The Role of Balanced Score Card as a Strategic Management Tool at Kenya Ports Authority, Mombasa, Kenya

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Abstract- This study sought to establish the role of Balanced Score Card (BSC) as a strategic management tool in human resource management at Kenya Ports Authority (KPA). The objectives of this study were to investigate whether incentives influence employee performance at KPA in Mombasa County; to establish whether training influences employee performance at KPA in Mombasa County; to evaluate the effect of internal business processes on employee performance at KPA in Mombasa County and to investigate whether customer orientation influences employee performance at KPA in Mombasa County. The research design for this project was a descriptive research design. The target population was 326 Human Resource Managers at KPA Mombasa. Data was collected using questionnaires. The researcher tallied the responses and obtain frequency distribution tables. Frequency distribution tables were used to calculate the mean, mode and percentages. The data was presented with the aid of tables and graphs.

Index Terms- balanced scorecard, employee performance, Kenya Ports Authority

I. Introduction

The balanced scorecard is a management system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise (Kaplan & Norton, 1996).

Measurement of performance in Kenya has become continuous process. Many organizations especially in the private sector have adopted the balanced scorecard as a management and measurement tool. The use of BSC was introduced at KPA in Mombasa in November 2012 on pilot basis. This was because KPA was faced with numerous challenges including intense competition, satisfying the needs of customers, and development of new products and services not to mention selection and maintenance of good employees. Goods at the Port would take a long time to clear. There was so much inefficiency and employees could not be coordinated and monitored effectively. However it is not clear whether it meets the organizational expectations.

II. Research Gap

In a research carried out at Kenya Wildlife Service, Odhiambo C. A. and Oloko M. A, (2014) assert that customer perspectives, financial perspectives, internal business process perspective, and innovation and learning perspectives influenced organizational productivity. The customer perspective is a statically significant predictor of organization performance this was also true with learning perspective and financial perspective. The internal business process perspective does not significantly influence productivity at Kenya Wildlife Service. The financial and customer perspective have a higher influence on productivity compared to the other two perspectives. Despite the great influence the financial perspective has on the productivity when the other three are held constant, it is evident that the four perspective collective contribution significantly influences the productivity. Based on this fact efforts should be directed towards the focusing on the four perspective in order to achieve higher levels of productivity.

According to Kariuki, (2012) the use of balanced score card to implement strategy at AAR Kenya has enabled the organization to transform its overall board objectives to measurable objectives that are cascaded to departmental and individual targets. Other tools have been used to support the balanced score card and the main one being the customer satisfaction survey to gauge how the company meets the needs of its target customers. This has shown that the company has benefited immensely from the use of balanced score card. Some of the highlighted benefits are increased customer retention, customer and membership growth resulting to increased profitability. The balanced score card has also helped the organization improve its relationship with its stakeholder.

Various studies have been done on BSC: (D'Souza, 2007); (Njiru, 2007) and (Mbogo, 2008). These researches however mainly focused on strategy implementation and the performance management in other organizations but none has been done on KPA, Mombasa thus leaving a gap in knowledge.

III. General Objective

The major objective of the study was to establish the role of balanced score card as a strategic management tool in human resource management at KPA in Mombasa County.

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IV. SPECIFIC OBJECTIVES

1. To investigate the role of BSC as a measuring tool for employees' performance in HRM at KPA in Mombasa County.
2. To establish the role of BSC in enhancing productivity for employees' performance in HRM at KPA in Mombasa County.
3. To evaluate the role of BSC in performance appraisal for employees' performance in HRM at KPA in Mombasa County.
4. To investigate the role of BSC on customer satisfaction at KPA in Mombasa County.

V. LITERATURE REVIEW

BSC as a measuring tool for employee performance

The balanced scorecard philosophy need not apply only at the organizational level. A balanced approach to employee performance appraisal is an effective way of getting a complete look at an employee's work performance, not just a partial view. Too often, employee performance plans with their elements and standards measure behaviours, actions, or processes without also measuring the results of employees' work. By measuring only behaviours or actions in employee performance plans, an organization might find that most of its employees are appraised as Outstanding when the organization as a whole has failed to meet its objectives. (Drury, 2004)

By using balanced measures at the organizational level, and by sharing the results with supervisors, teams, and employees, managers are providing the information needed to align employee performance plans with organizational goals. By balancing the measures used in employee performance plans, the performance picture becomes complete.

The role of BSC in enhancing productivity for employees' performance

In most businesses, the employees represent both an organization's biggest expense, and its most valuable asset. This means the company's productivity, and ultimately, its profitability depend on making sure all of its workers perform up to, if not exceed their full potential.

