



**PRACTICE AND CHALLENGES OF BALANCED SCORECARD
IMPLEMENTATION IN COMMERCIAL BANK OF ETHIOPIA
(CBE)**

**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

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**JUNE, 2015
ADDIS ABEBA- ETHIOPIA**

**ST MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

**Practice and Challenges of Balanced Scorecard Implementation
In Commercial Bank of Ethiopia (CBE)**

BY

HIWOT TADESSE TEKLEAREGAY (SGS/0263/2006)

**A research thesis submitted to ST.MARY'S UNIVERSITY School of Graduate
Studies in Partial Fulfillment of the Requirements for the Degree Of Master
Of Business Administration (HRM concentration)**

Advisor: Solomon Markos (PhD)

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Approved by board of examiners

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DEDICATION

This thesis work is dedicated to my beloved mother Worknesh Chala.

CERTIFICATE

This is to certify that Hiwot Tadesse has worked her thesis on the topic “Practice and challenges of balanced scorecard implementation in commercial bank of Ethiopia (CBE)” under my supervision. To my belief, this work undertaken by Hiwot Tadesse and it is original and qualifies for submission in partial fulfillment of the requirements for the award of Masters Degree in Business Administration (HRM concentration).

Solomon Markos (PhD)

Advisor

Signature

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List of Abbreviations and Acronyms

BSC	Balanced Scorecard
CBE	Commercial Bank of Ethiopia
BPR	Business Process Reengineering
IT	Information Technology
SPSS	Statistical Package for Social Science
KPIs	Key Performance Indicators
HRM	Human Resource Management

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ABSTRACT

Due to the fact that BSC is a complex system of management, it has its own challenges in measuring the efficiency of the organization from four or more perspectives, and for widening the goals of the organization out of financial and cascade lowering of the strategic goals in order to make day today function of every one in organization. Therefore, This study is designed to assess balanced scorecard implementation practice and challenges in Commercial Bank of Ethiopia (CBE).this study basically focused on BSC implementation, existing performance evaluation system using balanced scorecard, four barrier of balanced scorecard implementation and finally the major achievements of four perspectives of balanced scorecard .the data for this study was obtained through questionnaires that was distributed to 330 employees of the bank working at head office in which only 299 were fully completed and returned. The employees were selected based on stratified random sampling the questionnaire was distributed to the employees on the stratified based on their department. The data collected was analyzed using SPSS version 20 software. The findings of the study indicated that BSC implementation brings improvements on Financial, Internal Business and customer perspectives on the other hand the challenges related to BSC implementation are the performance evaluation system in commercial bank of Ethiopia does not satisfy its to the evaluation system does not employees and fails to differentiate effective performer from non-performer. Targets given to individuals are unachievable and Key performance indicators used in CBE is not significantly measures both individual as well as the organization. As a result of the existing communication system in CBE is not two way communication, employees fail to understand balanced scorecard for better strategy execution. The rewarding system is not linked to individual performance and the benefit package of the bank is not attractive so that the employees' commitment and motivation is declined. Besides, due to inadequate training program given to employees, their level of understanding about BSC is limited. In addition to this working environment is not suitable for carrier development and improvements. Based on the findings of the study the researcher tried to forward some recommendations so that this will give the bank an insight to the practice and its associated problems of balanced scorecard implementation in CBE.

Keywords: Balanced scorecard, challenge, perspectives, performance evaluation system, target, key performance indicator.

CHAPTER ONE

INTRODUCTION

The focus of this section is mainly addresses the background of the study, statements of the problem, Objectives of the study, Methodology, Significance of the study, Scope and limitation of the study.

1.1 Background of the Study

Balanced Scorecard is one of the recent developments in the field of strategic performance management and the tool to implement strategy by aligning strategic objectives with a day to day operation and more importantly to measure the performance of those who involve in the operation. The scorecard provides a new tool for senior executives to focus on their organizational long term strategies. By identifying the most important objectives on which an organization should focus its attention and resources. And it also provides a framework for a strategic management system that organizes issues, information, and a variety of vital management processes (S.Kaplan & Norton, 1996). Banking system plays a very important role in the economic life of the nation. The health of the economy is closely related to the soundness of this system and it is plays a vital role in the progress of economic development. Taught it should be wisely, systematically, and competently operated and controlled so as to enable it to compete and survive in the fierce and dynamic competitive business environment of the information age both in the short run as well as in the long run.

Review of banking history of Ethiopia reveals that the first bank in the country was Bank of Abyssinia, founded during the reign of Emperor Menelik II in February 1905. Due to a foreign domination of its management (mainly the British), Bank of Abyssinia was forced to dissolve and in its place. As a result the Bank of Ethiopia was established in 1931, however, the management was still left to foreigners due to lack of skilled manpower in the country. The Bank of Ethiopia was later replaced by the State Bank of Ethiopia soon after the war with Italy. The latter was the first bank in the country fully controlled and owned by the Ethiopian government. It was the State Bank of Ethiopia that gave rise to the present Commercial Bank of Ethiopia. During the Dergue reign, CBE had remained as the only participant in the country's commercial banking sector. However, following the 1991 takeover by the present government and accompanying encouragement of private investment, a number of private banks have been

emerged in the country's financial sector. Currently, there are nineteen commercial banks in the country (of which two are governmental and the remaining banks are private owned).

Commercial bank of Ethiopia is one of the largest government financial institutions, the leading African bank with assets of 242.72 billion Birr on June 30, 2014. As of June 2011, it had about 86.5 billion Birr in assets and held approximately 63.5% of deposits and about 38% of all bank loans in the country so that commercial bank of Ethiopia Plays a catalytic role in the economic progress & development of the country. The emerging tough competition in the banking industry is forced commercial bank of Ethiopia to revise its strategy and implement different techniques that makes more competitive in the market. Commercial bank of Ethiopia with a view of accelerating its transformation, has initiated the institutionalization of management tool that would enable it to formulate and implement its strategy and track its performance called the balanced scorecard. The balanced scorecard (BSC) is chosen as the main reform tool after Business process reengineering (BPR) and it is becoming one of the change tools which are implemented by most civil service organizations. Since 2010/11 G.C Commercial bank of Ethiopia implements the balanced scorecard (BSC) to translate a company's strategic direction and objectives into action, initiative and measurements.

According to Kaplan and Norton (1996) in order to compete and survive in the information age, in which information forms fundamental part within the trade and industry, it is not longer enough to rely solely on financial measures because they could conduce to an incorrect picture of the effectiveness and profitability of a business. During the industrial age, however, the financial measures were sufficient due to the fact that long term capabilities and customer relationships were not critical in order to succeed. The industrial age now has turned over to the information age, where information forms a fundamental part within the trade and industry in order to compete.

The spirit of the above statement also supported by Jems w., (2009) as balanced scorecard framework is based on the premise that focus only on financial goals and measures is insufficient because such measures are lag indicators (that is, they describe merely the outcomes of a leaders' past actions) and can promote behavior that sacrifices long -term value of short- term performance. Balanced scorecards select a limited number of critical measures on which each of four identified perspectives provides a way for management to look at the well-being of their organization from of financial, customer, internal processes, and learning and innovation perspectives. Recent literature studies related to performance measurement point that the

relevance of financial as well as non financial measures in performance evaluation of the organization is increasing. These all clearly show that the need for the balanced performance measurement such as balanced scorecard, which appears to have all the answers for choosing the most appropriate measures of company performance, to assess the performance and competitiveness of organizations in general and commercial banks in particular in today's and tomorrow's changing and competitive business environment. The purpose of this study was therefore to assess the practice and challenges of balanced scorecards implementation and possible solution to solve the challenge.

1.2 Statement of the Problem

Since 1994, the government of Ethiopia has embarked on reforming its civil service organizations with the objective of improving the public sector service delivery system. The government sponsored a lot of management training programs to enhance the capacities of civil service employees and to implement result based performance management system in all of its civil service organizations. Though the government strongly believed that, it brought some improvements in the performance of civil service organizations. However, the effort required was too much as compared to the benefits obtained. Since 2004, the government has also endorsed Business Process Reengineering (BPR) as a foundation for strengthening Result Based Performance Management System in the Civil Service. (Tsfaye D, 2009.)

Like all other civil service institutions, Commercial Bank of Ethiopia faced many challenges in human, technological and material capacities. Besides these challenges, the government needs to exert greater effort to change the attitude of public servants and the emerging tough competition in the banking industry. This situation forced Commercial bank of Ethiopia to revise its strategy and implement different techniques that makes it more competitive in the market.

The balanced scorecard (BSC) is chosen as the main reform tool next to BPR and it is becoming one of the change tools which are implemented by many civil service organizations. The concept of balanced scorecard was introduced by Kaplan and Norton (1992) and was formed under the premise that more than only financial measures should be used to review a company. The Balanced scorecard addresses the need for multiple measures of performance and provides a strategic framework, which specifically encourages the use of both financial and non-financial measures along four perspectives – financial, customers, internal business process, and learning and growth – to measure firm performance (Kaplan and Norton, 1992).

These authors proposed the use of operational measures, in addition to standard financial measures, including the views of customers and internal stakeholders, stakeholders; deeming this a better way to fully analyze the performance of the company. Adaption of balanced score card would be beneficial but the implementation would be challenging (Stewart & Carpenter-Hubin, 2001). There are lots of challenges associated with BSC implementations. Selecting a program manager to lead a day activities of balanced scorecard implementation is a single most important resource decision an organization can make (Devid N., 1999). Many organizations develop good strategies develop good action plans, consider organizational structure, take a close look at their human resource needs, fund their strategies through their annual business plan, and develop a plan to monitor and control their strategies and tactics. And yet they still fail to successfully implement those strategies and tactics. The reason, most often, is they lack linkage (Birnbaum, B., 2007). Linkage involves tying together all the activities of the organization to make sure that all of the organizational resources are rowing in the same direction. Problems often encountered in strategic plans include lack of accuracy of the plans, inconsistency in objectives and inadequate rewards for efforts expended in the planning process. According to Aklilu G., (2014) study report, the organization cannot implement and react effectively the best strategic plans are worthless. The same study reported that, in most successful public organizations/ institutions effective and continual performance management based on an institutional performance management system with balanced scorecard. Though BSC requires the institutional strategic objectives are cascade down to individual level where individual performance is often benchmarked against the strategic objectives. There are some challenges that could influence the effectiveness of performance management system. The first challenge is leadership style; Deck (1987) indicates that a leadership is one of a key motivational factor for higher performance in the institution. It has a power to inspire and motivate employees towards the achievement of institutional objective.

The second challenge associated with BSC implementation is leadership and manager's commitment. Artley et al, (2001) stated that without strong leadership a program won't succeed leadership must be dedicated to the program all the time. This indicted that, commitment is very important managing institutional achievement. So those who involved in leadership position need to be committed to the program. The degrees of commitment will determine its degree of successes in many organizations, leadership commitment to the development and use of performance measures is critical element for the organizational successes. Employee perception

is among the factors that can influence the effective performance management system. Habtamu (2005) noted that "employee in organization must be able to trust two set of people –their leadership and each other's. He also added that poor trust results in inequality, which can be expressed in various ways. This reveals that such kind of discrimination could affect the perception of employees in an institution towards their managers/leaders.

The third challenge of performance management system is measurement error in performance. Robert and Russel (1998) on their part, pinpoint that in recent year's performance measurements are done in traditional ways of measuring performances and results of institutions and individuals. The fourth challenge is motivation. employees will be motivated to exert high level of when he/she believes that the effort will lead to a good performance result and this good performance will in turn lead to organizational reward (Robbin, 2001).

Finally the communication is a critical tool for establishing and maintaining a performance management system. Good communication processes also help to provide a critical link between the task, employee performance and corporate strategic plan/measures. The two most effective method of communication are meetings and institutional publications. These methods can hold the attention of the employees in the long enough to provide a thorough explanation (Artery and Stroh, 2001). Having been through the difficult process of formulating a strategy, the organization needs to ensure that it has a systematic method for translating its newly developed strategy in to operational objectives and measures.

From the informal interviews conducted and personal observation, the researcher claims that the previously mentioned considerable challenges are existed in BSC implementation in Commercial bank of Ethiopia. Therefore, this paper has been investigated the existing practice of balanced scorecard and challenges of balanced scorecard implementation and recommend an appropriate improvement that enable balanced scorecard successful.

1.3 The Research Questions

Hence, this study is primarily aimed to answer, the existing practice of balanced scorecard and challenges of balanced scorecard implementation and more specifically to answer the following basic research questions.

- What are the major challenges and barriers underlying in balanced scorecard implementation?
- What are the major achievements balanced scorecard implementation on customer, financial, internal business unit and learning and development perspectives?

- How do employees perceive the performance evaluation system after balanced scorecard implementation in commercial bank of Ethiopia?
- Does the performance evaluation system meet its intended objectives?

1.4 Objectives of the Study

The general objective of this study was to assess the practice of balanced score card implementation in commercial bank of Ethiopia and identifies challenges. With the above general objective, the study will have the following specific objectives:

- To identify major challenges of balanced scorecard implementation in commercial bank of Ethiopia.
- To investigate major achievements balanced scorecard implementation on customer, financial, internal business unit and learning and development perspectives.
- To analyze employees perception of the performance evaluation system after balanced scorecard implementation in commercial bank of Ethiopia.
- To indicate possible solutions for any pitfalls uncovered in the empirical findings

1.5 Significance of the Study

Organizations success can be measured mainly through delivery of quality service to their beneficiaries. This can be achieved through well formulated plans and programs, allocation of resources, assignment and retention of committed and competent staffs. The implementation of balanced scorecard aims to provide an integrated view of an organization's performance, including both financial and non-financial indicators, and from both internal and external perspectives. Therefore, the researchers highly anticipate that the results of this study will have the following significance.

- It provides important information about the existing problem which trigger balanced scorecard implementation and provides possible suggestions
- It will serve as a benchmark to those institutions that did not fully implement balanced scorecard.
- It helps the researcher to acquire knowledge and practical experience about balanced scorecard and also for the partial fulfillment of the requirements for master's degree in business administration (HRM concentration)
- Moreover, the researcher also believes that this study can potentially serve as a stepping stone for the future research in this area.

1.6 Scope of the Study

The researcher believes that it would be appropriate to conduct the study in the large scale however; Commercial Bank of Ethiopia is one of the largest banks in Ethiopia having more than 900 branches stretched across the country. Therefore, conducting the study in large scale would be unmanageable in terms of time, finance and research manageability. Hence, the scope of the study is delimited to assess the practice and challenges of balanced score card implantation in Commercial Bank of Ethiopia head office.

1.7 Definitions of Terms

Some of key terms and concepts about balanced score card

Balanced scorecard - an integrated system for describing and translating strategy the use of linked performance objectives measures, targets and strategic initiatives in four balanced scorecard perspectives –customer ,internal process financial and learning and growth. It is acts as a measurement system, strategic management system and communication tool.

Initiatives –strategic initiatives (often simply referred to as in the scorecard vernacular) are the specific projects, activates or programs you will embark up on in order to meet or exceed your performance targets.

