



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**ASSESSEMENT OF BALANCED SCORECARD
IMPLEMENTATION AT COMMERCIAL BANK OF
ETHIOPIA**

BY

YONAS SHIFRAW

JANUARY 2017

ADDIS ABABA, ETHIOPIA

**ASSESSMENT OF BALANCED SCORECARD IMPLEMENTATION AT
COMMERCIAL BANK OF ETHIOPIA**

BY

YONAS SHIFRAW KEBEDE

**A THESIS SUBMITTED TO SAINT MARY'S UNIVERSITY, SCHOOL OF GRADUATE
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DEDICATION

This thesis work is dedicated to my beloved Guardian, Archangel Saint Michael.

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Table of Contents

Acknowledgements	v
Table of content	ii
List of Tables.....	v
List of Figures	vi
List of Abrivation	vii
Abstract	viii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem.....	3
1.3 Research Questions	5
1.4 Objectives of the Study	5
1.4.1 General Objectives	5
1.4.2 Specific Objectives.....	5
1.5 Significance of the Study	5
1.6 Scope of the Study	6
1.7 Definition of Terms.....	6
1.8 Organization of the Study	7
CHAPTER TWO: REVIEW OF RELATED LITRATURE	8
2.1 Theoretical Literature.....	8
2.1.1 What is Balanced Scorecard.....	8
2.1.2. The Balanced Scorecard perspectives	9

I. Financial Perspective	9
II. Customer Perspective	10
III. Internal Process Perspective	10
IV. The Learning and Growth Perspective.....	11
2.1.3 Balanced Scorecard Foundation.....	11
2.1.4 Performance Measurement.....	13
2.1.5 BSC and Performance Measurement.....	14
2.1.6 Role of Performance Measures in an organization.....	15
2.1.7 The Role of the BSC as Strategy Implementation and Performance Measurement.	16
2.1.8 Measuring and Assessing Performance.....	17
2.1.9 Key Performance Indicators	18
2.10 Some Barriers of BSC Implementation.....	19
2.2 Empirical Review.....	23
2.3 Conceptual Framework.....	24
CHAPTER THREE : RESEARCH DESIGN AND METHODOLOGY	26
3.1 Research Design and Approach.....	26
3.2 Source of Data.....	26
3.3 Data Collection Techniques	27
3.4 Population, Sampling Technique and Sample Size.....	27
3.4.1. Population.....	27

3.4.2. Sampling Technique and Sample Size	28
3.5 Data Analysis method	29
3.6 Validity and Reliability	30
3.7 Ethical Considerations.....	31
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION	32
4.1 Demographic Profile of Respondents.....	32
4.2 Data Analysis Related to the Study	34
CHAPTER FIVE: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	52
5.1 Summary of Major Findings	52
5.2 Conclusions	54
5.3 Recommendations	56
5.4 Limitation of the Study.....	57
References-----	58
Appendices-----	62

List of Tables

Table 3.1: Proportionality of Sample Size.....	29
Table 3.2: Reliability Check	31
Table 4.1: Demographic Profile of Respondents	33
Table 4.2: Performance Improvement Due to BSC Implementation	35
Table 4.3: BSC Implementation as a Performance Measurement Tool	38
Table 4.4: Financial Perspective	42
Table 4.5: Customer Perspective.....	43
Table 4.6: Internal Business Perspective.....	45
Table 4.7: Learning and Growth Perspective.....	47
Table 4.8: Challenges of BSC Implementation.....	49
Table 4.9: Opinions Ranking on Challenges of BSC Implementation.....	50

List of Figures

Figure -01: Perspectives of Balance Scorecard-----13

Figure -02: Conceptualization Model-----25

List of Abbreviations

BSC: Balanced Scorecard

BPR: Business Process Reengineering

CBE: Commercial Bank of Ethiopia

IT: Information Technology

KPIs: Key Performance Indicators

SPSS: Statistical Package for Social Science

ABSTRACT

The aim of this study is to assess the implementation of Balanced Scorecard in CBE and challenges faced while implementing the system. The study tried to evaluate performances measurement tools and challenges compared to standard literatures of the perspectives. In order to assess the status of the implementation, the study has been conducted by preparing five point likert scale questionnaires and semi structured interview questions. The total population size of the study was 3067 involving managerial and non-managerial staffs and Key informants (strategic management experts) of the bank. The study adopted probability (stratified) sampling technique to select 354 respondents & purposive sampling technique was used to select 7 key informants who have the working knowledge of the system, from those samples the responses of 278 respondents were analyzed using SPSS version 20 and the interview results thematically analyzed in content wise. In doing so the finding revealed that service delivery has been improved to expected level; corporate level key performance indicators (KPI's) are properly measures the bank performance, after balanced score card implementation financial performance of the bank achievements in banking industry increased, in contrary individual performance evaluation is carry out without reliable performance data, the bank is not satisfactory to give adequate training on BSC to update skills and improve employees for better performance. Furthermore, the major challenges are lack of effective Information Technology support regarding performance evaluation system and failure to get information on BSC. The study advised CBE to conduct intensive awareness activities; align individual performances to reward system with reliable performance data and carry out bench mark assessments from industry best implantations.

Key words: *Balanced Scorecard, Performance Measurement. Performance Indicators.*

CHAPTER ONE

INTRODUCTION

This chapter introduces the reader with an insight into research area. It addresses mainly Background of the study, statement of the problem, objective of the study, methodology, significance of the study, scope and limitation of the study and organization of the whole paper.

1.1 Background of the Study

Many companies have implemented tools for measuring their performance to contribute the stability of an organization in today's competitive environment. Performance management is the use of performance measurement information to effect positive change in organizational culture, systems and processes, by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or program directions to meet those goals, and sharing results of performance in pursuing those goals. A leading-edge organization seeks to create an efficient and effective performance management system to translate firm vision into clear measurable outcomes that define success, and that are shared throughout the firm and with customers and stakeholders. (Johnson G. Scholes, K. and Whittington, .L. 2006).

The Balanced Scorecard (BSC) popularized by Kaplan & Norton (1992, 1993, and 1996) and adopted widely around the world has been offered as a superior combination of non-financial and financial measures of performance. Because the BSC explicitly focus on links among business decisions and outcomes, it is intended to guide strategy development implementation and communication. Furthermore a properly constructed BSC could provide reliable feedback for management control and performance evaluation.

The key to organizational success and growth is the ability to translate organizational strategy into operational terms and the ability to measure performance and achievement of strategic objectives. Velnampy & Nimalathason (2007) stated that Balanced Scorecard itself is essentially a performance measurement framework with two key objectives converting strategy into specific

goals for different section of organization and communicating that strategy to all parts of organization.

Yahaya (2009) point out that simple definition however cannot tell us everything about the balanced scorecard there are three elements to this tool thus it can be implemented as a measurement system, strategic management system, communication and information tool, however Kaplan (2010) predicate that the balanced score card of course was not original for advocating the non financial measures be used to motivate, measure and evaluate company performance, in 1950s a General electric corporate staff group conducted a project to develop performance measures for General Electric decentralized business units.

Conversely the problem that the authors such as Kaplan and Norton identified in today's Business is measuring performance exclusively on financial indicators. Financial indicators mostly reflect past achievements focusing on short term goals and tangible assets. Those type of indicators are all lagging indicators, they have no a perspective over the future alignment with constantly changing business environment (Niven, 2006). According to Glova G. Okwo, I. and Marire, I. (2012) the aim of BSC is to achieve balance between short term and long term goals, between value and natural indicators, between lagged indicators and motive powers, between internal and external performance factors, and its necessary to consider the financial aspects (net profit, return on assets etc.) as well as well as the company vision its link to the customer need for constant improvement, qualification of employees, innovation and quality control.

Coming to our country, according to Ministry of Public Service and Human Resource Development (2013) the Civil Service Reform Program has initiated different change tools such as Strategic Planning and Management, Quick Wins, and Management by Objective, Business Process Re-engineering (BPR), Balanced Scorecard and recently, Civil Service Change Army (Yelewit Serawit), those initiatives aimed to radically transform the public service system into modern, effective and efficient system that allows government to attain the vision and policy strategies. Some tangible results in improving structures, organizational competencies and service delivery have been registered due to these reform programs (Zerihun & Tesfaye, 2014).

The agreement that was reached in 1905 between emperor Minilik II and British owned national bank of Egypt marked the Introduction of modern banking in Ethiopia. Following the agreement the first bank called Bank of Abyssinia was inaugurated in Feb. 16 1906. The history of Commercial Bank of Ethiopia dates back to the establishment of state bank in 1942, after a year's CBE took over the commercial banking activities of the former state bank of Ethiopia by Jul.1 1964. During the Derge regime CBE had remained as only participant in the countries commercial banking sector, nevertheless, following 1991 regime change a number of private banks emerged in the country, by now sixteen private banks and two government owned banks continue in business. Commercial bank of Ethiopia is re-established in Ethiopia under the license of Monetary and Banking Proclamation NO 83/1994 and banking business proclamation no 592/2008 and the various directives of national bank of Ethiopia. CBE's vision is to become world class bank by 2025 by providing relevant and innovative financial service. The bank mission is to act as a financial intermediation globally and supporting national development priorities as state-of-the-art technology. Now CBE has over 13 million customers (as of June 30 2016) and more than 28 thousand employees.

1.2 Statement of the Problem

Currently the vast majority of the world leading organizations including banking institutions such as Metro Bank, Deutsch Bank, JP Morgan have already implemented BSC (Horvath, 2006). Organizations that implement BSC have realized successes as the same time failures records. According to Pforsich (2005) about 70% of all implementation of scorecard was failed.

Gitonga (2014) assess Balanced Scorecard implementation in consolidated bank of Kenya, and found that BSC has been useful tool for bringing attainment of the mission of the bank; and yet some challenges have been faced including resistance to change, lack of sufficient knowledge of the staff aspects of operation that are difficult to measure and lack of objectivity in appraisal of staff.

According to Olve .G., Roy, J. & Wetter, M (2003) not all measures belong to the scorecard, just the important ones organization will still have numerous other metrics, but only those that contribute to the execution of the company strategy should be incorporated in the score card. Roos, L.Feltham, .G.A. and Xie, J. (1997) explain that for performance measures to be effective

they have to be reliable and consistent with the actions of the unit, and with the short- and long-term goals of the whole organization.

One of the challenges leveled against Implementation of BSC model is it's over reliance on subjective measures. This is even more evident in cases where measures are tied to employee evaluation and bonuses. According to Pfeffer & Sutton (2000) a particular case in where bonuses for branch managers of Citibank branches in California were tied to BSC measures. The performance of each branch manager was evaluated as "below par," "par" or "above par," even though it is clearly stated in the company manual that lacking an objective indicator for people performance, evaluation and bonuses will be based on the subjective judgment of the branch manager's superior.

Franco & Bourne (2003) stress there is a lack of empirical evidence that explores BSC impacts especially on employee's performance. Waal (2003) argued that important precondition for successful implementation of BSC is to involve employees in the development and implementation of the scorecard.

Most of the study done on BSC deal with its development and success stories consequently, Taylor (2010) asserts that the issues performance improvement and challenges related to BSC application still remain under researched area.

This is realistic for our nation organizations that implemented BSC. Concerning to our countries financial industry specially increasing of stiff competition in banking service sector was a pushing factor for CBE to improve its service provision. In 2008/2009 fiscal year CBE implemented Business process re-engineering (BPR) as a new transformation system to achieve the desired objective, improving service quality and satisfying its customers. Moreover, to keep going this improvements CBE implemented Balanced Scorecard (BSC) in 2010/2011 as the main transformation tool following BPR and to become as a performance improvement instrument to attain the vision ``become world class bank by 2025``. Therefore, this study focused on assessing the implementation footings and challenges faced by CBE between the theoretical ways of effective implementation of BSC and actual practices undertaken by Commercial Bank of Ethiopia.

1.3 Research Questions

The study seeks to answer the following question;

- ✓ What are the achievements of BSC implementation for performance improvement regarding financial, customer, internal business and learning and growth?
- ✓ To what extent CBE performance measurement system apply balanced view of BSC perspectives?
- ✓ What is the attitude of employees concerning implementation of BSC?
- ✓ Does BSC implementation contribute to the performance of CBE employees?
- ✓ What are the challenges encountered in the implementation of BSC?

1.4 Objectives of the Study

1.4.1 General Objectives

The General objective of the study is to assess BSC implementation at CBE.

1.4.2 Specific Objectives

- ✓ To evaluate the key performance improvement areas of the bank using BSC
- ✓ To assess the helpfulness of BSC as a performance Measurement Tool.
- ✓ To evaluate attitude of employees regarding the four perspectives Balance Scorecard i.e. Financial, Customer, Internal process, Learning and Growth
- ✓ To assess the importance of BSC to improve employee Performance.
- ✓ To identify the major challenges encountered in the implementation of BSC

1.5 Significance of the Study

Besides the academic significance to the researcher the study have the following importance.

