



**CHALLENGES AND PROSPECTS OF BALANCED SCORECARD  
IMPLEMENTATION IN PUBLIC SECTORS ORGANIZATIONS:  
THE CASE OF KAFFA ZONE, SOUTHERN REGION**

**MBA THESIS**

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**WOLKITE UNIVERSITY, WOLKITE, ETHIOPIA**

**JULY, 2020**

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A THESIS SUBMITTED TO THE  
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MASTER OF BUSINESS ADMINISTRATION

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## **Dedication**

This thesis is dedicated to my father Alemu Abagero and my mother Worknesh G/Michael who were enthusiastic to my education beginning from my babyhood but passed away after I joined my BA. Additionally, I would like to dedicate the thesis to my wife Aberash Alemayehu who encouraged me to pursue my studies carefully taking for herself the hardship of taking care for our children Tsinu'el Endale, Eden Endale and Enatfanta Meshesha.

### **Declaration**

I hereby declare that this Masters of Business Administration thesis is my original work and has not been presented for a degree in any other university, and all sources of material used for this thesis have been duly acknowledged.

Name Endale Alemu Abagero

Signature \_\_\_\_\_

Date 1 October 2020

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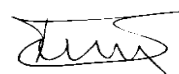
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This is to certify that the thesis entitled “**Challenges and Prospects of Balanced Scorecard Implementation in the Public Sectors: The Case of Public Sector Organizations in Kaffa Zone**” submitted in partial fulfillment of the requirements for the degree of Master's with specialization in **Business Administration**, the Graduate Program of the Department of **Management**, and has been carried out by **Endale Alemu Id. No, GSR/027/11** under my/our supervision. Therefore I/we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

**Tasew Shedaga**



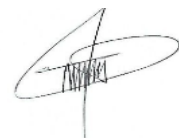
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**SGS Approval**

Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the School of Graduate Studies (SGS) through the Department/School Graduate Committee (DGC/SGC) of the candidate's department.

Stamp of SGS

Date \_\_\_\_\_

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Endale Alemu

## **LIST OF ACRONYMS**

BSC	BalancedScoreCard
BPR	Business Process Re-engineering
CSRP	Civil Service Reform Program
CBE	Commercial Bank of Ethiopia
CBB	Construction and Business Bank
DBE	Development Bank of Ethiopia
ERP	Enterprise ResourcePlanning
ESLSE	Ethiopian Shipping and Logistic Service Enterprise
GE	General Electronics Company
KPI	Key Performance Indicator
KZAR	Kaffa Zone Annual Report
MoCS	Ministry of Civil Service
MoFED	Ministry of Finance and Economic Development
PSCBP	Public Sector Capacity Building Program
SME	small and medium enterprises
SNNPR	Southern Nations, Nationalities and Peoples Region
SPSS	Statistical Package for Social Sciences

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## ABSTRACT

*The main purpose of this study is to assess the challenges and prospects of balanced scorecard implementation in the public sectors organizations: The case of Kaffa zone southern region. To achieve this objective, the study employed descriptive survey design. In order to select samples, multistage and purposive sampling techniques were used. Data were collected using questionnaire, interview and different document review. The Data was analyzed using both quantitative and qualitative analysis methods. Quantitative data was analyzed using frequency, percentage, mean and standard deviation with the help of SPSS (Statistical Package for Social Sciences) version 21. Data obtained from open ended questions and key informant interview was analyzed by narration and triangulation method in order to substantiate the quantitative data. The analysis of the data disclosed that balanced scorecard was not properly implemented in the public sectors of Kaffa zone. Balanced scorecard concept clarity, level of executive leadership, education and training, planning and communication, perception of employees, employee participation, balanced scorecard automation, performance monitoring and evaluation were identified as the challenges for weak implementation of balanced scorecard system. Lack of proper awareness on BSC among the stakeholders; lack commitment from heads and political leaders; lack of confidence and reliance on the advantages and effectiveness of BSC; lack of control from government and immediate leadership; considering BSC as political agenda than scientific approach to a business; lack of evidence based performance evaluation are causes for the challenges identified. On the other hand, Balanced scorecard implementation in the study area could be enhanced due to prior institutionalization of business process reengineering, internalization of performance necessity among employees for reform are some of the prospects for balanced scorecard implementation. It was concluded that balanced scorecard was not properly implemented in the public sectors of the study area due to different challenges. Thus, the researcher recommended that stakeholders and leadership need to work hard in order to institutionalize balanced scorecard in the public sectors of Kaffa Zone.*

**Keywords:** **Balanced scorecard, Challenge, prospects, Public Sector**

## **CHAPTER ONE**

### **1. INTRODUCTION**

This chapter briefly introduces background information of the study along with statement of the problems, research questions, objectives, significance, limitations, scope and organization of the entire paper.

#### **1.1 Background of the Study**

Balanced Scorecard (BSC) was initially created to be implemented in companies of the private sector (Kaplan, 2001, Pasaribua et al, 2016). However, in its development, the implementation of BSC was extended to non-profit and public sector organizations where it rapidly becomes a widely used management tool around the world (Kaplan, 2010). Consequently, BSC is broadly accepted and implemented in thousands of companies across the world and penetrated even non-profit organizations and organizations in public sector (Kaplan, 2010).

Currently, BSC is implemented by more than 50% of large US firms (Melesse, 2016). Majority of the companies in the US, Europe and Asia are using balanced scorecard approaches. According to Niven (2006), 60% of the Fortune 1000 companies are either implementing or attempting to implement the BSC. Further, a study conducted by Bain and Co (2009) states that about 49% of organizations in North America, 54% in Europe, 52% in Asia, and 56% in Latin America use the BSC. Due to its wide acceptance and effectiveness, the BSC was declared one of the 75 most influential ideas of the twentieth century by Harvard Business Review (Niven 2005, 2006).

BSC performance management systems have been widely accepted globally, in part, because this approach enables organizations to align all levels of staff around a single strategy so that it can be performed more successfully (Kaplan & Norton, 1992). Currently, due to its strategic approach, BSC was taken as the most important tool to be applied in almost all government institutions throughout Ethiopia since its introduction in 2010. The rationale for adopting the tool was the need to plan, implement, monitor and measure on the performance of public sector organizations in Ethiopia. BSC is different from other strategic measurement systems in that it is more than collection of financial

and non-financial measures (Hailemariam, 2016). Additionally, Ministry of Civil Service on the manual of "change masses building of federal civil service" state balanced scorecard is the only management tool that used for performance result based measurement (MoCS, 2013)

In view of this, Ethiopian government has implemented on various change initiatives through subsequent reform programs in the past years with the perception of building competent civil service institutions. This initiative also includes strategies for improving worker productivity, competency and performance through improved working systems, restructuring and organizing public institutions, ensuring accountability and good governance at all levels.

Thus, according to MoCS (2013) the Civil Service Reform Program has initiated different change tools such as strategic planning and management, Business Process Re-engineering (BPR), BSC, Citizens' charter and civil service change army. These initiatives aimed to radically transform the public service system into modern, effective & 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).

Kaffa zone administration started implementation of balanced scorecard in 2010 as a tool to build result based measurement system and to develop new attitude of employees to be measured only through their result (Kaffa Zone Public Service, 2010). Now, balanced scorecard (BSC) is considered as a management, communication and measurement tool of Kaffa zone public organizations.

Despite its wide implementation, the challenges that the sectors encountered during implementation, and enabling conditions for the implementation is not yet studied and investigated. So that this study is conducted in order to assess the challenges that impair BSC successful implementation and existing opportunities in the future endeavour.

## 1.2 Statement of the Problem

Balanced Scorecard (BSC) is used to plan, implement, monitor and measure the performance of all actors involved in the implementation of the goals and objectives of the organization (Kaplan & Norton, 1992, 1993, 1996; Johnson, 1996; Norreklit & Mitchell, 2007). It is an integrated approach to strategic plan, implement, and measure the performance of all actors involved. Because of its strategic approach, balanced set of measures and strategic alignment, BSC has been taken as the most important tool to be implemented in almost all government institutions throughout the country (Civil Service Ministry, 2013).

According to Kaplan and Norton (1992) a company's management has to monitor and manage company performance carefully using both financial and nonfinancial indicators. The Balanced Scorecard (BSC) was initially created to be implemented in companies of the private sector. However, in its development, the implementation of BSC was extended to non profit and public sector organizations (Kaplan, 2010). Balanced scorecard model is a method to evaluate and control programs with adequate consistency. It captures more measures in assessing performance within an organization and these areas include perspectives on customers, finance, internal business process, and learning and growth.

Public sector need to develop strategic management tools if they are to turn strategy into action. The balanced scorecard is quite a significant tool which can provide the basics for developing a self-sustainable system if imposed towards addressing this issue. This can be achieved by adopting the key performance indicators of BSC which would allow the public sector to develop and allocate resources in a strategically coherent manner. In turn, this can be translated into effective reorganization of such operational matters as daily staff tasks (FaridHasnu, 2013).

It should be understood that the BSC is not a universally standardized tool. Rather, each organization that decides to adopt the BSC must implement it in accordance with its own particular strategy, vision, technology and culture (Kaplan & Norton, 1992). The design of the BSC is thus highly dependent on the purpose for which it is used. For example, if

the purpose of BSC implementation is for the purpose of performance measurement, the design will reflect more measurement parameters to link individual targets with department targets and if the organization aims to use the BSC more for control purposes, the design will likely focus on the number of perspectives with measurements that are included in the Scorecard (WangRui & Guhongfei, 2016).

Despite its widespread adoption, the outcomes of implementing the BSC have varied from successful to no tangible results to outright unsuccessful (Casey & Peck, 2004; Antonsen, 2010; BizShifts, 2010; Parmenter, 2012). According to different literatures, organization who implements BSC has gained success as the same time some others fail. A majority of organizations have either implemented the BSC without achieving any significant performance improvement, or have abandoned it at the implementation stage (Pujas, 2010).

Adamitu (2016) assesses BSC implementations, successes and challenges as they happen/occur in Jimma University. The study revealed that Lack of BSC knowledge and experience among employees and leadership, staff resistance and reluctance, unfamiliarity with BSC software, feeling of time consuming to feed activity with software, considering BSC as political issue and lack of follow-up were mentioned as challenges. On the other hand, the study conducted in Bahir Dar University identified limited understanding of BSC, lack of training, lack of effective communication, lack of support from top management are challenges for BSC implementation (Nigist ,Getnet & Migbar, 2017).

The case study conducted by Muyeshi (2015) on Challenges of the Balanced Score card Implementation with objective of determining the challenges faced by Kenyatta National Hospital in the implementation of Balanced Score Card. The study identified rigid organizational structure, lack of resources, complaisant organization culture, lack of functional equipment, leadership, lack of effective communication, negative stakeholder influence and cascading are a major challenges for BSC implementation.

The study conducted by Madsen and Stenheim (2014) in Scandinavian countries, Kiriiri (2015) in Kenya; Angwenyi (2017) conducted in Kenya Reinsurance Company, were mainly focused on challenges to BSC implementation.

Therefore, the current study will enhance existing knowledge about what factors are impairing the implementation of BSC and what are the opportunities of BSC implementation. According to the KZAR (2017) the public body is facing many challenges and has not yet built its balanced scorecard so as to manage its performance based on diverse parameters and the BSC implementation was not up to the standard of the government expectation.

As far as the researcher's knowledge and the literatures reviewed, on the area of the prospects/opportunities for BSC implementation is not yet investigated. In addition, to the best of the knowledge of the researcher the studies mainly conducted on BSC area focuses either on the business organization or profit oriented public organization than bureaucratic public organizations. As a result, this study was aimed to fill this research gap by focusing both on the challenges and prospects of BSC implementation in public organizations of Kaffa zone.

### **1.3 Research Questions**

In the effort to address the problems the study has tried to answer the following four basic research questions.

- What is the status of BSC implementation practice in Kaffa Zone public sectors?
- What are the challenges encountered in the implementation of BSC in Kaffa Zone public sectors?
- What are the causes for poor implementation of BSC in Kaffa Zone public sectors?
- What opportunities existed for BSC implementation in Kaffa Zone public sectors?

## **1.4 Objectives of the study**

### **1.4.1 General objectives**

The main purpose of this study is to assess the Challenges and prospects of Balanced Scorecard Implementation in the public sectors in Kaffa Zone.

### **1.4.2 Specific objectives**

*The specific objectives of the study are:*

- 1 To assess the practice of BSC implementation in Kaffa Zone public sectors.
- 2 To identify the challenges that the public organization faces in implementation of BSC in the Kaffa Zone.
- 3 To identify the causes of the challenges that the public sectors faces during BSC implementation in Kaffa Zone.
- 4 To assess the prospects for implementation of BSC in Kaffa Zone public sectors.

## **1.5 Delimitation of the Study**

The scope of the study was delimited in terms of content, and participants. Conceptually, this study focused on challenges encountered such as BSC concept clarity, executive sponsorship, education and training, BSC automation, employee involvement, planning and communication, performance monitoring and evaluation, technical skill, employees perception and existing opportunities during BSC implementation in public organization. The study conducts the survey on employees and managements. In order to gather most appropriate data to answer the research questions, the researcher used a descriptive method of study. Geographically, the study covered employees, heads and change team coordinators of public organization of Kaffa zone administration with specific reference to Trade and Market Development, Administration office, Finance and Economic Development, Public service and Human resource development, Women's and youth and urban development sectors of the Zone.

## **1.6 Significance of the study**

Successful implementation of any innovation is significant for particular community for whom it was intended. BSC as a performance measurement tool can help any organization to grow up and survive in this competitive world. Thus, the current study as it was intended to assess the challenges and prospects of BSC implementation in public sectors of Kaffa zone was significant in at least the following ways for wide variety of beneficiaries.

- First, the present study was significant for show existing challenges and opportunity for BSC implementations in public organizations of the study area.
- Second, the findings of the study would also help policy makers' and administrators to have supportive remedial action that could enhance BSC implementation.
- Finally, the finding of the study was expected to help other potential researchers in related problems in terms of serving as a point of reference.

## **1.7 Limitation of the Study**

Frankly speaking, the current study was not free of any draw backs which can hinder its generalization to wider circumstances. Among these limitations the study did not draw data from areas out of a single zonal BSC implementation cites; the statistical tools used in the analysis of the data was not that much sophisticated due to the beginning skill of the researcher. Therefore, the researcher suggests that future research on this particular area need to fill this gap by including wider areas of Southern region specifically the south western zone. Since these zones infrastructural and technological development was nearly at the same level whose impact might be significant in implementation of BSC as innovation in business process.

## **1. 8 Operational Definition of Terms**

The following terms were used in the present study and provided operational definitions in order to help readers understand the way how the researcher used the words in the text.

Balanced Scorecard: a performance management tool that enables a company translates its vision and strategy into a tangible set of performance measures (Kaplan & Norton, 1996).

Poor: the state of BSC implementation which was used to express low level

Proper: the implementation status of which is or is not appropriate to the accepted Standards.

Public Sector: are nonprofit organizations which are organized and run by the government for the good of society.

Initiative: Strategic Initiatives actionable projects that are aligned with Strategic Objectives and can be short-term or long-term that have potential for significant organization impact and benefit (Hiwot Tadesse, 2006).

Strategy: a plan for how the organization intends to achieve its goal (Monica et al, 2004).

Perspective: the gestalt or the personality of the organization base on customer; finance; internal business process and learning and growth (Kaplan and Norton, 1996).

## **1.9 Organization of the Study**

The study was organized in to five chapters: Chapter One deals with an introduction part which consists of the background of the study, statement of the problems, research questions, objective, significance, limitations and delimitations of the study. Chapter Two provides a brief review of literatures related to the study. Chapter Three deals with the research methods which consists of research design, sources of data, data collection techniques, sample size and sampling technique. In Chapter Four data analysis, discussion and presentation was presented. Final chapter focused on summary of the key findings, conclusions and recommendations.

## **CHAPTER TWO**

### **RELATED LITERATURE REVIEW**

In this chapter theoretical framework of the balanced scorecard, its origins, concept, features and associated prospects and challenges are discussed. Empirical evidences are also presented to support the theoretical arguments.

#### **2.1 Theoretical review**

##### **2.1.1 The Origins of the Balanced Scorecard**

The Balanced Scorecard was developed by Robert Kaplan, a Harvard University professor, and David Norton, a consultant from the area of Boston. However, Kaplan and Norton developed the concept of the Balanced Scorecard (BSC) in 1992 with objective to overcome the inadequacies of the traditional financial-based performance measurement tools (Awadallah & Allam, 2015). In 1990 they started research in several companies with the aim of exploring new methods of performance measurement.

Traditionally, industries had been trusting mainly on financial measures to indicate performance. Many criticisms arose about using only financial measures to track organization performance. In their study, Kaplan and Norton argue that financial measures were too one sided and not relevant to many levels in the organization and that reliance only on financial measures may affect the ability of organizations to create value (Niven, 2006).

Kaplan and Norton (1992) argue that focusing completely on financial performance measurements worked well in the era of industrialization, but in the era where new competences were emerging, financial measurements are not enough. Managers should recognize the need to track performance in several areas. The Balanced Scorecard should therefore provide answers to four basic questions that look at the business from four important perspectives (Kaplan and Norton, 1992):

- A Customer Perspective: - How do customers see the business?

- An Internal Process Perspective: - What is important to excel in?
- À Learning and Growth Perspective: - Can the business continue to improve ability and create value?
- À Financial Perspective: - How do shareholders see the business?

## **2.2 Definition of BSC**

BSC defined differently by different researchers. In evaluation of BSC concept, two fundamental moments were identified; First, BSC was presented as a performance evaluation system (Kaplan, 1996; Kaplan & Norton, 1992; 1993 ;) and the authors defined BSC as “a set of measures that gives top managers a fast but comprehensive view of the business.” According to Iqra et al. (2013) BSC is defined as “Balanced score card as a tool used by the management to keep a record of the activities and actions of the staff and to control and monitor the results or consequences of the actions.”