Lagging indicators: it is a performance measures that represent the consequences of actions previously taken. They frequently focus on results at the end of a time period and characterize historical performances. Employee satisfaction is considered as lag indicator.

Leading indicators-these measures are considered the drives of lagging indicators. There is an assumed relationship between the two, which suggests that improved performance in leading indicators will drives better performance in lagging indicators. Lowering absenteeism (leading indicator) is hypothesized to drive improvement in employee satisfaction (lagging indicator)

Measures – a standard used to evaluate and communicate performance against expected results. It is normally quantitative in nature which is capturing numbers, dollars percentages and so on. Reporting and monitoring measures helps an organization gauge progress towards effective implementation of strategy.

Perspectives- It refers to category of performance objectives or measures in is in balanced scorecard and in most organization choose the four standard perspectives such as; financial, customer, internal process, learning and growth.

Strategy- It is situated at the center of balanced scorecard system and it represents the broad priorities adopted by the organization in recognition of its operating environment and pursuit of its mission (Paul R., 2014).

1.8 Organization of the study

This thesis was organized in to five chapters. The first chapter dealt with the introductory part of the study. Which includes back ground of the study, significance of the study, statement of the problem, objectives of the study, scope and limitation of the project and organization of the paper are incorporated. The second chapter would be a brief literature review regarding the research topic. The research methodology and design were discussed in the third chapter. Chapter four dealt with research analysis and interpretation of the finding and finally summery of the major findings, conclusion and recommendation were discussed under in chapter five. The survey questionnaire and the interview that was used for data collection is attached to this document as an appendix

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, literatures related to balanced scorecard are reviewed. It is organized into different sub topics: definition of balanced scorecard, the four perspectives of balanced scorecard, Steps of balanced scorecard implementation, challenges of balanced scorecard implementation, performance evaluation system and finally empirical literature on BSC implementation are briefly discussed.

2.2 Definition and concept of Balanced Scorecard

To have a better understanding what balanced scorecard is it is better to learn where it comes from and why. The balanced scorecard was first developed by two men, Robert Kaplan an accounting professor at Harvard University and David Norton, a consultant also from Boston area. In 1990 Kaplan and Norton led a research study of dozen companies exploring new methods of performance measurement of the study was growing believes that financial measurement of performance was inefficient for modern business enterprise. The study companies, along with Kaplan and Norton were convinced that a reliance of financial measures of performance was affecting their ability to create value. The group discussed a number of possible alternatives but settled on the idea of scorecard featuring performance measures capturing activities from throughout the organization, customer issues, internal business process, and employee activities and of course, shareholder concerns. Kaplan and Norton labeled the new tool, the balanced scorecard and later summarized the concept in the first of several Harvard business review articles

Different scholars define balanced scorecard in different ways:

- According to David P. Norton, (1999) definition, it is the strategic management control system and a framework to translate an organization's strategy in to terms that can be understood, communicated and acted upon. it is therefore not management control system but strategic management control system”
- It is define as a tool that translates an organization's mission and strategy in to a comprehensive set of performance measures that provides the framework for a strategic

measurement and management system. It is an approach for driving organizational improvement toward pre-selected goals which keeps track of progress through carefully selected measures (Glenn, 2003). It is also an integrated management system consisting of three components: strategic management system, communication tool and measurement system. It results in a carefully selected set of measures derived from and linked to an organization's core strategies (Glenn, 2003).

- According to Niven, (2002) it is defined as carefully selected set of quantifiable measures derived from an organization's strategy. The measures derived from an organization's strategy. The measure selected for balanced scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.
- According to Hubert K., (2003) study result balanced scorecard; divided in to organizational and personal scorecard. Organizational balanced scorecard is top-down management system instrument that is used for making an organization's strategic vision operational levels. It is based on the critical success factors, objectives, performance measures, targets and improvement actions. On the other hand personal balanced scorecard is comprised of the personal mission, vision, key roles, critical success factors, objectives, performance measures, targets and it functions as personal improvement and self coaching instrument for individuals focus on their personal wellbeing and success in the society.

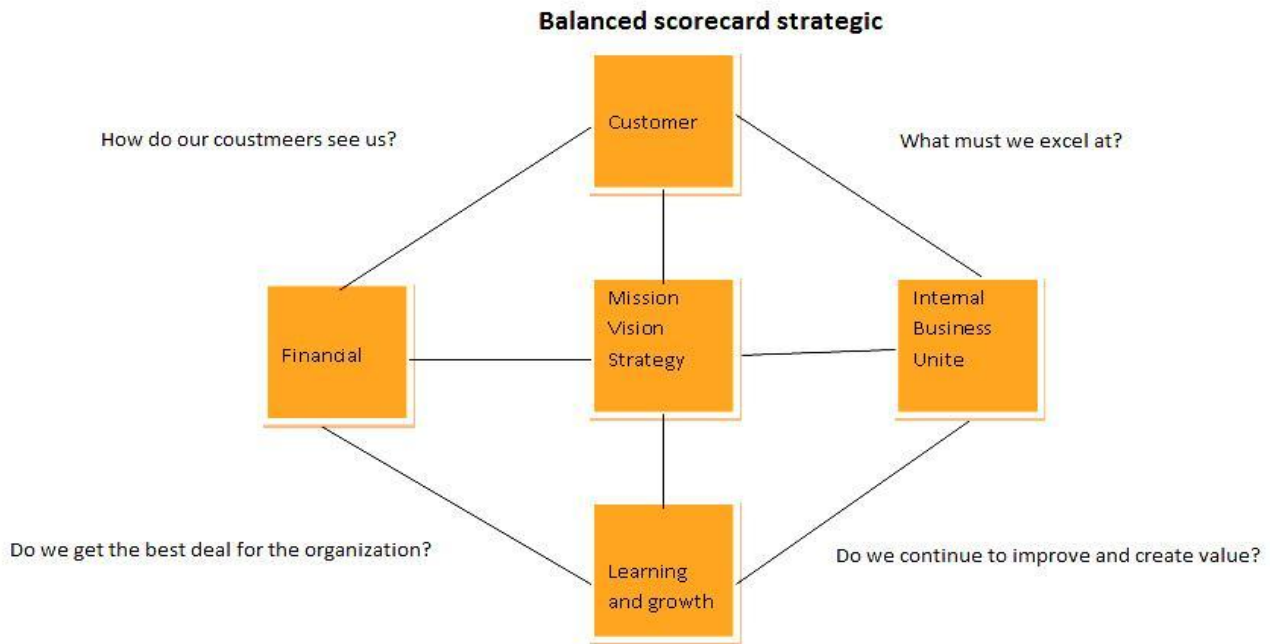
2.3 Perspectives of Balanced Scorecard

Balanced scorecard is management system that enables your business set, track and achieves its business strategies and objectives. Once the business strategies are developed, they are deployed and tracked through the four legs of balanced scorecard. These four legs of balanced scorecard are made up of four distinct business perspectives: customer leg, financial leg, the internal business process leg and finally the knowledge, education and growth leg (Chuck and rick *et.al*, 2007). There are a number of "balances" in balanced scorecard, among which is the balance or equilibrium between four historical domains or perspectives considered to be mutually linked in terms of strategy and performance.

When it comes to Paul N., (2002) view of the balanced scorecard is like a tree that composed of four perspectives: the learning and growth perspectives are roots, the trunk is the internal process

perspectives, customers are the branches and the leaves are the financial perspectives. Each perspective is interdependent on those below as well as those above. It is a continuous cycle of renewal and growth. Leaves (finances) fall to fertilize the ground and the root system, which stimulates growth throughout organization.

Figure 1 Four balanced scorecard perspectives



Source:Richard H. et.al. 2000

2.3.1 Financial Perspectives

The financial objectives serve as the focus for the objectives and measures in all the other scorecard perspectives. Every measure selected should be part of link of cause and effect relationships that culminate in improving financial performance the scorecard should tell the story of the strategy, starting with the long run financial objectives and then linking them to the sequence of actions that must be taken with financial processes, customers, internal processes and finally employees and systems to deliver the desired long run economic performance.

For most organizations, the financial themes of increasing revenues, improving cost and productivity, enhancing asset utilization and reducing risk can provide the necessary linkages across all four perspectives (Kaplan Norton, 1996). The balanced scorecard retains the financial perspectives since financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken. Financial performance measures indicate

whether a company's strategy, implementation and execution are contributing to bottom-line improvement. Financial objectives typically relate to profitability measure.

Niven (2006) states that, financial measures as a critical component of balanced scorecard, especially so in the profit world. The objectives and measures in this perspective tell us whether our strategy execution which is detailed through objectives and measures chosen in the other perspectives is leading to improved bottom-line results. We can focus all of our energy and capabilities on improving customer satisfaction, quality on-time delivery or any number of things, but without an indication of their effect on the organization's financial returns, they are of limited value. We normally encounter classic lagging indicators in the financial perspectives. Typical examples of financial perspectives are profitability, revenue growth and asset utilization.

2.3.2 Customer Perspectives

When choosing measures for the customer perspective of balanced scorecard, organization must answer three critical questions: who are target customers? What is our value proposition in serving them? And what do our customers expect demand from us? This perspective will normally include measures widely used today: customer satisfaction, customer loyalty, market share and customer satisfaction (Nevin, 2006).

In the customer perspectives of balanced scorecard, companies identify the customer and market segments in which they have chosen to compete. These segments represent the sources that will deliver the revenue component of the company's financial objectives. This perspective typically includes several core or generic measures of successful outcomes from a well formulated and implemented strategy. The customer perspective enables companies to align their core customer outcome measures- satisfaction, loyalty, retention, acquisition and profitability to targeted customers and market segments. It also enables them to identify and measure explicitly the values propositions they will deliver to targeted customers and market segments (Kaplan and Norton, 1996)

2.3.3 Internal Business Unit Perspectives

According to Niven (2006), an internal process perspective of balanced scorecard is identifying the key processes the firm must excel in order to continue adding value for customers and ultimately shareholders. To satisfy customer and shareholder expectations, you may have to identify entirely new internal processes rather than focusing your efforts on the incremental improvement of existing activities. Product development, production, manufacturing delivery and post sale service may be represented in this perspective.

The internal business process perspectives measures focus on the internal processes that will have greatest impact on customer satisfaction and achieving an organization's financial objectives. Based on Niven (2006) view of Internal Process perspective of the Scorecard, identifying the key processes the firm must excel in order to continue adding value for customers and ultimately shareholders. To satisfy customer and shareholder expectations, you may have to identify entirely new internal processes rather than focusing your efforts on the incremental improvement of existing activities. Product development, production, manufacturing, delivery, and post sale service may be represented in this perspective. Each of the customer disciplines just outlined will entail the efficient operation of specific internal processes in order to serve customers and fulfill our value proposition.

Kaplan & Norton (1996) conceptualize this perspective as each business has unique set of processes for creating value for customers and producing financial results. Value chain model provides a template that companies can customize in preparing their internal business process perspectives. This encompasses three principal business processes:

- Innovation –The business units researches the emerging or latent needs of customers and then creates the products or services that will meet these needs. The innovation processes as a vital component of internal business process perspective the organization will to put considerable weight on research, design and development that yield new products, services and markets.
- Operations-operations process to identify the cost, quality, time and performance characteristics that will enable it to deliver superior products and services to its target current customers.
- Post sale service-it is a process that enables companies to feature when appropriate, important aspects of service that occur after the purchased product or service has been delivered to customer.

2.3.4 Learning and Growth Perspectives

The fourth perspective of the balanced scorecard, learning and growth, It identifies the infrastructure that the organization must build to create long term growth and improvement. The customer and internal business process perspectives identify the factors most critical for current and future successes. Businesses are unlikely to be able to meet their long term targets for customers and internal processes using today's technology and capabilities. Organizational learning and growth come from three principal sources: people, systems and organizational

procedures. The financial, customer, internal business process objectives on balanced scorecard typically will reveal large gaps between the existing capabilities of people, systems and organizational procedures and what will be required to achieve breakthrough performance.

To close these gaps, businesses will have to invest in re-skilling employees, enhancing information technology, systems and aligning organizational procedures and routines (Kaplan and Norton, 1996).

Once you identify objectives, measures and related initiatives in your customer and internal process perspectives, you can be certain of discovering some gaps between your current organizational infrastructures of employee skills (human capital), informational systems (information capital) and the environmental required to maintain successes (organizational capital). The objectives and measures you design in these perspectives will help you close the gap and ensure sustainable performance for the future. (Nevin, 2006). He also demonstrates that balanced scorecard across a wide variety of service and manufacturing organizations has revealed three principal categories for the learning and growth perspective:

- Employee capabilities- For an organization just to maintain its existing relative performance, it must continually improve. And, if it wants to grow beyond today's financial and customer performance, adhering to standard operating procedures established by organizational elites is not enough. Ideas for improving processes and performance for customers must increasingly come from front-line employees who are closest to internal processes and an organization's customers.
- Information systems capabilities- Employee motivation and skills may be necessary to achieve stretch targets for customer and internal-business-process objectives. But they are unlikely to be sufficient. If employees are to be effective in today's competitive environment, they need excellent information--on customers, on internal processes, and of the financial consequences of their decisions.
- Motivation, empowerment, and alignment-Even skilled employees, provided with superb access to information, will not contribute to organizational success if they are not motivated to act in the best interests of an organization or if they are not given freedom to make decisions and take actions.

2.4 Steps of Building and Implementing Balanced Scorecard

2.4.1 Organizational Assessment

Organizational Assessment as the first step of building balanced scorecard process and it has a number of things to finalize the balanced scorecard and conducting organizational assessment of its vision, mission and SWOT analysis so as to determine how ready the organization for embarking balanced scorecard journey. A corporate scorecard requires an explicit corporate level strategy that articulates the theory of how the corporation adds value to collection of strategic business units.

Such corporate value added can arise from several sources, including common themes that pervade all business units, shared corporate services, and explicit interactions among business units that create unique competitive advantages in the market segments. These themes and synergies should be explicitly identified, communicated with a corporate scorecard and linked to business unit scorecards (Kaplan & Norton, 1996).

2.4.2 Strategy

Strategy represents the broad priorities adopted by the organization in recognition of its operating environment and pursuit of its mission. All performance objectives and measures should align with organizational strategy. Strategy is specific and detailed actions you will take to achieve your desired future and pattern of consistency of action over time (Nevin, 2014)

2.4.3 Objectives

Objectives are concise statement of what the organization must do well in each of four perspectives of financial, customer, internal process and learning and growth in order to execute its unique strategy (Nevin, 2014) objectives are organization's continuous improvement activities, which should link to organizational strategic themes, perspectives and strategic results. So in the third step of balanced scorecard implementation, the organization needs to determine organizational objectives.

2.4.4 Strategy Maps

A balanced scorecard strategy map is generic an architecture for describing a strategy. The strategy map describes the process for transforming intangible assets in to tangible customer and outcomes. It provides executive with a framework for describing and managing strategy in a knowledge economy. A strategy map helps organizations to see their strategies in a cohesive, integrated and systematic way (David P., 2001). The strategy specifies general directions and

priorities. Translating the strategy in to action is the next step. Strategy maps provide the tools to translate general strategic statements into specific hypothesis, objectives, measures and targets.

