



**Addis Ababa University
School of Graduate Studies
College of Business and Economics
Department of Public Administration and Development Management**

**Challenges and prospects of
Balanced scorecard Implementation
in the Development Bank of Ethiopia**

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University in Partial Fulfillment of the Requirements for the
Degree of Masters of Art degree in Public Management and Policy
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Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented or submitted partially or in full by any other person for a degree in any other university, and that all sources of materials used for the purpose of this thesis have been duly acknowledged.

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Abbreviation

BPR – Business Process RE- Engineering

BSC – Balanced Scorecard

CBE-- Commercial Bank of Ethiopia

DBE – Development Bank of Ethiopia

ERCA- Ethiopia Revenue and customer Authority

GO- Governmental organization

GTP- Growth and Transformational Plan

NPL- Non performing loan

OCP- Organization Citizenship Behavior

SEA- service efforts Accomplishments

Abstract

BSC is one of the management tools that help an organization to achieve its vision by aligning the organization's strategic goals to every employee's activity. As one of governmental financial institutions, DBE has implemented BSC in 2010. While implementing BSC, the Bank has faced a number of challenges. This study focused on investigating the challenges and prospects that DBE faces in general and the credit process in particular. To collect data interview and questionnaire have been used and the method used is descriptive method. The questionnaires are prepared for 51 credit process employees and 110 bank's credit customers. The interview is for the top management official of the bank who works in credit area and support credit area. Out of the administered questionnaire, only 23 employees and 50 customers managed to return. The results that come out of the questionnaires and interview is analyzed using descriptive method of analysis and presented in the form of tables and graphs. The finding shows that the major challenges that DBE faces is emanated from lack of commitment of top management officials , lack of understanding of the tool, early cascading and considering the tool more as a tool of measurement rather than a tool for strategic management. However; the tool is also helps the organization by increasing the organization performance, by communicating the organization mission, vision and strategic objective to employees, by creating team spirit and others. So to avoid the challenges it is recommended that the Bank should give training about the tool, the Bank should define the measurements, and after being sure that the metrics measure the activities of the business units and the selected measure is easily quantifiable then attaching it with benefits will be wise in order to achieve what is set in the future.

CHAPTER ONE

1.1 Introduction

The Balanced Scorecard, developed by Kaplan and Norton (1992, 1993, 1996), enables management to translate the mission, the goals and the strategies of the company, its different business units and management functions into a coherent set of performance measures. This set of performance measures is divided into four perspectives: the shareholders' or financial perspective, which groups the measures assessing the extent to which the company realizes the shareholders' expectations; the customers' perspective which measures the perception of the company by its clients; the internal processes' perspective which determines the performance of critical internal processes; and the innovation and learning perspective which measures the learning ability, the growth potential and the improvement and change capacity.

The Balanced Scorecard is used more and more by companies as a basic framework to structure performance reporting. Be it for profit and non for profit organizations. As cited by Singh & Kumar (2007), there is great evidence which supports the application of the BSC in different business sectors such as: FHC Corporation, Apple Computer Company, Advanced Micro Devices, DHC Chemical Division, Nat west Bank, Chemical Bank, Mobil's US Marketing and Refining Division, and Rock water Engineering. According to AL-Najjar & Kalaf (2012) they state that BSC has many success stories too, (e.g. Kaplan and Norton, 2000) survey data collected by consultancy and commercial research companies suggests that organizations managed through 'balanced' performance measurement systems perform better than those that are not (Lingle and Schiemann, 1996; Gates, 1999) report evidence shows that organizations making more extensive use of financial and non-financial measures and linking strategic measures to operational measures have higher stock market returns. Dumond (1994) and Sandt et al (2001) suggest that using balanced performance measurement systems improve the decision-making performance of managers and employees. On the contrary, on the survey made by Neely, Kennerley and Martinez

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(2000) from data gathered over three-year period on a major wholesaler of electrical company in the UK, referred to as Electrical which planned to use BSC and the sister company who continued to use traditional methods of performance reporting at the branch level come up with almost similar result with three parameters (total sales, Gross Profit and net profit). A research done at the Free university of Amsterdam indicates that about 70 percent of all implementations of Balanced Scorecard fail. (Pforsich, 2005).

Therefore, to study our country context, Development Bank of Ethiopia (DBE) has chosen. DBE is selected over other public organization because it implemented BSC for the past three years and cascaded BSC till individual level for the past one year. So; it would be interesting to study and find out challenges and success stories encountered in DBE during implementation of BSC and the policy initiatives that should be taken in order to reduce the problems if any and its future prospects of the tool.

1.2 Background of DBE

The origin of Development Bank of Ethiopia (DBE) dated back to May 1909 and it has assumed different names since then. The Bank was established to support the public, cooperatives and private sector engaged in agricultural, industrial and service sectors. In these 104 years of service the Bank has undergone through different structure and mission following the regimes economic, political and social policy.

DBE is a public enterprise supervised by a Board of Directors composed of seven members and all are appointed by the Government. Under the Board of Directors, the President manages the overall activities of the Bank. The President is assisted by 4 Vice Presidents, Process Managers, Office Managers, Regional Managers, Branch Managers and Sub Branch Heads. The Bank has 5 Regional offices, 12 branches and 20 sub-branches located all over the country for its smooth operation. Currently the bank has 1,184 permanent and temporary staffs. The Bank's Management is structured in a transparent way and that decision taken and their enforcement are done in a manner that follows rules and regulations with developed policies and procedures.

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For effective implementation of policies and procedures the bank has established Compliance and Risk Management and Internal Audit systems. Ethics and compliant management system is also part of DBE culture.

The Bank is regulated by the National Bank of Ethiopian and supervised by Public Financial Enterprises agency for its regular operation and modernization to comply with international standard. Currently, the Bank mainly provide loan to priority area projects engaged in the field of export oriented, manufacturing and agro-processing which are government focused area of development.

Development banks are not, however, established for the sole purpose of providing credit to strategic projects. The other unique objective of such banks is technical support and advice.

Mission and Vision of the bank

Mission statement of the DBE is that “The Development Bank of Ethiopia is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing fund from domestic and foreign sources while ensuring its sustainability.

The Bank earnestly believes that these highly valued objectives can best be served through continuous capacity building, customer focus and concern to the wider environment”.

The vision of the bank is to be come 100% Success for All Financed Projects by 2020.

That means:

1. All financed projects shall be implemented as per established schedule;
2. All commissioned projects shall meet their debt obligation;
3. All commissioned projects shall operate above breakeven and fulfill the following as a minimum requirement:
 - Create employment opportunity;
 - Generate or save foreign exchange ;

- Generate tax revenue to the government.

1.3 Statement of the problem

Development Bank of Ethiopia (DBE), as a governmental financial institution is established to support the country's developmental plan through availing credit facilities to different sectors of the economy, and it plays a pivotal role in the realization of the GTP/Growth and Transformation Plan/. Development Bank of Ethiopia gives service to its customers by delivering financial and technical support for project loan. Thus, to provide effective and efficient service DBE has implemented BPR and clearly specified its domain in the new credit policy that will create conducive environment for its role. According to Tesfaye and Atakilty (2011) research BPR application in DBE has generated different changes in the performance of the organization like improvement in customer satisfaction, decrease in the Bank's nonperforming loan and others. But BPR does not comprehensively or fully accommodate Institutional performance measurement, and it is not a tool for strategy development, implementation and execution.

So, the solution identified by the Ministry of Capacity Building (MCB) and consequently by the DBE is to look on for a broader and more comprehensive approach for resolving the problem faced. The selected tool to resolve the problem is BSC, because BSC is perceived as a strategic management, performance measurement and communication tool. So the Government commends the company to implement the tool. BSC measures the performance of the organization in respect to financial, customer, and internal business process and learning & growth perspective.

Consequently, Development Bank of Ethiopia (DBE) launched BSC on October 2010. However; according to different literatures, organization who implements BSC has gain success as the same time some fails. For instance According to Crabtree and DeBusk(2008) and Greatbanks and Tapp (2007) proofs that firms that adopted BSC significantly outperform firm that did not adopt BSC using different matching criteria. However, cautionary evidence from three Austrian academics reported that 8% of 174 companies from German speaking countries decided not to implement a performance

measurement system (and a balanced scorecard in particular) because they could not see advantages or 'positive impact', especially given the implementation effort required (Speckbacher et al, 2003). In addition to that other researchers showed that those perform BSC and those did not perform BSC come up with the same result Neely, Kennerley and Martinez.(2000) And according to Lewy (1998) as cited by Tapanya (2004), 78% of attempts to implement BSC fail. So it is difficult to generalize, one country success or failure experience to all other countries, since the countries developmental stage, political and economic issues are differ and implementation of BSC is highly correlated with them. So making research in this area seems necessary in order to find out why some organizations fail while other being successful while implementing BSC? What are the challenges that the organizations faces? Since no prior study is made as to the applicability of BSC to governmental organizations (GO) in Ethiopia, especially in the banking sector; this study will address the organizational performance of the DBE before and after implementation of BSC, the challenges that DBE faced during implementation of BSC and what policy initiative that will be taken in order to curb the problem and lesson will be drawn.

1.4 Objective of the study

1.4.1 General Objective

The general objective of this study is to examine the success/failure, challenge and prospects of BSC implementation in the development bank of Ethiopia (DBE).

1.4.2 Specific Objectives

- To assess the organizational performance of the DBE before and after implementation of BSC;
- To assess the implementation of BSC in DBE specifically in credit process;
- To assess the challenges that the organization faces in implementation of BSC;

- To assess the causes of the challenges that DBE faces;
- To review the implementation of BSC in DBE from customers and employees perspective;
- To draw lessons and to recommend a way forward;

1.5 Research Questions

- What measurement tool used to measure organizational performance before and after implementation of BSC?
- To what extent does BSC is implemented in DBE?
- What are the challenges encountered in the implementation of BSC and the existing challenges?
- What do Customers and employees think about implementation of BSC in DBE?
- What should be done to improve the implementation of BSC in DBE?

1.6 Significance of the study

This study is helpful for the following reasons;-

BSC has become one of the important reform implementation tool in the Ethiopian public sector. The objective of BSC is to realize the organizational vision and objectives; so this paper shows the relevance of BSC in public sector in general and banking industry in particular;

This paper helps the organization to pin point the important challenges that exist currently and take remedial actions for suitable positive results;

It also help to share the experience of DBE in BSC implementation with similar other organization;

It also helps to serve as a springboard in BSC implementation for the other similar banks,

The paper can help to trigger other study in the area and can be used as an input for further research.

1.7 Scope of the study

The study focuses on development bank of Ethiopia, especially in the credit process because that is the major and core activity of the bank.

1.8 Limitation of the study

Since the paper deals with the challenges and prospects of BSC, one of the limitations it has is dwelling on one organization due to time and resource problem.

1.9 Organization of the study

The paper is organized in a such a way that chapter one includes the introductory part of the paper, chapter two is literature review, chapter three is methodology, chapter four is data analysis and interpretation, chapter five is going to be conclusion and recommendation.

CHAPTER TWO

1.10 Why balanced score card?

In industrial economy, companies measure their organizational performance by using tangible assets and rely on financial measures, however; the emergence of the information era in the last decades of the twentieth century made obsolete many of the fundamental assumptions of industrial age competition (Kaplan & Norton, 1996). So, in today's economy, i.e. in information age in order to be successful, intangible assets have become the major sources of competitive advantage (ibid; 2001).

As Kaplan & Norton stated that in the early 1980's, a survey of management consultants reported that fewer than 10 percent of effectively formulated strategies were successfully implemented. On a 1999 Fortune cover story of prominent CEO failures concluded that the emphasis placed on strategy and vision created a mistaken belief that the right strategy was all that was needed to succeed (Kaplan & Norton, 1996). Besides, according to Kaplan and Norton estimate 70% of - the real problem is not [bad strategy]... bad execution." Thus Kaplan and Norton identified four barriers of strategy which are vision, people, management and resource barrier. So, organizations need a new kind of management system which is designed to manage strategies. Because according to Evans (2005) stated that strategies may be very well drawn and presented, but the problem is that strategy is not very well communicated to people involved in the execution process. So, to be successful, strategy should be well communicated and it should become everyone's everyday's job. Since the ability of executing strategy was more important than the quality of the strategy itself because "Good Execution hastens the failure of a poor strategy" (Alkhafaji, 2003:192).

The issues of difficulty in executing strategy, coupled with reliance on financial measures of performance to gauge success or failure of the organization and the rise of value-creating intangible assets becomes unfit for the information age, this led Kaplan and Norton to propose a new synthesis: the Balanced Scorecard (BSC) as a tool to link

performance measures by looking at the business's strategic vision from four different perspectives: Financial, Customer, Internal Processes, and Learning and Growth in 1992.(Kaplan & Norton ,1992)

1.11 Definition of BSC

BSC defined differently by different researchers. In evaluation of BSC concept, two fundamental moments were identified; First, BSC was presented as a performance evaluation system (Kaplan, 1994; Kaplan & Norton, 1992; 1993 ;) and the authors defined BSC as –

“a set of measures that gives top managers a fast but comprehensive view of the business.”

According to Iqra et al. (2013) BSC is defined as

“Balanced score card as a tool used by the management to keep a record of the activities and actions of the staff and to control and monitor the results or consequences of the actions.”

More elaborating Holmes, Gutierrez and kiel (n.d) defined BSC as

“A comprehensive method of measuring organizational performance that is superior to traditional singular and efficiency based measures of agency performance aimed at determining whether management is building the infrastructure necessary to sustain organizational and institutional resilience and accountability.”

On the second stage, following the experience of implementing BSC in several enterprises, Kaplan and Norton (1996) concluded that managers were not using BSC only as performance evaluation, but also as a strategic management system. So in the second stage Kaplan and Norton (1996) argue that BSC is more than an operational or tactical measurement system, BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action.

BSC is not a simple set of measures, but their definition must follow two fundamental principles; all measures used must be based on the definition of objectives established by the company's mission and strategy; and a cause and effect relation between the measures defined for the four perspectives must be ensured.

According to Niven (2006) the measurement focus of the score card is to accomplish critical management process;-

1. Clarify and translate vision and strategy,
2. Communicate and link strategic objectives and measures ,
3. Plan, Set targets, and align strategic initiatives
4. Enhance strategic feedback and learning.

(Huselid, Becker, & Beatty, 2005; Tanyi, 2011) defined BSC as

“a tool managers can employ to measure an organization's operational success through direct cause-and-effect linkages back into daily operations.”

Niven (2006) defined BSC as

“Balanced Scorecard is a carefully selected set of quantifiable measures derived from an organization's strategy. The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives in the eyes of financial, customer, internal process and internal growth and development perspective”.

1.11.1 The four pillars of BSC

The balanced scorecard translates an organization's strategy into four perspectives (financial, customer, internal business processes and learning and growth) with a balance among the following elements:

- ✓ Internal and external measures

- ✓ Objective and subjective measures
- ✓ Performance results and drivers of future results and
- ✓ The balanced scorecard [also balances] traditional financial measures with non-financial measures (Ittner, Larcker & Meyer, 1997; Kaplan et al., 1992).

The four Perspectives of Balanced score card introduced by Kaplan and Norton are discussed below:-

1. Financial Perspective

The financial perspective demonstrated the strategy of increasing profitability while maintaining both business equity and proprietor's income (Shadbolt et.al, 2003). Private sector financial objectives generally represent clear long-range targets for profit-seeking organizations. Under this perspective the most common performance measures incorporated are the traditional financial measures: ROI, Cash Flow, Net Operating Income, Revenue Growth, etc. So success is measured through financial measures .These measures differ from one company to another, which mean there is no standard set of financial measures applicable across different contextual organizational frameworks and environments (Al-Sawalqa, Holloway and Alam , 2011).

In the government arena, the “financial” perspective differs from that of the traditional private sector. Success for public organizations should be measured by how effectively and efficiently they meet the needs of their constituencies (Hopf et.al, Ronchetti, 2006) Therefore, in the government, the financial perspective emphasizes cost efficiency, i.e., the ability to deliver maximum value to the customer.

2. Customer Perspective

The customer perspective demonstrated the strategy of good relationships with customers, and superior customers (Hopf. et.al. ; Shadbolt et.al, 2003). Kaplan and Norton (1992) state that customers' concerns have a tendency to fall into four different categories: time, quality, performance and service, and cost. According to Al sawalqa, Holloway and alam (2011) Lead time measures the time required for the company to

achieve its customers' needs. Quality measures the defect level of incoming products as measured by the customer. The combination of performance and service measures how the company's products or services contribute to creating value for its customers. The objectives recorded within the Customer quadrant of the Balanced Scorecard may be both contemporary and future orientated. They may relate to both existing and potential customers and markets (Mackay, 2004:16). The customer perspective enables the managers of the business to communicate and align the market based strategy; since the perspectives are linked, enhance the financial returns of the financial perspective (Kaplan & Norton, 1996). Customers, represents another view of internal operations that has a cause-and-effect relationship with the financial perspective and addresses how the organization must appear to customers in order to fulfill the organization's mission.

