

Balanced Score Card Implementation, Success Factors and Challenges in Ethiopian Financial Sector: the case of Ethiopian Insurance Corporation and Commercial Bank of Ethiopia

Saravanan Devadoss, Ph.D.,¹ Yohannes Workeaferahu Elifneh Ph.D.,²
Simbo Dereje³

¹ Assistant Professor, College of Business and Economics, Addis Ababa University, Addis Ababa

² Assistant Professor, College of Business and Economics, Addis Ababa University, Addis Ababa

³ Lecturer, College of Business and Economics, Arsi University, Arsi

Abstract

The purpose of the study was to assess the implementation of Balanced Scorecard (BSC) in Ethiopian Financial sector, the case of Ethiopian Insurance Corporation (EIC) and Commercial Bank of Ethiopia (CBE) and thereby to see the adequacy of the procedure followed to implement BSC, BSC implementation success and identify the major challenges encountered during the implementation. To attain these objectives, the study employed Descriptive research design. Accordingly, survey questionnaire and interview questions were administered to a sample of 351 respondents, 322 of them were properly filled and returned. The questionnaires were analysed using frequency distribution, mean scores and mode with the help of Statistical Package for Social Science (SPSS). The major findings of this study indicate the designing phase was done properly in terms of BSC assessment, Strategic plan, Strategic objectives, Strategic map, Performance measures, and Strategic initiatives. But, BSC implementation phases such as automation, cascading and evaluation the sector's performance is not satisfactory. The following success stories were registered: BSC Make the strategic direction clear to the organization, it helped rewarding practice to be objective, It improve Communication of strategic objective, encourage learning and continuous improvement, The strategic map shows cause and effect relationship among the four perspective and it explicitly show owners of strategic initiatives. The following challenges were faced by the sector: resistance to Change, lack of knowledge on the use and importance of BSC, insufficient participation in the process of the implementation, lack of automating and cascading BSC to individual level, Poor linkage of the Performance appraisal with reward system and recognition, lack of readiness in terms of mentality, skill, competence and negative perception toward BSC. It is recommended that the sector has to increase employee participation, revise the cascaded objectives, automate BSC and organize discussion as well as awareness creation program.

Key words: Balanced Scorecard, success, challenges

Date of Submission: 01-03-2021

Date of Acceptance: 14-03-2021

I. Introduction

From the beginning, it is important to understand why measuring an organization's performance is both necessary and vital. An organization operating without a performance measurement system is like a CEO operating without a strategic plan. The purpose of measuring performance is not only to know how a business is performing but also to enable it to perform better. The ultimate aim of implementing a performance measurement system is to improve the performance of an organization so that it may better serve its customers, employees, owners, and stakeholders. If one gets performance measurement right, the data generated will tell the user where the business is, how it is doing, and where it is going. In short, it is a report card for a business that provides users with information on what is working well and what is not. A performance measurement system enables an enterprise to plan, measure and control its performance according to a predefined strategy. In short, it enables a business to achieve desired results and create shareholder value [8].

The BSC was originally developed as a performance measurement system in 1992 by Dr. Robert Kaplan and Dr. David Norton at the Harvard Business School. The BSC measures performance across a number of different perspectives, namely a financial perspective, a customer perspective, an internal business process perspective, and learning and growths perspective. Through the use of the various perspectives, the BSC captures both leading and lagging performance measures, thereby providing a more balanced view of company performance. Leading indicators include measures, such as customer satisfaction, new product development, on-

time delivery, employee competency development. Traditional lagging indicators include financial measures, such as revenue growth and profitability [9].

The 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. It is an integrated approach to strategically plan, implement, and measure the performance of all actors involved. Because of its strategic approach, balanced set of measures (the four perspectives) and strategic alignment, the BSC has been taken as the most important tool to be implemented in almost all government institutions throughout the country [6].

In Ethiopia lots of public sector organizations have implemented BSC due to government reforms. Ethiopian public organizations such as, Ethiopian Airlines, Ethio-Telecom, Ethiopian Insurance Corporation, Commercial Bank of Ethiopia, Ministry of Health, most of Higher Institutes, most of government offices are few of them that employ BSC as change and strategic management system.

Financial sector and its role in the process of economic development have attracted notable attention since the early 1990s. The financial sector plays a fundamental role in economic development. A very close relationship exists between financial sector growth and economic growth. Financial sector includes banking system, microfinance, insurances and other financial institutions [14]. Thus, the researcher is motivated to undertake research on the implementation, success and challenges of BSC in Ethiopia financial sector which include Ethiopian Insurance Corporation (EIC) and Commercial Bank of Ethiopia (CBE).