2.4.5 Performance Measures

The balanced scorecard translates an organization's mission and strategy in to a comprehensive set of performance measures that provides the framework for strategic measurement and management system. The balanced scorecard retains an emphasis on achieving financial objectives but also includes the performance drivers of these financial objectives, the scorecard measures organizational performance across four perspectives: financial customers, internal business and learning and growth (David P., 1996)

Creating a balanced scorecard of performance measures requires making difficult choices among a vast number of possible metrics. Fortunately there are a number of criteria you can employ to assist you in making your decision. Scorecard measures should be linked to your strategy, qualitative, accessible easily understood, counterbalance, relevant, and based on a definition shared by all involved. Each potential measures should be evaluated in the context of all criteria to determine which will be included in your scorecard (Nevin, 2006)

2.4.6 Strategic Initiatives

Strategic initiatives are the specific programs, activities, projects, or actions you will embark on to help ensure you meet or exceed your performance targets. Initiatives are designed to close the gap between current performance and that embodied in the stretch targets established .The targets is your end in mind for the performance measure, and to get there, you need to determine what investments in investments in initiatives are necessary to guarantee a positive outcome. According to David, (2006) strategic initiatives are defined as the collections of finite-duration discretionary projects and programs, outside the organization's day to day operational activities, that are designed to help the organization achieve its targeted performance .strategic initiatives aimed at achieving targeted performance for the strategy map objectives. Initiatives cannot be looked at in isolation: they must be viewed as portfolio of complementary actions, each of which must be successfully implemented if the company is to achieve its theme targets and overall strategy target.

2.4.7 Software and Automation

Software and automation involves automating the balanced scorecard system, and 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.

Automating your balanced Scorecard provides a number of benefits and maximizes its use as measurement system, strategic management system, and communication tool. The advanced analytics and decision support provided by even the simplest Scorecard software allow organizations to perform intricate evaluations of performance and critically examine the relationships to among their performance measures. Automation also supports true organization-wide deployment of the tool.

Software programs for the Balanced Scorecard can run from simple reporting tools to sophisticated enterprise-wide management solutions. Therefore, major differences exist in the time and resources necessary. This software solution you consider must contain robust and Flexible reporting and analysis tools. This section explores a number of reporting and analysis to implement the system (Nive, 2006).

2.4.8 Cascading

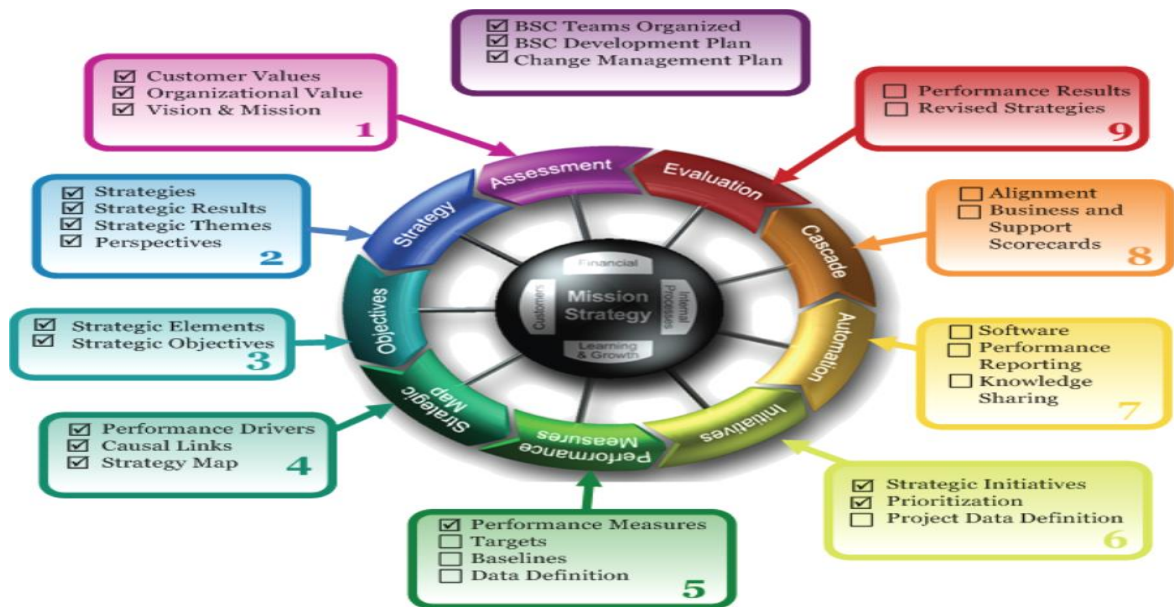
According to Niven, (2006) cascading the scorecard means driving it down into the organization and giving all employees the opportunity to demonstrate how their day-to-day activities contribute to the company's strategy. Strategic alignment of a business unit must take place in multiple directions. The obvious need is to achieve downward alignment to the employee base. This process frequently referred to as cascading (Kaplan and Norton, 1996).

To successfully implement any strategy it must be understood and acted on by every level of the firm. Cascading the Scorecard means driving it down into the organization and giving employees the opportunity to demonstrate how their day-to-day activities contribute to the company's strategy. All organizational levels distinguish their value creating activities by developing Scorecards that link to the high-level corporate objectives. Cascading creates a line of sight from the employee on the shop floor back to the executive boardroom (Zdaravko, Jelena et.al 2007)

2.4.9 Evaluation

Evaluation is the last step of balanced scorecard implementation which implied every stage of the planning process is ability to determine progress made toward the goals or targets set. The assessment ability is monitoring functions that simply tracks activities (and their results).it may be as simple as a lot to do list or as complicated as plan of action with milestones. Also implied with in the planning process is the ability to measure effectiveness of the actions taken in the conduct of the actions taken in the conduct of the organization's business (Will E., *et.al*,2001).

Figure 2 BSC building and implementation steps



Source: (<https://balancedscorecard.org/Resources/The-Nine-Steps-to-Success>)

2.5. Barriers to the implementation of the balanced scorecard

If we accept the premise that strategy formulation is as critical in today's fast-paced, rapidly evolving business environment as it ever was, then we can move to a more fundamental issue the effective implementation of strategy. While the development of winning strategies has never been a simple task, the successful implementation of those strategies has been a much more daunting task indeed. A 1999 Fortune magazine story suggested that 70% of chief executive officer (CEO) failures came not as a result of poor strategy, but of poor execution (Nevin 2002). According to Kaplan and Norton (1996), the disconnect between strategy formulation and strategy implementation is caused by barriers erected by traditional management systems. They have identified these as the systems organizations use to establish and communicate strategy and directions, allocate resources, define departmental, team and individual goals and directions and provide feedback. They have broken these down specifically to include visions and strategies that are not actionable, strategies that are not linked to departmental, team or individual goals, strategy that is not linked to resource allocation and lack of feedback on how the strategy is being implemented and whether it is actually working.

Strategy implementation skills are not easily mastered. Strategy implementation is the most difficult part of most managers' jobs, more difficult than strategy formulation.

The ability to implement strategies is one of the most critical managerial skills. Manager's keen on succeeding at strategy implementation must master systems thinking to be able to coordinate a wide range of efforts aimed at transforming intentions into action, and take care of factors impeding implementation.

Based on Kaplan and Norton (1996) there are four main challenges of strategy implementation. First, organizations develop visions and strategies that are not actionable. This occurs when the organization cannot translate its vision and strategy into terms that can be understood and acted upon. Secondly, the formulated strategies may not be linked to departmental, team and individual goals. The implication of this is that the long term requirements of the business unit's strategy are not translated into goals for departments, teams and individuals. Rather, departmental performance remains focused meeting financial budgets established as part of traditional management control process. Third, an organization can formulate strategies that are not linked to long and short term resource allocation. This arises out of the need by many organizations to separate the processes of long-term strategic planning and annual budgeting. The consequence of this is that discretionary funding and capital allocations are often unrelated to strategic priorities. Lastly, many organizations obtain feedback that is tactical, not strategic. This means that there is lack of feedback on how the strategy is being implemented and whether it is working.

According to Ansoff & Mc donnel (1990) Major challenges to strategy implementation are inadequate planning and communication, ineffective coordination of implementation activities, insufficient capabilities of employees and inadequate training given to lower level employees. Others are a lack of clear responsibility being fixed on implementation and lack of support from other management levels.

The following are potential barrier that should be avoided when implementing BSC:

- Lack of well-defined strategy. The balanced scorecard relies on well defined strategy and an understanding of the linkages between strategic objectives and metrics. Without the foundation, the implementation of the balanced scorecard is unlikely to be successful.
- Using only lagging measures :many managers believes that they will reap the benefit of balanced scorecard by using a wide range of non-financial measures .care should be taken to identify not only lagging measures that describe past performance but also leading measures that can be used to plan for future performance.

- Use of generic metrics: it usually not sufficient simply to adopt the metrics used by other successful firms. Each firm should put its own strategy and competitive position.

Source (<http://www.netmba.com/accounting/mgmt/balanced-scorecard/>)

Most companies are still organized for the industrial era, utilizing command and control orientations that are inadequate for today's environment. Scorecard architects .Kaplan and Norton, believe the answer lies in four barriers that must be surmounted before strategy can be effectively executed. These barriers are the vision barrier, the people barrier, the resource barrier, the management barrier respectively. Niven (2006) notes the following barriers to strategy execution. 1. Vision barrier – only 5% of the workforce understand the strategy

2. People barrier – only 25% of managers have incentives linked to strategy

3. Management barrier – 85% of executive teams spend less than one hour per month

Discussing strategy

4.Resource barrier – 60% of organizations don't link budgets to strategy.

In 1999, *Fortune* magazine noted the majority of CEOs fail their responsibility to their organizations by assuming that defining strategy was a sufficient predictor of corporate success. In the majority of cases we estimate 70% the real problem isn't bad strategy but bad execution.”

2.5.1 The Vision Barrier

The vast majority of employees do not understand the organization's strategy. This situation sufficed at the turn of the twentieth century when value was derived from the most efficient use of physical assets, and employees were literally cogs in the great industrial wheel. However, in the information or knowledge age in which we currently exist, value is created from the intangible assets—the know-how, relationships, and cultures existing within Measuring Organizational Performance and the Need for a Balanced Scorecard the organization. Most companies are still organized for the industrial era, utilizing command and control orientations that are inadequate for today's environment (Paul R., 2006)

2.5.2 The People Barrier

According to Paul R, (2006), Incentive compensation arrangements have been with us for quite some time, but have they been linked to the right things? Most systems provide rewards for the achievement of short-term financial targets, not long-term strategic initiatives. Recall the earlier admonition: What gets measured gets done. When the focus is on achieving short-term financial targets, clever employees will do whatever it takes to ensure those results are achieved. This often comes at the expense of creating long-term value for the firm.

2.5.3 The Resource Barrier

Sixty percent of organizations don't link budgets to strategy. This finding really should not come as a surprise to us because most organizations have separate processes for budgeting and strategic planning. One group is working to forge the strategy that will lead the firm heroically into the future, while independently another group is crafting the operating and capital budgets for the coming year. The problem with this approach is that human and financial resources are once again tied to short-term financial targets and not long-term strategy (Paul R., 2006).

2.5.4 The Management Barrier

Based on Paul R (2006) view, most of the survey respondents would, if pressed, probably report that the management meetings are just plain boring, and in many cases that is undoubtedly accurate. With mind-numbing charts and graphs, sleep-inducing commentaries, and zero conflict, most meetings can be rightly classified as both a waste of time and, unfortunately, a huge lost opportunity. It certainly doesn't have to be that way. When strategy forms the agenda for a management meeting, new life can be pumped into an antiquated institution, instantly changing the dynamic from dull and rote presentations to stimulating debate and discussion on the factors driving the firm forward.

A focus on strategy demands that executives spend their time together moving beyond the analysis of defects to a deeper understanding of the underlying value-creating or destroying mechanisms in the firm. How does your executive team spend their time during their monthly or quarterly reviews? If yours is like most organizations, they probably spend the majority of their time analyzing the financial results and looking for remedies to the "defects" that occur when actual results do not meet budget expectations.

2.6 Performance Evaluation System

A formal definition of performance evaluation system is given by Aswathappa A., (2002): “It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. More comprehensively, it is a formal, structured system of measuring and evaluating an employee’s job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organizations, and society all benefit ”

Performance evaluation is a system designed to periodically and regularly measure the performance of employees against pre-set standards and it involves providing feedback to the employees in which case the result of the appraisal will be used as a basis for administrative decisions and developmental purposes. In the citation of literature, such terms as appraisal, assessment, personnel rating, merit rating, and review are used interchangeably with evaluations (Ivancevich, 2004).

From this definition one can see that the objective of performance evaluation is not only designed to check past performance(i.e. controlling) but also predicts the promotion potential of the candidate in the future (i.e. Development and coaching). Furthermore, the system is structured to measure and evaluate employee’s job related behaviors and outcomes and this is an answer to the question “*what to measure*”. This largely determines what methods to use to measure these behaviors and outcomes. But one of the weaknesses of the above definition is that it does not tell us the frequency of performance evaluation which determines the frequency of the feedback given to the employees. It has long been recognized that performance appraisal plays an important role in organizations (Michael K., 1984). It serves a variety of purposes such as providing the basis for making selection decisions, determining salary increases, and providing a vehicle for feedback between the supervisor and employees and can be used a powerful tool for managerial control

2.7 Empirical Literature on Balanced Scorecard Implementation

Ministry of capacity building gives directions to implement the balanced scorecard in Ethiopian management institute in 2000 E.C. The principal reason for applying BSC in EMI was to manage the process of Transformation taking place in the institute which is to transform systems, structures and human resources so as to become a real capacity in transforming the civil service and other organizations. Starting from that time the institute introduced the system using the guideline prepared by balanced scorecard institute which indicates BSC implementation as strategic planning and management tools.

Balanced scorecard implementation in EMI has some achievements and also some encountered challenges.

The BSC implementation in EMI generated the following achievements

- There is an alignment among institutional, work unit and employees plan
- The employees were participated in strategy development which in turn helps to develop the ownership level of employees
- The monitoring and support activities are strengthened
- BSC implementation improves the commitment of top executives
- BSC implementation introduces performance related pay system for the first time

The challenges that the institute experiences in implementing BSC are identified as follows

- Lack of interface between work unit, objectives and performance measures
- Difference of understanding on BSC by employees and heads of the institute
- Deficiency in evaluating the performance of the units and individuals using tangible at hand means subjectively
- Misunderstanding on the purpose of evaluation, attaching only with reward by forgetting the development aspects (Leul W., 2006 E.C)

The state bank of India is the oldest, largest and most widespread bank in India. The balanced scorecard is designed to reflect not only financial performance of banking organization at a first glance but more carefully analyze reveals that the same data reflect non-financial of the bank.