For the profit-driven private sector, the Customer perspective supports the critical financial perspective. However, for nonprofits, it is appropriate that the Customer perspective assumes primacy over the financial perspective due to the critical need for constituent satisfaction. In the governmental model, the principal driver of performance is differ from the strictly commercial environment; namely, customers and stakeholders take preeminence over financial results. (Hopf et al.). In general, public organizations have a different, perhaps greater, stewardship/fiduciary responsibility and focus than do private sector entities

To achieve sustained competitive success, however; companies need to be focusing on far more than their current products and customers. Companies should strive to continually surprise their customers with products which meet needs that they never even knew they had (Hamel and Prahalad, 1996:118). In competing for future success, organizations need to be continually developing the value propositions to be made available to their customers for years to come.

Kaplan and Norton (1996:93) summarized the importance of the customer perspective as follows:

“The core of any business strategy is the customer – value proposition, which describes the unique mix of product, price, service, relationship, and image that a company offers. It defines how the organization differentiates itself from competitors to attract, retain, and deepen relationships with targeted customers. The value proposition is crucial because it helps an organization connect its internal processes to improved outcomes with its customers.”

So, in this perspective the organization should demonstrate how it differentiates itself from the competitors by retaining, attracting, and sustaining relationships with its targeted customers (AL-Najjar & Kalaf, 2012).

3. Internal Business process perspective

Internal business Processes, represents the impact of product and service quality and helps identify which internal business processes must operate with excellence in order to satisfy customers. In other words, the objectives of the internal business process perspective highlights the processes which are most critical for the strategy of the organization to succeed and to meet customer expectations (Kaplan & Norton, 1992; Kaplan & Norton, 1996a).

In the Balanced Scorecard of a commercial business, the Internal Business Processes objectives and measures should not focus solely on enhancing processes per se but should also focus on those capabilities that deliver competitive advantage (Mackay, 2010). Internal business process metrics are then developed, which communicate the level of product quality through the monitoring of in-process metrics, as well as measuring productivity associated with the number of units produced or services provided (Brown, 1996). Metrics defined for the internal business Process perspective are those that can be associated with satisfying customers and delivering value. After all, exceptional customer performance descends from excellent internal processes (Kaplan & Norton: 1992). Typically the measures of this perspective are based on producing goods and services in the most efficient and effective methods. Commonly used measures for this perspective are: cost of quality, cost of non-conformance, process innovation, time savings etc (AL-Najjar & Kalaf, 2012). These processes also

enable the business to satisfy the shareholder expectations of the company's financial return (Kaplan & Norton, 1996a). The internal business process perspective demonstrated the strategy of increasing and intensifying production while satisfying partners and operating in a socially responsible manner (Shadbolt et al:2003). However, for nonprofits, realizing excellence in internal operations correlates to increased constituent or congregant satisfaction, not financials (Niven, 2003).

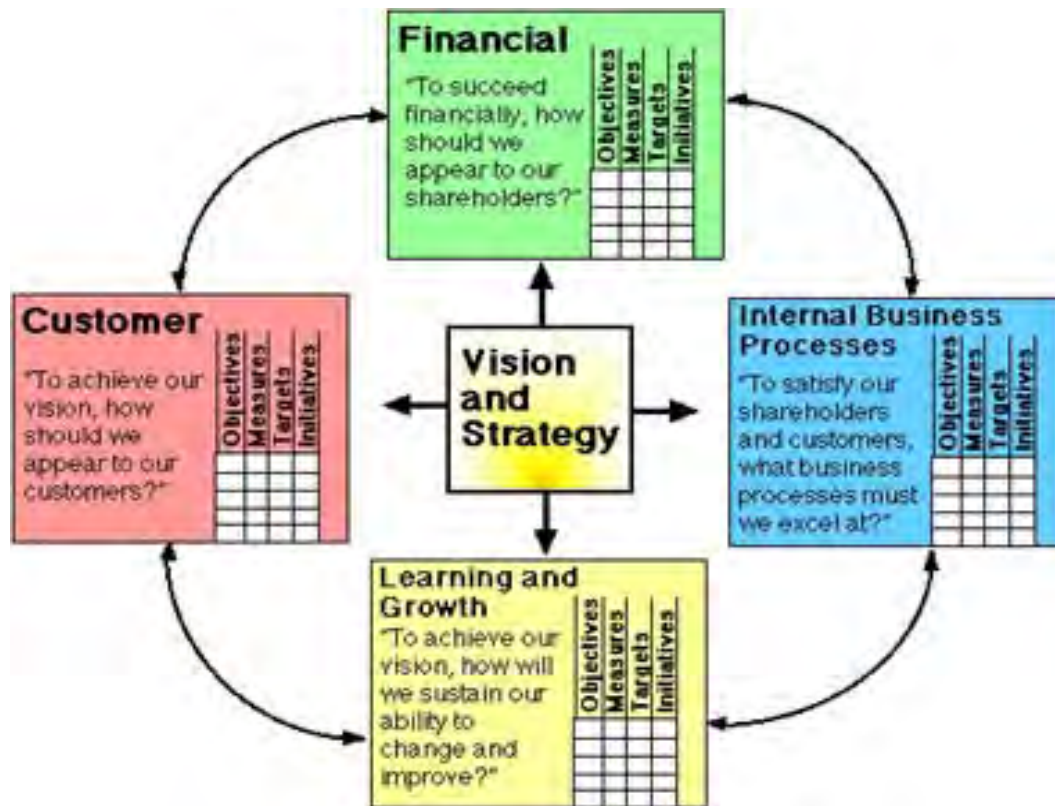
4. Learning and growth Perspective

The intense global competition of today's world requires the companies to be able to change fast and be innovative (Kaplan & Norton, 1992). The products and processes need continuous improvement to be able to keep up with the fast pace. The main sources of organizational learning and growth are people, systems and organizational procedures (Kaplan & Norton, 1996c; Mackay 2010).

The learning and growth perspective demonstrated the strategy of utilizing technology, improving partner and employee knowledge through off- and on-[...] training and developing (Shadbolt et al, 2003). Learning and Growth, enables the other three perspectives and defines what type of staff and automation the organization must have in order to achieve the mission, support the internal processes, and satisfy the customers. So this perspective, along with the internal process perspective, hub on identifying factors of long-term and short-term success.

Kaplan and Norton acknowledge that the learning and growth measures are the most difficult to select; therefore they suggest the following measures as examples: employee empowerment, employee motivation, employee capabilities, and information systems capabilities (AL-Najjar & Kalaf, 2012).

Figure. 1. Balanced scorecard four perspective



Source: Kaplan & Norton, 1996:

1.12 Steps of BSC implementation

In order to implement BSC successfully the firm or the organization should follow nine steps that are designed by Kaplan and Norton (1996). The nine steps of BSC are depicted graphically below:-

Figure 2. Building and implementing a strategic balanced scorecard system Nine Steps to Success



Source:-WWW.Balancedscorecar.org accessed on 03/03/14

1. Assessment

Does the organization need BSC implementation or not? In order to know that your organization needs BSC, there are around 20 questions that the company need to answer, and each question has five choices, and if you score 70-80%; then the organization is implementing the organization's strategy properly, however; if your performance is below 70-80% score then you should follow the following nine steps in order to implement your strategy through BSC (Niven, 2006). In order to implement BSC successfully organizations should have to undertake SWOT analysis, then identify enablers (opportunities and strength) and pains (weakness and treats) and also identify target customers and stakeholders this is done by taking in to account the organization's

mission, vision and core values. This will help to provide direction to the organization successes.

2. Strategy

Strategy is a hypothesis or a best way, for the organization to achieve its vision and mission and satisfy its customers and stakeholders. In this phase the organization identifies the business strategy taking the mission, the vision and the core values of the organization in to account. But we have to bear in mind that BSC is not a tool to formulate strategy; it is a tool to implement and take action on the designed strategy, so in order to be successful in implementation of the strategy, the formulated strategy should be good. Even though we know that good strategy alone does not guarantee for proper execution. According to Beer & Eisenstat (2000) strategy's will fail if it is/has:-

- ✓ Top down style,
- ✓ unclear and conflicting priorities,
- ✓ ineffective senior team,
- ✓ poor vertical communication,
- ✓ poor coordination across business units or functions and
- ✓ Inadequate down the line leadership skills.

Then formulating strategic theme, strategic theme is an area in which your organization must excel in order to achieve your vision. According to 3tm balanced scorecard Institute, themes are essential strategic elements that form the foundation for a balanced scorecard. Each theme has a “strategic result” associated with it. Strategic results are measurable and explicitly defined using outcome language (Rohm 2008) .Strategic themes help create organizational alignment by cutting through all the four perspective. The strategic theme (focus area) of the organization will be emanated through identifying and understanding the customer and stockholder need and core value and design the expected result from each theme.

3. Strategic objectives

Objectives refer to the actual results the organization hopes to achieve. A strategic objective is used to break strategic themes in to more actionable activities that lead to

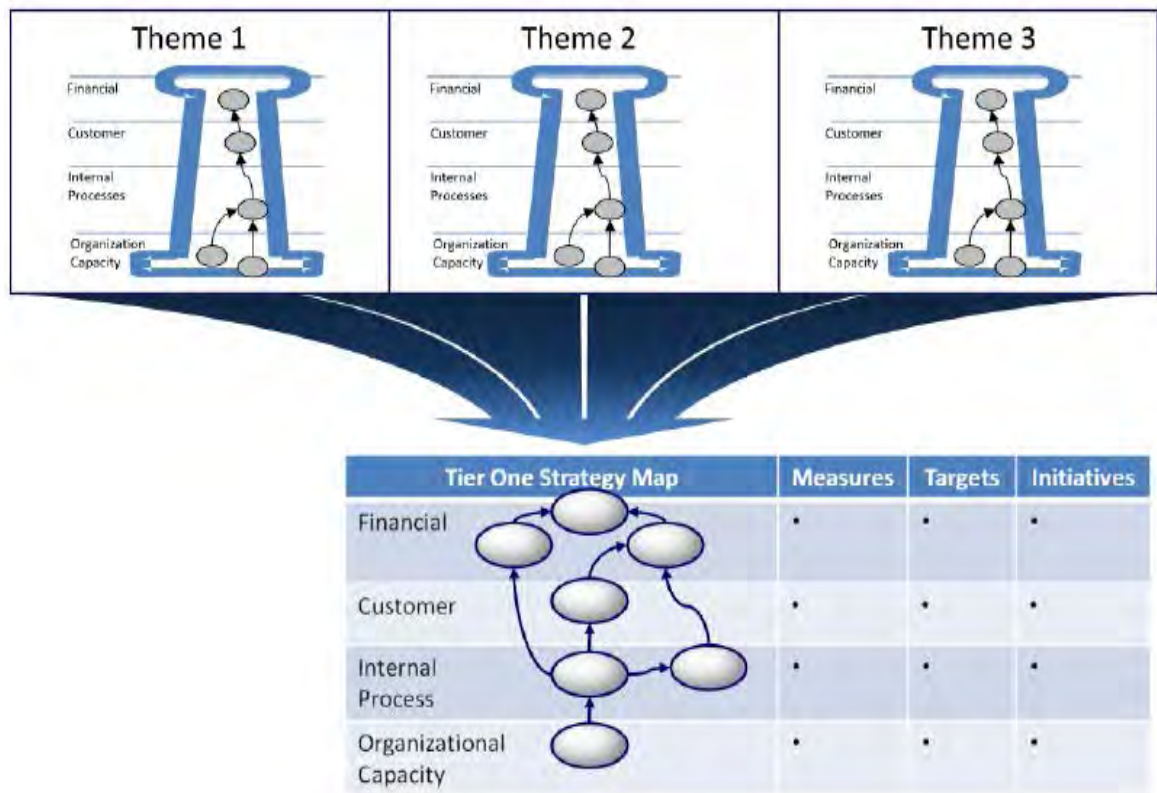
the strategic results (Rohm, 2008). According to stellar leadership strategic objectives is also used to translate strategy into measurable and actionable components that can be monitored.

4. Strategic Mapping

A strategy map links the high level goals of the organization – its mission, values and vision – with meaningful and actionable steps each employee can take. Strategy maps are built around the structure of the four perspectives. Linkages between each of the four [perspectives] represent a critical component of the BSC (Kaplan & Norton, 2001). These linkages show that each of the four [perspectives] serves to enhance the other [perspectives], while improving overall organizational performance, in this way, goals and actions of the organization, departments, and individuals can be combined and coordinated to improve outcomes. They also ensure that the organization's objectives in each of these perspectives are consistent and internally aligned. Isoraite(2008: 23-24)Strategy maps clarify all cause-and-effect relationships so that an effective strategy can be developed and then optimized over time, so strategic mapping are the interface between strategy and the Balanced Scorecard.

According to the research made by Othoma (2006) the evidence suggest that developing a causal model of a strategy affects the implementation of the BSC. It shows that those who did not develop a causal model encountered considerable problem in implementing the BSC. Among other things, the absence of a causal model created difficulties in developing the non-financial measures, developing an action plan of the strategy and the process of cascading the scorecard to lower levels of the organization. The absence of a causal model of the strategy may lead organizations to develop performance measures that are unconnected to the strategic issues of the organization. The absence of causal model of the strategy is akin to a person driving a car in an unfamiliar place without a map. He may be clear of his final destination but he hasn't got a clue how to get to the destination (Kaplan and Norton, 1996). So the simple act of describing strategy via strategy maps and scorecards makes a major contribution to the success of the transformation program” (Kaplan and Norton, 1996; Mackay, 2010).

Figure 3. Theme Maps are combined into a Single Tier 1 Map



Source- www.Balancedscorecard.org accessed on 03/03/14

5. Performance measure

Measures define how the organizational unit measures its performance. These are indicators to track the performance of the organization by providing essential information needed to enable control and monitor the organization.

Performance measures are linked to objectives and allow the organization to measure what matters and track progress toward desired strategic results. Measures allow the organization to track results against targets and to celebrate success and identify potential problems early enough to fix them. The concept of targets is used to identify the actual level of performance the unit hopes to reach. Targets and thresholds provide the basis for visual interpretation of performance data, to transform the data into business intelligence. Ketelhohn (1999) and Vasconcellos (1988) found that the identification and selection of appropriate measures and key performance indicators enhance the implementation and acceptance of business strategy, at the same time as

enhancing employee understanding of the business. Furthermore, Forza and Salvador's research (2000, 2001) supports the suggestion that employee communication that focuses on feedback from measures increases collaboration and facilitates buy-in. But Braam and Nijssen (2004) argue that performance will be harmed if the measures are seen as an end instead of a means.

6. Initiatives

Initiatives refer to the programs or policies the organizational unit will employ to reach its objectives and targets; these are projects or actionable projects that help to ensure strategic successes. Initiatives translate strategy into operational terms, and provide a basis for prioritizing the budget and identifying the most important projects for the organization to undertake. According to settler leadership Initiatives and action plans are agreed as a set of programs and projects that need to be implemented to ensure the success of a strategy. After this step completed scorecard rollout will be made.

7. Automation

Using software to automate the collection, reporting, and visualization of performance data.

8. Cascade

Once an organization has developed a BSC the next task is to move the concept down the organization hierarchy and devise complementary scorecards. Cascading is about creating alignment around the organization's shared vision, to make strategy actionable to departments and down to individuals. Align the organization through strategy, using the strategy map, performance measures and targets, and initiatives. Scorecards are used to improve accountability through objective and performance measure ownership.

Cascading is important to clearly translate the organization mission, vision and strategic objective down to the organization hierarchy, however; too much drill down will develop a plethora of lag and lead indicators and the linkages between them and the business vision would be lost (Shadbolt et al 2003). So this lead the BSC to becoming a measurement process and not a management process as it is designed to be. However; given the complexity of some of the [complex businesses] researched some drilling

down is essential if strategy is to be translated into operational terms. This ensures that the efforts of the organization's employees are relevant, understandable, measurable and controllable.

9. Evaluation

The effectiveness of the balanced score card is based on its ability to translate a firm's mission and strategy in to a comprehensive set of performance measures (Kaplan et al., 2001a). Besides in order to succeed, it cannot be viewed as a one-time event. Determining your objectives in developing the Balanced Scorecard will go a long way in securing the evolution of the tool in your organization. Niven (2006) state that specifically, the BSC framework seeks to identify the critical economic activities of the company that generate current and future cash flows and to build a causal model of the process by which the company generates profits by focusing on both financial and non financial indicators of firm performance. The results of the organization becoming more strategy-focused are evaluated, and changes in strategy, measures, and initiatives reflect organization learning.

1.13 Advantage of BSC

According to Iqra et al.(2013:136) Balanced score card has got advantages over other performance measurement tools due to

- ✓ Its ability to measure the performance from multiple perspectives;
- ✓ It also helps organizations translate strategy into action;
- ✓ It enables employees at all levels of the organization to focus on important business drivers;
- ✓ It periodically reminds the organization what are the critical strategic issues and gives the necessary feedback on the progress toward achieving them;
- ✓ It tells the story of the strategy through both outcome and driver indicators and is balanced between financial and non-financial operating measures (Shadbolt et.al, 2003).
- ✓ It helps to clarify and gain consensus about strategy;

- ✓ It improves communication of the organization's Vision and Strategy;
- ✓ It links strategic objectives to long-term targets and annual budgets;
- ✓ It increases focus on organizational strategy and results;
- ✓ It improves organizational performance by measuring what matters;
- ✓ Aligns organization strategy with the work people
- ✓ Align departmental and personal goals to the strategy;
- ✓ It helps to prioritize projects/initiatives; and strategy (Kaplan and Norton, 2001; 1996).