As being part of government reform programs Ethiopian Insurance Corporation and Commercial Bank of Ethiopia implemented BSC as strategic management and as performance management tool since 2013 GC. Therefore examining experience of BSC implementation in Ethiopian financial sector will provide a better understanding of the process of implementation, the result of implementation, and the success and challenges of the tool after implementation. Beyond understanding it will also help to keep up the strength and work on the challenges.

Statement of the Problem

Some studies have tried to study how BSC is implemented in government organization particularly higher learning institutions, in health sector, in public service sector and in public enterprises. This study will try to find out the initiatives taken by the Ethiopian government in reforming the two government owned Insurance Corporation and commercial bank and tries to find how it is implemented and its effect on the overall performance of the sector.

The need for a transformed and fit business set ups and management is imperative for success of every firm. The public firms are no different for achieving success and quality through ensuring continuous and up to date management system overhaul. The success in implementing reforms specifically the Balanced Score Card at company level is constrained by several factors both internal and external. Therefore success and failures in reform seek a closer look and understanding by all stakeholders.

BSC has an overall positive effect on the performance of an organization but, not all aspects of the BSC are beneficial. While some aspects or uses of the BSC assist to improve performance, others hamper performance. However, the researches observe that the differential outcomes of the BSC are because the concept is still developing [13].

The BSC benefits organizations by providing managers with a deeper insight into business operations and into different ways to create value. BSC had positive impact on sales, gross profit and net profit, and its removal had negative impact sales, gross profit and net profit [5, 16].

BSC improves achievement of strategy since it transforms a strategy into tangible performance metrics, which managers can track, alter or speed up. It also enables managers to align strategy vertically, from strategic management to operational management as well as horizontally between employees to ensure operations activities promote and support strategy execution [15]. Application of the BSC assists small-scale organizations to avoid failure and to improve performance by linking external factors to learning and growth perspective, and internal processes to the financial perspective. [20].

Implementing the BSC requires an organization to gather new data, which could create work overload for some departments. It could potentially lead to employee resistance as well as to managerial resistance due to increased availability of information with the potential to upset the current power balance. [1]. Firms claiming to use balanced scorecards are actually not using them as they are supposed to use. Balanced scorecard emphasizes non-financial customer innovation and business process but in the answers there were little difference between users and non-users of balanced score cards [7].

The changing nature of the business environment new competitors and changing customer tastes required several re-conceptualization of the BSC and multiple revisions of key indicators. The final limitation was the application of the BSC was for meta-change initiative, which requires high costs of maintenance and dedicated leadership, either of which could potentially stall the maintenance of the BSC [4].

Unlike in a business organization, the success of a project depends on suppliers, the neighbourhood communities and the environment. The four categories also refer to abstract issues in a typical project management. The application thus required significant changes in the concept of the BSC [3]. As a result, these financial institution's BSC should be evaluated with American Balanced Score Card Institutes Model of six steps of building and three steps of implementation of BSC.

The main objectives of this study is to assess the effectiveness of Balanced Scorecard (BSC) implementation, success factors and challenges in Ethiopian financial sector.

Objectives of the Study

- To assess the extent to which BSC implementation process is followed by Ethiopian Financial sector.
- To find out the success of BSC implementation in Ethiopian Financial sector.
- To identify challenges of BSC implementation in Ethiopian Financial sector.

II. Literature Review

To ensure their survival and growth in this neck-to-neck racing business environment, organizations need to measure their performance from time to time and make the necessary adjustments depending on circumstantial factors. Measuring organizational performance strongly affects positively the behaviour of people from within and outside of an organization. The measurement system employed by the organization needs to be holistic one that is derived from its strategy and capabilities [9].

The Balanced Scorecard has three things: a measurement system, a strategic management system and a communication tool. Balanced Scorecard is more than just a measurement tool: Related to the Scorecard, is a continuous process in which the Scorecard is used to emphasize that which is prioritized by the organization. The organization's vision is made clear, and it is communicated via objectives and associated incentives [17].

The rationale behind the Balanced Scorecard concept is to move beyond financial or cost accounting performance metrics as long-term strategic drivers. Reasons for this include looking beyond short-term focus and not using solely financial performance indicators, because financial performance alone cannot communicate a company's strategy to its employees and management [11].