More elaborating Holmes, Gutierrez and Kiel (n.d) defined BSC as “A comprehensive method of measuring organizational performance that is superior to traditional singular and efficiency based measures of agency performance aimed at determining whether management is building the infrastructure necessary to sustain organizational and institutional resilience and accountability.”

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

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

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

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

(Huselid, Becker, & Beatty, 2005; Tanyi, 2011) defined BSC as “a tool managers can employ to measure an organization’s operational success through direct cause-and-effect linkages back into daily operations.”

Niven (2006) defined BSC as

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

### **2.3 The Four Perspectives of BSC**

The BSC was, therefore, developed by its proponents in a way that can measure all aspects of an organization using four dimensions: customer, internal business process, learning & growth, and financial perspectives after extensive study made by Kaplan and Norton. Currently, it is implemented as a strategic planning and management system that is used widely in business industry, government and non for profit organizations worldwide. The four elements include financial perspective, internal business process perspective, learning and innovation perspective and the customer focus perspective.

### **2.3.1 Customer Perspective**

Customer management process focus on the relationship and image dimensions of the basic customer value proposition. Customer retention and customer growth processes build relationships with targeted customers (Kaplan & Norton 2004). The emphasis that private businesses place on the customer has caught on in the public sector. The leaders of the governments know that high quality, low cost public services can influence a family's or businesses' location decision. The public sector balanced scorecard demands that government leaders convert customer service slogans into concrete measures of performance.

In addition the balanced scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. Customer perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and satisfaction. In the governmental model, the principal driver of performance is different than in the strictly commercial environment; namely, customers and stakeholders take preeminence over financial results. In general, public organizations have a different, perhaps greater, stewardship / fiduciary responsibility and focus than do private sector entities (Kaplan, 2010)

### **2.3.2 The Financial Perspective**

The financial perspective describes how the intangible assets will be converted into tangible value. It is aimed to control how a firm manages their finance and the involvement of the stakeholders in the firm's operation. The indicators are usually inclusive of operating income, operating costs, return on investment, net profit rate, cash flow and etc (Wu, Lin et al. 2011). This perspective reflects the past operating performance of a company including the achievement of setting up financial target and the strategies implementation. By reflecting the past performance, the organization could evaluate its growth, return and risk control from operating strategies. In this perspective usually people used to get a good quality or price in term of assessing the budget appropriation to direction and budget appropriation to institutional support.

In the part of government, the “financial” perspective differs from that of the traditional private sector. Private sector financial objectives generally represent clear long range targets for profit-seeking organizations, operating in a purely commercial environment. Financial considerations for public organizations have an enabling or a constraining role, but will rarely be the primary objective for business systems. Success for public organizations should be measured by how effectively and efficiently they meet the needs of their constituencies. Therefore, in the government, the financial perspective emphasizes cost efficiency, i.e., the ability to deliver maximum value to the customer (Umashankar, 2007). Based on the various strategic map frameworks constructed by previous researchers, the studies indicate that the financial outcomes are only achievable when customers are satisfied (Abd Rahman & Soon (2015).

### **2.3.3 The Internal Process Perspective**

Internal business process refers to the satisfaction of both shareholders and customers (Binden, Mziu and Suhaimi, 2014). It compacts with the processes involved to transform intangible assets and financial outcomes on which organizations should excel with an operating strategy plan (Wu, Lin et al. 2011).It is used to measure all the process used in the production and operation.

This perspective aims at measuring the areas of internal excellence required to deliver customer satisfaction. According Gekonge (2005), internal processes perspective focuses on the internal business results that lead to financial success and satisfied customers. The internal processes are a mechanism through which performance expectations are achieved (Amaratunga et al., 2001). Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements. The performance of internal processes helps to create and deliver the value proposition for customers through the use of employees and other strategies as they are a leading indicator of subsequent improvements in customer and financial outcomes (Kaplan & Norton, 1996)

### **2.3.4 The Learning and Growth Perspective**

This perspective looks at the ability of employees, the quality of information systems, and the effects of organizational alignment in supporting accomplishment of organizational goals. It focuses on new strategies that need to be measured in this perspective such as leadership, organizational learning, and the employee's skills (Al-Zwyalif, 2012). Learning and growth perspective focus on training and education of the employees in order to increase their knowledge and skill. In the meantime, the organizations must also know how to maintain their competitive advantage in the market through the human capital development (Binden, Mziu & Suhaimi, 2014). Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. This perspective takes on increased importance in organizations. In order to meet changing requirements and customer expectations, employees may be asked to take on dramatically new responsibilities, and may require skills, capabilities, technologies, and organizational designs that were not available before.

### **2.4 Development and Importance of Balanced Scorecard in the Public Sector**

The balanced scorecard (BSC) was originally developed for the private sector as a means of clarifying and updating strategy, communicating strategy in the company, aligning unit and individual goals to strategy, linking objectives to long term targets and budgets, and conducting performance reviews to improve strategy (Kaplan and Norton 2001a); and it is now also being used as '...a powerful tool for rapid and effective strategy implementation' (Kaplan and Norton 2005). However, in the last decade, the balanced scorecard's multidimensional focus has also been viewed as a way of addressing the need for a strategic performance measurement system within public sector organizations (Umashev & Willett 2008).

Since financial success is not their primary objective, public sectors cannot use the standard architecture of the Balanced Scorecard strategy map where financial objectives are the ultimate, high-level outcomes to be achieved. Public sectors generally place an objective related to their social impact and mission, such as reducing poverty, pollution,

diseases, or school dropout rates, or improving health, biodiversity, education, and economic opportunities. A nonprofit or public sector agency's mission represents the accountability between it and society, as well as the rationale for its existence and ongoing support. The measured improvement in a public organizations social impact objective may take years to become noticeable, which is why the measures in the other perspectives provide the short- to intermediate-term (Kaplan, 2010).

Balanced scorecard research in the public sector has been conducted within the context of the healthcare industry (Coop 2006, Yang et al. 2005, Gumbus et al. 2003), public service organizations (including local government institutions and 'municipalities') (Umashev and Willett 2008; Farneti and Guthrie 2008; Askim 2004; Chan 2004; Lang 2004; Kloot and Martin 2000), and not-for profit SMEs (Manville 2007). Gumbus et al. (2003) reported a successful story of BSC application in a hospital. Likewise, the study of Askim (2004) reported how local government institutions can become active learners by adopting a performance management reform system like the BSC.

In the original conception of the BSC, the main benefits were to assist organizations to develop and implement effective business strategies (Kaplan and Norton, 1992). In fact, Rigby and Bilodeau (2013) argue the extremely first and successful spread of the BSC among thousands of organizations two decades after its inception is sufficient evidence that implementing organizations are either satisfied with the concept or at least find some aspects of the concept useful and beneficial to enhance performance.

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

Despite many stories of successful implementation of BSC, significant number of organizations encountered different challenges right from introducing the concept in their organization throughout the implementation process.

It is evident from different related literature that majority of the organizations have either implemented the BSC, but without any significant improvement in their overall performance, or they have even given up in starting the concept. According to Atkinson, (2006), it is estimated that 70% of BSC initiatives have failed without any contribution in performance.

Kaplan and Norton (2001) identified two major challenges of the BSC implementation in organizations: failure in design and process.

**a) Failure in Design**

A poorly designed Balanced Scorecard is one of the major reasons that may lead to failure in BSC implementation. Such design is characterized by the following major features (Kaplan and Norton, 2001):

- Too few measures in each perspective, leading to failure to obtain a balance between leading & lagging (financial & non-financial) indicators.
- Too many indicators without identifying the critical few: this makes the organization lose focus and be unable to find linkage between indicators.
- Failure to link measures to the strategy of an organization. This means the organization's strategy is not translated into action, thus, it does not obtain any benefit from the BSC.

**b) Failure in Process**

Process failures are the most common causes of failure in Balanced Scorecard implementation and include the following (Kaplan and Norton, 2001):

- Lack of senior management commitment
- Too few individuals involved
- Keeping the scorecard at the top
- Overly long development process
- Treating the Balanced Scorecard as a one-time measurement project
- Hiring inexperienced consultants
- Introducing the Balanced Scorecard only for compensation.

Given the facts above, it can be drawn that weaknesses of implementing bodies in continuously addressing the objectives and principles of the scorecard, undoubtedly, result in poor communication which, in turn, lead to lack of understanding and support of the concept by organizational members and, thus, they may even resist and oppose it.

The aforementioned challenges were general in essence; however, there are further challenges for successful implementation of BSC as reviewed from several literatures.

Cheruiyot, (2013) & Muyeshi (2015) identified rigid organizational structure, poor employees job description, low level of top management support, poor employee supervision and inadequate financial resources lack of effective communication, negative stakeholders influence are the factors affecting implementation of the balanced scorecard.

In the study conducted by Adamitu (2016) mentioned lack of BSC knowledge and experience among employees and leadership, staff resistance and reluctance, unfamiliarity with BSC software, feeling of time consuming to feed activity with software, considering BSC as political issue and lack of follow-up are challenges for properly implementing balanced scorecard .

Some few studies have been conducted to examine the challenges and prospects of BSC implementing. For the instance Nigist, Getnet & Migbar (2017) identified limited understanding of BSC, lack of training, lack of effective communication, lack of support from top management are challenges for the partial implementation of scorecard. The other study conducted by neely (2009) revealed that low level of top management support is a core challenge that negatively affects effective implementation of balanced scorecard in many organizations

Ashenafi (2018) identified limited understanding of BSC, lack of executive sponsorship, lack of BSC education and training, inadequate IT support, inadequate project team and organizational participation, inadequate key performance indicators (KPIs) and lack of planning and communication were the major challenges . Consistent with this study Tsion (2014 revealed identified lack of commitment of top management officials , lack of understanding of the tool, early cascading and considering the tool more as a tool of measurement rather than a tool for strategic management as the challenges of BSC implementation

In general the common challenges of implementing the balanced scorecard, according to the finding of above study can be summarized as: limited understanding of BSC, lack of executive sponsorship, lack of BSC education and training, inadequate IT support,

organizational participation, inadequate monitoring and evaluation, lack of technical skill, employees perception and lack of planning and communication. These challenges were further examined according to the research findings of several authors in the forthcoming sections that follow.

### **2. 5.1 Lack of Concept Clarity on Balanced Scorecard**

According to Othman (2009a) one reason why BSC initiatives fail is that many initiatives are not Balanced Scorecard programs in the first place. He goes on to say that very often organizations do not understand what exactly the Balanced Scorecard is and what its implementation involves, regardless of whether they implement the BSC themselves or whether they hire a consultant from the outside.

Implementing Key Performance Indicators (KPIs) is not the same as implementing the Balanced Scorecard. Othman et al. (2006) agree that the difficulty in studying the BSC is that there is no consensus on what the BSC is all about. They explain that the BSC has had different meanings at different times: in the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid1990s it moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool. Some companies moved the focus of the BSC in the same way as it developed: they first implemented the BSC as a performance measurement system and later developed it as a strategy implementation system.

Olve et al. (2003) identified the main purpose of the Balanced Scorecard is to translate the strategy into terms that are meaningful for the organization members in their everyday activities.

Niven (2006) stressed that the Balanced Scorecard, once implemented, should represent the starting point of performance management where strategy, and certainly not financial control, leads the firm in its direction. In these terms, the BSC is a guide for all employees which encourages change to execute the strategy and meet objectives.

### **2.5.2 Lack of Executive Sponsorship**

No initiative in an organization, regardless of its potential, has any chance of success without a sponsor in top management (Niven, 2005). The same applies with the Balanced Scorecard. Niven (2005) stresses the importance of top management for the success of the Balanced Scorecard initiative. He argues that if top management does not support the BSC initiative, and, more importantly, does not appreciate its role in solving real-life problems, the BSC will show mediocre results and will probably fail.

According to Olve et al. (2003), the absence of executive sponsorship will harm every BSC initiative. Top management should stand behind such an initiative since the BSC is a tool for executing company strategy. Top management should explain to the other members of the firm why the BSC is so important. Of course, it is not enough to talk about the benefits the BSC may bring. In order for the BSC to gain credibility, top management must trust it and strongly believe that it will improve the company. Only if employees feel such faith in the BSC is there a chance of success. This is further expounded by Niven (2005): “The leader’s personal involvement, understanding, and commitment are necessary to overcome this passive (or in many cases active) resistance. Niven has not only to announce the initiative but to define it clearly and define its importance to the organization.”

The result of such a lack of leadership involvement is a waste of resources (time, money, energy) and a loss of trust in the leaders by the employees. Top management is responsible for promoting the BSC in a way that differs from faddish past initiatives (Othman et al., 2006; Niven, 2005; Olve et al., 2003). Niven (2006) confirms that if management gives little support to the Balanced Scorecard, employees will soon perceive it as a project which is not worth their time. Othman (2009a) puts great importance for the success of the Balanced Scorecard on top management commitment toward the program. According to his findings, many BSC initiatives fail because top management was never really committed to the program.

### **2.5.3 Lack of Balanced Scorecard Education and Training**

If a company wants to implement the Balanced Scorecard properly and obtain all the benefits this concept may bring, people should first learn about it. Niven (2006) noted that organizations, after deciding to implement the Balanced Scorecard, conceive that it can be done without much learning. According to him, due to its seeming simplicity, people in charge very often conclude that thorough education and training are not required. Such a conclusion will permanently harm the BSC initiative and lead to failure. The reason is quite simple. The Balanced Scorecard is very often introduced because of its attractive design and popularity.

A lack of education of top management and team members in charge of building the BSC will certainly be a big minus. If those who are supposed to promote and stand behind the initiative do not fully understand what they are trying to transfer to others. If they do not appear self-assured and at the same time if they do not seem very knowledgeable, skepticism about the initiative will grow (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. According to (Niven, 2006), the result will be poor Scorecard design, accompanied by its lack of use and weak alignment throughout the firm.

### **2.5.4 Inadequate IT support or BSC Automation**

To assist the company's strategic discussion and learning processes, the Balanced Scorecard should be continually updated with current and operationally relevant information. Inputs are needed at all stages of a BSC initiative. IT should act as a facilitator and has an important role as support at different stages of the BSC initiative in terms of (Olive et al., 2003): preparing the initial stages of the BSC project; defining and linking measures; setting goals, and observing performances; managing strategic initiatives and action plans.

At the beginning of the BSC initiative, a summary of materials which arise from working on the strategy must be introduced in the Scorecard. This process could be considered well formulated if the strategy map explicitly links the goals with the more concrete success factors and metrics in each perspective, followed by a set of initiatives. Further, the relationship between different Scorecards must be clearly articulated and every metric must be defined in a concise and systematic way. In accordance with the predefined time schedule, targets must be reviewed and appropriate initiatives defined. As is already stated, operating and maintaining the Scorecard requires continuous inputs.

If information is not properly entered into the system, the Balanced Scorecard initiative will probably be worthless. Even if the needed information has been recorded in the Scorecard and its databases but has never been retrieved and viewed by the people who are supposed to benefit from the system, it will not make any worthwhile contribution to the organization or justify the investment put into the Balanced Scorecard (Olve et al., 2003).

Niven (2006) emphasizes the problem of gathering and entering data into the Balanced Scorecard. In his view, this can sometimes represent a unique challenge. He uses the term “Balanced Scorecard Police” for people in the organization who, trying to collect data on the organization, have to negotiate with the different owners of the data and measures.

By definition, the Balanced Scorecard is not a complex concept. In effect, the processes of collecting, analyzing, reporting and distributing information related to a BSC initiative can be labor intensive and time consuming, which may create many problems, especially in large or complex organizations. These processes may represent exhausting work on which people may spend the majority of the time planned for the BSC initiative. Engaged in these efforts, people will soon show resistance toward the initiative. Such problems may be overcome by designing a system to provide Scorecard information automatically from other transaction systems in the organization or from ERP (Enterprise Resource Planning) systems (Niven, 2006).

### **2.5.5 Not Involving the Employees**

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; Olve et al., 2003).

Davis (1996), examining the BSC initiative in the General Electric (GE) Lighting Business Group, confirmed the importance of the participation of lower levels in the BSC initiative. According to him, involving employees at all levels in the development of BSC measures is crucial for BSC success. This will inspire ownership of the measures and commitment to achieve their targets. He stated: “By showing employees how their performance influences the bottom line, frontline employees 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 et al. (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 (2009a). 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.

### **2.5.6 Lack of planning and communication**

Another important 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, 2005 and 2006; Olive 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 (Niven, 2006).

### **2.5.7 Lack of Monitoring and Evaluation of Performance Progress**

BSC management control or monitoring can be explained as the process by which manager influence other members to implement the organizational strategies (Anthony, 1988). It comprises: planning, coordinating, communicating and evaluating activities and information, and also influencing members' behavior in achieving organizational goals (Anthony, 1998). On other hand Simons (1990) explains management control systems as the formalized procedures and systems that use information to maintain or alter patterns in organizational activity.

The Balanced Scorecard is a tool to facilitate communication within the process of translating the strategy. If the BSC is used only as a tool for measuring and monitoring performance in the dimensions incorporated in it, without implementing the related process, this will restrict the effectiveness of the Scorecard and it is more likely to fail

(Olve et al., 2003; Davis, 1996; Hasan and Tibbit, 2000 as stated by Othman et al., 2006).

As such, management control system traditionally focused on diagnostic and boundary roles by creating simple, technical and bureaucratic controls. However, the emphasis is increasingly related to the belief and interactive roles of creating intrinsic motivation (Atkinson, Water house, & Wells, 1997, Simons, 1995). This focuses is aligned with Tompkins and Cheney's (1985) notion of concrete control. The basic objective of balanced scorecard was that, the firms can achieve their objectives successfully. According to studies by Dixon, Nanni, & Vollman (1990), Ernst & Young (1998), Neely (1998), and Daly (1996), evaluation system which is based on performance has more validity than the evaluation system which is extremely based on the financials. The main advantage of using balance score card is that the managers can be motivated to take balance view across a range of performance measures.