Nonetheless, as Johnsen (2001) indicates, BSC can work in public management and its three main managerial plus points for its application in the public sector:

- 1) It is a versatile tool for developing, discussing and selecting the most relevant decision-taking and performance indicators in complex organizations such as political bodies;
- 2) BSC provides a practical approach to judge the basic premise in information economics: the benefit of information should exceed its cost;
- 3) It educates busy stakeholders, managers and employees in management control in complex organizations.

Holems, Gutierrez & Kiel (n.d) also state the advantage of BSC in public organization

- ✓ it has a potential to increase accountability, efficiency, and transparency by developing a strategic plan and opening lines of communication both within agencies and to the public by creating a more comprehensive overview of the agency,
- ✓ it also has the potential to encourage more long range planning, create more well-rounded objectives, and provide taxpayers with a clearer vision of where, how and what their taxes are being spent.

1.14 Critics on BSC

Despite a lot of appreciations, many, academicians critically analyzed the Balanced Scorecard and suggested some improvements in Balanced Scorecard. Some of the Critics which is suggested by Nerreklit (2000) include:-

1. Cause and Effect relations are not time wise connected

One of the most important strengths that the Balanced Scorecard is claimed to Non-financial enablers or leading measures that are shown in logical cause-and effect relationship with financial measures should allow paying attention to future potential of organization. Nerreklit (2000) criticized according Hume criterion for cause and effect relationship as a base, which is defined as one activity precedes another in time, they are logically independent, and according to empirical observation it is possible to establish the causal connection between those two activities. Strategy map according to method presented by Kaplan and Norton, cause-and-effect relations are built up in a subjective way that does not necessarily refer to time factor. So, Nerreklit (2000) criticized that there is no casual relationship but a logical relationship.

2. External environment and several interest groups are out of picture

The Balanced Scorecard does not take into consideration any important interest groups but shareholders and clients. Also no attention is paid to daily activities of competitors. Neely (2002) also argues that the most difficult problem of Balanced Scorecard is that it lacks several important interest groups in its structure: such as suppliers, cooperation partners and close neighbors.

3. Hierarchical top-down set-up creates problems in implementation

Many practical examples have demonstrated that the top-down approach used by Balanced Scorecard methodology is not ideal for several reasons. Kanji (2002) has noted, that first of all, it is not advisable to construct the strategic objectives in a hierarchic set-up as the main accent is thereby concentrated on establishing not based on internal needs of people working in the organization but rather on building up just a result-driven centralized program, where employees are more expected to provide just buy-in decision and not as much giving their own contribution.

4. Unsuitability to unique or unhealthy enterprises

There are some gaps exist in the theory presented in BSC and empirical world Scorecard because Kaplan and Norton (1996b) kept the foundation of their BSC on

case study that is highly complex so we cannot generalize it on whole business environment. Mooleman(2007) argue that companies in dynamic surroundings will frequently change their measures, resulting in a substantial uncertainty margin regarding the usefulness of the defined indicators. In general, it is difficult for an organization to establish performance measures for activities with which the organization has very little or no experience. Moreover; Rompho (2011) state that newly established enterprises weather they are large or small does not have stable strategy, they need to change it, which leads to frequently changing the measures in the BSC, so in a critical analysis of the BSC, therefore, the BSC is not applicable for companies in highly dynamic environments.

In addition to that BSC is not a valid strategic management tool, mainly because it does not ensure any organizational rooting, but also because it has problems ensuring environmental rooting (Al sawalqa, Holloway and alam ,2011).

5. Costliness of the tool

Accrding to DeBusk & Crabtree (2006) the costliness of developing and implementing a Balanced Scorecard system into an organization can occur in to two ways:-

- ✓ The first is the need of a consultant to map the organizational strategy and help selecting performance measures;
- ✓ The second cost is the modification of the information system, since the system often requires to be updated to be able to supply the necessary information for the new performance measures. In support of them Molleman (2007) state that many large organization uses measurement system like BSC but many small companies like SME'S have no measurement system ,because Neely et al. in its journal state that “the measurement are luxury for SMEs” the cost of implementing and purchasing scorecard system can still be the issue of managers. So Holmes, Gutierrez & Kiel say that successful implementation is likely to be limited to complex, mature and transparent [...] agencies, so despite the promise of reform, the BSC is not a panacea.

1.15 Challenges and Failure of BSC

Despite many stories of successful implementation of the Balanced Scorecard in large companies, Kaplan and Norton (2001: 360), based on their experience of Balanced Scorecard implementation in many organizations, identify two sources of failure of the Balanced Scorecard in large companies: the design and process failure.

BSC often fails to achieve its goals when it focuses on trying to balance conflicting stakeholder interests or when it acts as a management scorecard (Gering et.al ,2000) in this case, BSC ceases to become a focused operationilizaion of a coherent strategy. Gering and venkatramen (2000) and Christopher Ittner & David Larcker categorized this kind of failure as design failure. According to Schneiderman(1999) as cited by Itter and Larcker, Murby & Gould(2005. 23) negotiated, rather than stakeholder focused performance targets is one of the reason that BSC fails.

BSC can be ineffective or even potentially damaging if it becomes a “balanced brain storm”(Gering et al., 2000a) or grap –bag of ideas to satisfy each constituency independent of common strategic objectives or, even worse, as set of “ scorecards”, pitting different and sometimes conflicting indicators against each other and on an equal footings. Thus the stakeholders BSC does not specify any single objective which the organization aims to achieve, instead it gives managers unlimited power to do what they want only subject to the restrictions from financial markets.

In addition, studies by Lorange and Murphy (1984) and Goold and Quinn (1993) indicate that formal strategic control systems may reduce performance by focusing attention on incomplete or incorrect goals and performance measures and fostering behavioral and political barriers that adversely affect the utility of the strategic controls. Ittner and Larcker(2003) & Schneiderman (1999) also state that poor metrics is one of the reason for BSC failure, as Kaplan and Norton Richardson (2011) described this as failure of measures selected to depict the organization strategy which is categorized as deign failure by Kaplan and Norton

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The BSC is also weakened if too many performance indicators are included, and some researchers have noted a tendency for the number of performance measures to increase over time with the resultant risk of weakening the critical link between performance measures and organizational strategy (Gering and Rosmarin, 2000b) this is stated as design failure by (Kaplan & Norton, Ittner and Larcker) .According to Jesen (2002), a firm cannot maximize several objective as the same time.

Many authors, Chen and Jones (2009); Debusk and Crabtree (2006); Richardson (2011) bring up the issue of communication within the organization as a risky factor. If the communication doesn't reach all the way down to the bottom of the organization, it is easy for the Balanced Scorecard to fail already in the implementation stages (Chen & Jones, 2009). Organization wide communication is important in order to gain employee acceptance when implementing the Balanced Scorecard (Debusk & Crabtree, 2006). Even the founders of the Balanced Scorecard, Kaplan and Norton, pushes the importance of organization wide effective communication (Chen & Jones, 2009). Ineffective communication is a great impediment for a successful adoption and use of the Balanced Scorecard (Chen & Jones, 2009). The company vision is one such thing that is very important to communicate properly throughout the organization.

Another problem that organizations frequently make is jumping into a measurement program too fast and making the program too complicated. Deriving meaningful measurements, gathering reliable data, developing useful analytical techniques, and educating managers about how to use the data are all difficult steps. Doing all this at one time with a bucket full of 50 different measures is doomed to failure. (Zimmerman, 2004)

According to Molleman (2007) the research made in an engineering company the cause of the failure of the BSC is due to the use of Bottom up approach because it is stated that lengthy of the process and delegation of the project to middle management and defining the project as performance. So success of BSC does not come from a vacuum rather top management of the [of the organization] should demonstrate its commitment to the adoption of the BSC. Because the one of the cause of BSC failure is lack of Top management commitment in implementation of BSC and Kaplan and Norton also

classify this kind of failure as process failure Al-Najjar & Kalaf (2012), Richardson (2011), Kaplan and Norton (2001: 361).

Other researcher like Professors Christopher Ittner and David Larcker classifies source of failures in to two, one is design failure and the other transitional failure. Nelly et al (2002) classifies source of failure of BSC to three, content issue, contextual issue and processual issue. Christopher Ittner and David Larcker at Wharton classifies design failure in seven different items

1. Confusion regarding primary performance drivers often, financial measures carries more weight within an organization than non-financials, but to drive through a holistic, long-term and sustainable strategic re-alignment, the needs of non-owner stakeholders (service users, service delivery partners, etc) should also be considered.
2. Lack of a delivery-level target deployment system /Schneiderman (1999), Murby & Gould (2005: 23)
3. No state-of-the-art improvement system is used; /Schneiderman A.(1999), Murby & Gould(2005:23)
4. There is no, and cannot be a quantitative linkage between non-financial and expected financial results. /Schneiderman (1999), Murby & Gould (2005:23)
5. Being inward looking and examining the impact of external discontinuities

The most common causes of process failure include (Kaplan and Norton, 2001: 361):

- ✓ Too few individuals involved;
- ✓ Keeping the scorecard at the top;
- ✓ Overly long development process;
- ✓ Treating the Balanced Scorecard as a one-time measurement project;
- ✓ Treating the Balanced Scorecard as a systems project;

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- ✓ Hiring inexperienced consultants;
- ✓ Introducing the Balanced Scorecard only for compensation.

To this also come the difficulty to determine the weights of various performance measures, outcomes and incentives. According to De Busk & Crabtree (2006) linking the Balanced Scorecard to incentives is a very hard thing to achieve and it carries some risk. The difficulty lies in what size and weight the different performance measures should have and what types of incentives to give for the employees to think long-term and about the best interest of the company instead of their own best interest (DeBusk & Crabtree, 2006).

Kaplan and Norton emphasize that the implementation of a Balanced Scorecard makes it easier for managers to set bonuses and other incentives subjectively (DeBusk & Crabtree, 2006). However, Lipe and Salterio (Chen & Jones, 2009) assert that the Balanced Scorecard may be biased and can sometimes fall short with its intended use of providing a more balanced approach to evaluate employees. Lawson et al (2003) and Dumond (1994) found that using performance measurement systems and linking scorecards to compensation significantly increased employee satisfaction. It is true, however; sometimes this kind of motivation might lead to manipulation of measures in order to get compensation and bonuses. Sometimes lack of understanding will lead the performers to manipulate the system. Research by professors Christopher Ittner and David Larcker at Wharton (2003) & Kaplan and Norton (1996b), lack of understanding of the nonfinancial areas of performance that might advance strategy can allow self-serving managers to choose and manipulate measures

Behind underlying failures there exists ineffective communication within an organization. This means that not everyone in the organization understands the concept and thus may even oppose it. Zimmerman (2004) many managers simply implement a balanced scorecard as if it were a recipe. If they do not understand what is, how it works and why they implement it then they might copied it.

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Richardson (2011) also states ten points which lead BSC to fail. Out of the points stated by Kaplan and Norton as process failure, the remaining which is not mentioned by them is depicted her below;-.

1. Not clearly linking balanced scorecard indicators with strategic objectives-
2. Forgetting that the balanced scorecard is a tool for measuring the health of the business strategy
3. Not focusing on the “ vital few”
4. Not changing balanced scorecard indicators when required
5. Treating the balanced scorecard effort as a project and not assigning adequate resources to the ongoing use of the balanced scorecard;

The other cause of failure of BSC stated by professors Christopher Ittner and David Larcker is transitional issues.

Transitional issues:-

1. Major organizational changes (for example, a merger or acquisition);
2. Changes in key Personnel/management team; (Tesfaye & Ataklity, 2011:149) lead BSC to fail.

According to Nelly et al(2002) the main reasons for success and failure of BSC is categorized using organizational context as contextual, content and Processual issues are as follows-

(1) Contextual issues:-

- ✓ The need for a highly developed information system; (Bierbusse and Siesfeld, 1997).
- ✓ Time and expense required; (Bierbusse and Siesfeld 1997; McCunn, 1998).
- ✓ Lack of leadership and resistance to change; (Hacker and Brotherton, 1998; Meekings, 1995).

(2) Processual issues:

- ✓ Vision and strategy were not actionable (Kaplan and Norton, 1996) as there were difficulties in evaluating the relative importance of measures

and the problems of identifying true “drivers” (Bierbusse and Siesfeld, 1997; Schneiderman, 1999).

- ✓ Strategy was not linked to resource allocation (Kaplan and Norton, 1996; Meekings, 1995).
- ✓ Goals were negotiated rather than based on stakeholder requirements (Schneiderman, 1999).
- ✓ Striving for perfection undermined success (McCunn, 1998; Schneiderman, 1999).

(3) Content issue and it include

- ✓ Strategy was not linked to department, team and individual goals (Kaplan and Norton 1996; Bierbusse and Siesfeld, 1997; Schneiderman, 1999).
- ✓ Large number of measures diluted the overall impact (Bierbusse and Siesfeld, 1997).
- ✓ The need to quantify results in areas that are more qualitative in nature (Bierbusse and Siesfeld, 1997).

Another difficulty with the Balanced Scorecard is translating the strategy into action, which is a very common reason for failure during implementation (DeBusk & Crabtree, 2006)

Other challenge is lack of interest in implementation of BSC. Olve et. al. (2003) brings up the lack of interest when it comes to developing and advancing the already existing Balanced Scorecard as a problem. This lack of interest may be due to the attitude of the employees; they may believe that the Balanced Scorecard is yet another temporary and pointless project which will result in less effort in implementing. They further say that the life-span of the Balanced Scorecard is limited like other passing fashion trends. They further give examples of businesses where the Balanced Scorecard has run out of steam or where the companies has chosen to deviate from the scorecard because it has been too much work (Olve & Samuelson, 2008). As Kaplan and Nortan stated, the balanced scorecard requires a sustained, long-term commitment at all levels in the organization for it to be effective. The main challenge of this system is that it can be difficult and time-consuming to implement.

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Strategy researchers point out that the use of formal, pre-set goals and milestones in strategic control systems such as the balanced scorecard may also prevent the adaptability and flexibility that is the essence of good strategy (e.g., Quinn, 1980; Mintzberg, 1987). Pre-set goals are almost always met, but whether goals are achieved by improving performance or by improving the measures without improving performance can be difficult to determine (Meyer and Gupta, 1994).

Apart from the above, BSC in Governmental organization in both developed and developing nations is to improve performance, promote accountability, and increase confidence in government. However; the implementation of the BSC in developing countries would be suffered by a lack of resources, politicization of public administration, and corruption. Holems, Gutierrez & Kiel (n.d)

Murby & Gould (2005:23) state in percentage the reason for failure of some organization BSC implementation which shows that:

- ✓ 78 per cent of companies that have implemented strategic performance measurement systems do not assess rigorously the links between strategies and performance measures;
- ✓ 71 per cent have not developed a formal causal model or value-driver map;
- ✓ 50 per cent do not use non-financial measures to drive financial performance; so the effectiveness of the BSC will suffer if the included non financial measures are not linked to or aligned with the firm's strategic objectives (Kaplan & Norton, 1996; Zimarman 2004)
- ✓ 79 per cent have not attempted to validate the linkages between their non-financial measures and future financial results; and
- ✓ 77 per cent of organizations with a balanced scorecard place little or no reliance on business models and
- ✓ 45 per cent found the need to quantify results to be a major implementation problem.

1.16 BSC for Non profit making/Government/ organization

Organizations can be classified as profit making and nonprofit making. Profit making organizations are organization established in order to generate profit. Nonprofit making organizations are organizations that work for charity purpose or governmental organization. In this context when the researcher say nonprofit organization it is referring to public enterprises or governmental organization/GO/.

BSC application for both profit and nonprofit organization is not similar; they have two major differences; conceptually and stakeholder's wise.

The proposed Governmental BSC has like the original BSC has four perspectives; it has four major blocks namely:

- 1- financial condition,
- 2- Service Efforts Accomplishments (SEA) and constituents' satisfaction,
- 3- internal operation efficiency and effectiveness, and
- 4- innovation, learning and growth,

But the difference is lay on between the above two perspectives so special focus was placed on service effort accomplishment (SEA) & financial perspective. Baptiste, D.Gupta and Daniels,(n.d). Holmes, Gutierrez & Kile (n.d) and Baptiste, D.Gupta and Daniels (n.d) state that since citizens in a democracy are not just customers but citizens using the word citizen is better than using customer like profit making organizations. According to Holmes, Gutierrez & Kile (n.d) BSC for governmental organization include four perspectives: citizen service, financial, internal work processes, and learning and growth of employees, so different authors and organization name customer and financial perspective for the name that best suited them. As Kaplan and Norton stated that the perspectives are not straight jacket they can be modified, added or deducted or named differently as far as it helped the organization to tell the story of its strategy.