This dual utility and ease in the measurement of these data render the data extremely useful for analysis through the advanced technique as balanced scorecard. This enables development of the overall business strategy of the bank in the long term as well as defining the short term objectives to be realized in a stipulated time period. Whether the objectives have been realized or

not, and to what extent they have been realized, can be measured by using the performance indicators classified in to four categories as per the four perspectives of the balanced scorecard. Comparing the past performance with the predefined objectives of the bank helps in knowing whether the growing strategy of the bank has been successful or not, and which new initiatives are required to realize the objectives in the future.

Financial perspectives- financial performance is the single most important indicator. However it is not the only indicator of the strength of an organization. This is even truer in case of a banking organization. In fact, profit making is only one of the many objectives of the bank in modern times of intense competition and global economic integrations .it is important to note that the SBI is a flagship of public sector banks, with a clear vision of pioneering development of banking in Indian economy. An analysis of the six financial indicators (growth of net profit, return on assets, cash-deposit ratio, credit-deposit ratio ,investment-deposit ratio and income to total asset ratio ,shows that the performance of the state bank of India wins financial strength using balanced scorecard implementation.

Customer perspective-six out of ten indicators are significantly deferent from all commercial banks as far as the customer perspective is concerned. Though the ratio of term loans to total advances is rising, less than the average of all commercial banks. On the deposits side both the ratio of total deposits to total liabilities and term deposits to total deposits are significantly less as compared to all commercial banks. However the bank has been able to expand its transactions outside India to great extent. This is a positive sign in rapidly globalizing financial markets of India. The bank also has a very large scale of operations, and hence to achieve small growth also it needs to increase its credit/deposit amount by large margins which is relatively difficult.

The analysis of customer perspectives shows that although SBI has been providing every types of facility to its customers and has been able to spend its network throughout the country, it is still lagging behind in many indicators as compared to the other commercial banks. SBI has the scope to improve its performance as far as mobilization of deposits and credit creation process is concerned.

Internal business process perspectives-the performance of SBI internal business process perspectives has been mixed. Business per employee and profit per employee are less than the average of all commercial banks, although the difference is not significant. the performance of SBI is significantly different from the rest of the banking sector in case of the other three indicators .the ratio of wage bill to total income is very high indicating that expenditure incurred

by the bank on its employees is not significantly translated into higher revenue generation capacity. At the same time the bank spends more on its wage bill out of both the total expenses as well as its intermediation cost. This implies that the bank spends more on its human resource as compared to the other resource.

Learning and Growth perspectives-SBI has performed very well in learning and growth perspective. Due to the large branch network, SBI maintain a large number of employees. the total number of skilled employees is very large. But the growth rate in number of employees is not significantly different from all commercial banks in general. As part of this project, SBI has expanded the number of ATMs, starting from 2000. It has a largest number of function ATMs spread all across India. The bank has also the largest number of debit card holder and second largest number of credit card holders.

In fact, it is necessary to combine financial indicators as well as non-financial indicators to understand the performance of banking organization and formulate a comprehensive long term development strategy. However, though attractive and comprehensive, a performance measurement and evaluation system using BSC has several problems

- Deriving a balanced set of measures & incorporating complex set of interrelations
- Neglect of some leading indicators and hindrance in situation-specific evaluation.
- Difficulty in linking with reward
- Expensive to design & implement

Therefore designing a single BSC for any organization is very difficult task. Banks, being a financial service organization design and implementation of the BSC becomes not only difficult but complicated as well. Still it is emerges to be an efficient and all inclusive tool, encompassing various aspects of bank performance (Sagar R. & Swati R., 2012)

CHAPTER THREE

RESEARCH METHODOLOGY AND DESIGN

3.1 INTRODUCTION

The primary aims of this study, as mentioned in chapter one, is to assess the practice and challenges of balanced score card implementation in commercial bank of Ethiopia. This chapter describes the research design that was employed to achieve the main objectives of the study. It therefore, discusses the research design, source of data and sampling technique, the data collection instruments and methods of data analysis used in the entire study.

3.2 Research Design

The method of the study was descriptive in nature .because of the study aimed to examine the situation regarding balanced scorecard implementation and its possible challenges .among the three categories of research methods namely exploratory, descriptive and explanatory, descriptive research method was chosen because it describes the characteristics of objects ,people group ,organization or environments. In other words, descriptive research tries to paint a picture of a given situation by addressing who, what, when, where and how questions. According to (zakmaund, 2010) descriptive research method describes “what exist” in a given situation .so that the researcher believes that this method will describe the existing practices and challenges of balanced scorecard implementation in commercial bank of Ethiopia. Mixed research method design usually features, which includes an implicit purpose statement research questions, and rationale for using quantitative and qualitative methods and data in the study (creswell, 2003) in this study the researcher was used mixed methods design consists of both qualitative and quantitative data.

3.3 Sample and Sampling Techniques

Due to limitedness in capacity, the study cannot address the entire population of permanent employees in commercial bank of Ethiopia, rather represent a sample. For this study the researcher preferred to use both stratified random sampling and purposive sampling Stratified random sampling techniques were used by dividing each department exist in commercial bank and give equal chance of being selected for each stratum. The departments in commercial banks of Ethiopia under the president are CATS, Trade service, Credit appraisal and promotion, Finance facilities management, Human resource management, Information system, Finance

respectively. This sampling method will give equal chance of being selected for each department and also it is free from sampling bias. Purposive sampling technique was employed to select concerned individuals who has directly related to the subject as well as the sample area of the bank. For this study the researcher selected strategy and planning manager to conduct an interview in commercial bank of Ethiopia. For this study the target population was the permanent employees of management and non-management staffs who are working in commercial bank of Ethiopia Head Office. The preliminary survey undertaken by the researcher collected from the human resource transaction office of commercial bank of Ethiopia indicates that currently there are 2300 are permanent employees working at the head office. The types of sampling which are going to be used is both purposive sampling to conduct an interview with responsible human resource manager and stratified random sampling to distribute questionnaire to permanent staff at commercial bank of Ethiopia head office. The study population will be staffs who work in commercial bank of Ethiopia head office at permanent basis who are around 2300 in number. Krejcie and Morgan's (1970) published a formula for an effective and efficient method of determining a representative sample size of a given population using the following formula. Thus, in the present study the sample size was determined by using this formula.

$$s = \frac{x^2(Np(1-p))}{D^2(N-1) + x^2 P(1-P)}$$

Where:

S = required sample size

X² = the table value of 95% confidence interval

P = the population proportion (assumed to be 0.5 for it provides the maximum sample size)

D = the degree of accuracy expressed as a proportion (0.05)

N = the population size

Hence, in this study

$$\begin{aligned} X^2 &= 1.96 & N &= 2300 \\ D^2 &= 0.05 & P &= 0.5 \\ &= \frac{(1.96)^2(2300)(0.5)(1-0.5)}{0.05^2(2300-1) + (1.96)^2(0.5)(1-0.5)} \\ &= \frac{(3.8416)(1150)(0.5)}{0.0025(2299) + (3.8416)(0.5)(0.5)} \\ s &= \frac{2208.92}{6.7079} \\ s &= 329.30 \end{aligned}$$

Therefore, the result of the equation was 329.30 and approximately 330 representative samples were taken from 2300 population size for the questionnaire survey. The samples were drawn from existing permanent employees of the bank at head office. As far as sampling was concerned, stratified random sampling techniques were used. In order to make proportional stratified random sampling the sample were divided in to the total number of departments so that form each department 41.125 approximately 42 of employees for each stratum were randomly selected to fill questionnaires.

3.4 Source of Data and Instrument of Data Collection

The necessary data for this study was collected from both primary and secondary sources. The primary data was collected through questionnaires which contained a mixture of closed ended and open ended questions and the structured interview was prepared and conducted with concerned human resource manager related to the subject matter. The researcher decided to use these tools because; questionnaires will help in gathering basic data from large number of respondent with fewer amounts of time on the other hand interviews the gives the advantage of collecting detailed information from small number of respondents and it helps the researcher how take in to account how the target population feels and think about the problem. The questionnaire was prepared to addresses respondent's demographic profile, educational background and work experience in bank. As well as respondents opinion on BSC implementation practice, existing performance evaluation system using balanced scorecard is presented. Respondent's level of agreement on barriers of balanced scorecard implementation and lastly major achievements balanced scorecard implementation on four perspectives of balanced scorecard. The secondary data were collected from relevant documents, organization reports, newspapers, periodic publications & magazines that were related to the study. When necessary, materials were downloaded from websites.

3.5 Data Analysis

As repeatedly stated, questionnaire and interview instruments were used for collecting relevant data from the managerial and non-managerial employee of the bank at head office. From the total number of sample 330 employees selected and distributed, because of failure to give some important information by some of the participants, it was only the 299 responses that the data was found suitable for analysis. The respondents obtained from 299 employees through the questionnaires were tallied organized and demonstrated in tables, pie charts and bar charts.

The data analysis of the study were summarized using frequencies and percentages as well as mean and standard deviation for all variables including age, sex, working experience; years on current job/position and educational level were analyzed. The four barriers of BSC implementation and four perspectives of BSC were analyzed and interpreted. The data gathered through questionnaires from the respondent will be analyzed and presented in the form of charts, diagrams and tables. The collected data from randomly selected employees were analyzed using SPSS in terms of descriptive statistics such as percentages, frequency mean & standard deviation. The result of interview questions were interpreted and analyzed accordingly. The primary data collected through interview and questionnaires tried to be discussed to get meaningful information about existing practices and challenges of balanced scorecard implementation.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Introduction

This study was conducted in the head office of the commercial bank of Ethiopia to assessing the practicalities and challenges of balanced scorecard implementation. Analysis was conducted using data collected from primary and secondary sources. For the analysis, the workers are categorized with five demographic variables; gender, age, educational level, experience in commercial bank of Ethiopia, years of service on current position.

Before going to directly to discussion of the result, it would be better to introduce the respondents because having an understanding about the respondents may help to estimate the accuracy of the information provided by them. It may give an idea about how many respondents able to answer the questions forwarded with the acceptable degree of reliability. This study is, as noted earlier, aimed at assessing the practice and challenges of balanced scorecard implementation in commercial bank of Ethiopia. To collect relevant data for the study, questionnaires and interviews are employed. For primary data interview was conducted with strategy and planning manager and questionnaires distributed to sample respondent of 330 to those commercial bank of Ethiopia head office staff. Out of which 299 questionnaires are returned. This accounts for 90.6% of Response rate. The data collected through questionnaires are presented below with the help of pie cart, bar chart and tables. This chapter deals with respondent's demographic profile, educational background and work experience in bank. As well as respondents opinion on existing performance evaluation system using balanced scorecard is presented. Respondent's level of agreement on four barriers of balanced scorecard implementation and lastly major achievements balanced scorecard implementation on perspectives are presented as follows.

4.2 Demographic characteristics of the respondents

Table 1 The respondents general profile in the study areas.

Parameters		Frequency	Percentage
Gender	Male	173	57.9%
	Female	126	42.1%
	Total	299	100%
Age	18-25	119	39.8%
	26-40	149	49.8%
	41-55	31	10.4%
	56-60	0	0%
	Total	299	100%
Educational Background	High School Graduate	12	4%
	Technical School Graduate	5	17%
	College Diploma	6	7.7%
	Bachelor's Degree	270	90.3%
	Master's Degree	6	2%
	Total	299	100%
Experience In C.B.E	0-4	159	53.20%
	5-9	101	33.80%
	10-19	24	8.00%
	20-30	15	5.00%
	Total	299	100.00%
Your current position (Job Grade)	Job grade 7	66	22.10%
	Job grade 9	116	38.80%
	Job grade 10	39	13.00%
	Job grade 11	76	25.40%
	Job grade 13	2	0.70%
	More than job grade 13	0	0%
	Total	299	100%
Years of service on the current position	less than one year	117	39.10%
	1-2 Years	81	27.10%
	3-5 Years	39	13.00%
	5-10 Years	28	9.40%
	11-15 Years	34	11.40%
	Total	299	100.00%

Source: own survey, 2015

Demographic characteristics of the respondents' are summarized in Table 1. Of the total 57.9 % (N=173) and 42.1% (N=126) respondents were male and female respectively. Therefore, the majority of the respondents are male. The respondents' age in the study area was indicated that 49.8%, 39.8%, and 10.4% of the population between 26-40, 18-25, and 41-55 years of age respectively. Result from the Table 1 shows about Educational background of the respondents' revealed that the majority (90.3%) of the respondents had first degree level. The rests 6%, 1.7%, 3% and 7.7% had MA degree, technical school graduate, and high school graduate and collage

diploma holders respectively. This implies that the majority of employees under this study area are first degree graduates.

On the subject of work experience in commercial bank of Ethiopia the survey result indicated that of the total majority of the respondents(87%) had between 0-9 years of experience (53.2% and 33.8% was between 0-4 and 5-9 years of work experience in the bank respectively). The rest 13% of the sampled population were had 10-30 years of work experience in the bank (5% of the population was between 10-19 years and 8% had experience between 20-30).

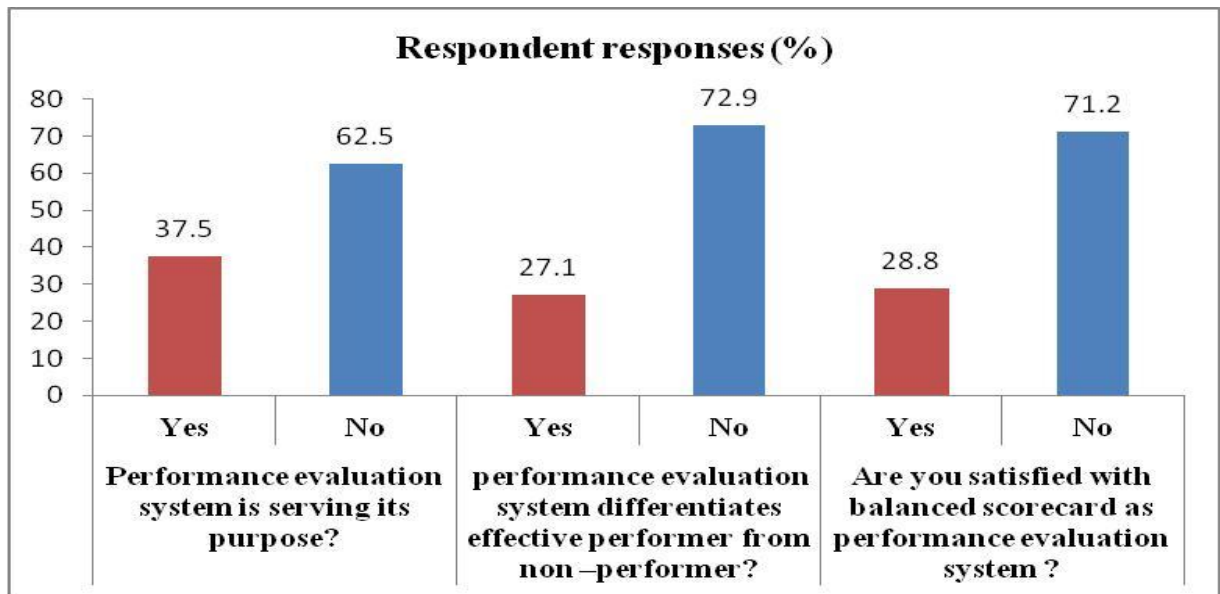
Of the total 38.8% current position had job grade 9, the respondents who were job grade 10 are (13%) and around (25.4%) the respondents are job grade 11 & (22.1%) of the respondents are job grade 7. On the other hand none of the respondents are above job grade 13 and only 2 respondents (0.7%) are on job grade 13. From this result one can say that this study target respondents have different work experience as well as hierarchical level in the bank.