### **2.5.8 Perception about BSC implementation**

Perception is defined as the process by which individuals in an organization can organize and interpret sensory impressions in order to give meaning to their environment. Perception can also be interpreted as a process by which individuals organize and interpret their sensory impressions to give meaning to their environment (Bridgets, 2003). Gibson (1996) argues that perception is the process of person perception in understanding the environment that involves organizing and interpretation as stimuli in a psychological experience. One interprets situations or information according to his or her own attitudes and experiences. Employees give their best if they perceive to be working in an environment which is not contaminated by patronage, maneuvering, when rewards are linked to performance promotions, based on merit and complaints are addressed through the right channels.

### **2.5.9 Technical Skills**

The last challenge on BSC implementation was cascading the BSC from the top management with other members of the organization not aware or familiar with the

framework. This process requires sophisticated skills among employees and the management in general. According to Mulu (2010) some of the challenges facing application of the balanced scorecard in strategy implementation include lack of inclusion and the lack of balanced scorecard understanding. To be effective the BSC, including strategy and actions to support implementation, must eventually be shared with every members of the organization. There is also the challenge of creating deployment system that breaks high level goals down to the sub process level where actual improvements though out the organization generate bottom line results.

The presented challenges are potential reasons for the Balanced Scorecard initiative in organizations to fail or not to provide the desired results. These challenges were further examined in the case of public sectors in Kaffa zone, Southern region, Ethiopia where there was an unsuccessful implementation of a BSC since 2010. Finally, it was investigated whether the challenges found in the literature correspond to the reasons for failure in the public sectors of Kaffa Zone.

## **2.6. Brief Overview of BSC in Africa**

Over the past decades, many African countries have reformed their public sector to improve efficiency, accountability and good governance as part of their efforts to improve service delivery & performance. “Virtually every country in the region (Africa) has undergone some kind of civil service reform program” (Van, W., 2001).

Currently most organizations in Africa have adopted BSC for their organizational performance measurement and management system to cope with the firm global and local competition. “Use of the Balanced Scorecard is growing rapidly on the continent of Africa” (BSI Africa, 2015).

However, there are contradicting arguments about the effectiveness of BSC implementation with African context. Some argue that as this initiative tool is originated in a developed country in milieu of the advanced N. American & Western World business settings, it doesn't fit African existing culture.

According to Kamwachale (2011), the socio-cultural disparities between the African and the Western settings is quite wide in that the African framework is humanist, inclusive, socialist, community based in nature and stakeholder oriented, whereas the Western framework is exclusive and shareholder centered. He also argues that, because the current BSC model is developed to fit the Western socio-cultural framework which is based on maximization of shareholders' wealth, it contradicts the African inclusive and stakeholder oriented governance. Thus, he stresses, it is not ideal and helpful to an organization operating in African environment; to implement the BSC effectively in African organizations, it should incorporate suppliers, government, competitors, community and environmental concerns.

However, others argue that failure in implementation of BSC in some African organizations is due to lack of government and management commitment in addressing the basic requirements of BSC right from project initiation and throughout the implementation process in a continuous & consistent manner.

Yet there are sufficient evidences (eg. Kaplan, 2010, Niven, 2006) that BSC promotes significant improvements and enhances efficient resource allocation and utilization, improved work culture and system, enhanced customer satisfaction, and in general greater organizational performance if it is properly implemented and gets on time support, commitment and continuous monitoring from government and management at all levels regardless of level of advancement or cultural aspects of a nation or a continent.

## **2.7. Brief Background of BSC in Ethiopia**

According to (Mesfin, 2009 and MoFED, 2012), the Ministry of Capacity Building was established in 2002 to undertake capacity building activities and to maintain centralized direction and leadership of government organizations that were fragmented. Later, it was merged with the Federal Civil Service Agency and named Ministry of Civil Service in 2010.

The introduction of Civil Service Reform Program (CSRP), as part of the 14 national capacity building programs, was in response to weaknesses in the administrative system

and the public service delivery and to stimulate the overall development effort of the country.

Mesfin (2009) also notes that the emergence of Public Sector Capacity Building Program (PSCBP) in 2004 has laid the foundation for different capacity building programs with the objective of improving the scale, responsiveness & efficiency of public service delivery and promoting good governance both at federal, regional and local level.

MoCS (2013), highlights that to realize the objectives of the program, different management initiatives such as Strategic Planning and Management (SPM), Quick Wins, Management by objective (MBO), Business Process Re-engineering (BPR), BSC and recently, Civil Service Change Army (Yelewt Serawit) have been introduced to Ethiopia's management system subsequently.

A report by MoFED, (2012), also affirms that the implementation of BPR at all levels of government organizations and BSC in majority of the federal and regional institutions are evident to this point. As BPR did not bring rapid improvement in institutional performance, later reformulation of Performance Based Management accompanying the outset of Balanced Scorecard as a management, evaluation and communication tool was introduced. Adebabay (2011) asserts that initially performance measurement and management system was launched in Ethiopian civil service in 2003 with the objective of assisting employees and management focus on results that may add value to achievement of organizational objectives and goals. However, such measures were short of some basic features: they focused on measurement aspects only and were not aligned to organizational strategies and objectives.

The challenge with the first generation of result - oriented individual performance appraisal system (2002 – 2007) is its focus on measurement alone which is unwanted business by employees. The other challenge is misalignment of individual performance with that of the organization (Adebabay, 2011).

The balanced score card, which is under implementation in different organizations throughout the country was, then, determined by the government to be implemented in all

federal organizations. —BSC is introduced in Ethiopia since 2009 and to date 27 % of civil service institutions have undertaken BSC change initiative (Ibid).

## **2.8. Prospects of BSC Implementation to an Organization**

The balanced score Card (BSC), together with corporate strategy, is a performance measurement and management system for enabling organizations achieve their strategy. In the last two decades, the BSC evolved from a simple performance measurement index to a tool that can effectively guide and implement strategic objectives and fulfill it in overall organizational activities. Bible, Kerr and Zanini, (2006) also stressed that the BSC eventually became a strategic performance management system centered on strategies for organizational performance measurement.

It began as a measurement system, translating an organization's strategy into an interconnected set of financial and nonfinancial measures used to communicate strategy, build alignment, inform decision making, power performance management, and prioritize resource allocation (Niven, 2005).

Currently, it is a widely applied performance measurement and management system across the globe and it is still under continuous study to add other features or improve its limitations such as to incorporate corporate social responsibility and suppliers' relation in the performance measurement.

This may provide more refinement in providing adequate measures and making the BSC all rounded and holistic strategy and performance management system. Furthermore, the implementation of the BSC in an organization has a number of merits.

These include clarifying and gaining consensus about strategy, aligning departmental and personal goals to strategy, linking strategic objectives to long-term targets and annual budgets, identifying and aligning strategic initiatives, and obtaining feedback to learn about and improving strategy (Kaplan and Norton, 1996).

Its ability to measure performance in a balanced way, and align individual, team and departmental activities to the organization's mission and strategy also made the BSC one of the best management practices in the past, and expected to derive performance of

organizations if properly implemented and communicated. Besides, as a management system, the Scorecard channels and coordinates the energies, abilities, competency and knowledge held by individuals and teams towards achieving long-term strategic objectives.

BSC can also enhance organizational performance in a number of ways. It enables the actors have a shared vision and common direction of their organizational strategies, and better understand and react to customers' needs through improved organizational performance by focusing on what matters.

In addition, the BSC helps leaders make better decisions based on leading performance indicators (performance drivers) instead of relying merely on lagging financial information. It also promotes productivity and efficient allocation and monitoring of resources through motivating employees and creating innovative work environment and empowerment.

The empowerment feature of the BSC also promotes facilitated work reducing bureaucracy which in turn improves service delivery and customer satisfaction. It's ability to enable employees link strategic objectives to their day-to-day operations along with creation of value through causality relation among the perspectives contributes for management focus on more relevant issues and execute strategic objectives in a more efficient and effective way (Kaplan, 2010).

Such features of the BSC, among others, may contribute to business organizations in the future and achieving their overall organizational performance and may significantly aid them tackle the dynamic and firm competition through competent expertise, enhanced internal processes, and excelled customers' expectations and hence, improved financial rewards.

According to Tsion, (2014), BSC helps the employee and the organization in order to enhance their knowledge in regard to their organization vision, mission and objectives; it also enhances the knowledge of effective time management, commitment to work, having responsibility for their work.

Positive contribution of BSC to the organization leads the employee and the customer to look at it positively. This positive attitude towards the tool and its contribution to the organization is an implication of the tool's future prospects, but this does not mean that the contribution is smooth, because the tool brings so many challenges that even nullify the contributions (Adamitu Kumssa, 2016).

Several literatures reviewed above discussed about the merits of successful implementation of BSC in a particular organization. In the review the present researcher understood that the myriad of advantages found in the BSC as performance measurement and management system vests significant opportunity for future if the very limitation of the system is corrected through scientific investigation. Therefore, the researcher believes that there are significant issues in the area understudy which could be considered as prospects for future successful implementation of the BSC. On the other hand, as the researcher stated in the problem statement the purpose of this paper was filling the gaps in literature regarding BSC prospects which was not properly addressed by earlier researchers.

## **2.9 Empirical Study**

### **2.9.1 Prospects on BSC Implementation**

Malina and Selto (2001) conducted a research to assess the relationship 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.

Another study made by Davis and Albright (2004) revealed that significant improvements were found in service industries due to introduction of BSC to their management system. In the study they made in the banking industry in the US, they found that superior financial performance was achieved by those banks adopting BSC compared to the non-BSC adopting ones

### 2.9.2 Challenges of BSC Implementation

Empirical research findings indicate that there are different factors that hinder successful implementation of BSC in organizations.

Madsen & Stenheim (2014) carry out a qualitative study to obtain an understanding of what users of the BSC perceive to be the problems associated with the implementation of the concept. The study conducted a total of 61 interviews in Scandinavia with both BSC organizations which were users of the concept, and BSC consultants who had experiences with implementing the concept from numerous projects in client organizations. The finding of the study identified four factors which consists the conceptual issues ( cause-and-effect relationships and the development of strategy maps, and how to modify and adapt the standard BSC model to fit the organization), technical issues ( infrastructure, software and too much focus on measurement), social issues( incompatibility between the BSC and the organizational culture, lack of participation by key members of the organization, and lack of commitment from the top management) and political (underestimation of time and resources required to implement the concept, lack of a concept champion, difficulties in keeping continuity during bad times, and different types of organizational resistance to the concept) are Perceived problems associated with the implementation of the balanced scorecard.

Tsion (2014) on descriptive study in development Bank of Ethiopia focused on investigating the challenges and prospects that DBE with specific reference to credit process. The data was obtained using both questionnaires and interview from employees and customer of the Bank. lack of commitment of top management officials , lack of understanding of the tool, early cascading and considering the tool more as a tool of measurement rather than a tool for strategic management as the challenges of BSC implementation . On the other side she observed that the tool helps by increasing the organization performance, by communicating the organization mission, vision and strategic objective to employees, by creating team spirit.

Amsalu & Mesfin Lemma (2015) employed a descriptive study to assess the overall practices and challenges faced while implementing the balanced scorecard (BSC) as a

performance measurement, strategic management and communication system in three state owned banks of Ethiopia: Commercial Bank of Ethiopia (CBE); Construction and Business Bank (CBB) and Development Bank of Ethiopia (DBE). The data was collected using questionnaires from 105 respondents using purposive sampling techniques. The finding of the study identified limited understanding of BSC, lack of executive sponsorship, lack of BSC education and training; inadequate IT support, inadequate project team and organizational participation, inadequate key performance indicators (KPIs) and lack of planning and communication were observed in the stated banks at different level. However, lack of formal BSC education and training, lack of planning and communication, lack of organizational participation and inadequate IT support were the major challenges.

The case study conducted by Muyeshi (2015) on Challenges of the Balanced Score card Implementation with objective of determining the challenges faced by Kenyatta National Hospital in the implementation of Balanced Score Card. The researcher obtained primary data by interviewing eight (8) managers and secondary data through content analysis. The study identified rigid organizational structure, lack of resources, complaisant organization culture, lack of functional equipment, leadership, lack of effective communication, negative stakeholder influence and cascading are a major challenges for BSC implementation

Adamitu (2016) employed a descriptive study to assess BSC implementations, successes and challenges as they happen/occur in Jimma University. The data was collected using purposive sampling from 103 respondents using questionnaires. The study revealed that Lack of BSC knowledge and experience among employees and leadership, staff resistance and reluctance, unfamiliarity with BSC software, feeling of time consuming to feed activity with software, considering BSC as political issue and lack of follow-up were mentioned as challenges while a properly implemented balanced scorecard resulted in cost reduction, in time saving, has contributed to quality and quantity of service or product. On the other hand, the study conducted in Bahir Dar University identified limited understanding of BSC, lack of training, lack of effective communication, lack of

support from top management are challenges for BSC implementation (Nigist ,Getnet & Migbar, 2017)

The descriptive research study by Daniel (2017) aimed to assess the contribution and challenges of BSc implementation in Ethio telecom. The study was adopted stratified sampling to obtain data from 371 respondents through questionnaires and semi structured interview were conducted to obtain additional information. As per the finding of study lack of knowledge on how to cascade corporate strategy, lack of IT support, the template that used to measure the performance is difficult to use, poor committeemen of higher level managements and the manual nature are the major challenges for BSC implementation

Ashenafi (2018) conducted a descriptive study with entitled assessment of balanced score card practices and challenges in the case of Ethiopian shipping and logistic service enterprise. The study was conducted to examine the overall practices and challenge of implementing balanced scorecard in Ethiopian shipping and logistic service enterprise/ESLSE/. The data was collected using questionnaires and semi-structured interview from 217 target respondents using stratified sampling techniques. The finding of the study revealed that limited understanding of BSC, lack of executive sponsorship, lack of BSC education and training, inadequate IT support, inadequate project team and organizational participation, inadequate key performance indicators (KPIs) and lack of planning and communication were the major challenges identified in the Enterprise.

## **2.10. The Conceptual Framework**

In literatures concerning the challenges of BSC implementation, several authors have tried to investigate myriads of challenges in which some are similar with the present study and others were different in methodology and scopes. According to the studies conducted by Nigist, Getnet and Migbar (2017) limited understanding of the Balanced Scorecard, lack of training about the concept of BSC, poor communication systems, lack of support from top management, lack of clear strategic outcome, performance drivers and performance indicators, lack of cascading BSC to all members of the institution, lack of interest and commitment to implement, perception problem and lack of alignment with

the strategic plan. Actually, most of the challenges investigated by Nigist and her colleagues comply with the present study except their inclusion of cascading of BSC strategic map. On the other hand, a study conducted by Pujas (2010) investigated all the variables stated above and added inadequate project team and inadequate KPIs. Consequently, the present study tried to look all the eight challenges examined by other researchers and additionally it tried to look lack of technical skills in employees as the ninth challenge.

Furthermore, the current study has also tried to investigate the causes of the challenges for poor implementation of BSC and the prospects for future successful implementation in the study area. The conceptual frame work of this study was illustrated in figure 1 below.

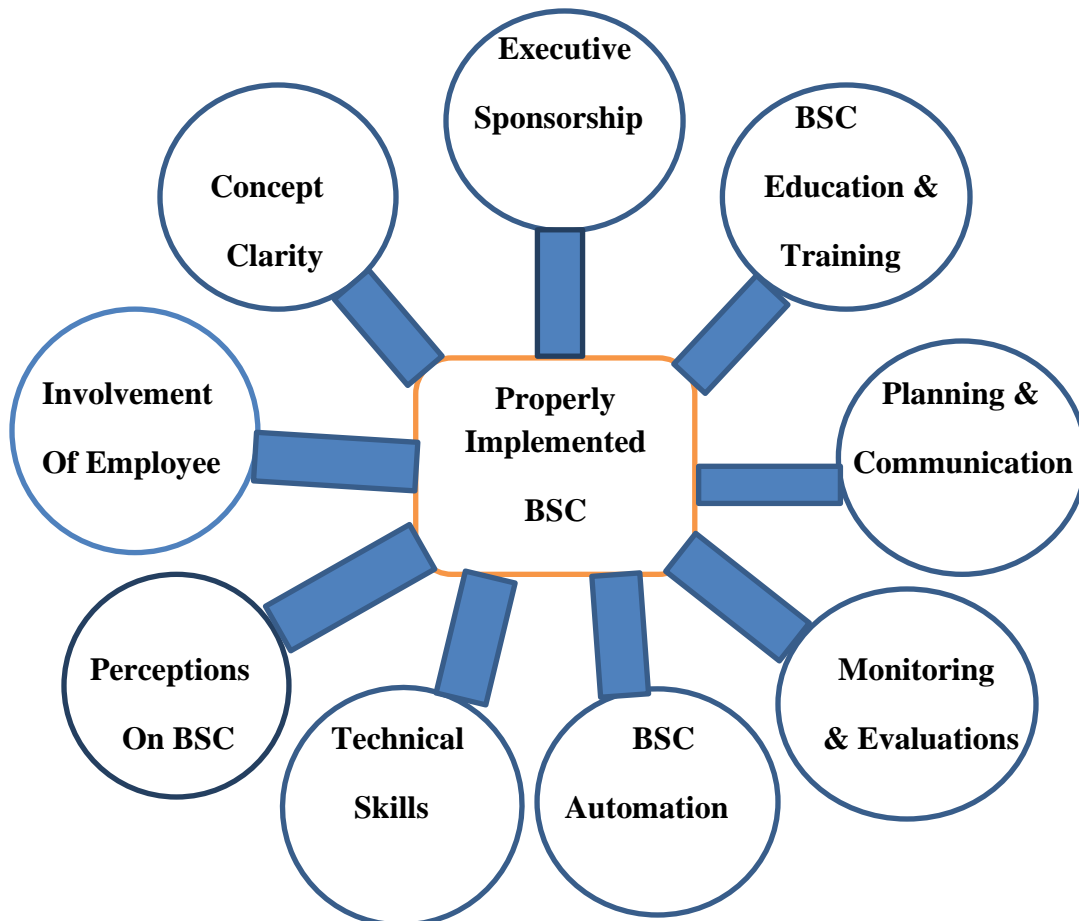


Figure 2. 2: Conceptual Framework

Source: Sketched by the researcher

## **CHAPTER THREE**

### **3. RESEARCH METHODS AND DESIGN**

#### **3.1. Description of the Study Area**

Kaffa Zone is found in Southern Nations, Nationalities and Peoples Region (SNNPR). It has located 780 km from Hawassa or 468 km south-west of Addis Ababa at the road of Jimma at South-West part of the country. The Kaffa zone covers an area of 10616.7 km<sup>2</sup> and topologically lies on an elevation ranging from 501 to 3348 meters above sea level. The total population of zone is estimated about 1,237,305 with a density of 116 inhabitants per square kilometer. The zone has three agro-ecological zones, Dega (8 %), Waynedega (70%) and kola (22%). Bonga town is the center of this zone. The Zone divided in to 13 woredas of which 2 are town administrations.

