



ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

**ASSESSING THE CHALLENGES AND STRATEGIES OF BALANCED SCORECARD
PROGRAM IMPLEMENTATION IN THE CASE OF PHARMACEUTICALS FUND
AND SUPPLY AGENCY, ADDIS ABABA, ETHIOPIA**

BY

MULUWORK SETEGN

**JANUARY, 2016
ADDIS ABABA, ETHIOPIA**

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DECLARATION

I, Muluwork Setegn, hereby declare that this thesis is my original work, entitled “CHALLENGES AND STRATEGIES OF BALANCED SCORECARD PROGRAM IMPLEMENTATION IN THE CASE OF PHARMACEUTICALS FUND AND SUPPLY AGENCY” Submitted by me in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration (MBA) to the St. Mary’s University faculty of Business, this original work prepared under the guidance of my Advisor Dr. Temesgen Belayneh. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Muluwork Setegn

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St. Mary’s University, Addis Ababa

January, 2016

CERTIFICATION

This is to certify that this thesis entitled “CHALLENGES AND STRATEGIES OF BALANCED SCORECARD PROGRAM IMPLEMENTATION IN THE CASE OF PHARMACEUTICALS FUND AND SUPPLY AGENCY” submitted in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration (MBA) to the St. Mary’s University faculty of Business, done by Ms. Muluwork Setegn, Id.No.: SGS7/0296/2006B is an authentic work carried out by her under my guidance. Furthermore, this thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Advisor

St. Mary’s University, Addis Ababa

Signature

January, 2016

Table of Contents

Table of Contents.....	i
Acknowledgements.....	iii
List of Abbreviations/Acronyms.....	iv
List of Tables.....	v
List of Figures.....	v
Abstract.....	vi
CHAPTER ONE: INTRODUCTION	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem	3
1.3. Research Questions	4
1.4. Objectives of the study	4
1.4.1. General Objective.....	4
1.4.2. Specific Objectives.....	4
1.5. Significance of the Study	4
1.6. Scope of the Study	6
1.7. Organization of the Study	7
CHAPTER TWO: REVIEW OF RELATED LITERATURE.....	8
2.1. Introduction.....	8
2.2. Theoretical Review.....	9
2.2.1. Financial Perspective.....	16
2.2.2. Customer Perspective.....	17
2.2.3. Internal Business Processes Perspective.....	18
2.2.4. Learning and Growth Perspective.....	19
2.3. Empirical Review.....	21
2.4. Conceptual framework.....	23
CHAPTER THREE: RESEARCH DESIGN ANDMETHODOLOGY.....	24
3.1. Research Approach and Method.....	24
3.2. Sources of Data	24
3.3. Population of the Study	24
3.4. Sampling Technique and Sampling Size.....	24
3.5. Methods of Data Collection.....	25
3.6. Procedures of Data Collection.....	25
3.7. Validity and Reliability of Data Collection Tools Used.....	26
3.8. Ethical Considerations.....	26
3.9. Methods of Data Analysis.....	26

CHAPTER FOUR: RESULTS AND DISCUSSION.....	27
4.1. Results.....	27
4.2. Discussion.....	33
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	38
5.1. Summary.....	38
5.2. Conclusions.....	39
5.3. Limitations of the Study.....	40
5.4. Recommendations	40
References.....	42
Appendixes.....	vii
Appendix A: Sample Size Determination Using Krejcie and Morgan Table.....	vii
Appendix B: Sample Questionnaire.....	ix

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List of Abbreviations/Acronyms

ACHS-	Australian Council on Healthcare Standards
BPR-	Business Process Reengineering
BSC-	Balanced Scorecard
E.C-	Ethiopian Calendar
FMOH -	Federal Ministry of Health
FTE-	Full Time Equivalents
G.C-	Gregorian Calendar
PFSA-	Pharmaceuticals Fund and Supply Agency
ROI-	Net Operating Income
SPSS-	Statistical Package for Social Sciences

List of Tables

Table 4.1.1: Character of the population of Pharmaceuticals Fund and Supply Agency.....27
Table 4.1.2: Demographic Characteristic of Respondents28
Table 4.1.3: Summary of challenges of Pharmaceuticals Fund and Supply Agency.....30
Table 4.1.4: Major challenges observed by Pharmaceuticals Fund and Supply Agency.....32

List of Figures

Figure 2.2.4.1: Strategy maps for the balanced scorecard approach.....20
Figure 2.4.1: Conceptual framework23

ABSTRACT

The focus on balanced scorecard in Pharmaceuticals Fund and Supply Agency is becoming an efficient and effective performance management system to translate the Agency's vision into a clear measurable outcome that define success and that are shared throughout the Agency and with customers and stakeholders. The objective of the study is to assess the challenges and strategies of balanced scorecard program implementation at the Agency. Primary data was collected from employees of Pharmaceuticals Fund and Supply Agency. The sampling technique that was applied in this study is a facility based cross-sectional survey was conducted on around 44 professionals, managers and lower level managers from the major operation departments of the Agency. In addition, relevant data were collected from secondary sources. To determine the relative importance of variables the statistical package for social sciences (SPSS) was used. The results of the study reveal that having lack of commitment of management and employee, manpower skill gap, high attrition rate of trained employees, no effective and open communication with employees, technological challenges, lack of formal monitoring and evaluation system are the variables that are statistically significant and have influence on balanced scorecard program implementation at the Agency. The research paper is listed out the problem of BSC implementation on the Agency and showed all necessary recommendations. The Agency does not have any feedback mechanisms on the strategies of BSC implementation. Even in the Agency there was not a reform directorate that are to monitor and evaluate how the BSC implemented properly or not. The study aims to help the Agency to identify the challenging areas of BSC implementation.

Keyword: PFSA, Pharmaceuticals Fund and Supply Agency, BSC, Balanced Scorecard

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Pharmaceuticals Fund and Supply Agency is an Agency in Addis Ababa under the Ethiopian Federal Ministry of Health (FMOH). The Agency established in 2007 G.C. The Agency was established to ensure uninterrupted supply of quality assured pharmaceuticals to the public at affordable price through strengthening integrated supply chain system, enhancing financial and human resources capacity, evidence based quantification, efficient procurement, improved warehousing and inventory management, direct delivery to health facilities and promoting rational use of medicines.

Traditionally, many Federal agencies have measured their organizational performance by focusing on internal or process performance, looking at factors such as the number of full-time equivalents (FTE) allotted, and the number of programs controlled by the agency, or the size of the budget for the fiscal year. In contrast, private sector businesses usually focus on the financial measures of their bottom line: return-on-investment, market share, and earnings-per-share. Alone, neither of these approaches provides the full perspective of an organization's performance that a manager needs to manage effectively. But by balancing internal and process measures with results and financial measures, managers will have a more complete picture and will know where to make improvements.

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities with the vision and strategy of the organization, improve internal and external communications and monitor organization performance against strategic goals.

It was originated by Robert Kaplan and David Norton 1992 as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance.

The Balanced Scorecard has a group of financial and non-financial strategic measures and outputs measures and performance drives of those outputs which are connected together in a

series of causal relationships. But the basis for the design of the model is that the financial metrics and non-financial should represent part of information system in the different administrative levels.

The Balanced Scorecard is a tool that translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. The Balanced Scorecard is an approach for driving organizational improvement toward pre-selected goals which keeps track of progress through carefully selected measures. The Balanced Scorecard is also an integrated management system consisting of 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. The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.

The balanced scorecard philosophy need not apply only at the organizational level. A balanced approach to employee performance appraisal is an effective way of getting a complete look at an employee's work performance, not just a partial view. Too often, employee performance plans with their elements and standards measure behaviors, actions, or processes without also measuring the results of employees' work. By measuring only behaviors or actions in employee performance plans, an organization might find that most of its employees are appraised as Outstanding when the organization as a whole has failed to meet its objectives.

By using balanced measures at the organizational level, and by sharing the results with supervisors, teams, and employees, managers are providing the information needed to align employee performance plans with organizational goals. By balancing the measures used in employee performance plans, the performance picture becomes complete. Performance measurement systems play a key role in evaluating the strategic performance of an organization, but many managers agree that their evaluation systems do not adequately fulfill this function. Hence, in recent years a shift towards the Balanced Scorecard (BSC) has emerged as a managerial approach to evaluate the strategic performance of the organization. The purpose of this study is to contribute to the understanding of how Balanced Scorecard is applied and

improving the performance management of Pharmaceuticals Fund and Supply Agency at Addis Ababa city.

1.2. Statement of the problem

The shift from an industrialized economy to a knowledge/information economy has necessitated a change in how value is determined. According to management researchers, value is now associated more with intangible assets (employees/knowledge) than traditional tangible assets (equipment/plant). The Balanced Scorecard has been presented by Robert Kaplan and David as a performance measurement approach of a strategic, including group of performance measures that relate to four aspects which are: financial performance, customer relations, operations, internal operating systems, learning and growth systems (Kaplan and Norton 1992).

The Pharmaceuticals Fund and Supply Agency established in 2007 G.C. The Agency has been introducing and implementing the BSC program from 2013 GC/2005 EC/ up to now. However, very little has been known about the effectiveness of the balanced scorecard system in the Agency. It has been conducted the preliminary study to identify the gaps of the implementation of balanced scorecard at Pharmaceuticals Fund and Supply Agency. As the result of the preliminary study there are major challenges for the implementation of balanced scorecard at the Agency. The following list shows problems that cause the initiation of this research were lack of senior management and employee commitment on the implementation of balanced scorecard, lack of skilled manpower on how to practice and implement balanced scorecard at all levels of the Agency, a very little understanding about the effectiveness of balance scorecard at all levels of the Agency, there is no balanced scorecard reform directorate at the Agency, all employees of the Agency do not get balanced scorecard training and high attrition rate of trained employee.