From the financial perspective, the objectives of "prosperity" and of "success." only "to survive" seems not very relevant to GO, mainly because these organizations are characterized to some extent by an absence of competitive market. Grove and Valente

(1994) developed a useful framework that can help assessing a GO financial condition. Financial condition is a GO's ability to finance its products or services on a continuous basis. The evaluation of financial condition of a given GO also includes the evaluation of "financial position" of that GO Baptiste, D.Gupta and Daniels (n.d). According to GASB definition, financial position is "the probability that a government will meet both its financial obligations to creditors, consumers, employees, taxpayers, suppliers, constituents, and others as they become due and its service obligations to constituents, both currently and in the future" (GASB, 1987). It appears that a good financial position of a GO will be a necessary condition for its good financial condition as well. Hence, assessing financial condition necessarily includes assessing financial position.

From customer perspective, the authors state that "customer satisfaction" block of the BSC could not apply directly: they suggest that "SEA and constituents' satisfaction" or citizens etc... be used instead Baptiste, D.Gupta and Daniels (n.d) The following objectives can be adapted as well to GO: a presence of new products, a responsive supply, and a preferred supplier. However, the lack of competitive marketplace in the case of GO and the fact that the public at large is served without "marketing differentiation" make it difficult to imagine a particular "customer partnership." Customer partnership in the case of profit seeking organizations is a form of business-to-business relationship, whereas in the case of GO we are mainly concerned with GO-to-constituents relationship (*ibid*).

In GO, there exists no such direct relationship; the level of the value given by a constituent may be unrelated to the level of value (and thus the satisfaction) received in counterpart. For instance, the level of taxes paid by a constituent has nothing to do either with the level, the quality or utility of the public service that the constituent may receive. Additionally, the high transactional cost associated with GO prohibits constituents to assess the value of these organizations properly (Zimmerman, 1977)

Baptiste, D.Gupta and Daniels (n.d) propose further that SEA be accessed through financial measures and constituents' satisfaction be captured through voting, location

and Organizational Citizenship Behavior (OCB) decisions. Models of voter behavior (Downs 1957) assume individuals vote in a manner, which maximizes their expected utility reflected in the mix and quality of public services.

So instead of using financial perspective at the top of the perspectives, in the case of governmental organization non-financial community outcome measures, such as customer or constituent perspectives is at the top. (Holmes, Gutierrez & Kile,(n.d) Baptiste, D.Gupta and Daniels (n.d)).

All the internal perspective and the innovation and learning performance measurement perspective objectives can be adapted to GO because it could be important and useful to assess: the technology capability of a GO, its manufacturing or service excellence depending on its mission, its design productivity, and its new product or service introduction capability, technology leadership of a given GO (compared to other GOs); its manufacturing or service learning; its product or service focus; and time to bring new services or products to constituents. These elements are in fact critical determinants for a GO competitiveness Baptiste, D.Gupta and Daniels (n.d) .

Bearing this in mind, BSC has been applied to various public services including hospital and healthcare services as cited by (*ibid*) (Aidemark, 2001; Amaratunga, Haigh, Sarshar, & Baldry, 2002; Chan & Ho, 2000; Chow, Ganulin, Haddad, & Williamson, 1998; Forgione, 1997; Protti, 2002), police services (Elefalk, 2001) and higher education (Chang & Chow, 1999; Stewart & Carpenter- Hubin, 2001). Wilson, Hagarty & Gauthier (2003) analyzed the use of BSC in public organizations in different countries and concluded that the BSC approach has proven to be a well-accepted management practice within public sector corporate real estate organizations.

1.17 BSC Application/ Empirical evidence/

Survey data collected by consultancy and commercial research companies suggests that organizations managed through ‘balanced’ performance measurement systems perform

better than those that are not (Lingle and Schiemann, 1996; Gates, 1999). Lingle and Schiemann (1996) report evidence that organizations making more extensive use of financial and non-financial measures and linking strategic measures to operational measures have higher stock market returns. While Lawson et al's (2003) study shows that the use of a performance measurement system as a management control tool reduces overhead costs by 25% and increases sales and profits. Other authors such as de Waal (2003) and Sandt et al (2001) have found less tangible benefits from the use of performance measurement systems. Dumond (1994) and Sandt et al (2001) suggest that using balanced performance measurement systems improve the decision-making performance of managers and employees. On the contrary on the survey made by Neely., Kennerley and Martinez(2000)from data gathered over three-year period on a major wholesaler of electrical company in the UK, referred to as Electrical which planned to use BCS and the sister company who continued to use traditional methods of performance reporting at the branch level come up with almost similar result with three parameters (total sales , Gross Profit and net profit) and they suggest that perhaps the observed growth in sales and gross profit in the Electrical data set are related to growth in the industry rather than the implementation of the balanced scorecard. Contradicting the idea Molleman (2007) citing Speckbacher et.al states that BSC have three types,

- ✓ Type I BSC: a specific 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.
- ✓ Type III BSC: a Type II BSC that also implements strategy by defining objectives, action plans, results and connecting incentives with BSC.

The study shows that only companies implementing a more developed BSC (particularly Type III) rely more on the BSC approach and are more satisfied with their BSC than those with a less developed BSC, as per the research made by the above author, out of 50% of the examined companies that use the 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.

Kaplan and Norton (2001) have shown in their latest research that BSC can produce the promised effects. As an example the authors state that companies such as Mobil Oil and Rock water, which have increased their competitiveness and profitability considerably with the implementation of the BSC. Having realized such benefits of BSC, a large number of companies have been adopting it since 1990s.

Kollberg and Elg (2010), the authors attempted to identify the major characteristics of the BSC application in health care organizations in Sweden. The authors used a case study approach where they focused on different managerial levels in a hierarchical branch in three health care organizations that used the BSC. The analysis revealed that the BSC is used as a tool for enhancing internal capabilities and organizational development. More specifically, the authors reported that management and employees used the BSC as a tool in discussions, information diffusion, and knowledge creation.

The case study produced by Albright, Davis & Hibbets (2009) explained that How BSC implementation in Tri-Cities Community Bank present a big change in their business in three key target areas. The reason from the change as per the information gathered from the journal is that, the manager is determined to bring change in the selected branches and this determination and purpose full action bring change because one of the success of BSC implementation is having purpose or know why the organization implements BSC (Bourne et al. 2002, Richardson 2011) .Comparison of the change is diagrammatically displayed below.

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Table 1. Branch financial performance of TRI city bank before and after implementation of BSC

Branch	Before BSC As of June 30, 2008			After BSC As of June 30, 2007		
	Loan Balance (Million \$)	Deposit Balance (Million \$)	Non-Interest Income (Thousand \$)	Loan Balance (Million \$)	Deposit Balance (Million \$)	Non-Interest Income (Thousand \$)
A	39.3	85.1	476.0	35.9	77.0	411.0
B	58.1	104.5	428.0	49.7	101.4	399.0
C	63.7	136.3	529.0	56.1	124.0	474.0
D	46.7	93.1	291.0	45.1	86.7	276.0
E	54.4	109.3	343.0	53.9	108.2	344.0
F	42.9	87.5	345.0	41.9	88.5	335.0
G	64.5	115.2	498.0	64.5	114.8	477.0
H	33.2	78.2	230.0	32.7	77.8	233.0
I	51.1	93.7	293.0	50.8	91.6	280.0
J	71.2	150.8	589.0	68.0	145.0	571.0

Source: - Tri cities community Bank: - A balanced scorecard case 2009

The above Table, Table 1, exhibited the ten branches two year performance in different scenario June 30, 2007 which is before implementation of BSC and June 30, 2008 after implementation of BSC. In all branches the three parameters are set to compare the two years performance, which are loan balance, Deposit balance and Non interest income. Then in June 30, 2008 the bank resulted in better performance in all parameters and in all branches which is the result generated after implementation of BSC.

1.18 BSC application in Ethiopia

BSC is a strategic management and measurement tool. It measures performance by taking intangible assets in to consideration, but most of the banks measure their performance mostly taking their tangible asset in to consideration and their growth also measured likewise. Fikadu (2009) in his book in its thesis, recommended that CBE is better utilize BSC approach for its performance management in addition to traditional approach because BSC measures performance of the business taking in to account the long run aspects of the business like Customer satisfaction, internal business process

and Learning and growth perspective of the business rather than only dwell on financial matters.

Some authors even recommend BSC to curb the problem of employee dissatisfaction that emanated from low salary and benefit. Because BSC attaches performance with reward system in order to motivate employees. As Tesfaye & Ataklity (2011:149-150) stated absence of reward system and low level of salary in public organization especially in civil service adversely affected employee motivation and caused high labor turn over.” Likewise the employee dissatisfaction of the three organizations MoLSA, CBE and DBE’s is emanated from low salary and benefit ,so in order to solve the problems the authors recommended the introduction of reward system in line with desired result or behavior. That is introduction of result oriented performance management system (using BSC as a tool) is assumed that it will solve this problem.

Actively supported at the highest levels of governments in Ethiopia, policy makers have adopted the ‘Balanced Scorecard’ , an accounting concept introduced into the management literature in the 1990s (Kaplan and Norton, 1996) to stimulate and inform performance planning and monitoring with the intention of creating a more ‘strategically coordinated’ public service (Adebabaye & Perkins: 2010.83) . According to our ‘insider’ account, Adebabaye & Perkins: (2010.83) state that BSC was chosen mindful of the need to coordinate activity not only vertically between governmental policies and individual ministries but also horizontally across public service agencies, to deliver integrated performance management motivated by a more stakeholder centered approach.

Based on the documented information produced by the World Bank issued on 2013, it states that around 145 federal and 270 regional offices in Ethiopia have implemented BSC; the institutions have integrated balanced scorecard measures in their strategic plans. A system of individual performance agreements linked to team and organizational performance targets derived from the balanced scorecard methodology is also being implemented in the above mentioned organizations.

CHAPTER THREE

3.1. Methodology

In order to answer the research questions and the problems, the researcher used descriptive research method. Because this type of research describes what exists and may help to uncover new facts and meanings. This involves the collection of data that will provide an account or description of individuals, groups or situations. Instruments the researcher used to obtain data in descriptive studies include questionnaires (closed & open ended questions), and interviews.

3.1.1. Data source and data collection techniques

3.1.1.1. Data source

In order to answer the research questions, several data collection methods are used to gather primary and secondary data. The primary data were collected through questionnaires, interview and unpublished internal bank's report. The secondary data were gathered from Literatures.

A. Primary data

The researcher used the primary data collection methodologies such as questionnaire, interview in order to address the extent of BSC implemented in DBE, challenges encountered in the implementation of BSC and Customers and employees realize about implementation of BSC in DBE.

B. Secondary Data

The researcher used a secondary data such as literatures and published and unpublished bank reports in order to address measurement tool used to measure organizational performance before and after implementation of BSC and the way forward in order to improve the implementation of BSC in DBE.

3.1.1.2. Data collection techniques

A. Questionnaire

Questionnaires were used as the main instruments to collect data from the bank employees and the bank customers. It is preferred to other methods of data collection hoping that it may provide an opportunity for obtaining reliable and valid information from more number of respondents.

The bank has 35 Loan officer and 16 credit appraisal officers, in total 51 credit employees. Since the method that the researcher used was case study the entire employee in credit area was considered. Out of the distributed 51 questionnaires for employee only 23 are returned. However; regarding the customers, the bank had 110 customers which was referred as target population. According to Yount (2006) who state that if the total population size was between 101-1000 then the sample size will be 10% of total population size, accordingly 10% of 110 are 11. However; on the same study it says that if the number of population is 100 or less the whole population should be take in to consideration. So the researcher prefers administering the questioner for all customers 110 and 50 respondents returned.

The type of questionnaire used was both close ended and open ended. Close ended questions was used in order to shape the information in the way that researcher needs, but if all be open ended the researcher may deviate his idea towards the response of the respondents without touching the objectives.

B. Interview

Unstructured interview was also prepared to the key informants. Interview was selected in order to obtain information with regard to issues that required clarification such as annual reports, policies and vital information that was not expected to access using questionnaires; and it was used concurrently with the design of the questionnaire. The selected key informants were Manager of the Credit Process Unit, Manager of the Credit Appraisal Unit, Director of Strategic Planning, Manager of Training and

Development Unit and Manager of Research and Engineering Unit .So the interviewee were administered to five different units top management officials.

Unpublished reports of the bank were used in order to see the change of performance for the past one year after BSC implemented. These reports helped us to see the parameter of BSC that the bank used and to observe the change in performance of the organization in general and credit process in particular.

3.1.2. Method of Data Analysis

As the researcher explained before, the collection of data and method of analysis are based on descriptive method. Since the analysis is descriptive that provides description of individuals, groups or situations. The qualitative and quantitative data collected from both primary and secondary data through questionnaires, interview and literatures were categorized and presented in table and figure forms as per their similarities, then, analyzed using descriptive statistics like percentage.

Depending on the results of the analysis, necessary discussions were made to clarify the issues. Then descriptively analyzed, systematically summarized and presented in tabular and graphical form.

3.1.3. Data Interpretation

After the collected information was put in summarized form either in table and graph, the major findings of the study was identified and interpreted taking in to account the theoretical perspective and based on that conclusions drawn, and feasible recommendations forwarded.

CHAPTER FOUR

4.1. Data presentation and Analysis

This chapter presents the data collected from both primary and secondary sources. Secondary sources are annual financial statements issued by the bank and other previous research papers. Primary sources are data that has been collected by undertaking survey from employees and customers of the bank. Moreover; an interview is administered with the corporate human resource manager, training manager, corporate credit service manager, appraisal manager, research department manager, engineering and evaluation department manager and loan approval team. The questionnaire is distributed to 35 loan officers of the bank and 16 appraisal officers who are highly involved in the loan processing and granting and 110 customers of the bank. Out of 51 employees and 110 customers only 23 employees and 50 customers are returned the questionnaire.

The data collected through questionnaire, interview and secondary data sources is analyzed using descriptive analysis method. The output of the data is presented using tables and graphs in order to make the topic more understandable.

4.2. Credit performance measurement of the bank

Currently the Bank measures the organization performance using four perspectives - financial/ developmental, customer, internal process and learning and growth perspective. Using these four perspectives, mission and vision of the organization is cascaded to individual level in order to communicate the organization strategic objective and to create alignment in order to achieve the organization vision.

In the credit process, the credit service has its own corporate level scorecards in each perspective; the measures and the objectives of the corporate score card and the cascaded team and individual level are annexed. However; this paper tried to deal with the challenges that DBE in general and credit process in particular faces while

implementing BSC and its future prospect of BSC in the bank, so with this in mind, the analysis are addressed here under:-

4.2.1. The bank credit performance measurement before application of BSC

Previously the bank performance was measured as other organizations do in financial perspective only. As per the information taken from various reports of the bank, the performance measurement of the credit process is made by using loan approval, loan disbursement, loan collection, arrears and NPL. The performance of the bank using those parameters is depicted here in table 4, however; in order to make credit performance comparison before and after implementation BSC regarding those parameters, and the details are depicted here below;-

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Table 2. Credit performance measurement of DBE

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Approval	777,529.00	1,667,314.00	3,325,034.00	1,856,746.00	2,783,843.00	2,032,975.00	5,116,088.00	7,820,063	8,008,649
Disbursement	575,642.71	626,702.00	792,608.00	904,477.00	1,304,040.00	2,749,711.00	3,467,361.00	7,073,220	5,335,595
Collection	327,140.84	595,118.00	764,785.00	606,847.00	655,315.00	750,130.00	1,386,564.00	2,645,878	2,539,949
Outstanding	4,911,826.27	5,376,467.00	5,865,470.00	6,357,967.00	6,800,804.00	9,426,001.00	11,980,459.70	19,203,146	18,886,582
Arrears	1,651,767.96	1,576,316.00	1,892,013.00	1,826,614.00	1,935,832.00	-	-		
NPL	1,542,330.00	1,908,517.07	2,023,035.00	1,787,545.27	2,519,189.21	2,144,284.00	1,398,462.00	1,122,559	1,627,124

Source: - Bank Annual Report 2004/05-2012/13

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From the above table we can observe that the credit performance regarding disbursement and outstanding loan is increasing starting from year 2004/05, however; in respect to arrears, NPL, collection and loan approval the increment has an erratic nature. But in all aspects we can observe that from year 2010/11 onwards the performance has positive difference in the above five parameter relative to the years before BSC implementation. In Year 2010 the bank started to launch balanced score card management tool. As we can compare year 2009/10 and 2010/11 the difference in Approval, disbursement, collection, outstanding, arrears and NPL has a positive gap.

Table 3. Average growth rate before and after BSC

	2004/05- 2009/10	2010/11- 2011/12
Approval	32%	68%
Disbursement	34%	35%
Collection	18%	57%
Outstanding	12%	28%
Arrears	3%	
NPL	7%	-3%

Source:-own computation

Table 2 is summarized and presented in table 3. This table 3 shows that the credit performance of the bank after BSC application shows a great deal of change in every aspect. But is the change due to BSC implementation? will be assessed in the subsequent pages.

4.2.2. The bank and the credit performance measurement after application of BSC

The bank started implementing BSC in the year 2010. From that date onwards, BSC is implemented and the performance of the organization is measured in four perspectives. The four perspectives can be categorized in to two - Financial measure and non financial measures. Financial and Non financial performance of the credit process are presented in the subsequent parts starting from the year

2010/11. Non financial performance of the bank is evaluated based on three perspectives: - Customer, internal and business process and learning and growth. We start from the bottom which is learning and growth perspective to top which is financial perspective because of the fulfillment of the bottom lead to the achievement of the top.

