



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTEMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT**

**THE PRACTICES AND CHALLENGES OF BALANCED
SCORECARD DESIGN AND IMPLEMENTATION: THE CASE
OF THE ETHIOPIAN REVENUE AND CUSTOMS AUTHORITY**

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SCORECARD DESIGN AND IMPLEMENTATION: THE CASE
OF THE ETHIOPIAN REVENUE AND CUSTOMS AUTHORITY**

A thesis submitted to the Department of Public Administration and Development Management of Addis Ababa University in the partial fulfillment of the requirement for the Masters of the Public Management and Policy (MPMP)

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By: Yoseph Shiferaw

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ACRONYMS

BSC: Balanced Score Card

ERCA: Ethiopian Revenue and Customs Authority

GOE: Government of Ethiopia

CSRП: Civil Service Reform Program

PSRP: public sector reform program

E.C.: Ethiopian calendar

PSCAP: public sector capacity building program

HQ: Head Quarter

Abstract

The balanced scorecard has been largely used as strategy and performance framework in private sector organizations throughout the world. After the introduction of New Public Management, it started to be used in public and non-profit organizations in order to facilitate the performance management process. In spite of the increase in the number of studies about its usefulness and futility for the private sector, there is still a need to test the feasibility of the BSC as a management framework in the government and non-profit domain.

The BSC in public sector is recently criticized concerning lack of cause-and-effect relationships, lack of clarity, and failure to consider some types of stakeholders (Johanson et al. 2006; Norreklit 2000, 2003). Other researchers/scholars have also raised questions regarding the BSC's effectiveness (Othman et al. 2006) and the adequacy of BSC in varying circumstances and differing firm types (Maltz et al. 2003).

As of 2010 the balanced scorecard (BSC) strategy and performance framework has been implemented in many public sector organizations in Ethiopia. Hence the researcher is motivated to investigate the practice and challenges of BSC design and implementation in Ethiopia public sector in case of Ethiopian Revenue and Customs Authority as statement of the problem (The Ministry of Capacity Building report, 2005).

The Ethiopian Revenue and Customs Authority (ERCA) is federal government agency established in 2008 with proclamation No. 587/2008 to administrate federal government tax jurisdiction and enforce customs laws (proclamation No. 587/2008).

The general objective of the research is to assess the practice & identify the challenges of balanced scorecard building & its implementation in ERCA as change, communication and strategic management tool. To what extent the strategic performance management tools that is BSC designed and implemented appropriately; and what are the strengths, weaknesses, challenges, and lessons of the design and implementing BSC project are the research questions to be examined. Hopefully the result of this investigation will contribute to solve problems related to the design and implementation of the BSC in other public organization. The scope is limited in the BSC building and its implementation. The main limitation of this study lies in its application to a very singular type of organization that operates as a driver to improve the efficiency and nimbleness of other public organizations. Document review was the primary technique of data collection, besides questionnaire and interview were also used to gather data. On the data presentation, the top management commitment, six steps of building BSC and three steps of implementing BSC (System roll out) are comprehensively reviewed.

In the summary of finding there are quite a significant strength in the top management commitment and sizeable weakness and strength throughout the nine steps of BSC building and its implementation or system roll out. In the concluding remarks basically there is a quite considerable problem in the design and implementation of BSC in ERCA. Accordingly the recommendation is forwarded to tackle problems.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

It is well noted that the government of Ethiopia has embarked on institutional development efforts across layers of government; and expanded the scope of public sector capacity building initiatives (PSCAP). The PSCAP has six priority areas—(i) Civil Service; (ii) District-Level Decentralization; (iii) Urban Management; (iv) Tax Systems Reform; (v) Information and Communications Technology and (vi) Justice Systems Reform. The civil service reform is one of subprogram of PSCAP aims to promote the development of an efficient, effective, transparent, accountable, and ethical civil service (The Ministry of Capacity Building, 2005)

Among the subprograms activities of the civil service reform: improving the governance of human resource management that is the execution of strategic performance management system is the thematic area of this research. Hence as of May 2010 the balanced scorecard (BSC) performance management system that is tool for change and strategic management system has been implemented in many public sector organizations in Ethiopia (The Ministry of Capacity Building, 2005)

BSC was first introduced by Kaplan and Norton posted in the Harvard Business Review Article in 1992. At that time, it was new approach to strategic management. Kaplan & Norton recognize some of the weakness and ambiguity of previous performance management approaches. They have demonstrated that balanced score card enables any organizations to translate their visions and strategies into comprehensive objectives and substantial set of performance measures. Thus BSC provides enterprise view of organization's overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning, and innovation. (Kaplan and Norton, 1996)

Nowadays, the private and public sector organizations throughout the world exercise BSC as change and strategic management system. In Ethiopia lots of public sector organizations have implemented BSC. However; the public organizations that employ BSC as change and strategic management system encountered difficulty with its design and its implementation. Thus the researcher is motivated to undertake research on the practice and challenges of BSC design and implementation; in the case of Ethiopian Revenue and Customs Authority.

1.2 The Ethiopian Revenue and Customs Authority

The Ethiopian Revenue and Customs Authority (ERCA) is a federal government agency established in 2008 with proclamation No. 587/2008 by merging the former three revenue collection and administration bodies namely the Ministry of Revenue (MOR), Federal Inland Revenue Authority (FIRA) and Ethiopian Customs Authority (Council of Minister's Proclamation No 587/2008)

The Authority has undergone massive structural and organizational changes as part of the Government of Ethiopia (GOE) public sector capacity building program (PISCAP). The PISCAP encapsulates the civil service reform program (CSR) and the tax and custom reform programs. Accordingly, ERCA has used the business process re-engineering and business process re-engineering (BPR and BSC) as change instruments to overhaul the obsolete tax and custom administration.

The organization is accountable for Prime Minister Office and run by Director General and four Deputy Director Generals designated to run the day to day activities of the Authority. Underlying each sector there are 28 managed by designed directors. In addition, the Authority also held 18 affiliated branch tax and custom offices throughout the country including the 14 medium, small and micro tax offices of Addis Ababa city administrations. The total number of employees is above 9000 (ERCA Organizational structure, 2013).

1.2.1 Vision and Mission

Vision:

To be a leading fair and modern tax administration in Africa by 2028 that finances the government expenditure through domestic tax revenue collection.

Mission:

The ERCA shall promote the voluntary compliance of tax payers, ensure integrity and develop the skills of the employees, support modernization, trade and investment facilitation and harmonization of the taxes and customs administration system, contribute to the economic development and social welfare through effective revenue collection (*ሚሳናዊ ስኬታማነትን መሰረት በማድረግ የተዘጋጀ ተቋማዊ የውጤት ተኮር ዕቅድ 2003-2007 ዓ.ም.*)

1.2.2 Objectives of the Authority

According to the proclamation No. 587/2008 which was established ERCA in 2008 stated the objectives of the Authority as follows. The Authority has objectives of establishing modern revenue assessment and collection system, and provides customers with equitable, efficient and quality services; causing taxpayers voluntarily discharge in tax obligations; enforcing tax and customs laws by preventing and controlling contraband as well as tax fraud and evasion; collecting timely and effectively tax revenue generated by the economy; and finally providing the necessary support to regions with a view to harmonization federal and regional tax administration systems.

1.3 STATEMENT OF THE PROBLEM

In the 21st century both the private and public owned organizations are managing their performance. Over the past a number of years, several techniques have been developed in various sectors to assess and manage performance. The well acknowledged performance management techniques are Six Sigma, TQM, JIT, BPR, Time-based competition, Building customer-focused organizations, Activity-based cost management, Employee empowerment etc (Kaplan and Norton, 1996 & Chenhall, 2005).

In very recent times, the Government of Ethiopia has started introducing new ways of doing business under the program of Civil Service Reform Program, to enhance the institutional capacity of the public organizations. Following this governmental initiative, all public organizations have at least started to plan for reform and organizational change using BPR & BSC. Whether it is BSC or BPR, many organizations, however, have already implemented reform program and some of them are already started to disclose their success story and some of them the drawbacks.

The BSC in public sector is recently criticized concerning cause-and-effect relationships, lack of clarity, and failure to consider some types of stakeholders (Johanson et al. 2006; Norreklit 2000, 2003). Other researchers/scholars have also raised questions regarding the BSC's effectiveness (Othman et al. 2006) and the adequacy of BSC in varying circumstances and differing firm types (Maltz et al. 2003).

Hence; the weight of change in different organizations, BSC, with all its limitations, is perceived to bring basic changes. As a result, goals of BSC are very fundamental such as ; customer satisfaction, increase performance and communication, promote strategic leadership. These goals are very difficult to achieve unless the system is designed and implemented properly. Designing and Implementing BSC performance and change management system is very essential, but the end result is the positive impact of the program, on the overall organizational performance and institutional capacity building. The efforts exerted to see properly designed and implemented BSC are immense. But no one can give assurance whether the efforts are on the right track, having the expected results from designing and implementing BSC. Publicly, many institutions in federal and regional states talk about BSC and announce that they are preparing to implement the BSC for the last many years. But no one institution has come up with its report that it has fully deployed the BSC and saw the real change achieved by proper designing and implementing BSC. Up to now, there is no empirical research done on the study, design and implementation, outcome and impact of BSC in revenue sector. There are reports that tells Ethiopian Revenue and Custom Authority is conducting reform aggressively but except for the study documents, some minor changes and assignment of personnel, especially the administrative staff, still there is no victory, achieved institutional reform, announcement that after effort of many years, near to a decade.

In addition to this, at this time, substantial amount of budget is allocated for design and implementing BSC, as a means (tool) to attain the organization objectives and mission. Many problems have been discovered during BSC design and implementation as well as on attaining its desired result. As a result, the Authority's BSC should be evaluated with American Balanced Score Card Institutes Model of six steps of building and three steps of implementation of BSC. The sustainability of the system should be also assessed. Moreover, the commitment of the leadership should be examined.

1.4 RESEARCH QUESTIONS

Assuming that, designing and implementing BSC for the advance on the overall organizational competence and performance, the research attempts to address critical research questions.

1.4.1 Main research question of the study

To what extent in the public organization as the case of ERCA strategic performance management tool that is BSC designed and implemented appropriately ; and what are the strengths, weaknesses, challenges, and lessons of the design and implementing BSC project?

1.4.2 Specific research questions of the study

Specifically, the following research questions have been developed:

- To what extents were the stages and the steps of BSC design and implementation strictly followed and deployed?
- What are the strengths, weaknesses, challenges, opportunities, achievements, lessons and threats of the designed and implemented BPR project in ERCA?

- What are the overall roles and commitment of the senior leadership of ERCA in the design and implementation of BSC?
- What are the practical challenges of six steps of building and three steps of BSC implementation in ERCA?
- Does ERCA align employees, information systems, and organizational system that assure the sustainability of the BSC?

1.5 THE OBJECTIVES OF THE STUDY

1.5.1 General research objective

The general objective of this research is to assess the practice & identify the challenges of balanced scorecard building (design) & its implementation in ERCA as change, communication and strategic management tool.

1.5.2 Specific research objectives

Consistent with the above general research objective, the specific research objectives are set as follows:

- To examine the overall roles and commitment of the senior leadership of ERCA in the design and implementation of BSC.
- To assess practical challenges of six steps of building and three steps of BSC implementation in ERCA.
- To identify factors that cause barrier to align employees, information systems, and organizational to maintain the sustainability of BSC.
- To assess the strengths, weaknesses, challenges, opportunities, achievements, lessons and threats of the designed and implemented

1.6 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 (design) 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 another important significance of the study is based on the finding the researcher put forward critical recommendation to sustain the system.

1.7 SCOPE OF THE STUDY

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

This study focuses on financial sector from other public sectors. The revenue sector organization (ERCA) is chosen because the use of performance measurement system is vital in terms of tax collection and customs administration as compared to other public sectors. Besides, a revenue sector in Ethiopia is growing and plays a dominant role in the Ethiopian economy by generating tax revenue for the government expenditure assignment.

1.8 LIMITATION OF THE STUDY

The study has got the following limitation:

- The main limitation of this study lies in its application to a very singular type of organization that operates as a driver to improve the efficiency and nimbleness of other public organizations, although the methods employed here are very likely to be applicable to other kinds of organizations without adversely affecting the results.
- Due to the relative scarcity of interpretive studies within public sector management literature, the researcher carried out descriptive research, focusing on the design and implementation of the BSC as a strategy and performance management framework in this type of organization.