#### **3.2. Research Design**

This study adopted descriptive type of research design in order to meet the research objectives. The reason why the researcher identified descriptive research design is that descriptive research design has the following advantages. Descriptive research design can help to collect large amounts of data from a large sample of the target population; descriptive research design is an economical way to gather information; and comparatively simple way for making generalization about the population and descriptive studies are useful to understand the characteristics of organizations that follow BSC practice and it help to explain the activities in detail (Sekaran, 2000). Thus, current study was mainly focused on the challenges and prospects of BSC implementation in which the researcher intended to gather data from employees in the organization. Therefore, descriptive research is employed, because, it enables the researcher to have a wider overview of the practices and problems of the implementation of BSC in order to reveal the current practices and to elaborate some of the challenges facing on the selected research area.

### **3.3 Research Approaches**

There are three types of research approaches, namely, quantitative, qualitative and mixed research approach. At this time mixed research approach is the familiar one (Creswell, 2002). The present research employed both quantitative and qualitative approach in which quantitative data is the major one. This is due to the reason that many good research projects are conducted through a combination of both qualitative and quantitative research approaches (Zikmund, 2005). Hence, the study used both qualitative and quantitative approach. Quantitative research is often based on measurable parameters. All phenomena, however, is not measurable and a qualitative approach is used for in-depth assessment of some variables.

### **3.4 Target Population**

Target population is the specific population about which information is desired. According to Ngechu (2004) a population is well defined or set of people, service, elements, and events, group of things or households that are being investigated. The target population of this study was Heads, business process owners and employees of selected public sector organizations in Kaffa zone. Only employees who have worked for one or more than a year in the sectors was included in the pool as recently recruited employees may not have deep knowledge on BSC implementation.

### **3.5 Data Types and Sources**

To achieve the specified objectives of the study, reliable data should be collected. In this study, both primary and secondary source of data was used. The study was largely depended on primary data which was collected through survey method by using self-designed close ended and open ended questionnaires and interviews. The primary source of data was collected from Heads, business process owners, and non- managerial employees. Secondary sources of data was obtained from the annual reports, manual, regulations, library sources (books and articles) and information contained from web-pages was also used in this study.

### **3.6 Data Collection Instruments**

Open and close ended questionnaires was prepared and personally distributed by the researcher for an employee of zonal sectors to collect relevant primary data for the study. In addition interview was conducted with key informants in order to substantiate the data collected through questionnaire. In addition to the primary data, different documents, strategic plan, reports and literatures was reviewed. More specifically, the study employed the hereunder instruments.

#### **3.6.1 Questionnaire**

Quite often questionnaire is considered as the heart of the survey studies since it enables the researcher to address large samples (Kothari, 2004). Hence, it was applied in order to collect data from employees and business process owners in the study site. Most of the questionnaire took the form of Likert scale and its construction and modification was carefully managed by the researcher. Therefore, questionnaire contains 64 close ended and 10 open ended items.

#### **3.6.2 Semi-Structured Interview**

According to Kothari (2004) semi-structured interview is more economical and provides safe bases for generalization in a descriptive study. Interview although simple, it can produce a wealth of information as well as it can cover any number of content areas and is a relatively inexpensive and efficient way to collect a wide variety of data that does not require formal testing (Marczyk, DeMatteo & Festinger, 2005). Therefore, it was employed to collect information from key informants such as 6 heads in each sector and 6 change team coordinators.

### **3.7 Sampling Techniques and Sample Size**

#### **3.7.1 Sampling Technique**

In order to select samples, the researcher employed both probability and nonprobability sampling techniques on multistage basis. Probability sampling technique was used to

select various sectors and samples to be included in the study. Therefore, simple random sampling technique was used to select 6 public sectors out of 21 sectors where as systematic sampling was employed to select individuals from the population. The sample size of selected population done according to Malisa (1990) who suggest that 30% of the total population is representative enough to generalize the characteristics being investigate. Then, to select sample of employees /respondents/ from six sectors, proportionate stratified random sampling technique was applied to get a representative number of organizations from each stratum. The number of sampling units drawn from each stratum is in proportion to the population size of that stratum. This technique is preferred because it is used to assist in minimizing bias when dealing with the population with this technique. On the other hand, purposive sampling technique was employed to get samples for key informant interview.

### 3.7.2 Sample Size Determination

According to the Table 3.1 population and samples of the population were discussed. Hence, samples selected through probability and nonprobability sampling techniques were presented. Out of 235 in target population 148 individuals were taken through simple random sampling basis. 12 individuals particularly heads and change team leaders in each public sector organizations were selected through purposive sampling technique for in-depth interview.

Samples selected through probability sampling method by Yamane, T. (1967) sampling formula used in order to determine the sample size: -

$$n = \frac{N}{1 + N(e^2)} = \frac{235}{1.5875} = 148$$

Where

n= is the required sample size

N=known population size = 235

E=error margin e= 5%

The minimum sample size of the study is 148. In order to get the sample proportions of each sector, the researcher use the following formula (Kothari, 2004):

$$\text{sample size of each sector} = \text{population of each sector} * \frac{\text{population sample}(n)}{\text{overall population}}$$

**Table3. 1: Population and Sampling techniques**

N	Population	Total	Sample Size	Sampling
o	Category	Population		Technique
1	Trade and market development.	26	26*148/235=16	Multistage Sampling specified
2	Urban development.	55	55*148/235=35	
3	Administration	38	38*148/235=24	
4	Finance and economy development.	79	79*148/235=50	
5	Public service and human resource development.	19	19*148/235=12	
6	Women and youths office	18	18*148/235=11	
7	Heads and Change team leaders	12	12	Purposive
8	Total	247	160	

### 3.8 Method of Data Analysis

The present study employed both quantitative and qualitative data analysis method. Hence, data collected by using questionnaire were analyzed with the help of SPSS (Statistical Package for Social Science) version 21. The descriptive statistics used here were percentage, frequency, mean and standard deviation. On the other hand the qualitative data was analyzed immediately after the quantitative analysis in order to substantiate the later. Thus, it was narrated and triangulated in a way that can substantiate the quantitative data.

### **3.9 Validity and Reliability**

Validity: Validity of an instrument is how accurate the instrument is in obtaining the data it intends to collect (Mugenda & Mugenda 2003). Validity indicates the degree to which the instrument measures what it is supposed to measure (Kothari, 2004). To ensure precision, relevance and content validity of the instrument, the questionnaire was subjected to critical consultation, comments and recommendations of the advisor. And additionally it was discussed with peers and professionals in the area.

Reliability: To measure the consistency of the scores obtained and how consistent they are for each individual from one administration of an instrument to another and from one set of items to another, the researcher used Cronbach's alpha (a measure of the internal consistency of the questionnaire items) by distributing the questionnaire to 30 people in other set of population other than the study population. According to Patton (2002) the reliability of a test refers to the ability of that test to consistently yield the same results when repeated measurements are done under same conditions. To establish reliability, test retest method was used. The instruments were subjected to 30 people from other set of population. The results were scored manually. The same instruments were re-administered to the same group after two weeks and a result was again scored manually. Cronbach's coefficient alpha method was then used to test the correlation of the two tests. Coefficient alpha was used to estimate reliability for the instruments at 0.7 and above to be acceptable as Cronbach's alpha reliability coefficient normally ranging between 0 and 1 (Gliem, & Gliem, 2003).

A correlation of test retest gave a right measure, that is, a correlation of 0.81. Therefore, the items were considered reliable. The instruments were then said to be reliable and made ready for actual use the reliability value for each variable was presented in Table 3.2 below.

**Table3. 2: Reliability statistics**

No	Variables	Number of Items	Cronbach's Alpha
1	BSC Implementation Status	8	0.78
2	BSC Challenges	39	0.84
3	Causes for Poor Implementation	8	0.83
4	BSC Prospects	9	0.79
	Over all	64	0.81

According to the Table3.2 above the reliability of data collection instruments were presented. Hence, the reliability of items regarding BSC implementation was computed as 0.78, BSC challenges 0.84, causes of poor implementation of BSC 0.83 and BSC prospects 0.79. Therefore, the instrument reliability was quite relevant to the recommended reliability coefficient and the instruments were actually used in the process of data collection.

### **3.10 Ethical Considerations**

Ethics are norms or standards of behavior that guide moral choices about our behavior and our relationships with others. The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities (Cooper & Schindler, 2003). Obeying ethical rules is vital in conducting research. This research work strictly adhered to the ethical principles with respect to the data that was used in the work. First, the literature of all the ideas and concepts taken from other scholars were acknowledged. Secondly, the data that was obtained through questionnaire from employee and interview was also remains confidential.

## **CHAPTER FOUR**

### **4.1. DATA ANALYSIS, PRESENTATION AND DISCUSSION**

This chapter deals with the presentation, analysis and interpretation of the data collected from Kaffa Zone selected public organizations leaders, business process owners, experts and staffs through structured questionnaires and key informant interviews.

The chapter has two sections. The first part is concerned with the demographic characteristics of respondents and the second part focused on analyzing, interpreting and presenting of the collected data. Regarding the data collection method, 148 structured questionnaires having 64 items were developed using five point Likert-scale (starting from strongly disagree and ends in strongly agree in a continuum bases) and the other part of the questionnaire contains 5 background items and 10 open ended items.

Fortunately, all the questionnaires were filled and returned due to uninterrupted follow up of the researcher and data collectors. In addition to this, key informant interview was also conducted to capture information that might not be captured by questionnaires and an interview was conducted with 6 zonal public sector leaders and 6 change team coordinators (both categories were selected because they were considered as rich in providing in depth information about BSC in their organization) between March10-25/2020. An interview was conducted for 25-35 minutes per an individual participant. All the data gathered were organized, tabulated and analyzed using SPSS version 21 software to get intuitive result.

#### **4.2. Background Information of the Respondents**

This Section summarizes the Sex of respondent, age of respondent, work experience (service years) in the organization, educational level and respondents position (Level) in the organization. Based on this, the researcher tried to present all the demographic characteristics of the respondents as below.

**Table4. 3: Background characteristics of respondents**

No	Category	Gender of respondents		Age of respondents		Respondents educational status		Respondents current job level		Respondents work experience	
		F	%	F	%	F	%	F	%	F	%
1	Male	122	82.4	-	-	-	-	-	-	-	-
	Female	26	17.6	-	-	-	-	-	-	-	-
	Total	148	100	-	-	-	-	-	-	-	-
2	20-30	-	-	31	20.8	-	-	-	-	-	-
	31-40	-	-	44	29.7	-	-	-	-	-	-
	41-50	-	-	45	30.4	-	-	-	-	-	-
	50+	-	-	28	18.9	-	-	-	-	-	-
	Total	-	-	148	100	-	-	-	-	-	-
3	Below diploma	-	-	-	-	2	1.4	-	-	-	-
	Diploma	-	-	-	-	10	6.8	-	-	-	-
	BA	-	-	-	-	127	85.8	-	-	-	-
	Masters & above	-	-	-	-	9	6.1	-	-	-	-
	Total	-	-	-	-	148	100	-	-	-	-
4	Leader	-	-	-	-	-	-	6	4.1	-	-
	Business process	-	-	-	-	-	-	31	20.8	-	-
	Expert	-	-	-	-	-	-	69	46.6	-	-
	Staff	-	-	-	-	-	-	42	28.4	-	-
	Total	-	-	-	-	-	-	148	100	-	-
5	1-5	-	-	-	-	-	-	-	-	25	16.9
	6-10	-	-	-	-	-	-	-	-	80	54.1
	11-15	-	-	-	-	-	-	-	-	41	27.7
	Above 16	-	-	-	-	-	-	-	-	2	1.4
	Total	-	-	-	-	-	-	-	-	148	100

According to above Table 122(82.4%) and 26(17.6%) of the respondents gender was male and female respectively. This implies that in the public sectors of Kaffa zone the composition of male was greater than female employees. Hence, the public sector organizations need to reduce such gender discrepancies.

31 respondents (20.9%) belongs to the age range of 20-30; 44(29.7%) of the respondents age was in the age range of 31-40; this is the second largest age group; 45(30.4%) of the respondents age was found between 41-50 age range or majority of the respondents was

in this age group and 28(18.9%) of the respondents age was above 51 years. This implies that majority of the employees in the public sector organization were energetic and viable for better performance.

Majority of the respondents or about 85.8% of the employees working in sample taken of public organizations are first degree graduates and 6.1% of the employees are master's and above degree holders while the remaining 1.4 % are at below diploma and 6.8% of the respondents are diploma holders. This might imply that majority of respondents are appropriate and capable of understanding the questionnaires and all about BSC implementation process.

The study covers all job levels starting from staff to managers. Majority of the respondents of the questionnaire (46.6%) are expert level in their current position while 4.1 %, 20.9 % and 28.4 % are leaders, business process owners and staffs respectively in their position. This implies all the respondents are professional in their field of job assigned.

Experience indicates for how long the respondents have been served the sector. Based on above Table indicates more than fifty percent of the respondents have experience of 6-10 years (54.1%), 27.7% of the respondent have an experience 11-15 years while 16.9 % and 1.4% of the respondents have 1-5 years and above 16 years respectively. In principle, this may imply that majority of the respondents have adequate experience of implementing BSC and might have enough understanding to consider and value their response equally in this research.

### 4.3. BSC Implementation

*Research question 1: What is the status of BSC implementation practice in the Kaffa Zone public sectors?*

**Table4. 4: Issues related to BSC implementation**

No	Items	N	Mean	Std. Deviation
1	Assessment of the organization' strategic elements: the mission and vision, SWOT and organization values are conducted well	148	1.55	.740
2	The strategy map of the sectors is clear and understandable	148	1.55	.758
3	BSC creates ability to translate vision to operational strategy	148	1.57	.739
4	All performance objectives and measures have been aligned with organizational strategy	148	1.66	.667
5	BSC is one of the priorities of the organizations	148	1.54	.777
6	BSC creates the ability for management to translate a broad vision into a strategy that can build harmony and commitment throughout the sectors	148	1.48	.751
7	The implementation of BSC enhances working culture of the company	148	1.43	.701
8	Balanced Scorecard has Positive effects on your organization Performances	148	1.49	.853
	Aggregate mean		1.53	.748

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

Table 4.4 above presents the theoretical indicators of BSC implementation in an organization. Based on this, item number 1 tried to measure “Assessment of the organizations’ strategic elements: the mission and vision, SWOT and organization values are conducted well.” Thus, the mean value and its standard deviation /SD/ 1.55 and 0.74 respectively discloses that BSC implementation in the study area was not promising because the respondents have expressed their disagreement i.e. assessment of strategic elements such as mission, vision, SWOT analysis and values were not properly

conducted. Theoretically, this issue is a preliminary process in the implantation of BSC in any organization. For better impression of the BSC implementation in the area under study it is wise to look the mean score of additional items. Hence, item number 3 “BSC creates ability to translate vision to operational strategy” has scored a mean value of 1.57 and SD of 0.739. According to this item the respondents have expressed their disagreement as well. In the organizations of the study area respondent did not consider that BSC creates ability to translate a vision into operational strategy. Furthermore, item number 4 “All performance objectives and measures have been aligned with organizational strategy” has scored a mean value and SD of 1.66 and 0.667 indicates respondents disagreement that is respondents in the study area confirmed that performance objectives and measures have been not aligned with organizational strategy. Unless such performance objectives and measures were aligned with organizational strategy, the implementation of BSC in the study area was under question. Finally, item number 5 “BSC is one of the priorities of the organizations” as measured in this study has scored a mean value of 1.54 and SD of 0.777 respectively implies that BSC is not the priority area of the organization that is respondents have expressed their disagreement on the organizational concern of BSC as a priority issue in the study area.

Generally speaking from the quantitative analysis made in the sections above it is possible to conclude that BSC implementation in the study area was not properly institutionalized. For sound conclusion it is better to look the analysis of qualitative data collected through open ended items and key informant interviews made during the field work. Based on the researcher has conducted an interview with 6 organizational leaders and 6 change team coordinators. Accordingly, majority of interview participants confirmed that BSC was not properly implements as per to guideline indicated in the BSC implementation document. On the other hand one of the interview participants among change team coordinators (C1, C2... here after) accounted the following remarks.

