

# **PRACTICES AND CHALLENGES OF IMPLEMENTING BALANCED SCORECARD IN WEGAGEN BANK**



**A Thesis Submitted to Addis Ababa University School of Commerce  
In Partial Fulfillment of the Requirements for the  
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**ADDIS ABABA UNIVERSITY**  
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This is to certify that the thesis prepared by Sahle Gezu entitled the Practice and Challenges of Balanced Scorecard Implementation in Wegagen Bank which is submitted in partial fulfillment for the Degree of Master in Human Resource Management complies with the regulation of the University and meets the accepted standard with respect to originality and quality.

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## Declaration

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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## List of Acronyms

**BSC:** Balanced Scorecard

**WB:** Wegagen Bank



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## **Abstract**

The study assessed the challenges faced while implementing the balanced scorecard system particularly the four pillars of Balanced Scorecard in the case of Wegagen Bank. The study tries to evaluate the challenges faced by the Bank in implementing the tasks as compared to the standard literatures of the system. This study focuses on investigating the practice and challenges of WB faced specifically on branch operation activity. To collect the data a five-point Likert scale questionnaire and open-ended questionnaire is used. The total sample size of the questionnaire is 400 including managers, customer service supervisor, and customer officers who are working at Addis Ababa branch. In this case the study adopted probability sampling particularly stratified sampling and the method used is descriptive method. The questionnaire is prepared for 161 employees working at city branches. Out of the administered questionnaire 151 managed to return. The result that comes out of the questionnaire is analyzed using descriptive method of analysis and presented in the form of table and graphs. The findings show the major challenges that WB faces in the two perspectives, internal business process and learning and growth perspective. Internal process efficiency, lack in developing new products IT security is the challenge in internal business process which require improvement. Lack of schedule training, skill job enhancement, job safety, lack of employees participation in decision making are items in learning and growth perspective that require rigorous improvement in order to bring the four perspectives in balance. Which means achieving what is planned. The other problems regarding employees perception toward BSC is biased from the reality. So giving training to employees helps to bring about the implementation smooth and effective.

*Key words: Balanced scorecard*

**Introduction****1.1. Background of the study**

Organizations in today's change filled, highly competitive environment must devote significant time, energy, and human and financial resources to measuring their performance in achieving strategic goals. Most do just that, but despite the substantial effort and related costs, many are dissatisfied with their measurement efforts (Niven, 2006). Performance measurement system enables informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data (Kermally, 1997).

It is clear that the rules of the game for business have changed materially over the last decade. Or, at the very least, the rules of the game are in the process of radical change. Success for organizations today is measured very differently than it was yesterday. Of course financial performance is still essential. Delivering profit growth or enhancing shareholder's value is still at the top of every executive's agenda, but it is now widely recognized that delivering financial performance alone is insufficient. Even more importantly, it is now generally accepted that the level of financial performance achieved today is a function of decisions made 6–18 months or even longer (Kermally, 1997).

Empowerment of front line employees in decision making, rapid technological and government regulation change and globalization, enforce organization seek information to deal with these challenges. So using traditional financial measure alone for performance measurement is bring about many criticism Ittner&Larcker(1998).

Given the shortcomings of relying totally on traditional financial performance measures, performance measurement systems that incorporated other nonfinancial measures are required. In response to this call for a more broad-based performance measurement system, models such as the integrated performance measurement system Nanni(1992), balanced scorecard (Kaplan & Norton 1992) and performance prism Neely (2002) have been developed. This study will focus on one of these performance measurement systems, the Balanced Scorecard (Kaplan and Norton 1992, 1996, 2001).

Kaplan and Norton developed the concept of the Balanced Scorecard (BSC) in 1992. The objective was to overcome the inadequacies of the traditional financial-based performance

measurement tools. Today, thousands of private, public and non-for-profit organizations have implemented the BSC (Kaplan, 2010). Compared to the traditional performance measurement tools that focused on financial metrics alone, the BSC focuses on three additional performance metrics (customer, internal process, and learning and growth) to provide a holistic performance outlook (Kaplan and Norton, 1992; Kaplan, 2010).

Wegagen bank is one of the private financial institutions that join banking industry after the liberalization of financial market. The objective of the establishment is to facilitate economic growth through rendering loan to those in need and facilitating foreign trade by providing international banking Service. To achieve such objective WB put in place reform measures that enhance its performance.

Recently the bank is implementing different change management tool to bring about performance transformation, so WB introduce BSC to improve its performance and to measure performance from different perspective.

## **1.2 Statement of the problem**

Wegagen Bank is one of private financial institution established to support countries development plan through availing credit facilities to different sectors of the economy and plays a pivotal role in the realization of the GTP/Growth and transformation plan. In order to be competitive and to remain choice of its customer, the bank has developed new vision, mission and strategic objective that serve for the coming ten years. Thus to put the new vision and mission in place and to provide effective and efficient service to its customer WB has implemented BSC since 2015, because BSC is perceived as strategic management, performance management and communication tool. So the implementation of BSC is done by categorizing banks operation in to three wings: - International Banking, Credit, and Domestic Banking. These papers only focus on the domestic banking wing.

According to Lawson, Hatch and Desroches (2008), BSC implementation has promised many benefits from effectively implementing the balanced scorecard. These are operational and strategic benefits. Among the operational benefits, the major one is tracking progress toward achieving organizational goals, measuring performance at various levels from various perspectives. On the other hand, major strategic benefits are communicating strategy to everyone, and linking and aligning the organization around strategy.

Regardless of the benefits promised by BSC, many empirical studies show that there are challenges in implementation of BSC. Studies found that showed 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) 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.

The implementation (practice) of BSC in WB is done by following the nine steps that is recommended for the successful implementation by Kaplan and Norton. The implementation is to bring effective in measuring organization performance at various levels from various perspectives. But from the preliminary observation taken by the student researcher shows that there is a challenge in measuring performance at various levels from various perspectives. So this research will identify implementation gap between the theoretical way of effective implementation of the BSC and the actual practice undertaken by the bank and the challenges that WB faced during implementation of BSC?

### **1.3. Research Questions**

On the basis of the problem statement discussed above the research will revolve around the following questions.

1. To what extent are the four perspectives of BSC implemented?
2. What examination is needed about BSC?
3. What challenges does WB face in implementing the Balanced Score Card?

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

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

The general objective of this study is to examine and describe the practice and challenges of BSC implementation in the Wegagen Bank (WB).

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

1. To assess the implementation of BSC with respect to the four perspective of BSC.
2. To assess what examination is needed about BSC.
3. To assess the challenges of implementing the Balanced Scorecard with respect to the four perspective in WB.

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

This study is helpful for the following reasons;-

1. This research helps the bank to identify the important challenges that exist currently and take remedial actions for suitable positive results;
2. It also help to share the experience of WB in BSC implementation with similar other organization;
3. It also can serve as a bench mark in BSC implementation for the other similar banks,
4. The paper can help to trigger other study in the area and can be used as an input for further research.

### **1.6.Scope of the Study**

The scope of the study limited to assess the practice and challenges of BSC implementation in Wegagen Bank. The samples size of the study is limited to city branch clerical employees who are serving the bank at least for two years and this study also used only descriptive type of research design to make inference about the study. Therefore,the findings cannot be concluded to the whole organization.

### **1.7. Limitations of the Study**

Despite the efforts made by the researchers to make sure that the study is without flaws, there are several constraints that need to be highlighted so that they can be addressed in the future. First, the findings of the study were restricted to a small sample size of 161 respondents who were based in one organization and working at city branch, namely WB. Therefore, caution should be exercised about the direct generalization of the findings to other contexts. The other limitation of the study was shortage of relevant empirical literature since the system is a newly emerged concept and shortage of time were among the major challenges.

### **1.8.Organization of the paper**

The paper is organized into five chapters. The first chapter deals with introductory part consisting of the background of the study, statement of the problem, research questions, objectives of the study, significance of the study and scope of the study. Chapter two presents theoretical and empirical review of related literature to the concept of balanced scorecard, its implementation .Chapter three provides methodology of the research consisting of research design, research approach, sources of data, data collection method, method of analysis and ethical considerations. Chapter four contains data presentation, analysis and interpretation; and chapter five gives summary, conclusion, recommendations and future work

## **Chapter Two**

### **Review of Related Literature**

#### **2. Introduction**

The primary purpose of this chapter is to get a hold of the theoretical and empirical understanding of the concept of the balanced scorecard. In doing this, the overall concept with the origin and meaning of the balanced scorecard is briefly stated and the over reliance of companies on financial measures is criticized. Then, the chapter briefly introduces of the components of balanced scorecard and what it takes to implement it. In the second parts of the chapter empirical literature which is reviewed in connection with the challenges of implementing the balanced scorecard are stated.

#### **2.1. Theoretical literature review**

##### **2.1.1. Over view of Balanced Scorecard**

This paper describes an overview of the theory as well as describing the historical foundation and the development of the theory. Strategy is vital to an organization's success. However, if an organization is unable to effectively implement, communicate and cascade the strategy throughout the organization, companies may have a low rate of success and could experience failure. Harvard Business Review (2005) defined strategy as a well thought out plan to give an organization a competitive advantage through differentiation. Strategy aligns with the mission and values of an organization, where the company desires to be in the future, and how the group plans to get there.

The balanced scorecard was introduced as a performance measurement approach to assess the activity of both tangible and intangible assets of an organization. Kaplan and Norton (1992) described current performance measurements, based on internal financial data, as obsolete and unresponsive to the activity of an organization. The genesis of balanced scorecard also includes activity based costing (ABC) approaches introduced in the 1980's by Johnson and Kaplan (1987). The balanced scorecard approach was introduced to move organizations away from financially biased measurement to a more balanced approach that links four perspectives of an organization's success: financial, customer, internal processes and learning and growth. The balanced scorecard framework has evolved from this multi-perspective performance measurement system to a complex strategy management and control system.

There has been a revolution of performance measurement techniques and frameworks in the last 20 years, and the balanced scorecard framework is by far the most popular; the Hackett Group reports that more than 700 U. S. organizations are mature users (i.e., mature balanced

scorecard users are defined as those companies that use financial and non-financial measures to manage progress on strategy and to manage more than 75% of organization sponsored initiatives or projects) of the balanced scorecard framework. The balanced scorecard has been so widely accepted that an editorial in the Harvard Business Review called it one of the most influential management ideas of the twentieth century. According to Atkinson et.al (1997), the balanced scorecard is considered one of the most significant developments in management accounting. The first Kaplan and Norton book (1996) has been translated into more than 18 languages. The concept has received much praise and a great deal of usage in the public, private, and non-profit sectors. Strategy focused consultants have made millions of dollars helping organizations implement the balanced scorecard framework (Ben 2002, 40).

BSC defines as a theory or management approach that was first viewed in the Harvard Business (Kaplan, R. S. and Norton, D. P. 1996). The new improvement on this theory appeared in the Kaplan and Norton book. The balance scorecard defined as: “The Balanced Scorecard translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system.”