1.9 ORGANISATION OF THE PAPER

The thesis is organized into six chapters. Chapter 1 provides the overall view of the whole research. It highlights the background, problem statement, research questions, objectives, significance, scope, limitation of the research. In Chapter 2, covers the methodology of the research where it explains how the research is to be carried out in order to obtain data used to test the research questions generated from Chapter 1. This chapter elaborates on the research perspective, research design/methodology, participants, data collection and analysis, sampling and sampling techniques, methodological rigor, and ethical considerations. Chapter 3 covers literature in the areas of performance measurement systems, i.e. balanced scorecard. The discussion of the literature is rooted in the theory and practice of BSC.

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

CHAPTER TWO

METHODOLOGY

2.1 Research perspective

This chapter presents an evaluation of the research methodology for the study. Descriptive research design is used to gather a more in-depth data for investigating the practice and challenges of BSC design and implementation in ERCA.

2.1.1 Research design/methodology

The case study methodology was utilized to examine the balanced scorecard design and implementation in ERCA. Yin (2009) explained that the “case study method allows investigators to retain the holistic and meaningful characteristics of real-life events such as . . . organizational and managerial processes” (p. 4). The choice to design a case study was informed by the need to develop a valid study to describe the phenomena which is the BSC in ERCA. Stake (1995) explained, “A case study is intended to catch the complexity of a single case” (p. xi).

A case study is used when the researcher wants to study the uniqueness and complexity of a single case in order to understand a case under study in depth. A case study is about concentrating on one situation; it is not research based upon large samples. Therefore, a case study is unlikely to provide a strong representation of others, meaning the researcher does not study cases to understand other cases; but the hope is by understanding one case the researcher can have a greater understanding when the researcher completes other case studies exploring a similar phenomena.

This case study is organized with the intention of answering research questions; therefore, it is an instrumental case study. The case study is instrumental for accomplishing the answer to the four research questions. An instrumental case study is utilized when the researcher feels they “may get insight into the question by studying a particular case” (Stake, 1995, p. 3). The data were gathered and analyzed utilizing qualitative and quantitative research methods.

The study starts with assessing the steps of BSC design and implementation, evaluating the role of top management in the successful strategy implementation in ERCA. The researcher then compares these theoretically against the nine steps checklist of BSC building and implementation. The checklist is used as an aid to structure the questionnaires and lead the conversation in the course of interview to assure coverage from all respondents on a number of identified issues.

2.1.2 Participants

The employees and management bodies of ERCA comprised employees and lower, middle management of head quarter, Addis Ababa Eastern Branch Office, Yeka Sub City Small and Micro Branch Office and Addis Ababa Airport Customs Branch Offices which represent tax and

customs functions. The participants were identified via purposive sampling; this method is used when the researcher intends to capture a full range of participants by allowing the researcher to select people who represent defined conditions (Weiss, 1998).

270 employees and management bodies of ERCA were invited to complete a questionnaire, and 10 participants were interviewed. The participants were strategically identified in order to obtain a complete picture of the organization and how the BSC is designed and implemented. They were strategically identified with the assistance of HR Directorate. In consultation with HR Directorate, the emphasis, when identifying the participants, was placed on their educational background and position in the ERCA. The rationale for identifying two different levels (officer and manager) in the organization was individuals at different levels may have different reactions to the balanced scorecard in terms of how it is designed and implemented.

Also of interest were the responses of individuals who had been in the organization for differing service years, as they may have different responses based on the service years they have spent in the organization and the frequency of time using the BSC as performance measurement. The identified participants were given an opportunity to participate in the study. The intention of the study was described to them in order to assist them with making their decision.

This case study may have interrupted staff routines and interfere in the work domain of staff. The researcher was aware of this and was respectful of it. The special attention was paid in order to impress the confidentiality of the conversations and information shared (Weiss, 1998).

2.1.3 Data Collection and Analysis

A descriptive case study approach was used for this study. The qualitative and quantitative data collection methods included the questionnaire, interviews, are employed while surveys were used to collect quantitative data. In addition to collecting data for the study, the researcher reviewed the ERCA's BSC document of 2003-2007.

Data collection began with semi-structured interview with change management advisers of Director General & Deputy General Directors, human resources, information technology, planning directorate concerned officers and others. (See the eighth question under annexed interview questions.)

All interviews lasted between 15 and 30 minutes and followed a structured format, with the possibility for the researcher to follow up on their answers as needed. The interview questions focused on BSC design and implementation, top leadership commitment and sustaining BSC.

The interviewees were given an opportunity to review their answers prior to them being "final" and included in the results.

However; the survey was intended to obtain a contextual understanding of the balanced scorecard and the familiarity the employees in ERCA had with it. The survey questions are divided into three parts with five scale questions (Likert scales that are strongly agree, agree, undecided, disagree, Strongly Disagree). The first part related to top leadership commitment in

terms of engagement, conceptual clarity, communication and serving as change agent. The second part related with six steps of BSC design that are The organizational assessment, developing strategic plan, identifying high-level objectives for each BSC perspective, reviewing strategy map, identifying measures that will drive improved performance on each objective, strategic initiatives. The third and final step are automating the work process, cascading the organization BSC to different work unit, and evaluation

The analysis of the data was employed in percentage to see the variability to its effect. In addition, the researcher was employing ERCA's BSC documents of 2003-2007 to assess the practical challenge and practice. 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, charts 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 must be clarified by organizing the respondents' percentages in returning the questionnaire above 60 percent of the total sample considered (Kothari, 2004)

2.1.4 Sampling and Sampling Techniques

A small sample of ten people with in depth knowledge of BSC for interview and 270 officers and managers for questioners will be used, so that leadership commitment, six steps of building and three steps of implementation are examined in depth. The researcher has chosen to use non-probability or purposive sampling which is predominantly used in qualitative research

The researcher has selected purposive sample technique due to the fact that accessing a targeted sample quickly and sampling for proportionality is not the primary concern of the research. On the top of that selecting purposive sampling technique to collect data in this research has involved the sample of employees/managers with having a dequate exposure in area of BSC building and implementation. Hence; for the research the characteristics that participants are selected with criteria such as: employee/manages with a mild, moderate or in depth knowledge of BSC, employee/manages attending training in BSC. The exclusion criteria include: employee/manages with less than two year work experience in ERCA.

Thus to elicit the views of employee/manages who have specific expertise; the target population of the study are officers (junior, Intermediary, senior with first & second degree holders), lower, middle management of ERCA. Hence the study target population includes employee and lower, middle management of head quarter, Addis Ababa Eastern Branch Office, Yeka Sub City Small and Micro Branch Office and Addis Ababa Air port Customs Branch Offices which represent tax and customs functions.

Since purposive data collection methods had employed 210 questionnaires were prepared. Fifty questionnaires were allotted equally for each branch offices with the distribution quota of 10 questionnaires for 5 work processes. Similarly sixty questionnaires were allotted for head quarter directorates with the distribution quota of 2 questionnaires for 28 directorates.

Besides; Semi-structured interview was conducted with change management advisers of Director General & Deputy General Directors, human resources, information technology, planning directorate concerned officers and others.

2.1.5 Methodological Rigor

Findings of the study must be an authentic and trustworthy reflection of the practice and challenges of BSC building and implementation. Rigor according to Gerrish & Lacey (2010) refers to how strong a body of research is in terms of confirming that all procedures have been followed judiciously, that all potential confounding factors have been removed and that the reader judges conclusions to be dependable or trustworthy.

For the study the researcher use a framework developed by Lincoln and Guba (1985) that seeks to establish methodological rigor in qualitative research. These include credibility, transferability, dependability, conformability and authenticity. Thus the researcher tried to comply with methodological rigor such as credibility, transferability, dependability, conformability and authenticity.

2.1.6 Ethical Considerations

The principle of respect for persons states that participants' thoughts and decisions must be honored. All participants provided their consent via the informed consent process. In order to ensure the application of this principle, a form was provided to the participants who outlined, for the participants' clarification, the study's purpose, potential risks and benefits of participating in the study, as well as statements about confidentiality.

Participants who intended to participate were asked to read the form and were told that by participating they were providing informed consent. The study was designed to minimize all potential risks to the participants. The information provided by the participants remained anonymous. All collected data were absent of identifiable markers and were stored on the researcher's personal computer. The researcher was the only person with access to the data. The computer files were password protected.

CHAPTER THREE

LITERATURE REVIEW

In the 21st century both the private and public owned organizations are managing their performance. Over the past number of years, several techniques have been developed in various sectors to assess and manage performance. The well acknowledged performance management techniques are Six Sigma, TQM, JIT, BPR, Time-based competition, Building customer-focused organizations, Activity-based cost management, Employee empowerment etc. Each of these performance management tools has had confirmed success stories, supporter, expertise. However; many of these performance management techniques have yielded either encouraging or disappointing outcome. Although the performance management techniques have been flourished in the 21st century, the shift in the economy structure has necessitated a change in the performance management (Kaplan and Norton, 1996 & Chenhall, 2005).

Thus the New performance measurement system, which is better known as strategic performance measurement systems (SPMS) have been developed. A peculiar feature of this SPMS is that it is designed to translate strategies into a consistent set of performance measures (Chenhall, 2005).

One of the famous SPMS is the balanced scorecard (BSC), originated by Kaplan and Norton in 1992. The balanced scorecard was originally developed for the private sector and expanded for public and nonprofit organizations later on. It is used as the means of clarifying & communicating the strategy, aligning work unit and individual goals to strategy, linking objectives to long term targets and budgets, and conducting performance evaluation to improve strategy (Kaplan and Norton 2001a).

There have been many different balanced scorecard applications in different sectors and industries. Several articles and books have been written on the balanced scorecard methodology and also a variety of software developed to assist and accelerate its implementation (Chenhall, 2005).

3.1 Historical background

As stated above BSC has introduced in the second half on 20th century and has a dynamic history over the last 30+ years. It has gone through several stages of steady development. From 1990 to 1996, the focus was more on how to use the BSC to measure performance; the focus was shifted toward improving the management of performance at the organizational level from 1996 to 2000, and later on that is from 2000 up to the present time, the BSC methodology has evolved into dynamic process for strategic management. (Asian Development Bank, 2007)

In the last 30+ years there has been a paradigm shift in the public sector toward the adoption of new public management which is more strongly aligned with private sector management systems (Chang, 2007). This encourages the adoption of more advanced performance management systems that is the balanced scorecard (BSC) which has been widely adopted by both private and public organizations around the world (Davis and Albright, 2004). In Ethiopia in May 2003 E.C the BSC which is considered as change and performance management tool has been implemented in many public sector organizations in Ethiopia.

3.2 Types of balanced scorecards

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

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

3.3 The balanced score card in the public organization

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

Therefore; the major departure of public organization BSC from private one is the public organization's BSC focus in three high-level perspectives that are costs of rendering services for public, value/benefit of the service, and support of legitimizing authorities (Niven, 2002)

Unlike the private sector, where financial measures are used for profitability in the public sector the focus is of initiating the programs and making best use of resources. Nonetheless, the assignment of shaping the measures, targets and collecting the relevant information for non-financial measures is difficult task (Niven 2005; Davig et al. 2004).

According to Kaplan (2001) the balanced scorecard has enabled public owned organizations to link their vision, mission and strategy statements to day-to-day operational actions. It is also shift their focus from programs and initiatives to the outcomes of the programs and initiatives. It is yet

align initiatives, departments, and individuals to work so as to reinforce each other that dramatic performance improvements can be achieved.

Thus achievement for public organizations should be measured by how effectively and efficiently they meet the needs of the public. Concrete objectives must be defined for customers and community. Financial considerations can play a facilitating or constraining role, but will hardly ever be the primary objective (Kaplan and Norton, 1996)

3.4 The balanced score card and strategic management

The balanced scorecard is an instrument for strategy implementation. It improves performance by converting an organization's mission and strategy into specific objectives and comprehensive performance measures (Kaplan and Norton, 1996)

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

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

3.5 Basic principles of BSC

Readiness Assessment

The senior management body of the public organizations is the champion of the balanced scorecard. Besides; middle and lower level public organization leadership have to fully committed in the involvement, conceptual understanding, communication, and serving as process owners. Without this commitment, the result is failure. Prior to BSC can be implemented, the organization's mission, vision, and strategic plan must be well-defined. (Niven, 2003)

Engaging/Involving Leadership

The commitment of leadership is the most critical factor for the success and failure of BSC. The heads of public organization, more than any other individual, has to be the sponsors of the balanced scorecard. BSC building and implementation is a gradual process. Therefore, the public organization leadership views BSC as a long-term process and be ready to commit to change over a longer period of 3 to 5 years time (Niven, 2002).