Based on service year on current position of sample respondents the majority (39.1%) of has less than one year of service in their current position. (27.1%) of respondents has from 1-2 years of service and (13%) has 3-5 years of service in their current position respectively. (11.4%) of respondents have 11-15 years of service and finally (9.4%) of the respondents have 5-10 years of service.

4.3. Performance evaluation system of BSC implementation.

According to Michael Beer (1987), the problems of performance evaluation is related to the forms and procedures that make up the performance appraisal system. The form used to record the performance of the employees is blamed if it is cumbersome, not customized and if employees did not participate in the design of the form of evaluation. In this regard, the perception of employees towards the performance evaluation forms used by the bank are gathered and presented in the subsequent table as shown below.

Figure 3 Employees’ opinion on the performance evaluation system



Source, own survey 2015

Employees’ opinions concerning performance management in CBE are shown in Figure 3. Majority of respondents 62.5% (N=187) in the above table with a mean value of 1.63 believe that the performance evaluation system in commercial bank of Ethiopia does not serve its purpose and the rest 37.5% (N=112) believes that the performance evaluation system in commercial bank of Ethiopia serves its purpose.

When it comes to the evaluation system in commercial bank of Ethiopia, 218(72.9%) of the respondents disagree that the evaluation system differentiate effective performer from non-performer but the remaining 81(27.1%) respondents believe that the evaluation system clearly differentiate the effective performer from non-performer. Therefore this implies that the bank lacks systematic designing of effective performance evaluation system” that effectively differentiate effective performer from non performer that affects employee’s level of satisfaction towards performance evaluation system in commercial bank of Ethiopia

In this section, employees' level of agreement were measured on five point Likert scale with 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. To make easy interpretation, the following ranges of values are assigned to each scale 1.50 or less= Strongly Disagree, 1.51-2.50= Disagree, 2.51-3.49=Neutral, 3.50-4.49= Agree, and 4.50 and greater= Strongly Agree.

Table 2 The impact of performance evaluation on skill, knowledge and capacity development

Item	Statements	Response	No (%)	Mean	STD
I	The performance evaluation system for improvement on skill, knowledge and capacity	Strongly Disagree	53(17.7%)	2.04	1.410
		Disagree	47(15.7%)		
		Neutral	82(27.4%)		
		Agree	98(32.8%)		
		Strongly agree	19(6.4%)		
		Total	299(100%)		

Source, own survey 2015

Form the total respondents 53(17.7%) were strongly disagree and 47(15.7%) disagree that the performance evaluation system encourages them to improve their skill and knowledge. The table further indicates that 117(39.2%) which was 32.8% agree and 6.4% strongly agree that the performance evaluation system encourages self-development.17.7% of the respondents were indifference regarding the pervious issue. A mean value of 2.04 was a sign of respondents' dissatisfaction with performance evaluation system in CBE because it discourages them to improve their skill and knowledge.

In summary, respondents attitude about their level of satisfaction concerning the performance evaluation system in CBE, the majority of the respondents 213(71.2%) were negatively replied and they were not satisfied with the current performance evaluation system. Only 86(28.8%) of the respondents showed positive attitude towards performance evaluation system after BSC implementation. To support their argument they put the following reasons:

- BSC as performance evaluation system , it took some elements only and it gives more emphasis on some part of the job like ATM registration ,if employees are not good in this area , their grade will be low even if they are good in some areas.
- The evaluation is focused on what workers do in number not how they do it. It does not consider harmonious relationship with customer.
- The evaluation system expects zero error of works and it needs perfection in assigned task

- The evaluation system does not consider workers ability, knowledge and skills to perform a given task but only focus on number of transaction per day and volume of transaction this all are focused on financial perspectives so that the evaluation system ignore non-financial perspectives.
- Sometimes the performance evaluation system depends on the manager-employee relationship and the manager attitude towards employee performance
- BSC implementation is initially to benefit some groups in commercial bank of Ethiopia rather than using BSC for better strategy execution system.
- The targets given per quarter mostly difficult to attain and unrealistic to achieve.
- The BSC evaluation system didn't properly link to rewarding system. Most of the time reward is given based on department or branch performance. So the evaluation system does not differentiate performer form non performer based on the evaluation method.

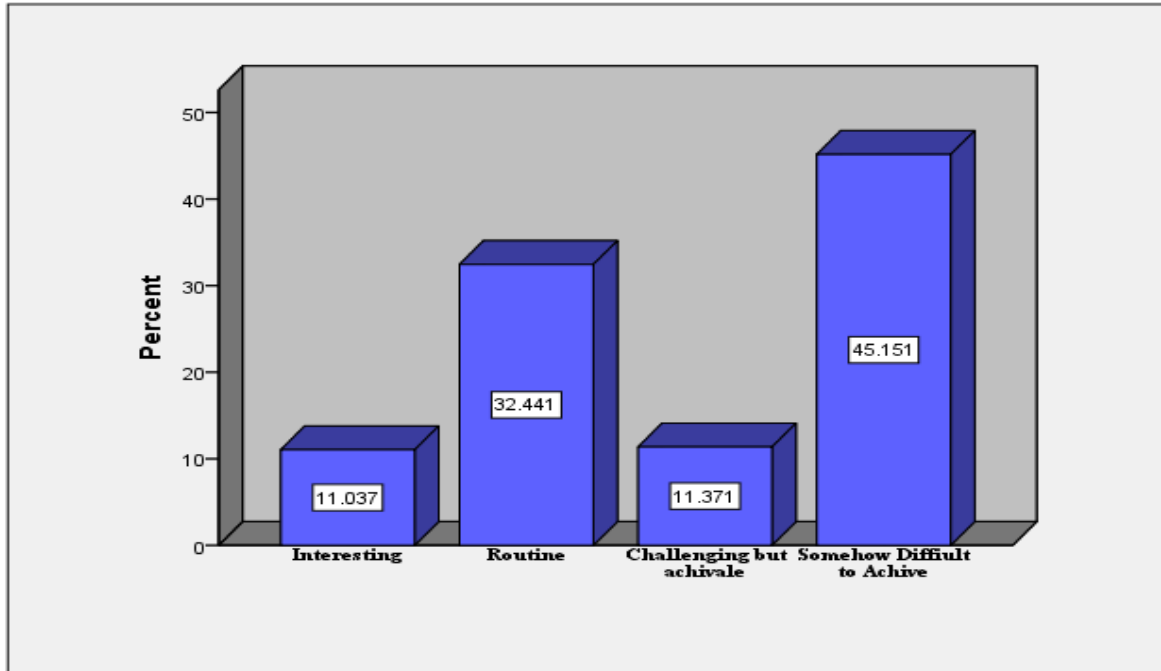
The above table shows a sort of fragmented responses from the respondents regarding performance evaluation system. This perhaps indicates that evaluation system in commercial bank of Ethiopia does not consider human resource dimension and properly measures the individual performance. In addition, most of the respondent believes that the evaluation system could be based manager-employees relationship rather than workers ability, knowledge and skills to perform assigned jobs. Based on the respondents view the evaluation system does not encourage them to upgrade their skill, knowledge and carrier development.

In general, the focus of performance evaluation system is more on financial perspectives that non financial. The evaluation system discourages employees to exert their effort towards strategy execution.

Additionally the interview conducted with strategy and planning manager of the bank showed that the focus most departments management after balanced scorecard implementation in CBE is not changed as compared to the expected level of balancing both financial as well as non-financial perspectives. Therefore there is more on emphasis given to financial perspectives than non-financial perspectives.

4.3.1 Individual Cascaded Targets in Commercial Bank of Ethiopia

Figure 4 respondent's opinion on the individual targets.



Source: own survey, 2015

As indicated on the above figure, 135(45.2%) the majority of the respondents about existing personal target given as some how difficult to achieve and 97(32.4%) of the respondents were found their personal target as routine. 33(11%) of the respondents were got their target as interesting and 34(11.4%) of the respondents thought that the individual target given for them as challenging but achievable. This indicted majority of the respondents were not comfortable with the target given individually or in team basis. Targets need to realistic so that people comfortable about trying to execute on the target. Therefore, targets should be mutually agreed up on between management and person held responsible for hitting the target. One good place to start in setting a target is look at the past performance. Your strategic goals can also give you a clue as to what your targets should be. Another good source for targets is benchmarking for best practices Matt H., (2002).

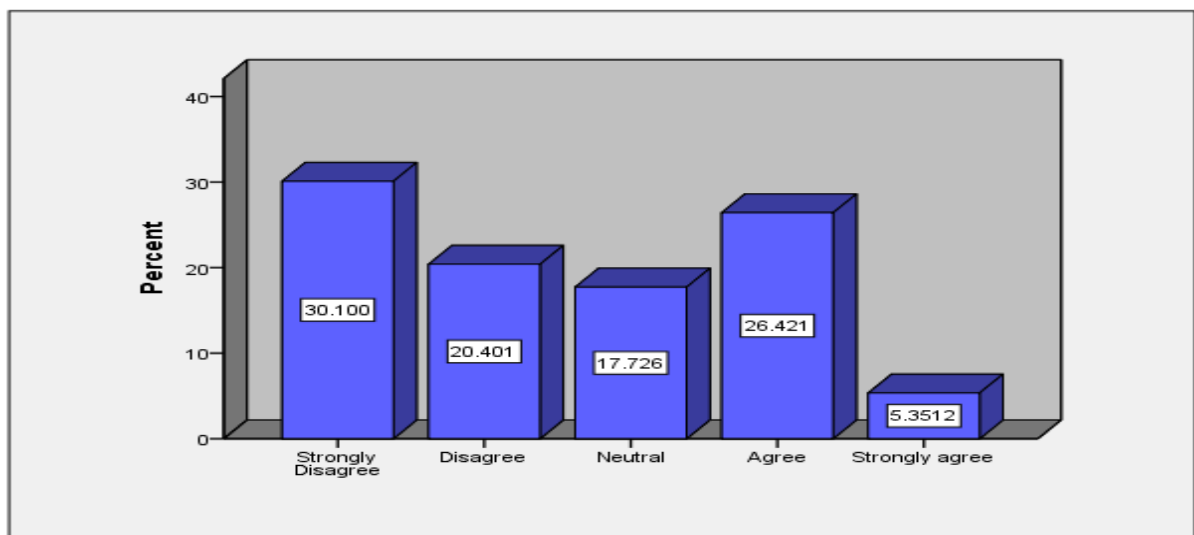
According to Kaplan & Norton, (2008) view, selecting targets was a difficult task so that two techniques facilitate target setting: split the overall value gap in to targets for each strategic theme, and set targets within each theme based on the cause-and-effect logic of the strategy map.

Likewise, Niven (2006) suggest that, to improve the problem of task target setting a variety of information sources are available for establishing performance targets. Employees, trend analyses, executive interviews, assessments, stakeholder feedback, industry averages, and benchmarking are all possible origins of potential targets.

From the above finding, commercial bank of Ethiopia doesn't gather appropriate information from different sources mentioned in the above literature before establishing performance targets; Therefore, unrealistic and unattainable targets are given to individuals in different level of the bank and target setting not is mutually agreed up on between management and person held responsible for hitting the target.

4.3.2. Key Performance Indictor in commercial bank of Ethiopia

Figure 5 respondent's opinion on the KPIs to measures individual performance



Source: own survey, 2015

Result from Figure 5 revealed that, 30.1% of respondents were strongly disagree with the idea about key performance indicators in used in commercial bank of Ethiopia properly measures their performance and at the same time 20.4% of respondents disagree. However, 26.4% agree and 5.3% strongly agree that KPI in commercial bank of Ethiopia properly measure their performance as well as it clearly shows the bank progress towards the achievements of corporate strategy. Only 17.73% of the respondents were indifferent with the above statement.

KPIs represent a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the organization (David P., 2007). Key Performance Indicators (KPIs) are among the most commonly used tools that companies employ to help manage more effectively and guide their progress. Planning and setting targets to align strategic initiatives includes identifying targets for each of the objectives to be measured by the KPIs. Individual targets are set for strategic objectives and projects, which are in turn linked to the larger strategic objectives.

This shows more than half of the respondents were negatively replied that KPI in commercial bank of Ethiopia properly measure individual performance as well as it clearly shows the bank progress towards the achievements of corporate strategy.

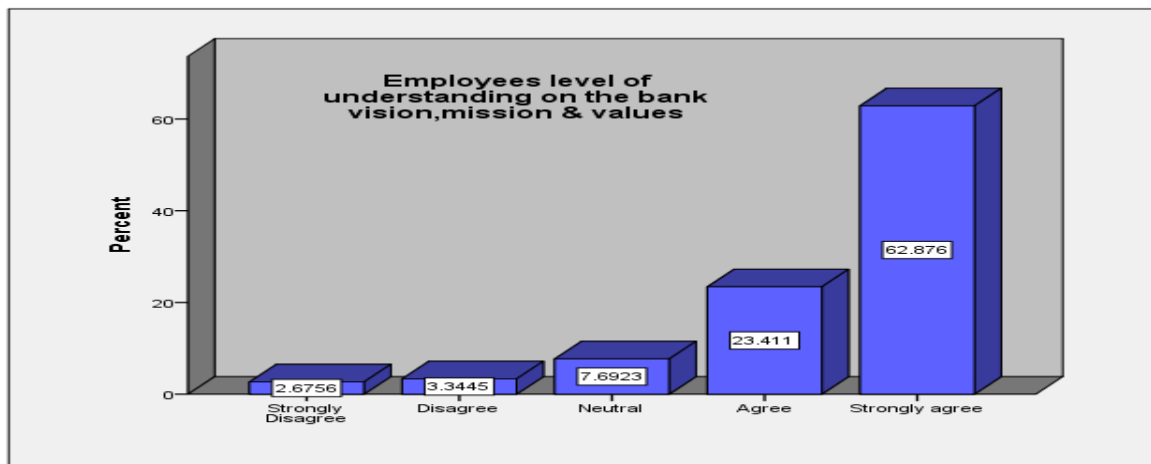
4.4 Balanced scorecard implementation challenges

In this section, employees' level of agreement regarding major achievements of four barrier of balanced scorecard implementation namely, vision, people, resource and management barriers respectively were reviewed using table pie cart and graphs.

4.4.1 Vision Barrier

4.4.1.1 Vision, Mission and Values Understanding Level of Employees

Figure 6 knowledge of the employees on vision, mission and values of the bank



Source: own survey, 2015

Employees level of understanding on vision, mission and values of CBE summarized in Figure 6. The study result shows that, 62.8% and 23.41% of the respondents believed that they know the vision, mission & values of the bank. While 5.9% of the respondents were does not know the

vision, mission & values, the remaining 7.9% was not sure about their level of knowledge regarding the vision mission and values of the bank.