To ensure a balance scorecard, the organizational management team copies the mission, vision, and strategy into a scorecard. This scorecard depicts the long term and short term success of the strategy. The scorecard should have the outcome measures which represent the excellent prior performance, and the performance drivers that lead to the successful future performance.

While the management team have balanced scorecard, then they have the four strategic management team processes, which are:

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

The new improvement of this term was doing by the companies which implement the balance scorecard to their strategic management processes. Kaplan and Norton argued that the implementation of the theory has the same importance of the improvement of the strategy. They clarified that the successful implementation leads to the principles of the strategic management (Kaplan, R. S. and Norton, D. P. 2001):



1. Translate the strategy to operational terms.
2. Align the organization to the strategy.
3. Make strategy everyone's everyday job.
4. Make strategy a continual process.
5. Mobilize change through executive leadership.

The scorecard is paired with a strategy map to be used as a visual to communicate and correlate the intangible assets to tangible assets. It is a simple map showing how the foundation of people and technology affect process, customer satisfaction and eventually financial measures. It is a communication tool to show employees how their jobs fit in to the organization's strategy (Kaplan 2001, 50).

### **2.1.2. The evolution of the Balanced Scorecard**

From its development as a performance measurement tool, the Balanced Scorecard has considerably evolved. According to Lawrie and Cobbold (2004), the evolution of the Balanced Scorecard may be represented by three generations of Balanced Scorecards. They concluded that the evolution of the BSC was mainly driven by the empirical evidence of weaknesses found in previous generations. In the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid-1990s the focus moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool (Othman et al., 2006).

The main concern of the first generation of the Balanced Scorecard as a performance measurement tool was to solve the measurement problem of balancing the accuracy and integrity of financial metrics with the drivers for future financial success (Niven, 2005). Lawrie and Cobbold (2004) argue that in the original design of the BSC concept, the selection of which measures to include was not sufficiently clear. This was evident in two respects: the organization did not know what measures to include in the Scorecard, and it was not clear which measures should appear for which perspective.

To overcome these weaknesses, Kaplan and Norton (1993) introduced the concept of strategic objectives. In their view, there should be direct mapping between each strategic objective placed in the four perspectives with one or more performance measures. This would provide justification for the selected measures. In addition, they linked the strategic objectives in a tool called a strategy map to show the causality between them (Lawrie and Cobbold, 2004). In the second generation, from a strategic measurement system, the

Balanced Scorecard evolved into a strategic management system with the intention of supporting management in the implementation of strategy (Niven, 2005).

The criticism of the second generation of the BSC was based on the lack of interpretation and understanding of the vision and mission statements from lower levels of the organization, which were preserved only for high level management (Lawrie and Cobbold, 2004). Niven (2006) argues that the use of a Balanced Scorecard may be seen as a tool for measuring performance, a strategic management tool, and a tool for communication. Enhancing the communication role of the BSC was the goal of the third generation of its development. According to Niven (2005), company strategy should be understood not only by executives, but it should be transformed into simple objectives and measures understood by all the people in the company and this should lead them to achieve real results. The third generation of the Balanced Scorecard aimed to reach all levels of the organization by cascading high level Balanced Scorecards to lower levels. Further, through the description in the strategy map, the BSC should show all employees what they must do in each of the four perspectives in order to execute the company strategy.

### **2.1.3. The four pillars of BSC**

The etymology of the word perspective is from the Latin *perspectus*, to look through or see clearly, which is precisely what aim to do with a Balanced Scorecard: examine the strategy, making it clearer through the lens of different viewpoints (Niven, 2006). If companies are to survive and prosper in information age competition, they must use measurement and management systems derived from their strategies about customer relationships and capabilities. The balanced scorecard retains financial measurement as critical summary of managerial and business performance, but it highlights a more general and integrated set of measurements that link current customer, internal process, learning and growth to long term financial success (Kaplan and Norton, 1996).

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:-

### **2.1.3.1. 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 Ronchetti, (2006)

Therefore, in the government, the financial perspective emphasizes cost efficiency, i.e., the ability to deliver maximum value to the customer.

### **2.1.3.2. Customer Perspective**

When choosing measures for the customer perspective of the scorecard, organizations must answer three critical questions: Who are our target customers? What is our value proposition in serving them? And what do our customers expect or demand from us? Sounds simple enough, but each of these questions offers many challenges to organizations (Niven, 2006). In the customer perspective, the aim is to identify the customer and market segments in which the organization will compete, and, accordingly, the measures to track related performances (Kaplan and Norton, 1996). Most organizations will state that they do in fact have a target customer audience, yet their actions reveal as all things to all customers strategy. As strategy guru Michael Porter has taught, this lack of focus will prevent an organization from differentiating itself from competitors (Niven, 2006). According to Kaplan and Norton (1992), customer concerns have a tendency to fall into four different categories: time, quality, performance and service, and cost. Therefore, to get the balanced scorecard to work they advocate that the company should articulate goals for time, quality, and performance and service, then translate these goals into detailed measures.

### **2.1.3.3. 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. 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 non-profits, realizing excellence in internal operations correlates to increased constituent or congregant satisfaction, not financials (Niven, 2003).

### **2.1.3.4. Learning and growth Perspective**

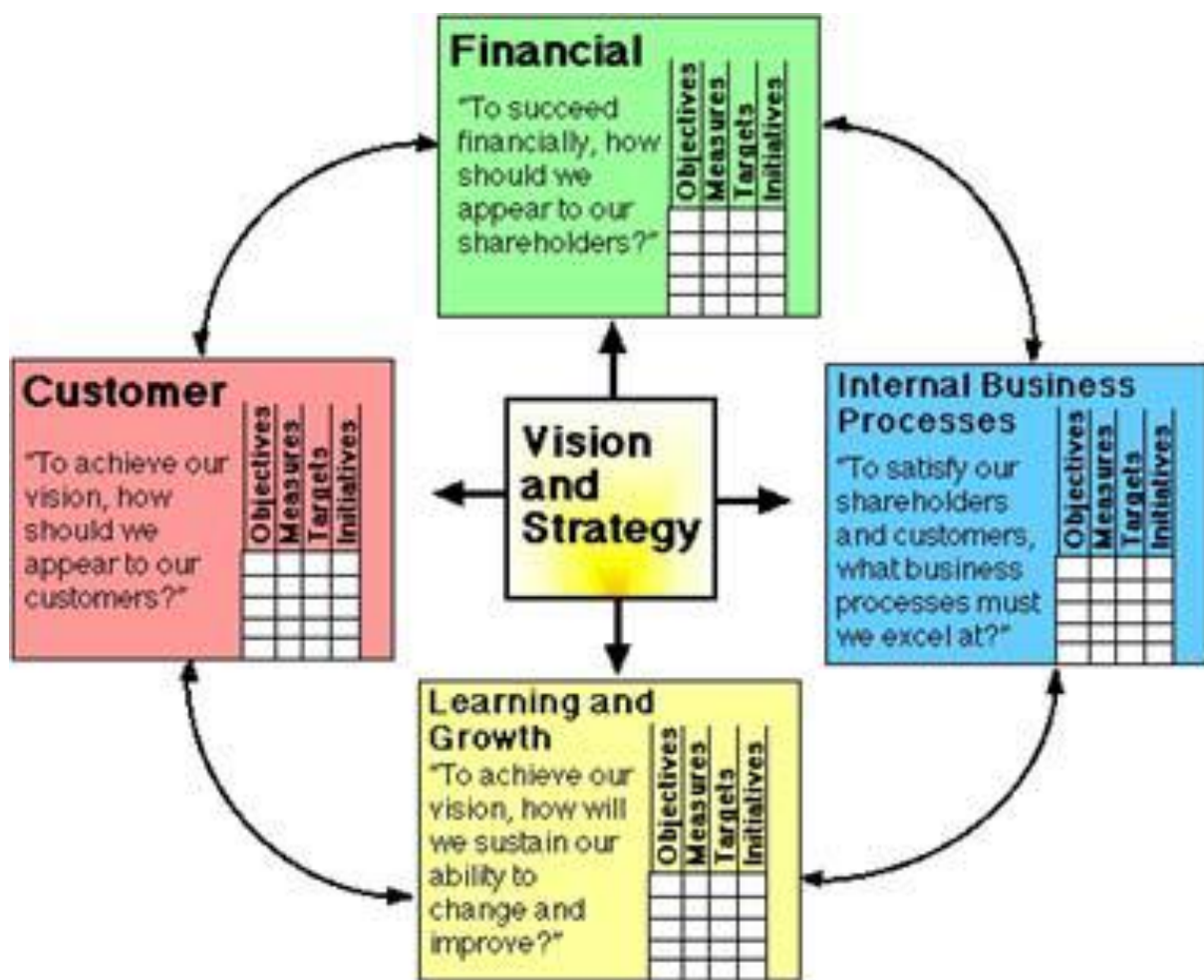
The intense global competition of today's world requires the companies to be able to change fast and be innovative (Kaplan & Norton, 1992). The products and processes need continuous improvement to be able to keep up with the fast pace. The main sources of organizational learning and growth are people,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

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.2.1. Balanced scorecard four perspectives Source**



