

Effectiveness of Strategy Implementation Using the Balanced Scorecard in Local Government Authorities

¹Shufaa Omar Mwijuma, ²Dr. Karim Omido, ³Hamadi Musa Garashi,

⁴Odhiambo Odera, ⁵Emmanuel Kayode Akerele

^{1,2,3}Jomo Kenyatta University of Agriculture and Technology, Taita Taveta Campus, Kenya

⁴University of Southern Queensland, Australia and Masinde Muliro University of Science and Technology, Kenya

⁵Dept. of Accounting, Faculty of Business Administration, University of Lagos, Nigeria

Abstract

This study focuses on two issues; first is to examine how Local Government Authorities (LGAs) implement their strategies and secondly how the Balanced Scorecard is adopted as a tool for measuring effectiveness of strategy implementation in public organizations. In an effort to understand strategy usage in local government authorities, this study adapts the Balanced Scorecard as an approach for assessing an organization's performance and its motion toward the objectives in four major perspectives: Financial perspective, Customer-Market perspective, Internal Processes perspective and Learning & Growth perspective. The research was conducted in five (5) selected local authorities in the Kenyan Coast region. This study gathered data on the extent to which the selected LGAs have achieved their set objectives in the four perspectives of organizational performance using the Balanced Score Card approach. The results suggest that local authorities are successful in achieving their objectives in various degrees.

Keywords

Balanced scorecard, strategy, Local Government Authorities

I. Introduction

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization is even more difficult (Hrebiniak, 2006). A number of factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as a craft, rather than a science, and its research history has previously been described as fragmented and selective (Noble, 1999b). It is thus not surprising that, after a comprehensive strategy has been formulated, significant difficulties usually arise during the subsequent implementation process. The best-formulated strategies may fail to produce superior performance for the organization if they are not successfully implemented (Noble, 1999b). An Economist survey found that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over the past three years, according to a survey of 276 senior operating executives in 2004 (Allio, 2005).

It is thus obvious that strategy implementation is a key challenge for today's organizations. There are many (soft, hard and mixed) factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control. Failure in strategy implementation may also result from lack of cross-functional expertise and efforts on the part of organizational leadership and staffs hence they fail to address the interdependent issues effectively. Lack of systems thinking and action that assists in incorporating the various organizational variables including organizational arrangements, social factors,

individual behavior, processes, and technology could lead to implementation failure. Other factors including resistance to change, lack of strategic motivation and inability to adapt to rapidly changing environment will all lead to strategy implementation failure (Kotelnikov, 2001).

LGAs are strategic institutions for the provision of basic socio-economic and environment services. Their strategic position makes them valuable and viable for providing effective and efficient services required by the community. LGAs also provide platforms where community members exercise their democratic rights by electing their representatives who in turn coordinate the provision of the local services. By their design LGAs are supposed to make cities and towns livable through provision of the services they are mandated to provide by the statutes that establish them. In the Kenyan case the establishment of Local Authorities is covered by the Local Government Act cap 265 of the Laws of Kenya (Mboga, 2009).

II. Statement of the Problem

Strategy implementation decisions within local authorities are bestowed on councilors who formulate strategies, make key decisions and prioritize expenditure choices through formal policy and budgetary processes with the help of politically neutral officials who advise them and implement the decisions. At best public participation is undertaken for compliance purposes and does not necessarily bring about any significant shifts in budgets. This is because of the challenges of financial constraints which results in instances of infrastructure maintenance and recurrent expenditure taking huge chunks of budgetary allocation leaving very little for community needs. Every financial year local authorities have to make choices because of limited financial resources (Moseti, 2010).

Problems of political interference render LGAs dysfunctional. Most of the time politicians are of the view that because they are elected by the people, they are legitimate representatives of the people and are therefore free to make decisions on behalf of the people. As a result the politicians' interests end up at the frontline regardless of the needs of the people they represent. Councilors are often poorly equipped to formulate strategies or make key choices, but instead tend to intervene on an ad hoc basis and often at implementation stages. The result is that distrust between technical officers and councilors, with technical officers taking the lead in planning and implementation and both sides are accusing the other of vested interests and malpractices (Moseti, 2010).

According to a study on the impact of Local Authority Service Delivery Action Plan (LASDAP) carried by Kenya Local Government Reform Program (2007), there was limited participation during consultation and consensus meetings on strategy implementation. This implied that LASDAP did not reflect the priorities of the residents. Another study conducted by Department of Foreign

and International Development (DFID) and University of Birmingham in May 2002 noted that the very weak financial position of LGAs had been considerably strengthened as a result of transfers made through Local Authority Transfer Fund (LATF) (World Bank, 2002). Failure in strategy implementation within LGAs therefore could be due to numerous factors, key among them the inability to align strategy implementation to goals and objectives. There was thus a gap between strategy formulation phase and strategy implementation phase of these LGAs hence the need for this research.