Thus, the purpose of this study is to examine the challenges and strategies of balanced scorecard program implementation in order to create the Agency is healthy, balanced, efficient and effective to provide services to its customers as well as its employees. To propose possible solution to address the above challenges and problems that will give effective implementation of balanced scorecard at the Agency.

1.3. Research Questions

This study tried to address the following basic research questions:

- ✓ What are the challenges to implement the balanced scorecard in relation to senior management and employees' commitment?
- ✓ Is there any structural challenge faced by the Agency in BSC implementation?
- ✓ What are the technological challenges to implement BSC tool?
- ✓ Is there manpower skill gap in the implementation of balanced scorecard?
- ✓ What are the balanced scorecard implementation strategies adopted by the Agency?
- ✓ Does the Agency give weight to the financial perspective of Balanced Scorecard?

1.4. Objectives of the study

1.4.1. General Objective

- ✓ The main objective of the study is to assess the challenges and strategies of Balanced Scorecard Program implementation at Pharmaceuticals Fund and Supply Agency, Addis Ababa, Ethiopia.

1.4.2. Specific objectives

- ✓ To assess the challenges to implement the balanced scorecard at the Agency.
- ✓ To assess the structural issues of the agency's BSC implementation.
- ✓ To assess the technological issues of the agency's BSC implementation.
- ✓ To assess the manpower skill gap on the balanced scorecard implementation.
- ✓ To assess the Agency's BSC implementation strategies.

1.5. Significance of the study

The Agency couldn't measure the employee's work performance regularly. So, this study is helps to strengthening how to apply balanced scorecard and the effectiveness of balanced scorecard by evaluating the challenges and strategies of the balanced scorecard program implementation in Pharmaceuticals Fund and Supply Agency at Addis Ababa.

The research study is also help to create an efficient and effective performance management system to translate the Agency's vision into a clear measurable outcome that define success and that are shared throughout the Agency and with customers and stakeholders.

It also provides a tool for assessing, managing and improving the overall health and success of the supply of pharmaceuticals and medical supplies service and it includes measure of quality, cost, speed, customer service and employee alignment, motivation and skills to provide an in-depth, predictive performance management system.

When the research study is conducted on the challenges and strategies of balanced scorecard program at Pharmaceuticals Fund and Supply Agency, it can realize the benefits of the balanced scorecard and encourages the adoption of the balanced scorecard for all key Agency functions.

Understanding of the effectiveness of balanced scorecard program at the Agency-wide will provide:

- A common methodology and coordinated framework for all agency performance measurement efforts.
- A common language for Agency managers.
- A common basis for understanding measurement results and an integrated picture of the Agency overall.

So, evaluating the challenges and strategies of balanced scorecard program implementation at Pharmaceuticals Fund and Supply Agency is important to develop the balanced scorecard for additional functions will strengthen the link among the acquisition system and the Agency's mission and goals. In order to solve the problems of the Agency, the researcher concluded that the study area is assessing the challenges and strategies of balanced scorecard program implementation at Pharmaceuticals Fund and Supply Agency, Addis Ababa city.

Performance measurement systems play a key role in evaluating the strategic performance of an organization, but many managers agree that their evaluation systems do not adequately fulfill this function. In the past few years, Pharmaceuticals Fund and Supply Agency has been in the process of implementing many reforms to improve the supply of quality assured pharmaceuticals and medical supplies at affordable price in sustainable manner to health facilities, reduce wastage and improve timeliness. Some of the major reforms have included Business Process Reengineering (BPR). Hence, in recent years a shift towards the Balanced Scorecard (BSC) has emerged as a managerial approach to evaluate the strategic performance of the organization. These reforms are intend to increase service giving capacity of the Agency and improve the

satisfaction of customers in order to achieve the intended satisfaction the Agency leaders struggled to maintain the momentum for change as the reforms required additional work for most staff.

The purpose of this study is to contribute to the understanding of how Balanced Scorecard is applied and improving the performance management of Pharmaceuticals Fund and Supply Agency at Addis Ababa city.

The Balanced Scorecard is a tool that translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. So, the Pharmaceuticals Fund and Supply Agency has been practicing the Balanced Scorecard system from 2013 G.C/2005 E.C/ up to now. However, there are challenges and problems of the implementation of Balanced Scorecard program in the Agency. Though, this study is aimed at to assess the challenges and strategies of the Balanced Scorecard program implementation at Pharmaceuticals Fund and Supply Agency, Addis Ababa city.

1.6. Scope of the study

The study only conducted on Pharmaceuticals Fund and Supply Agency at Addis Ababa city in order to assess the challenges and strategies of the balanced scorecard program implementation. In this study only the Agency staffs are directly participated. The sources of data were employee of the Agency, which included 13 managers and 31 professionals. The researcher only considered 44 respondents from the total population of the study. The researcher believed that standard questionnaire, interview and secondary data collection methods were enough to examine the challenges and strategies of balanced scorecard program implementation. Descriptive statistics was used to analyze the data. Challenges of the BSC implementation, structural and technological issues and balanced scorecard implementation strategies adopted by the Agency are the major areas on this study.

1.7. Organization of the Study

This study consists of five major chapters. The first chapter deals with introductory part which consists of background of the study, statement of the problem, research questions, research objective, significance of the study, scope of the study and organization of the study. The second chapter contains review of related literatures including introduction, theoretical review, empirical review and conceptual framework for analysis. Research approach and method, sources of data, population of the study, sampling technique and sample size, methods of data collection, procedures of data collection, validity and reliability of data collection tools used, ethical considerations and methods of data analysis are included under chapter three. The fourth chapter deals with the results and discussion. Summary, conclusions, limitations and recommendations were presented in chapter five.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

The Balanced Scorecard is a performance management tool that enables a company to translate its vision and strategy into a tangible set of performance measures. However, it is more than a measuring device. The scorecard provides an enterprise view of an organization's overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning, and innovation. Kaplan and Norton describe the innovation of the balanced scorecard as follows: "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation [KN96b]."

The Conceptual Foundations of the Balanced Scorecard, the first article on the Balanced Scorecard was published in 1992 by Kaplan and Norton (Kaplan and Norton, 1992). Since then, use of the Balanced Scorecard has grown dramatically as a key strategic management system and is now widely recognized internationally. It is used in private, not-for-profit and public sector organizations, of all sizes and types. For example, in the Bain and Company 2008 global survey of 1,430 international executives from companies in a broad range of industries, it was found that the Balanced Scorecard was the sixth most used of 25 management tools (Rigby and Bilodeau, 2009). The same survey showed it had the eighth highest satisfaction rating (3.83/5.00) and that it was used by around 50% or more of surveyed companies in all major world regions. Interestingly, the highest levels of satisfaction were in healthcare. It has also been quoted as being one of the most important management ideas in the last seventy-five years by the Harvard Business Review (Meyer, 2003). Kaplan and Norton led a research study of a lot of companies with the purpose of exploring the new methods of performance measurement. The importance of the study was a growing belief that financial measures of performance were ineffective for the modern business enterprise. Representatives of the study companies, along with Kaplan and

Norton, were convinced that reliance on financial measures of performance had an effect on their ability to create value. The group discussed a number of possible alternatives but settled on the idea of a scorecard, featuring performance measures capturing activities from throughout the organization—customer issues, internal business processes, employee activities, and of course shareholder concerns. Kaplan and Norton introduced the new tool the Balanced Scorecard and later summarized the concept in the first of three Harvard Business Review articles, “The Balanced Scorecard—Measures That Drive Performance.” The Balanced Scorecard has been translated and effectively implemented in both the nonprofit and public sectors. It was originally created primarily as a measurement system and as an answer to a criticism concerning the unilateral measurement of the performance ability of a company.

2.2. Theoretical Review

Over the past decade, the nature of the BSC has evolved. As companies have used the methodology and achieved tangible results, the role of the BSC has grown to become the foundation of an integrated and iterative strategic management system. The BSC has become a framework for implementing and managing strategy at all levels of an organization. Since the concept was introduced in 1992, BSCs have been implemented at corporate, strategic business unit, departmental, shared-service, and individual levels at hundreds of organizations worldwide, in both private and public business and healthcare sectors (Voelker K. E., Rakich J. S., French G. R., 2001).

The starting point of the Balanced Scorecard is the vision and the strategy of a company. The Balanced Scorecard takes the vision and the strategy as a given - the BSC should translate a business unit’s mission and strategy into tangible objectives and measures.

The measurement focus of the Balanced Scorecard is used to accomplish the following management processes: 1) clarifying and translating vision and strategy, 2) communicating and linking strategic objectives and measures, 3) planning, setting targets and aligning strategic initiatives and 4) enhancing strategic feedback and learning. The measures function as a link between the strategy and operative action. The core question is the selection of goals and measures to monitor the implementation of the vision and the strategy. Kaplan and Norton recommend a nine-step process for creating and implementing the balanced scorecard in an organization.

1. Perform an overall organizational assessment.
2. Identify strategic themes.
3. Define perspectives and strategic objectives.
4. Develop a strategy map.
5. Drive performance metrics.
6. Refine and prioritize strategic initiatives.
7. Automate and communicate.
8. Implement the balanced scorecard throughout the organization.
9. Collect data, evaluate, and revise.

There are many benefits and challenges to the balanced scorecard. The primary benefit is that it helps organizations translate strategy into action.