The Balanced Scorecard through a shared understanding and translation of the organization's strategy into objectives, measures, targets and initiatives in each of the four Scorecard perspectives. The translation of vision and strategy forces the executive team to determine specifically what is meant by sometimes imprecise terms contained in the strategy, such as world class, top-tier service and targeted customers [18]. This is a remarkable achievement for a simple framework introduced only about ten years earlier. A key contributor to this long-term success has been the steady evolution of the Balanced Scorecard framework in the light mainly of practical experience [13].

Perspectives of balanced scorecard

Financial Perspectives

The financial perspective seeks to answer the question: to succeed financially, 'how should we appear to our shareholders?' Other perspectives are not important unless they have financial effects and are reflected in the financial perspective. Financial Measures have been the traditional method of analysing organizational success and involves such elements as profitability, sales growth, and revenue per sales visit [10]. Although the BSC stresses the need to incorporate additional measures to determine success, the need for financial measures is still an extremely strong element to determine success [17]. There are three core financial themes that can drive the business strategy which are; revenue growth, cost reduction and asset utilization [19].

Customer Perspective of BSC

These measures should answer the question, 'how should we appear to our customers?' This perspective typically includes several core or generic measures of the successful outcomes from a well formulated and implemented strategy. The core outcome measures include customer satisfaction, customer retention, new customer acquisition, customer profitability, and market and account share in targeted segments. But the customer perspective should also include specific measures of the value propositions that the company will deliver to customer in targeted market segments [9]. Customer perspectives tend to fall in to four categories: time, quality, performance and service, and cost [19].

Internal Process Perspective

Measures in this perspective answer the following question; what processes must we excel at? It entails the procedures that an organization must develop and master to be successful. Deciding the means by which the company can realize various improvements include the following; how we can realize customer's satisfaction, how we can reduce costs, how we can enhance quality, how we can improve productivity and how

we can raise our profits. The solutions of all these problems lie in the continuous development of the operational efficiency [9]. To satisfy customer and shareholder expectations, new internal processes might have to identify entirely rather than focusing efforts on the incremental improvement of existing activities. Product development, production, manufacturing, delivery, and post-sale service may be represented in this perspective [17].

Employee Learning and Growth Perspective

These measures answer the question, “How can we sustain our ability to change and improve?” This perspective is the backbone to a successful scorecard application because it involves employee skills and information systems. Accordingly, the following measures are the typical learning and growth measures that can be applied: Employee productivity percentage, employee work promotion opportunities indicators, average employees' service years, staff satisfaction and motivation indicators, staff training hours, and applied employee suggestions and viewpoints indicators [10]. Depending on the actual employee and desired employee skills, some organizations change job descriptions, relocate employees to other departments and/or implement incentive programs designed to motivate employees to provide suggestions, receive education or training, and/or gain tenure through continued employment [17]

Phases of the Balanced Scorecard

BSC implementation has nine phases. The first six are called preparation phases while the last three are implementation phases. There are distinct activities that the organization undertakes in each phase. The first six stages are balanced scorecard building/preparation steps while the last three are execution phases [2, 17].

Phase 1- Assessment:

The organization conducts thorough assessment of the current situation of the organization and the environment it operates in. It focuses on analysis of key issues and challenges, usually using political, economic, social and technological (PEST) and strength, weakness, opportunities and threats (SWOT) [2].

Phase 2- Strategy plan Development:

The organization decides on elements of its strategy, including strategic objectives for the four perspectives (financial, customer, internal business processes and learning and growth). The primary attention, at this stage, rests on customer needs and financial necessities and how the organization intends to deliver these through Internal Processes, and Learning and Growth perspectives [2].

Phase 3- strategic Objectives Development:

In this phase, strategic themes are translated into tangible and feasible strategic objectives. Strategic objectives are fundamental building blocks for a strategy and define the organization's strategic intent. At this step, the organization defines core strategic objectives for all the four perspectives of the organization [2].

Phase 4- Strategic Map:

The fourth stage is reviewing strategy map to ensure the reliability of the cause-and-effect relationships Strategy maps provide a visual representation of an enterprise's critical objectives and the crucial relationships among them that drive organizational performance. Therefore, strategy maps for the public organization usually illustrate objectives in four perspectives that are financial, customer, internal business process, and learning and growth [2].