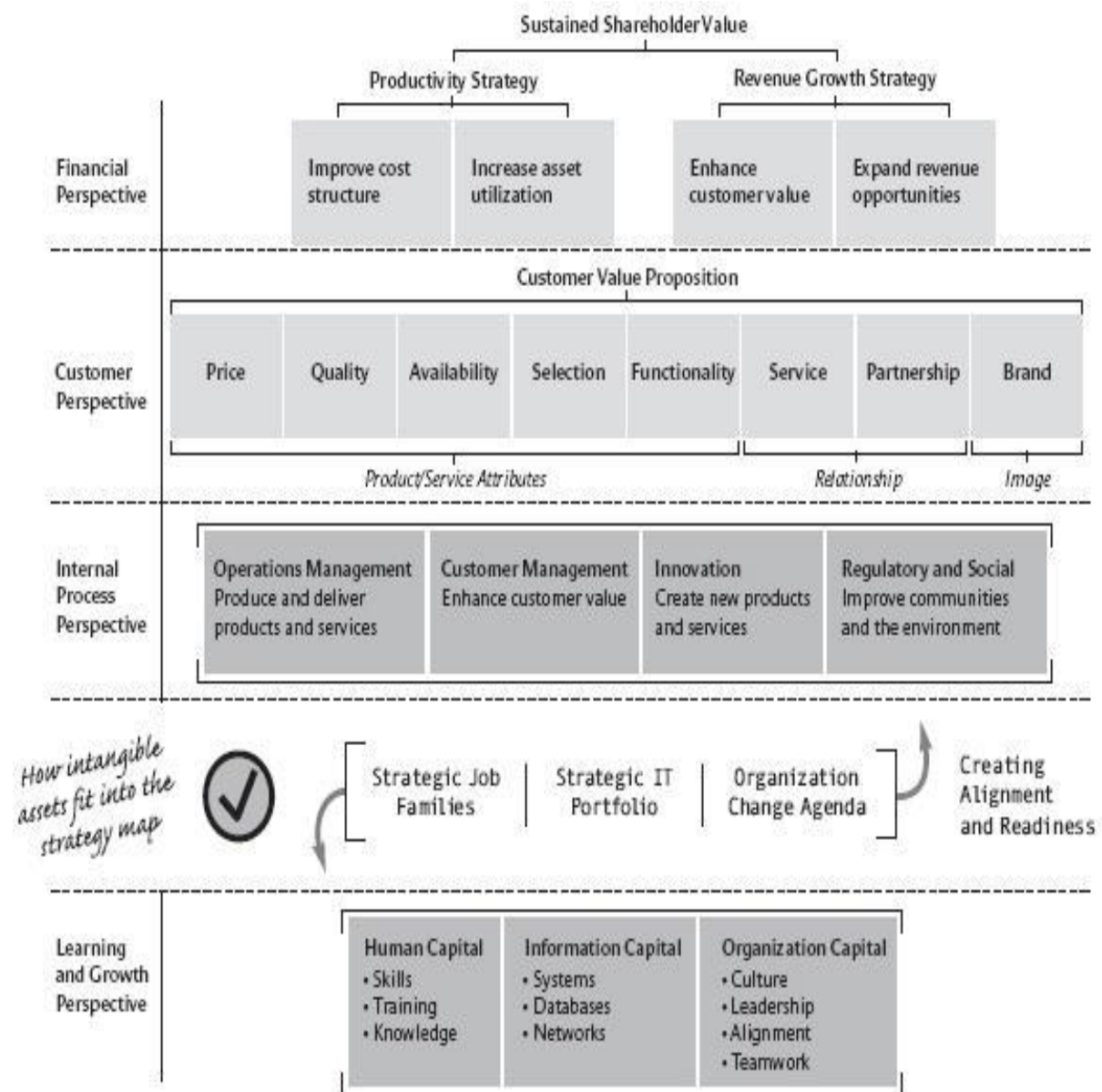
Source: Kaplan & Norton, 1996:

#### 2.1.4. What is “balance”?

The Balanced Scorecard aims for a complete description of everything that it is important to know in order to execute the company strategy spread over four perspectives (Olve et al., 2003). Besides introducing non-financial measures to motivate optimal management decisions, the Balanced Scorecard shows its “balance” in a few other ways:

- According to Olve et al. (1999), the BSC should link short-term operational control to long-term vision and strategy, following day-to-day operations which will affect tomorrow’s development. In this way, the BSC is based on three dimensions in time: yesterday, today, and tomorrow: “what we do today for tomorrow may have no noticeable financial impact until the day after tomorrow” (Olve et al., 1999). In this context, the Balanced Scorecard contains a mix of lagging (performance objectives) and leading indicators (performance drivers). Lagging indicators represent the consequences of previously taken actions, while leading indicators are measures that drive and enable the results measured by the lagging indicators (Niven 2005 and 2006, Olve et al. 1999 and 2003).
- The Balanced Scorecard is balanced in that it shows both the internal and external aspects of the business. It indicates the internal processes important to achieve business results, but also the external view from the customers’ and market position (Olve et al., 2003).
- The Balanced Scorecard is linked through a series of cause-and-effect assumptions (Olve et al. 2003). According to Kaplan and Norton (2000), strategy is the movement of an organization towards a desired but uncertain future position. It consists of a series of linked hypotheses and assumptions on the best way to reach this future position. According to Niven (2006), the Balanced Scorecard aims to document and test the assumptions which inhere to the strategy. He argues that the Balanced Scorecard should describe the strategy through selected measures and objectives appearing in the strategy map. Measures linked together in a cause-and-effect chain of relationships from the performance drivers should be reflected in the performance objectives in the Financial Perspective. The strategy map is a tool used to define these cause-and-effect relationships and to make them explicit and testable (Kaplan and Norton, 2000). To execute the strategy, everyone in the organization should understand the hypotheses and align them with all organizational units and resources (Kaplan and Norton, 2000). Figure 3 shows an example of a strategy map.

**Figure 2.2. Strategy Map (Kaplan and Norton, 2004)**



Source:-[WWW.Balancedscorecard.org](http://WWW.Balancedscorecard.org) accessed on 03/04/18

Nevertheless, despite its worldwide popularity and its recognition as a powerful management tool, the success of the BSC is quite low. Although many organizations have adopted the BSC, a great number of them have encountered problems when trying to introduce the concept in their business.

### 2.1.5. 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 2.3. Building and implementing a strategic balanced scorecard system Nine Steps to Success**



Source:-[WWW.Balancedscorecard.org](http://WWW.Balancedscorecard.org) accessed on 03/04/18

#### 1. Assessment

The first question in assessment phase is answering really that Balanced Scorecard implementation is needed or not? To affirm this issue an organization should answer around 20 questions, each question have five choices and everyone on the assessment should score 70-80%. So an organization can implement its strategy properly. However, if respondent's performance below 70-80% to implement the BSC properly an organization should follow nine steps (Niven 2006). In order to implement BSC successfully organization should undertake SWOT analysis, and then identify enablers (opportunity and strength) and pains (weakness and threat).



## **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 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 bemonitored.

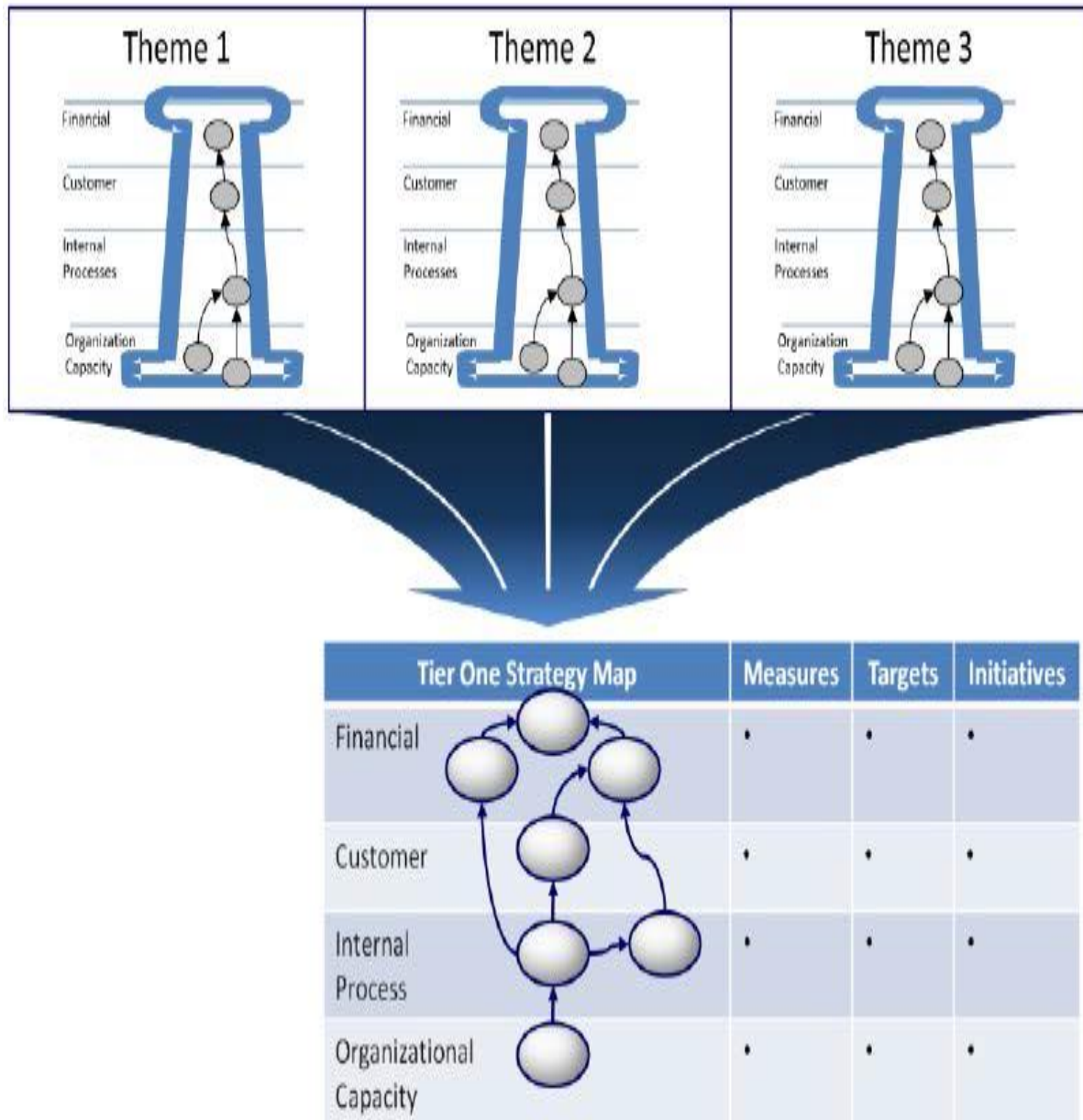
## **4. Strategic Mapping**

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 thefour 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, goal 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 2.4. Theme Maps are combined into a Single Tier 1 Map**



Source:-[WWW.Balancedscorecard.org](http://WWW.Balancedscorecard.org) accessed on 03/04/18

### 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**

Once a good set of strategic performance measures developed, a performance measurement information system is needed to collect and report performance data and transform the data into performance information (Rohm, n.d).As the balanced scorecard evolved from a pure measurement system to a strategic management system, to a powerful communication tool with the advent of strategy maps, the paper-based reports used by early adopters were hard pressed to keep up with progress in the field. The reporting, analysis, and communication requirements represented by these advances required new tools (Niven, 2014). Automating the balanced scorecard system consists of analyzing software options and user requirements to make the most cost effective software choice for today and to meet enterprise performance information requirements in the future (Rohm, n.d).

## **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.

### **2.2. Empirical Literature**

#### **2.2.1 Challenges of Implementing the Balanced Scorecard**

Within two decades of its inception, the use of the BSC is widespread across all industry sectors, from manufacturing to service industries, from large to small businesses and from public to private projects. The strength of the BSC is integrating three non-financial metrics, customer, internal process, and learning and growth with the traditional financial metrics. The common uses of the BSC are performance measurement, strategic management and project management. The benefits of the BSC include overcoming inadequacies of the traditional financial-based performance measurement tools, providing a holistic performance outlook, transforming strategy into tangible performance measures, aligning organization activities to strategy and providing a deeper insight into business operations and ways of creating value.