4.2.1.1 Learning and growth perspective

In order to meet the target of the financial perspective, one has to deal first with the learning and growth perspective. Because only the educated and satisfied employee, the state of the art technology lead us to achieve what we would like to do in order to enhance the customer satisfaction. In order to achieve the learning and growth perspective the under listed strategic objectives and measurements are introduced by DBE.

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Table 4. Learning and growth perspective Measurement

Perspective	Strategic Objective	Measurement	2010/11		2011/12		2012/13	
			Target	Actual	Target	Actual	Target	Actual
Learning and Growth Perspective	Improve Employee and Leader Competency	Employee and leadership competency coverage	*Not Applicable					71%
		Personal Goal Achievement	NA	NA	NA	NA	*Not Applicable	
		Strategic Skill Coverage Ratio	NA	NA	NA	NA		
	Improve Information Organization and management	Percentage of Staff Who got training					525	1355
		IT support Coverage ratio	50%	72.58	70%	59%	100%	100%
	Improve organizational Culture	network coverage ratio	65%	56.72%	100%	94%	*Not Applicable	
		Information Accessibility Ratio	65%	NA	90%	76%	100%	70%
		Organizational culture change Index	NA	60	65%	70%	70%	64%
	Improve organizational Alignment	Team Development Index	NA	62.00%	67%	75	67%	90%
		Employee satisfaction Rate	NA	73%	77%	66%	80%	76%
		Percentage of employees strategic awareness	NA	74%	80%	83%	85%	67%
		Professional Attritions Rate	7%	3%	4%	1%	5%	6.67%
	Enhance leadership competency and good governance	Leadership skill coverage ratio	NA	NA	NA		*Not applicable	

Source- DBE Annual report of year 2010/11-2012/13

The above table no. 6 shows the three year data of learning and growth perspective of the bank and the credit process. The table transfers three different types of information about the bank strategic objectives and measures.

First, measures that have actual achievement but no target,

Second, Achievements of targets,

Third, adjusted strategic objectives and measures,

Forth, Failure to achieve the target.

1. Measures that have actual achievement but no target

Employee and leadership competency coverage measure has been set since the BSC application started, but no target or actual achievements is recorded by the bank, as per the information gathered through interviewee those measures target is not set due to lack of base line data. In year 2012/13 there is an achievement for this measure so that achievement will be taken as a base line data for the future years.

2. Adjusted strategic objectives and measures

The strategic objective which state that enhance leadership competency and good governance, is set as a measure at the beginning of BSC implementation. But no target and achievements are recorded for measure that state leadership skill coverage ratio, personal goal achievement and strategic skill coverage ratio because it's relevance to achieve the vision of the organization is not much and measure like personal goal achievements; strategic skill coverage ratio is also taken out from being the measurement of the organization due to the measure's lack competency mapping , so this objective and measures is cancelled out from being the objectives of the organization and the weight is distributed to the other measures.

Network coverage ratio measure is also expelled from being one of the measures in Learning and growth perspective due to the fact that this measures is same as the measure that say IT support coverage ratio.

As per the information gathered through interview, the employees state that the bank encouragement for the personal development is not much encouraging, the bank only pay

tuition fee for four or three students within a year by selecting them in some kind of criterion.

But the researcher thinks that these measures should be there in order to measure the employee satisfaction and in order to know their need to adapt and update themselves with new information and situations, because of the dynamism of the world. Besides; literally speaking employee development has a positive contributes to the organization development. But it seems that the organization is still in the age of measurements and objectives refinement because BSC implementation is not a onetime work.

1. Achievements vise-a vise target

The success of the bank is determined based on its achievement of the target. The bank achieved three out of eight measures in this perspective. Which are - % of staff who got training, IT support coverage, Team development Index.

The IT support coverage ratio targets achieved 100% in the year 2012/13 and better than from year 2011/12. % of staffs who got training measures also achieved more than 100% from the target. As per the information from the interviewee the achievements of this measure in year 2012/13, is a result of workshop given at individual level about BSC implementation and Ethics training program which was given to the staff but which out of the scheduled made during the year. But training should be given to fill the knowledge gap of the employees then this should reflect in improvement in knowledge of the staff and should be made in schedule base. The training given to the employee should be reflected- by presenting quality work, improvement in time management, since this will lead to customer satisfaction, it also brings improvement is asset position of the bank and also improvement in other financial aspects too. But report result shows two things one over achievements resulted from unscheduled trainings' or all achievements might be unscheduled trainings. But if the whole achievements % of staff who took training measure is from unscheduled training then the achievement of the target will be in question.

2. Failure to achieve the target

The bank could not achieve Information accessibility ratio, organizational culture Index, Employee satisfaction rate, percentage of employee's strategic awareness and professional attritions rate. Out of the five not achieved measures, four of them is the worst in a sense that they are below from the previous year achievements, since there is expectation that when the organization is engaged in new idea at first there will be a problem of achievements and execution but when time goes by it become refined and the result will be changed positively not the opposite. But in table 6 it shows that organization culture index, percentage of employees' strategic awareness and information accessibility ratio and professional attritions rate become lower than the previous year achievements. This is because as per the interviewee the taken samples, the collected surveys are not representative. But about the employee attrition, there are 66 employees terminated from the bank out of which 39 of them are classified as professional and high level supervisor's category and the reason for their leaving the organization is due to getting better opportunity and it does not worry the bank because it is between acceptable range which is between 10%-12%, so it is difficult to conclude that the people leaving the bank is due to dissatisfaction. The other measures which shows increment from the previous year 2011/12 and decrement from the target of 2012/13 is the employee satisfaction, which achieves of 76% of the target of year 2012/13 better than 66% achievement from year 2011/12 but lower than the target of year 2012/13 which is 80% . But this seems a little bit contradicting in that employee satisfaction rate is increased from the previous year, but professional attritions rate is increased from previous year. It is expected that this attritions rate target is set considering the percentage of employee who resign due to old age objectively, and due to, death and new job in prediction, so if that so then the result of employee attritions target should be achieved.

Table 5. Learning and growth perspective performance and weight for the past three years

	2010/11		2011/12		2012/13	
	Weight	Performance	Weight	Performance	Weight	Performance
learning and growth	20	19.26	20	19.15	20	18.4

Source: - DBE Annual report of year 2010/11-2012/13

In summation and conversion of the given weights of the perspectives to 20, the overall organization performance is summarized in above table; table no. 7 .The above summarized table is extracted from the bank’s annual published report of year 2010/11-2012/13. In the past two years learning and growth perspective shows increment in a way that 19.26 out of 20 and 19.15 out of 20 and in year 2012/13 the learning and growth perspective of the year is 18.4 out of 20. In year 2012/13 the performance of the perspectives is declined as explained by the official during the interview due to the problem in survey collection. Because some of the employee has fill the questionnaires carelessly, some are pessimistic about the tool and the taken samples are not representative. But other than the failed to achieve measures, even some of the achieved measures contradict with each other. So the researcher tries to triangulate the information gathered through annual reports by use of questionnaires collected from the employees of the credit process.

The information filed by the employee through questionnaire regarding employees satisfaction is classified in to four points;-

1. Job Satisfaction;
2. Measuring supervisor support;
3. Involvement in Work practice
4. Facilities, work environment and capacity development

The row total summation of every table is not come to 100%, because some the questions are not filled by the respondents and the undersigned prepared no column to entertain

unfilled questions. Some of the relevant questions for the paper is adopted from (Fikadu, 2009)

Table 6. Employee job satisfaction

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Applicability of grievance procedure in your organization	0.04	0.48	0.13	0.13	0.04
Suggestions received from employees	0.09	0.52	0.09	0.17	0.04
My work gives me a sense of personal accomplishment	0.30	0.43	0.13	0.09	0.00
I believe I have an opportunity for professional growth and development	0.35	0.30	0.13	0.13	0.00
Over all you are happy in your work	0.30	0.30	0.17	0.09	0.00
	0.20	0.38	0.14	0.15	0.02

52% of the respondents agree that the banks grievance procedure is up to their expectation, but 17% of them disagree or strongly disagree that the grievance procedure of the bank is not up to their expectation. 61% of the employees agree that the bank received their suggestions and 21% of them disagree with this idea. Majority of the respondents which is around 73% state that their job gives them a sense of pleasure and 60% of them state that they are happy in their work. However; 9% of them disagree with this situation, so on average majority of the respondents or 58% of the them are happy with their job and satisfied with it, this will lead the employee to be motivated in order to do their work 14% of them stays neutral and 17% of the employees are not satisfied with their job.

Table 7. Measuring of supervisor support

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Support of the supervisor to employees	0.04	0.39	0.35	0.13	0.00
Keeps informed about the way his/her employee think and feel about things	0.13	0.35	0.35	0.09	0.00
Recognition for doing a good job	0.09	0.48	0.22	0.13	0.00
Active encouragement to be creative and use initiative	0.13	0.48	0.22	0.17	0.00
My supervisor takes responsibility for shaping the attitudes and relationship within our department	0.17	0.30	0.22	0.22	0.00
My supervisor provides me with continuous feedback to help me achieve	0.09	0.39	0.22	0.17	0.00
AVG.	0.11	0.37	0.27	0.17	0.01

43%, 57%, 61%, 47%, 48% and 48% of the respondents agree and strongly agree about their supervisor is support the employee he/she supervises, gives feedback of their work, gives recognition for their good performance, give active encouragement to be creative and use initiative, takes responsibility for shaping the attitudes and relationship with in our department, and provides the employee with continuous feedback. However; 13%, 13%, 17%, 22%, 17% of the respondents do not agree with the statement stated above. So in general, 48% of the employee are satisfied and agree that their supervisor support them and encourage them, however; 17% of the employee state that their supervisor does not encourage them, support them or give them feed back in their job and 27% of them stays neutral.

Table 8. Involvement in work practice

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Internal Promotions exists	0.26	0.43	0.17	0.13	0.00
Promotions are made based on performance and/or seniority	0.22	0.30	0.26	0.13	0.00
There is competitive –pay	0.22	0.30	0.22	0.13	0.04
	0.23	0.35	0.22	0.13	0.01

69% of the respondents state that there exist internal promotion in the bank and 52% of them state that it takes place based on performance or seniority and the payment is also competitive. However; 13% of them disagree about the internal promotion is made based on performance as well as there is competitive pay. 17%, 26% and 22% of them stayed neutral in this issue.

Table 9. Facilities, work environment and capacity development

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Application of the scheduled trainings for the past three years	0.17	0.43	0.17	0.17	0.00
The trainings I took were either relevant to fill my knowledge gap or they were used as a refreshment	0.09	0.43	0.26	0.17	0.00
Access to sufficient information to do the job well	0.09	0.43	0.26	0.17	0.00
All the material facilities are full filled	0.13	0.26	0.09	0.26	0.04
	0.12	0.39	0.20	0.20	0.01

60% of the employees agree that they took training for the past three years and 51% them agree that the training are relevant enough to fill the gap and / or help as refreshment and

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again 51% of them state that they have access to sufficient information to do the job well, but 51% of the respondents stayed neutral. 17% of the employee responded that there were training in the bank for the past three years, but 26% of the respondents stay neutral about the relevance of the training to fill knowledge gap or used as refreshment. The other 17% of them disagree about the existence of the training for the past three years and its relevance. 49% of the employee agree and strongly agree that all the material and facilities are fulfilled, but 31% of them disagree and strongly disagree about it, and 17% stayed neutral. But according to the bank report of year 2012/13 the training and development measures achieved more than 100% , but if the training has been granted then all employee should strongly agree about it. Besides, even the granted training is not to fill the gap or scheduled training as per the information presented according t other employee response.

As most of the respondent's response states that, the major problem and the challenge they face in their work is information unavailability likewise that bank report supports this gap and achieved only 70% of its target as stated in table 6. 51% of the respondents agree and strongly agree that there is sufficient information, 26% of the respondents stayed neutral and 17% of the respondents disagree about it.

Table 10. Employee turnover

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Employee participation is encouraged	0.09	0.13	0.48	0.22	0.00
The bank is good in employee retention	0.17	0.22	0.26	0.17	0.09
I prefer to stay in this bank to join another bank	0.17	0.30	0.17	0.17	0.04
There is job safety (no threat of being dismissed or laid off)	0.26	0.30	0.30	0.04	0.00
The company makes an effort to retain employees	0.09	0.30	0.26	0.26	0.04
The bank encourage personal development	0.13	0.17	0.30	0.26	0.04
Avg.	0.14	0.27	0.30	0.19	0.02

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22% of the employee agree and strongly agree that the bank encourage employee participation, but the other 22% disagree with this idea and 48% of them remain silent about it. 39% of the respondent's, state that the bank is good in retention of the employee, 25% do not agree about it and 26% is neutral. 47% of the employees prefer the Development bank of Ethiopia from another bank, 56% of them state that the bank has job safety and 39% of them state that the bank makes effort to retain employees, The manager interviewed state that the bank gives benefit to covers health and 24 hours insurance coverage and tuition is also paid for three or four employees in year basis, bonuses granted based on the performance of the employee on yearly basis. 30% of the employee state that the bank encourages personal development but the other 30% disagree and strongly disagree and the remaining 30% stayed neutral about it.

Table 11. Summary of Employee satisfaction

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Items about job satisfaction	0.20	0.38	0.14	0.15	0.02
Items measuring supervisor support	0.11	.37	0.27	0.17	0.01
Involvement in work practice	0.23	0.35	0.22	0.13	0.01
Facilities, work environment and capacity development	0.12	0.39	0.2	0.20	0.01
Turnover (employee retention)	0.14	0.27	0.3	0.19	0.02

In general, the above parameters show that 51.2 % of the employee responded that they have job satisfaction, and changed or affected by the supervisor support, facilities and turnover ratio in relative terms is okay, however, 18.2% of the banks employee state that they are not satisfied by their job, their supervisor support and encouragement, facilities to do the job is not fulfilled and the bank retention practice is not encouraging and 22.6% stayed neutral. If we take the above ratio in terms of 100% then the employee satisfaction rate become 55.65% and the dissatisfied employee 19.78 % and the neutral 24.56%, so it is difficult to say that the employee of the bank specially in credit process is satisfied by their job and related issues, as stated in the report of table 6.

Table 12. Knowledge of vision and strategic objectives of DBE

	Correctly stated vision	Correctly stated objective	Incorrectly stated vision	Incorrectly stated objective	I do not know	Not filled obj.
vision and strategic objective of the DBE	0.44	0.08	0.03	0.14	0.03	0.28

One of the reason that forces Kaplan and Norton to implement BSC as a tool is, majority of the organization employee even those found in the top of the hierarchy does not know their Organization vision, mission and strategic objectives. In DBE 100% of the employee know the organization vision, mission and strategic objective but only 44% of them correctly state the vision and 8% of them correctly stated strategic objective of the DBE. Knowing the organization mission, vision and strategic objective will lead the employee to strive to achieve them in every way necessary without focusing on the sated target.

4.2.1.2 Internal and business Process perspective of credit process

The internal and process perspective shows, the internal process of the credit process and the overall unit of the bank to satisfy and attract customers and retain them at last. The development Bank of Ethiopia activities mostly depend on giving service, the service is by granting project loan to customer that plays vital role for the development the country. The customers who get benefit from the development bank are those engage in agriculture and manufacturing/Industry/. In this perspective the bank has one objective and three measures. The strategic objectives, measures, targets and achievements of the perspectives is depicted here below;-

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Table 13 Internal and business perspective measurements

Perspective	Strategic Objective	Measurement	2010/11		2011/12		2012/13	
			Target	Actual	Target	Actual	Target	Actual
Internal and business process	Improve Service Delivery	Average Cycle Time	48	40.13	40	40.7	38	37.5
		Loan Approval	5.1 Billion	5.53 Billion	1.228 Billion	1.35 Billion	Not applicable	
		Loan Disbursement	3.5 Billion	3.8 Billion	0.597 Billion	1.109 Billion		
		Rework Rate	22	25	18	19	10%	12%
		Percentage of projects that meet implementation schedule	80	53	90	54	90%	66%
	Improve Asset Management	Project follow up coverage	80	61	90	92	100%	102%
		Loan Collection	1.3 Billion	1.387 Billion	380.69 Million	661.51 Million	Not applicable	
		Acquired Asset turnover ratio	50	55%	77%	45%		
		Loan Recovery Rate	50%	40.7%	62%	70%	55%	68%
		Uncollected receivable rate	Not Applicable				10%	19%
		Rate of fresh entrants to NPLS	3%	13%	2%	0.3%	1%	1.23%
	Improve Customer sourcing	Percentage of recruited customers	<u>10</u>	<u>15</u>	<u>33</u>	<u>24</u>	Not applicable	
	Improve service Intensification	Increase in cross selling	<u>60</u>	<u>25.2</u>	<u>80</u>	<u>91</u>		

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	Improve Resource Mobilization	Percentage Share of Mobilized Fund	200 Million		300 Million	2.45 Billion		
		Amount of Fund Mobilized	1.6 Billion	6.3 Billion	750 Million	6.25 Billion		
	Increase Relationship with Partners	No. of Partners	NA		NA			
		Depth of the Relationship	NA		NA			
	Improve Communication	Communication Outreaches			80	90	80%	94%
		Frequency of Utilization of Communication Outlets			13	12	100%	99%

Source: - DBE Annual report of year 2010/11-2012/13

The above table no. 8 shows the three years data of internal business process perspective of the bank. The table transfers three different types of information about the bank strategic objectives and measures.