Phase 5- Performance Measures/Indicators:

The fifth stage is identifying one or more measures that will drive improved performance on each objective. The performance measures are indicators of tracking performance of an organization's strategies and they are means of measuring both organization effectiveness and operational efficiency [2].

Phase 6- Initiatives:

This is the phase where programs and projects that lead to the materialization of the strategic objectives are identified and agreed. The initiatives (programs and projects) are vehicles that carry and move the organization towards the strategic objectives and targets [2].

Phase 7- Automation:

This phase is concerned with development and availing of appropriate software for simplified performance tracking, reporting and knowledge sharing. Automation facilitates provision of the right performance information at the right time to the right people/decision [2].

Phase 8- Cascading:

The function of BSC cascading is basically related to creating alignment around the organization's shared vision to make strategy actionable to departments and down to individuals. Consequently individual scorecards would be aligned to departments and support units objectives that link with rewards, recognition, and incentives to [2].

Phase 9- Evaluation

This phase includes key activities such as designing monitoring and evaluation system; developing evaluation plan; evaluating actual performance against planned strategic objectives; and taking corrective measures based on the results. Evaluation is a strategic learning framework. Based on the assessment finding organization

structure change is also undertaken if necessary. A strategic feedback system is an integral part of evaluation framework. It is designed to test, validate, and modify the corporate strategic plan [2].

Success factors to effectively implement a Balanced Scorecard

There are a number of critical factors that should be present in an organization to ensure the success of the balanced scorecard method. The list below should be used as a check and balance before implementing the program as an ongoing exercise to assist in continuing success [17].

- **Commitment:** Commitment must be demonstrated at all levels of the organization, especially at the executive level.
- **Clarity:** The objectives of the program and the underlying reason for the change should be understood by all employees and stakeholders.
- **Communication:** Communication should be an ongoing process and often checked to ensure that proper and timely communications are being practiced throughout the entire organization.
- **Accountability:** There should be clearly assigned and understood accountability for the process and results of the Balanced Scorecard program.
- **Performance Measures:** A system for measuring performance that is positive not punitive must be developed to provide sufficient and accurate information to decision makers. Employee rewards and recognition should be tied to the performance measures through the employee evaluation process.
- **Link to Strategy:** The Balanced Scorecard at the department level should be clearly linked to the organization's strategy. All objectives and tasks performed and measured should contribute to the overall progress toward success.
- **Reporting:** This is a critical factor that can be easily overlooked. Comprehensive reports documenting the success of the program, especially in a pilot program, can serve as tools for acceptance and expansion of the balanced scorecard program.

Barriers or challenges to implement a Balanced Scorecard

In order to have a successful implementation of a Balanced Scorecard, the organization must understand the barriers that may impede success. Once the barriers are identified, strategy can be developed to minimize or eliminate the barriers. [11] Have identified some of the barriers or challenges that the organization may encounter while trying to implement the scorecard.

- **Vision Barrier:** All levels of employees must be able to understand and embrace the vision, mission and values of the organization. If there is resistance to acceptance of the vision, then the implementation of the scorecard may not achieve the expected success.
- **People Barrier:** The Balanced Scorecard links employee incentives to achieving the organizational strategy. Employees must be willing to accept this link and realize the long-term connection between day-to-day performance and long-term goals and objectives.
- **Resource Barrier:** An underlying concept of the Balanced Scorecard is that the budget is tied to the strategy. Especially in the public sector, the budget process is stretched throughout two or more years, so the tasks, goals and objectives that support the strategy must be developed in advance of the actual budget year implementation.
- **Management Barrier:** The importance of gaining and maintaining executive level support cannot be disregarded. The actions of top level management must match verbal support. If full support is not executed throughout the implementation of the Balanced Scorecard, too much time will be spent on reactive measures than strategic measures.

Conceptual framework

Figure 1: BSC Nine step framework



Source: The Balanced Scorecard Institute's 9 step framework

III. Research Design And Methodology

Descriptive research design was used to meet the aim of the research which is to make a close analysis of BSC implementation and to provide recommendations for future improvement. Descriptive statistics tools such as frequency distribution, mean and mode were used. Both qualitative and quantitative research design were used to analyse the data obtained from the respondents.

Mixed sampling technique was used which combined Simple random sampling and Purposive sampling technique to collect data from employees of EIC and CBE head offices. The rationale for choosing this technique is to get more accurate data about BSC. In this type of sampling technique it is possible to select respondents with more information and understanding about BSC.