- ✓ The findings of the study have a direct contribution to CBE concerning current phenomenon.
- ✓ It serves as a bench mark for BSC implementation in other similar banks

- ✓ It uses as a reference for individuals who have a research interest on BSC in financial sector.
- ✓ The study establish possible recommendations for any drawbacks uncovered in the empirical findings

1.6 Scope of the Study

CBE is stretched in more than 1100 branches controlled by 15 districts throughout the nation. Due to the wide scatterings of the branches the researcher delimited to do the study in head office processes by the reason of manageability. Moreover, BSC is important to use as Strategic Management Tool, as a Communication tool and as a Performance Measurement Tool. This study is focused foremost to assess the Performance Measurement Tool.

1.7 Definition of Terms

Performance Management; is the use of performance measurement information to effect positive change in organizational culture, systems and processes, by helping to set agreed-upon performance goals, allocating and prioritizing resources (Johnson et al., 2006).

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 (Norton & Kaplan., 1996).

The Balanced Scorecard perspectives: The four perspectives are: the Financial Perspective the Customer Perspective; the internal business Process Perspective; the Learning and Growth Perspective.

Performance Measurement; is a process of assessing progress towards achieving pre-determined goals and objectives, and the effectiveness of the company operations, in terms of their specific contribution to creating value for stakeholders (Gekonge, 2005).

Performance Measurement Tool; The goal of performance measurement is to help optimize the interaction of strategy, decision making and all aspects of operation consequently, it is a

means to that end. Moreover, performance measurement tool used to map the relationship between organizational activity and results.

1.8 Organization of the Study

The paper is divided into five chapters. The content of the first chapter provide the reader with an insight into research area, the second chapter give the reader with an over view of related theoretical and empirical literatures, third chapter describes the research methodology to be adopted for this paper and data collection, chapter four presents the research findings and analysis of the data collected, chapter five contains the overall major findings, conclusion and recommendations that can be draw and made from the research.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

The previous chapter provided the background and the problem discussion of the area of this study, leading down to the specific research questions. The aim of this chapter is to provide relevant literature in the field of BSC and its application as performance measurement model. First, review theories describing what are the key concepts of BSC and then how organizations can use the balanced scorecard as performance measurement tool and. what are some basic challenges encountered using Balanced Scorecard concepts.

2.1 Theoretical Literature

2.1.1 What is Balanced Scorecard

There are several definitions of the phrase Balanced Scorecard from several literatures. Some of the well-known ones are;

“The balanced scorecard is a strategic management and measurement system that links strategic objectives to a comprehensive range of key performance indicators, to provide a balanced view.”

“It is a strategic management system based upon measuring key performance indicators across all aspects and areas of an enterprise: financial; customer; internal process; and learning and growth” (www.Balanced Scorecard institute.com, 2007).

Kaplan and Norton linked the usefulness of the balanced scorecard to the needs of a pilot steering an aircraft as follows:

“Think of the balanced scorecard as the dials and indicators in an airplane cockpit. For the complex task of navigating and flying an airplane, pilots need detailed information about many aspects of the flight. They need information about fuel, air speed, altitude, bearing, destination and other indicators that summarize the current and predicted environment. Reliance on one instrument can be fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously” (Kaplan & Norton 1992, p. 71).

The quotation above goes to emphasize the usefulness of the balanced scorecard in assessing organizational performance. It brings the importance of using both financial and non-financial key performance indicators (KPIs) that are critical to the health of the organization and that give the organization all the information that is required to focus on the achievement of its strategic goals. The ability to monitor the performance and results of a company's strategies through the selection of very few critical metrics/measures that permeate the entire organizational structure taking into account both internal and external factors.

2.1.2. The Balanced Scorecard perspectives

The original Balanced Scorecard designed by Kaplan and Norton identified in four perspectives. The Balanced Scorecard supplements the traditional way of measuring performance with financial measures by adding measures from the perspectives of customers, internal processes, and learning and growth. In this way, it enables organizations to monitor the intangible assets needed for future growth (Kaplan & Norton, 1996). The four perspectives are: the Customer Perspective; the Internal Process Perspective; the Learning and Growth Perspective; and the Financial Perspective

I. Financial Perspective

Although the Balanced Scorecard was developed in part as a reaction against the excessive reliance on financial measures, the financial measures are still an important component of the Balanced Scorecard (Niven, 2006). According to Kaplan and Norton (1992) and Niven (2006) measures in the Financial Perspective indicate whether the implementation of the company strategy and its execution are contributing to the improvement of bottom-line results. Focusing resources, energy, and capabilities on customer satisfaction, quality, knowledge, and other factors in the other perspectives without incorporating indicators showing the financial returns of Organization may produce little added value (Niven, 2006). According to Niven (2006), the Financial Perspective focuses on measures which have the goal of enhancing shareholder value. The most commonly used measures are derived from the objectives of revenue growth and productivity, such as return on equity, return on investment, revenue, gross margin, and other indicators.

II. Customer Perspective

In the Customer Perspective, the aim is to identify the customer and market segments in which the organization will compete, and, accordingly, the measures to track related performances (Kaplan and Norton, 1996). The Customer Perspective should ask how an organization appears to customers in order to achieve the organization's vision and mission. This reflects the factors that are really important to customers (Kaplan & Norton, 1992). The authors recognized these factors in: time, quality, performance, service, and cost. Niven (2006) argues that to achieve positive financial results, organizations need to create and deliver products and services which customers perceive as adding value. According to him, the measures in the customer perspective should answer three questions: What are our target groups of customer? What do they expect or demand from us? What would the value proposition for us be in serving them? The value proposition may be chosen within three differentiators (Kaplan & Norton, 2000);

- Operational excellence – focus on low price and convenience;
- Product leadership – offer the best product in the market;
- Customer intimacy – focus on long-term customer relationship through a deep knowledge of their needs. The most common measures for this perspective include: customer satisfaction, customer loyalty, and market share (Niven, 2006).

III. Internal Process Perspective

Great customer performance is the result of processes, decisions, and actions which managers need to focus on in order to satisfy customer needs (Kaplan & Norton, 1992). According to Kaplan & Norton (2000), in the Internal Process Perspective the organization determines how it will achieve the value proposition for its customers and the productivity improvements to reach its financial objectives in order to satisfy its shareholders. This perspective measures the business processes that have the greatest impact on customer satisfaction. It measures factors like quality and employee skills. Here, companies should identify and measure their core competencies and technologies critical to ensuring market leadership (Kaplan & Norton, 1992). Measures that can represent this perspective are inventory turnover, delivery, productivity, cycle time, and research and development expenses (Niven, 2006).

IV. The Learning and Growth Perspective

The next perspective is represented by the Learning and Growth Perspective. By measuring the organization's ability to innovate, improve, and learn, the Learning and Growth Perspective identifies the needed infrastructure to support the other three perspectives. Niven (2006) argues that measures of the Learning and Growth Perspective are the enablers of the other perspectives and represent the foundation of the Balanced Scorecard. According to Kaplan & Norton (1992), continual improvements and the ability to learn and introduce new products and services are the precondition to survive, expand in the global marketplace, and increase the Company's value. Knowledge, employee skills and satisfaction, the availability of information and adequate tools are frequently the source of growth and therefore the most common measures of this perspective (Niven, 2006).

Kaplan and Norton emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed.

2.1.3 Balanced Scorecard Foundation

Whilst there may be many reasons for an organization adopting a Balanced Scorecard, seeking to effect change which results in performance improvement is likely to be high on the list. As we have seen, the motive for Scorecard implementation is inexorably linked to organizational strategy. To make effective changes, an organization needs to seek clarity in a number of interrelated areas if the resulting Scorecard is to provide a cohesive route to its chosen objectives.

I. Vision and Values

The organization needs to have a clear and concise view of its purpose or mission; the reason why it exists, and the core values that will guide its actions. It needs a clear vision of how it wishes to evolve and a strategy of how to get there. Kakabadse (2001) describes a process he calls 'visioning' by which the key actors in an organization reach a consensus about the future of the organization. Whether an organization is in the private or public sector, it is unlikely that it will have the ability to formulate a vision without taking account of a wide range of stakeholders.

II. Stakeholder Analysis

A stakeholder is defined, in the broadest sense, as anyone who has a legitimate interest in the performance of an organization. Some will have more power than others and the prudent organization will identify all of its stakeholders, rank them in a hierarchy and develop a process to understand their needs and aspirations. For the private sector organization, the primary stakeholders are likely to be its shareholders and its key customer groups. Research conducted for this report shows that, for most organizations strategy formulation remains an essentially internal process. This presents a challenge to organizations, particularly to the public sector where the Government is keen to establish much more stakeholder participation (Makay, 2004).

III. Strategy Formulation

Once the organization has clarified its vision, the core values of the organization will define the manner in which the organization will move towards that vision of the future. A detailed plan of ‘how to get there’ is then laid out in the organization’s strategy formulation. As part of this undertaking, the organization may also need to clarify its ethical position, and unless its values reflect a culture of trust, empowerment and team working, it is unlikely that all the benefits of the Balanced Scorecard process will be achieved. At the same time as it is beyond the scope of this guide to detail the extensive literature relating to organizational strategy, there are a number of fundamental issues that need to be considered before starting to build a Scorecard (Makay, 2004).

The first of these is the ongoing debate as to the relationship between the formulation of strategy and its implementation. This distinction between the ‘determination of goals’ and ‘the adoption of courses of action necessary for carrying out these goals’, was acknowledged as early as Chandler’s (1962) popularization of the concept of business strategy (Makay, 2004).

Below is a figure that depicts the balanced scorecard framework,. This has the vision of the organization in the middle and the various strategic objectives/goals and the metrics for the four main perspectives

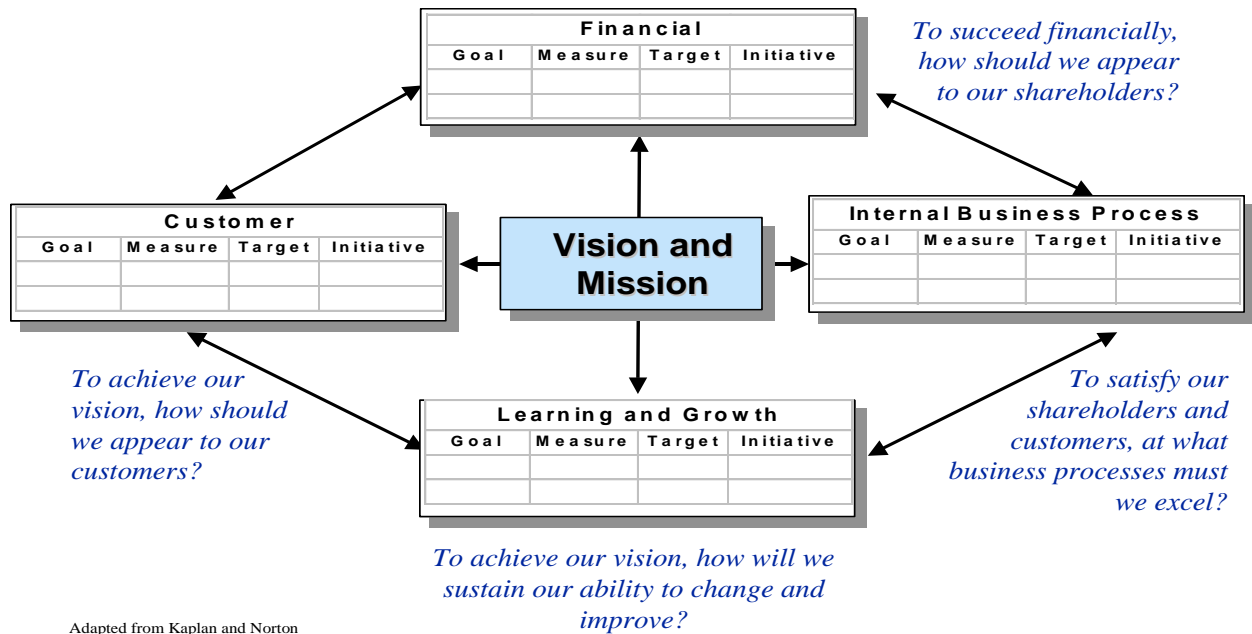


Figure 1: Perspectives of Balance Scorecard

Source: Robert S. Kaplan and David P. Norton, the Balanced Scorecard - Measures That Drive Performance, Harvard Business Review, January-February, 1992

2.1.4 Performance Measurement

Gekonge (2005), interpret performance measurement as a process of assessing progress towards achieving pre-determined goals and objectives. It includes information on the efficiency with which resources are transformed into goods and services (outcomes), the quality of those goods and services (how well they are delivered to customers and the extent to which customers are satisfied), and outcomes (the results of the program activity compared to its intended purpose), and the effectiveness of the company operations, in terms of their specific contribution to creating value for stakeholders.