By defining and communicating performance metrics related to the overall strategy of the company, the balanced scorecard brings the strategy to life. It also enables employees at all levels of the organization to focus on important business drivers.

The issues of poor strategic implementation, and the reliance on financial measures only to judge the strategic performance of the organization motivated Kaplan and Norton to propose the Balanced Scorecard as a tool to link performance measures by looking at the business's strategic vision from four different perspectives: Financial, Customer, Internal Processes, and Learning and Growth. The Balanced Scorecard is intended to document a strategic logic in terms of cause and effect relationships between the current activities of an organization and its long-term success.

While the increase in measurement within healthcare over the past 20 years is a very positive development, some general comments can be made about these measurement systems generally, and measurement using the Balanced Scorecard.

- Many health measurement systems have a particular focus and usually do not reflect the organization's strategy or progress towards achieving that strategy.
- They are often disconnected, poorly defined and stored in databases that are challenging to link together.
- They often do not have a clear cause and effect logic between various components of what is being implemented and measured.

- They are usually much more operational.
- While there can be some overlap (particularly with cascaded Balanced Scorecards at a department level) between ‘operational’ measures and ‘strategic’ measures, it is important that the Balanced Scorecard measures are limited and strategic as there is usually strong pressure for ‘measure proceed slowly’.

The Balanced Scorecard enables managers to view the well-being of the business from four important perspectives or quadrants. Each quadrant of the scorecard reports performance measures directly related to the corporate vision in the form of key performance measures or indicators (KPI).

The Balanced Scorecard is a mechanism for translating an organization’s vision and strategy into a coherent set of objectives and performance measures. It uses measurement to communicate the drivers of current and future success.

The four perspectives of the Scorecard provide a balance between short term and long term objectives, between desired outcomes and the drivers of those outcomes, and between objective and subjective performance measures. Many measurement frameworks advocate a balanced range of measures. The Balanced Scorecard is prescriptive about this range, and about how one perspective defines the drivers of the next. As an organization is viewed from each perspective, different measures of performance are important. Every perspective in a complete Balanced Scorecard contains a set of objectives, measures, targets and actions. These measures are displayed graphically in performance dashboards. In addition, each measure in each perspective must be linked to the organization’s overall strategy.

The indicators of performance in each of the four perspectives must be both leading (predicting the future) and lagging (reporting on performance today). Indicators also must be obtained from inside the organization and from the external environment.

Although many think of the balanced scorecard as a reporting technique, its true power comes from its ability to link strategy to action. Balanced Scorecard practitioners develop strategy maps that link projects and actions to outcomes in a series of maps. These maps display the “theory of the company” and can be evaluated and fine-tuned.

Balanced Scorecards, when developed as strategic planning and management systems, can help align an organization behind a shared vision of success and get people working on the right things and focusing on results. A scorecard is more than a way of keeping score. It is a system, consisting of people, strategy, processes, and technology. One needs a disciplined framework to build the scorecard system. This article is the first in a series describing how to build and implement a balanced scorecard system using a systematic step-by-step approach.

“Balanced Scorecard” means different things to different people. At one extreme, a measurement-based balanced scorecard is simply a performance measurement framework for grouping existing measures into categories, and displaying the measures graphically, usually as a dashboard. The measures in these systems are usually operational, not strategic, and are used primarily to track production, program operations and service delivery (input, output, and process measures). At the other extreme, the balanced scorecard is a robust organization-wide strategic planning, management and communications system. These are strategy-based systems that align the work people do with organization vision and strategy, communicate strategic intent throughout the organization and to external stakeholders, and provide a basis for better aligning strategic objectives with resources. In strategy-based scorecard systems, strategic and operational performance measures (outcomes, outputs, process and inputs) are only one of several important components, and the measures are used to better inform decision making at all levels in the organization. In strategy-based systems, accomplishments and results are the main focus, based on good strategy executed well. A planning and management scorecard system uses strategic and operational performance information to measure and evaluate how well the organization is performing with financial and customer results, operational efficiency and organization capacity building. (Veronica Martinez,(June 1996). Executive Guide, Effectively Implementing the Government Performance and Results Act. GAO/GCD-96-118. General Accounting Office).

Performance measurement balanced scorecards are not very interesting, and add little business intelligence to help an organization chart strategic direction and measure the progress of strategic execution.

Strategy is about choice. Companies cannot meet the expectations of all their possible customers. Wal-Mart meets the apparel needs of one market segment of customers (price sensitive), Nordstrom meets the needs of another segment (customer relationships and solutions), and

Armani and Ferragamo meet the expectations of a third segment (product-leading fashion, fabric, and fit; price-insensitive). Similarly, customers of Southwest Airlines have different expectations of performance than the business and first class customers who fly British Airways. Strategy determines which customers the company has decided to serve and the value proposition that it will offer to win the loyalty of those customer segments. The determination of strategy must come before defining measures of customer satisfaction and loyalty. Otherwise, following the recommendations of the stakeholder theorists, the company would attempt to meet the expectations of all the existing and potential customers it could serve, getting stuck “in the middle,” as described by Michael Porter, with both a high cost and a non-differentiated approach, a recipe for strategy failure. A similar situation occurs for employees. The Balanced Scorecard deliberately did not label its fourth perspective the “employees” or “people” perspective, choosing a more generic name, “learning and growth,” to signal that we were not taking a pure stakeholder approach. Under the BSC approach, employee objectives always appear (in the learning and growth perspective) but they get there because they are necessary for the strategy, not because someone has labeled them as a “stakeholder.” Consider a pharmaceutical company in the early 1990s. One of its most important groups of employees (what we would subsequently call a strategic job family) is the chemists performing research to screen and identify new compounds to treat specific diseases. The stakeholder approach would interview these key employees to learn their career expectations and develop a strategy that would meet their expectations and strive to continually motivate and satisfy these employees. During the 1990s, however, and continuing into this century, the key scientific discipline for new drug development shifted from chemistry to biology. The new key employees became molecular biologists and geneticists. Pharmaceutical companies shifted their strategies to adapt to the new technologies; the fate of their previous key stakeholder, Ph.D. chemists, became more tenuous, especially if they did not acquire dramatic new capabilities and competencies so that they could contribute to new drug development. Again, the stakeholder view would lock the company into maintaining relationships with its soon-to-be-obsolete employee group and not moving swiftly enough to reflect that it needed entirely new employees to help it implement the new strategy. Stakeholder theorists also criticize the Balanced Scorecard for not having a separate perspective for suppliers, one of their five essential stakeholder groups. But as with employees, suppliers get on the scorecard (typically in the Process perspective) when they are essential to the strategy. So

companies, such as Wal-Mart, Nike and Toyota, for whom suppliers provide a critical component in creating sustainable competitive advantage, would certainly feature supplier performance in their strategy maps. But, consider a company like Mobil US Marketing and Refining, whose main suppliers are petroleum exploration and production companies, providing a commodity, such as crude oil, and construction companies, who build refineries and pipelines. These suppliers provide essential products and services but don't provide any differentiation or support of Mobil's strategy. Similarly, a community bank following a customer intimacy strategy gets its raw material, money, from the US Federal Reserve system. Suppliers are not a critical component of its strategy. So Mobil USM&R and the community bank may not feature suppliers on their scorecards because they don't contribute to the differentiation and sustainability of their strategies. Again, strategy precedes stakeholders and, in this case, may reveal that one of the stakeholder categories is not decisive for the strategy.

Finally, the Balanced Scorecard does include performance in communities as process perspective objectives when such performance does contribute to the differentiation in the strategy (Kaplan and Norton, 2003). This view matches that articulated by Michael Porter when he advocates that environmental and social performance be aligned to and support the company strategy (Porter and Kramer, 1999, 2006). Occasionally companies do not want shareholder value to be the unifying paradigm for its strategy. That's ok; it's their choice. They don't have to abandon the Balanced Scorecard methodology and switch to the stakeholder view. They can use a strategy map and Balanced Scorecard to articulate their strategy that attempts to simultaneously create economic, environmental and social value, and to balance and manage the tensions among them. This is exactly the path taken by Amanco, a Latin American producer of water treatment solutions, whose founding shareholder believed deeply in triple-bottom line performance. In summary, stakeholder theory was useful to articulate a broader company mission beyond a narrow, short-term shareholder value-maximizing model. It increased companies' sensitivity about how failure to incorporate stakeholder preferences and expectations can undermine an excessive focus on short-term financial results. The Balanced Scorecard, however, incorporates stakeholder interests endogenously, within a coherent strategy and value-creation framework, when outstanding performance with those stakeholders is critical for the success of the strategy. The converse is not true for stakeholder theory. It does not enable companies to develop a strategy when some of the existing "stakeholders" are no longer essential or even desirable in

light of changes in the external environment and internal capabilities. Financial metrics, ultimately, will increase if companies' performance improves. And to optimize long-term shareholder value, the firm had to internalize the preferences and expectations of its shareholders, customers, suppliers, employees, and communities. The key was to have a more robust measurement and management system that included both operational metrics as leading indicators and financial metrics as lagging outcomes, along with several other metrics to measure a company's progress in driving future performance. ("Amanco: Developing the Sustainability Scorecard," HBS Case # 107-038).