III. Literature Review

Making public services more available to users and improving the quality and efficiency are significant challenges for the modernization of the public sector (Mitchell, 2000). Different authors have stated that BSC is a good instrument in the settings of public organizations (Chang, 2006; Niven, 2003). The implementation of BSC in the public sector can be of great significance as a result of the particular characteristics of such organizations (Kaplan & Norton, 1992, 1996). However there exist numerous difficulties of measurement in the public sector (Wisniewski & Olafsson, 2004). The public sector entities need to analyze the relevance of the BSC perspectives, which should be adapted to suit the nature of public entities (Wisniewski & Olafsson, 2004). BSC has been applied to various public services including hospital, healthcare and police services (Aidemark, 2001; Amaratunga, et al., 2002; Chan & Ho, 2000; Elefalk, 2001; Protti, 2002). Wilson et al. (2003) examine the use of BSC in public organizations in different countries and concluded that the BSC approach has proven to be a well-accepted management practice within public sector.

Johnsen (2001) indicates that BSC can work in public management since; 1) It is a versatile tool for developing, discussing and selecting the most relevant decision-taking and performance indicators in public entities; 2) It educates busy stakeholders, managers and employees in management control in public sector. In the municipal context, performance evaluation is usually an important element in management and the emphasis is shifting from inputs and observing rules to outputs and quantitative measures of output (Pollitt & Bouckaert, 2000). BSC constitutes an important management tool to facilitate this management style in governmental organizations (Ho & Chan, 2002; Wisniewski & Olafsson, 2004; Chan, 2004).

Nevertheless, LGAs are complex organizations and rationalism is not always applied in nature, the municipalities should adopt BSC considering the particularities of this type of organization. In this regard, Wisniewski & Olafsson (2004) highlight six significant aspects for the development of BSC in LGAs: 1) The process is as important as the product; 2) Strategy mapping is an essential element for successful implementation of BSC; 3) Whilst the four traditional perspectives may be adequate, they frequently need re-labeling to maintain their relevance; 4) The BSC process is a difficult one for LGAs that are pressed for time and resources, which are common in current circumstances where elected representatives prefer to see resources allocated to frontline service delivery rather than back-office activities; 5) There needs to be a determined commitment to the process from senior management and, at the same time, a visible and direct benefit to those staff who will develop and use the scorecards; 6) There are considerable difficulties in joining up scorecards across different parts of a LGA, given the complexity of different council services, but these of strategy maps can make this easier. The experience of municipal administrators suggests that among the factors necessary for BSC

implementation to succeed are a high degree of commitment by all the members of the organization, the resources to implement the system; clarity of vision, strategy and outcome (Chan, 2004).

The adoption and implementation of balanced approaches to performance management has been popular for several years, yet empirical evidence from the manufacturing and industrial sectors appears to far outweigh that from public service environments (Radnor & Lovell, 2003; Eskildsen et al., 2004; Moxham & Boaden, 2005). In the LGAs, the measures of a BSC are not simply focused on costs, but also on efficiency and effectiveness. According to Wisniewski & Olafsson (2004), there is an implied logical hierarchy in the perspectives that differs between a private and a public organization: for the former, the ultimate goal is financial, and the "learning and growth perspective" helps a company in improving its processes ("internal business processes perspective"), that in turn impacts on the "customer perspective" results that, finally, leads to improved financial performance. As for the public organization, instead, the "learning and growth perspective" is equally important with respect to the "financial perspective", that is seen as an enabler instead of an objective, and the final objective refers to the "customer's perspective". Moullin (2004) acknowledges that even if the BSC model has been used in the public sector environments, there are still difficulties associated in particular with its implementation in this sector. Similarly, Wisniewski & Olafsson (2004) have highlighted that developing and adopting a BSC across LGAs comprising a variety of complex services will be much more difficult than in a private one.

IV. Research Methodology

This study adapted a survey research design. The population consisted of 185 managers from the selected five (5) local authorities in the Kenyan Coast region namely; Kwale county council (20), Mombasa municipality (65), Taita-Taveta county council (45), Taveta town council (25), Voi municipality (30). A simple random sample of 89 managers was drawn from the various departments within each selected LGAs. The study utilized questionnaires consisting of closed-ended questions which required the respondents to choose from among a given set of responses. In most cases, descriptive statistics are used to examine or explore one variable at a time. The first phase of data analysis involved the placing of some order by reducing to two descriptive summaries i.e. the mean and standard deviation.

V. Data Analysis and Findings

Financial management as strategy implementation perspectives: The respondents were required to indicate the extent to which they consider their LGAs would achieve their financial objectives.