Performance Measurement systems were developed as a means of monitoring and maintaining organizational control (Nani A, Dixton j., Vollman T, 1990). Which is the process of ensuring that an organization pursues strategies that lead to the achievement of overall goals and objectives? A performance measure can be defined as a metric used to quantify the efficiency

and/or effectiveness of an action. Edson (1988) & Talley (1991) stressed the need for performance measurement systems to focus attention on continuous improvement. Kaplan & Norton (2001) observes that an effective performance measurement system should provide timely and accurate feedback on the efficiency and effectiveness of operations. The following dimensions: planning, controlling and evaluating, managing change, communication, measurement and improvement, resource allocation, motivation, have been identified by Sinclair & Zairi (1995), as the need for measurement

2.1.5 BSC and Performance Measurement

The BSC first started as a performance measurement system by Kaplan and Norton and it was later developed into a strategic control system to help organization implement their strategies. The balanced scorecard, it was argued, will assist top management to effectively communicate their vision and strategies to every member of the organization through the common metrics that is well understood by everyone in the organization. It therefore can be seen as an effective strategic information tool. Performance measurement can be defined as the process of measuring efficiency, effectiveness and capability, of an action or a process or a system, against given norm or target (Nightingale, 2005).

There are various questions that organizations planning to implement the BSC must try to answer. For customer perspective, the main question is how the organization looks to its customers. For financial perspective, the question the organization must answer is how it looks to its shareholders. For the learning and growth perspective, the focus is on how the organization continuously can improve its operations and create value. Finally, under the internal business perspective, what must the organization excel in order to deliver value to its customers at a reduced transaction cost to increase its profitability is the question to deal with (Nightingale, 2005).

2.1.6 Role of Performance Measures in an organization

The function of successfully in a business environment, an organization depends up on the decision-making ability of its managers, who in turn, depend up on the availability of usable information about performance is important in different ways to the various stakeholders within a business. Managers look at the performance of a company's subunits as way of prioritizing the allocation of resource In more strategic sense, performance measurement is seen as an important way of keeping accompany on track in achieving the company's objectives and as a monitoring mechanism employed by owners of a company where ownership and management are separated (Lipe & Salterio, 2000)

Specifically Pforsich (2005) argues that within the contemporary work environment, a good performance measurement system should be:

- a) Supportive and consistent with an organizations goals, actions, people/culture, and key success factors;
- b) Driven by customer;
- c) Appropriate to the internal and external environment;
- d) Developed by a combined top-down and bottom-up effort;
- e) Communicated and integrated through the organization;
- f) Focused more on managing resources and inputs, not just simply costs;
- g) Committed to providing action-oriented feedback; and
- h) Supportive of individual and organizational learning

Performance measurement models are regarded as instruments for combining the interests of the organization with the interests of organizational players (Malina & Selto, 2004). When these models reflect valid cause-and-effect connections between the adopted or chosen indicators, they are considered to be superior to lists of indicators that do not conduct or reflect the organizational objectives. However, according to Norreklit (2003) establishing cause-and-effect relations between the indicators of the various areas of an organization may be complicated due to the individual's limited cognitive capacity.

2.1.7 The Role of the BSC as Strategy Implementation and Performance Measurement.

Proponents of the BSC stress its alignment of critical measures with strategy and links of the measures to valued outcomes. In addition, the management control literature identifies other characteristics of control systems that may be critical to the successful implementation of strategy and should apply to the BSC. To be effective, BSC measures should be accurate, objective, and verifiable. Otherwise, measures will not reflect performance and may be manipulated, or managers could in good faith achieve good *measured* performance but cause the organization harm. If managers can achieve good measured performance by cheating, the system quickly will lose credibility and desired motivational effect. Furthermore, the set of BSC measures should completely describe the organization's critical performance variables, but should be limited in number to keep the measurement system cognitively and administratively simple. An exhaustive set of performance measures may accurately reflect the complexity of the organization's tasks, but too many measures may be distracting, confusing, and costly to administer (Ittner, C, Larcker, D. & Randall, T., 2003). However, Lipe & Salterio (2000) did not find evidence of information overload from multiple measures in their experimental study of the BSC.

Positive motivational impact induces managers to exert effort to achieve organizational goals. While informative but not controllable performance measures may be important, positive motivation requires that at least some of the BSC measures should reflect managers' actions. For example, relative performance evaluation (e.g., across similar business units), which can identify "influenceable" but not completely controllable outcomes, may be an important component of the BSC, but it may not be sufficient by itself. Extensive goal-setting literature confirms that performance should be keyed to challenging but attainable targets without such explicit BSC targets; performance likely would be lower than could be reasonably achieved. Finally to build goal commitment, the BSC should be linked with prompt and well-understood rewards and penalties. Rewards that are delayed, uncertain, or ambiguous may be ineffective motivational devices (Locke & Latham, 1990).

Therefore, even though an organization's BSC reflects its critical performance variables and links to valued outcomes, it may fail as an effective management control device if it lacks other attributes. For example, Ittner et al. (2003) found that subjectivity in a bank's BSC led to both its having little beneficial impact and the bank's reversion to short-term financial measures of performance. To summarize, an *effective management control device*, which is capable of promoting desired organizational outcomes, should have the following, observable management control attributes to, first, attain strategic alignment:

- A *comprehensive* but parsimonious set of measures of critical performance variables, linked with Strategy
 - Critical performance measures *causally linked* to valued organizational outcomes
 - *Effective* – accurate, objective, and verifiable – performance measures
- Second, to further promote positive motivation, an effective management control device should have attributes of:
- Performance measures that reflect managers' *controllable* actions and/or *influencible* actions, e.g., measured by absolute and/or relative performance
 - Performance targets or *appropriate benchmarks* that is challenging but attainable
 - Performance measures that are related to *meaningful rewards*
- Management control theory predicts that, if the BSC has these attributes, it is likely that the BSC will promote strategic alignment and positive motivation and outcomes (Lipe & Salterio, 2000 p 30-32).

2.1.8 Measuring and Assessing Performance

According to the Lipe & Salterio (2000) a major consideration in performance improvement involves the creation and use of performance measures or indicators. It further explains performance measures or indicators as measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. It gave the criteria for selecting the measures or indicators as being the ones that best represent the factors that will lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or company performance requirements therefore represents a clear basis for aligning all activities with the company's goals.

Traditionally, performance measurement of businesses has usually been through the use of mainly financial indicators. But financial measures such as returns on investment and earnings per share are historical in nature and therefore have little predictive value to management of an

organization. This therefore becomes insufficient for decision making regarding the future performance of the organization (Yahaya, 2009).

2.1.9 Key Performance Indicators

According to Sutoyo (2011) key performance indicator (KPI) is an industry word for a kind of measures of performance. KPI is commonly used by an organization to assess its success or the success of specific activity in which it engaged. It is a financial or non financial measurement used to quantify advancement towards strategic objectives set as element of strategic business plan by technique such as the Balanced score card. BSC measures business using several basic groups. Each group has indicators inside and KPI is the best tools to measure indicators in the score card. However, this will differ depending up on the nature of the business and its strategic objectives, especially those involving difficult to quantify activities. KPI is differentiating between one organization to the others.

A KPI offers the most significant performance information that enables organizations or their stakeholders to recognize whether it is on track or not. It serve to decrease the intricate nature of organizational performance to a small number of key indicators so as to make it more digestible for employee (Sutoyo, 2011).

To choose accurate KPI is dependent up on having a good understanding of its significance to the organization. It's significant frequently depends on the department measuring the performance. Due to the need to develop a good understanding of what is significant performance indicator choice is often directly associated with the use of various techniques to assess the current state of the business and its key activities (Sutoyo, 2011). These assessments frequently lead to the identification of potential improvements; and as a result performance indicators are normally associated with performance improvement initiatives.

Finally the KPI should signify a defined business process and the process must have clear goals or performance requirements, there must be quantitative/qualitative measurement of results and comparison with the performance requirements. There should be a method for examining variances and altering process to accomplish goals (Sutoyo, 2011).

2.10 Some Barriers of BSC Implementation

I. Not involving the whole organization

The members of the project team should not be the only people involved in the Balanced Scorecard. The Scorecard is a tool which should improve communication within an organization. It should cover the organization as a whole. Many initiatives have been unsuccessful because organizations have not recognized the need to address the Balanced Scorecard to all the points where the business logic, ambitions, and achieved performance are discussed (Olve et al., 2003). Niven (2006) emphasizes that any successful strategy implementation must be understood and acted on at every level of the firm. The Balanced Scorecard which aspires to be a tool to implement strategy should strive to do the same. The term “cascading” is commonly used to denote driving the BSC concept down into the organization and giving all employees the opportunity to demonstrate how their daily activities contribute to the company strategy (Niven, 2006).

Examining the BSC initiative in the General Electric (GE) Lighting Business Group, confirmed the importance of the participation of lower levels in the BSC initiative. According to him, involving employees at all levels in the development of BSC measures is crucial for BSC success. This will inspire ownership of the measures and commitment to achieve their targets. He stated: “By showing employees how their performance influences the bottom-line, frontline employees are encouraged to act like owners and ensure the future of their jobs.”

If the importance of employee involvement is not understood, the organization may miss the opportunity to benefit from the employees’ knowledge that is directly related to the areas in which they exert influence. In addition, if not directly involved, employees will not be able to focus on the performance drivers and on the design of initiatives and decisions necessary to achieve the targets. According to Niven (2006), cascading the BSC from top to bottom is essential for the success of the initiative in larger organizations where front-line employees are remote from the source of the strategy. If the BSC is not cascaded to them, they will hardly learn about the strategy and will not be motivated to execute it because they will have no opportunity to demonstrate how they contribute to the overall success. Othman (2006) discusses the mistake

of implementing and using the BSC in an arbitrary and top-down manner. In his view, this approach will lead to a lack of commitment from the rest of the firm other than the project team and top management, and it will be poorly understood. The importance of involving front-line employees was further identified by Othman (2009), He reminds us that front-line employees have the most telling and timely inputs. For instance, interacting with customers, they understand their likes and dislikes. Such human judgment can hardly be replaced by an IT system.

II. Inadequate KPIs

: “If you can’t measure it, you can’t improve it.”

According to Olve et al. (2003), “When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind.” The decision about what metrics to incorporate in the Balanced Scorecard is perceived as one of the most difficult parts of the initiative. This is because at this point all the employees involved feel the weight of the concept due to the initiatives which each of them should undertake to meet the targets. A wrong choice of measures or, better said, of Key Performance Indicators (KPIs), may damage all other BSC efforts.

The measures selected for a Balanced Scorecard should create a chain of cause and-effect relationships that communicates the strategy to all parts of the organization (Kaplan & Norton, 1996a). As is already said, in order to depict the strategy, a tool is incorporated in the Balanced Scorecard called the strategy map. To make the BSC work as a strategy implementation tool, Othman (2009) found that it was crucial to identify the performance drivers of the strategy. According to him, some BSC initiatives never become tools for strategy implementation because activities are incorporated in the BSC which in reality make little contribution to the strategy outcome. If BSC developers do not understand this in time, the initiative is doomed to fail.

Olve et al. (2003) argue that not all measures belong to the Scorecard, just the important ones. Organizations will still have numerous other metrics, but only those that contribute to the execution of the company strategy should be incorporated in the Scorecard. Too many may lead

people to focus on the KPIs and forget the strategy and its execution. There are also other mistakes related to KPIs. BSC developers, as Olve et al. (2003) state, very often cannot make a distinction among the performance outcomes (lagging indicators) and performance drivers (leading indicators). Lagging indicators represent the consequences of previously taken actions, while leading indicators are measures that drive and enable the results measured by the lagging indicators (Niven, 2006). The Balanced Scorecard should contain a mix of leading and lagging indicators. Lagging indicators cannot provide answers about how to achieve targets. If we want people to understand the activities which should drive to the outcomes, performance drivers are necessary. Further, leading indicators may signal possible shortfalls and improvements that need to be made to achieve the wanted target.

Niven (2006) emphasizes the importance of developing leading indicators. According to him, measures such as profits or the quantity of sales are lagging indicators which can be used for benchmarking with other organizations and are available from a variety of external sources. Leading indicators represent all those processes and activities crucial to obtain lagging indicators. These processes are the true essence of business and are relatively hard to monitor or to be copied from others. Othman (2009) indicates that BSC developers sometimes confuse enablers and performance drivers. Enablers are necessary, but are not enough in themselves. He takes the example of IT and reengineering. According to him, the usage of IT in today's business conditions is essential. However, without reengineering processes making IT constantly faster and adaptable IT will not significantly influence performances. To make the BSC work smoothly, there is a need to understand the critical success factors of company outcomes. Once this is understood, performance drivers must be developed. Enablers would in addition enhance their effectiveness and the likelihood of achieving outcomes. Another mistake made when developing the Balanced Scorecard relates to taking the existing measures commonly used by a company and placing them in the new tool (Niven, 2006).