*BSC is a science that requires a better understanding of its implementation procedure. Therefore, how can you implement something which you do not understand it properly? In my opinion BSC implementation was not that much promising due to lack of knowledge, skill and attitudes of employees in our organization (C3/ March21/2020).*

However, some of the organizations' leaders have tried to maintain a positive stand saying that they were trying to implement BSC as per to its manual. This paradoxical view requires further qualitative study in order to get a clear image of the BSC implementation level. Furthermore, in the open ended questions respondents have confirmed that BSC was not properly institutionalized in their respective organizations.

On the basis of quantitative and qualitative analysis made above it is possible to draw logical conclusion that BSC was not properly implemented in the area understudy.

Murby and Gould (2005) on their technical report to The Chartered Institute of Management Accountants explained that, for the balanced scorecard to be fully effective as a strategic and communication tool, it is imperative that all employees understand the strategy and conduct their business in a way that contributes to its mission and objectives. Where higher-level scorecards are cascaded to lower-level departmental and even where individual scorecards are used, employees must buy in to the organizational strategy for effective implementation. As discussed by the same authors and (2005) to successfully contribute to achievement of an organization's mission, the scorecard must effectively interpret strategy into operational terms. And the strategy can be operationalized through the assumed relationships between actions and their impacts and the impact of the strategy is measured through a give indicators.

Niven (2006) stated that if BSC is once implemented, it is a guide for all employees which encourages change to execute the strategy and meet objectives. Niven stressed that the purpose of the Balanced Scorecard is to translate the strategy into terms that are meaningful for the organization members in their everyday activities.

Norton and Kaplan (1992) noted that balanced scorecard is a strategic planning and management system that can be applied in any organizations whether it is business/industry, government, and nonprofit organizations worldwide to align the activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance. It also enables executives to truly execute their strategies.

Niven (2006) asserted that the Balanced Scorecard once implemented should represent the starting point of performance management where strategy and certainly not financial control, used to clarify and simplify what is expected of employees in an organization and leads the firm in its direction.

#### 4.4 Challenges of BSC Implementation

*Research question 2: What are the challenges encountered in the implementation of BSC in public sectors of the study area?*

In forthcoming sections of this thesis the challenges of BSC implementation was analyzed and presented under each variables as follows.

##### 4.4.1. Clarity Related Challenges of BSC

**Table4. 5: Concept related challenges of BSC implementation**

No	Items	N	Mean	Std. Deviation
1	I understand well what exactly the Balanced Scorecard is and what its implementation involves	148	1.29	.642
2	I clearly understand the objectives of BSC implementation and its importance to the organizational performance	148	1.26	.607
3	I understand the benefits of implementing the balanced scorecard as a performance measurement, strategic management and communication system of the sectors	148	1.30	.654
4	I have been informed and understood the meaning of the sector objective in each perspective.	148	1.34	.645
5	The organization's Strategy map is clear and understandable	148	1.26	.632
6	I understood alignment of my business process objectives with the organization level objectives	148	1.31	.658
	Aggregate Mean		1.29	.639

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

As indicated in Table 4.5 above challenges of BSC implementation from the perspective of concept clarity is measured. Therefore, item number 1 “I understand well what exactly the Balanced Scorecard is and what its implementation involves” has scored a mean of 1.29 and SD of 0.642 which indicates respondents disagreement with the intention of the item. In other words, the employees in the public sector of Kaffa zone have no proper knowhow regarding the concept of BSC and its implementation standard involves. Item number 2 “I clearly understand the objectives of BSC implementation and its importance to the organizational performance” in the same table has scored nearly the same score with item number 1 that is it scored 1.26 and 0.607 mean and SD respectively. Thus, the public sector employees has expressed their disagreement whether they have clear understanding of the objectives of BSC implementation and its importance to the organizational performance. Item number 3 “I understand the benefits of implementing the balanced scorecard as a performance measurement, strategic management and communication system of the sectors” has scored a mean of 1.3 and an SD of 0.654 respectively. Hence, this implies that respondents in the public sectors of the study area have no or little understanding of the benefits of implementing the BSC as performance measurement, strategic management and communication system of the sectors. In addition to this, lack of understanding about one’s business principal requirements could be taken as a major drawback to the organization they belong. Item number 5 in similar manner “The organization's Strategy map is clear and understandable” scored almost the same mean score of 1.26; however, a different SD Of 0.632. This discloses that the organizations’ strategic map was not clearly understood. In order to look the overall implication of the 6 variables measured regarding the concept clarity related challenges it is pertinent to discuss the aggregate mean. Hence, the aggregate mean and SD 1.29 and 0.639 respectively disclose that the individual variable scores are nearly closer to one another. That is almost all the variables measured under concept clarity challenge in the present study have revealed no such a significant variation among themselves. Therefore, the quantitative analysis discloses that concept clarity can be one of the major challenges hindering the proper implementation of BSC in public sectors of Kaffa zone.

In order to substantiate the quantitative data key informant interview was conducted with selected participants regarding the challenges of BSC implementation in public sectors of Kaffa zone and its results were narrated and analyzed in the section that follow. As to the challenges of the BSC implementation the entire participants ranging from change team leaders to the leaders of the department complained that the employees in the public sector were not capable of understanding issues and concepts related to BSC as a science and as a business practice in the office. They stressed that employee in the public sectors of the study area lacks knowledge of BSC implementation strategies, organizational strategic map and other significant issues related with the conceptual clarity. Additionally, in the open ended questions respondents were asked whether they know BSC concept or not; however, majority of the respondents responded that they lack necessary knowhow to implement BSC according to its implementation manual.

In a net shell, from the quantitative and qualitative analysis made in the aforementioned sections of the present study the researcher can conclude that conceptual clarity was one of the major challenges for the proper implementation of BSC in the public sectors of the study area.

According to Kaplan and Norton (1992) one of the crucial factors for the successful implementation of BSC is to create clarity of the concept of BSC weigh before starting implementation of the system. According to Niven (2006) study successful strategy implementation is as a result of understood and acted the strategy at every level of the firm.

#### 4.4.2. Executive Sponsorship Related Challenges of BSC

**Table4. 6: Executive sponsorship related challenges**

No	Items	N	Mean	Std. Deviation
1	Top Management of the organization took the initiative to implement the BSC	148	1.36	.757
2	I was guided by my leader while I was designing my scorecard	148	1.38	.760
3	Top management periodically monitors progress of BSC implementation.	148	1.43	.775
4	There was full support from the top management of the organizations at the time of BSC implementation.	148	1.43	.809
5	Necessary resources are allocated by top management for BSC Design and Implementation	148	1.39	.716
6	The top management works closely with the BSC champion or the responsible team or dedicated process to implement the system.	148	1.45	.741
	Aggregate Mean		1.40	.759

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

Table 4.6 above presents the analysis result of level of executive leadership related challenges for BSC implementation in the public sectors of Kaffa zone. Accordingly, item number 1 “Top Management of the organization took the initiative to implement the BSC” has a mean value and SD of 1.36 and 0.757 respectively. This indicate that the top management in the public sectors did not took the initiative in the implementation process of BSC in their respective organization which imply that nobody is responsible for the BSC implementation. Item number 2 “I was guided by my leader while I was designing my scorecard” has a mean score of 1.38 and an SD of 0.76 discloses that leadership in the public sectors of the study area was not capable of leading the employees in the process of BSC implementation. Item number 3 “Top management periodically monitors progress of BSC implementation” has a mean score 1.43 and SD of

0.775 indicates the top management in the public sectors of the study area did not conduct regular progress monitoring as a managerial function.

Thus, the failure of the public sectors in BSC implementation as measured in Table 7 above may be attributed to the level of executive sponsorship challenge. Item number 4 “There was full support from the top management of the organizations at the time of BSC implementation” has a mean score of 1.43 which is equivalent to the mean of item number 3 but a different SD value of 0.809. In this variable the organizations’ executives support to the implementation of BSC in the public sector was measured; however, the above mean score indicate disagreement of the respondents in the issue. That is the executive management in the organization was not providing full support to the employees during the BSC implementation process. Item number 5 “Necessary resources are allocated by top management for BSC Design and Implementation” has a mean value of 1.39 and an SD of 0.716 which discloses the failure of top management in allocating necessary resources for BSC design and implementation. Item number 6 “The top management works closely with the BSC champion or the responsible team or dedicated process to implement the system” has a mean and SD value of 1.45 and 0.741 which implies that the top management did not works closely with the BSC champion or responsible team in the process of BSC implementation in the public sectors of the study area. When we look closely to this item’s mean score, it was to some extent greater than other items mean score and the aggregate mean itself; however, it fall under the category of disagreement in this level.

The quantitative analysis performed in Table 9 above can lead the researcher to conclude that BSC implementation in the public sectors of the study area is hampered due to the challenges emanated from the level of executive sponsorship in the organization.

Though the above conclusion is premature, it is wise to analyze qualitative data and arrive at a substantive conclusion. Thus, the entire change team coordinators participated in the key informant interview complained that the top management in the public sector was not playing their role of executive sponsorship in the process of BSC implementation. Additionally, the interviewees in this category expressed that the top

management was not even allocating necessary and adequate resources in the BSC implementation. However, the leaders in the public sectors of the study area have provided a contradictory view with the change team coordinators. Thus, the entire leaders confirmed that the level of executive leadership in the public sectors was performed properly. They claimed that the management was providing necessary support to the employees including adequate resource allocation, initiative taking in the process of BSC implementation, guidance and support, monitoring and evaluation. One of the leaders (L1, L2 ... hereafter) has witnessed the following remarks

*As a leader I myself take initiatives in the process of BSC implementation in my organization. Always I follow employees in my office whether they are working on BSC as per to the implementation manual, allocates sufficient resources, guide them to the right track of BSC implementation. (L6/March 23/2020)*

In a net shell, from the quantitative and qualitative analysis made in the sections here above it is possible to draw a reasonable conclusion that the level of executive leadership in the public organizations of the study area was in its poor level that is the reason why the BSC implementation in the public organizations was not properly implemented. In other words, level of executive sponsorship was the other major challenges of BSC implementation in the public sectors of Kaffa zone. However, the qualitative analysis of data from key informant interview revealed that the presence of paradoxical ideas between the change team coordinators and leaders of the public sectors.

According to Niven (2006) executive sponsorship, for BSC implementation effort, is the crucial part. Suffice it to say that if the company's leader is not aligned with the goals and objectives of BSC and does not believe in the merits of the tool, all the efforts will be severely compromised. An executive sponsor must provide leadership for the program both in words and deeds.

As Niven (2005) argues that if top management does not support the BSC initiative, and, more importantly, does not appreciate its role in solving real-life problems, the BSC will show mediocre results and will probably fail. Top management should stand behind such an initiative since the BSC is a tool for executing the organizations' strategy and should explain to the other members of the firm why the BSC is so important. Niven (2005) stresses the importance of top management for the success of the balanced scorecard

initiative. He argues that if top management does not support the BSC initiative, and more importantly, does not appreciate its role in solving real life problems, the BSC will show average results and will probably fail. As explained in Niven (2006) senior management support and leadership is a must have ingredient for a successful Balanced Scorecard program. Top management support should always stand behind the BSC development and implementation process otherwise might not bring the required result.

#### 4.4.3. Education and Training Related Challenges of BSC

**Table 4. 7: Education and training related challenges**

No	Items	N	Mean	Std. Deviation
1	The organization has provided me training that equipped me with a sufficient knowledge about the concept and meaning of the BSC	148	1.26	.564
2	The sectors has provided me a training on how to design my own personal scorecard in alignment to the organizational scorecard	148	1.32	.639
3	The organization informed all employees to clearly understand sector level objectives	148	1.42	.774
	Aggregate Mean		1.33	.659

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

Table 4.7 above presents the analysis result regarding BSC challenges related with education and training. Thus, item number 1 “The organization has provided me a training that equipped me with a sufficient knowledge about the concept and meaning of the BSC” has a mean score and SD of 1.26 and 0.564 respectively. This disclosed that the public sectors were not providing training which is very important to develop the knowhow to the employees of their respective organization. Failure to equip the employee with the necessary knowledge is a major drawback to register organizational performance in any sector. Item number 2 “The sectors has provided me training on how to design my own personal scorecard in alignment to the organizational scorecard” has scored a mean value of 1.32 and an SD of 0.639 which indicated the disagreement of the respondents in the issue. As this item disclosed the sector has failed to provide training to

its employees on skills how to align their own scorecard with the organizational scorecard. Therefore, it is unwise to expect the proper implementation of BSC in the absence of training which was targeted on filling the knowledge and skill gaps in the employees. Item number 3 “The organization informed all employees to clearly understand sector level objectives” has scored a mean and SD of 1.42 and 0.774 that discloses the disagreement of the respondents on the item’s intention. Thus, the public sectors of the study area were not working to inform all employees in their organization to clearly understand the sector level objectives. On the same fashion, the aggregate mean of the variables measured in the same table has scored the mean and SD of 1.33 and 0.659 disclosed the relative position of the entire study participants’ response which is closer to the individual items value.

On the other hand, an interview was conducted with the study participant and the entire particularly change team coordinators has confirmed on the total absence of education and training at the level of their respective sectors; however, leaders of the organization appealed on the presence of sporadic training and education on BSC at the organizational level. Albeit the witnesses of public sector leaders, the variables analyzed on the quantitative part in Table 11 above and the qualitative analysis particularly accounts of change team coordinators confirmed the absence of BSC education and training.

Generally speaking, from both the quantitative and qualitative analysis computed in the aforementioned sections it is possible to draw the logical conclusion that BSC education and training was not in place in the public sectors of the study area. More specifically, the BSC implementation in the public sectors of the study area was challenged by the absence of BSC education and training in the public sectors of the area understudy.

According to Niven (2006) organizations conduct awareness sessions during the time the Scorecard is trumpeted as a measurement system featuring financial and nonfinancial measures, but little information is offered about the many subtleties and complexities of the model. Often the deceptive simplicity of the Scorecard makes people susceptible to the false notion that in-depth training is not required. Organizations, therefore, should take the necessary time at the beginning of the implementation to develop a comprehensive Scorecard curriculum that includes background on the concept, objectives

in implementing the BSC, typical problems, success stories, and practical implementation details. As explained in Niven (2006) employees may not in the same level of information at the beginning. That is, some team members may come to the implementation with a background in performance management and Balanced Scorecard concepts, while for others, this may be their first exposure to these topics. Either way, to ensure a level playing field for the entire team, one has to invest heavily in up-front training. We can understand how critical training is from this statement to implement BSC and to some extent the public organizations is effective to deliver this important element to successfully implement BSC.

#### 4.4.4. Automation Related Challenges of BSC

**Table4. 8: BSC Automation related challenges**

No	Items	N	Mean	Std. Deviation
1	The organizations BSC is fully automated	148	1.58	.808
2	BSC is supported by IT in collecting, analyzing, reporting and distributing relevant data	148	1.45	.750
3	An appropriate IT system is designed to help employees to collect data	148	1.45	.621
4	My institution has ineffective IT support to implement BSC properly	148	3.93	1.008
	Aggregate mean		2.10	.796

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

According to the Table 4.8 above automation related challenges of BSC was analyzed and presented. Thus, item number 1 “The organizations’ BSC is fully automated” has a mean value of 1.58 and SD of 0.808 which indicates the participant’s disagreement with intent of the item. That is the organizations’ BSC was not fully automated which discloses lack of necessary automated infrastructures for BSC purpose. Item number 2 “BSC is supported by IT in collecting, analyzing, reporting and distributing relevant data” has a mean score and SD of 1.45 and 0.75 respectively. This discloses that the public sectors in the study area were not using IT for collecting, analyzing, reporting and

distributing relevant data in their day to day business activities of the organization. Item number 3 “An appropriate IT system is designed to help employees to collect data” has an equivalent mean value (1.45) and a different SD (0.621) with item number 2 which implies that there was no appropriate IT system designed for business process enhancement in the public sectors of the study area. Item number 4 “My institution has ineffective IT support to implement BSC properly” has a mean value of 3.93 and an SD of 1.008 respectively. Here respondents expressed their agreement (nearly closer to strong agreement) on the ineffectiveness of the IT system installation in their respective organizations.

On the other hand a qualitative analysis was conducted in order to substantiate the quantitative analysis. Hence, majority of the key informant interview participants complained that their organizations were not properly equipped with necessary IT infrastructures; therefore, they were not using IT in collecting analyzing and distributing business process performance and other data. This idea was commonly shared by both change team coordinators and leaders in the public organizations.

From the quantitative and qualitative analysis performed in the sections here above it is possible to draw logical conclusions regarding automation related challenges of BSC. Therefore, BSC implementation in the public sectors of the study area was faced with automation related challenges like ineffective IT infrastructures, poor design of IT which did not help employees to collect analyze and distribute office work related data using IT machine and so on.

Automating the Balanced Scorecard provides a number of benefits and maximizes its use as a measurement system, strategic management system, and communication tool. The advanced analytics and decision support provided by even the simplest scorecard software allow organizations to perform intricate evaluations of performance and critically examine the relationships among their performance measures. Automation also supports true organization-wide deployment of the tool (Niven, 2006).

A successful BSC program relies extensively on data, education, and communication to promote, monitor, and reinforce behavior modifications all processes that can be facilitated easily by information technology. Automation is essential in order to manage

the vast amount of information related to a company's mission and vision, strategic goals, objectives, perspectives, measures, causal relationships, and initiatives (Charles, 2002).