Education of Internal & External Stakeholders

The BSC concept and theory has to communicate for all level of leadership. All level of leadership members need to understand BSC concept and prepared to educate internal staff & customers. The critical factor for success is communicating BSC to all to achieve specific performance measures and achieving organization-wide support and commitment (Niven, 2002).

The balanced scorecard's strategic objectives and measures have to communicate with print and electronic media. The communication serves to indicate to all staff and customers the objectives that must be accomplished. Once the employees understand high-level objectives and measures, they can establish local objectives that support the business unit's corporate strategy (Kaplan and Norton, 1996).

Data: Gathering, Processing, & Benchmarking

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

Benchmarking can be internal and external. Internal benchmarking is related with the selection of a set of measurements and indicators that attach to internal standards established without regard to performance by public organization that provide similar services. Internal benchmarking focuses on the rate of improvement rather than reaching an external standard or benchmark. External benchmarking relies on standards and measurements that relate to other public organizations (Niven, 2003)

Building Long-term Sustainability

The balanced scorecard is system that used to clarify and communicate strategy, align work units and individual goals to the strategy, link strategic objectives to long-term targets and annual budgets, identify and align strategic initiatives, perform periodic and systematic strategic reviews, and obtaining feedback to improve strategy. Hence; it is time & effort taking to build and fully implementing (Kaplan and Norton, 1996).

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

3.6 Step-by-step process of BSC in public organization

A: - The organizational assessment is the first step which is dealing with checking whether the organization is ready for building and implementation of the BSC. The major tasks in this level are conducting SWOT analysis, identifying organization pains, and enablers from SWOT analysis (Asian Development Bank, 2007)

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

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

In this step perspectives are selected from alternative, customer/stakeholder needs and value proposition are developed, strategic themes and critical success are identified (The Balanced Scorecard Institute, 2007)

C:-The third step of BSC is identifying high-level objectives for each BSC perspective. It is noted that strategy is a hypothesis of the best way for the organization to achieve its vision and mission. The strategy is long and short term that requires selection among alternative ways of doing things, focusing on a few things (The Balanced Scorecard Institute, 2007)

D. The fourth step is reviewing strategy map to ensure the reliability of the cause-and-effect relationships across objectives in multiple perspectives. The cause-and-effect relationship along with performance drivers enables an organization's BSC to be linked to its strategy (Kaplan and Norton, 1996)

Strategy maps provide a visual representation of an enterprise's critical objectives and the crucial relationships among them that drive organizational performance (Asian Development Bank, 2007). Therefore the process of designing a strategy map should stimulate senior management to enter into a cause-and-effect analysis by using appropriate lagging (outcome) measures in conjunction with the leading measures that drive performance on the outcome measures (Kaplan and Norton, 1996)

Therefore; strategy maps for the public organization usually illustrate objectives in four perspectives that are financial, customer, process, and learning and growth. The financial perspective is balancing revenue growth with increases in productivity, efficiency, and costs (Niven, 2002). The Customer perspective is balancing the value propositions. The core outcome measures of customer perspectives are customer satisfaction, customer retention, new customer acquisition (Asian Development Bank, 2007 ; Niven, 2002) . However the key customer performance drives for the public organization include a satisfied community (LGA Annual Reports 2000/2001, 2001/2002)

The internal Process is identifying the core business processes that are critical for effective delivery of value proposition. In the internal-business-process perspective, the leadership identifies the core internal processes that are critical for the organization success or failure. The scorecard approach, however, will usually identify entirely new processes at which an organization must excel to meet customer and financial objectives (Asian Development Bank, 2007; Niven, 2002).

Finally learning and growth perspective is balancing the organizations' focus on competency development, improving access to information, and improving the corporate culture in the key areas that are important for successful strategy execution. Organizational learning and growth come from three principal sources: people, systems, and organizational procedures (Asian Development Bank, 2007; Niven, 2002).

Generally the four perspectives of the BSC have been common and found across a wide variety of private and public organizations. However; the four perspectives should not be a strait jacket. Depending on the organization context and a work unit's strategy, one or more additional perspectives may be needed (Kaplan and Norton, 1996).

E. The fifth step is performance measurement

The fifth step is identifying one or more measures that will drive improved performance on each objective. The performance measures are indicators of tracking performance of an organization's strategies and they are means of measuring both organization effectiveness and operational efficiency (The Balanced Scorecard Institute, 2007)

Therefore; the objectives and measures are organized and stated properly into a BSC. The well structured balanced scorecard consists of a mixture of 15 to 25 financial and nonfinancial measures. These measures should be grouped into four perspectives. For the three perspectives the distribution should be the same with five measures 22% each and the higher weighting is for the internal work process 8-10 measures and represents 34 % (Kaplan and Norton, 2011).

The most common measures of the objectives in the four perspectives are customer measures which includes, customer retention, acquisition, satisfaction, profitability; financial measures which includes return-on-investment, profitability, revenue growth, cost reduction productivity; learning and growth perspective which includes employee satisfaction, retention, information systems capabilities, motivation, empowerment; internal process which includes quality, response time, cost, (Kaplan and Norton, 1996)

In this step the objectives and measures have to keep balance between financial and non-financial indicators of success, lagging and leading indicators of performance, long term and short term, and finally keeping balance between enablers and outcome. Besides, target has to establish for the measures for three to five years that will transform the organizations (Kaplan and Norton, 1996)

F. The sixth step is strategic initiatives

In this step once targets for financial, customer, internal process, and learning and growth measures have been established in the step five, then after any organizations which try to introduce BSC have to assess whether their current initiatives will help achieve these ambitious targets, or whether new initiatives are required (Kaplan and Norton, 2001)

At present, many organizations have a numerous of initiatives under way. For example, total quality management, Kaizen, and BPR. While the formulation and mobilization of initiatives to achieve stretch performance targets is largely a creative process.

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

H: - The eighth step is cascading the organization BSC to different work unit in the headquarters and branch offices. This is the stage that the corporate strategic plan is cascaded in to lower level objectives and measures. The headquarters management is expected to work hand in hand with branch managers to attain the corporate BSC objectives at the branch level (Asian Development Bank, 2007)

The function of BSC cascading is basically related with creating alignment around the organization's shared vision, to make strategy actionable to departments, and down to individuals. Consequently individual scorecards would aligned to departments and support units objectives that link with rewards, recognition, and incentives to results (The Balanced Scorecard Institute, 2007)

Therefore; it is essential for the private and public organization to establish and sustain vertical and horizontal alignment by cascading strategic objectives vertically throughout the organizational structure and cross functional requirements of supporting work units can be identified in a horizontal alignment. Thus cascading and alignment can create synergies among head quarter and branch offices functions (Asian Development Bank, 2007)

Linking the compensation system to the scorecard measures is also another important function of this stage. Private and public organizations are linking their compensation system to the measures. For the scorecard to create the cultural change, the compensation scheme must be connected to achievement of scorecard objectives and outcome (Kaplan and Norton, 1996)

I: - The ninth step is basically related with the evaluation. Evaluation is a strategic learning framework. This step should be considered to be the most important aspect of the entire scorecard management process. The main task of this stage is reviewing periodically the organization strategy map and BSC. The evaluation is basically deals with assessing the strategic results achieved following to the execution of BSC. Based on the assessment finding the tasks of reviewing and updating organization strategic elements undertake. Besides modifying strategy, objectives, strategy map, performance measures, initiatives are necessary. Based on the assessment finding organization structure change is also undertaken if necessary. A strategic feedback system is an integral part of evaluation framework. It is designed to test, validate, and modify the corporate strategic plan (The Balanced Scorecard Institute, 2007)

3.7 Application of BSC in performance measurement at ESSAR Telecom Kenya Limited empirical study findings

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

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

The challenges of using balanced scorecard to measure performance in the company includes the management is too busy in solving and implementing short term goals; inadequate top management support; lack of highly developed information system to support balanced scorecard; lack of linkage of balanced scorecard to employee reward; balanced scorecard is time consuming to develop; lack of skills and know how in developing and implementing balanced scorecard ;trapped with organizational politics (Stephen and Gabriel,2010)

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

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

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This part of the paper presented and analyzed the data collected to seek appropriate answer for the basic questions raised in the statement of the problem. To collect the data, ERCA's 2003-2007 BSC document was consulted, interview was conducted with concerned officials of the Authority, and questionnaires were distributed to collect data from employee and tiers of management bodies.

4.1 The assessment of the practice and challenges of BSC building and its implementation

In this section, the practically obtained facts are presented and interpreted. The data obtained from ERCA's 2003-2007 BSC documents, interviews and the sample population involved in the study is the framework of the practice and challenges of BSC in ERCA. The information gathered from the employees and management bodies has two basic divisions. While the first part asked general facts about employees and management, the next part point out the specific response related with the title under study.

4.1.1 General bio-data of the respondents

A total of 210 questionnaires were distributed for the HQ and three branch offices. Fifty questionnaires were allotted equally for each branch offices with the distribution quota of 10 questioners for 5 work processes. Similarly sixty questionnaires were allotted for head quarter with the distribution quota of 2 questioners for 28 directorates. Out of which, 170 (as it can be seen from table 4.1) were filled and returned. This indicated that 81 % of the questionnaire is returned and the non return rate of the questionnaire is 19%.

Table 4.1 Employees and manages distribution with place of work

| | | Frequency | Percent |
|---------|---|-----------|---------|
| Valid | Head Quarter | 49 | 28.7 |
| | Yeka Sub city Small and Micro Branch Office | 45 | 26.3 |
| | Addis Ababa East Branch | 39 | 22.8 |
| | Addis Ababa Airport Customs | 37 | 21.6 |
| | Total | 170 | 99.4 |
| Missing | | | .6 |
| | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

As it can be seen in Table 4.1, from the total distributed questionnaires in the head & branch offices the filled & returned questionnaires represents 28.8% is the HQ, 26.3% is Yeka Sub City, 22.9 is the Addis Ababa Eastern Branch and the rest is from Addis Ababa Air port Customs which represents 21.8% respectively.

This indicates that the data collected for the research represent the branch and head offices almost equally and the finding designate the total picture of the Authority.

In regard to age as it can be seen in the Table 4.2: 50.6% of the respondents are within the age range of 18-30; 30% of them are between the ages of 31-41; 14% of them are within the age of 41-50; while the rest of them are found to be above 51 years old. The data indicates that 70% of the total respondents are between the ranges of 25-45 years. This shows that the majority of the respondents are at the active age, where critical thinking and systematical analysis of the situation is possible.

Table 4.2 Employees age related distribution

| | | Frequency | Percent |
|---------|--------------|-----------|---------|
| Valid | 18-30 | 86 | 50.3 |
| | 31-40 | 51 | 29.8 |
| | 41-50 | 24 | 14.0 |
| | 51 and above | 9 | 5.3 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

Concerning the educational level of the respondents, as it can be seen in the Table 4.3 of below ; only of 4.7% of them are diploma holders; however, 82.9% have first degree and 12.4% have second degree from higher institutes respectively. This shows that the majority of the respondents (95.3%) are first degree and above holders. They supposed to have ample knowledge, skill and competence of critical thinking and systematical analysis of the situation.

Table4.3 Employees education level & its distribution

| | | Frequency | Percent |
|---------|---------------|-----------|---------|
| Valid | Diploma | 8 | 4.7 |
| | First Degree | 141 | 82.5 |
| | Second Degree | 21 | 12.3 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

On the other hand, with regard to the respondents' job position and service tenure, the data in the Table 4.4 indicates that the majorities are serving the Authority for more than three years in the job titles such as officer, team leader, director and other work positions like adviser and branch managers. The figure indicates that the majority or (82%) serve the organization more than 3 years and expected to take part in the building and implementing the Authority's BSC of 2003-2007. Besides, their current job positions indicate the respondents are participate in the planning and implementing the organization BSC.