According to Niven (2006) study, successful strategy implementation is as a result of understood and acted the strategy at every level of the firm.

These indicted majorities of the employee understanding of the bank vision, mission and values could be benefiting the bank to use the employee's key capacities to successful strategy execution by translating a company's strategic direction and objectives into actionable initiatives and measurements and vision motivates people to take action in the right direction. As a result the organization can provide a significant motivational force (Niven, 2006).

4.4.1.2 Balanced scorecard implementation for strategy execution & communication tool

Table 3 Responses' of the employees on BSC for strategy execution & communication tool

Item	Statement		N (%)	Mean	Std. Deviation
I	In my opinion the strategies are implemented in actionable ways to achieve CBE long term vision.	Strongly Disagree	56(18.7)	2.86	1.372
		Disagree	83(27.8)		
		Neutral	62(20.7)		
		Agree	44(14.7)		
		Strongly agree	54(18.1)		
		Total	299(100)		
II	My institution strategy of communication is primarily interactive (two way)	Strongly Disagree	118(39.5)	2.46	1.408
		Disagree	41(13.7)		
		Neutral	46(15.4)		
		Agree	71(23.7)		
		Strongly agree	23(7.7)		
		Total	299(100)		
III	I have clear line of sight among my responsibilities ,accountability & goals	Strongly Disagree	8(2.7)	3.89	1.036
		Disagree	36(12)		
		Neutral	23(7.7)		
		Agree	147(49.2)		
		Strongly agree	85(28.4)		
		Total	299(100)		

Source: own survey, 2015

The study result showed that the arithmetic mean and standard deviation responses' of the employees on the overall situation of the bank strategy execution & communication tool

considered in this study. The result shows the average means value of their response was 2.86 and 2.46 with standard deviation of 1.372 and 1.408 respectively which indicates that the majority of the respondents were negatively replied on the implementation of strategies in actionable way to achieve CBE long term vision. The existence of two ways communication in the bank, majority of the respondents were disagreed their institution facilitate interactive two way of communication. The table result shows the arithmetic mean and standard deviation value of the respondents' believe on their level of understanding on the responsibilities, accountability & goals in the bank achievements were 3.89 and 1.036 respectively. This implies most employees have better understanding about their responsibilities, accountability & goals in the bank. According to Ovidiu, (2007) Sharing Scorecard results throughout the organization provides employees with the opportunity to discuss the assumptions underlying the strategy, learn from any unexpected results, and dialogue on future modifications as necessary. Similarly based on Niven (2002) opinion, Balanced Scorecard means three things: measurement system, strategic management system and communication tool. The most important benefit of the scorecard is its use in facilitating communication about strategy, not just at the top level, but throughout the organization. The Balanced Scorecard translates the strategy and tells the story to all employees. The scorecards become the direct communication process for linking overall corporate strategy with team and individual goals for achievement. From the above discussion we can conclude that majority of the employees believes that BSC implementation fails to execute commercial bank of Ethiopia strategy in to action towards the achievements its long term vision to be a world class bank in 2025.

4.4.2 People barrier

Table 4 Opinion of the respondents on the rewarding and motivation

Item	Statement		No (%)	Mean	StD
I	My actual performance is tied to rewards and it acknowledges my contribution for overall company success	Strongly Disagree	204(68.2%)	1.84	1.395
		Disagree	22(7.4%)		
		Neutral	21(7%)		
		Agree	21(7%)		
		Strongly agree	31(10.4%)		
		Total	299(100)		
II	The rewarding system of the bank is not satisfactory compared to my effort	Strongly Disagree	15(5%)	4.06	1.155
		Disagree	21(7%)		
		Neutral	37(12.4%)		
		Agree	83(27.8%)		
		Strongly agree	143(47.8%)		
		Total	299(100%)		
IV	In my opinion employees lack motivation to exert their effort successfully implementing BSC	Strongly Disagree	173(57.9%)	2.04	1.410
		Disagree	32(10.7%)		
		Neutral	32(10.7%)		
		Agree	34(11.4%)		
		Strongly agree	28(9.3%)		
		Total	299(100%)		

Source: own survey, 2015

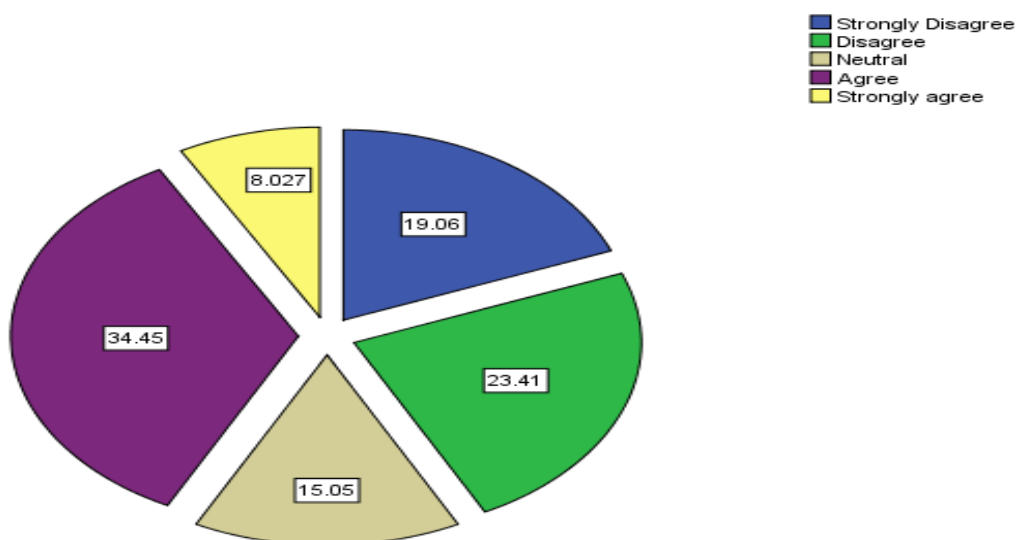
Table 4 describes opinion of the respondents regarding rewarding system in CBE. Rewarding system is an important tool that management can use to channel employee motivation in a desired ways. In other words reward systems seek to attract people to join the organization to keep them coming to work, motivate them to perform higher levels (Puwanenthiren P., 2011).The arithmetic mean and standard deviation of the overall rewarding system in the bank was 1.81 and 1.359 respectively and this indicted that the respondents were disagree on the rewarded system on the bank. This implies that the reward system was not tied to their performance. Likewise, , the mean and standard deviation value as 4.06 and 1.155 respectively this indicates that the level of satisfaction on rewarding system of the bank compared to their effort was not satisfactory. Based on Mohamed Z. &Yasar J., (2010) view, an organization implemented the balanced scorecard should consider the employee incentives to reinforce and to improve the performance

of the organization as well as the employees so that organizations should tie any reward to employees' performance. The table shows that 2.04 and 1.410 mean and standard deviation of employees' motivation exert their efforts in balanced scorecard implementation implies that employees lack motivation to successfully exert their efforts in balanced scorecard increasingly. This due to the reward system was not tied to their performance and the reward was not satisfactory. Since the organization should establish an equitable balance between the employee's contribution to the organization and the organization contribution to the employees.

4.4.3 Resource Barrier

4.4.3.1 BSC Implementation Linked to Departmental, Team and Individual Goals

Figure 7 Respondents' opinion on BSC implementation linked to department, team, and individual level



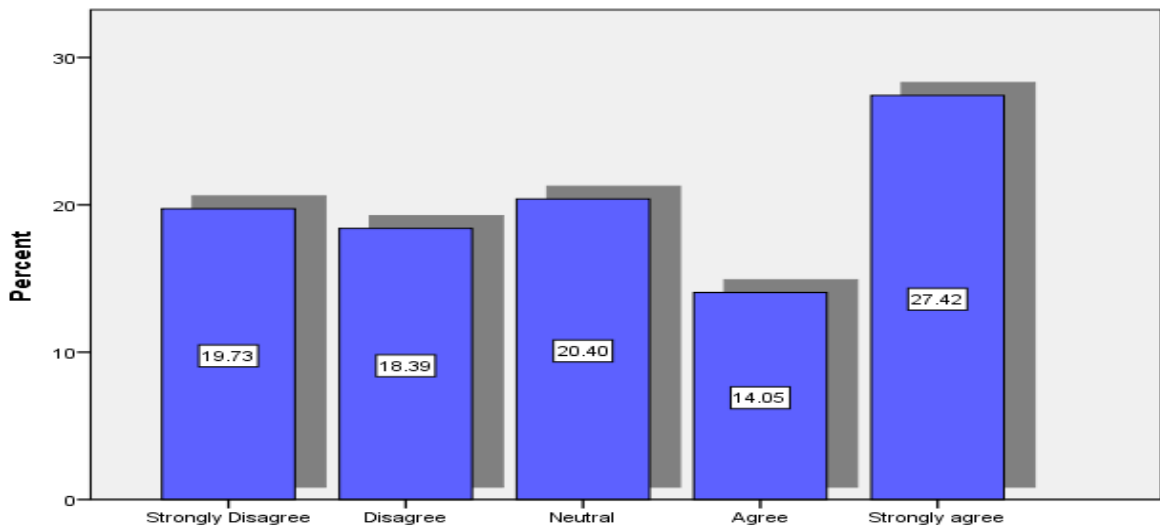
Source: own survey, 2015

Respondents' opinion on BSC implementation linked to department, team, and individual level shows in Figure 6 Based on the Figure, 49.5% of the respondents believe that BSC implementation was linked to departmental, team and individual goals on the other hand based on the 31.4% of the respondents believe BSC implementation was not linked to departmental, team and individual goals. This indicted that cascading the Balanced Scorecard allows employees to develop objectives and measures linked to overall organizational goals. Hence, for

successful cascading, everyone in the organization must possess a deep understanding of the objectives and measures that make up the highest-level scorecard (Nievn, 2006).

4.4.3.2. Effective IT Support for Balanced Scorecard Implementation

Figure 8 Opinion concerning the presence of effective IT support



Source: own survey, 2015

The above Figure reveals that, of the respondents said the Commercial bank of Ethiopia lacks IT support, on the other hand 27.4% & 14% of the respondents strongly disagree and disagree that the existing coordination and IT support was good. On the other hand 19.7% & 18.4% the respondents does not think that CBE lacks IT support for proper implementation of balanced scorecard. 20.40% from the total number of 299 respondents were neutral. According to olve et al, (2003) report to assist the company's strategic discussion and learning processes, the Balanced Scorecard should be continually updated with current and operationally relevant information. Inputs are needed at all stages of a BSC initiative. IT should act as a facilitator and has an important role as support at different stages of the BSC Initiative in terms of preparing the initial stages of the BSC project; defining and linking measures, setting goals, and observing performances, managing strategic initiatives and action plans. Form the above interpretation the existing IT support in commercial bank of Ethiopia is not effectively support balanced scorecard

implementation in order to update the progress of strategy execution based on current and operationally relevant information.

4.4.3.3 Resource Allocation in Commercial bank of Ethiopia

Table 5 Opinion of the respondents on the rewarding and motivation

Item	Statement		No (%)	Mean	StD
1	Allocating appropriate resources for the building up and sustaining of the BSC implementation is good in commercial bank of Ethiopia	Strongly Disagree	13(4.3)	3.52	0.928
		Disagree	44(14.7)		
		Neutral	26(8.7)		
		Agree	208(69.6)		
		Strongly agree	8(2.7)		
		Total	299(100)		

Source: own survey, 2015

The above table shows that resource allocation in commercial bank of Ethiopia is summarized. The table result shows the mean and standard deviation of resource allocation for sustain implementation of BSC in the bank was indicated that 3.52 and 0.928 respectively. This implies the respondents were believed that than bank allocated appropriate resources for the implement of BSC. Moreover, of the total 69.6 % of the respondents were believed that allocated appropriate resources for the implement of BSC.

4.4.4. Management barrier

Table 6 Employee participation in meeting after balanced scorecard implementation

Item	Statements	Response	No (%)	Mean	STD
I	Have you ever been participated in meetings to discuss about your work/task since CBE started balanced score card implementation?	Yes	254(84.9%)	1.15	0.358
		No	45(15.1%)		
		Total	299(100%)		
II	If your response to question No - 1 is yes, how often is your opinion is accepted by your boss?	Always	19 (7.2%)	2.72	0.592
		Often	32(12.1%)		
		Sometimes	203(76.6%)		
		Missing	45(15.1%)		
		Total	299(100%)		
III	I have frequently meeting with managers to discuss the progress towards the achievements of balanced scorecard	Strongly Disagree	145 (48.5)	2.09	1.348
		Disagree	73 (24.4)		
		Neutral	15 (5)		
		Agree	42 (14)		
		Strongly agree	24 (8)		
		Total	299 (100)		
IV	Properly identified working method and processes exist in my institution in order to implement BSC	Strongly Disagree	50(16.7%)	3.02	1.317
		Disagree	69(23.1%)		
		Neutral	43(14.4%)		
		Agree	100(33.4%)		
		Strongly agree	37(12.4%)		
		Total	299(100%)		
V	I know that the results of my work are linked to the organizational strategy	Strongly Disagree	59(19.7%)	3.33	1.371
		Disagree	12(4.0%)		
		Neutral	58(19.4%)		
		Agree	112(37.5%)		
		Strongly agree	58(19.4%)		
		Total	299(100%)		

Source: own survey, 2015

The previous table shows Employee participation in meeting after balanced scorecard implementation. Of the total 84.9% (N=254) of the respondents were participated in meeting after balanced scorecard implemented in commercial bank of Ethiopia, on the other hand 15.1% (N=45) of the respondents were not participated in meeting with their supervisor. For those who participate in meeting (N=254) respondents express the frequency of their opinion accepted by their supervisor. 76.6% (N=203) of the respondents believes that their opinion sometimes was accepted by their supervisor on meetings. Similarly 12.1% (N=32) of the respondents said that their opinion was often accepted but 7.2% of the respondents believe that their supervisor always accepts their opinion rose on meeting. However the majority of the respondents participate in meeting with managers, the employees don't discuss about progress towards the achievements of balanced scorecard in meeting with their managers.

The table shows that, 45.8% of the respondents thought that commercial bank of Ethiopia has properly identified working method and processes exist in my institution in order to implement BSC whereas 39.8% oppose the working methods and processes were properly identified while around 14.4% of the respondents were not sure about it. More than 50% of the respondents believed that the result of their work was directly linked to organizational strategy but 23.7% of them don't believe their work is linked to the company strategy. The remaining 19.4% of the respondents were not sure about it.

Davis (1996), examining the BSC initiative in the General Electric (GE) Lighting business Group, confirmed the importance of the participation of lower levels in the BSC initiative. According to him, involving employees at all levels in the development of BSC measures is crucial for BSC success. This will inspire ownership of the measures and commitment to achieve their targets. He stated: By showing employees how their performance influences the bottom line, frontline employees were encouraged to act like owners and ensure the future of their jobs. If the importance of employee involvement was not understood, the organization may miss the opportunity to benefit from the employees' knowledge that was directly related to the areas in which they exert influence. In addition, if they were not directly involved, employees will not be able to focus on the performance drivers and on the design of initiatives and decisions necessary to achieve the targets. Therefore, the result implies that after balanced scorecard implementation most of the department's workers were participated in meeting with their supervisor regarding BSC implementation and their tasks. Workers participation in meeting after balanced scorecard was high in commercial bank of Ethiopia.