To survive and prosper in today's economic times, companies can no longer manage using financial measures alone. Businesses have to track non-financial measures such as speed of response and product quality; externally focused measures, such as customer satisfaction and brand preference; and forward looking measures, such as employee satisfaction, retention and succession planning.

Key Performance Indicators are a company's measurable goals, typically tied to an organization's strategy, as revealed through performance management tools such as the Balanced Scorecard.

Most goals are achieved not through the efforts of a single person, but by multiple people in a variety of departments across an organization. Performance management experts agree that cascading and aligning goals across multiple owners creates a "shared accountability" that is vital to a company's success. The company then uses its Key Performance Indicators as the foundation to analyse and track performance and base key strategic decisions regarding staffing and resources. (Barney, 2001)

The role of BSC in performance appraisal for employees' performance

The assessment of individual employee is based on a proposed framework in which ratings. Outcomes are influenced by interactions between individuals and in the context in which assessment occurs. Improvement of performance generally benefits from frequent feedback on specific performance dimension (Govaerts, Van Der Vleuten, Schuwirth, and Muijtjens,

The formal review done on annual basis, feedback based on 360 degree principle, except in cases where it is practically impossible to achieve, in the event of disagreements arising with regard to either measures that have been set or the final evaluation, each staff member is entitled to voice his or her disagreement and have it dealt with procedurally whereas the summative assessment could have its flaws in that performance ratings could be inflated (Marchington, M., & Wilkinson, A., 2008). Raters will tend to bias their decisions towards what is acceptable to others. They may feel accountable to their supervisors and management. It is therefore in the interest of an organization to maximize the effectiveness of performance appraisal by reducing the rater errors (Boxall & Purcell, 2003).

In a performance appraisal setting, a rater's reactions to accountability include efforts to enhance or protect his or her self-image and attempts to maximize rewards and minimize punishment. Performance appraisal systems are improved by rectifying common shortcomings, for example; reducing bias, training those involved and using a format with research substantiation.

The role of BSC on customer satisfaction

The Balanced Scorecard introduced customer metrics into performance management systems. Scorecards feature all manner of wonderful objectives relating to the customer value proposition and customer outcome metrics — for example, market share, account share, acquisition, satisfaction, and retention.

Companies often capture additional business by offering more services. The list is wide-ranging: product or service customization; small order quantities; special packaging; expedited and just-in-time delivery; substantial pre-sales support from marketing, technical, and sales resources; extra post-sales support for installation, training, warranty, and field service; and liberal payment terms. While all of these services create value and loyalty among customers, none of them come for free. For a differentiated customer intimacy strategy to succeed, the value created by the differentiation — measured by higher margins and higher sales volumes — has to exceed the cost of creating and delivering customized features and services. (Storey, 2007)

Unfortunately, many companies cannot accurately decompose their aggregate marketing, distribution, technical, service, and administrative costs into the cost of serving individual customers. Either they treat all such costs as fixed-period costs and don't drive them to the customer level, or they use high-level, inaccurate methods, such as allocating a flat percentage of sales revenue to each customer to cover "below-the-line" indirect expenses.

Employee Performance

We view the organization from four perspectives, and develop metrics, collect data and analyse it relative to each of these perspectives. The BSC was initially developed as a performance tool due to the weaknesses existing in the reliance of only one performance measure, mainly financial. In the course of its adoption, it came out very clearly that it could be used as an effective tool for translating an organizations strategy into operational terms i.e. Short-term objective and measures, which are in line with the overall strategy (Kaplan & Norton, 1996). Strategy is usually abstract, long-term complex yet for it to be successfully implemented it has to cascade down the organization. There are four management processes that contribute in linking long-term strategic objectives with short-term actions. The first process is translating the vision to ensure that managers come to a consensus around the organization's mission and strategy (Kaplan & Norton, 1992). The outcome of this process is to clear terms that will help employees realize the organization vision.

The second process is communicating and linking objectives and measures to all levels of the organization so that employees understand the long-term strategy and as result have their departmental and individual objectives aligned with it. Those at the operational level should be able to fully understand the strategy and align their day to day work with the strategy (Lyons & Gumbus, 2004). It would also be useful to link rewards to performance measures. The third process is business planning where companies integrate their business with financial plans; integration of strategic planning and budgeting process. Short term plans and targets are identified and aligned to long term objectives. The fourth and final process ie feedback and learning (Kaplan & Norton, 1992). The balance score card goes beyond standard financial measures to include additional perspectives:

The customer perspective, the internal process perspective, and the learning and growth perspective. Financial perspective includes measures such as operating income, return on capital employed and economic value added, Customer perspective focuses on measures such as customer satisfaction, customer retention, and market share in target segments. Business perspective looks at measures such as cost, throughput and quality. Learning and growth perspective focuses on measures such as employee satisfaction, employee retention skills etc. Niven, (2005) supports the argument against sole reliance of financial information, and notes that however important financial measures are, they must be supplemented with other indicators that predict future financial success. He compares the use of financial measures alone, with driving a car with rear mirror, which only shows a good view of where one has been, but little guidance on the road ahead. What is needed is performance measurement system that balances the historical accuracy and integrity of financial measures with drivers of the future.