According to Niven (2006), if this is done no advantages can emerge from the BSC. Many measures that are needed to tell the story of the strategy may already be present in the company. However, to execute the strategy, there is very often a need for additional and new measures. On the other hand, in the process of building the BSC, some existing measures may be found

unnecessary and will be omitted from the new tool. This will save effort and will allow focus to be placed on the real essence of the strategy (Niven, 2006).

III. Lack of planning and communication

Finally, we come to a barrier that would probably not stop a Balanced Scorecard initiative, but would surely make its implementation more complicated, cause it to last longer, and make people confused and unsatisfied. Niven (2006) stresses that the development of the Balanced Scorecard requires a precise development plan to guide the selected team during the BSC journey. Without a formal plan showing the implementation path in advance there is the risk of confusion. Even if there is high interest among employees and a readiness to collaborate, a lack of organization may lead to failure (Niven, 2005). The BSC plan should, as Niven (2006) believes, reveal to everyone in the organization what is planned to be achieved, with whom, why, how, and how long will it take. There is no predefined plan or template for all organizations that shows how to build a Balanced Scorecard. Every organization must be taken as a separate case which means that the BSC must be developed and used according to the company's organizational needs and characteristics.

According to Niven (2006), one of the many benefits of the Balanced Scorecard is its flexibility and its adaptability to the constraints of every organization. Very often, for the purpose of introducing the BSC, organizations hire outside consultants (Niven, 2006; Olve et al., 2003). Consultants may provide precious information and knowledge about the BSC and they can assist and guide the organization through to successful implementation. Often, many organizations do not understand the role of consultants who act only as facilitators to the main actors in the process – managers and employees. Relying only on consultants may lead to the development of a BSC which will hardly be applied in practice and will scarcely bring the wanted results. Company managers and employees must first be able to arrive at a good strategy and then design the tools to allow them to execute it. No consultant can define the strategy for them (Olve et al., 2003). Closely related to the BSC development plan is the plan to ensure that everyone in the organization becomes aware of the Balanced Scorecard initiative – the communication plan. The Balanced Scorecard, after all, is a tool to initiate change. It is hard to believe that everyone in an organization would be familiar with this concept and its aims. In reality, the majority would

never have heard of the BSC. According to Niven (2006), even those who are somehow familiar with the concept will show much skepticism to it if information is not regularly delivered to them. He argues that many efforts to make change, and thus the BSC, fail because they are not adequately communicated to employees. The success of the Balanced Scorecard relies on employees' collaboration and support. A communication plan will enhance the likelihood of employees adopting the tool which will make it easier for the BSC to become a tool for making real business decisions

2.2 Empirical Review

A variety of research has been carried out by researchers from different disciplinary backgrounds and geographical areas to examine diverse aspects of the Balanced Scorecard implementation and came out with different findings.

Ahmed , Z., Bowra, Z., Ahmad, I., Nawaz, M., & Khan, M. (2011) conducted a study in which they surveyed a sample of 27 banks in Pakistan to identify the measures that are used by the sample banks to evaluate their performance according to the four perspectives of the BSC. The authors reported that all the banks surveyed used measures that correspond to the BSC approach to evaluate their performance, however, the significance of the measures varied among the sample studied.

Nightingale (2005) attempted to explore the usefulness of a multi-perspective performance measures in the banking sector in Libya. Through an extensive literature review, the authors identified some performance measures and have investigated the impact of five organizational individualities on these measures. Based on a survey in a sample of 55 banks in Libya, the study reported that most banks place their emphasis on financial measures as a first step to evaluate performance, however, many of the banks surveyed tended to implement customer related measures and other non financial measures such as learning and employee growth.

Malina & Selto (2001) conducted a research to assess the relationships between communication and management control attributes and organizational effectiveness of the balanced scorecard. Their study revealed that the implementation of BSC promoted significant opportunities to

develop, communicate and implement strategy which affirms Kaplan and Norton's concept of causal relationship.

a study conducted by Wickramasinghe, Gooneratne & Jayakody (2007) found that owner-managers' lack of commitment to the concept and having focus more interest on financial (lag) indicators was serious challenge of the implementation process which discouraged innovative work environment. From this brief empirical literature review it can be drawn that BSC implementation is a complex process where organizations can benefit from, and encounter different challenges and obstacles in the implementation process.

Hoque & James (2000) surveyed Australian manufacturing firms on their usage of non financial measures typically found in discussions of BSC development .Organizational performance was a self- reported measures relative to peers within the same industry. Their results indicate a significantly positive relationship between the usage of typical BSC measures and superiors performance.

Ittner et al., (2003) provide the most contradictory evidence from various studies by finding a negative association between BSC usage and financial performance (ROA) in an expensive study of the financial services industry. They also find that while 20% of the respondents reporting using the BSC, over 75% of these firms reported not relying on business models that causally link performance drivers to performance outcomes.

2.3 Conceptual Framework

The balanced scorecard is the perfect tool in measuring and evaluating performance because it allows us to look at performance from a 360 degree angle. Kaplan and Norton (1996) underline the purpose of the balanced scorecard in managing performance is it assists organization in appreciating whether their growth strategies are successful or not, and which new initiatives are required to achieve their strategic objectives in the future.

A model shows a balanced view of performance measurement using four perspectives which modified use from the authors Kaplan and Norton 1992 -BSC Measures drive performance, model

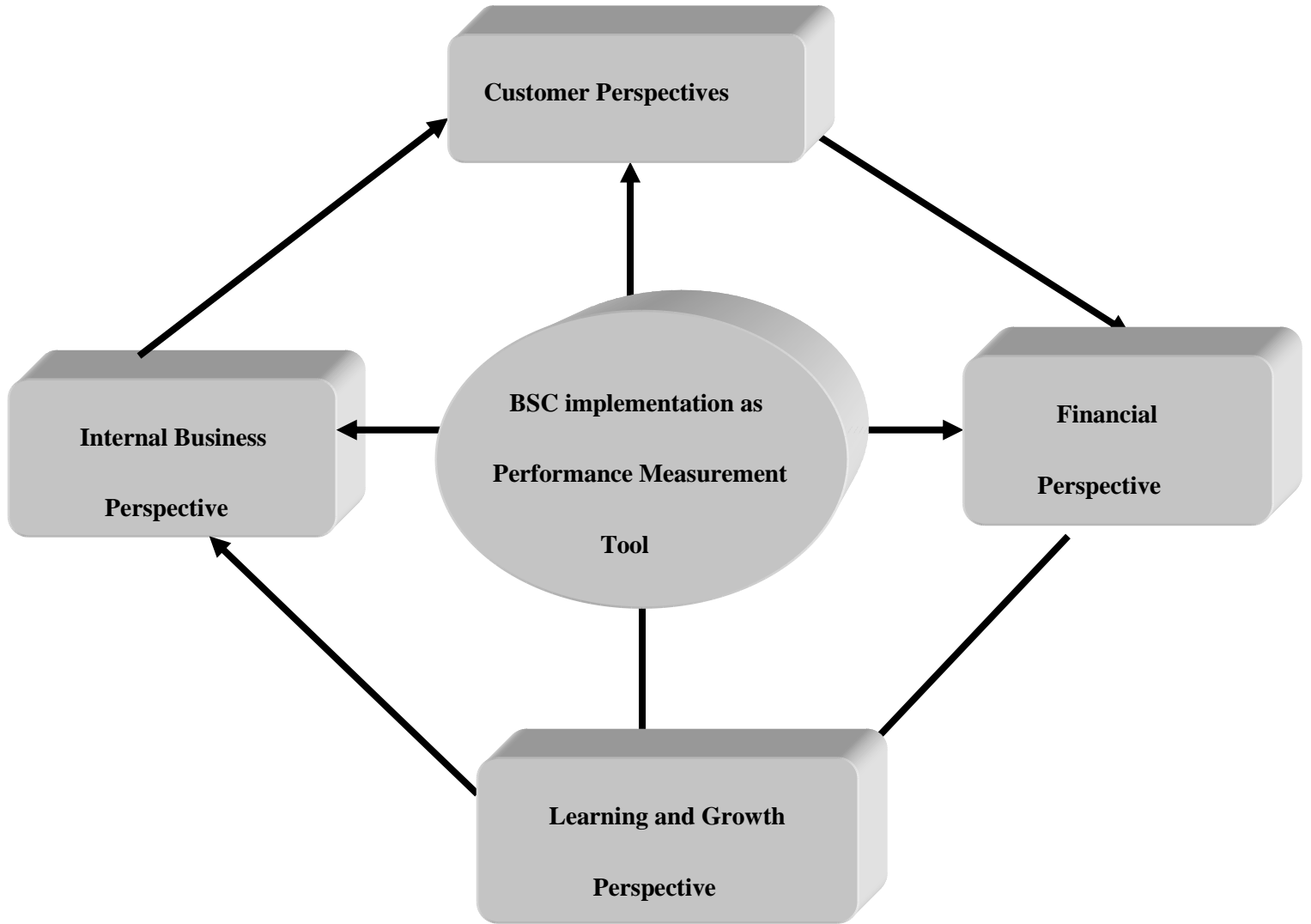


Figure -02 : Conceptualization Model

Source; Kaplan and Norton, 1992

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the research Methodology that was use in gathering data for the study. It contains the research design, source of Data, sample size and sampling technique, data gathering techniques, methods of data analysis, pretest and ethical issues.

3.1 Research Design and Approach

This study adopted descriptive research design by using both qualitative and quantitative method that is a sequentially transformative mixed method research approach. According to Bryman & Bell, (2003) the term mixed approach refers to those combinations where more than one data collection technique is used with associated analysis. Quantitative and qualitative are used widely in business and management research to differentiate both data collection techniques and data analysis procedures. Quantitative is predominantly used as synonym for any data collection techniques (such as questionnaires) or data analysis procedure (such as graphics or statistics) that generates or uses numerical data. In contrast qualitative is used predominantly as synonym for any data collection technique (such as interview) or data analysis procedure that generates or uses non- numerical data.

The good reason to use descriptive research is more helpful to describe and interpret the trend of events that is balanced scorecard implementation and existing practices at CBE and also essential to meet objective of the study. According to Saunders (2009) descriptive research design explain what exist in a given situation and also this research design aims at describing observable fact undoubtedly and evidently..

3.2 Source of Data

The primary sources were the main sources of data for this study as more sound and reliable information obtained from practical exposure of respondents. Furthermore the study used secondary sources gathered from unpublished and published bank reports and literatures.

3.2.1. Primary data

The researcher used primary data collection methodologies, particularly survey method and interview method. The survey was conducted by using a questionnaire having a set of close-ended questions. This form was mainly designed to be filled by Managerial and non managerial staffs, as opposed to the survey method, interview method was used by the support of interview guide which contains a set of semi-structured set of questions, and these questions were addressed to strategic management experts as key informant for this study.

3.2.2. Secondary Data

The researcher, to assess of BSC effects on the Bank`s organizational performance, used a secondary data such as and published and unpublished bank reports and other relevant literatures.

3.3 Data Collection Techniques

The data type applies for this research was a combination of qualitative and quantitative methods. Questionnaires and interviews are designed to collect data from selected sample members.

3.3.1 Questionnaire

A5-point likert scale type questionnaires were used as the main instruments to collect data both from Bank`s non managerial and Managerial staffs. These types of questionnaire were preferred over other data collection methods anticipating the opportunity for obtaining reliable and valid information from more number of respondents.

3.3.2 Interview

Semi-structured interview was prepared to the key informants (bank`s Strategic Management experts). The technique was selected in order to obtain information with regard to issues requiring clarification such as annual reports, policies and vital information that were not expected to be accessed using questionnaires.

3.4 Population, Sampling Technique and Sample Size

3.4.1. Population

The study's population pool was the Bank's managerial, non-managerial staffs and strategic management experts (key informants). seven Key informants were purposively selected from office of strategy that played vital role in the implementation of BSC. Preliminary survey was undertaken by the researcher and collected from the Bank's Human resource Transaction service, the total number of population from the entire process/departments of head office organs are 3060.

3.4.2. Sampling Technique and Sample Size

The researcher used both stratified random sampling (probability) and purposive (non-probability) sampling techniques. As per Kombo & Tromp (2006), stratified random sampling technique enables more precise estimates for each stratum (group) and gets better estimates of the whole.

As per the stated organizational structure, there are 13 (thirteen) process/departments i.e., Customer account transaction service, credit management, trade service, human resource management, credit appraisal and portfolio management, finance, facility management, risk and compliance management, information system, business development, internal audit, strategy management office and legal loan and recovery.