Company executives continually told us that their highest priority was implementing their strategy. We came to recognize that before selecting metrics, companies should describe what they were attempting to achieve with their strategies, and, further, that the four BSC perspectives provides a robust structure for companies to express their strategic objectives. The financial objective would include a high-level objective for sustained shareholder value creation and supporting sub-objectives for revenue growth, productivity, and risk management. The customer perspective would include objectives for desired customer outcomes, such as to acquire, satisfy, and retain targeted customers, and to build the share of their spending done with the company. In addition to these somewhat generic lagging measures of customer performance, we recognized that companies needed to express objectives for the value proposition they offered customers. The value proposition, the unique combination of price, quality, availability, ease and speed of purchase, functionality, relationship and service, was the heart of the strategy, what differentiated the company from its competitors or what it intended to do better than they for the targeted customers. Thus companies following a low cost strategy would offer low prices, defect free products and speedy purchase. Product innovating companies offered products and services whose performance exceeded that of competitors along dimensions that targeted customers valued. Objectives in the process perspective reflected how the company would create and deliver the differentiated value proposition and meet the financial objectives for productivity improvements. Objectives in the learning and growth perspectives described the goals for employees, information systems, and organizational alignment.

We recognized that the weakest link in a strategy map and Balanced Scorecard was the learning and growth perspective. For many years, as one executive described it, the learning and growth

perspective was “the black hole of the Balanced Scorecard.” While companies had some generic measures for employees, such as employee satisfaction and morale, turnover, absenteeism and lateness (probably growing out of the stakeholder movement of the previous decade), none had metrics that linked their employee capabilities to the strategy. A few scholars had investigated the connection between improvements in human resources and improved financial performance (e.g. Huselid, 1995; Becker et al., 1998)

Dave Norton led a research project in 2002 and 2003 with senior HR professionals to explore how to better link the measurement of human resources to strategic objectives. From this work came the concepts of strategic human capital readiness and strategic job families and, by extension, the linkages to information capital and organizational capital. These important extensions to embed the capabilities of a company’s most important intangible assets were described in an HBR article and a book (Kaplan & Norton, 2004).

The followings are description of the Balanced Scorecard perspectives based on Kaplan and Norton, 2003.

2.2.1. Financial Perspective

The Balanced Scorecard encourages organizations to identify their specific financial objectives and link the corporate strategy to these objectives. The financial objectives serve as the focus for the objectives and measures of the other three perspectives. Every measure should be part of a cause and effect relationship that culminates in improving long term sustainable financial performance. The Balanced Scorecard is an illustration of the strategy, starting with the long term financial objectives and then linking them to the customer focused initiatives, internal operational processes and investments in employees and systems that combine to produce the desired economic performance. Financial measures convey the economic consequences for the actions already taken by the organization, and focus on the profitability related measures on which the shareholders verify the profitability of their investment. Therefore, under this perspective managers are required to generate measures that answer the following question: "To succeed financially, how should we appear to our shareholders?" Kaplan and Norton acknowledge the need for traditional financial data. The accurate and timely financial data are necessary for the efficient and smooth direction of the organization. The provision of the right and timely financial data to the right person in the organization helps much in the process of

making the right decision in the right moment. Under this perspective the most common performance measures incorporated are: ROI, Cash Flow, Net Operating Income, Revenue Growth, etc.

The Balanced Scorecard encourages organizations to identify their specific financial objectives and link the corporate strategy to these objectives. The financial objectives serve as the focus for the objectives and measures of the other three perspectives. Every measure should be part of a cause-and-effect relationship that culminates in improving long term sustainable financial performance. The Balanced Scorecard is an illustration of the strategy, starting with the long term financial objectives and then linking them to the customer focused initiatives, internal operational processes and investments in employees and systems that combine to produce the desired economic performance. Rather than simply considering the obvious financial measures of revenue, profit, share value or dividend cover, consideration is being given to a recently developed measure: Economic Value Added. This expresses the amount of value added by the efforts of the organization. It also takes into account the value that could otherwise be earned, without risk, by the owners capital being deployed.

2.2.2. Customer Perspective

All businesses have their best customers, the ones that deliver the maximum contribution to the specific type of financial measure which matters most to them. All businesses also have their average customers, and also the customers whose money they just cannot turn away, but in reality cost the business too much to service, are perhaps never quite satisfied and frankly the business would be better off without. This perspective provides a view on how customers perceive the organization.

The customer perspective should be considered the central element of any business strategy that provide the unique mix of products/services, price, relationship, and image that the company offers to its customers. In this perspective the organization should demonstrate how it differentiates itself from the competitors by retaining, attracting, and sustaining relationships with its targeted customers. Therefore, managers are required to generate measures to answer the following question: "To achieve our vision, how should we appear to our customers?" typical measures used under this perspective are: customer satisfaction, customer complaints, customer lost/won, sales from new product. In the last two decades, users/customers satisfaction (here after

referred as ‘user’s satisfaction’) measurements have been a popular way to access user perceptions. These measurements are acknowledged to be among the ‘customer core measurement group’, along with market share, customer retention, customer acquisition and customer profitability. This is because they help business understanding their users’ views on the services offered and here up on take accordant actions, when differences in perceptions of importance and performance do exist between a company’s management team and the users of their services. Achieving higher users’ satisfaction has been associated with greater loyalty, reduction of transactions costs, decreased price elasticity, minimization of users’ defection when quality falters, and lowering of the cost for attracting new users.

To maximize financial return then it is the customer satisfaction of the ‘target’ customer profile which should be addressed. Customer satisfaction measures that reflect the issues that really matter to these customers need to be developed. From these, the key objectives, and measures, for what the company can be established.

2.2.3. Internal Business Processes Perspective

Delivering customer satisfaction is achieved through the operational activities of the company. Through the Balanced Scorecard framework customer focused measures can be supported by measures of the internal processes that are most critical in meeting the target customers’ expectations. The objectives and measures for this perspective thus enable a focus on maintaining and improving performance of those processes that deliver the objectives established as key to satisfying customers, which in turn satisfy shareholders. With this approach, the Balanced Scorecard offers a vehicle to focus on a complete value chain of integrated business processes rather than just measuring performance within departmental structures. It is this that represents one of the major opportunities for benefits that the Balanced Scorecard can provide over traditional departmental performance measurement systems.

Internal business processes provide the organization with the means by which performance expectations may be accomplished. This perspective refers to the internal business processes of the organization and, therefore, managers are required to provide measures that answer the following question: "To satisfy our customers and shareholders, what business processes must we excel at?" The central theme of this perspective is the results of the internal business

processes which lead to financial success and satisfied customers. Delivering customer satisfaction is achieved through the operational activities of the company.

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Typically the measures of this perspective are based on producing goods and services in the most efficient and effective methods. Commonly used measures for this perspective are: cost of quality, cost of non-conformance, process innovation, time savings etc.

2.2.4. Learning and Growth Perspective

Under this perspective managers must identify measures to answer the following question: "To achieve our vision, how will we sustain our ability to change and improve?" Actually, this perspective is related to the employees of the organization, and it measures the extent to which the organization exerts efforts to provide its employees with opportunities to grow and learn in their domain. Kaplan and Norton acknowledge that the learning and growth measures are the most difficult to select; therefore they suggest the following measures as examples: employee empowerment, employee motivation, employee capabilities, and information systems capabilities. With day-to-day operational measures, Facilitating a process by which an organization can achieve strategic focus, Shifting the organization's focus from programs and initiatives to the outcomes the programs and initiatives are supposed to accomplish; Helping organizations to avoid the illusion that they have a strategy because they are managing a diverse and non-cumulative set of programs and initiatives and enabling organizations to align initiatives, departments and individuals to work in ways that reinforce each other so that dramatic performance improvements can be achieved. There is a causal relationship between the four perspectives of the balanced scorecard approach. If financial results are the ultimate goal of any business enterprise, learning and growth serve as the foundation. The results from the financial metrics are lagging indicators, where as the results from learning and growth, internal processes and customers are the leading indicators.

Thus, financial performance can be improved by focusing on learning and growth, internal processes and customers. Kaplan and Norton suggest showing the interrelation between the four perspectives can be shown on a strategy map, since financial goals can be attained by making sure that the target customers are satisfied, it is imperative to identify areas of value creation for the customer, ways to generate sales and increase customer loyalty.

Internal processes are an important aspect of value creation, and learning and growth is an important intangible component of it. Learning and growth is positively correlated to internal processes.

Furthermore, internal processes are positively correlated with customers and finance, and customers are positively correlated with finance. See (Fig 2.2.4.1.) below.

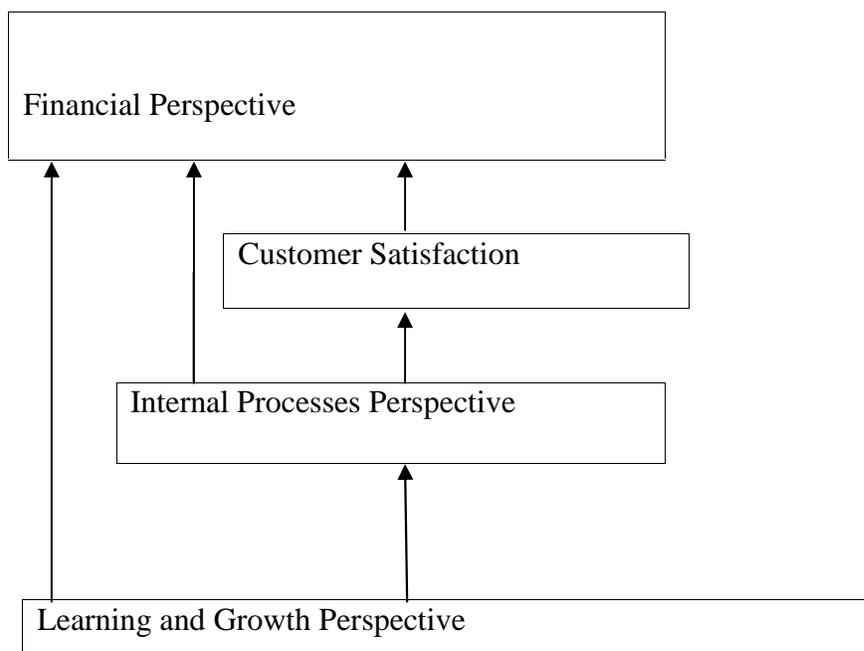


Figure 2.2.4.1: Strategy maps for the balanced scorecard approach. (Source: Kaplan and Norton, 2003).