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

Emad A. And Amir A. (2015), finding, despite the widespread use and benefits, the BSC has serious limitations both in concept and in practice. The evidence is a greater number of organizations implementing the BSC have either failed to achieve their intended objectives or encountered serious problems during implementation. The main limitations include. The concept of the BSC has no clearly defined relationship with organization performance, the objective and definitions of measures exclude key stakeholders, lacks the definition of key success factors necessary for identifying KPIs, and the four categories limits the view of the organization. In practice, the BSC focuses resource to achieve its goals leading to underutilization of organizations' potential beyond the targets of the BSC; hampers inter-organizational innovation; perceives an organization has hierarchical structures, clearly delineated job responsibilities and one- way linear cause-and-effect relationships; and promotes closed innovation. These limitations hamper the effectiveness of the BSC and contribute to some organizations wanting to abandon the BSC altogether for better alternatives (Kraaijenbrink, 2015). A viable alternative to the BSC is Performance Prism (Neely, Adams and Kennerley, 2002).

The Performance Prism has five perspectives compared to four of the BSC. These are stakeholder satisfaction, stakeholder contribution, strategies, processes, and capabilities. The Performance Prism considers the stakeholder perspective as the most important. Organizations have to consider who their key stakeholders are and what they want. Once an organization has addressed the needs and wants of the key stakeholders, then it turns to the strategy perspective. The strategy perspective is about the goals and the roadmap to satisfy those needs and wants. It involves performance measures to track strategy execution, strategy communications, incentivize implementation and monitor implementation (Neely et al., 2002).

The Performance Prism is thus a viable alternative to BSC since it solves the problem of the exclusion of stakeholders other than the customer; directs organization to use stakeholder needs to develop goals and strategies to attain those goals; promotes inter-organizational innovation; and clearly defines employee capabilities and engagement (Neely and Adams, 2010;Hoque, 2014).

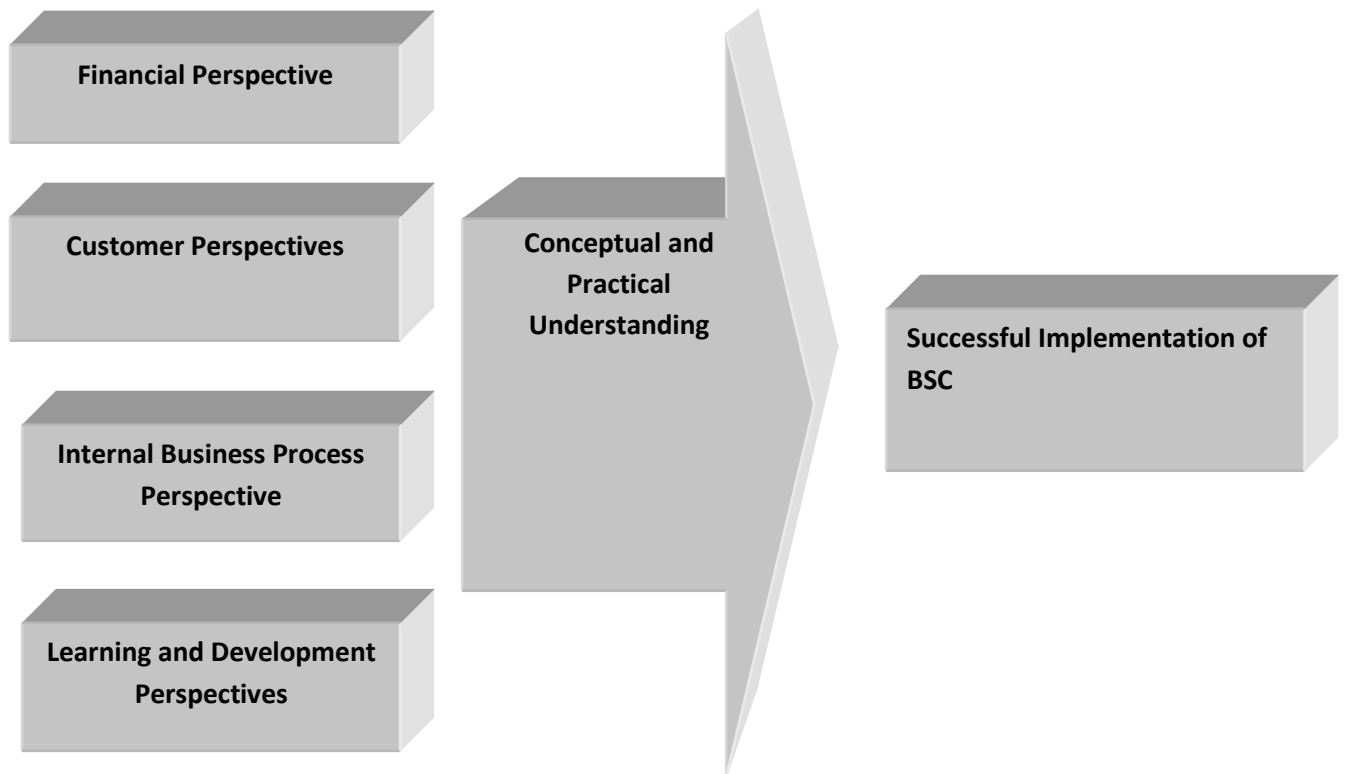
TsionGetachew (2014) finding also, the implementation of BSC helps the employee and the organization in order to enhance their knowledge in regarding to their organization vision, mission and objectives; it also enhances the knowledge of effective time management, commitment to work, having responsibility for their work. However BSC has the following challenges. 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.

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. But most of the banks measure their performance mostly taking their tangible asset in to consideration and their growth also measured likewise.

DraganPujas(2010),the findings show that the barriers found in the literature and the reasons which led the BSC initiative in Plava Laguna to fail are similar. All barriers found in the literature were present in Plava Laguna's BSC initiative of 2002 and caused its failure. Unwillingness to change is signaled as an additional potential reason for the BSC to fail in Plava Laguna.

The most significant problem was found in the lack of BSC knowledge. This shortcoming affected most of the other actions and caused many subsequent problems. The undeveloped IT slowed the initiative and caused many frustrations for the project team. Losing support from the top of the firm and the apparent unwillingness of some members of the company to change caused the BSC to remain only an unrealized wish of the company.

**Figure 2.5. Conceptual Framework**



**Source: Self constructed**

The rationale behind the construction of this conceptual frame work is the theory proposed by Kaplan and Norton (1992). According to them strategy is the movement of an organization toward desired but uncertain future position. So spread an organization strategy over four perspective and employees understanding the hypothesis, aligning them with all organizational units and resource will lead to the successful implementation of BSC



## **Chapter Three**

### **3. Research Design and Methodology**

This chapter gives an outline of the research methodology that will be used in the study. Here, the plan of the research and the detailed techniques that help to answer the research questions and arrive at conclusions are presented.

#### **3.1. Research Design**

As Sekaran (2000), stated descriptive study is appropriate for ascertaining and describing the characteristics of the variables of interest in a specific situation. Accordingly the study adopted descriptive research technique with a primary purpose of assessing the practice and challenges faced by the Bank in implementing the balanced scorecard as their performance and strategic management system with particular emphasis branch operational activity.

#### **3.2. Research Approach**

Several research approaches can be adopted for the conduct of a research study. The researcher examined the qualitative and quantitative approaches in the context of their strengths.

Qualitative research has several strengths and applications. According to Schwandt (2000), as cited, by Dahlan (2009), it is well suited for describing phenomena as they are situated and embedded in local contexts. Qualitative research has its own limitations. Its findings are not usually generalizable due to small number of respondents, the findings are interpretive and subjective (Sekaran, 2000). Similarly quantitative research has its own strength. Its main strengths are that it generates precise, numerical data from large survey sizes. Furthermore, the findings are reliable and can be generalized and replicated to many populations (Maxwell and Delaney, 2004) A combination of qualitative and quantitative approaches can build on the strengths and minimize the weaknesses of both (Dahlan, 2009). Similarly Saunders, Lewis, & Thornhill (2009), argue that mixed methods are useful if they provide better opportunities to answer research questions and allow to evaluating the extent to which the research findings can be trusted. This research therefore used mixed approaches in a complimentary manner.

#### **3.3. Sources of Data**

The study largely depends on primary data, which is collected through survey method by using standard questionnaires that was arranged in 5-point Likert's scale. In addition to primary data, variety of secondary data including printed documents which is held by the

Bank was used to develop questionnaire used for the study. The advantages of these were that noticeably saved time.

### **3.4. Data Collection Methods**

#### **3.4.1. Questionnaire**

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

The survey targeted managers and clerical employees of Wegagen Bank, focusing on branch activity. So it was necessary to tailor the questionnaire to make it as user-friendly as possible. In order to do so, the researcher will prepare statements and interval settings based on the Likert - style rating scales to which the participants (Non/Middle Management) had to respond (with the rankings signifying the degree of agreement, ranging from a scale of 1 referring to Strongly Disagree to a scale of 5 referring to Strongly Agree on a five-point rating scale).

The main steps that were followed when formulating the questionnaire included the identification and generation of perspectives surrounding the intended thematic area, review of similar questionnaires that were used in prior surveys. All these culminated in the formulation of questions that represent the main areas of the study.

**Open ended questionnaire** also used. Because asking open ended questionnaire allow you to get more than you anticipate whereas close ended questionnaire is used to get what you want to get.

### **3.5. Sampling Techniques and Sample Size**

A sampling design is the selection of an appropriate sample to minimize the gap between the values obtained from the sample and the population (Dahlan, 2009). Sampling is essential in conducting a survey to measure the characteristics of all elements of a population. Therefore, guided by research objectives and questions, the researcher give full attention to the target population and the sampling method for deciding on the size composition of the sample.

The target for the survey questionnaire includes managers, customer service supervisor and customer service officers. To accommodate the heterogeneity of the population the student researcher has selected stratified sampling techniques and select samples among the population. Accordingly by classifying employees by their job category 162 samples is selected among the total population of 400 who are working at Addis Ababa branch and serving the bank at least for two years.

The sample determination is made through the precision rate and confidence level approach. The reason behind selecting precision rate and confidence level was its ability to provide mathematical solution in selecting adequate sample size among the population. This approach can control sampling error by manipulating the confidence level and the confidence interval. In calculating the sample size the following data is considered.

$$n = \frac{z^2 \times p \times q \times N}{e^2 \times (N-1) + z^2 \times p \times q}$$

Where:-

N = size of population

n= size of the sample

z = the value of the standard variate at a given confidence level

e = acceptable error (the precision)

$\sigma$  = standard deviation of population

- Confidence level at 90% , Z score is 1.645
- Confidence interval +-5%
- Standard error or standard deviation taken 0.5 where maximum sample size is given

The following table shows the proportionate of the sample among job category.

**Table 3.1. Distribution of Sample among Job Category**

Sr.No.	Job category	Total population	Sample	Remark
1	Manager	60	33	20%
2	Customer service supervisor	170	64	40%
3	Customer service officer	170	64	40%
Total		400	161	

According to Saunders et al. (2009), stratified random sampling is a modification of random sampling in which the researcher divides the population into two or more relevant and significant strata based on one or more of attributes. A random sample is then produced from

each of the strata. Dividing the population into a series of relevant strata means that the researcher ensures that each of the strata is represented proportionally within sample. The sample is stratified based on the proportion of the size of employees in each job category. In the case of Wegagen Bank a branch is constituted by one branch manager, two customer service supervisors, and two customer service officers. This aims to ensure balanced representation within the sample. Thus, each job category is represented proportionally in the sample.