Except those 7 key informants selected purposively, sampling is drawn as per Taro Yamane (1967) formula for effective and efficient methods of determining representative sample among given population. The reason for using this formula is that it is the most simplified and widely applied in determining sample size in such research tasks.

$$n = \frac{N}{1+N(e)^2}$$

Where

n= Sample size

N=Population size of each variable

e= Level of correctness (sampling error) i.e. 95% confidence level

Hence for this study

$$n = \frac{3060}{1+3060(0.05)^2}$$

n = 353.75

The total number of Managerial and non managerial staff was 3060. From this population 353.75 approximately 354 staffs were taking as sample size (i.e. 11.5% of the population).

Accordingly it was necessitated to determine the number of element for each stratum in relation to its proportion among the total population. As far as the study is concerned, the sample is cascaded into the number of Bank`s Process/Departments to make proportional stratified random sampling in which, apparently 11.5% sample employees from each stratum is selected.

Table 3.1 proportionality of sample size

<i>Process/Departments</i>	<i>Population</i>	<i>Sample size (11.5%)</i>
Business Development	222	26
Customer accounts transaction service. (CATS)	906	104
Credit management	174	20
Credit appraisal & portfolio	109	13
Facility Management	226	27
Finance	181	21
Human Resource Management	211	24
Internal Audit	189	22
Information systems	156	18
Legal loan & Recovery	87	10
Risk & Compliance	127	15
Strategy Management	174	20
Trade service	298	34
Total	3060	354

Source: own computation based on the information collected, 2016

3.5 Data Analysis Method

Qualitative and Quantitative data was collected from primary and secondary source. The Data gathered from close-ended questionnaires are feed into the statistical package for social science (SPSS-Version 20) computer program and analyzed using Descriptive Statistics with five point Likert scale quantitatively in terms of frequency, percentage, mean and standard deviation. On the other hand, the information which was gained from interviews analyzed thematically content wise. Finally findings were interpreted and analyzed using tables in relation to research question.

3.6 Validity and Reliability

Validity

A research instrument is said to be valid if it measures what it is supposed to measure (Kombo & Tromp, 2006). Pre-test validity of the instruments and to perfect the questionnaires items' concept and wordings which is represent specific areas covered by the study. The validity of an instrument is measured by its repeated reviews by experts and field tests.

For this study to validate the instruments the researcher has ruled out whether there were ambiguous, confusing and poorly organized items/Questions along with the instruments were tested to ascertain their validity and suitability, by amending as per the Respondents recommendations in collecting the required data. The advisor has exhaustively examines all items one by one and providing feedback and guidance on the questionnaire particulars that needed to be corrected.

Reliability

Reliability is defined as be fundamentally concerned with issues of consistency of measures. Bryman & Bell (2003) suggested, a multiple-item measure, in which answers aggregated with corresponding questions would form an overall score. The researcher strived to ensure that all our indicators are related to each other. Before the last questionnaires were distributed, a pilot test of 41 questionnaires was distributed among employees at different levels (6 managerial and 35 non-managerial staffs). The questionnaires were administered twice to different groups of respondents and the findings confirm similar results. the reliability of the research instruments test by Cronbach`s alpha method using SPSS (version 20). The reliability statistics result discovered 0.82, as a result above 0.8 implies an acceptable level of reliability.

Table 3.2 Reliability Check

Ser no	Variables	Cronbach's Alpha	Number of Items
1	Performance improvements Due to BSC implementation	0.89	10
2	Implementation of Balanced Scorecard as performance measurement tool	0.82	8
3	Financial Perspective	0.79	3
4	Customer Perspective	0.82	3
5	Internal Business Process Perspectives	0.83	4
6	Learning and Growth Perspectives	0.81	4
7	Challenges encountered on BSC implementation	0.84	6
	Average	0.82	

Source: own computation based on the data collected from the survey 2016

3.7 Ethical Considerations

As affirmed previously the researcher formulates various data collection techniques and instruments from different sources. At the time of data collection the researcher keeps the confidentiality of information by way of anonymity of the respondents. Furthermore utmost efforts are exerted to acknowledge every material referred for this study.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter presents analysis of the data collected from respondents using different data collection techniques. The chapter also presents the major reasons for the problems stated under 1.2 and provides justification for the questions posed under 1.3 in chapter one

Prior to directly to discussion of the result, it would be better to introduce the respondents in order to have understanding about the respondents. It may help to estimate the accuracy of the information provided by them and it may give an idea about how many respondents able to answer the questions forwarded with the acceptable degree of reliability. This study is, as noted earlier, aimed at assessing the balanced scorecard implementation in commercial bank of Ethiopia. To collect relevant data for the study, questionnaires and interviews are in use. For primary data interview was conducted with strategic management experts and questionnaires distributed to sample respondent of 354 to those commercial bank of Ethiopia head office staff. Out of which 278 questionnaires are returned and qualified, this accounts for 78.7% of Response rate. The rest of the questionnaires are disqualified and not returned, by doing this the data collected through questionnaires, interviews are presented below with the help of tables.

4.1 Demographic Profile of Respondents

Summary of demographic characteristics of respondents who filled and returned the questionnaires is tabulated and presented in Table 4.1. Under this section, the profile of the respondents of the study is summarized in light of their gender, age group, educational status, work experience, and their position classification

Table 4.1 Demographic profile of respondents

Description		Frequency	Percentage
Gender	Male	142	51.1%
	Female	136	48.9%
	Total	278	100%
Age	20-25	45	16.2%
	26-40	181	65.1%
	41-49	35	12.6%
	Above 50 Years	17	6.1%
	Total	278	100%
Educational Background	High school Graduate	0	0%
	College Diploma	23	8.3%
	Bachelor Degree	182	65.5%
	Masters Degree & Above	73	26.2%
	Total	278	100%
Year of Experience	Less than 5 years	57	20.5%
	6 to 10 years	85	30.6%
	11 to 20 years	74	26.5%
	Above 20 years	62	22.4%
	Total	278	100%
Current Job Position	Managerial Staff	40	14.4%
	Non-Managerial Staff	227	81.6%
	Professional	11	4%
	Others	0	0%
	Total	278	100%

Source; Own Survey, 2016

As can be seen simply demographic characteristics of the respondents' are summarized in Table 4.1 Concerning Gender out Of the total respondents 51.1 % (N=142) and 48.9% (N=136) respondents were male and female respectively. Regarding age in the study area was indicated that 16.2 %, 65.1%, and 12.6% of the population between 20-25, 26-40, and 41-49 years of age respectively and the rest of 6.1% fall under above 50 years this indicated commercial bank of Ethiopia is investing more on learning and development to exploit the juvenile employees skills in order to achieve its objectives. Result from the Table shows about Educational background of the respondents' revealed that the majority (65.5%) of the respond had first degree level. The rests 26.2%, 8.3 % had Masters Degree and collage Diploma holders respectively. This implies that the majority of employees under this study area are first degree graduates. In all, the fact that

almost all of the respondents being educated though in different levels is believed to contribute for the understanding of the questionnaire as desired by the researcher. On the subject of work experience in commercial bank of Ethiopia the survey result indicated that of the total majority of the respondents 20.5 % had between less than five years of experience (30.6 % and 26.5 % was between 6-10 and 11-20 years of work experience in the bank respectively). The rest 22.4% of the sampled population had above 20 years of work experience in the bank. Based on current job position of sample respondents the majority 81.6 % of non-managerial staffs & 4 % of respondents were from professionals and 14.4% are managerial staff.

4.2 Data Analysis Related to the Study

4.2.1 Performance Improvement due to BSC implementation

The application of any change tool alone, like BSC, doesn't guarantee for sustainable and effective achievement of performance. It should continuously be supported by relevant principles and regularly monitored for compliance and consistency. To this point, findings on employee's opinions are summarized as follows:

Table 4.2.1 Performance Improvement due to BSC Implementation

Item	Statements	Scale							Mean	Stand. Deviation
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total		
1	CBE'S key improvement areas are identified due to BSC implementation	Freq.	29	204	34	11	-	278	3.90	0.62
		%	10.4	73.4	12.2	4	-	100%		
2	BSC identify whether The Bank Is meeting customer requirements	Freq.	11	221	23	23	-	278	3.80	0.64
		%	4	79.6	8.2	8.2	-	100%		
3	Employees have been share Vision, mission Values of the Organization	Freq.	57	164	45	6	6	278	3.94	0.80
		%	20.4	58.9	16.3	2.2	2.2	100%		
4	BSC identify potential strategic initiatives, developed selection criteria analyze and selected strategic initiatives.	Freq.	45	182	45	6	-	278	3.96	0.64
		%	16.3	65.3	16.3	2.1	-	100%		
5	BSC forcing to Changing processes and Procedures	Freq.	23	170	68	17	-	278	3.71	0.70
		%	8.2	61.2	24.5	6.1	-	100%		
6	Efficient utilization of Resources	Freq.	17	176	62	23	-	278	3.67	0.72
		%	6.1	63.3	22.3	8.3	-	100%		
7	Service delivery has been Improved	Freq.	68	170	34	6	-	278	4.06	0.72
		%	24.5	61.1	12.2	2.2	-	100%		
8	Day to day activities of each employee's has been aligned With Bank strategy.	Freq.	51	193	17	11	6	278	3.98	0.77
		%	18.4	69.4	6.1	4.1	2.0	100%		
9	Key performance indicators in CBE properly measures the bank's progress performance of individual effort towards the achievements of the bank strategy	Freq.	17	170	74	17	-	278	3.67	0.69
		%	6.1	61.2	26.5	6.1	-	100%		
10	BSC encourages learning and continues improvement	Freq.	45	165	45	17	6	278	3.82	0.86
		%	16.3	59.2	16.3	6.1	2.00	100%		

Source; own survey, 2016

As depicted in the table above, the highest mean value 4.06 scored on improvement of service delivery in the bank process from this opinion we can deduce that implementing BSC in CBE was helpful in improving service delivery for customers.

According to the findings of the study from the interview the key component derived from implementing BSC in the bank include the following: Improved awareness among employees concerning the bank's vision, mission and strategy , Improved performance reporting system using both financial and nonfinancial metrics (i.e. better organizational performance evaluation in comparison with the former *financial* result based measurement system) , Alignment of process, team and individual level activities/performance to the bank's corporate strategy (i.e. it promoted strategic thinking), Work units able to understand what is expected of them to perform, It is instrumental to identify areas of performance improvement, initiated the bank to fulfill regulatory requirements (e.g. in meeting NBE requirements for asset quality profit and human development and internal process efficiency like core banking issues) helps the bank to monitor its performance against strategic targets, Promoted team work culture and improved cooperation and learning within teams (i.e. team members cooperate each other for the success of team level objectives, and learn each other through peer-teaching)

This study sought deeply to establish the impacts of balanced scorecard experienced Commercial bank of Ethiopia in Performance improvement. For the **Item-1'** above, concerning CBE'S key improvement areas are identified due to BSC. 83.8% of respondents agreed, and the remaining 16.6% had reservation (i.e. 12.2% remained neutral, 4% disagreed). Thus, it can be inferred that working areas desires to improve is identified due to BSC implementation For the **Item-2'** above, in relation to BSC identify whether The Bank Is meeting customer requirements. 83.6% of respondents agreed, and the remaining 16.4% had reservation (i.e. 8.2% remained neutral, 8.2% disagreed). Thus, it can be inferred that working areas needs to improve is identified due to BSC implementation. **'Item-3'**, majority of respondents 79.3% of them were strongly agree and agree while the remaining 20.7% (i.e. 16.3% remained neutral, 2.2% disagreed and 2.2% strongly disagreed) had reservation concerning their reflection Employees have been share Vision, mission Values of the Organization. As it can be seen from the table, **'Item-4'**, the respondents were requested to express their level of agreement or disagreement on the statement that BSC identify potential strategic initiatives, developed selection criteria analyze and selected strategic initiatives Majority of them 81.6% (16.3% and 65.3%) strongly agreed and agreed

respectively, 16.3% of the respondents remained neutral, and the rest 2.1% is agreed accordingly. Under '**Item-5**', 69.4% of the respondents agreed that BSC forcing to Changing processes and Procedures , while 24.5% remained neutral and the rest (6.1 %) disagreed with the statement. **Item-6**' above, 69.4% of respondents agreed, and the remaining 30.6% had reservation (i.e. 22.3% remained neutral, 8.3% disagreed). Thus, it can be inferred that efficient utilization of Resources in working areas achieved due to BSC implementation. As indicated under (**Item-7**), 85.6% of respondents agreed or strongly agreed that Service delivery has been Improved 12.2% remained neutral and the rest 2.2% disagreed. Thus, it shows that almost 238 of the respondents agreed or strongly agreed with the statement. This indicates the bank prove improvement in efficient utilization of resources due to BSC implementation. **Item-8**', the respondents express their level of agreement or disagreement on the statement that Day to day activities of each employee`s has been aligned with Bank strategy greater part of them 87.8% (18.4% and 69.4%) strongly agreed and agreed respectively, 6.1% of the respondents remained neutral, and the rest 4.2% and 2.0% is agreed and strongly agreed accordingly. The attitude of the respondents on the statement that of individual effort towards the achievements of the bank strategy under '**Item-9**' reveals that majority of them (67.3%) strongly agreed or agreed, 26.5% had doubt (neutral), 12.2% disagreed and the rest 2.2% strongly disagreed respectively. This indicates that the level of Key performance indicators in CBE properly measures the bank's progress performance was at its moderate state.