The Balanced Scorecard's prescriptive approach to performance measurement requires performance measures defined in each of the three non-financial perspectives to be linked to each other and to the financial measures, ensuring that the organization's ultimate goal: that of continuing to be successfully inexistence, remains paramount.

The adage ‘our people are our greatest asset’ has been honored more in the breach than the observance in all too many organizations. It is an issue that managers cannot afford to ignore, however. The operations of the organization are under taken by the people within it.

The ability, flexibility and motivation of staff underpin all of the financial results, customer satisfaction and operational activities measured in the other quadrants of the Scorecard. Customer expectations are constantly changing and organizations are, as a consequence, required to make continuous improvement. This relies heavily on an organization’s ability to innovate, learn and improve at an individual level, which collectively delivers the effective Scorecard enables an organization’s strategy to be inferred simply from the cause-and-effect links between measures. Outcome measures signal the ultimate objectives of the strategy and performance drivers indicate actions or initiatives that are required in order to create future value. Ultimately, though, the Scorecard retains a strong emphasis on outcomes and financial outcomes in particular.

2.3. Empirical Review

Nowadays, many large companies use a performance measurement system like the BSC but many smaller companies have no performance measurement system. In a recent study Sousa et al. indicate that the SMEs (Small Medium Sized Enterprises) surveyed, recognize the importance of performance and a performance measurement system but their level of use was significantly lower [SAG06]. Speckbacher et al. found a significant association of size (measured as the number of employees) and BSC usage; larger companies are more likely to have implemented a BSC [SBP03]. However, the examined companies are large and not small or medium sized organizations. Neely et al. pointed out that measurement is a luxury for SMEs. They concluded that the cost of measurement is an important issue to managers in SMEs [NGP95]. Also, nowadays most SMEs use an information system by which data for measures can easily be obtained, but the costs of implementing and purchasing a scorecard system can still be an issue to managers.

Speckbacher, Bischof and Pfeiffer found in their large-scale research with high response under German companies quoted on the stock exchange a high support for ambivalence in the BSC concept [SBP03]. They defined three types of BSCs:

1. Type I BSC: a specific multidimensional framework for strategic performance measurement that combines financial and non financial strategic measures.
2. Type II BSC: a Type I BSC that additionally describes strategy by using cause-and-effect relationships.
3. Type III BSC: a Type II BSC that also implements strategy by defining objectives, action plans, results and connecting incentives with BSC.

50% of the examined companies that use the BSC appeared to work with a type I BSC, 21% with a type II BSC and 29% with a type III BSC. Only the companies that use type III BSC are in position to fully benefit of the BSC as a performance management system that bridges the gap between strategic plans and real activities. However, linking the reward system to the BSC has some risks [KN96b] p218-219. The question arises whether or not measures on the BSC are right. Are the data for the selected measures reliable? Could there be unintended or unexpected consequences in how the targets for the measures are achieved? Despite the risks of linking the reward system to BSC, it seems reasonable to assume that companies are able to steer the organization according to the strategy (described by BSC measures and cause-and-effect chains) if they reward managers on the basis of BSC measures [Mal01]. The study of Speckbacher et al. shows that companies implementing a more developed BSC (particularly Type III) rely more on the BSC approach and are more satisfied with their BSC than those with a less developed BSC.

In the majority of organizations, the implementation of the BSC is a difficult process. The types defined can be interpreted as three typical evolutionary steps in the process of BSC implementation [SBP03]. Half of the companies that use the BSC were not able to obtain cause-and-effect relationships. One reason for this could be that those companies have only recently started the process of implementation. It is also likely that a large number of the companies, that are using the type I BSC, might find it too difficult to obtain cause-and-effect relationships.

Finally, he found that many large companies use a performance measurement system like the Balanced Scorecard (BSC). However, many small and medium enterprises (SMEs) do not have a performance measurement system. Companies that start with a performance measurement system face difficulties with the implementation. (Beer Molleman, “The challenge of implementing the Balanced Scorecard”, 2012).

2.4. Conceptual framework

This study after carefully reviewing the relevant literature emerges with the conceptual framework. This framework is of four broad categories namely financial perspective, Customer satisfaction, internal process and learning and growth. The study was aimed to assess the challenges and strategies of balanced scorecard program implementation in Pharmaceuticals Fund and Supply Agency, Addis Ababa.

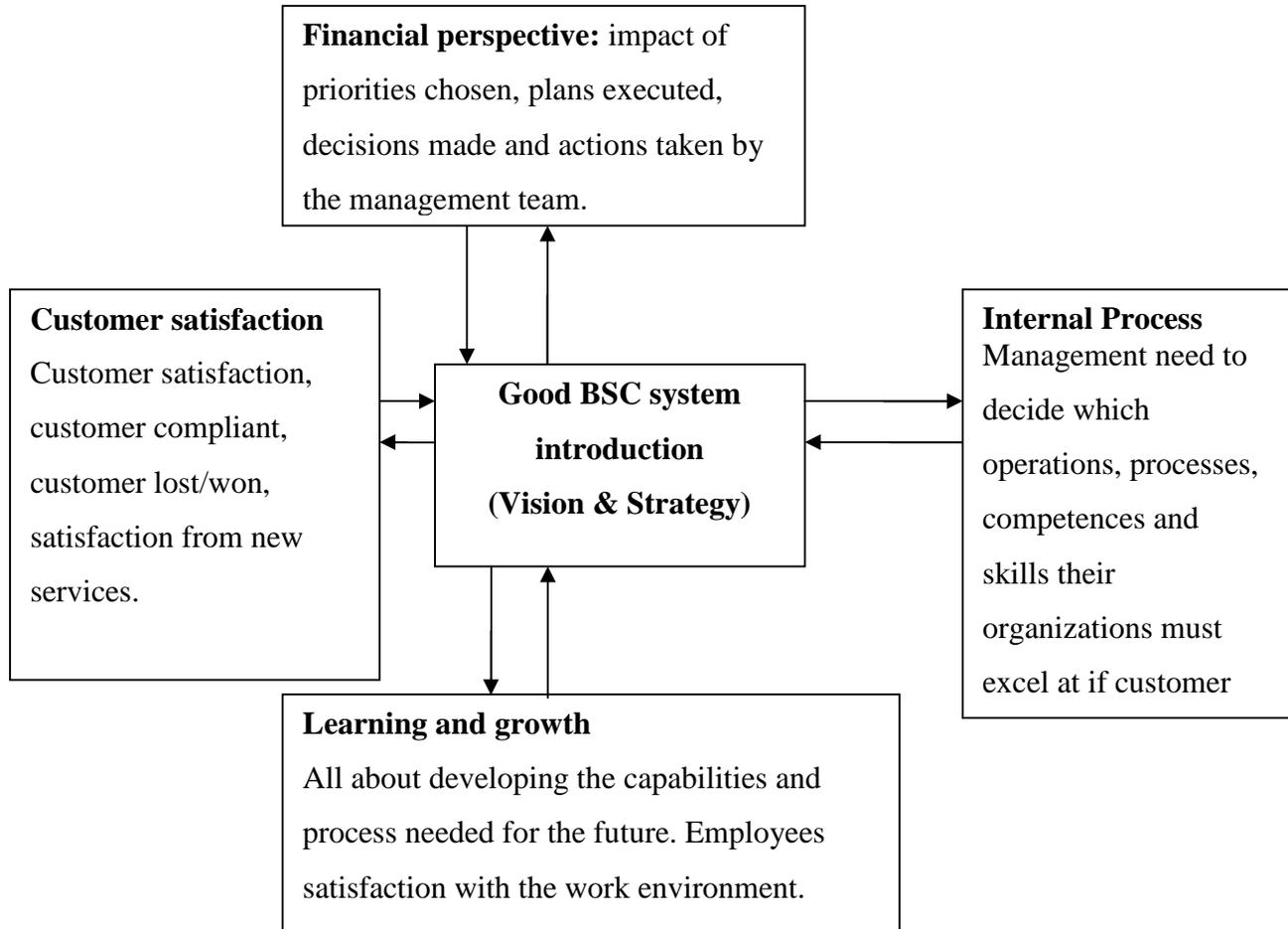


Figure 2.4.1: Conceptual framework (Source: Kaplan & Norton, 2004).

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Approach and Method

The study was employs cross sectional study design that helps to collect quantitative data at a point in time to describe the challenges and strategies of balanced scorecard program implementation in Pharmaceuticals Fund and Supply Agency at Addis Ababa. Besides, the design is suitable in condition where there is no prior information about the study's topic.

3.2. Sources of Data

The research study depended on the quantitative methods it helps to collect primary and secondary data. Primary data collected from managers and professionals through questionnaire and interviews. Secondary data were obtained through reference, research and universities research papers. The sources of data were employee of the Agency, which includes managers and professionals, so the researcher feels it is manageable to consider employees located at Addis Ababa.