The sampling size is determined using (Yamane, 1967) simplified formula for calculating sample sizes.

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

$$n = \frac{2890}{1 + 2890(0.05)^2}$$

$$n = 351$$

Total of 351 questionnaires were distributed to sample size of 351 from total population of 2890 and 322 questionnaires were properly filled and returned. Primary data was collected from employees of EIC and CBE head offices. In order to obtain relevant and adequate information the researcher used questionnaire and structured interview.

Both primary and secondary sources of data were used in order to collect the appropriate data. Primary data was collected from unpublished sources from employees of EIC and CBE head office and district 'A' by using close-ended and open-ended questionnaires and structured interview. Interview was conducted with strategic and marketing directorate directors of EIC and with change and development department of CBE mainly these two departments are responsible to monitor and evaluate BSC implementation in their respective organization.

The questionnaire consists five-point Likert Scale from strongly disagree (1) to strongly agree (5) to measure Balanced Scorecard implementation, success factors and challenges in Ethiopia Financial sector. Descriptive statistics such as frequency distribution, mean scores and mode were used to analyse the data in this study with Statistical Package for Social Science (SPSS) as the main tool for data analysis and presentation.

The study used Cronbach's alpha (a measure of the internal consistency of the questionnaire items). Using data from 20 sample respondents the Cronbach's alpha coefficient for the nine items shows 0.941,

suggesting that the items have high internal consistency. (Note that a reliability coefficient of 0.70 or higher is considered "acceptable" in most social science research situations).

IV. Study Result And Discussion

As stated above, the sample size is 351; therefore, a total of 351 questionnaires were distributed for each of the sample respondents. But 29 of them were excluded in the analysis because 11 of them were unreturned and 18 of them were invalid due to wrong and omitted inputs. As a result, there are 322 respondents that are included in the analysis.

In this section, the personal data of respondents were assessed with five item questions (i.e. gender, age, educational level, work position and work experience). Most of the respondents (72%) are male indicating that the work population is male dominated. Majority of the respondents (50%) are degree holders and 44% fall in the team leader section of work position. Following that, majority of the respondents (51%) are within the age range of 31-40 and 50% have 6-9 years of work experiences.

Table1: Personal data frequency distribution

No	Item	Frequency	Percent %
1	Sex		
	Male	233	72
	Female	89	28
	Total	322	100
2	Age		
	18-30	94	29
	31-40	165	51
	41-50	20	6
	Above 50	43	14
Total	322	100	
3	Education level		
	Diploma	0	0
	First degree	177	55
	Second degree	130	40
	Third degree	16	5
Total	322	100	
4	Work position		
	Director	39	12
	Principal	63	20
	Team leader	141	44
	Employee	79	25
Total	322	100	
5	Experience		
	Up to 2 years	16	5
	3-5 years	63	20
	6-9 years	161	50
	Above 10 years	82	25
Total	322	100	

Data source: SPSS output 2019

Implementation process analysis

In this section, three statements in each of the nine BSC implementation processes tabulated below were provided for respondents and they were asked to choose their level of agreement on a scale of 1-5 where 1 represented strong disagreement and 5 represented strong agreement. The results for these three statements are analyzed and summarized in to the nine implementation processes and presented in the following sections.

Table 2: Total frequency distribution, mean and mode for BSC implementation process

No	Items		1	2	3	4	5	Total	Mean	Mode
1	Does the sector undertake BSC assessment during BSC implementation	F	22	27	26	154	93	322	3.84	4
		%	6.8	8.4	8.07	47.8	28.9	100		
2	Does the sector develop strategic plan during BSC implementation	F	13	13	81	137	78	322	3.8	4
		%	4.14	4.14	25.3	42.5	23.9	100		
3	Does the sector develop strategic objectives during BSC implementation	F	13	38	52	157	62	322	3.6	4
		%	4.04	11.9	16.3	48.9	18.9	100		
4	Does the sector develop strategic map during BSC implementation	F	16	24	75	146	61	322	3.56	4
		%	4.97	7.35	23.2	45.3	19.18	100		

5	Does the sector develop performance measures during BSC implementation	F	13	50	58	156	45	322	3.47	4
		%	4.14	15.4	17.9	48.3	14.26	100		
6	Does the sector develop strategic initiatives during BSC implementation	F	25	73	55	126	43	322	3.27	4
		%	7.66	22.77	17.08	39.03	13.46	100		
7	Does the sector automate BSC implementation process	F	98	123	39	42	20	322	2.69	2
		%	30.3	38.09	12.2	13.15	6.26	100		
8	Does the sector cascade BSC implementation in the sector	F	70	117	54	59	22	322	2.65	2
		%	21.8	36.23	16.87	18.23	6.87	100		
9	Does the sector evaluate BSC implementation	F	37	80	34	92	79	322	3.2	4
		%	11.39	24.95	10.56	28.57	24.53	100		

Note: 1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree.