Accordingly questionnaires were arranged and distributed to 161 employees through personal delivery. Among 161 administered questionnaires 151 were completed and returned within two weeks' time. According to Issac and Micael (1995), 151 is representative up to 1000 population at 90% confidence level.

### 3.6. Reliability Test

According to Nunnally and Bernstein (1994) stated in Sixholo (2011), Cronbach's alpha is used to test the reliability of the quantitative questionnaire for internal consistence. An alpha value with a lower limit of 0.7 and upper limit of 0.9 was considered acceptable. As shown in table 3.2. the reliability test run for the questionnaire of the study showed Cronbach's alpha of 0.96, 0.91, 0.83 and 0.92,0.86, 0.90 for financial perspective, customer perspective, internal business perspective and learning and growth perspective in terms of job satisfaction, facility, work environment and employee retention respectively indicating an acceptable internal consistence.

**Table 3.2.Cronbach's Alpha coefficient**

Questionnaire category	Cronbach's Alpha coefficient	No. of Items
Financial perspective	0.96	4
Customer perspective	0.91	5
Internal business process perspective	0.83	5
Item about job satisfaction	0.92	4
Item about facility, work environment & capacity development	0.86	4
Item about employee satisfaction	0.90	6

### **3.7. Validity Test**

Validity test is a means that the test on instrument is accurately measuring what supposed to do. In order to check the validity of the instrument the student researcher made the validity test by reviewing instruments used for similar study and by collecting feedback from human resource practitioner who are familiar with the BSC implementation.

### **3.8. Method of Analysis**

After collecting and sorting all relevant data using the data collection tools, quantitative responses will be sorted, coded, computed and analyzed using Statistical Package for Social Sciences (SPSS). Appropriate statistical analysis such as frequencies, and mean score analysis in aggregate. The data were presented using tables and graphs.

### **3.9. Ethical Considerations**

In conducting the research, the following ethical considerations will take into account

- Respondents will be informed fully about the purpose, methods and uses of the research, what their participation in the research entails and what risks, if any, are involved.
- The confidentiality of information supplied and the anonymity of respondents is respected.
- The independence of research will be clear, and any conflicts of interest or partiality will be explicit.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1. Profile of respondents

##### 4.1.1. Gender

The respondents were asked to mention their gender in the questionnaire. Accordingly the respondents in the study were found to be male dominated (more than 64.24%), the rest are females (35.76%) as the result shows in figure 4.1.

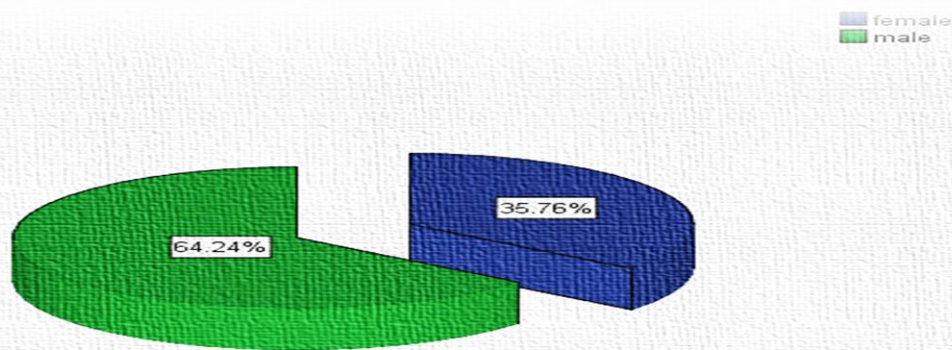


Figure 4.1. Gender Proportion of the Respondent

##### 4.1.2. Age of Respondent

When we see the age of those employees who were asked in the questionnaire, 70.20% of the respondents were age “between” 26-35, 15.89% of them were age below 25 and the rest 13.91% of them were age “between” 36-50 as a result show in figure 4.2.

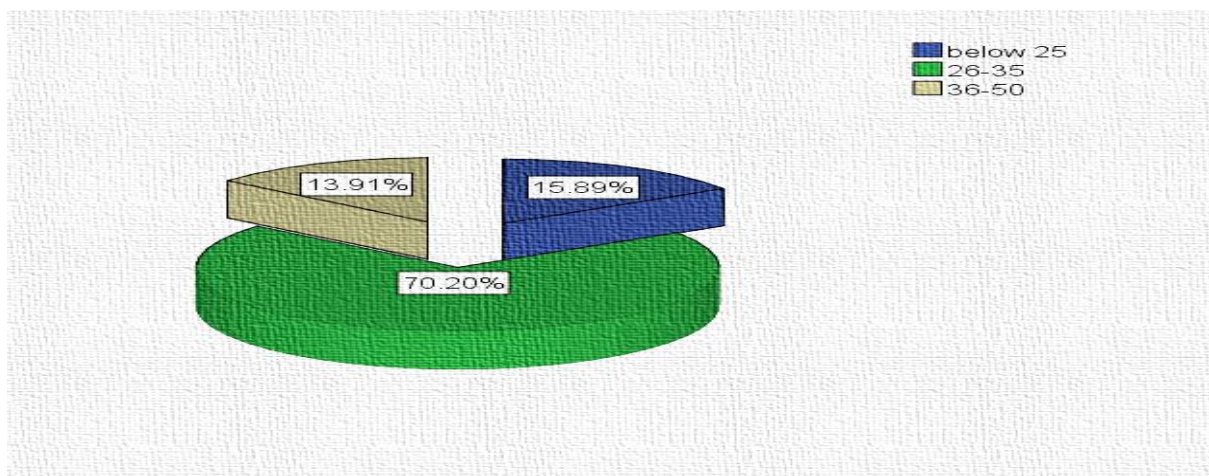
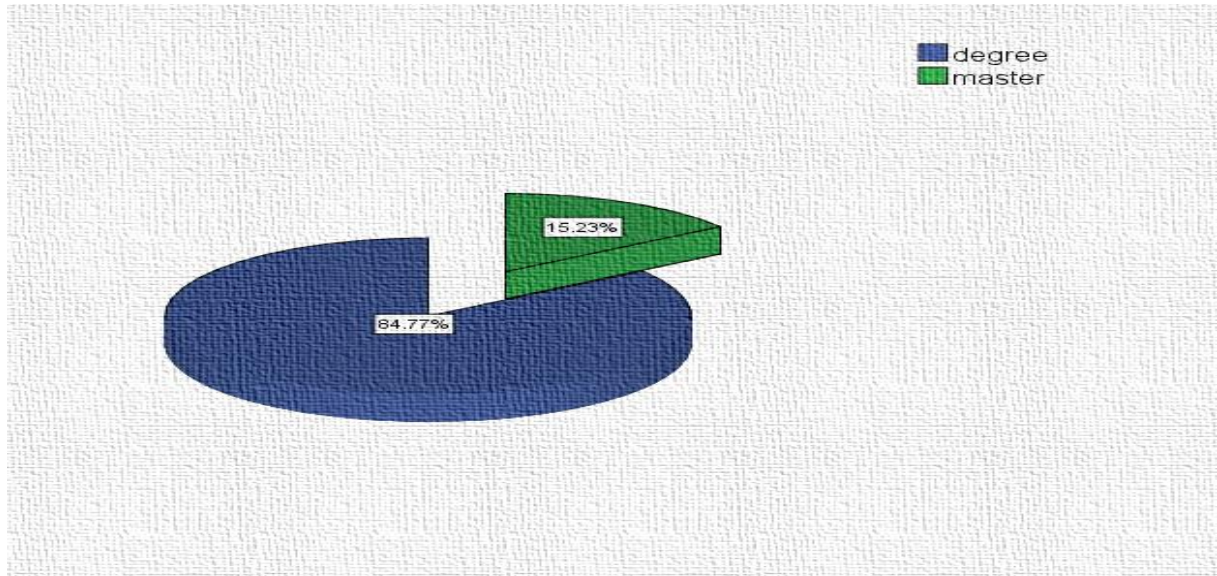


Figure 4.2. Age Proportion of the Respondent

### 4.1.2. Academic Qualification

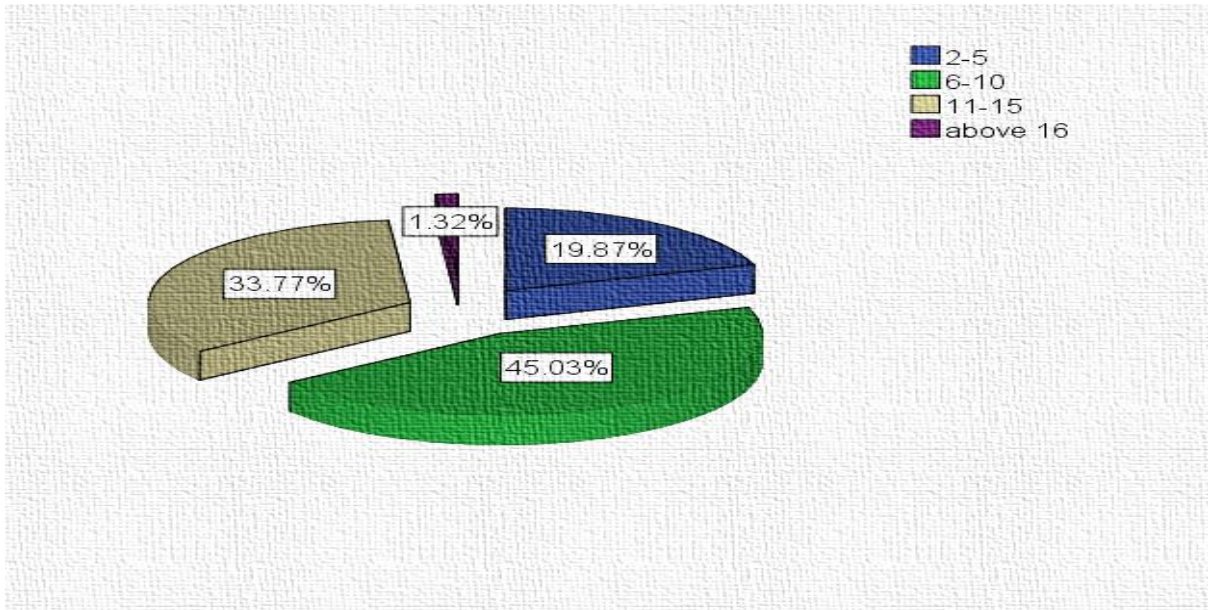
The respondents were similarly asked to state their academic qualification. Accordingly the result shows in Figure 4.3. 84.77% of the respondents have BA degree (first degree), and the rest 15.23% are Masters (post graduate) holders. All of the participants in the survey are literate people who have already achieved different levels of education. The respondents are well educated who are believed to be responsible to know about and practice issues related to BSC.