First, adjusted measures

Second, Achievements of targets

Third, failure to achieve the target

1. Adjusted measures

As stated in the above table, this stage of the bank is a refinement stage. The BSC implementation is not yet finalized. In here we can see that some of these measures which is classified as internal process perspective in year 2010/11 & 2011/12 is included in financial perspective in year 2012/13. The measures are loan approval, loan disbursement, loan collection and acquire asset turnover.

The Other measures and objectives that are canceled out from being measure and objective of the bank due to its irrelevance to the bank's vision are- Percentage of recruited customers, increase in cross selling, percentage share of mobilized fund, amount of fund mobilized, no. of partners, depth of the relationship.

2. The Achievements of targets

The reported achievements of the bank in year 2012/13 are average cycle time, project follow up coverage, and loan recovery rate and communication outreach. These measures are measures of credit process. The average cycle time achievements is even improved from the previous year performance which has been 40.7 in year 2011/12 but become 37.5 in year 2012/13. Project follow up coverage is also shows a progressive achievement which has been 92% in year 2011/12 and become 102% in year 2012/13. The loan recovery rate is declined from the previous year which has been 70% but know 68%.

3. Failure to achieve the targets

Out of the nine measures of three objectives in this perspective five of them is not achieved their targets. The measures are rework rate, percentage of projects that meet implementation schedule, uncollected receivable rate, frequency of utilization of communication outlets and rate of fresh entrants to NPLS.

When we come to some of the measures that is not achieved, it contradicts with the measure that is stated as achieved. For instance when we take rework rate it means repeatedly working the same work. If we do the same work repeatedly, then it will take more than the required time. As we can see from table 8 the average cycle time is 38 days but the bank achieved it even 37.5 days, if this achievement is correct then the rework rate should be achieved as per the above explanation. But the rework rate measure does not achieve its target, even though it shows some improvement from the previous year 2011/12 which is 19% .As per the explanation given from the interviewee the average cycle time of the bank does not include the waiting time, i.e. the time it take for market analysis, In that case, this average cycle time does not show the real processing time/day of the bank that is from the application to loan granting. Besides the major cause of the customers appeal or complaint among other things is, length of time the bank took to process loan.

Table 14. Causes of Appeal

Cause of appeal	
Quality of analysis	0.19
Long time	0.38
Unrealistic appeal	0.31
Not familiar with credit policy	0.06
Not filled	0.06

The other contradictory results are percentage of projects that meet implementation schedule, which is not achieved as stated in table 8, this means either projects delayed because lack of technical assistance or unforeseen future or lack of follow up, but these measures achievements seem directly related with project follow up coverage measures in one way or other. But Project follow up coverage is achieved 100% while percentage of projects that meet implementation schedule only achieved 66% of it.

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As stated by the interviewee, percentage of implementation delay is not achieved as targeted because of both internal and external factors. Internal factor is due to weak in technical advice, market, project design problem on the part of the bank and external factor is shortage of foreign currency, logistic problem associated with the introduction of multi modal transport system, shortage of supply of water, lack of client's commitment to fulfill the precondition set by the bank before loan disbursement. So if the internal problem is lack of technical advice, market, and project design problem then project follow up should not be achieved by 100%.

Table 15 Internal and Business process performance and weights

	2010/11		2011/12		2012/13	
	Weight	Performance	Weight	Performance	Weight	Performance
Internal and business perspective	20	16.01	30	26.47	30	26.3

Source: - DBE Annual report of year 2010/11-2012/13

As indicated in the above tale no. 9 let's look at the internal process perspective from the side of the employee. Though the bank fails to achieve some of the targets, the performance is above 85% which can be stated as good. But it decline a little bit in year 2012/13 because as the interviewee stated that some of the measures are expelled from the perspective and some measures are added and vice versa, but this should not be a right justification for it because it should only measure the employee activities, so should not be affected by addition and deduction of measures. Internal process perspective also deals with new entrants to non performing loans (NPL). As per the information gathered from the banks employee respondents most of the NPL (non performing loans) are caused by poor analysis, poor know your customer and will full default) but out of the above causes of NPL 32% of them state that it is due to poor analysis.

Table 16 causes of NPL

	<= 10	10 to 20	20 to 30	32	>32	Not applicable
No. of customer	92%	08%				
	Poor Analysis	Poor KYC	Will full default	Customer Lack of knowledge	Market	
Causes of NPL	32%	29%	27%	0.07%	25%	
	Yes	No				
Existing number of customer affect the work	12%	82%				

92% of the employee responded that they are less than 10 number of customer that the performer entertain, and 82% of them state that the number of customer does not affect the quality of their job. But what is the reason for increment of new entrant to NPL in year 2012/13? The reason for new entrants to NPL increased as stated by the information from the interviewee is due to international price decline in Cotton products. Even though is kept as a reason there should be proper market study at the beginning. Besides cotton product by its nature does not take more years like other agricultural product so this issues seems by far more than the marketability problem.

4.2.1.3 Customer perspective

The bank evaluates customer satisfaction by two parameters, internal and external. Internal measures are -customer satisfaction and rate of recurring customer complaints. External measures are level of acceptance by the public and position of the bank in the market share. According to the banks internal report the average of internal and external customer satisfaction as per the presented information of the bank internal report is depicted here under-

Table 17 Customer perspective measurements

Perspective	Strategic Objective	Measurement	2010/11		2011/12		2012/13	
			Target	Actual	Target	Actual	Target	Actual
Customer	Increase customer satisfaction	Customer Satisfaction	70	70.92	75	76	80	74.25
		Rate of Recurring Customer Compliant	26	NA	21	NA	16%	
	Improve Image	Position in market share					2nd	2nd
		Level of Acceptance by the public					87.56%	

Source: - DBE Annual report of year 2010/11-2012/13

The customer satisfaction level of the bank is 100% achieved in the past two years and only 5.75% less in the year 2012/13, in addition to that the customer perspective achievement of the bank is below the previous year.

The above table no. 10 shows the three years data of customer perspective of the bank. The table transfers three different types of information about the bank strategic objectives and measures.

First, measures with target no actual achievements

Second, Achievements of targets

Third, Failure to active the target

1. Measures with target no actual achievements

The bank doesn't not actual measure the recurring customer complaints and level of acceptance by the public. The recurring customer complaints measure helps the bank in order to change the banks performance and recurring problems that their customer does not like. But this is not considered by the bank's .The targets are set but no actual accomplishments is rated. As per the interview information the reason for their failure to measure is due to the bank's inability to assess the actual level of compliant which should be performed in due course.

2. Achievements of Targets

Customer satisfaction level, it includes both internal and external customer satisfaction, which is achieved 74.25% of its target.

In the 2010/11 and 2011/12 the internal and business process perspective of the bank is not achieved 100% of the target however; the customer perspective in those year the targets are achieved 100%. So this may tell us that whether the customer has no choice or the measurement does not show the customer level of satisfaction. As we said above the measurements does not show the customer satisfaction level of satisfaction because the customer recurring complaints is one of the measurements that should be there in order to avoid the customer recurring complaints, but it is not measured in any of the years.

Table 18. Customer perspective measurements

	2010/11		2011/12		2012/13	
	Weight	Performance	Weight	Performance	Weight	Performance
Customer	20	20	20	20	20	19

Source: - DBE Annual report of year 2010/11-2012/13

In order to check whether or not the customer is really satisfied by the banks service the researcher distributed a questioner to the customers of the bank and the details of the respondents response is depicted below-

Table 19. Customer satisfaction

	Yes	No			
Lobby, facilities and rates	75%	25%			
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Quality of employees	47.2%	33.33%	20%		
Service	26.38%	40.26%	29.16%		
Information and convenience	30.66%	46.32%	13 %		10%
Security and reliability	58.3%	36.64%	25%		
Time and Quality	25%	25%	25%	25%	

75% of the respondent state that they do not move to other banks, even, if the other banks have a capability to give the same facility as DBE because the respondent state that ,they like the bank service. The above response is emanated from long time customer of the bank who has a relationship more than 10 years. Besides long time relationship also justifies that the customer is not leaving the bank because, the service is good. Most of the time we may say that majority of the governmental organization transact with governmental banks, but in here it is not the governmental organization that gives the above response rather, they are private investor. But 25% of them agree with moving to other bank.

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80.53% of the respondents agree or strongly agree about the quality of the employee and 66.64% of the respondents agree about the service of the bank is good. 76.98% of the respondents also agree that the information and convenience of the bank is attractive and 94.94% state that the bank is secured and reliable. However; only 50% of the customer agree about the time and quality of the job, the remaining 25% disagree about it and 25% is kept neutral.

The time and quality of the job, in the written request of question number 7 and 8 majority of the customer has complaints and the complaint is all about time of loan delivery. So this dissatisfaction is the major dissatisfaction which is highly related with the banks internal and business process performance.

Around 30% the employees, the bank entertains 25% of the requested loan in the form of appeals , and 10% of them stated that 50% of the requested loan is again presented for decision by appeal and 20% of the respondents state that 75% and 100% of the requested is appealed.

Table 20. Number of appeals

No. of appeals within a year	25%	50%	75%	100%1	No
% of respondents	.03	0.1	0.2	0.2	0.3

The cause of the appeal as per the collected respondent report is that 38% of them state that it is due to lengthy of time that the loan processing took and 19% state that quality of analysis is poor.

So it shows that there is a contradiction in the measurements filled by the employee and bank report. According to table no. 13 the appeal is caused by length of time then either the selected target are wrong that does not consider the stakeholder need during SWOT analysis or the report is wrong or manipulated. Besides, the report does not consider the achievements of the number of recurring appeal in to account. As per the information from the interview the appeal is due to the applicant or the customer is not fulfilling the requested documents properly.

The other appeal is that 19% of the respondents state that due to quality of analysis, if the quality of analysis is in question then the training part is in question because majority of the staff even above the target took training from the bank report of year 2012/13, however; if this training given does not identify the employees gap and solve their problems then it is difficult to call it training.

Table 21. Adequacy of Loan processing time

	Yes	No	Not filled	I am not sure
Is the loan processing time adequate	0.35	0.53	0.12	0.00
Possibility of taking more than the required time	0.79	0.05	0.16	

This lengthy of time issues is a problem both for the employee and the customer, the employee stated that the processing time length is not enough, around 53% of the employee do not agree with adequacy of the loan processing time, but 35% of the employee agree with the adequacy of the loan processing time but 79% of them state that there is a possibility of taking more than the set time.

The reason for taking more than the set time is

- ✓ the customer does not full fill the documents, as per the interview of the credit manager he state that, the document requested is accessible documents but the customer is not willing or able to full file them so this is one of the reasons that the project took more than the required time.
- ✓ The second reason is the nature of the projects and that is not known by the performer and knowing them and making research in it take more than the required time.
- ✓ The third problem stated by the performers and the credit manger is the knowledge gap of the performer.

So due to the above reasons 79% of the employee state that the requested loan takes more than the set time, but on the contrary in table 8, the average cycle time of the bank is achieved in the year 2012/13, which is contradictory even from the banks employee point of view.

If the customer has a complaint about length of time and quality of the job and even the respondents who perform in the credit area agree that majority of the customer appeal is emanated from length of time and quality of analysis and they do not even say that the time is enough, then how can we be make sure that by disregarding the customer recurring compliant level of measurement the bank achieve the customer satisfaction 100% and % of employee who took training by 100%, so the measurements seems achieved but it is manipulated.

4.2.1.4 Financial Perspective

The preceding three perspectives fulfillment can lead to the achievement of the last target set , which is financial /developmental perspective; this is the logic behind BSC. Because of the causal relationship between each perspective Kaplan and Norton say that the increase in one of the perspectives has an impact in an increase in the other perspective unless and otherwise the selected measures are incorrect and the sated target are not achievable.

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Table 22. Financial Perspectives

Perspective	Strategic Objective	Measurement	2010/11		2011/12		2012/13	
			Target	Actual	Target	Actual	Target	Actual
Financial and developmental perspective	Improve Earnings	Return on Asset	0.56%	1.3%	0.74%	1.47%	100%	200%
		Ratio of Non Interest Income	96%	3.53%	20%	14%	12%	16%
		Return on capital	3.54%	9.01%	5%	14%	14%	16%
		Productivity/Debt to equity ratio	4:01	5;1	6.40	8.70	1,180.29	1,426.98
		Profit growth /current ratio	1:01	1.24:1	0.68	148.00	10%	36%
	Improve Image	Public Image	TBD		NA	75%		
		Position in market share	2 ND	2 ND	2 ND	2 ND	2 ND	2 ND
	Improve financial position	NPL Ratio	9.73%	11.67%	8.36%	7.49%	5.62%	8.62%
		Loan Collection (in Billion Birr)					2,573,852.00	2,539,949
	Enhance stakeholder interest	Compliance and regulation	3	NA 3	3	3		
		Percentage of Successfully Operating projects	21%	15%	29%	25.1%	39%	31%
		Export Proceed/ Foreign Currency Purchase (billion birr0						
		Foreign Currency Sale (Billion						
		Debt Service Performance	100%	>100%	100%	100%	100%	100%
		Amount of Fund Mobilized from hidasse					2,300,000	1,377,544
		Loan Approval (in Billion Birr)					7,925,105	8,008,649
		Loan Disbursement (in Billion Birr)					6,374,072	5,335,595

Source- DBE Annual report of year 2010/11-2012/13

The above table no. 12 shows the three years data of financial perspective. The table transfers three different types of information about the bank strategic objectives and measures.

First, Measures but no target and actual

Second, Achievements of targets

Third, Failure to active the target

1. Measures but no targets and actual

The measures that have no targets set and actual record are - public image, compliance and regulation, export proceeds measure and foreign currency sales measures. These measures is not recorded in the previous year but the interviewee told me that in year 2013/14 the measures are included and target and actual performance are recorded.

2. Achievements of Targets

The measures and strategic objectives achieved by this perspective is the whole measures in improve earnings strategic objectives, position in the market share, debt service performance and loan approval amount. Debt service performance measurement is 100% achieved by the bank. But the achievements are due to governmental actions.

3. Failure to active the target

The NPL ratio of the bank, loan disbursement, loan collection and percentage of successfully operating projects are measures that targets are not achieved. Out of the not achieved measures % of successfully operating projects target is not achieved, but its performance is better than the previous year's. This measure contradicts with the measure found in learning and a growth perspective which is project follow up coverage. In learning and growth perspective project follow up coverage measure achieved more than 100%. As to the interviewee explanation this failure to achieve of % of successfully operating projects is due to market problem, management

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problem, weak technical support, project design problem which caused by is the cause by low performance.

The NPL ratio target is not achieved in year 2012/13 because as explained in the time of interviewee it is due to the fact that, new loan classification lead to some of the loan to be reclassified to be non performing loan which is caused by poor performance in collection of overdue loans. Loan disbursement is also lower than the target because poor budgeting and weak capital base of the bank.

Table 23. Financial perspective performance and weights

	2010/11		2011/12		2012/13	
	Weight	Performance	Weight	Performance	Weight	Performance
Finance and development	40	35	30	26.14	30	25.5

Source: - DBE Annual report of year 2010/11-2012/13

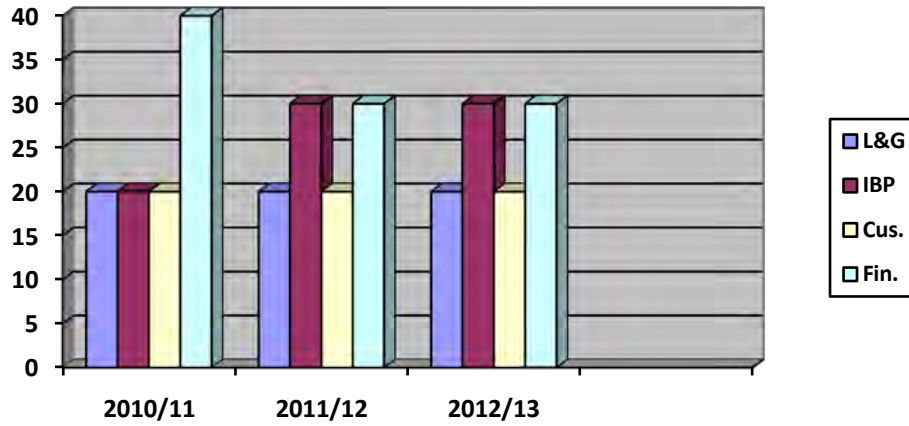
According to the presented report the bank achieved 85% of the set target in this perspective.