Data source: SPSS output 2019

Ethiopia financial sector undertake BSC assessment and the results indicate majority (76.7%) of the respondents agreed their respective organization analyses its Strength, Weakness, Opportunity and Threat (SWOT) during BSC implementation and also developed clear vision, mission and core values to guide the organization and in the involvement of employees on the development of strategic plan. The rest 15% and 8% of the respondent disagreed and were undecided about BSC assessment respectively. Finally the total statistic shows Ethiopian financial sector undertake BSC assessment during BSC implementation.

Finding of the study shows most of the respondents (66.4%) agreed in the formulation of strategic plan based on in-depth analysis of internal and external environment, on the linkage of budget to performance measure as well as in the balance of the four perspective in the organizational structure and 25% of the respondents were uncertain about strategic plan. The rest 8% disagree on adequacy of strategic plan during BSC implementation. In summary, the total statistics shows Ethiopian financial sector formulates strategic plan during implementation of BSC.

Majority (68%) of respondents agreed in the placement of strategic objectives in the themes of the organization, the linkage of performance indicators to the organizational objectives and define core strategic objectives for all of the four perspectives. The rest 16% and 16% of respondents disagreed and were undecided respectively. Finally, total statistics shows the sector develops strategic objectives necessary for implementation of BSC.

The result of the study indicate most (65%) of the respondents agreed their respective organizations have strategic map to facilitate communication, to demonstrate the link between the four perspectives and to create organizational alignment between departments. The remaining 12% and 23% of respondents disagreed and were undecided respectively. So, the total statistics show the sector develops strategic map during BSC implementation.

Majority (63%) Of respondents agreed in the linkage of performance measure to the organizational objectives and also agree that the performance measures include leading and lagging indicators as well as the measures in each perspectives were capable of measuring the objectives. The remaining 20% of respondents disagreed and 17% of respondents were uncertain about performance measures. From the total statistics it is possible to conclude the sector have performance measure capable of measuring the organizational performance during BSC implementation.

In this study 53% of respondents agreed in capability of the strategic initiatives in changing the organizational objectives into action. Even though, almost equal Percent 30% and 17% of respondents disagreed and were undecided respectively that the sector identify strategic initiatives and perspectives are defined in terms of ownership and schedule. In summary it is possible to conclude the sector's strategic initiatives are not capable enough in changing the organizational objectives in to action.

Regarding automation of BSC majority (69%) of the respondents disagreed in the usage of software to automate collection of data as well as the on the transfer of data into information for purpose of performance measure. The remaining 19% and 12% of respondents agreed and were uncertain respectively. This implies the absence of automated BSC system in order to fully take hold of all the benefits that would be provided by the BSC system.

58% of respondents disagreed in development of individual scorecard, alignment of recognition and incentives with individual scorecard and also cascading of strategic objectives horizontally and vertically. 25% and 17% of respondents agreed and were indifferent respectively. The total statistics shows existence of gap in cascading BSC throughout the organizations.

Regarding evaluation of BSC more than half (53%) of the respondents agreed in the development of evaluation plan, evaluation of organizational plan, strategy, objectives, performance measure and strategic initiatives. The rest 36% of respondents disagreed on the presence of periodic evaluation. The total statistics indicate the sector undertake evaluation during BSC implementation but periodic evaluation is not in place.

Even if BSC implementation faces challenges the following success factors were registered after implementation of BSC: it assist the rewarding practice to be objective, Make the strategic direction clear to the directorate and to the team leaders, It improve Communication of strategic objective to directorate and to employees, encourage learning and continuous improvement in the organization, The strategic map makes it easily for everyone to sees the cause and effect relationship among the four perspective, it explicitly show owners of strategic initiatives, It brings strategy in action, reduced practices and improved processes, Helps in tracking and driving the growth based on its strategy, communication and clarity in role expectations and it allows aligning different matrix to get a balanced view of the four perspectives.