Table 4.4 Employees work position & service tenure

| Job positions | Service tenure | | | | | Total |
|-----------------------------|-------------------------------|-----------|-----------|---------------|-------|-------|
| | Greater or equal to two years | 3-5 years | 6-8 years | Above 9 years | Total | |
| File and rank | 6 | 0 | 1 | 0 | 4 | 11 |
| Officers | 23 | 55 | 11 | 18 | 1 | 108 |
| Team leader | 1 | 3 | 14 | 29 | 0 | 47 |
| Director and the same level | 0 | 0 | 0 | 4 | 0 | 4 |
| Total | 30 | 58 | 26 | 51 | 5 | 170 |

Primary data generated for the study from questionnaire

Generally the characteristics of the respondents indicate that the gender is almost proportional, in active age, well educated, experienced and placed in the direct implementation and managerial positions. They are expected to have in-depth knowledge and first hand information about the practice and challenges of BSC.

4.1.2 Employees/management response related with BSC

In this particular section of the paper, the data related with the study is presented and analyzed in a very detailed way. There for the data is collected from interviews, document analysis and questionnaires in relation to the title under study.

For the convenience purpose, the presentation and analysis is categorized in to three major dimensions: Leadership commitment, designing or building BSC, and finally its implementation. These critical three dimension are serving as checklists as to whether or not BSC is properly designed and implemented in ERCA.

4.1.2.1 Employees/management response related with top leadership commitment

In this sub section of the paper data were collected from the questionnaires, relevant documents and interview that are related with the top management commitment in the building and implementation of BSC. The data are presented and discussed as follows:

In describing the commitment of the top management of the organization heads of the public organizations, more than any other individual, are the champion of the balanced scorecard. Besides; middle and lower level public organization leadership have to fully committed to the process design and implementation in terms of involvement, conceptual understanding, communication, and serving as process owners before attempting to implement a balanced scorecard process (Niven, 2003, 64-65)

As it was discussed in the literature review part; the top management and other leadership commitment in terms of *involvement, conceptual understanding, communication, and serving as change agent* is essential for BSC building and its implementation. Therefore; the employee and management are asked to know the level of top management commitment that can be explained in different ways. The response is presented in the following paragraphs as follows:

- *senior management commitment in their involvement of BSC building and its implementation*

Table 4.5 senior management commitment in its involvement of BSC building and its implementation

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 16 | 9.4 |
| | Agree | 116 | 67.8 |
| | Uncertain | 17 | 9.9 |
| | Disagree | 17 | 9.9 |
| | Strongly Disagree | 4 | 2.3 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

The employee and management were asked to rate the senior management members commitment with involving themselves in the BSC building & its implementation for the last three years. As table 4.5 indicates; the majority or (77.6%) of the respondent are agreed that the senior management members are committed in involving themselves in the BSC building & its implementation.

This fact is also supported by the BSC core team members, who were responsible for designing ERCA's BSC and conducting pilot testing, during the interview. According to the core team members the top management of ERCA designated its commitment throughout the courses of BSC designing and its implementation. According to the team members the top management was brought the concept and the project ideas of BSC to the organization. They are launching BSC

program with planning and executing change management strategy, prepare and execute communications strategy, monitor and evaluate its implementation, resourcing and training.

Thus there is no gap with regard to the top management commitment in involving themselves in the whole courses of journey from inception to the execution of BSC in the Authority.

- ***senior management commitment in teaching BSC to employee and customers of BSC theory and practice***

In describing the commitment of the top management of conceptual understanding and teaching BSC to employee and customers; it has to communicate to all level of leadership. All levels of leadership need to understand BSC concept and prepare to educate internal staff & customers (Niven, 2002).

In responding to the interview questions on whether or not the top management of ERCA commitment of conceptual understanding of BSC and educating the staff and customers the interviewee are confirmed that the top leadership was a midwife of ERCA. They were brought lots of change and modernization concepts and merged the three revenue sector organizations. Among those change and strategic management concepts they were introduced, BSC was well acknowledged. They were conceptually clear and educate the internal staff and customers accordingly.

Thus there is no gap with regard to the top management commitment in conceptual clarity and educate the internal staff and customers accordingly.

- ***senior management commitment in communicating BSC to the internal staff and customer***

In responding to the interview questions on whether or not the top management of ERCA commitment in teaching BSC to the internal staff and customer ; the interviewee argue that the top management was employed strategic map as education and communication tool that communicate the workforce, taxpayers and other stakeholders about the organization's strategy. Besides; the top management of ERCA uses tool of communication such as news paper, in-house publication, large meeting to teach internal staff and taxpayer's about BSC.

Thus the data indicates there are no gaps and ERCA's top management is teaching BSC to the internal staff and customers.

- *senior management commitment in serving as change agent*

The last interview question for this particular section is related to whether or not the top management of ERCA commitment as serving change agent; the interviewee asserted that the top management of ERCA are the champion of change. They are manifesting their commitment for change by introducing lots of change initiatives. They established BSC core team comprising internal staff and hire external consultants (Assigned by the then Ministry of Capacity Buildings) whom they consult the whole course of BSC designing and its implementation.

Thus there is no gap in the top leadership acting as change agent and in ensuring the continuity of BSC as tool of organization change strategic management system.

4.1.2.2 **Data presentation and analysis of six steps of Building BSC.**

This section is dealing with the first step of building BSC that is basically related with assessments.

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

- *Conducting SWOT analysis*

As it was discussed in the literature part, conducting organization assessment (Environmental Scan) is the first task of building BSC. Hence; ERCA's BSC document of 2003-2007 is consulted to know whether ERCA analyze the internal weakness and strength and of the external threats and opportunity in formulating strategic plan.

When SWOT analysis is conducted; the internal strength and weakness of an organization is identified. Hence; the strength of the organization is identified by asking the question such as; what do the organizations do well? What unique resources can the organization draw on? What do others see as strengths? Similarly the weakness of an organization are assessed by asking enquiry such as what could the organizations improve? Where do they have fewer resources than others? What are others likely to see as weaknesses? (The Balanced Scorecard Institute, 2007).

On the other hand the external opportunities & treats of organizations are also assessed while conducting SWOT analysis. There for good prospects, advantageous trends and maximizing strengths into opportunities are basic consideration when external opportunities are analyzed. Similarly the weaknesses of an organization are assessed by asking enquiry such as what trends could harm the organization? What is competition doing? Looking at internal weaknesses, what threats do these expose to? (The Balanced Scorecard Institute, 2007).

As it is indicated in the Table 4.6 which is extracted from ERCA's BSC documents of 2003-2007; the Authority undertakes SWOT analysis by identifying the internal strength and weakness and assessing external opportunities and treats.

Table 4.6 ERCA SWOT analysis Quadrant

| SWOT Analysis | |
|--|--|
| Strengths | Opportunities |
| <ul style="list-style-type: none"> • Introduction of new working procedures/manual. • An autonomous federal government agency having its own legal personality. • Decentralizing operation through branch offices. • A Fully functioning Automation system (SIGTAS and ASYCUDA++) that minimizes cost and increases efficiency • Establishment of customers complaint handling system at branch level • Simplified and predictable legal framework. | <ul style="list-style-type: none"> • Stable political environment • Expansion of higher education institution • Establishment of tax and customs training institute • Sustainable economic growth of the country • Government commitment for Customs reform and modernization • Growth of regional integration, globalization and expansion of trade |
| Weaknesses | Threats |
| <ul style="list-style-type: none"> • Weak revenue collection • Absence of effective performance appraisal system • Weak research and development capacity • Failure to deliver fast and efficient customers service • Inefficiency in the utilization of the existing human resource • Failure to effectively utilization of the existing IT system | <ul style="list-style-type: none"> • Weak culture of voluntary compliance • Political instabilities in some neighboring countries • Increased risks of tax evasion, fraud and contraband • Global financial and economic crisis • Weak level of inter-governmental relation • Insufficient budget allocation from government |
| Ethiopian Revenues and Customs Authority | |

Source: (ERCA BSC documents 2003-2007, 2003)

Thus there is no gap in this respect and ERCA was conducting strength, weakness, opportunity and treats analysis before launching the Authority’s balanced scorecard program.

- *Determining the organization’s mission, long term vision, and core values*

As it was in the discussed in the literature part the first step in designing BSC is determining the organization’s mission, long-term vision, as well as core values for the organization.

There fo r; E RCA BSC do cument of 2003 -2007 was reviewed w hether or no t the A uthority develop clear vision, mission and core values. Hence; as it is depicted (ERCA BSC document of 2003-2007 pp 4-5) in the Authority determine its mission that define why the organization exists, reflecting its purpose and incorporate features of the organization in few sentences.

Similarly the Authority’s vision is coined with emotionally inspiring words of future success (to be the leading tax administration in Africa by 2020) that describes where the organization to be in the future.

The Authority also determines its core values that are aligned with organization vision, mission, and corporate culture which describes what human resource stand for in the context of the organization's vision and mission.

Thus there is no gap in this respect and ERCA was determined its vision, mission and core values in the first step of building BSC.

- **Identifying organization pain and enablers**

As it is indicated in the Table 4.7 which is extracted from ERCA's BSC documents of 2003-2007; The Authority was identified its organizational pain and enablers. During the interview with BSC core team to confirm whether ERCA identify organizational pain and enablers they approved that list of enablers and pains were identified from the results of the Authority's SWOT analysis.

Thus there is no gap in this respect and the Authority was identified list of pains and enablers from the result of the Authority's SWOT analysis. Identifying pains and enablers after detailed analysis will help the organization to design valid strategy which later on cascaded in to objectives and measures.

Table 4.7 ERCA organizational pain and enablers

| PAINS | ENABLERS |
|--|---|
| <ul style="list-style-type: none"> • Lack of skilled human resource • Delay in decision making • Weak collaboration and communication • Lack of sufficient data base system • Lack of consistent and transparent tax assessment system • Failure to implement BPR effectively • Prevalence of corruption • Ineffective utilization of resource • Expansion of illegal trade and tax evasion • Lack of voluntary compliance • Budget constraint • Political instability of neighbor countries | <ul style="list-style-type: none"> • Expansion of branches • Readiness for change • Better pay system • Existence of compliant handling system • Adequate human resource • Political stability • National economic growth • Strong support and attention from the government • Support from WCO • The establishment of advisory board • Expansion of direct foreign investment • Availability of modern IT system and infrastructure • Establishment of customs and tax training institute |
| Ethiopian Revenues and Customs Authority | |

Source: (ERCA BSC documents 2003-2007, 2003)

- *ERCA identification of customer*

Table 4.8 ERCA identification of customer

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 21 | 12.3 |
| | Agree | 66 | 38.6 |
| | Uncertain | 42 | 24.6 |
| | Disagree | 33 | 19.3 |
| | Strongly Disagree | 8 | 4.7 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

In responding to the question on whether or not the Authority identified the customers after recognizing their needs As table 4.8 indicates that (63.6%) of the respondents agree & strongly agree that the Authority identified its customers after understanding their needs and demands. However; the (24.7%) uncertain, (19.4%) disagree and the rest is strongly disagree. The data indicates that quite lots of respondents are either uncertain or disagree regarding ERCA identification of customer and stake holders needs and demand.

Thus the finding indicates that ERCA identify its customer but the process was not participatory. When needs of customers identified detail discussion and customer survey have been employed as strategy.

Participatory strategic plan development processes

In responding to the question on whether or not ERCA strategic plan development processes were participatory; As Table 4.9 indicates the majority (53%) disagree & strongly disagree and support the development processes were not participatory. Those they claims the process was not participatory explain the top management and work unit in charge for strategic plan development that is the Planning, Monitoring and Evaluation Directorate were merely engaged in the development of strategic plan.

This fact is not supported by key informant persons that insist that the draft of strategic plan was developed by the core team and there were continuous discussion sessions held and inputs of the internal and external stake holders were incorporated.

Thus in the initial phase of ERCA's strategic plan the inputs of the internal and external stake holders may be incorporated. But there is gap in the understanding that the strategic plan is

Table 4.9 ERCA is strategic plan development processes participatory?

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 16 | 9.4 |
| | Agree | 34 | |
| | Uncertain | 30 | 19.9 |
| | Disagree | 63 | 17.5 |
| | Strongly Disagree | 27 | 36.8 |
| | Total | 170 | 15.8 |
| Missing | System | 1 | 99.4 |
| | | | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

dynamic, new concepts has to be incorporated in the course of execution and the processes strategic planning and execution should be participatory.