**Figure 4.3 Academic Qualification of the Respondent**

### 4.1.3. Work Experience

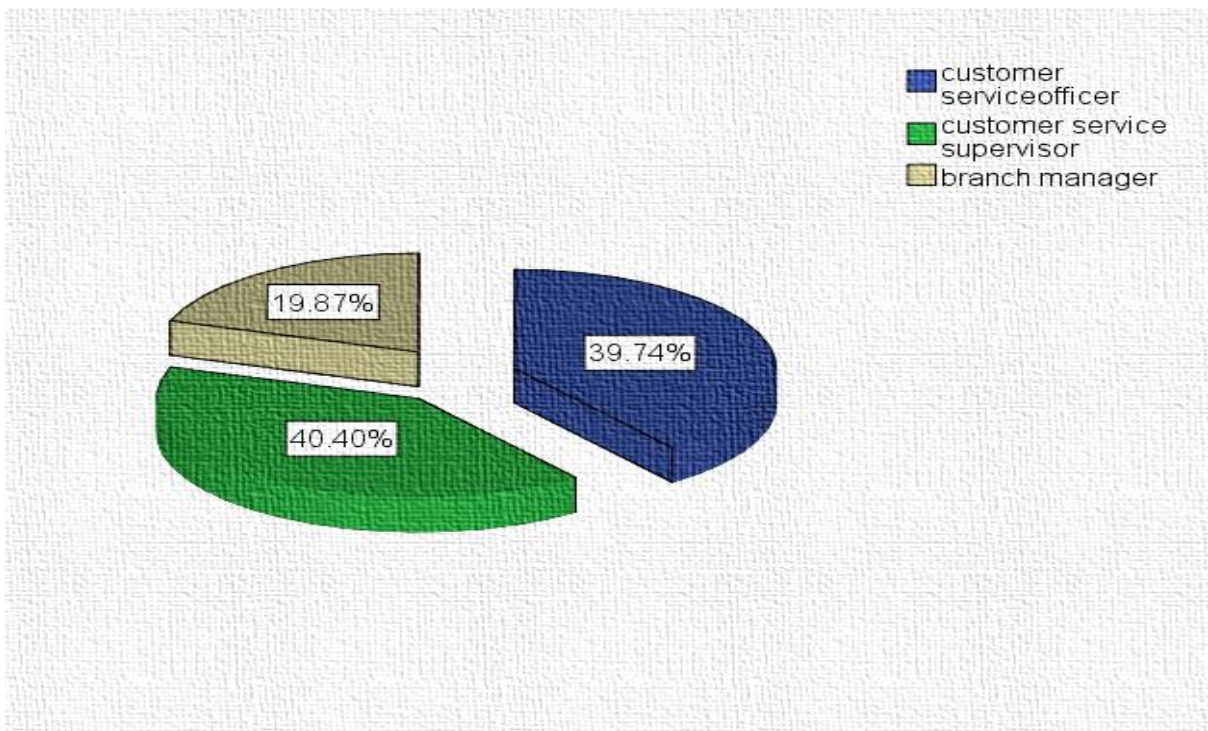
When we see work experience of the respondent, as the result shows in Figure 4.4 around 19.87 % of respondents have works experience “between” 2-5, 45.03% of them were “between” 6-10, 33.77 of them were “between” 11-15 and the rest 1.32% respondents have work experience above 16 years. From these one can deduct that almost 100% of respondents worked in their job for more than 2 years. The respondents are well-experienced and it’s believed to reflect on BSC framework moreover professionally



**Figure4.4. Work Experience of the Respondents**

#### 4.1.5. Organizational Positions of Respondents

Finally the respondents were asked to indicate their hierarchical position in the organization. Figure 4.5.reveal that 19.87% of the respondents are managers, 40.40% of the respondents are customer service supervisor and rest 39.74% of the respondents are customer service officers’.



**Figure 4.5. Job Category of the Respondent**



## **4.2. Analysis of the variables**

In order to answer the research questions, the four perspectives that refer to the critical components of balanced scorecard implementation namely financial, customer, internal business process and learning and development perspectives were taken to design the questionnaire and analyze the response. These perspectives are among the major success factors for effective implementation of the balanced scorecard system. Accordingly, frequencies, percentages and measures of central tendency (the mean score technique) were employed to investigate the variations within the questionnaire items.

For each variable, the researcher has managed to design four to six questions which supposed to be better represent the variables. After inserting the raw Likert scale data to SPSS 20, the responses were analyzed and summarized by taking the percentage and the mean score obtained under each question to arrive the stated variables (financial, customer, internal business process and learning and development perspectives).

Hereunder are the questions under each variable and the analysis of the summarized responses for the questions.

### **4.2.1. Financial Perspectives**

Balanced Scorecard should link short term operational control to long term vision and strategy following day to day operation will affect tomorrow's development. So balanced scorecard contains the mix of lagging (performance objective) and leading indicators (performance drivers). Financial perspective is a lagging indicator which shows the consequence of previously taken action.

Financial perspective demonstrated the strategy of increasing profitability while maintaining both business equity and proprietors income. (Shabolt, 2003)

**Table 4.1. Financial Perspective**

BSC implementation enables:-	1. Strongly Disagree (SD) 4. Agree (A)		2. Disagree (D)		3. Neutral (N)		5. Strongly Agree (SA)		Mean Score
	N	%	SD	D	N	A	SA		
Optimization of Branch cost	N	151	6	13	10	102	20	3.77	
	%	100	4	8.6	6.6	67.5	13.2		
Increase Revenue	N	151	7	1	2	106	35	4.07	
	%	100	4.6	0.7	1.3	70.2	23.2		
Enhance resource and resource Base	N	151	1	3	51	84	12	3.68	
	%	100	0.7	2	33.8	55.6	7.9		
Enhance Asset Utilization	N	151	3	21	44	72	11	3.44	
	%	100	2	13.9	29.1	47.7	7.3		
Aggregate mean								3.74	

**Source: Research Data**

Accordingly, as Table 4.1 shows, with regard to financial perspective 80.7% of employees perceived that BSC optimize branch cost. 12.6% of them were disagreed and the rest of the employees were neutral toward the optimization of branch cost. The mean score revealed 3.77 which are agreed by employees. 93.4% of the employees perceived that BSC increase revenue, 5.3% disagreed and the rest of the employees were neutral to the improvement of revenue. Looking to the mean score 4.7 it is strongly agreed by employees. With regard to enhance resource and resource base 63.69% of employees perceived that BSC enhance resource and resource base, 2.7% of them were disagreed and the rest of them were neutral toward the improvement in resource and resource base. Mean score 3.68 is also agreed that BSC enhance asset utilization. Finally toward asset utilization improvement 55% of the employees were agreed and strongly agreed, 15.9% of them were disagreed and 29.1%

were neutral toward the enhancement of asset utilization. The mean score 3.44 shows that employees agreed there is improvement. Over all the aggregate mean of the financial perspective 3.74 shows the implementation was in the right track.

#### **4.2.2. Customer Perspective**

According to Kaplan and Norton (1992), customer concerns have a tendency to fall into four different categories: time, quality, performance and service, and cost. Therefore, to get the balanced scorecard to work they advocate that the company should articulate goals for time, quality, and performance and service, then translate these goals into detailed measures.

According to Table 4.2 Shown with regard to customer perspective 67.2% of employees agreed that BSC enhance timely service, 11.9% of them were disagreed and 21.2% of them were neutral toward delivering service timely. The mean score is also 3.61 which show employees agreement. 33.1% employees perceive that BSC improve customer get service in conformity to their requirement, 37.1 % of them were disagreed and 29.8% were neutral toward delivering service according to customer demand. The means score is 2.95 which show employees were neutral. In terms of getting effective and efficient service 30.5% of employees agreed and strongly agreed, 35.1% of them were disagree and 34.4% of them neutral. The means score 3.59 which show employees agreed on the improvement. 66.2% of employees were agreed and strongly agreed that quality of customer service enhance customer retention, 14.6% of them were disagreed and the rest of them were neutral. Looking to the mean score 3.72 shows employees agreement. Finally 77.9% of employees agreed and strongly agreed that customer services of the bank enhance customer acquisition, 12.6% of them were disagreed and 9.9% of the employees were neutral. The means core is 2.97 show employees were neutral toward the enhancement of customer accusation. Overall the average mean score of in relation to customer perspective were 3.37 which show there is improvement in providing excellent service to its customers. Because mean score three and above represent employees agreement.

**Table 4.2. Customer Perspective**

BSC implementation enables:-	1. Strongly Disagree (SD)		2. Disagree (D)		3. Neutral (N)		4. Agree (A)		5. Strongly Agree(SA)		Mean Score
	N	%	SD	D	N	A	SA				
Customer get Service Timely	N	151	5	13	32	87	14			3.61	
	%	100	3.3	8.6	21.2	57.6	9.3				
customer get service in conformity to their requirement	N	151	8	48	45	43	7			2.95	
	%	100	5.3	31.8	29.8	28.5	4.6				
Customer get Service Effectively & Efficiently	N	151	3	50	52	41	5			2.97	
	%	100	2	33.1	34.4	27.2	3.3				
Quality of Service Enhance Customer Retention	N	151	0	22	29	89	11			3.59	
	%	100	0	14.6	19.2	58.9	7.3				
Quality of service Enhance Customer Accusation	N	151	0	19	15	107	10			3.72	
	%	100	0	12.6	9.9	70.9	6.6				
Aggregate Mean										3.37	

**Source: Research Data**

**4.2.3. 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. According to (Kaplan and Norton: 1992) Exceptional customer performance descends from exceptional internal process.

According to the Figure 4.3 shows, 25.8% of the employees were agreed and strongly agreed, 35.1% disagreed and 39.1% of the employees neutral toward improvement in process efficiency and effectiveness. Accordingly the mean score is 2.87 which is below acceptable level. 33.8% of employees perceive that BSC improve Banks image, 45.1% of employees disagreed and the rest of the employees 21.2% were neutral. The means score 2.85 also reveal that employees were disagreed in improvement of bank image. 17.9% of employees perceive

that BSC implementation enhance diversity products and channels, 58.9% disagree and 23.2% were neutral. Looking to the mean score 2.68 reveal that employees disagreed that BSC enhance diversity products and channels. 56.9% of employees reveal that BSC strengthens business partnership, 13.9% of them were disagreed and 29.1% of the employees were neutral. The means score 3.44 also shows employees agreed on that BSC improve business partnerships. In regard to strengthen bank it security 32.4% of employee reveal that BSC improve Bank IT security, 26.5% of them were disagreed and 41.1% of the employees were neutral to that BSC improve IT security. The mean score also reveal that employee were disagreed with improvement of IT security. Over all the aggregate mean score shows that BSC did not bring improvement in internal business process perspective. Because of mean score below three represent employees either neutral or disagreed about the questions.