4.5. Major Achievements of BSC Implementation on customer, financial, internal business unit and learning and development perspectives

4.5. 1 Financial Perspectives

Table 7 Respondents' opinion on financial perspectives

Item	Statement/parameters		No (%)	Mean	Std. Deviation
I	Balanced scorecard implementation helps commercial bank of Ethiopia to use its resource cost effectively	Strongly disagree	9(3)	3.62	0.928
		Disagree	23(7.7)		
		Neutral	84(28.1)		
		Agree	140(46.8)		
		Strongly agree	43(14.4)		
		Total	299		
II	Balanced scorecard implementation brings revenue growth and sustainable market share to my organization	Strongly disagree	19(6.4)	3.63	0.944
		Disagree	14(4.7)		
		Neutral	53(17.7)		
		Agree	186(62.2)		
		Strongly agree	27(9)		
		Total	299(100)		
III	Balanced scorecard implementation improves Financial Performance of commercial bank of Ethiopia.	Strongly disagree	15(5%)	3.48	1.047
		Disagree	38(12.7%)		
		Neutral	77(25.8%)		
		Agree	126(42.1%)		
		Strongly agree	43(14.4%)		
		Total	299(100%)		

Source: own survey, 2015

Table 7 describes the arithmetic mean and standard deviation of respondents' opinion on the financial perspectives. From the study result the impact of implementing BSC in the bank was not significant difference between the financial perspectives and financial perspectives parameters. The average mean for financial perspectives was 3.58 and mean value for financial perspectives parameters of cost effective, revenue growth and Financial Performance were 3.62, 3.63 and 3.48 respectively. This implies that the respondents were replying positively regarding financial perspectives improvements after the implementation of BSC in the bank. By referring the bank of annual financial report in the year 2005/06 fiscal year, the operating profit of the Bank reached an all-time high of 1.1 billion, crossing the one billion Birr threshold for the first time in its 65-year history. Accordingly, the total income of the Bank augmented to Birr 1.8 billion in 2005/06, which is higher than the previous year's total income of about Birr 1.4 billion.

The operating income from international banking activities went up by 27%, compared with the income in fiscal year 2004/05. Therefore, from the above demonstration of financial performance of the bank, after balanced scorecard implementation started Commercial bank of Ethiopia achievements on financial performance, revenue growth and market share in banking industry is increased.

4.5.2. Internal business perspectives

Table 8 Employee response on to the internal business perspectives

Item	Statement	response	No (%)	Mean	Std. Deviation
I	Due to the implementation of BSC in commercial bank of Ethiopia the service delivery time and effort is improved	Strongly Disagree	25(8.4%)	3.40	1.206
		Disagree	56(18.7%)		
		Neutral	43(14.4%)		
		Agree	125(41.8%)		
		Strongly agree	50(16.7%)		
		Total	299(100%)		
II	BSC implementation improves achievement of strategic goals for my business unit	Strongly Disagree	41(13.7%)	3.13	1.262
		Disagree	60(20.1%)		
		Neutral	53(17.7%)		
		Agree	108(36.1%)		
		Strongly agree	37(12.4%)		
		Total	299(100%)		
III	BSC implementation is suitable to meet increasing diverse customer needs	Strongly Disagree	21(7%)	3.59	1.144
		Disagree	32(10.7%)		
		Neutral	59(19.7%)		
		Agree	123(41.1%)		
		Strongly agree	64(21.4%)		
		Total	299(100%)		

Source: own survey, 2015

The above table describes the respondents' opinion on the internal business perspectives. From the study result the impact of implementing BSC in the internal business perspectives of the bank was significant difference. Hence the average mean and the mean value of internal business perspectives and internal business perspectives parameters such as service delivery and achievement of strategic goals was 3.373, 3.40 and 3.13 respectively. This indicated that they were not sure there was improvements in the bank. However, the mean value of customer needed which was the internal business perspectives parameters was 3.59. This implies the respondent

believed that there was improvement of customer need after BSC implementation in the bank. Even if the achievement of implementing BSC in the internal business perspectives of the bank was significant difference on the mean value; the percentage or frequencies of the respondents indicated that they were not significant different and positively replied.

According to Richard H. et.al (2000) the internal business results commonly lead to financial success and satisfied customers. To meet organizational objectives and customers' expectations, organizations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory. Internal business processes are the mechanisms through which performance expectations are achieved. Therefore, by relating the above literature with our finding, we can conclude that commercial bank of Ethiopia properly identified key business areas and improve their capacity to be financially successful as well as satisfy its customers.

4.5.3. Customer perspectives

Table 9 Employee response regarding customer perspectives

Item	Statement	Item	No (%)	Mean	Std. Deviation
I	I know who are commercial bank of Ethiopia customers and what kind of service they need	Strongly Disagree	22(7.4%)	3.85	1.123
		Disagree	11(3.7%)		
		Neutral	48(16%)		
		Agree	126(42.1%)		
		Strongly agree	92(30.8%)		
		Total	299(100%)		
II	I always ask my customers are satisfied or dissatisfied	Strongly Disagree	35(11.7%)	3.25	1.215
		Disagree	51(17.1%)		
		Neutral	53(17.7%)		
		Agree	124(41.5%)		
		Strongly agree	36(12%)		
		Total	299(100%)		
III	I have the right to make decisions to solve problems for my customers	Strongly Disagree	49(16.4%)	3.10	1.267
		Disagree	66(22.1%)		
		Neutral	30(10%)		
		Agree	105(35.1%)		
		Strongly agree	49(16.4%)		
		Total	299(100%)		
IV	The implementation of balanced scorecard improves the service delivery of the organization.	Strongly Disagree	23(7.7%)	3.70	1.213
		Disagree	28(9.4%)		
		Neutral	55(18.4%)		
		Agree	102(34.1%)		
		Strongly agree	91(30.4%)		
		Total	299(100%)		
V	I think customers are satisfied by our service after the implementation of balanced scorecard	Strongly Disagree	41(13.7%)	3.08	1.258
		Disagree	62(20.7%)		
		Neutral	69(23.1%)		
		Agree	87(29.1%)		
		Strongly agree	40(13.4%)		
		Total	299(100%)		
VI	The customer compliance is declined after balanced scorecard implementation	Strongly Disagree	33(11%)	3.07	1.192
		Disagree	60(20.1%)		
		Neutral	102(34.1%)		
		Agree	61(20.4%)		
		Strongly agree	43(14.4%)		
		Total	299(100%)		
VII	The bank is attracting new customers due to suitable customer service	Strongly Disagree	21(7%)	3.64	1.070
		Disagree	18(6%)		
		Neutral	64(21.4%)		
		Agree	141(47.2%)		
		Strongly agree	55(18.4%)		
		Total	299(100%)		

Source: own survey, 2015

Table 9 describes summarized the respondents' opinion on the customer perspectives. From the study result the impact of implementing BSC in the customer perspectives of the bank indicted that the average mean value was 3.384. Similarly, the mean value of the service delivery time , declined customer compliance and attracting new customers were 3.85, 3.70 and 3.64 respectively. This indicted that the respondent reply positively about the achievements of customer perspectives and some of the parameters of customer perspectives after BSC implementation in the bank. However, the rest parameters of customer perspectives mean value showed that the respondents were not agree about the achievements. On the other hand, when we look at the percentage of the respondents in all case of the customer perspectives parameters shows there was achievement after the BSC implementation the bank.

4.5.4 Learning and growth perspectives

Table 10 Employee response on learning and growth perspectives

Item	statement	Item	No (%)	Mean	STD
I	BSC gives much concern to the advancement of your career development	Strongly Disagree	78(26.1%)	2.65	1.323
		Disagree	72(24.1%)		
		Neutral	50(16.7%)		
		Agree	74(24.7%)		
		Strongly agree	25(8.4%)		
		Total	299(100%)		
II	The training given on balanced score card implementation is inadequate	Strongly Disagree	23(7.7%)	3.75	1.287
		Disagree	36(12%)		
		Neutral	47(15.7%)		
		Agree	79(26.4%)		
		Strongly agree	114(38.1%)		
		Total	299(100%)		
III	The training program given for me is appropriate to enhance my performance in work	Strongly Disagree	98(32.8%)	2.48	1.314
		Disagree	65(21.7%)		
		Neutral	48(16.1%)		
		Agree	71(23.7%)		
		Strongly agree	17(5.7%)		
		Total	299(100%)		
IV	I have taken all necessary support to improve myself through training	Strongly Disagree	102(34.1%)	2.36	1.312
		Disagree	81(27.1%)		
		Neutral	50(16.7%)		
		Agree	39(13%)		
		Strongly agree	27(9%)		
		Total	299(100%)		
V	The working environment is suitable to develop my job, knowledge and ability to advance my career	Strongly Disagree	115(38.5%)	2.47	1.455
		Disagree	62(20.7%)		
		Neutral	19(6.4%)		
		Agree	73(24.4%)		
		Strongly agree	30(10%)		
		Total	299(100%)		
VI	Since the implementation of balanced scorecard, how often do you have training or educational programs to update your skill?	Always	15(6%)	3.31	0.789
		Often	16(5.4%)		
		Sometimes	130(43.5%)		
		Never	138(46.2%)		
		Total	299(100%)		

Source: own survey, 2015

The above table describes respondents' opinion on concerning learning and growth perspectives. From the study result indicted the average mean value of learning and growth perspectives was 2.83. Likewise, from the table result reviled that the mean value of the all the parameters of learning and growth perspectives lies on the disagreement level. This indicted that the respondent reply negatively about the achievements of learning and growth perspectives. Similarly, the percentages of the respondent reviled after the implementation of the BSC in the bank the employees were not given appropriate training on balanced scorecard implementation. As a result the bank learning and growth perspectives were not improved as expected.

In addition to that the respondents are not comfortable with the working environment to develop my job, knowledge and ability to advance their career. If a company wants to implement the Balanced Scorecard properly and reap all the benefits this concept may bring, people should first learn about it. Niven (2006) noted that organizations, after deciding to implement the Balanced Scorecard, conceive that it can be done without much learning. According to him, due to its seeming simplicity, people in charge very often conclude that thorough education and training are not required. Such a conclusion will permanently harm the BSC initiative and lead to failure. The reason is quite simple. The Balanced Scorecard is very often introduced because of its attractive design and popularity: put your strategy into four (or sometimes five) perspectives and results will very soon follow. However, the Balanced Scorecard implementation in-depth education and training are needed.

Niven(2006). Due to limited budgets or because of the perceived simplicity of the tool, BSC education and training are very often preserved only for high-level managers or only for project team members. The essence of any BSC initiative is to lead people throughout the organization to implement the strategy. If those people do not understand the tool in depth, there is no chance that they will find the right path to do this.

From above interpretation, the researcher can conclude that commercial bank of Ethiopia fails to give adequate training on balanced scorecard implementation as well as other training or educational programs to update employee's skill and improve themselves for better performance. BSC implementation in commercial bank of Ethiopia gives less concern for career development to enhance employee's effort to their assigned task.

On the other hand the working environment in commercial bank of Ethiopia is not suitable to develop employee's knowledge and ability to advance my career. Therefore, the bank gives less attention for the improvements of learning and growth of its employees.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Major Findings

The study was conducted to assess the practice and challenges of balanced scorecard implementation in commercial bank of Ethiopia. In order to attain these, relevant data were gathered through questionnaire and interview with 299 permanent employees at head office and strategy and planning manager of commercial bank of Ethiopia respectively. The data were analyzed with the aid of descriptive statistics (percentage), mean and standard deviation. Based on the discussion of the data, the following summaries of findings are drawn:

- Regarding Performance evaluation system in commercial bank of Ethiopia (72.9%) of the respondents disagrees that the evaluation system differentiate effective performer from non-performer. As a result of this more than 70% of the respondents are not satisfied with the evaluation system in commercial bank of Ethiopia and based on the (62.5%) of respondents believe that evaluation system in commercial bank of Ethiopia does not serve its purpose similarly.
- (50.5%) of the respondents disagree about key performance indicators in used in commercial bank of Ethiopia properly measures their performance. Similarly 49.5% of the respondents believe that BSC implementation was linked to departmental, team and individual goals but this cascaded goals and targets was somehow difficult to attain. (45.2%) of the respondents about existing personal target given as some how difficult to achieve therefore, this result showed that CBE does not consider the importance of collecting appropriate information from different sources before the target setting, individually cascaded targets in commercial bank of Ethiopia are unrealistic and unattainable.
- Concerning Employees level of understanding on vision, mission and values of CBE, The study result shows that, 62.8% and 23.41% of the respondents believed that they know the vision, mission & values of the bank similarly most employees have better understanding about their responsibilities, accountability & goals in the bank..Regarding employees' opinion the overall situation of the bank strategy execution & communication tool considered in this study. the result shows the average means value of their response was 2.86 and 2.46 with standard deviation of 1.372 and 1.408 respectively which indicates

that from the total respondent the majority of the respondents negatively replied on the statements strategies implementation in actionable ways to achieve CBE long term vision and the existence of two ways communication in the bank, majority of the respondents were disagreed their institution facilitate interactive two way of communication.

- The average mean and standard deviation of the overall rewarding system in the bank was 1.81 and 1.359 respectively and this indicted that the respondents were disagree on the attractiveness of rewarding system of the bank. This implies that the reward system was not tied to their performance. Likewise, the mean and standard deviation value as 4.06 and 1.155 respectively this indicates that the level of satisfaction on rewarding system of the bank compared to their effort was not satisfactory, similarly the mean value of employees' motivation exert their efforts in balanced scorecard implementation implies that 2.04, and this result implies that employees lack motivation to successfully exert their efforts in balanced scorecard increasingly. But the mission statement of the bank emphasize that in order to be a world class bank of Ethiopia by the year 2025, the bank aimed to have highly motivated, skilled and disciplined employees But the employee level of motivation concerning balanced scorecard implementation is less than expected.
- Study result reveals that more than 41% believes that Commercial bank of Ethiopia lacks good IT support that helps to execute company strategy. Therefore the existing IT support in commercial bank of Ethiopia is not effectively support balanced scorecard implementation in order to update the progress of strategy execution based on current and operationally relevant information.
- Regarding resource allocation in the bank was indicted that 3.52 and 0.928 mean and standard deviation respectively. And also 69.6 % of the respondents believed that the bank allocated appropriate resources for the implement of BSC.
- Based on 84.9% of the total respondents believe, after balanced scorecard implementation employees are participated in meeting with their supervisor but the employees don't discuss about progress towards the achievements of balanced scorecard in meeting with their managers.. 45.8% of the respondents thought that commercial bank of Ethiopia has properly identified working method and processes exist in my institution in order to implement BSC so that the majority of the respondents believed that the result of their work was directly linked to organizational strategy.