Table 24. Weights of all perspectives for the past three years

	2010/11		2011/12		2012/13	
	Weight	Performance	Weight	Performance	Weight	Performance
Finance and development	40	35	30	26.14	30	25.5
Customer	20	20	20	20	20	19
internal and business perspective	20	16.01	30	26.47	30	26.3
learning and growth	20	19.26	20	19.15	20	18.4
	100	90.26	100	91.8	100	89.2

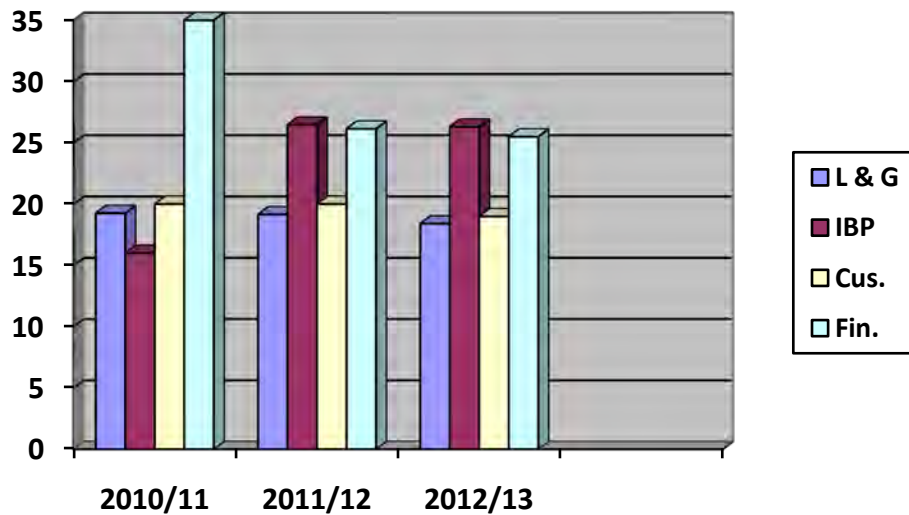
Source: - DBE Annual report of year 2010/11-2012/13

Figure 4 Target Weights of all perspectives



Source: - DBE Annual report of year 2010/11-2012/13

Figure 5 Actual Weights of all perspectives



Source: - DBE Annual report of year 2010/11-2012/13

From the above information which is collected from different years report the organization performance is found between $100 > x < 85$ which seems good according to the banks rating. But is the report real is the question. The identified discrepancies in the presented report is summarized here below;-

- Some of the targets achievement cannot be considered as achievement in real terms for instance, % of staff who took training. Because according to the

responses of the employee and the customer it is said that the cause of the customer complaint and non performing loan is length of time, quality of analysis and lack of integrated report about knowledge of your customer.

- Some of the achieved targets which has a causal relationship has failed to show that integration. For instance, if average cycle time is achieved then rework rate should be achieved, and if % project follow up coverage achieved then percentage of projects that meet implementation schedule should be achieved and % of successfully operating projects should be achieved etc... but in the presented bank report does not show.
- Some of the measure that has a huge impact in the change of the scores and affects the decision, but it is ignored from being classified and counted as measures.
- Some of the achievements is occurred due to governmental decisions and actions, so these make the bank to achieve its target; So it is difficult to conclude that all the achievement is originated from the business best attempt to achieve its strategic objective that emanated from the bank vision, but rather the achievements are emanated from
 - ✚ the environment facilitate the situation,
 - ✚ the government direction that encourage investments domestic and foreign direct investment and
 - ✚ Involvement of the bank in huge projects that worth more than a billion.

but we cannot say that the bank implementation of BSC has no impact in performance of the organization it has, in a way that performance measurement of the employee in the job make them to act immediately for every job directed to them and others which will be stated in the next few pages that shows the contribution of BSC in the organization.

4.3. The positive impact of BSC on the bank

BSC brings different changes in the performance of the organization. As a different literature says BSC brings makes performance measurement of the organization

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based on four perspectives rather than viewing the organization from financial aspects only. BSC also helps the organization to translate mission, vision, and strategic objective of the business down to individual level and that will be controlled and implemented by use of measurements and target. The measures also help the individual to know what they are going to achieve and how to achieve it. As per the information collected from the employee through questionnaire, BSC helps the organization to bring-

- ✓ BSC bring quality of service in relative terms from the previous years because their performance is attached with compensation and bonuses,
- ✓ increase in efficiency,
- ✓ knowledge of time management,
- ✓ increase responsibility and
- ✓ Increase commitment in work.

Table 25. Advantage of BSC

Advantage of BSC	Quality service	Increase efficiency	Time management	Responsibility	Increase commitment to work
%of respondents	15%	20%	20%	15%	10%

The interviewee also state that it is not the only fruit of BSC,

- ✓ BSC also bring to score employee satisfaction from 66% to 75.9% and,
- ✓ external customer satisfaction from 65% to 81.4% and
- ✓ Team development is also increased. Besides whether it is due to government's direction or decision the performance of the bank is increased from the previous year's

So BSC is a management tool that every organization needs to implement. So it seems that BSC has future prospect because most of the organization employee state that BSC is a tool that make the above changes in the organization and proper implementation by understanding will make the outcome even more.

The researcher requested the employee about their impression regarding BSC,

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and 75% of the respondents state that they recommend BSC to be implemented by other organization, because BSC enhances and align to meet strategic goal of the organization, to have a shared objective, and how the employee is going to be rated is known prior. In general it is a best action for the employee to achieve what is planned, but only if the implementation is made with knowledge. But 25% of them are against BSC.

Table 26. Prospects of BSC

	Yes	No	Not Filled
Do you recommend BSC to the other organization	0.75	0.15	0.10
Do you think BSC has a future prospect	0.50	0.19	0.31

50% of the employee also state that BSC has a future prospect because it brings more improved plan setting, the activities become more objectively measured than subjective, and organization set targets, accomplish the tasks according to the target and performance will be measured based on strategic objective and that is what BSC do.

4.4. Challenges of BSC implementation

A new management system always has a challenge; likewise BSC has faced so many challenges. As per the respondent’s response around 43% of the response state that the major challenge of the BSC application is setting of wrong measure and target selection.

Table 27. Challenges of BSC

Challenges of BSC	Wrong measure/target selection	Politicizing the tool	cascading	Lack of understanding	More drilled down /or more quantification
%of respondents	43%	5%	14%	5%	5%

They also state that lack of understanding of the nonfinancial areas of performance that might advance strategy can allow self-serving managers to choose and manipulate measures. Besides attaching the measure with performance is the biggest challenge that the bank faces by setting the target to be easily achieved by the

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employees rather than striving to achieve it. Politicizing the tool is another challenge stated by the bank employee, since BSC is implemented and the issue is emanated from the government not from the problem of the organization 5 % of the employee thinks that the tool is implemented only for political issues not for the benefit or to increase the performance of the organization, so it causes resistance to change. 14% of the respondents state that cascading problem is the challenge that the bank faces in implementation of BSC in the organization. Because as a tool BSC should take more days to be implemented and get internalized but once the implementation is made in the corporate level without internalizing and shaping the tool it will be cascaded downward and let everybody get confused. As 5% of the bank employee state those who set the measures are more worried on, in quantifying the work than the quality of the work or measuring what should be measured or the vital few. So, all the above stated problems are surely caused by lack of understanding the tool. In addition to that the other major challenge of DBE is the attachment of compensation to performance measurement, because as we can observe that ignoring some of the measures, and vowing that the bank achieved its target are one of the challenges that caused by attachment of compensation with employee performance.

Table 27. Knowledge of BSC

Knowledge of BSC	Yes	No
Is the measure and target are achievable	0.50	0.28
Do you prefer other measure	0.39	0.28
Do you know BSC	0.83	0.11
BSC is difficult and time consuming	0.35	0.53
Risk of attachment with employee performance	0.32	0.53
BSC is short lived instrument	0.39	0.50
Do you know your organization , mission, vision and strategic obj.	1	0
Are they clear	0.94	0.06
Do you know your organization , mission, vision and strategic obj.	1	0
Are they clear	0.94	0.06

To strengthen the above employee response 50% of the employee state that the measurement and the target of BSC is achievable but 39% of them state that they

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prefer other measure because the existing measure does not properly measure their work performance and there are a lot of activities or “the vital few” that is not measured.

As stated above the measures and the targets are achievable but the majority of the performers prefer the measures to be changed. If the measures are achievable they should achieve the target but it does not seem most of the target are achieved. There are different reasons that the performer does not prefer the achievable target, but most of them state that their reason is that, the measures does not measure the work they do or the relevant part of the work rather it is highly focus on quantification and the irrelevant part is measured, so this is because of lack of understanding of BSC. This will lead to wrong quantification, resistance to change and manipulation of the results.

Table 29. Understanding of BSC

	Employees performance measurement	Employee perform Strategic management toll that align the org strategic obj. through the org.	Employee performance and communication tool
BSC is	0.39	0.39	0.06

Majority of the respondents know what BSC is and the meaning of it and they do not take BSC as a time consuming and irrelevant management tool rather the employee accepts BSC as a change tool. And majority of the employee know the banks vision, mission and strategic objective, and they also state that they are understandable, but still 44% of them is correctly state the vision and 8% of them strategic objective, this tell us that the employee do not internalize their companies mission, vision and strategic objective. The aim of BSC as a strategic management tool is emanated due to majority of the employee do not know, vision, mission and strategic objective of the company.

CHAPTER FIVE

5.1. Conclusion and Recommendation

5.1.1. Conclusion

The study is the challenges that the organization in general and the credit process in particular faces upon implementation of BSC and its future prospects. Before year 2010 the Development Bank of Ethiopia performance is measured only in financial perspectives, then after year in 2010 onwards, the performance of the DBE is measured by customer, internal and business process, learning and growth and financial perspectives. After implementation of BSC the organization set its mission and vision which will be achieved in a specific period of time and based on that the strategic objectives and goals, measures and targets are set .The mission and vision of the organization is cascaded to individual level and the credit process unit as a unit implemented BSC till individual level .

BSC helps the employee and the organization in order to enhance their knowledge in regarding to their organization vision, mission and objectives; it also enhances the knowledge of effective time management, commitment to work, having responsibility for their work. Besides DBE performance measurement from four angles or balancing the organization performance from four major perspectives is the achievement of the organization in general and credit process in particular. This achievements and positive contribution of BSC to the organization and the credit process leads the employee and the customer to look at it positively. This positive attitude towards the tool and its contribution to the organization is an implication of the tool's future prospects, but this does not mean that the contribution is smooth, because the tool brings so many challenges that even nullify the contributions. These are, manipulation of targets, resistance to change, politicizing the tool and early cascading are the major ones. The major cause of the above challenges emanated from lack of understanding of the tool and its early attachment of performance of the employee with compensation. So in order to solve the above challenges and

problems and to utilize the tool efficiently the following recommendations are drawn.

5.1.2. Recommendation

- Training should be given to the employees about BSC, in order to create awareness about the bank's strategic objective, vision and mission, the employees should know how their activities contribute to the bank's strategic objectives and to make a great deal of awareness about the specific activities;
- The measurement should include only the activities that could be objectively measured or disregard the irrelevant activities that can be objectively measured but does not contribute much to the strategic objectives of the bank;
- The created measurement should be based on their quality and quantity of the activities. The target should be targets that can be achieved with a maximum effort, so the process manager and the process vice president along with the employee should be involved in selecting the measure and setting the targets;
- Not to link the remuneration too quickly to the performance, due to the fact that the first scorecards are only preliminary and the reported performance data are still not sufficiently reliable, so the remuneration should be attached with the performance only when the measurements and the targets and the objectives are reliably settled one.
- BSC as a tool, it is better than the other performance measurement tools such as Business process automation (BPA), Business Process Improvement (BPI) and Business Process Reengineering (BPR) in respect to the performance measurement, strategic alignment of vision with individual activities. However, in case of DBE the implementation does not arise from the organization rather it comes from the owner of the bank which is government. This led on employee lack of commitment, resistance to change and could not internalize the outcome too. Besides in order to address the captioned problem the

organization used carrot and stick approach which leads the employees to manipulate the measurement and targets.

- Avoid early cascading to individual level; cascading to individual level should be made after objectives the measures are properly refined up or at the corporate level.

5.1.3. Future work

Despite the above conclusion, this study has limitations and future research will need to be executed. As we discussed in chapter methodology part, BSC implementation in the case study which is limited to the DBE to ensure the implementation of BSC, to assess the challenges that the organization faces upon implementation of BSC and to assess the cause of the challenges that DBE faces .But if the researcher could extend this study to other organizations replicating the same approach, the outcome would be more general.

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Appendix A

Addis Ababa University
College of Business and Economics
Department of Public Administration and Development Management
Survey of Bank Employees
Dear Participant,

This questionnaire is designed to conduct a research on the topic of *'Challenges and Prospects of BSC implementation in Development Bank of Ethiopia (DBE)'*. The purpose of the study is for the partial fulfillment of the requirement of MSc degree in Development Studies. For the successful accomplishment of the study, the response of employees of the bank will have pivotal role by being used as valuable input for the study. So, you are kindly requested to genuinely fill the questionnaire.

Thank you in advance for your cooperation!

Instructions:-

writing your name is unnecessary.

Circle or put mark as per the questions required in the box or answer in the space provided.

Part One: Respondent Profile

1. Sex

Male Female

2. Age (Years)

Below 25 25-35 35-50 above 50

3. Educational Level

Diploma Degree MA Degree above MA Degree

4. How long did work in DBE?

<3 3-5 5-10 above 15

5. What is your current position in the organization?

Loan officer (Credit process officer) Credit appraisal officer (Analyze the loan) Team Leader

Other, please specify-----

6. How long have you been in this position?

<1 1-3 3-4 above 8

Part Two: Questions related with the topic

Employee Knowledge of BSC

1. Do you know what BSC is?

Yes No

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2. What is BSC for you?

3. Do you know your organization's vision, mission and strategic objective?

Yes No

4. If yes, please state the vision and strategic objective?

Challenges or disadvantage of BSC

5. Do you think the employee performance measurement of your process unit, the set target are achievable?

Yes No If other, please specify-----

6. If no, what do you recommend?

7. Do you think that there will be better measurement parameter than the one already set for your process unit, in order to achieve the organization strategic objective?

Yes No If other, please specify-----

8. If yes, what do you recommend?

9. After BSC implemented in your organization ,what are the challenges encountered in your work in your position and overall in the organization?(the challenges may be in the sated target, the sated goal or the burden it causes , any... please state them?

10. What do you think the cause of the challenges?

11. What do you recommend to solve them?

Advantage of BSC

12. What do you think the advantage of BSC to your organization? to your process unit(Credit process) and to you as an employee of the organization?

13. What do you think the advantage of BSC to your organization? to your process unit(Credit process) and to you as an employee of the organization?

Internal process perspective

14. How many customers do you have?

- <=10 10-20 20-30 =32 >32 Not applicable

15. How long is the acceptable time for loan processing, i.e. from the time of application received to date of disbursement? For project loan?

- 10 days 20 days 30days 50 days other please specify-----

16. Do you think the set time is adequate to process the loan? For project loan?

- Yes No

17. If the answer for Q. no. 14 is, No what do you propose?

18. How long do you take to process the loan and forward it to the Appraisal sub process?

19. Do customers appeal?

- Yes No

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20. What was the cause of the appeal?

- Is it quality of the credit (i.e. Wrong working capital determination, unrealistic assumption etc...)
- Long time (Loan delivery time length)
- Unrealistic appeal
- if other, please specify-----

Learning and growth perspective

Part Three: Express your view by checking the box on each line.

a. Items about job satisfaction

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Applicability of grievance procedure in your organization					
Suggestions received from employees					
There is job rotation					
My work gives me a sense of personal accomplishment					
I believe I have an opportunity for professional growth and development					
Over all you are happy in your work					
If other, please specify					

B. Items measuring supervisor support

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Support of the supervisor to employees					
Takes a personal interest in those he/she supervise					
Keeps informed about the way his/her people think and feel about things					
Recognition for doing a good job					
Active encouragement to be creative and use initiative					
My supervisor takes responsibility for shaping the attitudes and relationship within our department					
My supervisor provides me with continuous feedback to help me achieve					
If other, please specify					

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C. Involvement in work practice

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Internal Promotions exists in your bank					
Promotions are made based on performance and/or seniority					
There is competitive –pay					
If other, please specify					

D. Facilities, work environment and capacity development

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Application of the scheduled trainings for the past three years					
The trainings I took was either capable to fill my knowledge gap or they were used as a refreshment					
Access to sufficient information to do the job well					
All the material facilities are full filled					
If other, please specify					

E. Turnover (employee retention)

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Your bank provides competitive compensations and benefits as compared to competitors in the industry					
Employee participate in the organization’s decisions					
Bonus pay is made per personal performance					
The bank gives job skills enhancement periodically					
Increased upward career movement exists					
There are employee participatory program					
The bank is good in employee retention					
I prefer to stay in this bank to join another bank					
There is job safety (no treat of being dismissed or laid off)					
The company makes an effort to retain employees					
Does your bank encourage personal development					
if other ,Please specify					

You plan to leave in one year Yes No

If your answer is yes to the above questions, you want to join

A different employer in the same industry (the banking industry)

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A different employer in a different industry

Appendix B

Addis Ababa University
College of Business and Public Administration
Department of Public Administration and Development Management
Survey of the bank Customer

Dear Participant,

This questionnaire is designed to conduct a research on the topic '*Challenges and Prospects of BSC implementation in Development Bank of Ethiopia (DBE)*'. The purpose of the study is for the partial fulfillment of the requirement of MSc degree in Development Studies. For the successful accomplishment of the study, the response of customers of the bank will have pivotal role by being used as valuable input for the study. So, you are kindly requested to genuinely fill the questionnaire.