While implementing BSC, the sector faces challenges such as: Change resistance and lack of knowledge on the use and importance of BSC, Involvement of too few individual in the process of the implementation like not cascading to individual level, BSC as a tool did not consider competitor issues, Among the four perspectives there is no strategic objectives or strategic initiatives that address competitors related issues, Lack of adequate training on balanced scorecard, Communication between supervisors and employees is not regular, Poor setting of measurement indicator and target for employees, wrongly appraisal score given for financial, nonfinancial and final ratings, Poor linking of the Performance appraisal result with Reward system and recognition such as salaries, incentive, allowance, and bonus, Employees indicate lack of readiness in terms of mentality, skill and competence and negative perception toward BSC implementation.

V. Conclusion

As it is presented in the analysis, the study has assessed BSC implementation in Ethiopia Financial Sector the case of Ethiopia Insurance Corporation (EIC) and Commercial Bank of Ethiopia (CBE) with American Balanced Score Card Institutes Model of six steps of building and three steps of implementation of BSC. The findings are summarized and stated in the above sections. Here, the research questions raised in this paper are answered.

Therefore, based on the findings of the study, both financial institutions (EIC & CBE) have followed the nine step of BSC design and implementation process. The sector has a good practice regarding seven of the designing phase (BSC Assessment, Strategic Plan, Strategic Objectives, Strategic Map, Performance Measure, and Strategic Initiatives) and one of implementation phase (Evaluation). In contrary, weak regarding two of the implementation phase (Automation and Cascading).

BSC has been effective in giving balanced proportion between the four perspectives, in enhancing communication, making link between strategic plan and performance measures and foremost, make change to the tradition way of measuring performance (financial) by bringing three addition perspective to the organizational performance measurement matrix.

The results of the study shows that though slight difference exist between the two organizations BSC design and implementation process in both organizations have similar output. CBE have register better result when it comes to design and implementation of BSC in every level of the organization when compared to EIC mainly for the late implementation of BSC in EIC and less emphasis on its importance. Though the result gain from implementing BSC is not satisfactory especially for EIC it is encouraging beginning. In Ethiopian financial sector BSC is in its first stage of implementation so better result is expected in the second phase of BSC implementation.

The following success factors were obtained from implementation of BSC in Ethiopian financial sector: BSC assist the rewarding practice to be objective, Make the strategic direction clear, improve Communication of strategic objective, encourage learning and continuous improvement, strategic map makes it easily for everyone to sees the cause and effect relationship among the four perspective, it explicitly show owners of strategic initiatives, it brings strategy into action, implementation throughout and helps in tracking and driving the growth based on its strategy,

Nevertheless the above success stories were gained from implementation of BSC the following challenges were faced by Ethiopia financial sector: Change resistance and lack of knowledge on the use and importance of BSC, involvement of too few individual in the process of the implementation, the implementation process takes long time and BSC as a tool did not consider competitor issues. Lack of adequate training on balanced scorecard, communication between supervisors and employees is not regular, poor setting of measurement indicator and target for employees, Poor linking of the Performance appraisal result with Reward system and recognition such as salaries, incentive, allowance, and bonus and employees indicate lack of readiness in terms of mentality, skill and competence and negative perception toward BSC implementation.

VI. Recommendations

Based on the findings of the study and conclusion, the following recommendations are drawn to enhance the implementation of BSC and to overcome the challenges.

Any newly introduced system in an organization, to be effectively implemented, should involve organizational level participation in its development and implementation. The same is true for BSC. Similarly, effective implementation plan and monitoring mechanism should be set and its progress should be attentively followed up by the executive management team of the banks.

Participation of employees in the development of strategic plan is weak so, the organizations need to increase involvement of employees in the process of BSC implementation and revise the cascaded objectives, activities and measure for better achievement. Avoid early cascading to individual level (employees); cascading to individual level should be made after strategic objective measures are properly refined at the corporate level.

It is also mentioned that strategic initiatives are not wide reaching and did not solve significant organization problem. In order to solve this problem the organization need to review its SWOT analysis and try to find out the significant problems so that the problem can be addressed through strategic initiatives.

The sector did not automate BSC till now instead the sector is using manual way of transferring data into information which is time consuming. The researcher recommend that automation is the main benefit of BSC so the organizations should not take time to automate BSC.

Change resistance and lack of knowledge on the use and importance of BSC are main challenge of BSC. So, the organizations should be involved in awareness creation, training on technical aspects, and creating ownership of the tool with employees of the organizations is very important by linking their performance with reward and incentives. Benchmarking and exposure visit with other sectors that have better achievement can bring encouraging result.