Furthermore, for the statement under '**Item-10**', more than 210 of the respondents (75.5%), agreed or strongly agreed and the remaining 24.4% had reservation (i.e. 16.2. % remained neutral, 6.2% disagreed and 2.0% strongly disagreed) on the statement that BSC encourages learning and continues improvement. This implies that continuous improvements in various process in CBE was very good level, and this has benefited the bank and positively affected the implementation process of BSC in the bank.

This indicates that Balanced Scorecard has a significant impact on almost all aspects of banking and especially aspects that propel the CBE towards the growth, performance and development. This agrees with Othman (2006) that Balanced Scorecard is not only an indicator of appraisal system, but also a strategic management system. The use of the Balanced Scorecard breaks the traditional single-use financial indicators methods which measure performance. Nevertheless, the

study found that Implementation of Balanced Scorecard in banks and financial institutions is a very tricky thing as there is huge temptation to focus on financial indicators only. Balanced Scorecard measures key performance indicators in four perspectives: financial, customer, internal processes, learning and growth. It is difficult to say which perspective is the most important but it is possible to say that implementation of financial goals depends on success in the other three categories.

4.2.2 BSC as a Performance Measurement Tool

Many of the claimed benefits of the balanced scorecard (BSC) rely on the linkage of its performance measures to strategy and on causal relations among its measures. The view that balanced score card is effective as a performance measurement tool was established in the analysis as follows.

Table 4.3 BSC implementation as a performance measurement tool

Item	Statements		Scale					Total	Mean	Std. Deviation
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree			
1	Due to BSC; Performance evaluation feedback increases employees satisfaction	Freq.	34	51	136	52	6	278	3.51	1.03
		%	12.2	18.4	49	18.4	2	100%		
2	Due to BSC; Performance evaluation result implicitly reflects the employee`s Performance	Freq.	23	142	62	45	6	278	3.47	0.94
		%	8.2	51.2	22.4	16.3	2.0	100%		
3	Due to BSC Performance results are aligned with compensation plan in CBE	Freq.	11	119	74	51	23	278	3.16	1.04
		%	4.1	42.8	26.5	18.4	8.2	100%		
4	Due to Implementation; BSC ensures decisions are based on fact, not on subjectivity	Freq.	12	136	79	45	6	278	3.37	0.89
		%	4.1	49.	28.6	16.3	2.0	100%		
5	Due to BSC Provides the Operations activity with possible solutions	Freq.	17	176	51	34	-	278	3.63	0.78
		%	6.1	63.3	18.4	12.2	-	100%		
6	Due to BSC performance measurement links to the organizations vision through the objectives on the strategic map	Freq.	34	181	40	17	6	278	3.80	0.82
		%	12.2	65.3	14.3	6.1	2.00	100%		

7	BSC Increases quality of tracking Performance Improvements	Freq.	74	136	45	17	6	278	3.92	1.09
		%	26.5	49.0	16.3	6.1	2.0	100%		
8	BSC provides sufficient and reliable Data for measurement before Performance evaluation.	Freq.	57	125	45	40	11	278	3.63	1.09
		%	20.4	44.9	16.3	14.3	4.1	100%		

Source; own survey, 2016

During the interview The key informant person (Strategy experts) from Office of Strategy Management commented that there are some head office’s work processes that their performance evaluation is based on relevant and genuine manually recorded performance data. There are also some work units which represent the majority found at head offices that they are evaluating performances without reliable performance data. There for; the past three half a year individual evaluation reports are not be accepted by the Authority due to hyper inflated performance evaluation

The analysis investigated the importance of balanced scorecard as a performance measurement tool in Commercial bank of Ethiopia. `Item 1` the study found that 69.4 % of the respondents had reservation regarding Performance evaluation feedback increases employee’s satisfaction, 30.6 % indicated that employee satisfaction by performance evaluation system CBE Used is increased. Higher number of reservation and disagreement is observed based the surveyed data. According to the findings of Pearce & Robinson (2004) The Balanced Scorecard provides managements with a comprehensive picture of business operations, the methodology facilitates communication and understanding of business goals and Strategies at all levels of an organization and finally Maximized Cooperation – Team members are focused on helping one another succeed. Under ‘Item-2’, Performance evaluation result implicitly reflects the employee`s Performance, majority of respondents 59.4.9% of them were strongly agree and agree while the remaining 40.7% (i.e. 22.4% remained neutral, 16.3% disagreed and 2% strongly disagreed) had reservation concerning their reflection of implicit employee performance in BSC implementation. As indicated under (Item-3), 46.9% of respondents agreed or strongly agreed that performance results were aligned to compensation plan in the bank, 26.5% remained neutral and the rest 26.6% disagreed or strongly disagreed. Thus, it can be inferred that more than half of the respondents (54.1%) remained neutral or disagreed or strongly disagreed with the statement. This indicates that the

bank did not align performance results to reward or compensation scheme to the required level and expectation of majority of the respondents. Under **Item-4**, 53.1% of the respondents agreed that the implementation of BSC ensures decisions are based on fact, not on subjectivity in the CBE, while 28.6% remained neutral and the rest (18.3%) disagreed or strongly disagreed with the statement. In **Item-5** statement the study found that the majority of the respondents 69.4 % perceived BSC Provides the Operations activity with possible solutions, 18.4 % remained neutral regarding the issue and the rest 12.2% had reservation regarding the implementation of BSC make solutions in operation activity problems. As it can be seen from the table, **Item-6'**, the respondents were requested to express their level of agreement or disagreement on the statement that performance measurement links to the organizations visions through the objectives on the strategic map, Majority of them 77.5% (12.2% and 65.3%) strongly agreed and agreed respectively, 14.3% of the respondents remained neutral, and the rest 6.1% and 2.0% disagreed and strongly disagreed accordingly. This means, the bank's effort to align individual, team and work unit performance measurement to the corporate strategy is in a good condition. However, it is apparent that more effort is required to fully align the activities, as 8.1% of respondents 'opinion reveals they are reluctant or disagree with the statement.

Concerning BSC Increases quality of tracking Performance Improvements as depicted under **(Item-7)** shows more than half of the respondents (75.5%) agreed and strongly agreed, 24.6% remained neutral, and 10.2% of them disagreed and strongly disagreed on improvements of tracking quality performance. As it can be noted from **Item-8**, 44.9% and 20.4% agreed and strongly agreed, 16.3% remained neutral and the remaining 18.4% disagreed or strongly disagreed on the BSC Implementation provides sufficient and reliable Data for measurement before Performance evaluation.

From the analysis found that how important Commercial bank of Ethiopia is adopted Balanced Score Card (BSC) as a Performance Measurement Tool. The study found from an average mean of 3.56 that balanced scorecard was very highly rated and adopted to identify whether the bank is meeting its objective. The study sought to know the bank adopted BSC to ensure Performance evaluation feedback increases employee's satisfaction and a mean of 3.51 indicated that there was a relationship with such an idea. A mean of 3.47 indicated that the bank adopted BSC to show Performance evaluation result implicitly reflects the employee's Performance, a mean of

3.16 to indicate that Performance results are aligned with compensation plan in CBE while those who found a mean of 3.37 indicated that BSC ensures decisions are based on fact, not on subjectivity . The study found from 3.63 BSC Provides the Operations activity with possible solutions. While 3.80 performance measurement links to the organizations visions through the objectives on the strategic map it was rated as very high. The analysis further rated BSC as very high in increasing quality of tracking Performance Improvement at mean of 3.92, while a mean of 3.63 indicated that BSC provides sufficient and reliable Data for measurement before Performance evaluation. The analysis indicated that there are very many reason the importance commercial bank of Ethiopia adopted balanced score card. Those were not aimed at only one reason. The study agrees with another analysis by Niknazar (2009) that modern companies and commercial banks recognize the impact that measures have on performance. The adoption of balance scorecard as a performance measure his highly proposed and implemented due to many reason and varied intended purposes. The scorecard presents the managers with four different perspectives from which to choose measures. It complements traditional financial indicators with measures of performance for customers, internal processes, and innovation and improvement activities. However, the study further found that the balanced scorecard is not a template that can be applied to businesses in general or even industry-wide. Different market situations, product strategies, and competitive environments require different scorecards.

4.2.3 Financial Perspective

Focusing resources, energy, and capabilities on customer satisfaction, quality, knowledge, and other factors in the other perspectives without incorporating indicators showing the financial returns of an organization may produce little added value (Niven, 2006).

A good use of BSC, under this perspective, improves the implementation and execution of strategy through enhanced asset quality, financial resource utilization, improved productivity, and within frame of regulatory requirements. The following Table reveals the opinions of respondents to this point.

Table 4.4 Financial Perspective

Item	Statements	Scale								
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean	Standard Deviation
1	Balanced scorecard implementation brings revenue growth and sustainable market share to CBE	Freq.	51	142	62	17	6	278	3.78	0.89
		%	18.4	51.0	22.4	6.1	2.0	100%		
2	BSC implementation Improves over all Financial Performance of C.B.E	Freq.	40	153	68	11	6	278	3.76	0.83
		%	14.3	55.1	24.5	4.1	2.0	100%		
3	Due to BSC implementation CBE enhancing shareholders value	Freq.	39	142	74	17	6	278	3.69	0.87
		%	14.3	51.1	26.5	6.1	2.0	100%		

Source; own survey, 2016

Table 4.4 describes the arithmetic mean and standard deviation of respondents' opinion on the financial perspectives. From the study result the impact of implementing BSC in the bank was not significant difference between the financial perspectives and financial perspectives parameters. The average mean for financial perspectives was 3.74 and mean value for financial perspectives parameters of, revenue growth, enhancing shareholder value, market share and Financial Performance were 3.78, 3.76 and 3.69 respectively.

This implies that the respondents were replying positively regarding financial perspectives improvements after the implementation of BSC in the bank. For comparison by referring the bank of annual financial report in the year before the implementation year 2009/10 fiscal year, and after the implementation of BSC 2011/12, The operating profit of the Bank reached of 7.9 billion, this a big jump from the 4.2 billion (87.1%) compared to preceding fiscal year. Accordingly, Return on asset (ROA) increased from 4.4% in 2010/11 to 5.8% in 2011/12 indicating a large and continued improvement on asset utilization of the bank .Return on Equity (ROE) on the other hand ,increased from 71.9% in 2010/11 to 114% in 2011/12 .the high level of ROA and ROE explain the continued robustness of the bank in its profitability Therefore,

from the above demonstration of financial performance of the bank, after balanced scorecard implementation started Commercial bank of Ethiopia achievements in banking industry is increased.

4.2.4 Customer Perspective

For CBE to survive and deliver consistent superior financial performance in the areas indicated under the financial perspective above, a company with very satisfied customers is able to create sustained profitability and high growth value. The company also benefits from word of mouth advertising from its satisfied customers thereby reducing its cost of advertising while at the same time increasing its customer base (Roger, 2007). This therefore means that the higher the satisfaction index, the higher the future profitability of an organization may be.

Table 4.5 Customer Perspective

Item	Statements	Scale						Total	Mean	Standard Deviation
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree				
1	The implementation of balanced scorecard improves the service delivery of CBE	Freq	56	199	17	-	6	278	4.08	0.67
		%	20.1	71.6	6.1	-	2.2			
2	The customer complain is decreasing after balanced scorecard implementation	Freq	34	142	96	-	6	278	3.73	0.70
		%	12.2	51.0	34.7	-	2.2			
3	CBE focus on long-term customer relationship through a deep knowledge of their needs	Freq	45	62	165	-	6	278	3.88	0.75
		%	16.3	22.3	59.2	-	2.2			

Source; own survey, 2016

For the statement under **Item-1'** above, concerning the implementation of balanced scorecard improves the service delivery of CBE, 91.7% of respondents strongly agreed and agreed, the remaining 8.3% had reservation (i.e. 6.1% remained neutral, and 2.2% of them strongly disagreed). Accordingly, it is an evidence for the attitude of employees regarding improvement

of service delivery advanced, more banking services were adequately designed to serve the needs of customers.