**Table4.3.Internal Business Process Perspective.**

		1. Strongly Disagree (SD)	2. Disagree (D)	3. Neutral (N)	4. Agree (A)	5. Strongly Agree (SA)	Mean Score	
<b>BSC implementation :-</b>								
Improve Process Efficiency & Effectiveness	N	151	10	43	59	34	5	2.87
	%	100	6.6	28.5	39.1	22.5	3.3	
Improve Bank Image	N	151	6	62	32	51	0	2.85
	%	100	4	41.	21.2	33.8	0	
Enhance Diversity Product & Channels	N	151	0	89	35	14	13	2.65
	%	100	0	58.9	23.2	9.3	8.6	
Strengths Business Partnership	N	151	4	17	44	74	12	3.44
	%	100	2.6	11.3	29.1	49	7.9	
Strength Bank IT Security	N	151	12	37	62	23	17	2.97
	%	100	7.9	24.5	41.1	15.2	11.3	
Aggregate Mean								2.96

## **Source: Research Data**

### **4.2.4. Learning and Development Perspective**

The intense global competition of today's world requires the companies to be able to change fast and be innovative (Kaplan and Norton: 1992). The learning and growth perspective demonstrated the strategy of utilizing technology, improving partner and employee knowledge through off and on training and developing (Shabolt et.al 2003).

#### **4.2.4.1. Item about Job Satisfaction.**

As shown in table 4.4 five items with regards to job satisfaction was raised. Among this 66.9% of the employees were disagreed, 19.2 of them were neutral and 13.9% of them agree on the existence of grievance procedure. The mean score 2.24 also shows that applicability of grievance procedure is low. With regard to the suggestion received from employees 62.2% of the employees were disagreed, 21.2% of them were neutral and 16.6% of them reveal that BSC were not enables that their company accept their suggestion. Looking to the mean score it is 2.36 which is below three or acceptable level. In terms of their work give them a sense of personal accomplishment, 23.8% of the employees were disagreed, 25.2% of them were neutral and 51% of them were agreed. The mean score also shows that employees agreed that their work give them sense of personal accomplishment. With regard to the question overall you are happy in your work 23.8% of the employees were disagreed, 25.2% of them were neutral and 51% of them reveal that BSC increase their happiness in their work. The mean score is 3.32 which is acceptable level. Over all the aggregate mean score of item about job satisfaction 2.96 was below three which means it is below acceptable level agreement.

**Table 4.4. Item about Job Satisfaction**

		1. Strongly Disagree (SD)	2. Disagree (D)	3. Neutral (N)	4. Agree (A)	5. Strongly Agree	Mean Score	
<b>BSC implementation improve:-</b>								
Applicability of grievance procedure in your org.	N	151	38	63	29	18	3	2.24
	%	100	25.2	41.7	19.2	11.9	2	
Suggestion Received from Employees	N	151	31	63	32	22	3	2.36
	%	100	20.5	41.7	21.2	14.6	2	
My work give me a sense of personal accomplishment	N	151	0	24	28	94	5	3.53
	%	100	0	15.9	18.5	62.3	3.3	
Overall you are happy in your work	N	151	0	36	38	70	7	3.32
	%	100	0	23.8	25.2	46.4	4.6	
Aggregate Mean								2.96

**Source: Research Data**

#### **4.2.4.2. Facility, Work Environment and Capacity Development**

Under learning and growth perspective the other questions raised were in connection with facilities, work environment, and capacity development. With regard to the application of scheduled training for the past three years, 61.5% of the employees were disagreed, 20.6% of them were neutral and 17.9% of them were agreed that there was schedule training. 2.45 is a mean score that is not show the applicability of schedule training. The training that they took capable of filling knowledge gap or they were used as a refreshment 53% of the employees were disagree, 18.5% of them were neutral and 28.5% of agree on the advantage of the training. Also the mean score support that the training they took did not support to fill knowledge gap. Regarding access to sufficient information to do the job well 26.5% of the employees were disagreed, 35.1 of them were neutral and the remaining 38.4% of the employees were agreed with the availability of information to discharge their duties.

Accordingly the mean score also support the existence of access to information to do the job well. Finally on the fulfilment of the material facilities 26 % of the employees were disagreed, 20.5% of the employees were neutral and 53.5% of them were agreed on the fulfilment of material facilities. The mean score 3.28 also reveal that employees agreed on the fulfilment of materials.

Accordingly the aggregate mean score for the item facility, work environment, and capacity development is 2.92 which show that employees does not perceive BSC improve learning and development. Because mean score below three represent employees were either neutral or neutral.

**Table4.5. Facility, Work Environment and Capacity Development**

		1. Strongly Disagree (SD)	2. Disagree (D)	3. Neutral (N)	4. Agree (A)	5. Strongly Agree(SA)	Mean Score	
<b>BSC implementation enables:-</b>		SD	D	N	A	SA	Mean Score	
	N	151	20	73	31	24	3	2.45
Application of schedule training for the past three years	%	100	13.2	48.3	20.5	15.9	2	
	N	151	11	69	28	29	14	2.77
Employees to get training that was either capable to fill their knowledge gap or used to do the job well	%	100	7.3	45.7	18.5	19.2	9.3	
	N	151	0	40	53	51	7	3.17
Access to sufficient information to do the job well	%	100	0	26.5	35.1	33.8	4.6	
	N	151	4	35	31	76	5	3.28
All the material facility are full fill	%	100	2.8	23.2	20.5	50.3	3.2	
								2.92
Aggregate Mean								

**Source: Research Data**



#### **4.2.4.3. Item about Employee Retention**

The other items with in learning and growth perspective were about employee retention. As shown in Figure 4.5. Each employee has given their score to each item. With respect to the bank gives job skill enhancement periodically, 64.3% of the employees were disagreed, 18.5% of them were neutral and the remaining 17.2% were agreed on the provision of job skill enhancement periodically. The mean score 2.46 also support employees disagreement. On employee participation in organizational decision 76.9% of the employees were disagreed, 17.1% of the employees were neutral and 6% of them agree on the employee participation in organizational decision. 1.95 is the mean score that reveal employees disagreement on employee participation on organization decision. Concerning bonus payment 18.5% of the employees were disagree, 12.6% neutral and 68.9% of them were agreed. The mean score 3.49 affirm that bonus payment is made based on performance. Looking to BSC implementation increase upward career movement exist 15.2% of the employees were disagree, 37.7 of them were neutral and 47.1% of them were agreed on the existence of upward career movement. The mean score also support the existence of upward career movement exist. Regarding job safety 45% of the employees were disagreed, 31.8% of them neutral and the reaming 23.2% of the employees were agreed that there is job safety. But the mean score does not support the existence of job security. The final question raised were that the bank encourage their personal development, 34.4% of the employees were disagreed, 42.4% of them neutral and 23.2% of them agreed. Looking the mean 2.87, reveal that the bank did not encourage employee's personal development. Accordingly the aggregate mean score, 2.79 shows employees disagreement. This is below sufficient level or three.

**Table 4.6. Item about Employee Retention**

		1. Strongly Disagree (SD)	2. Disagree(D)	3. Neutral (N)	4. Agree (A)	5. Strongly Agree(SA)	Mean Score	
<b>BSC implementation enables:-</b>			SD	D	N	A	SA	
	N	151	14	83	28	23	3	2.46
The bank give job skill enhancement periodically	%	100	9.3	55	18.5	15.2	2	
	N	151	54	62	26	6	3	1.95
Employee participate in organization decision	%	100	35.8	41.1	17.1	4	2	
	N	151	7	21	19	99	5	3.49
Bonus payment is made based on performance	%	100	4.6	13.9	12.6	65.6	3.3	
	N	151	3	20	57	60	11	3.37
Increase upward career movement exist	%	100	2	13.2	37.7	39.7	7.4	
	N	151	34	34	48	27	8	2.61
There is job safety	%	100	22.5	22.5	31.8	17.9	5.3	
	N	151	7	45	64	30	5	2.87
Your Bank encourage personal development	%	100	4.6	29.8	42.4	19.9	3.3	
								2.79
<b>Aggregate Mean</b>								

**Source: Research Data**

**4.2.5. The actual performance in relation to the vision of the organization**

Wegagen bank has implemented BSC since 2015. The implementation was made to have a complete description of everything that it is important to know in order to execute the bank strategy spread over four perspective. But in the case of Wegagen Bank the performance still measured in terms of increase in revenue, cost optimization, enhance resource and resource base and enhance asset utilization. The bank did not measure the non-financial metrics.

When we see the bank in terms of financial metrics the bank has registered growing financial profit since 2015, but this is not a guarantee for the future success. Unless and otherwise the bank starts measuring in non-financial metrics.

## CHAPTER FIVE

### SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

In this chapter, the findings of the study are systematically summarized, relevant conclusions are drawn from the findings and recommendations are forwarded.

#### 5.1. Summary Major Findings.

The main purpose of this study was to assess the practice and the challenges faced in financial perspective, customer perspective, internal business process perspective and learning and growth perspective, while implementing the balanced scorecard system. The study also tries to evaluate the challenges faced as compared to the standard literatures of the system.

A questionnaire with 21 questions organized in three themes in five-point likert scale were prepared and distributed to 161 respondents of the Bank. While taking proportional stratified sampling to select respondents who are middle level management and non-management employees implemented the balanced scorecard. Of the total 161 questionnaire, it was managed to collect 151 of them, i.e. 93.7% response rate.

Accordingly, the analysis was conducted by taking each variable. Each variable has four to six questions that are suitably designed to measure the status of the variable. In addition to this, open ended question were distributed to understand the opinion of the employee toward Knowledge of Balanced Scorecard and the advantage and challenges of its implementation toward their performance as well as the bank performance. The major findings of the study results summarized as follows:

□ Regarding to financial perspective, 80.7% of employees perceived that BSC implementation bring enhancement on the optimization of branch cost, 93.4% of employee agreed that BSC increase revenue, 63.5% of employees agreed that BSC enhance resource and resource base and 55% of employees agreed that BSC enhancement on asset utilization. The aggregate mean 3.74 also reveal employees agreement on the presence of improvement in financial perspective. Because mean score above three represent employees agreement.

□ with regard to customer perspective 66.9% employees perceive BSC has improved customer service in terms of getting service timely, 77.5% of employees agreed BSC has improved customers getting service effectively and efficiently, 66.2% of employees also agreed that BSC improve providing quality service to retain customers, though there is 66.9% of employee disagreed that BSC on delivering service in conformity to their needs, and

66.9% of employees disagreed that BSC provide quality service to enhance customer acquisition. The aggregate mean score 3.37 also reveal that majority of the employee perceive that BSC implementation improve customer satisfaction through giving better service to customers.