Evaluating of BSC process should start from the very beginning to the final steps. It should not be a one time job at the end of quarter of the year or after six months. The implementation of BSC will get refined and eventually become successful if evaluated in every step of the implementation process. Therefore, the sector should arrange regular program every month to check and re-check the implementation process, to bring about the expected result and also align the strategy to motivate through the incentive and reward systems.

Finally, the researchers recommend that to reap the full benefit of BSC the organization should allocate the necessary amount of financial and human resource to fully implement BSC throughout the organizations otherwise it is waste of valuable resource of an organization.

References

- [1]. Antonsen, Y. 2010. 'The downside of the Balanced Scorecard', *The Scandinavian Journal of Management*, 30 (1), 40-50.
- [2]. Balanced Scorecard Institution (2012), 'Improving Performance, Scoring Success: Using Balanced Scorecards for Organizational Excellence'.
- [3]. Basu, R., Little, C. and Millard, C. 2009. Case study: 'A fresh approach of the Balanced Scorecard in the Heathrow Terminal 5 project' *Measuring Business Excellence*, 13 (4), 22-33
- [4]. Bose, S. and Thomas, K. 2007. 'Applying the balanced scorecard for better performance of intellectual capital', *Journal of Intellectual Capital*, 8 (4), 653-665.
- [5]. Casey, W. and Peck, W. 2004. 'A balanced view of balanced scorecard', Executive Leadership Group, White Paper: The Leadership Lighthouse Series.
- [6]. Civil Service Ministry (2013), In Brief Civil Service Reform Program in Ethiopia.
- [7]. Ittner, C., Larcker, D. & Randall, T., 2003. 'Performance implications of strategic performance measurement in financial services firms,' *Accounting, Organizations and Society*, 28(7), pp. 715-741.
- [8]. Johnson, C. 2010. 'Introduction to the Balanced Scorecard and performance measurement systems', 1-13.
- [9]. Kaplan, R. & Norton, D. 1992. 'The balanced scorecard-measures that drive performance', *Harvard Business Review*, (January - February), 71 – 79.
- [10]. Kaplan, R. & Norton, D. 1996. 'Using balanced scorecard as strategic management system', *Harvard business review*, (January - February), 37-47.
- [11]. Kaplan, R. & Norton, D. 2001. 'Transforming the balanced scorecard from performance measurement to strategic management: part II', *American Accounting Association Horizons*, 15(2), 147-160.
- [12]. Lawrie, I. C. 2003. The development of the Balanced Scorecard as a strategic management. Presented at PMA Conference, Boston, USA, and May 2002. Boston.
- [13]. Madsen, O. and Stenheim, T. 2014. 'Perceived benefits of balanced scorecard implementation: Some preliminary evidence' *Problems and Perspectives in Management*, 12 (3), 81-90
- [14]. Ministry of Capacity Building, 2006. 'The National ICT for Development (ICT4D) Five Years Action Plan for Ethiopia (2006 – 2010)'
- [15]. Nazim, T. 2015. 'A critical analysis of Balanced Scorecard as a performance measurement tool: an overview of its usage and sustainability'.
- [16]. Neely, A. Kennerley, M., and Martinez, V. 2004. 'Does the balanced scorecard work: An empirical investigation', *The European Operations Management Association, International Conference, Fontainebleau*, (June), 27-29.
- [17]. Niven P. 2002. 'Balanced Scorecard Step-by-step, Maximizing performance & Maintaining Result', New York.
- [18]. Norreklit, H. 2003. 'The Balanced Scorecard: What is the score? A Rhetorical Analysis of the Balanced Scorecard', *Accounting, Organizations and Society*, 28(6): 591-619
- [19]. Ruben, D. 1999. 'Toward a balanced scorecard for higher education: Rethinking the college and university excellence indicators framework'. *Higher Education Forum*, 99-102
- [20]. Shadbolt, M., Beeby, N., Brier, B. and Gardner G. 2003. 'A critique of the use of the balanced scorecard in multi-enterprise family farm businesses, Proceedings of the 14th International Farm Management Congress: Part 1, 602-609 (August) 10-15, 2003, Perth, Australia.
- [21]. Tilaye, K. 2010. 'Rethinking Institutional Excellence in Ethiopia: adapting and adopting the balanced scorecard (BSC) model', 2(1).