Table 4.10 Training provided for employees about change management

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 7 | 4.1 |
| | Agree | 41 | 24.0 |
| | Uncertain | 12 | 7.0 |
| | Disagree | 77 | 45.0 |
| | Strongly Disagree | 32 | 18.7 |
| | 9 | 1 | .6 |
| Missing | Total | 170 | 99.4 |
| | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

In responding to the question on whether or not ERCA provides proper training for the employees and others about organization changes as Table 4.10 indicates (64.1%) of the respondents disagree & strongly disagree. However (24%) agree and the rest are uncertain.

This fact has indicated that the majority did not agree with undertaking change related training for the employees. Hence; key informants are agreed in such a way that change related training has been given for the employee and management but since the majority of the employees are new and recently joined; the Authority they may not get in-depth change related training. ERCA provides for newly joined employees some general concept about change.

Thus there is gap in this respect that the Authority does not provide change management training in depth & in continuous approach.

This section is dealing with the second step of building BSC that is basically related with strategic planning.

Strategy is best way of doing business to achieve corporate vision and mission. It requires selection of best way of doing business from alternatives. It requires focus on a few things, and rejecting the rest. Strategy is divided into long-term and short-term (The Balanced Scorecard Institute, 2007)

- *ERCA's strategic plan and basic four perspectives (Finance, Customer, Internal process, Learning and growth)*

It is well noted in the literature review part that the basic four perspectives of the BSC that are finance, customer, internal process, learning and growth have been common and found across a wide range of private and public organizations. However; they are not strait jacket. Depending on the organization context one or more additional perspectives may be used (Kaplan and Norton, 1996).

As ERCA's BSC document of 2003 -2007 is consulted to know whether or not the four perspectives and others are used; the Authority has chosen four perspectives such as finance, customer, internal process, learning and growth as strait jacket.

Thus this indicates that there is no any gap in identifying the basic four perspectives. However; additional perspectives like employee retention may be used; because according to ERCA nine month performance report of 2006 E.C, which is reviewed 2760, employees has left the organization. This indicates the organization is suffered from workforce lay off and incorporate employee retention as perspective.

Then; it would be appropriate to ask from four perspectives which one is given the highest weight. As it was discussed in the literature part, achievement for government organizations has to measure by how effectively and efficiently they meet the needs of the customers and

community. Financial considerations have a facilitating or constraining role and never are the primary objective (Kaplan and Norton, 1996)

Table 4.11 Financial perspective

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 69 | 40.4 |
| | Agree | 57 | 33.3 |
| | Uncertain | 13 | 7.6 |
| | Disagree | 24 | 14.0 |
| | Strongly Disagree | 6 | 3.5 |
| | 9 | 1 | .6 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

In responding to the question on whether or not financial perspective is the primary objectives of ERCA's BSC; as Table 4.11 indicates the majority or (73.7%) agreed & strongly agree that ERCA did not put the customer (tax payers) at the basic part of its BSC. This clearly indicated that the basic tenet of ERCA's BSC is financial consideration.

Thus there is no as such tremendous gap in identifying the basic four perspectives, but the critical problem is prioritizing four perspectives. Although the achievement of the government organizations have to measure by how effectively and efficiently they meet the needs of the customers and community (Customer perspective); ERCA takes financial perspective as primary objective and customer perspective as supplementary.

- ***Customer needs and value proposition description***

As Table 4.12 indicates below which is taken from ERCA's BSC document of 2003-2007 the organization identifies value propositions or what customer needs in quality, timeliness and cost effectiveness.

ERCA aligns its organization's service with the values and needs of customers. Identifies how the organization's service will provide to the customer. Thus there is no gap in the identifying customer needs and value proposition

Table 4.12 ERCA value propositions



Source: Secondary data generated from ERCA BSC document

- ***strategic themes and critical success factors are identified***

In responding to the question on whether or not the organization develop strategic theme and identified critical success factors, ERCA's BSC document of 2003 -2007 depicted that six strategic themes that are human resource management and development, modern information technology, customers education and communication, customers service and support, law enforcement, and revenue collections are identified as strategic theme.

Thus there is no problem in identifying and developing strategic theme. The strategic themes are also attested that they aligned with the organization vision & mission.

- ***strategic themes links with Performance-based Budgeting***

The performance based budgeting can make resource allocation decisions fruitful. Using this method, budgets are based on the initiatives necessary to achieve objectives and targets. Hence, performance based budgeting (PBB) is the valuable budgeting administration techniques which assure organization success (Niven, 2003)

In responding to the interview questions on whether or not the organization's strategic themes are linked with performance based budgeting, the interviewee from Planning & Monitoring Directorate confirmed that ERCA's BSC is linked with Performance Based Budgeting (PBB). According to them the Ministry of Finance and Economic Development (MoFED) allots Budget for ERCA in line with six strategic themes which is indicated in the Authority's balanced score card documents. However; budget allocation for each work processes (directorates) based on performance contract agreement is not materialized due to the postponement of national PBB software under Integrated Finance Management System (IFMS) Project.

Thus there is no gap in linking ERCA's 6 strategic themes with performance based budgeting the budget allots for each work units (directorates) is not properly allocated and not supported by automation.

This section is dealing with the third step of building BSC that is basically related with formulating strategic objectives.

The objectives are the building blocks of strategy. The objectives are used to translate strategic themes into actionable activities and tasks that lead to the result (The Balanced Scorecard Institute, 2007)

- *developing strategic objectives for theme*

In responding to the question on whether or not the organization developed strategic objectives for each theme; ERCA's BSC document of 2003-2007 depicted that for each strategic themes; twenty five strategic objectives are developed under four perspectives.

Thus there is no gap in developing strategic objectives for each theme. All the strategic objectives are cascaded from strategic theme and logically linked.

- *performance indicator and objectives*

In responding to the question on whether or not the organization develop performance indicator for strategic objectives ; ERCA's BSC document of 2003-2007 illustrated that one hundred twenty two(122) performance indicators are identified for twenty five (25) strategic objectives.

Thus there is no gap in developing performance indicators for strategic objectives. The indicators are developed for each objective on logical approaches.

This section is dealing with the forth step of building BSC that is basically related with strategic mapping.

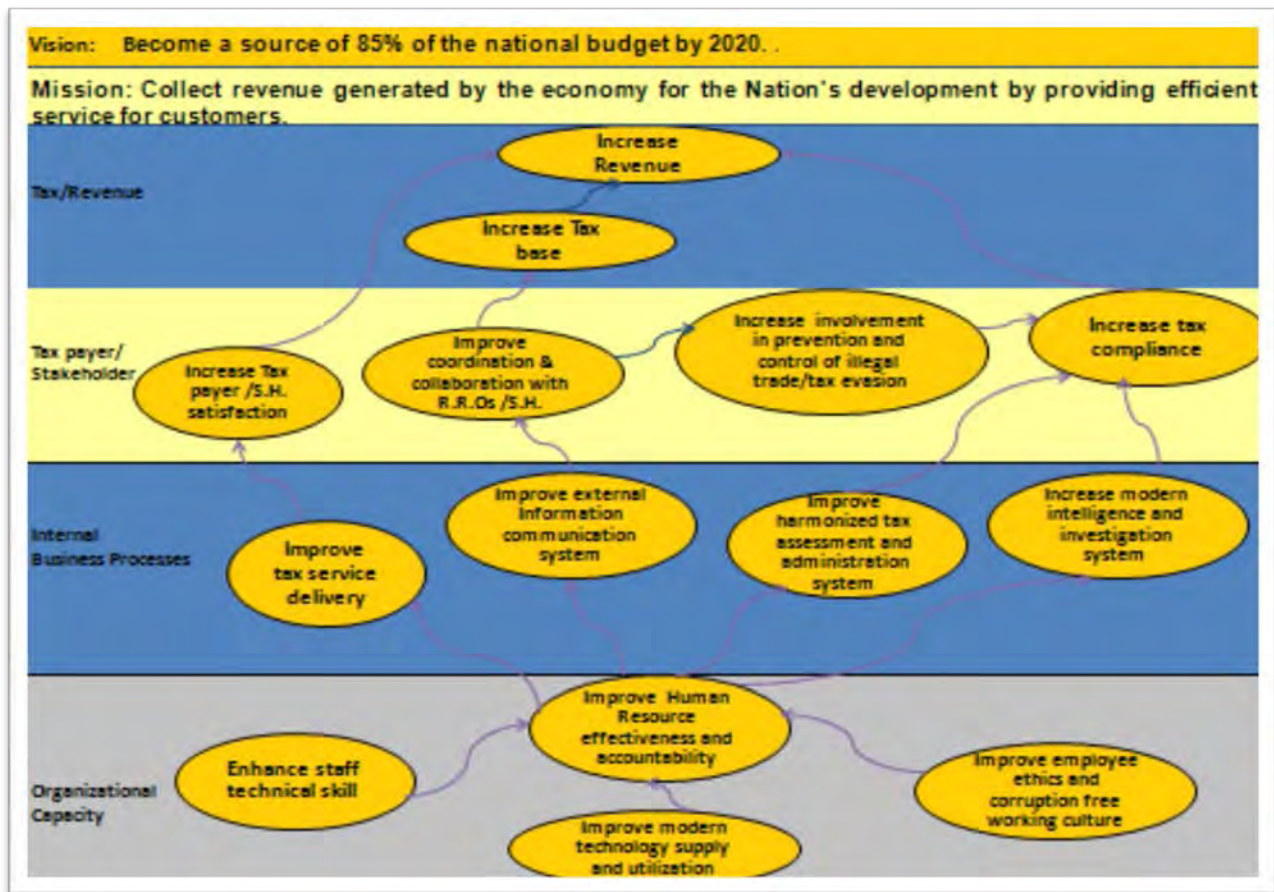
The Strategic mapping is a graphical picture of the customer value chain. It is a tool for both creating organization alignment (The Balanced Scorecard Institute, 2007)

- ***Strategic objectives tied to vision, and vision linked to strategic themes***

In responding to the question on whether or not the strategic map is used to link strategic objectives and results to vision, and vision linked to strategic theme as Table 4:14 indicates which is taken from ERCA's BSC document of 2003-2007; the strategic objectives such as increasing revenue, increasing tax payers satisfaction etc. are linked with the Authority's vision (to become a source of 85% of the national budget by 2020). Finally, the Authority's vision is linked with six strategic themes.

Thus there is no gap in using the strategic map to link strategic objectives and results to vision, and vision also linked to strategic theme.

Table 4:13 ERCA Strategic map



Source: Secondary data generated from ERCA BSC document

- ***strategic map link strategic objectives through perspectives***

In responding to the question on whether or not the strategic map is used to link strategic objectives through perspectives as Table 4:13 indicates which is taken from ERCA's BSC document of 2003-2007 the four perspectives are linked the all objectives.

Thus there is no gap that the strategic map in serving as tool of linking perspectives with strategic objectives. ERCA's strategic map has properly aligned strategic objectives through for perspectives such as finance, customer, internal process and learning and growth.

- ***Link Strategic Objectives in cause-effect relationships***

As reviewed in the literature part the organization Strategy Map ensures the integrity of the cause-and-effect relationships across objectives in multiple perspectives. The cause-and-effect relationship along with performance drivers enables an organization's BSC to be linked with its strategy (Kaplan and Norton, 1996).

In responding to the question on whether or not the strategic map is used to tie strategic objectives in cause-and –effect relations; as Table 4:13 indicates which is taken from ERCA's BSC document of 2003-2007, all objectives are linked with in cause-and –effect relations. For example the objective that is 'enhancing staff technical skill' is cause for another objective that is 'improve human resource effectiveness'. Its result is 'improving human resource effectiveness' that leads to 'better service delivery'. Eventually the whole casual link leads to customer satisfaction and increase revenue collection.

Thus there is no gap and all objectives are linked with in cause-and –effect relations. This does mean that there is logical link between the objectives

- ***Is ERCA's strategic map serving as tool of education and communication?***

As the literature review indicates that strategic map is an education and communication tool that communicates and educates the work force, customers and stake holders about the organization's strategy (The Balanced Scorecard Institute, 2007). In responding to the question on whether or not ERCA's Strategic Map was used as a tool of education and communication the staff and customers about the Authority strategy; As Table 4.14 indicates the majority or (55.9%) of the respondents disagree with the premise that ERCA uses strategic map for communicating and educating the Authority's strategy. On the other hand (35.3%) of the respondents were agreed that ERCA uses strategic map for education and communication and the rest are uncertain.