□ Regarding to internal business process perspective 74.2% of employees agreed that BSC implementation did not improve process efficiency and effectiveness, 62.3% also agreed that BSC did not improve bank image, 82.1% employees either disagree or neutral that BSC enhance diversity product and channels and 73.5% of employees disagree or neutral that BSC strengthen IT security, though 66.2% of employees agreed that BSC strength business partnership.

The aggregate mean score 2.96 which is below three also shows employees disagreement regarding internal business process perspective.

□ Regarding to learning and growth perspective question was raised by categorizing the perspective in to item about job satisfaction, item about facility, work environment, and capacity development and item about employee retention.

□ Regarding job satisfaction employees disagreed that BSC did not improve applicability of grievance procedure, suggestion received from employees, but there is an agreement that BSC improve employees work life and work related issues. The aggregate mean score 2.96 also reveal that BSC implementation does not improve employee's job satisfaction.

□ Regarding to facility, work environment, and capacity development employees revealed that they were disagree on application of scheduled training, training given capable to fill knowledge gap. But they agreed on access to sufficient information to do the job well and all the material facilities are full fill. But the aggregate mean shows respondents not in a position to express their agreement or disagreement.

□ With regard to employee's retention among six question respondents revealed that they agreed that bonus payment is based on performance and increase upward career movement exist. But they disagreed on provision of job skill enhancement, employee participates in the organization decision, job security and the bank encourage personal development. The aggregate mean score 2.79 which shows the disagreement on the perspective.

In regard to open ended question employees response summarized accordingly:

Do you know what Balanced Scorecard (BSC) is?

□ According to the result shows 90% of the employees say yes and 10% of employees say no.

What is BSC for you?

majority of the employees perceived BSC as a performance management tools but some of them in addition to performance management it is also used as a strategic management tool.

Did the implementaton of BSC facilitate communication and understanding of business goals and strategies at all levels of an organization?

95% of the respondent say no and revealed that as already stated they don't have a clue that BSC is used as communication tool. Hence resondents did not agree on that BSC facilitate communication and underdtanding of business goal and strategies at all level of an organization.

Did the implementation of BSC help align key performance measures with strategy at all levels of an organization?

Almost 90% of employee say no because according to them BSC implementation is not cascaded well down to the lower employees.

In your opinion, do you see that BSC adds value for your organization?

89% of the employees says yes. Because employees perceive that the implementation of BSC adds value in terms of profitability.

What are the challenges encountered in your work, in your position, and overall in the organization?

according to employee response performance evaluation parameters was not aligned with the job description that they accepted. According to the result employees disagreed with the evaluation parameters.

employees understanding toward BSC is biased and employees become a challenge to the implementation of BSC.

majority of the employee believe that BSC implementation is urgent and which create confusion among employees.

## **5.2. Conclusion**

This study tries to assess the practices and challenges of implementing BSC. Assessments were conducted on employees of Wegagen Bank on the four perspectives, financial, customer, internal business process and learning and growth perspective.

Accordingly the student researcher administered likert scale in order to assess the extent of implementation of BSC with respect to four perspectives. As the result show, BSC implementation was not successful in each of perspective. Only financial and customer perspectives were implemented in acceptable level, others need improvement. Which means

BSC did not translate an organization strategy in to four perspective with a balance among performance result (financial metrics) and drivers (non-financial metrics) of future result.

As we can see from the finding internal business process and learning and growth perspective did not bring about expected improvement on the performance of the bank.

Since strategy is the movement of an organization toward a desired but uncertain future position, learning and growth and internal business process perspectives are drivers for future and link short term operational control to long-term vision and strategy. So, poor implementation on these two perspectives will affect future performance of the bank.

Finally, in regard to employee perception toward BSC is not as if is perceived by the bank. For the majority of employees BSC is a tool used for performance management. They did not considered as strategic management as well communication tool. But in review literature BSC translate an organization mission, and strategy in to comprehensive set of performance measures that provide the framework for a strategic measurement and management system. In regard to the challenge employees perceive that employees lack of BSC knowledge; immediate adaption of BSC and misalignment of performance management parameter with employee's job description are the major challenges. Accordingly the review of literature affirms that BSC is not cascaded well and everyone in the organization understand the hypothesis and align them with all organizational unit and resource (Kaplan & Norton) BSC implementation will become a challenge for the employees as well for the organization.

Generally according to the finding the implementation of BSC is not in the way that the bank expects, though there is better performance regarding financial and customer perspective. From this assessment Problem areas identified and working on these issues will enables the bank to grab the full benefits of balanced scorecard system.

### **5.3. Recommendations**

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

To exploit the benefits of implementing the balanced scorecard the study proposes the following recommendations around the four perspectives and employee perception toward BSC and its challenge of implementing BSC:

The scorecard should have the outcome measures which represent the excellent prior performance driver that lead to successful future performance though; financial measurement is critical summary of business performance. In respect to financial perspective the finding shows positive result which means the bank is in a right track in accomplishing its objective. Concerning customer perspective the result shows that there is better customer service in terms of time, service delivery and quality even though the need for improvement in availing service in line with the need of the customer. So providing tailored service according to the need of the customer will alleviate problem.

In regard to internal business process the finding is not sufficient to support in achieving banks objective. The aggregate means of the perspective is below three which is not in line with the need of the bank. Improving in terms of availing new products, improving IT security and working on strengthening process efficiency and effectiveness is critical. Because of this perspective is highly linked with the end result.

Concerning learning and growth perspective analysis was made by categorizing the perspective in terms of item about job satisfaction, item about facility, work environment, and organizational capacity and item about employee retention. The result shows aggregate mean of the three items is below three, which need critical assessment. So working on employees empowerment, employees innovation, employee capability and information system helps to improve the capability of the bank in achieving its goal. Because 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 process, and satisfy the customer.

Finally, the results found from open ended questionnaire about employee perception toward BSC are poor. As a result the lack of employees knowledge with regard to BSC will lead employee to challenge the BSC implementation. Hence by doing continuous awareness creation program will improve the implementation of BSC. Moreover by aligning performance measurement parameter with the job description of the employees can increase employee's satisfaction.



#### **5.4. Future Study Direction**

Despite the above conclusion, this study has limitation and future research will need to be executed. As we discussed in the scope of the study part the focus of the study was city branch clerical employees who are serving the bank at least for two years. Thus, further study can be conducted by including outline branches and head office employees to have better result which will serve as an input for the bank to improve the implementation of BSC in relation to the four perspectives. Further, it is an encouraging area to conduct same research with different model of study which enables researchers to make their own contribution in the area. At last, the researcher would like to recommend future researchers to bridge the gap of this study.

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**Addis Ababa University**  
**School of Commerce**  
**Department of Human Resource Management**  
**Survey of Bank Employee**

Dear Sir/Madam

This questionnaire is designed to conduct a research on **the practice and challenges of Balanced Scorecard implementation in the case of Wegagen Bank**. The research conducted in partial fulfilment of the requirement for the degree of Masters of Art in Human Resource Management. The survey intended to evaluate the overall implementation of BSC and also asses the challenges faced in implementing BSC particularly in branch operation wing of the Bank.

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. Please also note that your profile will be dealt with high privacy, confidentiality and professionalism.

Thank you in advance

Writing your name is unnecessary

**Section One:** Respondent Profile

1. Sex    female  Male

2. Age    below 25  26-35 36-50 Above 51

3. Educational Level    Diploma Degree  MA above MA

4. How long did you work in WB    2-5  6-10  11-15  >16

5. What is current position in the organization?    Customer service officer

Customer service supervisor  Branch manager  other, please specify

## Section Two:

Please rate the influence of the following four perspectives in implementing BSC (Balanced Scorecard) in your organization using the following Likert scale:

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

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

### 1. Financial perspective

**Does implementation of Balanced Scorecard (BSC) improve the financial perspective in terms of?**

NO	QUESTION	SA	A	N	D	SD
1	Optimize branch cost	5	4	3	2	1
2	Increase revenue	5	4	3	2	1
3	Enhance resource and resource base	5	4	3	2	1
4	Enhance asset utilization	5	4	3	2	1

### 2. Customer perspective in terms of quality, time, performance, and service

No	QUESTION	SA	A	N	D	SD
1	Customer gets service on timely bases.	5	4	3	2	1
2	Customer gets services in conformity to their requirement.	5	4	3	2	1
3	Customer gets service effectively and efficiently.	5	4	3	2	1
4	Quality of customer service enhances customer retention.	5	4	3	2	1
5	Customer services of the bank enhance customer acquisition.	5	4	3	2	1



### 3. Internal Business Process Perspective

Does implementation of internal business process perspective?

NO	QUESTION	SA	A	N	D	SD
1	Improve process efficiency & effectiveness	5	4	3	2	1
2	Improve banks image	5	4	3	2	1
3	Enhance diversity products & channels	5	4	3	2	1
4	Strength business partnerships	5	4	3	2	1
5	Strength banks IT security	5	4	3	2	1

### 4. Learning and growth Perspective/organizational capacity/

#### 1. Items about job satisfaction

NO	QUESTION	SA	A	N	D	SD
1	Applicability of grievance procedure in your organization	5	4	3	2	1
2	Suggestion received from employees	5	4	3	2	1
3	My work give me a sense of personal accomplishment	5	4	3	2	1
	Overall you are happy in your work	5	4	3	2	1

#### 3. Facilities, Work environment, and capacity development

NO	QUESTION	SA	A	N	D	SD
1	Application of scheduled training for the past three years	5	4	3	2	1
2	The training I took was either capable to fill my knowledge gap or they were used as a refreshment	5	4	3	2	1
3	Access to sufficient information to do the job well	5	4	3	2	1
4	All the material facilities are full fill	5	4	3	2	1

#### 4. Item about employee retention

NO	QUESTION	SA	A	N	D	SD
1	The bank give job skill enhancement periodically	5	4	3	2	1
2	Employees participate in the organization decision	5	4	3	2	1
3	Bonus payment is made based on personal performance	5	4	3	2	1
4	Increased upward career movement exist	5	4	3	2	1
5	There is job safety ( no treat of being dismissed or laid off	5	4	3	2	1
6	Your bank encourage personal development	5	4	3	2	1

**Section Three: Question related with the topic**

This section represents your opinion about implementation of BSC (Balanced Scorecard) in descriptive manner (open question).

1. Do you know what Balanced Scorecard (BSC) is?      Yes       No
2. What is BSC for you?-----  
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3. Did the implementaton of BSC facilitate communication and understanding of business goals and strategies at all levels of and organization.    Yes     No
4. If yes, please specify -----  
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5. Did the implementation of BSC help align key performance measures with strategy at all levels of an organization?    Yes       No       If yes, please specify-----  
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6. If no, what do you recommend? -----  
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7. In your opinion, do you see that BSC adds value for your organization?  
Yes       No
8. If Yes, How? -----
9. If No, How? -----
10. After BSC implemented in your organization, what are the challenges encountered in your work, in your position, and overall in the organization? ( the challenge may be on the stated target, stated goal or the burden it causes, any.....please state them?-----  
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11. What do you think the cause of challenge?-----

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