In a knowledge-worker organization, people; the only repository of knowledge are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization (Kaplan & Norton, 1992). They emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools; what the Baldrige criteria call "high performance work systems."

According to Kaplan & Norton, (1996), disconnect between strategy formulation and strategy implementation is caused by barriers erected by traditional management systems. They have identified these as the systems organizations use to establish and communicate strategy and directions, allocate resources, define departmental, team and individual goals and directions and provide feedback. Strategy analysis and choice are of little value in an organization unless the strategies are capable of being implemented. Strategic change does not take place simply because it is considered desirable; its takes place because it can be made to work and put to work by the organizational members. Execution of strategy depends on people, who are the most important resource in an organization. How they are organized is crucial to the effectiveness of strategy. The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The "new" balanced scorecard transforms an organization's strategic plan from an attractive but passive document into the "marching orders" for the organization on a daily basis.

VI. RESEARCH METHODOLOGY

Research Design

This study employed a descriptive survey research design. Descriptive survey research designs are used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification (Orodho, 2010). Mugenda and Mugenda, (1999) on the other hand give the purpose of descriptive research as determining and reporting the way things are. (Borg & Gall, 1989) note that descriptive survey research is intended to produce statistical information. The study was within the provisions of descriptive survey research design because the researcher collected data and reported the way things were without manipulating any variables.

Target Population

According to Mugenda & Mugenda (1999), target population in statistics is the specific population about which information is desired. A population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. The population of this study were all the employees in the HRM department of KPA. According to the Kenya Ports Authority Human Resources Manual (2012) an employee is defined as 'any person employed in the Authority for wages and salaries'. There were 326 employees in the HRM department as at 2016 (KPA Records, 2016).

Sampling and Sample Size

This study used simple random sampling technique. A simple random sample is a subset of individuals (a sample) chosen from a larger set (a population). Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process, and each subset of *k* individuals has the same probability of being chosen for the sample as any other subset of *k* individuals (Yates, 2008). A simple random sample is an unbiased surveying technique.

Advantages are that it is free of classification error, and it requires minimum advance knowledge of the population other than the frame. Its simplicity also makes it relatively easy to interpret data collected in this manner. For these reasons, simple random sampling best suits situations where not much information is available about the population and data collection can be efficiently conducted on randomly distributed items, or where the cost of sampling is small enough to make efficiency less important than simplicity. There were 326 employees in the HRM department at KPA in Mombasa. To ensure fair representation of the study population, Simple random sampling was used to select 163 respondents to participate in the study.

Data collection

Data was collected using a questionnaire. A questionnaire was preferred for collecting data because in such questionnaires, the questions, their wordings and sequence were fixed and identical to all respondents. This had the advantage of obtaining standard responses to items in the questionnaire, making it possible to compare between sets of data. According to Orodho (2010), this method can reach a large number of subjects who are able to read and write independently. The questionnaire was be designed to get information on how BSC card is used as strategy implementation tool where the main issues of the study are put into focus.

Data Analysis

Data collected was appropriately coded, scored and then keyed in the computer for analysis by Statistical Package for Social Sciences (SPSS). Frequency distribution tables were used to calculate the mean, mode and percentages. The data was presented with the aid of percentiles, and graphs.

VII. DISCUSSION OF FINDINGS

The study found that most of the respondents were in agreement that they were sufficiently engaged in performance measurement setting. The results showed that the BSC performance measurement tool was comprehensive with respect to measurement of performance. The results further revealed that the BSC performance measurement tool was effective. This is consistent with a number of prior studies such as Scholes & Johnson, (2007) which concluded that the balance scorecard was a valuable tool for measuring performance. The study also established that successful implementation of the balanced score card requires proper training on not only how the balance score card works but get everybody's understanding the company objectives and their role in meeting these objectives. All the activities are therefore aligned towards achieving the overall organization objectives. The Key Performance Indicators and Key Performance Measures are developed and well explained to each staff. Lynch and Cross (1995) who identified three criteria's that must be met by performance management systems if they are to effectively mediate between and organizations strategy and its day to day activities. These necessary conditions comprised; that the system must explicitly link operational targets to strategic goals; it must integrate financial and nonfinancial performance information; and the system should focus on business activities on meeting customer requirements. It is asserted that the balanced score card fundamentally meets these criteria by providing a truly strategic control system (Mooraj et al., 1999)