3.3. Population of the Study

The study was conducted at Pharmaceuticals Fund and Supply Agency in Addis Ababa. Geographically, Addis Ababa is located at the center of the country. The Agency has been introducing and implementing the BSC program since 2013 GC/2005 EC. The Agency has supply of pharmaceuticals and medical supplies for Health facilities. The target Population of the Study is the current employees: managers and professionals of the Agency. The total population is 50 in number.

3.4. Sampling Technique and Sample size

The sampling technique that was applied in this study is a facility based cross-sectional survey was conducted on around 44 managers and professionals from the major operation departments of the Agency.

The Sample of the study consisted of 13 managers and 31 professionals. The total number of the sample size was planned to address 44 respondents.

The researcher determined the sample of the study based on the Sample Size Determination Using Krejcie and Morgan Table (Source: Krejcie, R.V. & Morgan, D.W. (1970). “Determining Sample Size for Research Activities”, Educational and Psychological Measurement). According to the standard sample size determination for research work when the population size is 50 the sample size is 44. So the researcher used this standard sample size for this study.

3.5. Methods of Data Collection

The study depended on the method of analytical statistics, analysis of content and also the research study depended on the quantitative methods it helps to collect primary and secondary data. Secondary data for the study were obtained through reference, research and universities research papers. For the initial data, they were collected through questionnaire and interviews had been conducted, which is designed depending on the nature of the elements of the problem which is available in literature reviews. Structured questionnaire was used to assess challenges and strategies of balanced scorecard program implementation at Pharmaceuticals Fund and Supply Agency. Interview of the Agency managers and professionals was used to collect data on the challenges and strategies of BSC program implementation.

The questionnaire had two sections. The first section was formulated to collect data about demographic characteristics of the respondents. This section consisted of questions which indicated the background of the respondents. The second section of the questionnaire consisted of 20 questions which addressed data about challenges and strategies of balanced scorecard program implementation from the respondents of the study.

3.6. Procedures of Data Collection

The data was collected from employees of the Agency. The researcher used the structured questionnaire for collected primary data for employees. The questionnaire was distributed for the Agency managers and professionals during the work hours of a day. After analyzing the data gathered through questionnaire, an in-depth unstructured interview conducted with professionals and management of the Agency.

3.7. Validity and Reliability of Data Collection Tools Used

This part was very important to conduct a research by keeping its reliability and validity. In this section the researcher was performed the data was checked, cleaned and entered to computer in order to check the consistency of the data which were collected from the respondents by analyzed using Statistical Package for Social Sciences.

The most convenient and economical data collection instrument in survey was questionnaire and interview. Collecting data through questionnaire was quite popular because it requires low cost and thus the results can be made more dependable and reliable.

3.8. Ethical Considerations

The researcher has conducted the study by taking all ethical standard of a research into consideration. Participants of the study were first briefed about the purpose of the research and were asked for their informed consent to be involved in the study. The issue of confidentiality was also assured to the participants of the study and implemented accordingly. Respondents were also informed that they could disagree to participate in the study, if they chose to stop, at any time.

3.9. Methods of Data Analysis

Descriptive statistics was used to analyze the data. Data was checked, cleaned and entered to computer and analyzed using Statistical Package for Social Sciences (SPSS) version 16.0. Results were presented in frequency and percentage using tables.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Results

The researcher identified the challenges of balanced scorecard program implementation to be solved in order to achieve the Agency's goal and objective and also to increase skilled human resources through its established Balanced Scorecard program. To eradicate the service related problems, the researcher decided to include Balanced Scorecard elements and built its own Balanced Scorecard tools and cascade it to all departments, respective case teams and individuals within each department of the Agency. Generally the challenges of balanced scorecard program implementation assessed by questionnaire and interview.

Table 4.1.1: Character of the population of Pharmaceuticals Fund and Supply Agency

Positions	Total Population	Total population %	Sample Size allocated No.	Sample size allocated %	Non Respondent No.	Non Respondents %
Managers and lower level manager	13	26%	13	29.5%	0	0%
Professionals	37	74%	31	70.5%	4	9%
Total	50	100%	44	100%	4	9%

According to table 4.1.1, the total staff population of the Pharmaceuticals Fund and Supply Agency is 50 in number. This study considers nearly 88% of the total population. Only 29.5% of the total sample taken into account, which is 100% of the existing management including the lower level managers of Pharmaceuticals Fund and Supply Agency, filled up the questionnaires disseminated. Only for 70.5% of the professionals, questionnaires were distributed.

Table 4.1.2: Demographic Characteristic of Respondents

Variable	Characteristics	Number	%
Age (Years)	18-30	12	30
	31-40	13	32.5
	41-50	14	35
	51-60	1	2.5
	Above 60		
	Sum	40	100
Monthly Salary	Below ETB 5,000	7	17.5
	ETB 5,000 and above	33	82.5
	Sum	40	100
Sex	Male	34	85
	Female	6	15
	Sum	40	100
Education	High School and below		
	College Diploma	3	7.5
	Undergraduate	11	27.5
	Graduate	26	65
	Sum	40	100
Professional Status	Government employee	37	92.5
	NGO	3	7.5
	Others		
	Sum	40	100
Work Experience (Years of Service)	Below 5 years	10	25
	6-10 years	17	42.5
	11 years and above	13	32.5
	Sum	40	100
Organizational Position	Professionals	27	67.5
	Managerial	5	12.5
	Lower level Managerial	8	20
	Sum	40	100
Field of study	Health	22	55
	Finance	5	12.5
	Management	3	7.5
	Economics		
	Others	10	25
	Sum	40	100

The demographic characteristics of the respondents are shown in table 4.1.2. Almost 15% were women; most 35% were 41-50 age of years, and approximately above half 67.5% had professionals. Most 60% of the staffs were educated to graduate level and 27.5% were educated to degree level. 25% of the respondents had <5 years of work experiences in the current position. A significant challenge was found in organizational position on choice of lack of senior management and employee commitment. The more staffs of had in position, the challenge of balanced scorecard program implementation was there is not clear, inconsistent, and invisible involvement by managers.

Table 4.1.3: Summary of challenges of Pharmaceuticals Fund and Supply Agency

Statements	Alternative Answers	No. of Responses	Percentage (%)
challenges to implement the balanced scorecard in relation to management and employees' commitment	a) No objectives for the BSC program	6	13
	b) Too few Individuals involved	14	30.4
	c) Keeping the Scorecard at the top	7	15.2
	d) No trained People	19	41.3
structural challenges of the agency's BSC implementation	a) Doesn't have a reform directorate	13	22.4
	b) Not suitable organizational structure for BSC implementation	8	13.8
	c) Not Clear, inconsistent, and invisible involvement by managers	23	39.7
	d) No effective and open communication with employees	14	24.1
Technological challenges of to implement BSC tool	a) Lack of BSC software utilization skills	28	57.1
	b) Financial problem	4	8.2
	c) No BSC software	17	34.7
The reason for manpower skill gap in the implementation of BSC	a) Lack of BSC education and training	33	66
	b) Hiring inexperienced employees	7	14
	c) High attrition rate of trained employee	10	20
Obstacles in the implementation of the BSC in the agency	a) Measures selected for the scorecard do not reflect the Agency's strategy	10	20.8
	b) The Agency adopts too many indicators	6	12.5
	c) Lack of senior management commitment	29	60.4
	d) Too few measures (two or three) per perspective	3	6.3

According to table 4.1.3, the respondents rated 41.3%, challenges to implement the balanced scorecard in relation to management and employees' commitment were no trained people on BSC, 66% of respondents identified that the reason for manpower skill gap on the implementation of balanced scorecard program were lack of BSC education and training, 60.4% of respondents were rated lack of senior management commitment was the obstacles in the implementation of balanced scorecard and rated 20% with high attrition rate of trained employee, respondents rated 39.7% with structural challenges to implement the balanced scorecard program were not clear, inconsistent, and invisible involvement by managers and respondents were rated 24.1% with no effective and open communication with employees, 22.4% rated with the Agency were does not have a reform directorate at the Agency and respondents were rated 57.1%, the reason for technological challenges to implement BSC with lack of BSC software utilization skill.

A total of 40 professionals, managers and lower level manager's from all department of the Agency were interviewed to assess the challenges of balanced scorecard program implementation at the Agency. professionals, managers and lower level manager's were interviewed on getting adequate training or orientation on balanced scorecard, is balanced scorecard use friendly, is the Agency initiative for balanced scorecard implementation is enough, is there any burnout/dissatisfaction and is the number of staff is enough to implement BSC and finally they were asked to answer whether or not does balanced scorecard improved their Agency's performance.

Majority of the respondents has not got adequate orientation on balanced scorecard (85%) and said balanced scorecard were not user friendly (57.5%). However, 60% and 67.5% of respondents said balanced scorecard causes burnout/dissatisfaction on employees and the Agency have enough number of man powers to implement balanced scorecard program in the Agency respectively. Over all, among employees, 92.5% respondents said that the Agency does not recruited balanced scorecard trained employees, 85% respondents said that the Agency initiative for BSC implementation was not enough, 85% rated with the Agency does not put the financial perspective advantage of Balanced Scorecard and 87.5% respondents said that the Agency has not a formal monitoring and evaluation system in the implementation of balanced scorecard program. See table 4.1.4 below.

Table 4.1.4: Major challenges observed by Pharmaceuticals Fund and Supply Agency.