#### 4.4.5. Participation Related Challenges of BSC

**Table4. 9: BSC Participation Challenges**

No	Items	N	Mean	Std. Deviation
1	Leaders, Employees and customers actively Participated in designing Process	148	1.46	.803
2	Employees adequately discussed on draft Strategic plan	148	1.46	.786
3	There is a platform that enabled the whole employees of the sectors to be involved in the implementation of BSC.	148	1.39	.715
4	Information about the sector's balanced scorecard implementation status is being provided timely for all concerned	148	1.34	.636
	Aggregate mean		1.41	.734

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

Table 4.9 above presents challenges of BSC participation. Based on this item number 1 “Leaders, Employees and customers actively Participated in designing Process” has a mean score of 1.46 and SD of 0.803 implies that participation of leaders, employees and customers in designing BSC process was not in expected status. That is respondents have expressed their disagreement regarding the participation level of the stakeholders in BSC preparation was low. Item number 2 “Employees adequately discussed on draft Strategic plan” has a mean and SD of 1.46 and 0.786 respectively indicates that employees did not adequately discuss on draft strategic plans of the BSC which could be considered as the other important challenge in BSC implementation. Item number 3 “There is a platform that enabled the whole employees of the sectors to be involved in the implementation of BSC” has scored mean and SD of 1.39 and 0.715 respectively implies that the absence or in adequacy of a proper platform that enables employees to actively participate in the implementation of BSC for sectorial performance. Item number 4 “Information about the sector's balanced scorecard implementation status is being provided timely for all

concerned” has scored a mean of 1.34 and an SD of 0.636 indicates the low and untimely status of information flow regarding the BSC implementation issues. Therefore, in the public sectors of Kaffa zone information regarding BSC implementation was not circulating timely which can help the leaders to take corrective measures and employees to get necessary feedbacks.

For the sake of substantiating quantitative analysis it is better to look over qualitative data. Hence, the entire interview participants have confirmed that employees are not actively participated in the BSC designing, strategic plan preparation and so forth. Even leaders who have participated in the interview told that they were not providing active chances for employees and other stakeholders to take part in the process of BSC implementation.

Therefore, on the basis of the quantitative and qualitative analysis conducted in the sections above it is possible to conclude that BSC implementation in the public sectors of Kaffa zone was hampered due to participation related challenges like participation of employees, leaders and customers which includes lack of participation in BSC designing process, absence of proper platform for discussion of BSC matters, absence of timely circulation of BSC information among stakeholders.

According to Pujas (2010) during the implementation process, 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. Organizations who have successfully implemented BSC system, as their performance measurement and strategic management system have often reported that involving all employees and the management at all levels in the development and implementation of the BSC helps a lot to build a shared interest, and increases each individual’s motivation to see the system succeed (Kermally, 1997).

#### 4.4.6. Planning and Communication Related Challenges of BSC

**Table4. 10: planning and communication related challenges of BSC**

No	Items	N	Mean	Std. Deviation
1	This organization has a solid strategic plan	148	1.72	1.004
2	There was effective two way communication on how to implement BSC	148	1.49	.884
3	Information on BSC is provided timely	148	1.40	.687
4	The communications strategy which will identify the target audience, key messages, media channels, timing, and messengers of the Communication is well defined.	148	1.22	.464
	Aggregate Mean		1.45	.759

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

As presented in Table 4.10 above planning and communication related challenges of BSC implementation in Public sectors of the study area was analyzed. Hence, item number 1 “This organization has a solid strategic plan” has scored a mean and SD of 1.72 and 1.004 which indicated that the public sectors of the study area were either did not have a solid strategic plan or have a plan which is not carefully designed. In Table 12 above it was measured that whether the employees have took part in the process of the designing the BSC strategic plan or not. In that variable the mean score was found to be 1.46 which was relatively close to the mean of the first variable in this table. Therefore, this situation discloses the absence of a solid strategic plan in those institutions included in the study. Item number 2 “There was effective two way communication on how to implement BSC” has score a mean value of 1.49 and SD of 0.884 implies the absence of two way communication that could be considered as the challenge that hindered the implementation of BSC in the public sectors of the area understudy. Item number 3 “Information on BSC is provided timely” has a mean and SD value of 1.40 and 0.687 respectively. Hence, this implies that BSC information is not provided for stakeholders on timely basis which in turn can put a challenge for the BSC implementation. Item number 4 “The communications strategy which will identify the target audience, key messages, media channels, timing, and messengers of the Communication is well

defined” has a mean score of 1.22 and SD of 0.464 implied the communication strategy was not well defined in a manner that it can address the pertinent audiences of the institutions with a proper message, time and channels.

Qualitative data was collected in order to substantiate the quantitative data regarding BSC planning and communication. Therefore, majority of participants in the key informant interview have confirmed that BSC implementation in the public sectors of the study area was hampered by challenges like planning and communication related issues. That is lack of proper and two way communication, well defined channels, proper timing and pertinent audiences.

Based on the quantitative and qualitative analysis made so far it is possible to draw a logical conclusion that the public sector of the study area were not preparing solid strategic plan, were not communicating properly and timely with pertinent stakeholders, have not designed well defined communication channels and messages in order to support the implementation of BSC. In other words, lack of planning and communication were one of the significant challenges hampering the implementation of BSC.

From the companies, Kaplan and Norton studied, it is managed to be recognized that effective BSC execution requires an effective planning and communication. This ensures that enterprise level plans are translated in to the plans of the various units and departments; executing strategic initiatives to deliver on the grand plan; and aligning employees’ competency development plans, and their personal goals and incentives, with strategic objectives (Kaplan & Norton, 2005). 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 organized plan may lead to failure (Niven 2005). The BSC plan should, as Niven (2006) believes, revealed (communicated) to everyone in the organization what is planned to be achieved, with whom, why, how, and how long will it take. 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. The Balanced Scorecard is a tool to facilitate communication within the process of translating the

strategy. If the BSC is used only as a tool for measuring and monitoring performance in the dimensions incorporated in it, without implementing the related process, this will restrict the effectiveness of the Scorecard and it is more likely to fail (Olve et al., 2003; Davis, 1996; Hasan and Tibbit, 2000 as stated by Othman et al., 2006). According to Ovidiu, (2007) Sharing Scorecard results throughout the organization provides employees with the opportunity to discuss the assumptions underlying the strategy, learn from any unexpected results, and dialogue on future modifications as necessary. Similarly, based on Niven (2002) opinion Balanced Scorecard means three things: measurement system, strategic management system and communication tool. The most important benefit of the scorecard is its use in facilitating communication about strategy, not just at the top level, but throughout the organization. The Balanced Scorecard translates the strategy and tells the story to all employees. The scorecards become the direct communication process for linking overall corporate strategy with team and individual goals for achievement.

Balanced Scorecard is primarily an instrument of change, it is critical to craft a communication strategy and plan. Objectives of the plan may include: building awareness, providing education on key concepts, generating engagement and commitment, encouraging participation, generating interest and providing results to interested parties (Niven, 2002). Cascading process is developing Balanced Scorecards at each level of the organization. These Scorecards align with organization's highest-level Scorecard (Corporate Scorecard) by identifying the strategic objectives and measures that lower level departments, and groups will use to track their progress in contributing to overall goals (Niven, 2002).

#### 4.4.7. Perception Related Challenges of BSC

**Table4. 11: Perception related challenges of BSC**

No	Items	N	Mean	Std. Deviation
1	I am satisfied with balanced scorecard as performance evaluation system	148	1.30	.635
2	The template that require for the performance evaluation is easy to use	148	1.40	.763
3	The implementation of BSc makes the rewarding system (Bonus, annual increment) Very Attractive	148	1.40	.614
4	The performance evaluations of the organizations after the implementation of BSC become very interesting	148	1.49	.751
5	Each measures/KPI weighted based on their importance	148	1.50	.821
	Aggregate mean		1.41	.716

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

According to Table 4.11 above perception of individuals involved in the BSC implementation process of the public sectors of Kaffa zone was measured. Thus, item number 1 “I am satisfied with balanced scorecard as performance evaluation system” has a mean score and SD of 1.30 and 0.635 respectively which discloses the low satisfaction of the employees in the BSC performance evaluation system. Item number 2 “The template that require for the performance evaluation is easy to use” has a mean score of 1.40 and SD of 0.763 implies that the templates prepared for performance evaluation was not easily understandable and usable for employees in the organization. This in turn can negatively affect the perceptions of employees in implementing the BSC in the public sectors of the area understudy. Item number 3 “The implementation of BSc makes the rewarding system (Bonus, annual increment) very attractive” has a mean and SD score of 1.40 and 0.614 respectively indicates that the reward systems applied in the public organization were not very attractive so as to initiate employees for better performance in BSC implementation. Item number 4 “The performance evaluations of the organizations after the implementation of BSC become very interesting” scored a mean value of 1.49

and SD of 0.751 disclosed that performance evaluation of BSC in the organization was not somewhat interesting for the employees. Item number 5 “Each measures/KPI weighted based on their importance” has a mean and SD of 1.50 and 0.821 respectively disclosed that key performance indicator was not weighted on the basis of their importance which can negatively affect the perceptions of individuals working in the public sectors of the area understudy.

On the bases of the analysis made in the aforementioned sections of this paper it is possible to conclude that perception of the employees regarding BSC implementation was not good. In other words, in the public sector of the study area perception of the employees on BSC as a scientific approach to job performance and its implementation was affected by key performance indicator measures, bonus and reward approach, annual increment in the employees’ status and so forth measures under this variable.

Positive perception of organization by employees enables a manager to utilize the system to help employees develop and achieve their performance objectives. Negative perception leads to a manager’s failure to take the process seriously, fail to document performance, or provide feedback to employees (Gallup, 2008).

#### 4.4.8. Technical Skill Related Challenges of BSC

**Table4. 12: Technical Skill related challenges of BSC**

No	Items	N	Mean	Std. Deviation
1	I have skill to cascade the strategy	148	1.24	.490
2	I know how to prepare operational plan(i.e. monthly, weekly etc)according to principles of BSC	148	1.30	.540
3	I can measure organizational performance based on BSC concept	148	1.34	.612
4	I can developed the team and individual scorecards by linking day-to-day work with organizations goals and sectors vision	148	1.30	.591
Aggregate Mean			1.28	.558

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

According to Table 4.12 above the technical skill related variables were measured and presented. Hence, item number 1 “I have skill to cascade the strategy” have a mean score of 1.24 and an SD of 0.49 implies that employees in public sectors of the study area have no skills to cascade the strategy of BSC with its implementation mechanisms. Item number 2 “I know how to prepare operational plan (i.e. monthly, weekly, etc.) according to principles of BSC” has a mean and SD score of 1.30 and 0.490 respectively indicates that employees participated in the study again have no the knowhow in preparing the operational plan according to the principles of BSC implementation. That is the participants have expressed their disagreement with the specific skill required in the item. Item number 3 “I can measure organizational performance based on BSC concept” has a mean score of 1.34 and SD of 0.612 implies that the organizational performance measurement was not measured on the basis of BSC concepts. In other words, the employees in the public sectors were not measuring organizational measurement on the basis of BSC concepts. Item number 4 “I can develop the team and individual scorecards by linking day-to-day work with organizations goals and sectors vision” has a mean and SD score of 1.30 and 0.591 respectively discloses the employees’ inability to develop team and individual scorecards by linking the day-to-day activity with organizational goal and vision. Stated in other terms, employee have no the skill required to prepare team and individual scorecard which can help to connect the activity with the vision and goal of the organization.

In addition to the quantitative data collected and analyzed here above the researcher has tried to interview respondents in the key informant interview. Thus, the entire change team leaders in key informant interview have confirmed that they have no technical skills for performing the day-to-day activities of the organization based on the concepts of BSC. On the contrary, majority of the leaders of the organization have claimed that they have necessary technical skills for BSC implementation and even the employee in the organization have the same skills. This is another paradoxical view forwarded by both categories of interview participants.

In a net shell, based on the quantitative and qualitative analysis performed in the sections here above it is possible to draw logical conclusion employee in the public sectors of the

area understudy lacks necessary technical skills to implement BSC according to its conceptual framework and this was another significant challenge for poor BSC implementation observed in the study area. Furthermore, the paradoxical idea revealed between the leaders and change team coordinators in the organization requires a rigorous qualitative study.

Cascading the BSC from the top management with other members of the organization requires sophisticated skills among employees and the management in general. According to Mulu (2010) some of the challenges facing application of the balanced scorecard in strategy implementation include lack of inclusion and the lack of creating deployment system that breaks high level goals down to the sub process level where actual improvements though out the organization generate bottom line results.

#### 4.4.9. Performance Monitoring and Evaluation

**Table4. 13: Monitoring and Evaluation**

No	Items	N	Mean	Std. Deviation
1	Performance progress was not monitored periodically before formal evaluation	148	3.58	1.304
2	Business process owners and leaders periodically monitor and evaluate performance progress	148	1.37	.712
3	Always Leaders monitors and evaluate performance progress and give feedback periodically before formal evaluation	148	1.46	.713
	Aggregate Mean		2.13	.909

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

Table 4.13 above presents the data analysis result on the performance monitoring and evaluation variable. Hence, item number 1 “Performance progress was not monitored periodically before formal evaluation” has a mean and SD score of 3.58 and 1.304 respectively which indicates that in the public sectors of the area understudy BSC performance was not periodically evaluated except the business as usual process. Thus, it

could be unthinkable to get BSC implemented in an organization where the business performance evaluation conducted at the end of something done without periodic monitoring for the sake improvement beforehand. Item number 2 “Business process owners and leaders periodically monitor and evaluate performance progress” has a mean score of 1.37 and an SD of 0.712 implies that business process owners and leaders in the public sectors did not perform on of the functions of management-the process of monitoring and evaluation of the business on regular basis. This in turn discloses the leadership failure in striving to properly implement the BSC in their respective organization. Item number 3 “Always Leaders monitors and evaluate performance progress and give feedback periodically before formal evaluation” has a mean and SD score of 1.46 and 0.713 respectively which indicates that the leaders of the public sectors in the study area was not conducting monitoring and evaluation under their positional responsibility.

The qualitative data analysis that focused on the monitoring and evaluation variable indicates the hereunder conditions. The entire key interview participants in the study confirmed that periodical performance evaluation on the BSC implementation was not properly conducted in their respective organization. Both categories of interviewees did not deny their failure in this regard. They confirmed that performance evaluation in general was conducted at the end of the budget semester.

In a net shell, as a result of the quantitative and qualitative analysis it is possible to conclude that in the public sectors of the study area BSC implementation was not monitored and evaluated periodically. More specifically, either top managers or the line managers particularly the business process owners in the public sectors did not perform the function of monitoring and evaluation on a regular basis before the end of the plan period which have greatly contributed for the failure of proper BSC implementation in the public sectors of the study area. Stated in other terms, failure to conduct periodic BSC monitoring and performance evaluation was found as one of the challenges hindering the implementation of BSC.

The purpose of Evaluation is to review the organization's progress toward planned strategic results and to review the overall strategic planning and management system to determine how it can be improved. Evaluation results can lead to modifications in strategic assumptions; or Strategy, Objectives, Measures and Targets (Balanced Scorecard Institution, 2012). BSC is a performance management tool that used to measure and identifies the performance of each employee in an organization and it is implemented based on key performance indicators (Olive et al., 2003).

#### 4.5 Causes of the Challenges of BSC Implementation

*Research question 3: What are the causes for the poor BSC implementation in Kaffa zone public sectors?*

**Table4. 14: Causes for the challenges of BSC implementation**

No	Items	N	Mean	Std. Deviation
1	Lack of proper awareness on BSC among stakeholders	148	3.91	.759
2	Lack of commitment among stakeholders on BSC implementation	148	4.02	.695
3	Absence of difference between those who accomplished and who failed	148	4.26	.757
4	Lack of confidence on the BSC advantages and effectiveness	148	4.01	.747
5	Lack of focus from government and immediate leadership	148	3.92	.769
6	Considering BSC as political agenda than science of the profession	148	3.87	.810
7	Lack of control from stakeholders side	148	3.76	.788
8	Lack of evidence based performance evaluation	148	3.91	.803
	Aggregate mean		3.95	.766

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

Table 4.14 presents the analysis result of causes of challenges for BSC implementation. Thus, item number “Lack of proper awareness on BSC among stakeholders” has a mean and SD of 3.91 and 0.759 respectively implies that stakeholders in BSC implementation were not properly aware of BSC as a science. Item number 2 “Lack of commitment

among stakeholders on BSC implementation” has a mean score of 4.02 and an SD of 0.695 indicates that stakeholders in the public sectors of the study area were not committed to implement BSC in their organization. Item number 3 “Absence of difference between those who accomplished and who failed” has a mean score of 4.26 and its SD of 0.757 discloses that in the area understudy there was no practice of maintaining difference among those who better performed and those who did not because of absence of recognition practice though BSC prescribed it in principle. Item number 4 “Lack of confidence on the BSC advantages and effectiveness” has scored a mean and SD of 4.01 and 0.747 respectively implied that employees lose confidence on the advantage and effectiveness of BSC in the organizational structure. Item number 6 “Considering BSC as political agenda than science of the profession” has a mean score of 3.87 and SD of 0.810 indicates that another significant cause for challenges of BSC implementation was attitude of employees in the public sectors. That is employees consider BSC as political agenda and extra burden damped down by government against the employees. Item number 7 “Lack of control from stakeholders’ side” has scored a mean value and SD of 3.76 and 0.788 respectively discloses that stakeholders in the BSC implementation did not have a control on institutionalization of BSC in their sectors. Item number 8 “Lack of evidence based performance evaluation” has a mean and SD score of 3.91 and 0.804 respectively implies absence of evidence based performance evaluation was a contributing factor for challenge of BSC implementation.

Moreover, respondents were asked to write other causes of challenges for poor implementation of BSC in their organization. Accordingly, the overwhelming majority of the respondents forwarded that the major causes for BSC’s poor implementation in their organization was lack of an independent institution that could oversee the implementation of this particular innovation. Due to the absence of the separate institution for BSC implementation control public sectors in Kaffa zone fail behind the standards set by the ministry of public sectors. Furthermore, they exhaustively forwarded lack of basic knowhow of BSC concept its cascading mechanism was a head ache for poor BSC implementation in their respective public sectors.