However the key informants argued that the Authority was posting its strategic map in the HQ and branch offices notice boards with the purpose of communicating and educating the internal and external stake holders.

Thus the data indicates that there is gap in the strategic map serving as educating and communicating the internal staff and external customers about the organization's strategy. Strategic map has to be used as tool of communication and education. Positioning strategic map on the notice board to be noticed and internalized by internal staff and external customers can be a means for education and communication. It is not an end by itself. Therefore; strategic map should be used to properly communicate the organization objectives, their cause-and-effect relations, alignment of vision and objectives, etc.

Table 4.14 ERCA's strategic map as tool of education and communication

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 18 | 10.5 |
| | Agree | 42 | 24.6 |
| | Uncertain | 15 | 8.8 |
| | Disagree | 84 | 49.1 |
| | Strongly Disagree | 11 | 6.4 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

This section is dealing with the fifth step of building BSC that is basically related with performance measure.

As stated in the literature review performance measures are indicators used for tracking performance of an organization's strategy, means for measuring both organization effectiveness and operational efficiency and visual indicators of relative success (The Balanced Scorecard Institute, 2007)

- *performance measures aligned work unit behind common goal*

In responding to the question on whether or not performance measures aligned work unit and performers behind common goal; as Table 4.15 indicates the majority or (43.3%) agree that ERCA BSC's performance measures are serving to align work units and performers behind common goal. However, (26.5%) are uncertain, (21.8%) are disagreeing and the rest are strongly disagreeing.

Thus there is common understanding that performance measures aligned work units and performers behind common goals but quite lot of respondents are either misunderstood or uncertain whether the organization performance measure are aligned with the work unit and

performer behind common goal or not. Hence; the Authority should review the work unit or individual score cards to check their alignment with respective objectives and goal.

Table 4.15 ERCA BSC's performance measures aligned work unit behind common goal

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 9 | 5.3 |
| | Agree | 65 | 38.0 |
| | Uncertain | 45 | 26.3 |
| | Disagree | 37 | 21.6 |
| | Strongly Disagree | 14 | 8.2 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

- ***BSC's performance measures mix and weighting***

The balanced scorecards need to be a mixture of 15 to 25 financial and nonfinancial measures, grouped into four perspectives with the same distribution of four measures 22% each and the higher weighting for the internal work process which has 8-10 measures and represent 34 % of the measures (Kaplan and Norton, 2011)

In responding to the question on whether or not ERCA's BSC performance measures are with appropriate and logical mix and weighting; as reviewed ERCA's BSC document of 2003-2007, the corporate level score card has 54 financial and non financial measures. The internal work process has 34 measures and represents 63%. However; the financial measure is 12.5%, learning and growth measure is 18.5%, and customer measure is 22% respectively.

Thus there is problem in the mixture, distribution and weighting of performance measures. Improper performance measure mix and weighting has adverse effect in the total achievability of BSC system

- ***The performance measures capability of measuring the objectives***

In responding to the question on whether or not the performance measures capability of measuring the objectives during reviewing the randomly selected work units & individual score cards at head and branch offices the following problems are witnessed; the performance measures of ERCA's corporate level objectives are almost copied word- by- word throughout the work units/ individuals scorecards . Some objectives like human resource development, increase customer satisfaction, effective and efficient revenue collection at work unit level scorecards do not have performance measures, some of the performance measures are ambiguous, some

performance measures are stated in percentage instead of number, some measures are stated in number instead of percentage, very few and or lots of measures are used for some objectives, quite lots of measures are used for learning and growth, 40% of the performance evaluation of individuals linked with integrity related personal characters and do not have performance measure. This may lead to nepotism and favoritism. The formulas used to measure integrity related personal characters are vague and subjective.

Thus there is gap in designing performance measures that will be used to compute objectives. Proper revision & consultation is necessary to make performance measures capable to measure objectives.

- ***BSC's performance measures keep balance between lagging and leading indicators of performance, long term and short term,***

As stated in the literature review a good balanced scorecard is an appropriate mix of outcomes (lagging indicators) and performance drivers (leading indicators) of the work unit's strategy (Kaplan and Norton, 1996).

In responding to the question on whether or not the performance measures keep balance between lagging and leading indicators, short term and long term ; ERCA's BSC document of 2003-2007 illustrate that most of the indicators are leading (performance drives) measures that performance drives or leading indicators are outweigh in number than the outcome measure or lagging indicators.

Thus the performance measures are not keeping the balance between leading (performance drives) and lagging (outcome measures) and proper revision and consultation is recommended.

- ***performance measures and Internal/external (domestic/international) benchmarking***

To confirm the enquiry on whether or not the core team of BSC undertakes (domestic/international) benchmarking to set performance measures; the interviewee disclose that BSC study team undertakes internal benchmarking from federal governmental ministries and benchmarking from abroad basically from Her Majesty Revenue Services (Great Britain), Kenya Revenue Authority, Tanzania Revenue Authority, Uganda Revenue Authority, South Africa Revenue Service.

Thus there is no gap in the internal and external benchmarking in organizing ERCA's BSC documents. The Authority undertakes both internal and external benchmarking to get best practice and adopt the lesson learnt for the Authority BCS building & its implementation.

This section is dealing with the six step of building BSC that is basically related strategic initiatives.

As it is discussed in the literature review part the strategic initiatives are specific programs, activities, projects, or actions that the organization will undertake to meet performance targets (Niven, 2003)

- ***Strategic Initiatives are linked to vision, mission, objectives and Perspectives***

In responding to the question on whether or not the strategic initiatives are linked to the objectives and perspectives; ERCA's BSC document of 2003-2007 is reviewed and the total of 15 (9 new and 6 old initiatives) are identified and linked with perspectives, vision, mission and 25 objectives.

Thus there is no gap in identifying and linking initiatives with objectives and perspectives. The initiatives are identified and properly linked with vision, mission and objectives.

- ***Strategic Initiatives are widely recognized as solving significant organization problems or capturing significant benefits***

To confirm whether or not the initiatives are capable of solving the Authority problem interview was made with Project Development and Appraisal Team coordinator of ERCA and he ratify that the initiatives are identified with proper consultation and they are in due implementation and he is confident that they are solving the organization problems.

Thus there is no gap in the initiatives capability of solving the organization problems. Proper consultation is critical for successful implementation of the initiatives.

- ***Prioritized and ranked by selection criteria***

ERCA's BSC document of 2003-2007 is reviewed to test whether or not selection criteria are set to prioritize initiatives. Hence; ERCA uses selection criteria such as linkage to strategic theme, quantity & quality of measuring goals, significance to the outcome were used to select and prioritize the initiatives.

Thus there is no gap in prioritizing and selecting initiatives. The selections of initiatives are conducted by using widely applicable slandered criteria stated above.

- ***Schedule, deliverables, resource commitments, and ownership defined***

ERCA's BSC document of 2003-2007 reviewed and interview was conducted to test whether or not time tables, deliverables, resource commitments and ownership are defined.

There for the initiatives' implementation time table, deliverables, budget and ownership are defined. But due to resource constraints, some initiatives which have considerable impact on success of strategy objectives cannot be materialized. The initiatives are ISO certification, Tax potential and other relevant studies.

Thus there is some gap in materializing initiatives due to financial and non financial constraints. There for the issue of budget should be taken as one of selection criteria.

This section is dealing with the seven step of BSC implementation (system roll out)that is basically related with automation.

As it is discussed briefly in the literature part; automation is requirement for system roll out (BSC implementation). Automating data collection and reporting for the scorecard requires an assessment of the data that needs to be collected, performance information that needs to be communicated, and the information technology options that will be used to process the data and transform it into information.

- *Automation support system roll out*

The IT Directorate officers of ERCA were asked to check whether or not automation supports the organization BSC. That means using software to automate the collection, reporting and visualization of performance data. It is confirmed; however, the organization does not use software which supports the data collection and reporting performance data.

Thus there is gap in supporting the ERCA's BSC with automation to collect and report performance data. The organization does not support its BSC with automation and BSC related software is not used in the collection, reporting and visualization of performance data.

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

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

The individual scorecard should be aligned to departments and support units objectives to tie with rewards, recognition, and incentives to results (The Balanced Scorecard Institute, 2007)

- *Translating high-level strategy into aligned lower-level objectives and measures*

ERCA's BSC document of 2003-2007 is reviewed to test whether or not the organization high level strategy is translated in to lower level objectives and measures. There for, the organization's six high level strategic themes and their subsequent results are cascaded and aligned to 25 strategic objectives and 54 financial and non financial measures.

Thus there is no problem in cascading the high level strategy into lower level objectives and measures. High level strategies are properly cascaded to the lower level strategic objectives and measures.

- ***Creating alignment around the organization's shared vision, to make strategy actionable to departments, and down to individuals***

ERCA's BSC document of 2003-2007 is reviewed to investigate whether or not alignment is created around the organization shared vision. Hence; the Authority's five high level strategic themes and their subsequent results are aligned to the organization shared vision.

Thus there is no problem of alignment with high level strategy and shared vision. The organization's five high level strategic themes and their subsequent results are aligned to the organization shared vision.

- ***Developing department & individuals scorecards, aligned to corporate score card and strategy***

ERCA's BSC document of 2003-2007, randomly selected directorates at head quarter (Ethics, Revenue Account Administration, Customs Branch's follow up and support, Border Administration and Contraband Protection), branch offices' work processes (Customer service, tax collection, custom procedure) and individuals score cards were reviewed to test whether the directorates and individuals score cards are aligned to corporate score card and strategies.

Hence, the following problems are observed.

- Work units at the head quarter and branch offices do not properly tailored the high level strategy and objectives taking into consideration their practical circumstances and their role and function,
- Some of the work units at head quarter and branch offices' objectives and measures are totally delinked from corporate level score card,
- Some work units at head quarter and branch offices cascade objectives that are not related with their mandate,
- Some individual score cards are almost identical (Even if there are difference concerning job title and description, the cascaded score objectives are similar across the work units and teams)
- In the Authority performance appraisal system is totally deviating from BSC concept and practice. The 40% is related with personal characters and integrity and 60% is related to individual score card evaluation.
- Under ERCA umbrella there are four sectors which lead by four deputy directors with a state minister portfolio. Under each sector there are at least 6 directorates. However; four of them do not have their own separate scorecard.

Thus there is gap in developing department & individuals scorecards, aligned to corporate score card and strategy. To state the major problems; corporate level strategies and objectives are not contextually adopted, lower level objectives and measures are delinked from corporate level score card objectives and measures, parallel scorecard is prepared for all performers, personal characters and ethics/ integrity related measurement criteria has 40% value in the total individual performance evaluation are worth mentioning.

- ***Work units and individuals Score card aligned with recognition and incentives.***

To validate the enquiry on whether or not the work units and individuals score cards aligned with recognition and incentives; the interviewee from HR Directorates unveil that the Authority is semi autonomous and have independent personnel administration different from other civil service organization. It has different salary scale and other benefit package. But incentive compensation scheme of individuals and work units is not attached to achievement of scorecard objectives and outcome in the Authority.

Thus there is problem of aligning work units and individuals score card with recognition and incentives scheme. The incentive compensation scheme of individuals and work units is not linked with the achievement of scorecard objectives and outcome.

This section is dealing with the ninth step of implementing BSC that is basically related with evaluation.

Evaluation is the process of reviewing the organization progress toward its strategic goals. It is also assessing the balanced scorecard strategic planning and management system to determine where efficiency and effectiveness can be improved.

The evaluation processes incorporate the performance appraisal of team and individual. The result of evaluation is used to modify the organization planning assumptions, strategy, objectives, performance measures and targets, strategic initiatives, and budget (The Balanced Scorecard Institute, 2007)

- ***Evaluation is used to determine where efficiency and effectiveness can be improved.***

In responding to the interview questions on whether or not ERCA undertake evaluation to determine where efficiency and effectiveness can be improved; the key informant from Planning and Monitoring Directorates affirmed that ERCA organize across work units the ***one-to-five*** arrangement for evaluation individual score card on daily basis. Beside; work units score cards are evaluating on weekly basis. Above all at the corporate level; branch offices score card is evaluated on quarterly bases. The basic objectives of evaluation at all levels are to maximize efficiency and effectiveness.