Thank you in advance for your cooperation!

Instructions:-

Writing your name is unnecessary.

Circle or put "" mark as per the questions required in the box or answer in the space provided.

Part One: Respondent Profile

1. Customer Type

Organization Individual

2. If , the customer type is "organization"

Public Private

3. If customer type is Individual, Educational Level

Diploma Degree MA Degree above MA Degree

Customer retention

4. How long have you been customer of the bank?

13 103 110 above 15

5. What kind of loan have you taken from the DBE?

Agriculture loan manufacturing loan if other please specify-----

6. If you have arrears, how does the bank support you to clear it?

7. Have you complaint or filed an appeal for the past three years?

yes No

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8. What is the reason for your appeal?

9. How does the bank entertain your appeal?

Customer satisfaction

Part Two: Lobby, facilities and rates

	Yes	No
Are there friendly designed reception areas?		
Are there good and enough sitting facilities for waiting inside the bank?		
If other , please specify		
Rates		
Are the service charges reasonable relative to services you receive?		
Is the Interest rate fair?		
Other service fees are reasonable,		
If other , please specify		

Part Two: customer service

i. Quality of Employees

	Strongly agree	agree	neutral	disagree	Strongly disagree
The employees are professional and familiar with his/her works					
The employee are friendly					
They are neatly dressed and have proper appearance					
If other please specify					

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b. Service

Service					
There is a cooperation at the reception counter					
Employees are always available at respective counters/places					
Employees are willing to help customers					
Good Attitude toward customers					
Transactions are fast					
Employees are patient with customers' questions					
Customers complaints are readdressed quickly					
Employees are aware of customers' needs					
If other please specify					

C. Information and convenience

	Strongly agree	agree	neutral	disagree	Strongly disagree
Information and convenience					
There are multi financial products(diversified services)					
The bank is located at a convenient location					
Applications are easy and simple to fill					
You are updated with relevant information					
Ample parking spaces are available at service branches					
Other please specify					

D. Security and reliability

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Security and reliability					
There is a good security					
The bank is reliable					
Privacy of customer personal data					
The bank has good reputations and image					
Top officials are available in case of need					
Other please specify					

E. Time

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Reasonable time to process loan					
Other please specify					

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E. Quality

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Satisfied with the bank credit decision					
Other please specify					

If other banks have a chance to deliver the same product as DBE, do you like to move to other banks?

Yes No

If yes why?-----

What challenges do you face in the bank credit other than specified above that you wanted to improve?

What does the bank should do?, what is you recommendation to make progress?

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Appendix C

Strategic Objectives and Objectives Commentary

Perspectives	Objectives	Objectives commentary	Outcome
Development/ Finance	Enhance Stakeholder Interest	<ul style="list-style-type: none"> • Stakeholders refer to owner, lenders and regulatory organs. • The requirements of the owner are primarily met by increasing the number of viable and successfully operating development projects, which create employment, generate or save foreign exchange and expand the tax base; • Stakeholder’s interest is also fulfilled by adhering to or by meeting established prudential standards for project financing and meeting debt obligations. 	<ul style="list-style-type: none"> • Successfully Implemented & Operating Projects. • Healthy Relationship with Regulators and Creditors.
	Increase Earnings	<p>Earning refers to increase in net income. Earning can be achieved through the following;</p> <ul style="list-style-type: none"> • Broadening of the income base • Increase productivity and revenue • Reduction of costs particularly default cost , cost of fund and administrative cost • Efficient utilization of resource (Minimize wastage). 	Financial Sustainability
	Improve Financial Position	<ul style="list-style-type: none"> • The financial position of an organization – mostly depicted by the balance sheet- shows the overall financial health of a business organization and most important whether or not it can be defined as a going concern at a point in time. • Accordingly, the purpose of the objective here is to continuously improve the financial performance of the organization particularly by increasing asset quality, timely debt settlement, etc. to ensure its sustainability; 	<ul style="list-style-type: none"> • Reliable & Acceptable Financial Position

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Perspectives	Objectives	Objectives commentary	Outcome
	Improve image	This refers to the perception of the general public as regards to the Bank. It is directly related with the image of the Bank and therefore the trust the public has on the organization as regards the delivery of its mission and vision	Reputable Bank
Customer	Increase Customer Satisfaction	Customer refers to end user of services of the Bank, which are mainly borrowers. Customer satisfaction is a direct result of efficient and effective project finance service that is availed together with the critical input of professionally based technical support and advice to beneficiaries.	Profitable & Satisfied Customer
Internal Business Process	Improve Service Delivery	<ul style="list-style-type: none"> • Service relates to the various types of all- round support provided by the Bank to customers in general and similar supports provided internally by support processes to enable the core process to excel in service delivery; • This is achieved through instituting good governance, increase productivity and improvements made by the Bank in the areas of quality of service, customer growth and time taken to deliver service as well as the cost of the service itself. 	<ul style="list-style-type: none"> • Effectiveness • Efficiency

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Perspectives	Objectives	Objectives commentary	Outcome
Internal Business Process	Improve Asset Management	<p>Asset management relates to the proper and systematic handling and optimal utilization of loans and other assets of the Bank. It includes:</p> <ul style="list-style-type: none"> • Improvement of loan administration like follow-up, rehabilitation, collection, etc.; • Management of other assets such as current and fixed assets starting from acquiring, security, maintenance, timely replacement, standard-up-keeping etc to dispose through sells, transfer to third party freely (as prize) or fully discard. 	Increased Asset Quality
	Improve Customer Sourcing	This means identifying, selecting and recruiting potential customers for project financing with the objective of better customer screening to promote loan quality.	Potentially Creditworthy Applicants
	Improve Service Intensification	This means increasing the income of the bank from existing clients through intensification of services (value adding) and provision of new and additional services to customers.	Broaden Income Base
	Improve Resource Mobilization	The idea here is availing adequate loan able fund to the Bank from different sources and through different means like issuing corporate and saving bonds, accepting time deposits and securing loans from bi-lateral and multilateral organizations in the form of soft loans.	Availability of Loan able Fund

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Perspectives	Objectives	Objectives commentary	Outcome
Internal Business Process	Improve Relationship with Partners	<p>Partnership is the act of creating business relationships with reputable institutions in order to mutually benefit from the relationship.</p> <p>This objective is targeted at establishing and strengthening relationship with local and external Learning Organizations, Research Centers, Financial Institutions /preferably Development Banks/, Specialized Institutes like the textile and leather producers associations etc. for knowledge, know-how and skill transfer as well as to obtain critical technical support services where the bank is deficient.</p>	Improved Service Quality
	Improve Communication	The objective here is to increase internal and external communication to improve awareness as regards the Bank's mission, vision, policies, strategies and performances so as to create informed customers, enhance service delivery, to mobilize resource, strength relationship with lenders and stakeholders as well as image building.	<ul style="list-style-type: none"> • Increased Business Opportunity • Image Building

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Perspectives	Objectives	Objectives commentary	Outcome
Learning & Growth	Improve Employee Core Competence	This refers to the acquiring and aligning of employees with the necessary behavioral attributes, skill and knowledge, which are required for achievement of the strategy particularly in areas of development projects financing.	Employee Readiness
	Improve Information Organization and Management	This refers to the improvement of DBE's capacity to properly capture, store and process various types of data and information by upgrading the information technology and networking system of the Bank, database, record keeping including documentation of knowledge etc.	Reliable and Readily Available Information
	Improve Organizational Culture	This refers to attitudinal change and alignment of values of employees to meet vision and mission by creating the environment for strategic thinking, and team work, customer centric and productive work culture.	Mission & Vision Oriented Employees/organization
	Improve Organizational Alignment	This refers to the alignment of skill, budget, performance, and incentive and reward system aligned with the strategy of the Bank.	Strategy Focused Organization
	Enhance Leadership Competency & Good Governance	<ul style="list-style-type: none"> • This refers to the realization of leadership with the necessary behavioral traits and technical skills so as to inspire and influence the workforce towards achieving business mission and vision. • Good Governance is reflected in the institution of transparency and accountability including review and developing policy and procedures, system improvement, clarity in decision making hierarchy, ethical standards and financial discipline, etc. 	Focus in Strategy and Transparency

Source DBE Annual report 2013/14

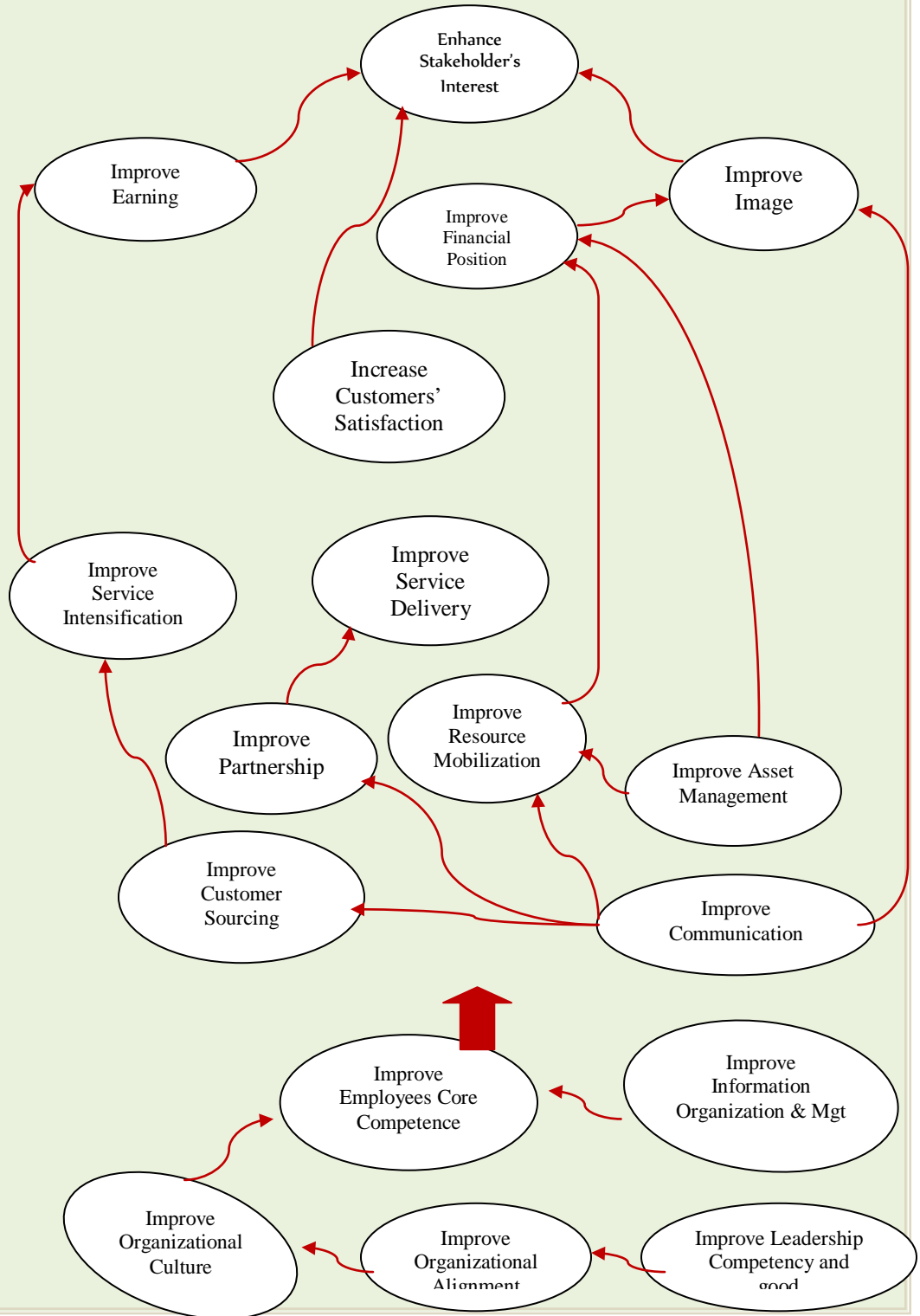
DBE Strategic Map

DEVELOPMENT/FINANCE

CUSTOMER

INTERNAL BUSINESS PROCESS

LEARNING & GROWTH



Source:- DBE annual report 2013/14

Development Bank of Ethiopia

DEVELOPMENT BANK OF ETHIOPIA

CORPORATE CREDIT PROCESS

TEAM SCORE CARD FOR THE FY 2013/14

NAME OF THE TEAM

S/N o	Perspective (1)	The cascaded strategic objectives from the process to the team (2)	Measure	Perspective weight	Objective Weight	Measure weight	Unit of Measurement	Target by Quarter				Annual Target
								Quarter I	Quarter II	Quarter III	Quarter IV	
1	Development/Finance/ 40%/	Enhance Stakeholders Interest/20% /	Percentage of successfully operating project	30%	50%	30%	Percentage					
			Clear loan balance & loan related suspense account			10%	Percentage					
			Amount of loan approved			30%	Birr					
			Amount of loan disbursed			30%	Birr					
		Improve Financial Position/20% /	NPL ratio		38%	50%	Percentage					
			Amount of loan collected			50%	Birr					
			Amount of controllable costs reduced			12%	100%	Birr				
2	Customer/15%/	Increase Customer Satisfaction /12%/	Customer satisfaction score	20%	100%	70%	Percentage					
			Rate of recurring customer complaints			30%	Percentage					
3	Internal business process /35%/	Improve Loan Delivery/15 %/	Average cycle time	30%	40%	33%	WD					
			Rework rate			32%	Percentage					
			Percentage of projects			35%	Percentage					

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			that meet implementation schedule											
		Improve Credit Administration /20%/	Project follow-up coverage/3%	60%	34%	Percentage								
			Loan Recovery Rate		33%	Percentage								
			Rate of Fresh Entrants to NPLs		33%	Percentage								
4	Learning & growth/10%/	Improve Employees Competency	Leadership Competency Coverage Ratio	25%	50%	Percentage								
			No. of Peer Teaching Program Arranged		50%	Number								
		Improve Credit Information Orgn. & Mgt.	Information Accessibility Ratio	25%	100%	Percentage								
		Improve Credit Process Culture	Credit Process Culture Change Index	25%	50%	Percentage								
			Team Development Index		50%	Percentage								
		Improve Credit Process/ Organizational Alignment	Employee Satisfaction Rate	25%	50%	Percentage								
			Strategic Awareness		50%	Percentage								
	TOTAL													

Source:- DBE annual report 2013/14

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Objective Focused Employees Performance Measures

Period :

Team

Name of Employee

Sr. No	Main Task	Weight 1	Measures	Weight 2	Targets	Actual	Actual Performance Level					Calculation	Total
							<50% (1)	50% - 59% (2)	60% - 79% (3)	80% - 94% (4)	95 - 100% (5)		
1	Complete document screening and application receiving	5%	Number of applications received	1%	2								
			Timeliness	3%	0								
			Rework Rate	1%	0								
2	Due diligence assessment	10%	Number of assessment	2%	1								
			Timeliness	5%	0								
			Quality	3%	0								
3	Receiving, reviewing and discussing the draft appraisal report and forward comment to the Appraisal Sub Process	8%	Number of draft appraisal report received and reviewed	4%	2								
			Timeliness	4%	2 days								
4	Receiving, owning and deliberating the final appraisal report	7%	Number of final appraisal reports owned	2%	2								
			Loan amount approved	3%	1,338,474,337								
			Timeliness	2%	3.5 days								

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5	Compliance checking & releasing fund	10%	Amount of loan disbursed	5%	34,542,000									
			Timeliness	5%	4.5 days									
6	Conducting Follow-up	35%	Number of follow up conducted	18%	3									
			Timeliness	7%	4 days									
			Compliance to the format	10%	-									
7	Loan collection	25%	Amount collected	20%	39,410,000									
			% of NPL	5%	1%									
Total				100%										
				60%										

Source: - DBE annual report 2013/14

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Table 2 DBE'S strategic objective

Sr. No	Thematic Areas	Strategic Results
1	<p><u>Capacity Building (Excellence in Human Capital in particular)</u> Concept- To enable the institution achieve its vision and mission by filling identified gaps (i.e. overcoming weaknesses) in employee's competency by improving skill, organizational capital and IT infrastructure;.</p>	Improved organizational readiness.
2	<p><u>Service Excellence</u> Concept: customer focuses and improved services with the objective of customer satisfaction and meeting stakeholder needs and requirements.</p>	Increased effectiveness and efficiency.
3	<p><u>Excellence in Asset Quality Concept-</u> The primary factor affecting the overall asset quality of a bank is the quality of loan portfolio and credit administration program. Asset quality and loan quality are two terms with basically the same meaning in banking industry.</p>	Good quality Assets and Financial Sustainability.
4	<p><u>Business Expansion & Intensification</u> Concept: enable the Bank make adequate use its resources to exploit available huge opportunities through business expansion and value adding to existing assets;</p>	Increased number of development Projects and additional value from existing assets or business lines.

Source: - DBE Annual report 2013/14

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Development Bank of Ethiopia Organizational Chart