In a net shell, based on the quantitative and qualitative analysis performed above it is possible to conclude that lack awareness, lack of commitment, lack of evidence

based performance evaluation, lack of confidence on the advantages and effectiveness on BSC, considering BSC as political agenda, lack of focus from government and immediate leadership and lack of control from stakeholders were contributing factors for the inability to implement BSC properly in the public sectors of the study area.

#### 4.6 Prospects for BSC Implementation

*Research question 4: What opportunities existed for BSC implementation in Kaffa zone public sectors?*

**Table 4. 15: Prospects for BSC implementation**

N O	Items	N	Mea n	Std. Deviation
1	Availability of pertinent structures for reform agendas	148	3.97	.816
2	Existence of principles for recognition of best accomplishments	148	4.17	.704
3	Availability of educated personnel with high profile	148	4.07	.656
4	Availability of employees who could implement if awareness created	148	4.05	.693
5	Internalization of necessity of reform among employees	148	4.11	.748
6	Advantages of performance has got priority among employees	148	3.83	.750
7	BPR is already in place which can pave the way for BSC implementation	148	4.04	.755
8	Access to information from various e-sources to up-to-date one self	148	3.58	.628
9	Installation of proper automation for data collection, analysis and distribution	148	3.77	.561
	Aggregate mean		3.95	.701

*Note; 0.00-0.99=strongly disagree, 1.00-1.99=disagree, 2.00-2.99=neutral, 3.00-3.99=agree, 4.00-5.00=strongly agree (Kothari, 2004)*

According to the Table 4.15 above prospects of BSC implementation was analyzed. Based on this table item number 1 “Availability of pertinent structure for reform agenda” has a mean and SD of 3.97 and 0.816 respectively implies that necessary structures were organized for reform agenda that could enhance the process of BSC implementation. Item

number 2 “Presence of principles for recognition of best accomplishments” has scored a mean value of 4.17 and SD of 0.704 indicates that there are principles for recognizing best accomplishments at least theoretically. This could encourage employees to implement BSC in a proper and prescribed way. Item number 3 “Availability of educated personnel with high profile” has a mean and SD of 4.07 and 0.656 respectively disclose that in the public sectors of the study area there is opportunity to implement BSC to the best since there are employees who have better educational profile. Education in itself is not a guaranty to implement BSC unless skill development is geared towards BSC implementation. Item number 4 “Availability of employees who could implement if awareness created” has a mean score of 4.05 and SD of 0.695 implies that BSC could be implemented in the study area since there are employees who deserve awareness creation. Item number 5 “Internalization of necessity of reform among employees” has a mean score of 4.11 and an SD of 0.718 indicates reform agenda is internalized among the employees in the study area which in turn could help better future on BSC implementation. Item number 6 “Advantages of performance has got priority among employees’ has a mean and SD score of 3.83 and 0.750 respectively implies advantages of better performance in BSC has got prominence among employees which in turn help implement BSC in a proper way. Item number 8 “Access to information from various e-resources to up-to-date oneself” has a mean score of 3.58 and an SD of 0.628 which disclose that employees have access to information sources that can help them up-to-date their knowhow on BSC. This can help them implement BSC based on better awareness. Item number 9 “Installation of proper automation for data collection, analysis and distribution” has a mean and SD of 3.77 and 0.561 respectively indicates that in the public sectors of the study area there is a flourishing aspect of automation for data processing and information exchange among employees and sectors. Hence, it could be considered as additional opportunity for BSC implementation in the areas understudy in the near future.

Furthermore, the respondents were requested to write further opportunities that they think available for future implementation of BSC in the public sector organizations in which they belong. Therefore, the entire respondents forwarded that the future is bright since there were a myriads of opportunities for better BSC implementation. According to their

own word, there were several individuals who joined the public sectors recently with fresh and up-to-date educational profile; the need for change was getting prominence among the stakeholders; more importantly the employees were equipped with basic computing and other technical skills that was developed through continuous exposure and experience has changing the problem of skill gaps prevalent among employees in their organization.

Generally speaking, on the basis of quantitative and qualitative analysis computed above it is possible to draw a logical conclusion that BSC has prospects like flourishing installation of automations, access to information, safeguarding of performance in BSC, internationalization of necessity for change, presence of educated personnel for knowledge based dealing in BSC, availability of organizational structure related with reform are found to be some the prospects for future implementation of BSC in the public sectors of the study area.

Malina and Selto (2001) conducted a research to assess the relationship 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.

Bible, Kerr and Zanini, (2006) also stressed that the BSC eventually became a strategic performance management system centered on strategies for organizational performance measurement.

It began as a measurement system, translating an organization's strategy into an interconnected set of financial and nonfinancial measures used to communicate strategy, build alignment, inform decision making, power performance management, and prioritize resource allocation (Niven, 2005).

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents the summary of key findings, conclusions and recommendations that were drawn from the research process thoroughly discussed in this paper.

#### 5.1 Summary of Key Findings

These days global business is done through and with the help of science and scientific approach. For the last two to three centuries the way how business was conducted has been dramatically changed in essence and approach which prevailed human existence. The way how private business organization and government organizations administered was generally guided by the science and scientific approach. In Ethiopian business history government organizations have been repeatedly striving to bring change in their business administration approach. Currently, one of the approaches in place was Balanced Scorecard (BSC) which the business of the present research in this paper. Hence, the objective of this study was to assess the challenges and prospects of Balanced Scorecard Implementation in the public sectors Kaffa zone. In order to achieve its objectives, the study adopted descriptive survey design. Moreover, the study was guided by the following four basic research questions.

1. What is the status of BSC implementation practice in the Kaffa Zone public sectors?
2. What are the challenges encountered in the implementation of BSC in Kaffa Zone public sectors?
3. What are the causes for poor implementation of BSC in Kaffa Zone public sectors?
4. What opportunities existed for BSC implementation in Kaffa Zone public sectors?

In order to answer these basic questions the study was conducted in public sectors of Kaffa zone. A total of 148 sample employees were selected using systematic sampling techniques. And 6 change team coordinators and 6 zonal sector leaders were included to the study through purposive sampling method. Data was collected through questionnaire and key informant interview guide. Questionnaires were used to collect data from employees in each department while interview was conducted with office leaders. The

quantitative data collected was analyzed and interpreted using various statistical methods such as percentage, mean and standard deviation with the help of SPSS version 21. Besides this, the qualitative data was analyzed through narration immediately after quantitative analysis for triangulation purposes. As a result of analysis of the data, the following major findings were drawn and put under each research questions.

*Research question 1: What is the status of BSC implementation practice in the Kaffa Zone public sectors?*

- The quantitative and qualitative analysis of the study disclosed that in the public sectors of the study area BSC was not properly implemented since indicators of implementation measured in this study revealed poor status. Thus, it was found that vision, mission, strategic plan assessment, SWOT analysis was not properly conducted; BSC was not considered as one of the priority areas in those sectors studied; the strategic map of the sectors was not clear and understandable by employees, etc because the aggregate mean and its SD of the items measured under this variable is 1.53 and 0.748 respectively.

*Research question 2: What are the challenges encountered in the implementation of BSC in public sectors of Kaffa zone?*

Regarding the challenges encountered during BSC implementation in the public sectors due to each variable measured the study revealed the following major challenges.

- BSC concept clarity was not achieved at sector level because people in office were not aware of what exactly a BSC and its implementation involves; employees did not understand the objectives of BSC and its importance for organizational performance, people in charge the system had not been informed and understood the meaning of the sector objectives in each perspectives. Here the aggregate mean and its SD were found to be 1.29 and 0.639 respectively.
- Level of executive sponsorship related challenges identified in the study involves the top management in the organizations did not took the initiative in BSC implementation; the top management did not periodically monitor progresses of BSC implementation; the top management in the public organizations did not support

- employees in BSC implementation when the need arises. The aggregate mean for level of executive sponsorship was 1.40 and its SD was 0.750.
- BSC education and training related challenges retarding the proper implementation disclosed in the study involve lack of training provided by the organization to the employees on the routine as well recent knowledge concerning the BSC system. As a result of items measured, it was found that the aggregate mean and SD of this variable was 1.33 and 0.659 respectively.
  - Automation related challenges on BSC involves the IT was not properly installed for data collection, analysis, reporting and distribution; the existing IT system was ineffective and could not support BSC implementation process. The items aggregate mean and SD was 2.10 and 0.796 respectively.
  - Employee involvement related challenges disclosed in the study include lack of active participation of employees and customers during the process of designing the BSC strategic plan. Furthermore, it was found that employees did not adequately participate in discussion of draft strategic plan. Due to the computation of this variable the aggregate mean (1.41) and SD (0.734).
  - It was found that planning and communication was poor in the public sectors of the study area, i.e. it was one of the major challenges leading to the poor implementation of BSC. The analysis disclosed that the organization has no a solid strategic plan and the communication system on implementation of BSC was not effective. The quantitative analysis brought an aggregate mean and SD of 1.45 and 0.759 respectively.
  - Another major challenge identified in the study was perception of employees in public sectors. Thus, the analysis indicated that employees in the public sectors have no satisfaction in the BSC system in general and they did not consider its importance in organizational performance. The aggregate mean for this variable was found to be 1.41 and its SD 0.716.
  - Regarding technical skill on BSC employees in the public sectors of the study area have no proper skills to cascade BSC strategies, prepare operational plans, measure organizational based on BSC concept and principle, etc. The numerical aggregate value for this particular variable was 1.28 mean and 0.558 SD.

- The study also disclosed that performance monitoring and evaluation was not conducted periodically and on regular basis. Hence, absence of periodical performance monitoring and evaluation was a significant challenge to the poor implementation of BSC in public sectors of the study area.

*Research question 3: What are the causes for the poor BSC implementation in Kaffa zone public sectors?*

Regarding the causes for the poor BSC implementation in the area under study the study yielded the following causes.

- Lack of proper awareness on BSC among the stakeholders; lack commitment from heads and political leaders; lack of confidence and reliance on the advantages and effectiveness of BSC; lack of control from government and immediate leadership; considering BSC as political agenda than scientific approach to a business; lack of evidence based performance evaluation; etc. The aggregate value of the mean and SD for this variable was 3.59 and 0.766 respectively as measured in the scale.

*Research question 4: What opportunities existed for BSC implementation in Kaffa zone public sectors?*

Concerning the prospects for BSC implementation in the study area the study disclosed the following findings.

- Availability of pertinent structures for reform agenda; existence of principles for recognition of best accomplishments; availability of educated personnel with high profile; internalization of necessity of reform among employees; advantages of better performance has got priority in employees; institutionalization of BPR which can pave a way for BSC; access to information from various sources to update employees knowhow and installation of proper automation for data collection, analysis and distribution. The items analyzed under this variable resulted in mean of 3.95 and SD of 0.701.

## 5.2 Conclusion

The main purpose of the present study was to assess the challenges and prospects of Balanced Scorecard Implementation in the public sectors Kaffa zone. Accordingly, based on the data collected and analyzed the following conclusions were drawn. In the public sectors of the study area the status of BSC implementation was not properly implemented. It was found that BSC concept clarity; level of executive leadership; on job education and training; employee involvement in all BSC process; technical skills on the BSC system; perceptions of employees; planning and communication; performance monitoring and evaluation and BSC automation are the significant challenges contributing to the failure of BSC implementation in the areas understudy.

Furthermore, the study disclosed that several causes are responsible factors for the challenges of BSC implementation. Lack of awareness among employees; lack of commitment in employees; lack of confidence and reliance on the advantages and effectiveness of BSC; lack of control from government and immediate leadership are worth mentioning. Availability of educated personnel with high profile; internalization of necessity of reform among employees; institutionalization of BPR, access to information from e-sources and the beginning of BSC automation are found to be prospects for BSC implementation.

## 5.3 Recommendation

The present study has tried to assess the challenges and prospects of BSC implementation in public sectors of Kaffa zone. On the basis of the findings and conclusions drawn the following recommendations were forwarded.

- In the study it was found that BSC was not properly implemented according to its guidelines in the areas understudy. Thus, stakeholders in the study area need to work hard to bring fundamental changes in their routine business process by striving to implement BSC according to its standard.
- The study has also disclosed BSC implementation was hindered due to various and interacting challenges. Therefore:

- Zonal and regional public service department and office need to provide periodic and timely awareness creation training to the employees and heads of each public sector.
- Stakeholders should better work support oriented monitoring on the BSC implementation conditions of the public sector.
- The institutionalized system of recognizing and awarding best performances that promotes positive competition among employees need to be in place.
- Heads of each department need to implement reinforcement and career structure systems based on rules.
- Leaders need to work hard that BSC system can bring transformation in the public institutions.
- Stakeholders should betterwork collaboratively for the common goals in each public sectors of the study area.
- Leadership capacity in the study area needs to be improved and enhanced so that they can commit to implement BSC for better performance in their business activity.
- Leadership should better consider BSC as his own project and priority in order to enhance reform in their respective office.
- Every line of chain should better conduct periodic and regular performance standard evaluation and feedback geared towards BSC implementation and enhancing better performance.
- BSC planning activity need to be participatory for particularly for employees in order to develop ownership and institutionalize the system.
- Employees need to develop commitment for organizational development and better performance.
- IT is better to organize institutions that can oversee BSC system in every public sector.

### **Suggestions for Future Research**

In the current research the qualitative part of the data yielded paradoxical ideas. That is heads of some public sectors claimed that they were properly implanting BSC in their sectors; however, change team leaders interview admitted the poor implementation of BSC. Moreover, heads of each department claimed that they perform their level of

executive sponsorship to their level best; however, the other key informant interview participants complain for leadership challenge as a paramount factor in their organizations' BSC implementation process. Similarly, such result contradicts with the findings of quantitative analysis. Therefore, it is recommended to conduct in depth qualitative study in order to check this paradox.

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**APPENDIX – I**

Wolkite University  
School of Graduate Studies  
College of Business and Economics  
Department of Management  
Master of Business Administration /MBA/

**Questionnaire****Dear respondent**

I am a graduate class student in master of business administration at Wolkite University. Currently, I am conducting research entitled as challenges and prospects of balanced scorecard implementation in the public sector organization: the case of Kaffa zone Southern region. The purpose of the study is for the partial fulfillment of the requirement of the degree of Masters of Business Administration.

I would like to kindly request you that you are one of the best and honorable respondents selected on this study. I will request your assistance in providing me accurate and complete information so that the finding on the study will be representative and lead to accurate conclusion. Your participation is entirely voluntary and your personal information and your entire response will be completely anonymous and only used for the aforementioned academic purpose. I thank you in advance for sharing your valuable experience and time in completing the questionnaire.

Sincerely  
Endale Alemu

### General Instruction

- ✓ No need of writing your name on the sheet
- ✓ Feel free and attempt all questions
- ✓ Please, answer all questions.
- ✓ In all cases where answer options are available, tick (✓) inside the given box.

### Part I: General information of Respondents

1. SEX: Female  Male
2. Age: 20-30  31-40  41-50  Above 51
3. Education level: below Diploma  Diploma  Bachelor's Degree   
Master's and above degree
4. What is your job level?  
Leader  Business process owner  Expert  staff
5. How long have you served the sector? \_\_\_\_\_

### Part II: BSC Implementation

Please indicate how much you agree or disagree with each of the following statements by ticking (✓) that best represents your opinion. 1 means that you strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree.

No	Please use the following scale to indicate your level of agreement with each of the identified issues related to factors that contribute to the success of the BSC	1	2	3	4	5
1	Assessment of the organization' strategic elements: the mission and vision, SWOT and organization values are conducted well					
2	The strategy map of the sectors is clear and understandable					
3	BSC creates ability to translate vision to operational strategy					
4	All performance objectives and measures have been aligned with organizational strategy					
5	BSC is one of the priorities of the organizations					
6	BSC creates the ability for management to translate a broad vision into a strategy that can build harmony and commitment throughout the sectors					



	organization level objectives					
	2. Level of Executive Sponsorship					
1	Top Management of the organization took the initiative to implement the BSC					
2	I was guided by my leader while I was designing my scorecard					
3	Top management periodically monitors progress of BSC implementation.					
4	There was full support from the top management of the organizations at the time of BSC implementation.					
5	Necessary resources are allocated by top management for BSC Design and Implementation					
6	The top management works closely with the BSC champion or the responsible team or Dedicated process to implement the system.					
	3. BSC Education and Training					
1	The organization has provided me training that equipped me with a sufficient knowledge about the concept and meaning of the BSC					
2	The sectors has provided me a training on how to design my own personal scorecard in alignment to the organizational scorecard					
3	The organization informed all employees to clearly understand sector level objectives					
	4. BSC Automation					
1	The organizations BSC is fully automated					
2	BSC is supported by IT in collecting, analysing, reporting and distributing relevant data					
3	An appropriate IT system is designed to help employees to collect data					
4	My institution has ineffective IT support to implement BSC properly					
	5. BSC Participation					
1	Leaders, Employees and customers actively Participated in designing Process					
2	Employees adequately discussed on draft Strategic plan					
3	There is a platform that enabled the whole employees of the sectors to be					

	involved in the implementation of BSC.					
4	Information about the sector's balanced scorecard implementation status is being provided timely for all concerned					
	6. Planning and Communication of BSC System					
1	This organization has a solid strategic plan					
2	There was effective two way communication on how to implement BSC					
3	Information on BSC is provided timely					
4	The communications strategy which will identify the target audience, key messages, media channels, timing, and messengers of the communication are well defined.					
	7. perception about BSC implementation					
1	I am satisfied with balanced scorecard as performance evaluation system					
2	The template that require for the performance evaluation is easy to use					
3	The implementation of BSc makes the rewarding system (Bonus, annual increment) Very Attractive					
4	The performance evaluations of the organizations after the implementation of BSC become very interesting					
5	Each measures/KPI weighted based on their importance					
	8. Lack of technical skill on balanced scorecard					
1	I have skill to cascade the strategy					
2	I know how to prepare operational plan(i.e. monthly, weekly etc)according to principles of BSC					
3	I can measure organizational performance based on BSC concept					
4	I can developed the team and individual scorecards by linking day-today work with organizations goals and sectors vision					
	9. Lack of monitoring and evaluation of performance progress					
1	Performance progress was not monitored periodically before formal evaluation					
2	Business process owners and leaders periodically monitor and evaluate performance progress					

3	Always Leadersmonitors and evaluate performance progress and give feedback periodically before formal evaluation						
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#### Part IV: Causes for the Challenges of BSC Implementation

The following items in the table refer to hypothetical causes for the challenges of BSC implementation. Hence, please indicate how much you agree or disagree with each of the following statements by putting a tick mark (√) on a scale that best represents your opinion.