Statements	Number of responses			
	Yes		No	
	Number	Percentage (%)	Number	Percentage (%)
Does the Agency give adequate orientation on balanced scorecard?	6	15	34	85
Does the Agency give BSC training for its employees?	9	22.5	31	77.5
Does the Agency recruit BSC trained employees?	3	7.5	37	92.5
Is balanced scorecard user friendly?	17	42.5	23	57.5
Is the Agency initiative for BSC implementation enough?	6	15	34	85
Is there any burnout?	24	60	16	40
Is the number of staff enough to implement BSC?	27	67.5	13	32.5
Over all, do you think BSC improved your organization performance?	33	82.5	7	17.5
Does the Agency put the financial perspective advantage of Balanced Scorecard?	6	15	34	85
Does the Agency perform Monitoring and Evaluation of the implementation of BSC?	5	12.5	35	87.5

Problems of management and employees to be solved at the Agency were: need for senior management and employees commitment, trained people, all individuals involved, effective and open communication with employees, establish a reform directorate, BSC education and training, BSC software utilization skills and Monitoring and Evaluation of the successful implementation of balanced scorecard program at the Agency.

All the respondents said that the Agency does not have a strategy to achieve the above challenging areas. But, it needs a strategy to the successful implementation of the balanced scorecard program at the Agency. Furthermore, the researcher suggested that the strategies that can help to solve the above challenges of the Agency are:

2. To make sure that all staffs have equal understanding of the Agency mission and vision and work toward achieving shared target.
3. Leaders should be spent their times addressing strategic issues rather than operational.
4. The evaluation of performance should be based on the BSC element.
5. Identify and reward high performing individuals.
6. Maintaining communication between all levels of the Agency.

4.2. Discussion

The primary purpose of a healthcare organization balanced scorecard effort is long term adaptation and survival. Thus the focus is on achievement of the organizational mission, strategic management, program and service improvement and quality management. On the other hand, the main purpose of the health sector Balanced Scorecard efforts focus on achievement of system mission, public accountability improvement of the program and services and perhaps addressing specific political needs and concerns. Performance measurement is common in healthcare. For example in Australia, to meet the standards of the Australian Council on Healthcare Standards (ACHS) accreditation program (EQuIP), an organization is required to regularly collect and evaluate relevant clinical and non-clinical indicators. With regard to the former, there are currently (2012) 22 clinical indicator sets and 338 indicators to choose from in the ACHS program. Programs such as this allow easy bench marking across similar sites.

There are also ranges of state and national health reporting requirements in addition to the numerous other local measures that most Agency's and community health services collect. Similar programs for accreditation and reporting exist in other countries.

The Agency were not put strategies to solve the challenges of the implementation of balanced scorecard. These showed that the Agency had not good understanding of theory saying that identification of challenging areas and strategies in order to improve the challenge took the lion share for the successful implementation of the program.

Assessing the challenges and strategies of the BSC program implementation is one of the major objectives of this study. Results from employees showed that 41.3% of respondents were rated with lack of senior management and employees commitment, 66% of respondents showed the reason for manpower skill gap were lack of balanced scorecard education and training, 20% respondents showed with high attrition rate of trained employees, 39% of respondents showed that the reason for the structural challenges were not clear, inconsistent and invisible involvement by managers, 24.1% with no effective and open communication with employees and 22.4% rated with the Agency were does not have a reform directorate at the Agency. Furthermore, 85% of respondents were does not get adequate orientation on balanced scorecard. However, 67.5% of respondents showed that the number of employees of the Agency were enough to implement the balanced scorecard program.

Similarly, majority of the employees has not got training and adequate orientation on balanced scorecard (85%) and said balanced scorecard were not user friendly (57.5%) however 60% and 67.5% of respondents were said balanced scorecard causes burnout and number of man powers were enough to implement the tool respectively. overall employees gave 82.5% response rate of balanced scorecard can improve their organization performance in order to give quality service and 87.5% of employees rated with lack of formal monitoring and evaluation system at the Agency.

The Agency starts to solve the structural problems through establishing reform directorate at the Agency. In addition to these the Agency's next five years strategic and 2008 budget year plan were done by using balanced scorecard tool.

Even if the program is on its infant stage the Agency is working a lot in order to ensure a sustainable change and to establish change management team that facilitates management communication and conflict resolution using the BSC. This study confirms the idea that BSC is an effective tool for all phases of strategic management.

85% of respondents said that the Agency does not put the financial perspective advantage of balanced scorecard. Even if the Agency does not put the financial perspective advantage of balanced scorecard, it needs to adopt financial perspective advantage is mainly adjusted to budget targets, saving potentials, securing the basis for taxes, sustainment of credit worthiness and similar, wise use of resources and skilled man power. Some of the facts which are especially important for future adoption of the Balanced Scorecard approach in Pharmaceuticals Fund and Supply Agency are:

- The closeness to political interests needs a special thoughtfulness and sensibility.
- Explain to employees and representatives the Balanced Scorecard's usefulness.

The implementation of a Balanced Scorecard requires an effective controlling system which assembles measures, values and other significant reporting data.

The Agency has been continually winning the right to operate in the communities and countries within which they operate and provide services. They do this by complying with all the applicable laws and regulations, and by contributing to the communities within which they operate. Specifically:

1. Organizations are using skilled man power wisely, avoid contaminating the environment and minimize the impact on the environment of all products produced and sold.
2. The Agency is providing a workplace which is safe and healthy for its employees, and to take active measures to reduce employee exposure to dangers wherever possible.
3. It is also pays workers appropriately and provide opportunities for employees to gain new skills and competencies.
4. Corporations need to be sensitive to the needs of the broader community and willing to make monetary contributions or allow employees to do volunteer work while still being paid. At a minimum, these social and regulatory internal processes are intended to inject into the customer value proposition.

The Balanced Scorecard provides the cornerstone for a new strategic management system. The scorecard enables the Agency to introduce new governance and renew process focusing on strategy. It does not rely on short-term financial measures as the sole indicators of performance of the Agency but it does the following additional functions.

1. Translate strategy to action, making strategy everyone's job.
2. Decentralization of the development of the Balanced Scorecard to the individual ward teams, that is, those closest to service.
3. Manage the intangible assets e.g. customer loyalty, innovation, employee capabilities.
4. Leverage cross functionality without changing the structure of the business.
5. Measure what matters the critical few vs. the important many in real time, not just after the facts.
6. Create a daily management system for the day-to-day navigation of the services.

Across all sectors, it has been suggested that 70% of Balanced Scorecard implementations fail. Two main reasons proposed for this high failure rate are poor design and difficulty of implementation. Results from the Hackett Group show that less than 20% of companies that have mature Balanced Scorecard implementation are generating business value.

According to Hackett's research, "most companies are having significant difficulty in taking the Balanced Scorecard from concept to reality". Interestingly, the Senior Business Advisor for the Hackett Group comments that, "most companies get very little value out of Balanced Scorecards because they haven't followed the basic rules that make them effective" To the author's knowledge, no study has been conducted about the 'success' / 'failure' (or discontinued with implementation (sustained implementation) rate of Balanced Scorecard implementation within the healthcare sector. Usually, only implementations that have resulted in clear benefit are written up in peer - reviewed papers or as case studies. It is also likely that international surveys of utilization and perceived benefit may be biased with those having more positive experiences being more likely to respond.

Because of the complexity of healthcare delivery and the range of influences acting together at any one time (for example, regulatory, technological, medical), it is difficult to be able to conclude just what proportion of improvement in processes, and more particularly in outcomes (for example, customer satisfaction) could be attributed to the introduction of the Balanced Scorecard. Healthcare organizations are complex adaptive systems and as such are "... a collection of individual agents that have the freedom to act in ways that are not always predictable and whose actions are interconnected such that one agent's actions changes the context for other agents. As complex adaptive systems, healthcare organizations are made up of

numerous clinical micro-systems of care, each of which may unknowingly and in unforeseen ways have impacts on other clinical micro systems.

The operations of the organization are undertaken by the people within it. The ability, flexibility and motivation of staff underpin all of the financial results, customer satisfaction and operational activities measured in the other quadrants of the Scorecard.

Customer expectations are constantly changing and organizations are, as a consequence, required to make continuous improvement. This relies heavily on an organization's ability to innovate, learn and improve at an individual level, which collectively delivers the result for the whole organization. That everything else eventually depends upon the staff of an organization could suggest that the ultimate single indicator of long terms sustainable success, if there were such a thing, would be the speed at which the organization can learn to do new things successfully.

While the question of attribution is a challenge for those evaluating healthcare programs, particularly summative evaluations, evidence from several case studies suggest there is at least a close correlation between the introduction of the Balanced Scorecard and improvements in some organizations.

Clarification and consensus of strategy, a framework for decision-making Communication of priorities and focus on core business – 'keep the clutter out', linkage of strategy and resource allocation, greater management accountability, Learning and continuous improvement are some of the benefits, both qualitative and quantitative, that are perceived to have been correlated with, or come from, implementations of the Balanced Scorecard within the healthcare sector.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presented the summary, conclusions, limitations and recommendations that were drawn from the previous chapter of this study.

5.1. Summary

The study confirmed that the challenges on the implementation of balanced scorecard program were: the Agency have not trained people, not clear, inconsistent and invisible involvement by managers, lack of balanced scorecard software utilization skill, lack of balanced scorecard education and training, lack of senior management commitment over all employees rate was 41.3%, 39.7%, 57.1%, 66% and 60.4% respectively. But, overall employee rate was 22.5% has got balanced scorecard training.

The study identified the idea that there is a challenges of the implementation of balanced score card program at the Agency. Given three years of experience in implementing balanced scorecard program, overall employee's rate was 82.5%, Balanced Scorecard tool is helping to improve the Agency's performance and also the study confirmed the idea that overall employees rate was 67.5%, numbers of staffs' was enough to implement Balanced Scorecard at the Agency.