Similarly, under **Item-2'**, the employees were requested to express their feelings on the customer complain is decreasing after balanced scorecard implementation. Of the total respondents, 12.2% and 51% very strongly agreed and agreed respectively and the rest 36.9% had reservation (i.e. 34.7% neutral, 2.2% disagreed and 1.8% strongly disagreed). This implies that the Implementation of Balanced core card is effective to minimize the dissatisfaction of customers. As it can be seen from the table, **Item-3'**, the respondents were requested to express their level of agreement or disagreement on the statement that CBE focus on long-term customer relationship through a deep knowledge of their needs. Majority of them (59.2%) remained neutral, 16.3% and 22.3% strongly agreed and agreed respectively and the rest 2.2% strongly disagreed correspondingly. as a result, it can be evidence for that the level of commitment to sustain strong long term relationships with dynamic needs of customers is less than expectation.

Table 4.5 describes summarized the respondents' opinion on the customer perspectives. From the study result the impact of implementing BSC in the customer perspectives of the bank indicted that the average mean value is 3.90. Similarly, the mean value of the service delivery time, declined customer compliance was 4.08, and 3.73 respectively. This indicted that the respondent reply positively about the achievements of customer perspectives and some of the parameters of customer perspectives after BSC implementation in the bank. However, the rest parameter of customer perspectives showed that the respondents were not agreeing about the achievements of long term customer relationship. On the other hand, when we look at the percentage of the respondents in all case of the customer perspectives parameters shows there was achievement after the BSC implementation the bank.

4.2.5 Internal Business Process

Great customer performance is the result of processes, decisions, and actions which managers need to focus on in order to satisfy customer needs (Kaplan & Norton, 1992). The internal working conditions or inner process are the major focus areas of business organizations these days. An organization with good inner processes can improve operational efficiency, create value to customers and shareholders, and makes difference in performance. It includes core

competencies and technologies, speed, quality, cost etc. Bearing this in mind, the following table summarizes respondents' opinions on the level of operational efficiency due to BSC implementation in CBE.

Table 4.6 Internal Business Perspective

Item	Statements	Scale								
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean	Standard Deviation	
1	BSC is important to align customer expectation with process efficiency to deliver quality service	Freq.	62	199	17	-	-	278	4.16	0.51
		%	22.4	71.5	6.1	-	-	100%		
2	BSC shows where improvement needs to be made	Freq.	57	215	-	6	-	278	4.16	0.51
		%	20.5	77.3	-	2.2	-	100%		
3	BSC Implementation Reduced non-value efforts of the company	Freq.	34	181	57	6	-	278	3.88	0.64
		%	12.2	65.1	20.5	2.2	-	100%		
4	The BSC implementation is adequate in Cascading Goal and Target for employees as per the job position	Freq.	28	193	40	11	6	278	3.82	0.75
		%	10.2	69.4	14.3	4.1	2.0	100%		

Source; own survey, 2016

As shown under **Item-1** 93.9% of respondents agreed or strongly agreed, 6.1% remained neutral on BSC significance to align customer expectation with process efficiency to deliver quality service. Thus, we can infer that the level of interface customer expectation among process efficiency in CBE is very high. Concerning BSC shows where improvement needs to be made. **Item-2** majority of the respondents (2.2%) disagreed or strongly disagreed, the remaining (97.8%) agreed or strongly agreed. This implies that the bank's internal business improvement areas was successful identified to keep going its operations efficiency and effectiveness. As depicted with the statement under **Item-3**, more than half of the respondents (77.3%) agreed or

strongly agreed, 20.5% were in doubt, and the rest 2.2% disagreed. This indicates that the bank Reduced non value efforts due to implementation is to a satisfactory level. Regarding the level of effectiveness BSC implementation is adequate in Cascading Goal and Target for employees as per the job position, as stated under **Item-4'**, majority of respondents (79.6%) strongly agreed and agreed, 14.3% remained neutral and 2.0% disagreed.

Again the above table describes the respondents' opinion on the internal business perspectives. From the study result the impact of implementing BSC in the internal business process of the bank was significant. Hence the averages mean and the mean value of internal business perspectives and internal business perspectives parameters s was 4.00. This indicted that they were sure there was improvements in the bank. However, the mean value of BSC implementation adequate in Cascading Goal and Target for employees as per the job position which was the internal business perspectives parameters was 3.82. Even if the achievement of implementing BSC in the internal business perspectives of the bank was essential on the mean value; the percentage or frequencies of the respondents indicated that it was not like others significant different and positively replied.

Those analyses's indicated that As per the mission statement of CBE the bank reduces the waiting time for the delivery of its services and increases availability of its services to customers through the use of the "state of the art" technology such as ecommerce, internet banking, SMS banking, ATM services, fast loan processing and international banking service etc. Also through the application of software or technology such as customer relationship management (CRM) software, CBE is able to better manage their relationship with their customers.

Internal business processes are the mechanisms through which performance expectations are achieved. Therefore, by relating the above literature with our finding, we can say that commercial bank of Ethiopia properly identified key business areas and improve their capacity to be financially successful as well as satisfy its customers. A company with good internal processes is able to quickly respond to customer queries, respond to customers' needs through new product development with short speed-to-market time frames. According to Niven (2006) the internal business results commonly lead to financial success and satisfied customers. To meet organizational objectives and customers' expectations, organizations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory.

4.2.6 Learning and Growth

Learning and growth comes from three principal sources: people, systems, and organizational procedures...businesses will have to invest in re-skilling employees, enhancing information technology and systems, and aligning organizational procedures and routines (Kaplan & Norton, 1996). The following table summarizes respondents' opinions on the level of agreement/disagreement on learning and growth BSC perspective implementation in CBE.

Table 4.7 Learning and Growth Perspective

Item	Statements	Scale							Mean	Standard Deviation
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total		
1	BSC gives much concern to the advancement of your career development	Freq	34	74	142	28	-	278	3.65	0.83
		%	12.2	26.5	51.1	10.2	-	100%		
2	The training given on balanced score card implementation is adequate	Freq	17	62	40	114	45	278	3.39	1.18
		%	6.2	22.3	14.3	41.0	16.2	100%		
3	Various training programs given For You is appropriate to enhance performance in work	Freq	34	51	159	17	17	278	3.63	0.99
		%	12.2	18.4	57.1	6.1	6.1	100%		
4	The working environment is Suitable to develop my job, knowledge And ability. so that it can advance your career	Freq	17	34	40	176	11	278	3.73	0.91
		%	6.1	12.2	14.3	63.3	4.1	100%		

Source; own survey, 2016

The above table describes respondents' opinion on concerning learning and growth perspectives. From the study result indicated the average mean value of learning and growth perspectives was 3.6 likewise, from the table 'Item 2' result revealed that The training given on balanced score card implementation is adequate the percentage of the all the parameters of learning and growth perspectives lies on the disagreement level (57.2% disagreed and strongly disagreed and the rest 14.3% remains neutral). Similarly, the percentages of the respondent revealed after the

implementation of the BSC in the bank the employees were not given appropriate training on balanced scorecard implementation. As a result the bank learning and growth perspectives were not improved as expected.

In addition to that the respondents are not comfortable with `Item 4` the working environment to develop employee's job, knowledge and ability to advance their career (67.4% disagreed and strongly disagreed and the rest 14 % remains neutral).

This indicted that the respondent reply negatively about the achievements of learning and growth perspectives. If a Commercial Bank of Ethiopia wants to implement the Balanced Scorecard properly and reap all the benefits this concept may bring, people should first learn about it. According to Niven (2006), Due to limited budgets or because of the perceived simplicity of the tool, BSC education and training are very often preserved only for high-level managers or only for project team members. The essence of any BSC initiative is to lead people throughout the organization to implement the strategy. If those people do not understand the tool in depth, there is no chance that they will find the right path to do this. The respondents from the interview significantly deal with The real ability of an organization to innovate, improve and learn depends, to a great extent, on the quality of its human resource, particularly in today's dynamic business environment. As a result, improving the knowledge, skill, abilities & competency of employees in an ongoing basis is critical. Maintaining employees 'satisfaction through coaching, motivating, rewarding, etc has to be emphasized.

From above analysis the study interpreted that commercial bank of Ethiopia fails to give adequate training on balanced scorecard implementation as well as other training or educational programs to update employee's skill and improve themselves for better performance. BSC implementation in commercial bank of Ethiopia gives less concern for career development to enhance employee's effort to their assigned task. On the other hand the working environment in commercial bank of Ethiopia is not suitable to develop employee's knowledge and ability to advance their career. Therefore, the bank gives less attention for the improvements of learning and growth perspective.

4.2.7 Challenges of BSC Implementation

Table 4.8 Challenges of BSC Implementation

Item	Statements	Scale								
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean	Standard Deviation
1	failure to get sufficient information on BSC Design and Implementation	Freq.	45	182	40	11	-	278	3.94	0.68
		%	16.3	65.3	14.3	4.1	-	100%		
2	lack of effective Information technology support	Freq.	85	113	51	23	6	278	3.90	1.005
		%	30.6	40.8	18.4	8.2	2.0	100%		
3	Poor office infrastructure and shortage of Resources	Freq.	40	159	40	34	5	278	3.69	0.94
		%	14.3	57.1	14.3	12.2	2.0	100%		
4	Lack of Knowledge, skill and ethical Behavior	Freq.	17	165	40	45	11	278	3.47	0.98
		%	6.1	59.2	14.3	16.3	4.1	100%		
5	Poor work system & culture backed by bureaucratic & delayed decision making, etc	Freq.	23	170	51	34	-	278	3.65	0.80
		%	8.2	61.2	18.4	12.2	-	100%		
6	Lack of commitment, sense of ownership and less attention to customers & employees' needs and expectations by management members	Freq.	34	142	51	40	11	278	3.53	1.02
		%	12.2	51.0	18.4	14.3	4.1	100%		

Source; own survey, 2016

The analysis found that there are challenges that affect the implementation of BSC as a performance Measurement tools. The study found the highest mean of 3.94 that one of the challenges implementation of BSC as performance score card is failure to get sufficient information on BSC Design and Implementation which implied there was a great relationship. a mean of 3.90 indicated that lack of effective Information technology support while a mean of 3.69 indicated Poor office infrastructure and shortage of Resources. The analysis further found from a mean of 3.47 that Lack of Knowledge, skill and ethical Behavior BSC is a challenge to

the implementation while a mean of 3.65 indicated Poor work system & culture backed by bureaucratic & delayed decision making, etc during implementation of BSC. The analysis further found Lack of commitment, sense of ownership and less attention to customers & employees needs and expectations by management member's s affect the implementation of BSC as a measure of Performance measurement tool indicated with a mean of 3.53.

Table 4.9 Opinions Rankings on Challenges of BSC Implementation

Item	Statements	Mean	Rank
1	failure to get sufficient information on BSC Design and Implementation	3.94	1
2	lack of effective Information technology support	3.90	2
3	Poor office infrastructure and shortage of Resources	3.69	3
4	Lack of Knowledge, skill and ethical Behavior	3.47	6
5	Poor work system & culture backed by bureaucratic & delayed decision making, etc	3.65	4
6	Lack of commitment, sense of ownership and less attention to customers & employees' needs and expectations by management members	3.53	5

Source; Source: own computation based on the data collected from the survey, 2016

As described in the table above, the mean value respondents have ranked the most serious challenges and impedimental factors for successful implementation of BSC in the bank in accordance with their severity. Failures to get information on BSC and Lack of effective

Information technology support have adversely tackle and the Implementation process of BSC in CBE.

This is supported by the interview results, during the discussion one of the problems in evaluating the individual performance was information technology problem. The researcher tried to see this aspect of the problem as employee supportiveness for change is important for smooth implementation of BSC. Contrary to this, employee resistance to change is obstacle for successful implementation.

In addition, most of the interviewees result revealed that low level of transparency in promotion and transfer, weak alignment of reward systems to performance results, , weak human resource management, lack of coordination among work units, long chain of decision making, lack of continuous assessment, weak feedback and control system and delayed/absence of corrective measures for future improvement contributed for internal and external stakeholders' dissatisfaction, and hence, were among the most challenging factors in the implementation process of BSC in the Commercial Bank of Ethiopia.

In general, Failures to get information on BSC and Lack of effective Information technology support have adversely tackle and the Implementation process and contributed for low level achievement of the objectives and the Implementation process of BSC in CBE.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the findings of the study are systematically summarized based on the data analyzed and interpreted in the previous chapter. Relevant conclusions are drawn from the findings and also tried to forward pertinent recommendations.

5.1 Summary of Major Findings

The main purpose of the study was to assess the overall implementation and challenges encountered while implementing balanced score card as performance measurement tool, the study also tries to evaluate the challenges faced as compared to the standard literature of balanced score card. The concept of performance measurement, balanced scorecard and its four perspectives, features/principles, etc were also discussed with the help of theoretical assertion and supported by empirical evidences.