- *The performance appraisal of team and individual based on tangible data*

In responding to the question on whether or not the performance appraisal of team and individual is based on concrete data; questionnaires were distributed for the target population and as Table 4.16 indicates the majority or (63.5%); disagree and strongly disagree that ERCA does not use actual performance data in the process of performance measurement. However (22.9%) agree, (9.4%) uncertain and the rest are strongly agree.

Table 4.16 performance appraisal and concrete data

| | | Frequency | Percent |
|---------|-------------------|-----------|---------|
| Valid | Strongly Agree | 6 | 3.5 |
| | Agree | 39 | 22.8 |
| | Uncertain | 16 | 9.4 |
| | Disagree | 81 | 47.4 |
| | Strongly Disagree | 27 | 15.8 |
| | 9 | 1 | .6 |
| | Total | 170 | 99.4 |
| Missing | System | 1 | .6 |
| Total | | 171 | 100.0 |

Source: Primary data generated for the study from questionnaire

The key informant persons from Change and Modernization Directorates supported this fact and commented that there are some head/branch office's work processes that their performance evaluation is based on relevant and genuine manually recorded performance data. There are also some work units which represent the majority found at head/branch offices that they are evaluating performances without reliable performance data. Therefore; the past three half a year individual evaluation reports are not be accepted by the Authority due to hyper inflated performance evaluation.

Table 4.17 ERCA's Individuals BSC Performance Evaluation Report (2006 E.C First half)

| No | Name of Branch Office | Number of evaluated employee | Poor Performance (Below 60%) | Average performance (Between 61 and 84%) | Great Performance (Between 85 and 94%) | Very Great Performance (Greater than 95%) | Remark |
|----|-----------------------|------------------------------|------------------------------|--|--|---|--------|
| 1 | Dira Dawa | 246 | N/G | 12 | 182 | 52 | |
| 2 | Moyale | 92 | N/G | 12 | 80 | N/G | |
| 3 | Kombolcha | 102 | N/G | 19 | 83 | N/G | |
| 4 | AA West | 217 | N/G | N/G | 214 | 3 | |
| 5 | Hawassa | 178 | 1 | 21 | 156 | N/G | |
| | Total | 835 | 1 | 64 | 715 | 55 | |

Source: Secondary data generated from ERCA performance appraisal report

Beside, the researcher reviewed the Authority's BSC Individuals Performance Evaluation Report (2006 E.C First half) to investigate whether or not the individual evaluation is conducted with valid performance data. As randomly selected branch offices' 2006 first half performance evaluation report (Table 4.17) indicates the majority or 85.6% scores great performance (between 85 and 94%) and there is almost no poor performer which scores below 60%.

As literatures of performance evaluation point out the performance evaluation of any organizations have to fit with normal distribution curve (NDC). According to normal distribution curve 80% performers fall under average performance while 10% from the total is above average and 10% below average respectively (Armstrong, 2006)

Thus there is gap in the Authority individual performance evaluation processes. This is because the individual performance evaluation is undertaken without accurately captured and organized performance data. Since the evaluation is conducted without factual data the end result is misleading and inappropriate to use for reward or corrective action.

- ***uses evaluation to make organization change (Restructuring)***

In responding to the interview questions on whether or not ERCA undertake evaluation to make organization change (Restructuring); it is confirmed that ERCA undertake structure changes as per the result of the evaluation. Hence; the Authority has done organization structure change three times from 2003-2007, taking the necessary input from performance evaluations feedback.

Thus the Authority uses the corporate evaluation report & its feedback for the purpose of restructuring.

CHAPTER FIVE

5 Summary of finding, conclusion and recommendation

This study was conducted with the purpose of assessing the practice and challenges of BSC design and implementation: the case of Ethiopia Revenue and Customs Authority. A descriptive survey method of the research was used to conduct the survey. Data was collected using document analysis, questionnaires, and interview. For the literature review, a number of books have been used. The data collected was organized, analyzed and discussed. Accordingly, the following conclusion and recommendations are drawn from the major finding of the research.

5.1 Summary of findings

In Ethiopia, quite lots of public sector organizations have been employing BSC as change and strategic management system in the framework of Public Sector Capacity Building Initiatives. However; those organizations that exercise BSC as change and strategic management system have faced challenges with the design & its implementation. There for, ERCA is found among those public organizations which apply BSC and obtained encouraging result and so is a faced challenge. In this chapter, the summary of findings are presented in chronological order. On all questions, the responses related to top management commitment is presented first, then after the six steps of building BSC and finally the analyzed data related with three steps of implementing BSC (System roll out) is presented respectively.

The top management commitment was evaluated from the parameters of *involvement, conceptual understanding, communication, and serving as change agent* which are critical for BSC building and its implementation. There for the top leadership of ERCA was involved in the introducing the concept & theory BSC to the Authority, launching the program with drafting and executing change management strategy and plan, organizing and executing communications strategy, resourcing and training ,monitoring and evaluating its implementation.

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

The major strengths of ERCA 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. The organization pains and enablers are identified after detailed analysis. Strategic themes are identified and developed which are also demonstrated that they are aligned with the organization vision & mission. The customer needs and value proposition is well identified and defined. The

strategic objectives are developed for each theme. All the strategic objectives are cascaded from strategic theme and logically linked. The performance indicators are developed for each strategic objective on logical approaches.

The other most important strengths of the organization BSC building phases encompass the origination uses the strategic map to link strategic objectives and results to vision, and vision also linked to strategic theme. The strategic map is serving as a tool of linking all perspectives with strategic objectives. The strategic map has properly aligned strategic objectives throughout four perspectives such as finance, customer, internal process and learning and growth. All objectives are linked with in cause-and-effect relations. The initiatives are properly identifying and linking with objectives and perspectives. The initiatives are identified, prioritizing with widely applicable standard criteria and properly linked with vision, mission and objectives.

The major weaknesses of ERCA in the building of the corporate BSC are: internal staff and external customers are not properly participating in the strategic plan development processes. The organization use only four common perspectives as strict jacket; even though, there is demand for additional perspective like employee retention that may check serious workforce lay off problem. The strategic map is not properly serving as tool of educating and communicating the internal staff and external customers about the organization's strategy. The performance measures mixture, distribution and weighting are not logical. They are not keeping the balance between leading (performance drives) and lagging (outcome measures) and that may bring adverse effect in the total achievability of BSC system.

The other major weakness is related with budget. There is no gap in linking ERCA's 6 strategic themes with performance based budgeting however; the problem is adequate budget is not designated for some critical initiatives that can bring organization changes. Even, budgets are not prorated at operation work units (directorates) level.

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

The major strengths of BSC implementation or system roll out in ERCA are: high level strategies are properly cascaded to the lower level strategic objectives and measures. The organization's six high level strategic themes and their subsequent results are aligned to the organization's shared vision. The Authority uses evaluation with the objective of maximizing efficiency and effectiveness. The evaluation report & feedback are used for restructuring and other change initiatives.

The major weaknesses in the ERCA's system roll out or BSC implementation are: the organization's BSC is not supported with automation and BSC software is not used in the collection, reporting and visualization of performance data.

Lower level work units & individual scorecards are not properly aligned to corporate level score card and strategy. To state the major problems; corporate level strategies and objectives are not

contextually adopted, lower level objectives and measures are delinked from corporate level score card objectives and measures, parallel scorecards are prepared for all performers, personal characters and ethics/ integrity related measurement criteria have had 40% value in the total individual performance evaluation.

The organization's work units and individuals score card are not linked with recognition and incentives scheme. The incentive compensation scheme of individuals and work units are not linked with the achievement of scorecard objectives and outcome. The individual performance evaluation is undertaken without appropriately captured and organized performance data. As the evaluation is conducted without the support of accurate data; the outcome is misleading and inappropriate to use for reward or corrective action.

Generally there are quite a significant strength and sizeable weakness throughout the nine steps of BSC building and implementation or system rolls out.

5.2 Conclusion

Both private and public organizations are managing their performance. Over the past a number of years, several methodologies have been developed in various sectors to assess and manage performance. Each of these improvement programs has had confirmed success stories & supporter. However; many of these improvement programs have yielded disappointing results. Due to many criticisms of traditional performance measurement system, there have been significant innovations in this area.

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

In Ethiopia, lots of public sector organizations have embarked on to use BSC as change and strategic management system in the framework of Public Sector Capacity Building Initiatives. However; the organizations that employ BSC as change and strategic management system stumble upon difficulties with its top management commitment, design and implementation. Thus I have selected ERCA to undertake research in its BSC design and implementation.

Hence; I have found that the presence of balanced scorecard has influenced the organization strategy plan implementation at ERCA's head quarter and branch operations. The ERCA's BSC has got considerable strength and scalable limitation. The most important strength of ERCA's BSC is the top management commitment from inception throughout its design and system roll out (implementation).

Besides; the Authority is analyzing the internal weakness and strength and of the external threats and opportunity in formulating strategic plan. This is key steps for defining the corporate vision; mission and core values appropriately. The organization's pains, enablers, customer needs and

value proposition are identified after detailed SWOT analysis. The six strategic themes namely: human resource management and development, modern information technology, taxpayers' education, customer service and support, tax law enforcement, revenue collection are identified and developed which are also attested that they are aligned with the organization vision & mission. The strategic objectives are well cascaded for each theme and logically linked. Besides, the performance indicators are well developed for each strategic objective on logical manner.

The other notable strengths of the Authority's BSC designing phases which are encompasses: the strategic map is used to link strategic objectives and results to vision and vision also link to strategic theme. The strategic map has properly aligned with strategic objectives throughout four perspectives such as finance, customer, internal process and learning and growth. All objectives are linked with in cause-and-effect relations and serving as tool of linking perspectives with strategic objectives.

The other strengths incorporated that the strategic initiatives are properly identified and prioritized with widely applicable standard criteria. They are properly linked with vision, mission and objectives.

Similarly ERCA has got considerable strength of BSC in its implementation or system roll out. Therefore, high level strategies are properly cascaded to the lower level strategic objectives and measures. Six high level strategic themes and their consequent outcome are aligned to the organization corporate vision. Besides; the Authority uses performance evaluation with the basic tenets of maximizing efficiency and effectiveness and its feedback have been also used for restructuring and other change initiatives.

Regarding to the ERCA's BSC weakness which is divided in to two parts and presented as follows. The major weaknesses of ERCA in the building of the corporate BSC are dearth of participation. BSC requires participatory strategic planning and development processes. However; the top management of ERCA and the work unit which were responsible for SPM development (Planning and Monitoring Directorate) were merely prepare strategic plan. Besides, internal staff and external customers were not properly participating in the strategic plan development processes.

In the phases of objectives setting, the Authority used only four common perspectives as strict jacket; even though, there is still high demand for additional perspective like employee retention that may check serious workforce lay off problem. The performance measures mixture, distribution and weighting are not logical. They are not keeping the balance between leading (performance drives) and lagging (outcome measures) and this may cause adverse effect in the practicability of BSC system.

It is well noted that the objectives and measures should be organized and stated properly into a BSC. There is yet gap in the performance measures. The balanced scorecards need to be more than a mixture of financial and nonfinancial measures, grouped into perspectives. However;

some of the Authority's performance measures are not capable to measure the organizations objectives. Few of the notable problems are: The measures are almost identical/ redundant throughout the organization, some of the measures are ambiguous, and some measures are stated in percentage instead of numbers, and some cases the reverse, very few measures or in some cases lots of measures are used for each objective, the formula for measurement is not clear and practical.

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

The balanced scorecard enables an organization to integrate its strategic plan with its annual budgeting process. However; adequate budget is not designated for some critical initiatives that can bring organization changes. Even, budgets are not prorated at operation work units (directorates) level.

Similarly ERCA's BSC has got considerable shortfall in its implementation or system roll out. This does mean that there is problem in employing software for data collection, reporting, and visualization of performance. Therefore; the performance data are not transferred into the relevant information and use for performance measurement. On the top of that due to lack of appropriate recording of performance related data the performance evaluation of individuals and teams are fake and highly exaggerated. Besides Forty percent (40%) of the evaluation of performance is based on subjective criteria such as integrity, personal behavior and the likes; and this open room for nepotism and favoritism.