The advantages of implementing the balanced score card are such that it aligns individual actions to achieving the organizational objectives, addresses all the critical aspects of running the organization, it measures performance objectively, helps identify areas that require more attention and at a glance capture the overall picture of the business performance. The study showed that key factors for successful strategy implementation using the balance score card at KPA included involvement of all the stakeholders getting buy in from the top management and training all the employees on the company objectives and also on the understanding of the balanced score card. Boxall & Purcell, 2003 asserted that successful strategy implementation requires sound mechanisms for directing activity and behavior, especially including effective communication systems as well as appropriate strategic and management controls. The importance of enabling sound two way communication within organizations is seen as fundamental to the effective implementation of strategy (Drury, 2004).

The study found that the customer perspective element of balance scorecard adequately measured customer satisfaction in their firms. The study found that the business process element of balance scorecard adequately measured the performance of internal process in their firms. The study also revealed that the innovation and learning element of balance scorecard adequately measures the ability of your firm to innovate and adopt the environment. The study found that the financial performance measure of the balance scorecard adequately measures the success of the operations in meeting the strategic objects. These results are therefore consistent with Huselid, (2005) who noted that Balance scorecard measured adequately performance of organizations.

BSC was reported in this study to provide focus and clear lines of accountability providing the ability to measure the achievement of agreed outcomes. BSC was also reported to facilitate communication across the entire organization and enhances understanding of vision, mission and strategy. BSC was also reported to be useful through tying the vision, mission and strategy to the goals and objectives of individuals and departments concerned. Other benefits included helping define clear metrics for better and more objective performance management and facilitating a clear understanding of the reasons behind strategic initiatives. These findings concur with assertion by Kaplan and Norton (2001) who transformed BSC into a strategic management system describing management processes and principles to develop and implement a strategy-focused and aligned management system build on sound, formal accounting principles. This indicates that BSC enables them to implement their strategies successfully.

The BSC was also reported to give management a concise set of information to gauge performance and direct improvements. This agrees with findings from a study by (Dyer, 2005) that with a BSC, the controlling system's focus expands beyond the analysis of historical financial data. By encompassing a broader view of the company's goals, the controlling system at once becomes more balanced and more future-oriented. The study established that the BSC enables more comprehensive reporting to the KPA stakeholders and informs staff as to how successful the organization has been. This indicates that the BSC as a multiple stakeholder perspective management tool helps clarify key measures which can tell if a strategy is working.

The balanced scorecard has proved to be an effective tool for measuring business performance. Maintaining a business-wide balanced scorecard measurement system over a longer period implies, however, many risks. An example of such a risk is the excessive growth of scorecards as well as scorecard metrics, resulting in massive data warehouses and difficulties with the interpretation of data. This is particularly the case in large organizations.

VIII. CONCLUSIONS

The study, based on the findings, concludes that he BSC is a comprehensive with respect to measurement of performance at KPA. Most of the KPA Managers are using balance scorecard method to measure performance and therefore they feel that the measure is very comprehensive in addressing all parameters of performance measurement. The results further reveal that the BSC as performance measurement tool is effective. It has been in use in the organization and therefore the respondents feel that it is a very effective tool to measure performance in KPA. The study further revealed that the respondents are sufficiently engaged in performance measurement setting. It is used either managers or employees at supervisory level and therefore had interacted with performance measurement settings in their organizations.

The study also shows that BSC appraisal as effectively applied at KPA in Mombasa. The customer perspective element of balance scorecard adequately measures customer satisfaction in the organizations. It also revealed that the business process element of balance scorecard adequately measures the performance of internal process in their firms. The study also revealed that the innovation and learning element of balance scorecard adequately measures the ability of KPA to innovate and adopt the environment. It also revealed that the financial performance measure of the balance scorecard adequately measures the success of the operations in meeting the strategic objects.

IX. RECOMMENDATIONS

The study recommends that parastatal bodies that seek to measure their performance should adopt the use of balance scorecard as it is a very effective tool in measuring performance in organizations.

It further recommends that the use of the balanced score card should be enhanced in order to sufficiently engage organizations in performance measurement setting. It should be used by either managers or employees at supervisory level and therefore had interacted with performance measurement settings in their organizations.

The study also recommends that the customer perspective element of balance scorecard be used to adequately measures customer satisfaction in organizations. It also recommends that the business process element of balance scorecard be used to adequately measure the performance of internal process in firms. It also recommends that the innovation and learning element of balance scorecard be used to adequately measure the ability of organizations to innovate and adopt to the environment and that the financial performance element be used to measure the success of the operations in meeting the strategic objects.

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