This study was gathered relevant data through questionnaire and interview with 278 managerial and non-managerial employees (i.e. 78.7% response rate) at head office and 7 purposively selected strategy management experts of the bank respectively. The data were analyzed with the aid of SPSS version 20. Based on the discussion of the data, the following summaries of findings are drawn:

5.1.1 Implementation of BSC for performance Improvement

According to questionnaire and interview results, the bank has benefited from implementation of BSC in different ways. Particularly high indication about improvement of service delivery in the bank processes, the level of key performance indicators properly measures the bank's progress and alignment of processes, teams and individual level activities to the corporate strategy is improved. Overall, those findings shows that implementing BSC in CBE was helpful in executing best customer expected level of service

5.1.2 BSC Implementation as a Performance Measurement Tool

The study indicated that there are Processes at the Head Office with respective performance evaluation based on manually-recorded actual performance data. On the other hand, the fact that there are work units at Head Office, representing the majority, evaluating performances without reliable performance data. Thus, individual evaluation reports are lacking clarity with performance results not aligned with compensation plan. As a result, the authorities are not accepting the performance results due to hyper inflated recordings. Moreover, the Bank's endeavor to align individual, team and work unit performance measurement to the corporate strategy is in an encouraging status. However, the necessity for much passionate effort to fully align activities is apparently visible.

5.1.3 Financial Perspective

Based on the analysis, the high level of Asset (ROA) and Return on Equity (ROE) explain the Bank's sustained robustness in its drive for justified profitability. The Bank's financial performance statements shown after the implementation of Balanced Scorecard, indisputably demonstrate its leading market status in the overall banking industry.

The average mean for financial perspectives was 3.74 and mean value for financial perspectives parameters (revenue growth, enhancing shareholders' value, market share) ROE and ROA were 3.78, 3.76 and 3.69, respectively. This implies that respondents were all regarding the Bank's financial perspective improvements positively after the implementation of the BSC.

5.1.4 Customer Perspective

Accordingly, Bank employees' work spirit is enhanced along with sense of belongingness in lieu to marked improvement in service delivery; innovated and customers-focused banking services adequately-implemented. On the other hand, based on the research result, the level of commitment to sustain strong and long-term relationships with dynamic needs of customers is less than expectation.

5.1.5 Internal Business Process

The analysis of the research result implies that the Bank's internal business improvement areas were meticulously-identified to keep overall operation move efficiency and effectiveness.

Likewise, the level of customer expectation interface efficiency, among processes, found to be high.

The result from the interviews emphasized, as per CBE's Mission Statement, that the Bank reduces the waiting time for its delivery and increases availability of its services to customers through the employment of state- of- the-art devises, i.e. E-commerce, Internet Banking, SMS Banking, ATM services as well as fast loan processing and international banking service etc.

5.1.6 Learning and Growth

The respondents of the survey strongly reiterated that the real ability of an organization to innovate, improve and learn depends, to a great extent, on the quality of its human resource.

Based on the above assertion, it can be drawn that the Bank's track record of providing training on balanced scorecard implementation, in particular, other training or educational programs/skill in general, for better performance is regrettably inadequate.

5.1.7 Challenges of BSC Implementation

As supported by the interview & questionnaires results indicated, the major challenge in evaluating individual performance found to be lack of support in information technology. As per the study findings, failure to get information on BSC and lack of effective information technology support have adversely affected and contributed for low level achievement of the objectives and the Implementation process of BSC in CBE.

5.2 Conclusions

The implementation of Balanced Scorecard in the Commercial Bank of Ethiopia has triggered consequential benefits in for the most part of operational excellence; it is yet under achieved process due to different challenges and impedimental factors. In general the following conclusion can be drawn from the summary of findings of the study.

As per the opinion survey findings the study concluded that the use of Balanced Scorecard BSC has triggered increased performance in Commercial Bank of Ethiopia which is a good indicator of the best methods to Improve performances. However CBE`s performance improvement not sustained without continuous validation of key performance indicators allied to the dynamic customer and/or bank performance requirements.

To assess the success of any set of performance measures it is most appropriate to use the Balanced Scorecard with support of almost involvement of all employees. This study concludes that BSC would be appropriate for measuring the performance of the bank as well as the individuals. With regards to implementation, it was in a decent stage at corporate level and at each process level; however, it was at early stage in individual level because, lack of transparency of each performer measurement

Due to the implementation of BSC Commercial Bank of Ethiopia properly identified enhancement need business areas and improve processes capacity Because , Balanced Scorecard approach is designed to address some of the weaknesses of other performance management systems that tend to create conflicting goals or objectives within an entity .The findings shows that CBE has a good internal business processes which is able to quickly respond to customer queries, respond to customers“ needs through new product development with short speed-to-market time frames.

From above findings, the study can conclude that commercial bank of Ethiopia fails to give adequate training on Balanced Scorecard implementation as well as other training or educational programs to update employee`s skill and improve themselves for better performance. BSC implementation in commercial bank of Ethiopia gives less concern for career development to enhance employee`s effort to their assigned task. On the other hand the working environment in commercial bank of Ethiopia is not suitable to develop employee`s knowledge and ability to advance Managerial and non managerial employee`s career. Therefore, the Bank reveals fewer attentions for the issue in the current climate of rapid technological change, when becoming necessary for knowledge workers to be in a continuous learning mode.

5.3 Recommendations

In light of the major findings of the study and the conclusions drawn, attempts were made to forward possible recommendations for the attainment of a better end result of the Balanced Scorecard system in Commercial Bank of Ethiopia.

The major recommendations are cited below.

“You can't improve what you can't measure” (Olve et al., 2003)

Commercial Bank of Ethiopia persistently engages Balanced Scorecard as their primary performances measurement tool in all four perspectives to a factor that will enhance the performance, increase their competitive edge and improve customer satisfaction.

Improve Communication and Training

Without creating awareness and understanding about the concepts and objectives of BSC, it will be difficult both to the management and employees to internalize the concept and successfully accomplish its desired objectives. Improving the awareness level of performers and management members is critical in building positive attitude and reduced resistance. To this point the bank should continuously and consistently improve the awareness level of both existing and newly entrant staff members through training and education by experts and consultants.

Improve IT Support

Proper attention utmost given to information technology support of performance evaluation system by tracking every activities of the performer's in order to measure achievements with reliable and apparent data.

Learning and Growth

As discovered from the findings, out of the four balanced scorecard perspectives Financial, Internal Business process and customer perspectives demonstrates improvements whereas there is no considerable improvements on learning and growth perspectives, therefore Commercial Bank of Ethiopia should design better learning and development program for its employees through training and educational programs For the reason that Learning and growth constitute the essential foundation for success of any knowledge-worker organization

Align Individual performance to Reward System

Recognition for the value of one's work is an important factor in public service sector retention strategies. The bank's management should use the BSC framework to linking individual and team level accomplishments to the reward system with reliable performance data. This enables the bank to establish ground for competition and best performance through motivation, recognition and incentive.

Carry out Benchmark Assessments

To tackle the challenges encountered in the implementation process of BSC, the Top management of the bank should initiate and scan the industry level progress of the BSC and learn from best practices of those succeeded in implementing same through creating cooperation and experience sharing.

5.4 Limitation of the Study

The researcher had faced different limitations in the process of collecting relevant information. Such as lack of cooperation of the respondents and their commitment to complete filling the questionnaires as well as delaying in responding the questionnaires. The other limitation was, Since BSC is a new performance measurement system introduced in our country there was a difficulty in finding published and other research works done at national level. Those documents were relevant for the related literature and for the recommendation in order to relate the finding of this research and give significant recommendation.

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APPENDECIES

Appendix 1



ST. MARY'S UNIVERSTY SCHOOL OF GRADUATE STUDIES

MBA Thesis; Assessment of Balanced scorecard Implementation in Commercial Bank of Ethiopia

Questionnaire to be filled by Head office Staffs'

Dear respondents;-

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

Objective: This questionnaire is designed to collect information about Assessment of balanced scorecard implementation in commercial bank of Ethiopia. The information that you respond shall be used as a primary data for conducting a research as partial requirements of master's degree in business administration at St Mary's university hence, this study is purely for academic purpose and your response will be treated with strict confidentiality and anonymity. Kindly note that there is no right or a wrong answer, what is important is that you provide your genuine responses to the best of your knowledge.

Yonas Shiferaw Kebede (**tesfuandyidne@gmail.com**) & (+251913035541)

I thank you in advance for taking your time to complete the questionnaire

General Instructions

- there is no need of writing your name.
- in all cases where answer options are available please tick (√) in the appropriate box.

PART I- GENERAL INFORMATION

1. GENDER

Male

Female

2. AGE

20-25 years

26-40 years

41-49 years

above 50 years

3. EDUCATIONAL BACKGROUND

High school Graduate

Bachelor Degree

College Diploma

Masters Degree

Other (Please specify) _____

4. YEAR OF EXPERIANCE.

Less than 5 years

11 to 20 years

6 to 10 years

above 20 years

5. CURRENT JOB POSITION

Managerial staff

Non-Managerial staff

Professional

Others

PART II OPINION SURVEY ON BSC IMPLEMENTATION

Performance Improvement due to BSC implementation

To what extent would you AGREE or DISAGREE with the following statements
 Please tick as appropriate. (Key: 1 = Strongly Disagree; 2 = Disagree; 3= Neutral 4 = Agree;
 5 =Strongly Agree ;)

Statements	Ratings				
	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1.CBE`S key improvement areas are identified due to BSC					
2. BSC identify whether The Bank is meeting customer requirements					
3. Employees have been share Vision, mission Values of the Organization					
4.BSC identify potential strategic initiatives , developed selection criteria , analyze and selected strategic initiatives					
5. BSC forcing to Changing processes and procedures					
6.Efficient utilization of Resources					
7. Service delivery has been improved					
8. Day to day activities of each employee`s has been aligned with CBE strategy.					
9.Key performance indictors in CBE properly measures the bank`s progress performance of individual effort towards achievements of the CBE strategy					
10. BSC encourages learning and continues Improvement.					

Balanced Score Card (BSC) as a Performance Measurement Tool?

Statements	Ratings				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. due to BSC Performance evaluation feedback increases employees satisfaction					
2. Due to BSC Performance evaluation result implicitly reflects the employee`s performance					
3. due to BSC Performance results are aligned with compensation plan in CBE					
4. BSC ensures decisions are based on fact, not on subjectivity					
5. BSC Provides the Operations activity with possible solutions					
6. performance measurement links to the organizations visions through the objectives on the strategic map					
7. BSC Increases quality of tracking performance Improvements					
8. BSC provides sufficient and reliable data for Measurement before performance evaluation					

Challenges of BSC implementation CBE encountered

Statements	Ratings				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. failure to get sufficient information on BSC Design and Implementation					
2. lack of effective Information technology support					
3. Poor office infrastructure and shortage of Resources.					
4. Lack of Knowledge, skill and ethical behavior					
5. Poor work system & culture backed by bureaucratic & delayed decision making, etc.					
6. Lack of commitment, sense of ownership and less attention to customers` and employees` needs and expectations by management members					

Attitude of Employees on BSC perspectives and Contribution for performance

Financial Perspective	Ratings				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.Balanced scorecard implementation brings revenue growth and sustainable market share to CBE					
2.BSC implementation Improves over all Financial Performance of C.B.E					
3.Due to BSC implementation CBE enhancing shareholders value					
Customer perspective	Ratings				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.The implementation of balanced scorecard improves the service delivery of CBE					
2.The customer complain is decreasing after balanced scorecard implementation					
3.CBE focus on long-term customer relationship through a deep knowledge of their needs					
Internal Business	Ratings				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.BSC is important to align customer expectation with process efficiency to deliver quality service					
2.BSC shows where improvement needs to be made					
3.BSC Implementation Reduced non-value efforts of the company					
4.The BSC implementation is adequate in Cascading Goal and Target for employees as per the job position					
Learning and growth perspectives	Ratings				
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.BSC gives much concern to the advancement of your career development					
2.The training given on balanced score card implementation is adequate					
3.Various training programs given for you is appropriate to enhance performance in work					
4. The working environment is suitable to develop your job, knowledge and ability. so that I can advance your career					

Appendix 2

INTERVIEW

1. How adequately CBE used balanced score card as a valuable performance measurement tool to evaluate the performance of an organization and individual performers?
2. How could be your organization achieve successful implementation in all levels of the bank?
3. In what extent were process owners, middle level managers and all other employees involved in BSC design and implementation linking with corporate strategy?
4. Is there any change in the performance of the bank at corporate and individual level please explains?
5. What are the major challenges encountered in the implementation of BSC since 2010/11?

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Shoa Jemal, Asst. Professor. All sources of materials used for the thesis have been appropriately 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.

Name

Signature

St. Mary University
ADDIS ABABA

January 2017

ENDORSEMENT

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

Advisor

Signature

St. Mary University
ADDIS ABABA

January 2017