- The average mean for financial perspectives was 3.58 and this implies that after balanced scorecard implementation started Commercial bank of Ethiopia achievements on financial performance, revenue growth and market share in banking industry is increased. Concerning financial measurement (51.2 %) of respondents agreed that BSC implementation helps bank to use its resource effectively and (51.2%) of the respondents believe that BSC implementation improves revenue growth as well as sustainable market share in the banking industry. therefore the use of balanced scorecard implementation brings financial improvement in the bank.
- The average mean and the mean value of internal business perspectives and internal business perspectives parameters such as service delivery and achievement of strategic goals was 3.373, 3.40 and 3.13 respectively. This indicted that they were not sure there was improvements in the bank. However, the mean value of customer needed which was the internal business perspectives parameters was 3.59. This implies the respondent believed that there was improvement of customer need after BSC implementation in the bank.
- The mean value of the service delivery time, declined customer compliance and attracting new customers were 3.85, 3.70 and 3.64 respectively. This indicted that the respondent reply positively about the achievements of customer perspectives and some of the parameters of customer perspectives after BSC implementation in the bank. 72.9%) of the respondents believe that they know who are CBE customers and what kind of service they need and (65.5%) of the respondents observed that due to BSC implementation, the customer basis of the bank is improved Similarly, (34.8%) on the other hand believes that balanced scorecard improves service quality and reduces customer compliance and 58.5% of the respondents said that BSC implementation improves service delivery time. Therefore, balanced scorecard implementation brings improvement on customer service and reduces customer complains throughout the bank
- The average mean value of learning and growth perspectives was 2.83. Likewise, from the table result reviled that the mean value of the all the parameters of learning and growth perspectives lies on the disagreement level. This indicted that the respondent reply negatively about the achievements of learning and growth perspectives. Similarly, the percentages of the respondent reviled after the implementation of the BSC in the bank the

employees were not given appropriate training on balanced scorecard implementation. As a result the bank learning and growth perspectives were not improved as expected. More than half of the respondent BSC implementation does not gives much concern to the advancement of their career development. (79.5%) of the respondents does not agree that the training given concerning balanced scorecard implementation is enough. Similarly most of respondents believe that the training program given commercial bank of Ethiopia is not appropriate to enhance their performance and to develop their job, knowledge and ability to advance their career. Based on the findings balanced scorecard implementation in CBE does not give much focus on carrier development of employees and necessary support to enhance their performance through training and educational program is not as much as necessary.

5.2 Conclusion

Based on the results of this study, different factors were identified as responsible for the practice and challenges after balanced scorecard implementation in the bank. The current study demonstrated that after BSC implementation the impact is negative on the performance evaluation system in the bank as well as the key performance indicators are not measured the performance of the individual and the bank progress. Concerning the target given to the individual workers was not considered the internal capacity of the bank consequently the target is unattainable and unrealistic. Though, the strategy execution of the bank is not implemented in actionable ways. From the study result we can conclude that employees' level of understanding on vision, mission and values of the bank as well as their responsibilities, accountability & goals after BSC implementation is high. However, the existing communication system is poor as a result it does not facilitate interactive way of communication. Furthermore the existing IT support not effectively support balanced scorecard implementation in order to update the progress of strategy execution based on current and operationally relevant information.

Due to the fact that the rewarding system is not tied to employee, the compensation package is not adequate compared to their performance Therefore it is not attractiveness. This implies the rewarding system affects the employees' motivation to successfully exert their efforts towards balanced scorecard. Resources are allocated appropriately and the working method and processes existing properly identified in order to implement BSC. After balanced scorecard implementation employees are participated in meeting with their supervisor but the employees don't discuss about progress towards the achievements of balanced scorecard in meeting with their managers. Commercial bank of Ethiopia achievements on financial performance, revenue growth and market share in banking industry is increased. Moreover, most of the employees are found to be neutral (neither agreed nor disagreed) regarding the improvements on service delivery and achievement of strategic goals (internal business unit perspectives).likewise, the service delivery time, customer compliance and customer retention are improved. Hence, BSC has positive impact for that matter to these areas (i.e. financial, customer and internal business unit perspectives).on the other hand, BSC implementation has negative impact regarding to the learning and growth perspectives as a result bank does not gives much concern to the advancement of their career development and the employees are not given appropriate training to enhance their performance and to develop their job, knowledge and ability to advance their career.

5.3 Limitation of the Study

The researcher had faced different limitations in the process of collecting relevant information such as lack of cooperation of the respondents and their commitment to complete filling the questionnaires as well as delaying in responding the questionnaires. The lack of relevant and up to date literature, lack of localized previous research papers in the area was also major constraints in this study.

5.4 Recommendations

Based on the conclusions of the finding, the following suggestions were forwarded to commercial bank of Ethiopia related to balanced scorecard implementation challenges.

- Since the finding of study proofed that the performance evaluation system in commercial bank of Ethiopia does not satisfy the majority of the respondents due to the evaluation system does not differentiate effective performer from non-performer and it does not focus on improvement of performance. Therefore CBE need to have a systematic framework to ensure that performance evaluation to be “fair” and “consistent”. Therefore, CBE should focus on designing effective performance evaluation system” that encourage employees commitment towards the achievement of organizational goals. Appropriate performance management policy and strategy, whereby employees are encouraged to participate in the formulation of standards against which their performance is evaluated and the employees along with their supervisors closely follow progress towards accomplishment of objectives, would be advantageous. Therefore, the bank should encourage the participation of its employees in the design of the form that is used to evaluate the performance of the workers and The performance evaluation system of the bank should be designed in such a ways that it is future oriented and focused on the long term developmental benefits rather than focusing on the controlling aspect only which is short term in nature.
- Note that targets given to individuals are unattainable and unrealistic; Commercial bank of Ethiopia should revise individually cascaded targets used to measures performance of individual and company progress. In order to set performance target CBE should gather appropriate information sources available from Employees, trend analyses, executive interviews, assessments, stakeholder feedback, industry averages, and benchmarking are all possible origins of potential targets. Therefore, Commercial bank of Ethiopia

managers should study the target given periodically to its employees and need to reexamine the attainability of targets provided to employees in different level.

Similarly, Key performance indicators used in commercial bank of Ethiopia is not significantly measures both individual as well as the organization. The bank should conduct further research to find best way of mastering the current problem related to key performance indicators and it would perfectly acceptable to collect the metric data, as analysis can help pinpoint the root cause of KPIs used in commercial bank of Ethiopia inappropriate to measure individual performance and company progress.

- CBE should work more on creating interactive two way communication system that develop smooth communication within the organization, develop employee commitment and sense of belongingness and CBE also focus on create better understanding through regular meetings to ensure that balanced scorecard brings good progress towards achieving the strategy executed in actionable way.
- To attain its organizational objectives and motivate employees towards better performance, attract and retain competent employees the current compensation and benefit package of Commercial Bank of Ethiopia should be revise and improved. The focus of revision should also include the benefit packages should be way linked with individual performance that acknowledge employee contribution towards the overall organizational successes.
- Commercial bank of Ethiopia should strengthen the existing IT support with updated technology and professional staff to maintain balanced scorecard implementation with relevant information.
- As discovered from the findings, out of the four balanced scorecard perspectives Financial, Internal Business and customer perspectives showed improvements whereas there is no considerable improvements on learning and growth perspectives, therefore Commercial Bank of Ethiopia should design learning and development program for its employees through training and educational programs. Beside this CBE should work on creating suitable working environment for carrier development.

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Appendix A: survey questionnaire



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM**

Questionnaire to be filled by commercial bank of Ethiopia staff at head office.

Researcher: Hiwot Tadesse T/Aregay (hiwottadesse133@gmail.com & (+251913596854)

Research topic: The practices and challenges of balanced scorecard implementation in commercial bank of Ethiopia.

Dear respondents;-

I would like to express my sincere appreciation for your generous time and honest prompt responses.

Objective: This questionnaire is designed to collect information about the existing practices and challenges of balanced scorecard implementation in commercial bank of Ethiopia. The information that you respond shall be used as a primary data in my case research which I am conducting as partial requirements of master's degree at St Mary's university under business administration (human resource concentration).

Therefore, the information gathered will be used fully and with due attention for academic purpose only and I would like to assure you that the data collected will not be misused any ways.

General Instructions

- There is no need of writing your name.
- In all cases where answer options are available please tick (√) in the appropriate box.
- For questions that demand your opinion, please try to honestly describe as per the questions on the space provided.

- If the space provided is not enough for your opinions, please use the back side of the paper by writing the question number.

I. Personal Information

1. Your age
 18-25 26-40 41-55 55-60
2. Sex
Male Female
3. Highest formal education attended
High school graduate:
Technical school graduate:
College diploma:
Bachelor's Degree:
Masters Degree:
PhD other (please state _____)
4. Years of service in the organization
0-4 5-9 10-19 20-30 above 30 years
5. Your current position(Job grade) _____
6. Years of service on the current job _____

II. Please respond on the following questions to indicate your level of agreement with each of the identified issues associated with the implementation of a Balanced Scorecard. And put a tick mark (√) in the box in front of the items of your choice.

7. Have you ever been participated in meetings with your supervisor to discuss about your work/task since commercial of Ethiopia started balanced score card implementation?
 Yes No
8. If your response to question No - 1 is yes, how often is your opinion is accepted by your boss?
 Always Often Sometimes
9. As you know, the balanced scorecard is implemented in commercial bank of Ethiopia; do you think this will enhance your effort towards the achievements of the company's strategy?
 Yes No not sure

10. If your response to question No- 9 is no, why do you think it doesn't succeed? Please explain.-----

11. Since the implementation of balanced scorecard, how often do you have training or educational programs to update your skill?

Always Often Sometimes Never

12. How do you find your job and personal target after BSC implementation in your organization?

Interesting Routine
 Challenging but achievable somehow difficult to achieve

13 Do you think that the performance evaluation system of your organization is serving its purpose?

Yes No

14. Do you think that the performance evaluation system differentiates effective performer from non –performer at all levels?

Yes No

15. Are you satisfied with balanced scorecard as performance evaluation system in commercial bank of Ethiopia?

Yes No

16. If your answer is No for question no-15, what do you think the reason is? Please explain

III. In this part of the questionnaire, there are questions that are related challenges of BSC implementation and four perspectives of balanced scorecard. Therefore, you are required to give your opinion, to what extent your organization has done these activities to proper implement of BSC. Please use the following scale to indicate your level of agreement with each of the identified issues associated with the implementation of a Balanced Scorecard. And putting a tick mark (√) in the box in front of the items of your choice.

1= If You Strongly Disagree

2= If You Disagree

3= If You Don't Know (Neutral)

4= If You Agree

5= If You Strongly Agree

N_o	Please use the following scale to indicate your level of agreement with each of the identified issues related to factors that contribute to the success of the BSC implementation	1	2	3	4	5
Challenges of balanced scorecard implementation						
Vision barrier						
17	I know what are the vision ,mission and values of C.B.E					
18	I have clear line of sight among my responsibilities ,accountability & goals					
19	In my opinion the strategies are implemented in actionable ways to achieve CBE long term vision.					
20	I think BSC implementation has created effective two way communication in CBE.					
People barrier						
21	My actual performance is tied to rewards and it acknowledges my contribution for overall company success					
22	The rewarding system of the bank is not satisfactory compared to my effort					
23	In my opinion employees lack motivation to exert their effort successfully implementing balanced scorecard					
Resource barrier						
24	The BSC implementation are linked to departmental, team and individual goal					

25	My institution has ineffective IT support to implement BSC properly					
26	Allocating appropriate resources for the building up and sustaining of the BSC implementation is good in CBE.					
Management barrier						
27	I have frequently meeting with managers to discuss the progress towards the achievements of balanced scorecard					
28	Properly identified working method and processes exist in my institution in order to implement BSC					
29	I know that the results of my work are linked to the organizational strategy					
30	Key performance indicators in CBE properly measures the bank's progress and performance of individual effort towards the achievements of the company strategy					
Financial Perspectives						
31	BSC implementation helps CBE to use its resource cost effectively					
32	Balanced scorecard implementation brings revenue growth and sustainable market share to my organization					
33	BSC implementation Improves Financial Performance of C.B.E					
Internal business unit perspectives						
34	Due to the implementation of BSC in CBE the service delivery time and effort is improved.					
35	BSC implementation improves achievement of Strategic Goals for my business unit					
36	BSC implementation is suitable to meet increasing diverse customer needs					
Customer perspectives						
37	I know who are CBE customers and what kind of service they need					
38	I always ask if my customers are satisfied or dissatisfied					
39	I have the right to make decisions to solve problems for my customers					
40	The implementation of balanced scorecard improves the service delivery of the organization.					
41	I think customers are satisfied by our service after the implementation of balanced scorecard					
42	The customer compliance is declined after balanced scorecard implementation					
43	The bank is attracting new customers due to suitable customer service					
Learning and growth perspectives						

44	BSC gives much concern to the advancement of your career development					
45	The training given on balanced score card implementation is inadequate					
46	The training program given for me is appropriate to enhance my performance in work					
47	I have taken all necessary support to improve myself through training					
48	The working environment is suitable to develop my job, knowledge and ability. so that I can advance my career					

IV. Additional Personal Opinions

1. Out of the above listed points, are there any other challenges your organization face after balanced scorecard implementation? Please list_____

2. In your opinion what are the achievements balanced scorecard in commercial bank of Ethiopia? _____

3. What do you recommend to solve the above problems in commercial bank of Ethiopia?

Appendix B: Interview

St Mary's University

School of graduate studies

MBA program

The following interview questions are designed to collect information about the perception of employees towards the practice and challenges of balanced scorecard implementation in commercial bank of Ethiopia. The information shall be used as primary data in my case research which I am conducting my MBA under business administration concentration in human resource management.

The research is to be evaluated in terms of its contribution to our understanding of the practices of balanced scorecard and its contribution to the improvement of these practices. Finally, your genuine, honest and prompt response is a valuable input for the quality and successful completion of the project.

List of interview questions:

1. When does the balanced scorecard implementation started in C.B.E?
2. Is enough training provided about balanced scorecard implementation and do employee has appropriate awareness about BSC?
3. What is the benefit gained for the bank after balanced scorecard implementation?
4. What are the challenges faced related to balanced scorecard implementation?
5. What measures are taken to overcome the above problems?
6. Does key performance indicators properly measure the bank's progress and performance of individual effort towards the achievements of the company strategy?
7. Does the performance evaluation is linked to rewarding system?

DECLARATION

I, the undersigned, declared that this project entitled “Practice and challenges of balanced scorecard implementation in commercial bank of Ethiopia (CBE)” is my original work. I have carried out this project work independently with the guidance and support of my project advisor. This study has not been submitted to any Degree/Diploma in any institutions, and that all sources of materials used for the study have been duly acknowledged.

Hiwot Tadesse T/aregay

Name

Signature

June 1,2015

Date

ENDORSEMENT

This thesis has been submitted to St. Mary's university, school of Graduate Studies for examination with my approval as a university advisor.

Advisor Signature

St. Mary's University, Addis Ababa

June, 2015