This study identified that the majority of the respondents has not got adequate orientation on balanced scorecard and the balanced scorecard was not user friendly. The Agency did not recruited balanced scorecard trained employees, initiative for BSC implementation was not enough, did not put the financial perspective advantage of Balanced Scorecard, and not have a formal monitoring and evaluation system in the implementation of balanced scorecard program.

The study summarized that the Agency did not have a strategy to achieve the challenges of the balanced scorecard program implementation and listed out the problem of BSC implementation on the Agency. Finally the research paper confirmed that the Agency did not have any feedback mechanisms on the strategies of BSC implementation and also has not established a reform directorate.

5.2. Conclusions

This study aims to assess the challenges and strategies of balanced scorecard program implementation. The data was obtained from the Agency's employees. Based on the assessment made by the researcher, in relation to management and employee's commitment, structural issue, technological issue and man power skill gap and thereby evaluating the overall challenges and strategies used by the Agency, the researcher concluded the following points.

- Results from the study indicate that lack of senior management and employee commitment is the challenge for BSC implementation at the Agency.
- Manpower skill gap that is lack of balanced scorecard education and training, high attrition rate of trained employees and structural challenges.
- No effective and open communication with employees and the Agency were does not have a reform directorate at the Agency.
- The employees of the Agency did not get adequate orientation on balanced scorecard. However, the number of employees of the Agency was enough to implement the balanced scorecard program.
- Balanced scorecard was not user friendly and it causes burnout.
- The balanced scorecard is helping to improve their organization performance in order to give quality service.
- Monitoring and evaluation does not perform at the Agency.
- The raters rating there is challenges of the implementation of balanced scorecard program at the Agency.
- The study indicates that the Agency were not put strategies to solve the challenges of the implementation of balanced scorecard program. These showed that the Agency had not good understanding of theory saying that identification of challenging areas and strategies in order to improve the challenge took the lion share for the successful implementation of the program.
- The Agency is poised to successfully evolve their BSC and create a sustainable system of strategic planning and management. A shift in current application, structure and governance is required for long term success.

So, for those challenges mentioned above, the researcher concluded that the balanced scorecard program implementation in Pharmaceuticals Fund and Supply Agency was failed.

5.3. Limitations of the Study

Since the study only conducted in governmental agency the result does not cover other private agencies and also only focus on the head office (Addis Ababa). It is very difficult to generalize the outcomes of BSC implementation on the agency due to the following limitation:

(i) Dependency on respondents' goodwill, (ii) Dependency on respondents' memory, (iii) Dependency on respondents' sincerity . The Study only addresses professionals, managers and lower level managers of the agency. Another point noted is that the majority of real companies were at the initial phase of BSC implementation (less than two years from the beginning). This point influenced the perception that most of the benefits are still to come.

5.4. Recommendations

Keeping the scorecard at the top will require actual improvement of sub-process level. Therefore, one way to get an effective BSC, including strategy and action to support implementation, must be to share it with the whole organization. To realize the full benefits of the BSC, the Agency encourages the adoption of the BSC for all key agency functions. Implementing the BSC agency-wide will provide a common methodology and coordinated framework for all agency performance measurement efforts. While implementing the acquisition BSC is an important first step, helping agencies to develop balanced scorecards for additional functions (e.g., program, human resources, finance, IT) will strengthen the link among the acquisition system, those additional functions, and agency missions and goals. This will promote cross-functional coordination of improvement efforts and break down "stovepipes" in the agency. The BSC will provide sound data on which to base business decisions, from allocation of available resources to future direction. The four perspectives provide a useful framework for assessing how its acquisition system is performing, whether it is meeting its objectives, and whether it is moving in the direction envisioned in the guiding principles.

The Agency using the principles of BSC elements for the sustainability of the program by establishing a reform directorate and fill the manpower skill gap by train all employees of the Agency on balanced scorecard tool. To ensure a sustainable change, the Agency establish a change management team that will facilitate communication and conflict resolution using the

BSC. The Agency identifies a rewarding system; reward high performing individuals, eventually leading to the retention and promotion in order to reduce burn out of employees. In order to improve the service, cascading of the BSC at each level of the department and put a lot of effort for the successful implementation of the program.

Balanced Scorecard enabled the Agency to clarify its vision and objectives, develop and communicate a strategy to achieve the established vision and convert the developed strategy into action.

The Balanced Scorecard is helping the Agency strategically focus its activities, align day to day work of employees with the Agency overall strategy, and transforms the Agency daily operations. It also improves their organization performance. In order to scale up provision of quality service and enhancing the BSC program staff motivation or reward. Organizations remain so by looking ahead, understanding the challenges and determining the right strategy to maximize [their] unique business opportunities and best manage [their] risks”.

Factors which helping to the Agency in order to successfully implement the balanced scorecard as a strategic management framework are:

- Annual strategy meetings and meetings of the management groups helping to strengthen the interdependence between the different departments.
- Management of the development and implementation process.
- Encouragement of an open environment of learning and feedback.
- Taking a whole systems approach including cascading.
- Professionals and administrators working closely together in teams for implementation and decision-making.
- Entire executive team support.
- Cascade the BSC plan throughout the organization.
- Regular weekly / monthly meetings of key staff to monitor and review.
- Effective communication to all staff.

In the three years since implementing the balanced scorecard the Pharmaceuticals Fund and Supply Agency needed that it requires commitment from the senior management and employee for the successful implementation of balanced scorecard.

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Appendixes

Appendix A: Sample Size Determination Using Krejcie and Morgan Table

The ever increasing need for a representative statistical sample in empirical research has created the demand for an effective method of determining sample size. To address the existing gap, Krejcie & Morgan (1970) came up with a table for determining sample size for a given population for easy reference.

Table 1: Table for Determining Sample Size for a Finite Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

The Table is constructed using the following formula for determining sample size:

Formula for determining sample size

$$s = X^2 NP(1 - P) + d^2(N - 1) + X^2 P(1 - P)$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Source: Krejcie & Morgan, 1970

NOTE:

There is no need of using the formula since the table of determining sample size has all the provisions you require to arrive at your sample size.

References

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Appendix B: Questionnaire

Dearest Respondent,

Good day! I need your help by filling up four pages of written questions candidly and honestly. This is a partial fulfillment of Masters of Business Administration on assessing the challenges and strategies of Balanced Scorecard program implementation at Pharmaceuticals Fund and Supply Agency, Addis Ababa, 2008 E.C. For completing this paper is in your hands, please answer these questions completely, accurately and honestly. Your answers are also very significant in the completion of my study, thank you for your kind cooperation.

Dear Respondent, Please Mark the checkbox honestly:

Demographic Character:

1. Pseudonym: _____
2. Gender: Male Female
3. Age: 18-30 31-40 41-50 51-60 Above 60
4. Educational Attainment:
 - High School and Below
 - College Diploma
 - Graduate
 - Undergraduate
5. Professional Status:
 - Private
 - Private employee
 - Government employee
 - NGO
 - Others _____
6. Years of service:
 - Below 5 years
 - 6-10 years
 - 11 years and above

7. Organizational Position:

- Professionals
- Managerial
- Lower Level Managerial

8. Field of Study:

- Health
- Finance
- Management
- Economics
- Others

9. Monthly Salary:

- Below ETB 5000
- ETB 5000 and Above

1. What are the challenges to implement the balanced scorecard in relation to management and employees' commitment?

- a) No objectives for the BSC program
- b) Too few Individuals involved
- c) Keeping the Scorecard at the top
- d) No trained People

2. What are the structural challenges of the agency's BSC implementation?

- a) Doesn't have a reform directorate
- b) Not suitable organizational structure for BSC implementation
- c) Not Clear, inconsistent, and invisible involvement by managers
- d) No effective and open communication with employees

3. What are the technological challenges of to implement BSC tool?

- a) Lack of BSC software utilization skills
- b) Financial problem
- c) No BSC software

4. What is the reason for manpower skill gap in the implementation of balanced scorecard

- a) Lack of BSC education and training
- b) Hiring inexperienced employees

c) High attrition rate of trained employee

5. What are the obstacles in the implementation of the BSC in the agency?

a) Measures selected for the scorecard do not reflect the Agency's strategy

b) The Agency adopts too many indicators

c) Lack of senior management commitment

d) Too few measures (two or three) per perspective

6. Do you get adequate orientation on Balanced Scorecard from the Agency/or from government?

a) Yes b) No

7. Does the tool (Balanced Scorecard) is user friendly?

a) Yes b) No

8. Do you think the Agency initiative for Balanced Scorecard implementation is enough?

a) Yes b) No

9. Is there any burnout/dissatisfaction in employees relating with Balanced Scorecard implementation?

a) Yes b) No

10. Are the numbers of staffs' enough to implement Balanced Scorecard?

a) Yes b) No

11. Does Balanced Scorecard tool improve your organization performance?

a) Yes b) No

12. Does the Agency perform Monitoring and Evaluation of the implementation of BSC?

a) Yes b) No

13. Does the Agency recruit BSC trained employees'?

a) Yes b) No

14. Does the Agency give BSC training for its employees?

a) Yes b) No

15. Does the Agency put the financial perspective advantage of Balanced Scorecard?

a) Yes b) No

16. What are the strategies of balanced scorecard program implementation used by the Agency to achieve the challenging area?

17. Which conditions should the Agency fulfill in order to implement the BSC?

18. What are the problems of management in the implementation of balanced scorecard?

19. What are the problems of employee on the implementation BSC?

20. What are the key factors in the successful implementation of BSC?