*Key: 1=strongly disagree, 2= disagree, 3=neutral, 4=agree, and 5=strongly agree.*

No	Please use the following scale to indicate your level of agreement or disagreement with each of the identified issues related to causes for the challenges on BSC	1	2	3	4	5
1	Lack of proper awareness on BSC among stakeholders					
2	Lack of commitment among stakeholders on BSC implementation					
3	Absence of difference between those who accomplished and who failed					
4	Lack of confidence on the BSC advantages and effectiveness					
5	Lack of focus from government and immediate leadership					
6	Considering BSC as political agenda than science of the profession					
7	Lack of control from stakeholders side					
8	Lack of evidence based performance evaluation					

If you consider additional causes for the challenges of BSC implementation please specify

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### Part V: Prospects for BSC Implementation

The following items in the table refer to hypothetical prospects for BSC implementation. Hence, please indicate how much you agree or disagree with each of the following statements by putting a tick mark (✓) on a scale that best represents your opinion.

*Key: 1=strongly disagree, 2= disagree, 3=neutral, 4=agree, and 5=strongly agree.*

No	Please use the following scale to indicate your level of agreement or disagreement with each of the identified issues related to prospects for BSC implementation	1	2	3	4	5
1	Availability of pertinent structures for reform agendas					
2	Existence of principles for recognition of best accomplishments					
3	Availability of educated personnel with high profile					
4	Availability of employees who could implement if awareness created					
5	Internalization of necessity of reform among employees					
6	Advantages of performance has got priority among employees					
7	BPR is already in place which can pave the way for BSC implementation					
8	Access to information from various e-sources to up-to-date one self					
9	Installation of proper automation for data collection, analysis and distribution					

*If you consider additional prospects for BSC implementation please specify*

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**Open ended questions related with the problem**

1. Do you know what BSC is? Yes  No

2. Do you think BSC is properly implemented in your organization?

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3. List the existing opportunities for BSC implementation?

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

4. What contributions expected from the government, leaders, stakeholders & employees to make BSC effective reform program in your offices?

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5 Do you know your organization's vision, mission and strategic objective? Yes

No

6. After BSC implemented in your organization, what are the challenges encountered in your work in your position and overall in the organization? Please state them?

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

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8. What do you recommend to solve them?

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*Thank you in advance for providing me your precious time!!*

Wolkite University  
 School of Graduate Studies  
 College of Business and Economics  
 Department of Management  
 Master program |MBA/

**Interview guideline questions**

The purpose of this interview is to collect primary data from key informant respondents in public organizations of Kaffa Zone. The interview will be conducted with leader and change team leader of the selected sectors.

Background Information

1. Job Title.....
2. Years worked with organizations.....
3. Organizations name .....

**Interview Questions for key informants**

1. What do you think the advantage of BSC to your organization?
2. What challenges were encountered in BSC implementation and measurement/evaluation system?
3. What do you think the cause of the challenges?
4. What has been done /or what measures have been taken to overcome the challenges you might have faced?
5. What are the existing opportunities for BSC implementation?
6. What success factors do you think are available in your sector to implement BSC successfully?
7. Is enough training provided about balanced scorecard implementation and do employee has appropriate awareness about BSC?
8. Who is involved in strategy formulation and implementation?
9. How are strategic objectives communicated?

## APPENDIX – II

### Reliability test

Item-Total Statistics (implementations item) SPSS out put

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
Assessment of the organization' strategic elements: the mission and vision, SWOT and organization values are conducted well	10.72	3.725	.672	.71
The strategy map of the sectors is clear and understandable	10.72	3.399	.521	.78
BSC creates ability to translate vision to operational strategy	10.70	3.353	.671	.79
All performance objectives and measures have been aligned with organizational strategy	10.62	3.706	.600	.80
[BSC is one of the priorities of the organizations	10.74	3.678	.753	.82
BSC creates the ability for management to translate a broad vision into a strategy that can build harmony and commitment throughout the sectors	10.80	3.401	.624	.77
The implementation of BSC enhances working culture of the company	10.85	3.706	.742	.76
Balanced Scorecard has Positive effects on your organization performances	10.78	3.518	.771	.82

**Item-Total Statistics (Challenges of BSC implementation) SPSS out put**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
I understand well what exactly the Balanced Scorecard is and what its implementation involves	57.49	23.530	.522	.85
I clearly understand the objectives of BSC implementation and its importance to the organizational performance	57.52	23.911	.586	.85
I understand the benefits of implementing the balanced scorecard as a performance measurement, strategic management and communication system of the sectors	57.48	23.870	.677	.83
I have been informed and understood the meaning of the sector objective in each perspective.	57.44	23.309	.741	.86
The organization's Strategy map is clear and understandable	57.51	23.394	.732	.84
I understood alignment of my business process objectives with the organization level objectives	57.47	22.468	.576	.85
Top Management of the organization took the initiative to implement the BSC	57.41	23.604	.658	.84
I was guided by my leader while I was designing my scorecard	57.40	23.017	.556	.86

Top management periodically monitors progress of BSC implementation.	57.35	23.780	.517	.84
There was full support from the top management of the organizations at the time of BSC implementation.	57.35	22.706	.839	.83
Necessary resources are allocated by top management for BSC Design and Implementation	57.39	24.361	.724	.84
The top management works closely with the BSC champion or the responsible team or Dedicated process to implement the system.	57.32	22.874	.817	.85
The organization has provided me training that equipped me with a sufficient knowledge about the concept and meaning of the BSC	57.51	24.088	.749	.83
The sectors has provided me a training on how to design my own personal scorecard in alignment to the organizational scorecard	57.46	22.849	.521	.81
The organization informed all employees to clearly understand sector level objectives	57.36	23.265	.684	.84
The organizations BSC is fully automated	57.20	23.029	.618	.86
BSC is supported by IT in collecting, analyzing, reporting and distributing relevant data	57.32	22.534	.727	.83
An appropriate IT system is designed to help employees to collect data	57.32	23.840	.687	.85

My institution has ineffective IT support to implement BSC properly	54.84	22.581	.625	.84
Leaders, Employees and customers actively Participated in designing Process	57.32	22.490	.713	.86
Employees adequately discussed on draft Strategic plan	57.32	23.239	.598	.84
There is a platform that enabled the whole employees of the sectors to be involved in the implementation of BSC.	57.39	23.288	.599	.81
Information about the sector's balanced scorecard implementation status is being provided timely for all concerned	57.43	22.927	.609	.81
This organization has a solid strategic plan	57.06	24.656	.667	.85
There was effective two way communication on how to implement BSC	57.28	22.708	.608	.79
Information on BSC is provided timely	57.38	23.094	.657	.83
The communications strategy which will identify the target audience, key messages, media channels, timing, and messengers of the communication are well defined.	57.55	24.398	.534	.84
I am satisfied with balanced scorecard as performance evaluation system	57.47	22.890	.416	.79
The template that require for the performance evaluation is easy to use	57.38	23.162	.559	.88

The implementation of BSc makes the rewarding system (Bonus, annual increment) Very Attractive	57.38	23.856	.697	.82
The performance evaluations of the organizations after the implementation of BSC become very interesting	57.29	23.078	.699	.84
Each measures/KPI weighted based on their importance	57.28	22.174	.549	.81
I have skill to cascade the strategy	57.53	23.897	.797	.83
I know how to prepare operational plan(i.e. monthly, weekly etc)according to principles of BSC	57.48	23.530	.538	.84
I can measure organizational performance based on BSC concept	57.44	23.432	.523	.89
I can developed the team and individual scorecards by linking day-today work with organizations goals and sectors vision	57.47	23.163	.857	.87
Performance progress was not monitored periodically before formal evaluation	55.20	22.703	.637	.85
Business process owners and leaders periodically monitor and evaluate performance progress	57.41	23.644	.529	.83
Always Leaders monitors and evaluate performance progress and give feedback periodically before formal evaluation	57.32	23.660	.655	.78

**Item-Total Statistics (Causes for the Challenges of BSC Implementation) SPSS out put**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
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Lack of proper awareness on BSC among stakeholders	27.74	4.287	.507	.84
Lack of commitment among stakeholders on BSC implementation	27.63	3.718	.588	.79
Absence of difference between those who accomplished and who failed	27.39	4.621	.650	.84
Lack of confidence on the BSC advantages and effectiveness	27.64	4.737	.681	.81
Lack of focus from government and immediate leadership	27.73	3.858	.647	.83
Considering BSC as political agenda than science of the profession	27.78	3.345	.538	.85
Lack of control from stakeholders side	27.89	3.852	.755	.87
Lack of evidence based performance evaluation	27.74	4.519	.634	.82

**Item-Total Statistics (Prospects for BSC Implementation) SPSS out put**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Availability of pertinent structures for reform agendas	31.61	4.293	.672	.83
Existence of principles for recognition of best accomplishments	31.42	3.674	.585	.80
Availability of educated personnel with high profile	31.52	3.367	.601	.83
Availability of employees who could implement if awareness created	31.54	4.264	.546	.82
Internalization of necessity of reform among employees	31.48	4.415	.697	.79
Advantages of performance has got priority among employees	31.76	2.770	.583	.84

BPR is already in place which can pave the way for BSC implementation	31.55	2.685	.575	.79
Access to information from various e-sources to up-to-date one self	32.01	3.626	.616	.82
Installation of proper automation for data collection, analysis and distribution	31.82	3.660	.707	.78

### APPENDIX – III

#### Questionnaire Data Output

##### Sex of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	122	82.4	82.4	82.4
Female	26	17.6	17.6	100.0
Total	148	100.0	100.0	

##### Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
20-30	31	20.9	20.9	20.9
31-40	44	29.7	29.7	50.7
41-50	45	30.4	30.4	81.1
above 51	28	18.9	18.9	100.0
Total	148	100.0	100.0	

##### Educational level of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
below diploma	2	1.4	1.4	1.4
diploma	10	6.8	6.8	8.1
BA degree	127	85.8	85.8	93.9
masters and above	9	6.1	6.1	100.0
Total	148	100.0	100.0	

**What is your job level?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Leader	6	4.1	4.1	4.1
business process owner	31	20.9	20.9	25.0
Expert	70	47.3	47.3	72.3
Staff	41	27.7	27.7	100.0
Total	148	100.0	100.0	

**How long have you served the sector?**

	Frequency	Percent	Valid Percent	Cumulative Percent
1-5	25	16.9	16.9	16.9
6-10	80	54.1	54.1	70.9
11-15	41	27.7	27.7	98.6
above 16	2	1.4	1.4	100.0
Total	148	100.0	100.0	

**Descriptive Statistics(BSC implementation)**

	N	Mean	Std. Deviation
Assessment of the organization' strategic elements: the mission and vision, SWOT and organization values are conducted well	148	1.55	.740
The strategy map of the sectors is clear and understandable	148	1.55	.758
BSC creates ability to translate vision to operational strategy	148	1.57	.739
All performance objectives and measures have been aligned with organizational strategy	148	1.66	.667
BSC is one of the priorities of the organizations	148	1.54	.777
BSC creates the ability for management to translate a broad vision into a strategy that can build harmony and commitment throughout the sectors	148	1.48	.751

The implementation of BSC enhances working culture of the company	148	1.43	.701
Balanced Scorecard has Positive effects on your organization performances	148	1.49	.853
Valid N (listwise)	148		

#### challenges of BSC Descriptive Statistics (concept clarity)

	N	Mean	Std. Deviation
I understand well what exactly the Balanced Scorecard is and what its implementation involves	148	1.29	.642
I clearly understand the objectives of BSC implementation and its importance to the organizational performance	148	1.26	.607
I understand the benefits of implementing the balanced scorecard as a performance measurement, strategic management and communication system of the sectors	148	1.30	.654
I have been informed and understood the meaning of the sector objective in each perspective.	148	1.34	.645
The organization's Strategy map is clear and understandable	148	1.26	.632
I understood alignment of my business process objectives with the organization level objectives	148	1.31	.658
Valid N (listwise)	148		

#### challenges of BSC Descriptive Statistics (executive sponsorship)

	N	Mean	Std. Deviation
Top Management of the organization took the initiative to implement the BSC	148	1.36	.757
I was guided by my leader while I was designing my scorecard	148	1.38	.760
Top management periodically monitors progress of BSC implementation.	148	1.43	.775

There was full support from the top management of the organizations at the time of BSC implementation.	148	1.43	.809
Necessary resources are allocated by top management for BSC Design and Implementation	148	1.39	.716
The top management works closely with the BSC champion or the responsible team or Dedicated process to implement the system.	148	1.45	.741
Valid N (listwise)	148		

#### Descriptive Statistics(education and training)

	N	Mean	Std. Deviation
The organization has provided me training that equipped me with a sufficient knowledge about the concept and meaning of the BSC	148	1.26	.564
The sectors has provided me a training on how to design my own personal scorecard in alignment to the organizational scorecard	148	1.32	.639
The organization informed all employees to clearly understand sector level objectives	148	1.42	.774
Valid N (listwise)	148		

#### challenges of BSC Descriptive Statistics(automation)

	N	Mean	Std. Deviation
The organizations BSC is fully automated	148	1.58	.808
BSC is supported by IT in collecting, analyzing, reporting and distributing relevant data	148	1.45	.750
An appropriate IT system is designed to help employees to collect data	148	1.45	.621
My institution has ineffective IT support to implement BSC properly	148	3.93	1.008
Valid N (listwise)	148		

#### challenges of BSC Descriptive Statistics(employee involvement)

	N	Mean	Std. Deviation
Leaders, Employees and customers actively Participated in designing Process	148	1.46	.803
Employees adequately discussed on draft Strategic plan	148	1.46	.786

There is a platform that enabled the whole employees of the sectors to be involved in the implementation of BSC.	148	1.39	.715
Information about the sector's balanced scorecard implementation status is being provided timely for all concerned	148	1.34	.636
Valid N (listwise)	148		

**challenges of BSC Descriptive Statistics(planning and communication)**

	N	Mean	Std. Deviation
This organization has a solid strategic plan	148	1.72	1.004
There was effective two way communication on how to implement BSC	148	1.49	.884
Information on BSC is provided timely	148	1.40	.687
The communications strategy which will identify the target audience, key messages, media channels, timing, and messengers of the communication are well defined.	148	1.22	.464
Valid N (listwise)	148		

**challenges of BSC Descriptive Statistics(perception)**

	N	Mean	Std. Deviation
I am satisfied with balanced scorecard as performance evaluation system	148	1.30	.635
The template that require for the performance evaluation is easy to use	148	1.40	.763
The implementation of BSc makes the rewarding system (Bonus, annual increment) Very Attractive	148	1.40	.614
The performance evaluations of the organizations after the implementation of BSC become very interesting	148	1.49	.751
Each measures/KPI weighted based on their importance	148	1.50	.821
Valid N (listwise)	148		

**challenges of BSC Descriptive Statistics(technical skill)**

	N	Mean	Std. Deviation
I have skill to cascade the strategy	148	1.24	.490

I know how to prepare operational plan(i.e. monthly, weekly etc)according to principles of BSC	148	1.30	.540
I can measure organizational performance based on BSC concept	148	1.34	.612
I can developed the team and individual scorecards by linking day-today work with organizations goals and sectors vision	148	1.30	.591
Valid N (listwise)	148		

**challenges of BSC Descriptive Statistics(Monitoring and evaluation)**

	N	Mean	Std. Deviation
Performance progress was not monitored periodically before formal evaluation	148	3.58	1.304
Business process owners and leaders periodically monitor and evaluate performance progress	148	1.37	.712
Always Leaders monitors and evaluate performance progress and give feedback periodically before formal evaluation	148	1.46	.713
Valid N (listwise)	148		

**Descriptive Statistics(Causes of BSC challenges)**

	N	Mean	Std. Deviation
Lack of proper awareness on BSC among stakeholders	148	3.91	.759
Lack of commitment among stakeholders on BSC implementation	148	4.02	.695
Absence of difference between those who accomplished and who failed	148	4.26	.757
Lack of confidence on the BSC advantages and effectiveness	148	4.01	.747
Lack of focus from government and immediate leadership	148	3.92	.769
Considering BSC as political agenda than science of the profession	148	3.87	.810
Lack of control from stakeholders side	148	3.76	.788
Lack of evidence based performance evaluation	148	3.91	.803
Valid N (listwise)	148		

**Descriptive Statistics(Prospects of BSC)**

	N	Mean	Std. Deviation
Availability of pertinent structures for reform agendas	148	3.97	.816
Existence of principles for recognition of best accomplishments	148	4.17	.704
Availability of educated personnel with high profile	148	4.07	.656
Availability of employees who could implement if awareness created	148	4.05	.693
Internalization of necessity of reform among employees	148	4.11	.748
Advantages of performance has got priority among employees	148	3.83	.750
BPR is already in place which can pave the way for BSC implementation	148	4.04	.755
Access to information from various e-sources to up-to-date one self	148	3.58	.628
Installation of proper automation for data collection, analysis and distribution	148	3.77	.561
Valid N (listwise)	148		

