2 Conclusion**

This study was conducted to assess the implementation of Balanced Score card in Gulele sub-city and ten woredas education offices. The findings of this research would be benefited by helping those who are working in Gulele sub-city educational Offices in yielding and providing clear and comprehensive understanding of what is going on within what situation and extent regarding the implementation of Balanced scorecard in relation with expecting goals, outputs and outcomes on the education offices to identify gaps, weakness and areas of inefficiency so as to improve the implementation.

The extent of implementation was focus area of this research. The study also identified major challenges encountered during the implementation of BSC in the education offices. BSC helps the employee and the organization in order to enhance their knowledge in regarding to their organization vision, mission and objectives; it also enhances the knowledge of effective time management, commitment to work, having responsibility for their work.

The readiness for BSC design and implementation made by the education offices have to be encouraged. The planning phase was done properly in terms of strategic plan preparation, theme identification, and strategic perspectives, corporate objectives and measures preparation. The relevance of BSC also accepted by majority of respondents, and hence, the researcher conclude that BSC would be appropriate for measuring the performance of the education offices as well as the individuals.

With regards to BSC implementation, it was in a well-brought-up stage at corporate level and at 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 are evident that service delivery is observably improved in terms of reducing the set time of process and delivering speedy services to the public at large. However, this positive attitude towards the tool and its contribution to the organization is an implication of the tool's future prospects, but this does not mean that the contribution is smooth, because the tool brings

so many challenges that even abolish the contributions. These are exploitation of targets, resistance to change, weak support, lack of adequate knowledge and skills, politicizing the tool, lack of BSC understanding and early cascading, lack of commitment on leadership quality demonstrated by ten woredas education offices as well as the sub-cities were the major ones. There is also problem of understanding between the head officers and the core process owners to give support to the officers. The lack of incentive and job displacement is also one of the factors that lead the employees' resistance to the implementation of the BSC. Lack of continuous monitoring and evaluation, lack of delivering continuous training and far beyond education to officers.

The major cause of the above challenges derived from lack of understanding of the tool and its early attachment of performance of the employee with payment. In general, one may conclude that, the researcher valued the education offices effort to apply BSC at all level of the offices. Besides, to achieve the expected results, the offices may need to develop necessary training program regularly the system and prepare continuous discussion evaluation on BSC to improve the attitude and interest of the employees. So in order to solve the above challenges and problems and to utilize the tool efficiently the following recommendations are drawn.

### **5.3. Recommendation**

Based on the findings of the study and conclusion, the following recommendations are drawn to enhance the education offices' efficiency and effectiveness in the implementation of BSC.

The participation of employees and customers were low. Therefore the offices conduct training as well as organize experience sharing program and workshop. The management team should assess the status of staff awareness towards BSC process

I advise that the offices as well as the concerned core process should 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 objectives the measures are properly refined up or at the corporate level.

Since there are some problems regarding Resistance to change is the major problem among employees; however they accepted BSC with some complaints. Thus, it is advisable to evaluate employees' reaction to BSC implementation. If there is negative reaction to the implementation, then discussion or awareness creation about the implementation should be organized.

As the research finding predictable above the majority of the education offices' staffs do not have adequate knowledge about BSC. Therefore well structured, systematic and continuous training has to provide for employees and management bodies. Active communication helps every staff member reach common understanding of the organizational vision, strategies and goals as well as points them to the programmers and this lead to desired outcomes. Besides, the top management has to communicate the status and progress of the organization' BSC through different communication channels.

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 we do evaluation in every step of the implementation process. Therefore, the offices or the core

process 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.

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