Another important concluding remarks regarding system roll out is due to cascading predicament the organization faced challenges in translating high-level strategy into aligned lower-level objectives and measures. Some work units and branch offices' scorecards, are not aligned to corporate vision and strategy. Besides, the individual scorecards are not aligned to operation and support units' objectives. This poses problem in alignment around the organization's shared vision, to make strategy actionable from the work units down to individuals.

Finally the scorecard is believed that incentive compensation must be connected to achievement of scorecard objectives. However ERCA's scorecard objectives do not link with rewards, recognition, and incentives. This poses problem in creating a results-oriented culture,

5.3 Recommendation

It is well noted that the government of Ethiopia has embarked on institutional development efforts across layers of government; and the planned expansion of the scope of public sector capacity building initiatives (PSCAP)

Improving the governance of human resource management through, the implementation of the results-oriented appraisal system is one of the components of Civil Service Reform Program which is sub program under PSCAP. Consequently as of May 2003 balanced scorecard performance management system as tool of change and strategic management framework has been implemented in many public sector organization throughout the country.

However; many public organizations in Ethiopia have been faced challenges in the implementation of BSC. Because of the fact that lots of the public organizations (Civil service and public corporation) once they have implemented a balanced scorecard system, they do not have mechanisms to evaluate whether they are achieving the results they desire or not. Once the scorecard is built and implemented, ensuring its fitness and effectiveness is the critical issues.

Thus the study is undertaken with general objectives of assessing the practice and the challenges of balanced scorecard in the case of Ethiopia Revenue and Customs Authority and put forward the recommendation as follows.

1. The overall most important finding of the thesis and that the critical challenge of balanced scorecard in ERCA's is BSC implementation or system rolls. It is well acknowledged that the BSC implementation phase is the final mosaic of an Integrated Planning and Management Scorecard System phase. Hence, the top management of ERCA has to demonstrate its commitment for full-fledged BSC rollout through proper cascading of score card objectives and measures. The higher or corporate level score card and strategy should be aligned with lower level work units & individual scorecards objectives and measures. Besides, individuals and team performances should be linked with rewards, recognition, and incentives. Above all the organization's BSC has to be supported with automation and BSC software is purchased or developed and used for collection, reporting and visualization of performance data.
2. The other critical factor for the success and failure of BSC in ERCA is the task of educating and communicating the concept of BSC to lower/middle tier of management and other staff. As the research finding attributed above the majority of the ERCA's staff does not have adequate knowledge about BSC. Therefore well structured, systematic and continuous training has to provide for employees and management bodies. Besides, the top management has to communicate the status and progress of the organization's BSC through different communication channels.

3. ERCA has to pay due attention for organizational assessment that is dealing with examination whether the organization is ready for building the BSC. The significant challenges in the building of the BSC is directly associated with organizational assessment phases. The critical challenges as indicated in the conclusion which includes participatory strategic plan development process, BSC linkage with performance based budgeting, problems of too many strategic objectives, and other barriers related with strategic map, perspectives, performance measures, the leading and lagging indicators stem from the poor organization assessment.

Therefore; the ERCA have to set up qualified BSC review team which will be supported by professional external consultant that conduct assessment, review, and manage change to defy the challenges related with BSC buildings techniques.

- 6 The public organizations BSC underpinned by costs of rendering services for the broad public. Therefore; the financial perspective should not be a prime objective for ERCA. The organization achievements have to be measured by how effectively and efficiently it meets the needs of its customer or tax payers. Concrete objectives and measures must be defined for customer and tax payers. Financial considerations can play a facilitating or constraining role, but will hardly ever be the primary objective of ERCA.
- 7 The alignment of ERCA toward the strategy must ultimately be motivated through the incentive and reward systems. However; ERCA cannot link BSC with compensation system. For the scorecard to create the cultural change and to achieve strategic objectives, incentive compensation must be connected to attainment of scorecard objectives and outcome.
- 8 Sustaining the scorecard system is critical for ERCA success. It should be well acknowledged that BSC is not a “one-shot” process; rather creating a performance, results-oriented culture is long process. The ERCA’s leaderships engaged in planning and implementing BSC should be viewed it as a long-term process and be prepared to commit to change over a longer period.

Hence; by maintaining committed and engaged management body and employees from head to branch offices, and interactive communications; leading transformation from the top by entrenching commitment, using BSC as the strategic planning and management framework; aligning the organization, systems and employee performance around strategy through a rewards and recognition scheme; linking budget formulation and performance results; supporting BSC with automation; emphasizing continual improvement in the work processes, employee learning and skills development, and in understanding customer needs and satisfaction, and in ensuring employee satisfaction, et c. the Authority ERCA can sustain the BSC system.

Suggestions for further research

The case study focused on the application of balanced score card at Ethiopia Revenue and Customs Authority and it is recommended that a similar study be replicated in other public organization in the revenue sector where this tool has been adopted. Further research should also be done involving all the employees and managers of ERCA.

Annexes

I. General Information

| | | | | | |
|---|-----------------|---|---------------------------------------|--|--|
| 1 | Sex: | Male <input type="checkbox"/> | Female <input type="checkbox"/> | | |
| 2 | Age: | 18-30 <input type="checkbox"/> | 31-40 <input type="checkbox"/> | 41-50 <input type="checkbox"/> | 51 and above <input type="checkbox"/> |
| 3 | Education Level | Diploma <input type="checkbox"/> | First Degree <input type="checkbox"/> | Second Degree <input type="checkbox"/> | Third Degree <input type="checkbox"/> |
| 4 | Work positions: | File and rank <input type="checkbox"/> | Officer <input type="checkbox"/> | Team leader <input type="checkbox"/> | Director and others <input type="checkbox"/> |
| 5 | Work experience | \leq Two years <input type="checkbox"/> | 3-5 years <input type="checkbox"/> | 6-8 years <input type="checkbox"/> | above 9 years <input type="checkbox"/> |

II. Please choose one of the alternatives provided in the right side for the following statements (6-8)

| No | Variables | Strongly Agree | Agree | Uncertain | Disagree | Strongly disagree | |
|----|----------------------------------|---|-------|-----------|----------|-------------------|--|
| 6 | Management and Leadership | The ER CA's senior management well defined the organization vision, mission and corporate values | | | | | |
| | | The senior management is fully committed in the process of the Authority BSC building and implementing | | | | | |
| | | The senior management understand the concept of BSC and educate the internal staff and external stakeholders | | | | | |
| | | The senior management has the quality of tolerance and understand BSC implementation takes time and requires change within the organization as at all level | | | | | |
| | | The senior management introduces BSC only for compensation (salary, overtime payment, top up, etc.) purpose | | | | | |
| | | The senior management empower Your Directorate or work process to devise new | | | | | |

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|----------|----------------------------------|---|--|--|--|--|--|
| | | ways of doing their day-to-day businesses | | | | | |
| | | The Senior management style emphasis communication, participation, employee empowerment and innovation | | | | | |
| | | The senior management facilitate top-down and bottom-up communication. | | | | | |
| | | The senior management form BSC team comprising of change agent and hire consultants to build the Authority BSC | | | | | |
| | | ERCA uses management meeting to work together in teams to identify problems, assess changes in the operation and strategic environments | | | | | |
| 7 7.1 | Building BSC (Assessment) | ERCA analyze the internal weakness and strength and of the external threats and opportunities in formulating strategic plan | | | | | |
| | | ERCA develop clear vision, mission and core values to provide direction for the organization | | | | | |
| | | ERCA identify organization pains, and enablers from SWOT analysis | | | | | |
| | | ERCA identify its customers, and stakeholders, after understanding their needs and demands | | | | | |
| | | ERCA strategic plan is developed by all of us, not just leaders and/or the Planning, monitoring and Evaluation Directorate. | | | | | |
| | | ERCA provide training about change with communication media | | | | | |
| 7.2 | Strategy planning | ERCA formulated strategic plan based on in depth | | | | | |

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|--|--|---|--|--|--|--|--|
| | | analysis of the internal and external environments | | | | | |
| | | The organization's strategic focus areas are well defined and understood. | | | | | |
| | | Your Directorate or work process uses customer, financial, internal process, learning and growth perspectives to assure the balance in the organization strategies and measures | | | | | |
| | | Your Directorate or work process puts customer satisfaction as a central position instead of revenue collection | | | | | |
| | | The financial perspective is the primary objective of Your Directorate or work process Score Card | | | | | |
| | | Your Directorate or work process identifies value proposition for key customer and stakeholder's service attributes (quality, timeliness, cost effectiveness, et c.) image and relationship components | | | | | |
| | | Your Directorate or work process identifies strategic theme which represent the major focus area | | | | | |
| | | Your Directorate or work process identifies strategic results that ratify the successful execution of the strategic theme | | | | | |
| | | ERCA identifies competitive critical success factors | | | | | |
| | | Your Directorate or work process strategic theme and goals are linked with Performance-based Budgeting | | | | | |

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|------------|-----------------------------|---|--|--|--|--|--|
| 7.3 | Strategic objectives | Your Directorate or work process develops strategic objective for each theme | | | | | |
| | | Your Directorate or work process strategic objective are placed in the themes | | | | | |
| | | Your Directorate or work process performance indicators are related to the objectives of organization | | | | | |
| | | Your Directorate or work process objectives are too many | | | | | |
| | | Your Directorate or work process has well-written objective statements which provides precise clarification of the meaning | | | | | |
| | | Your Directorate or work process objectives describe the links in the chain of cause and effect evident in the strategy map | | | | | |
| 7.4 | Strategic mapping | ERCA uses strategic map as a tool of education and communication about organization strategy | | | | | |
| | | ERCA use strategic map to link the strategic objectives with its cause-and-effect relations and demonstrate how value is created through four perspectives | | | | | |
| | | ERCA use strategic map as a tool for creation organizational alignment (each branch, work unit, individuals link their strategic objectives to the strategic map) | | | | | |
| | | ERCA use strategic map to balance set of objectives, representing each of perspectives | | | | | |
| | | ERCA use strategic map to eliminates ambiguity and | | | | | |

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|------------|------------------------------|--|--|--|--|--|--|
| | | clarify responsibility. | | | | | |
| 7.5 | Performance measure | Your Directorate or work process performance measurement links to the organizations' visions through the objectives on the strategic map that | | | | | |
| | | Translate the Authority strategy in to operational terms | | | | | |
| | | Your Directorate or work process, performance measurement are aligned other Directorates, and work units performance measurement | | | | | |
| | | Your Directorate or work process undertake internal or external benchmarking to set measurements and indicators | | | | | |
| | | Your Directorate or work process performance measures includes leading, lagging, quantitative and qualitative measures in balanced ways | | | | | |
| | | Your Directorate or work process performance measures in each perspective are capable enough to measure the objectives | | | | | |
| | | Your Directorate or work process performance measurement is accurate and consistent | | | | | |
| | | Your Directorate or work process Performance measurement system does not impose in today's collection burdens | | | | | |
| 7.6 | Strategic Initiatives | ERCA and Your Directorate or work process identify potential strategic initiatives, developed selection criteria, analyze and selected strategic initiatives | | | | | |

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|------------|---|--|--|--|--|--|--|
| | | The initiatives are tied to strategic vision, mission, objectives and perspectives explicitly defined in terms of owners, schedules, action, steps, progress, and expected results and fits with one of the strategic themes | | | | | |
| | | ERCA's strategic initiatives are wider reaching (entire organization) and solve a significant organization pain | | | | | |
| 8 | Implementing BSC (System roll out) | Your Directorate or work process uses software to automate the collection and reporting the quantitative data | | | | | |
| 8.1 | Automation | Your Directorate or work process transferred data into relevant information and use for performance measurement | | | | | |
| 8.2 | Cascading | Your Directorate or work process translates high-level strategy into aligned lower level objectives and measures | | | | | |
| | | Your Directorate or work process score card is aligned to ERCA's vision, mission and strategy | | | | | |
| | | You develop individual scorecard, aligned to directorates or work process | | | | | |
| | | Individual and team score cards aligned with recognition and incentives | | | | | |
| 8.3 | Evaluation | Your Directorate or work process periodically reviews the directorates or work process progress towards its strategic goals | | | | | |
| | | Your Directorate or work process review of the BSC strategic planning and management system to determine where efficiency and effectiveness can be improved | | | | | |

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