Table 1: Level of Achievement on Provision of Goods & Services that Enhance Revenue Collection

	Provide good services that enhances Revenue collection	Frequency	Percent	Valid Percent	Cumulative Percent
1	Very Well Achieved	19	21.3	21.3	21.3
2	Well Achieved	25	28.1	28.1	49.4
3	Fairly Achieved	39	43.8	43.8	93.3
4	Weakly Achieved	3	3.4	3.4	96.6
5	Not Achieved	3	3.4	3.4	100.0
	Total	89	100.0	100.0	

(Source: Research data, 2012)

43.8% of the LGAs recorded achievement of provision of goods & services that enhance revenue collection while another. This indicates the LGAs are not very serious when it comes to ensuring accountability and transparency in financial matters. This implies a poor record in achievement of financial goals.

Table 2: The Extent to Which Good Financial Systems Ensure Reliable, Relevant and Timely Financial Information

	Good financial systems that ensure reliable, relevant and timely financial information	Frequency	Percent	Valid Percent	Cumulative Percent
1	Very Well Achieved	15	16.9	16.9	16.9
2	Well Achieved	30	33.7	33.7	50.6
3	Fairly Achieved	38	42.7	42.7	93.3
4	Weakly Achieved	2	2.2	2.2	95.5
5	Not Achieved	4	4.5	4.5	100.0
	Total	89	100.0	100.0	

(Source: Research data, 2012)

42.7% of the LGAs disclosed good financial systems that ensure reliable, relevant and timely financial information. The huge number of fairly achieved indicates that there is a problem in this area of strategy implementation.

Table 3: Achievement of Production of Balanced Budget

	Produce balanced budget	Frequency	Percent	Valid Percent	Cumulative Percent
1	Very Well Achieved	20	22.5	22.5	22.5
2	Well Achieved	21	23.6	23.6	46.1
3	Fairly Achieved	40	44.9	44.9	91.0
4	Weakly Achieved	4	4.5	4.5	95.5
5	Not Achieved	4	4.5	4.5	100.0
	Total	89	100.0	100.0	

(Source: Research data, 2012)

44.9% of the respondent reported production of balanced budget indicating that many do not produce a balanced budget.

Table 4: Financial Perspectives in Strategy Implementation in LGAs

Financial Perspective	N	Mean	Std. Deviation	Variance
Provide good services that enhances Revenue collection	89	2.39	0.973	0.946
Good financial systems that ensure reliable, relevant and timely financial information	89	2.44	0.953	0.908
Produce balanced budget	89	2.45	1.034	1.068
Adequate operating position liquidity	89	2.43	0.952	0.907
Manageable debt levels	89	2.3	0.946	0.896
Valid N (list wise)	89			

(Source: Research data, 2012)

All the responses recorded a mean of between 2.3 and 2.45 implying that there is a weak link on the effectiveness of strategy implementation in LGAs especially on the financial perspectives. The highest mean is for production of balanced budget suggests that this was the least popular financial perspective. Existence of manageable debt levels recorded the lowest mean implying it was the financial perspective that was better achieved overall. The LGAs need to improve on their financial perspectives parameters by designing and evaluating effectiveness of strategy implementation. This will assist improve their financial perspective, a key indicator of success in LGAs.

V. Customer Service Perspectives as a Facet of Effective Strategy Implementation

The respondents were required to indicate the extent to which they consider their LGAs would achieve their customer service objectives in line with their strategy implementation.

Table 5: Achievement on delivery of customer focused quality services.

	Deliver customer focused quality services	Frequency	Percent	Valid Percent	Cumulative Percent
1	Very Well Achieved	18	20.2	20.2	20.2
2	Well Achieved	31	34.8	34.8	55.1
3	Fairly Achieved	34	38.2	38.2	93.3
4	Weakly Achieved	3	3.4	3.4	96.6
5	Not Achieved	3	3.4	3.4	100.0
	Total	89	100.0	100.0	

(Source: Research data, 2012)

38.2% of the LGAs recorded delivery of customer focused quality services. This should have received an overwhelming positive response if the LGAs were really committed to delivering customer focused quality services.

Table 6: Customer Care Perspectives in Strategy Implementation in LGAs

Customer Care Perspective	N	Mean	Std. Deviation	Variance
Deliver customer focused quality services	89	2.35	0.955	0.911
Strengthen customer trust, respect and confidence	89	2.43	0.903	0.816
Strategically plan and manage resources	89	2.49	0.931	0.866
Valid N (list wise)	89			

(Source: Research data, 2012)

All the responses recorded a mean of between 2.35 and 2.51. The LGAs need to modernize their customer care perspectives parameters. This will be crucial in designing and evaluating effectiveness of strategy implementation. This will assist in improving their customer care record, a key ingredient in public sector service delivery milestones.

VI. Internal Process Operations Perspectives

The respondents had to indicate the extent to which they consider their LGAs would achieve success in strategy implementation through internal process operations objectives.

Table 7: Achievement on Seeking Continuous Process Improvement

	Seek continuous process improvement	Frequency	Percent	Valid Percent	Cumulative Percent
1	Very Well Achieved	3	3.4	3.4	3.4
2	Well Achieved	24	27.0	27.0	30.3
3	Fairly Achieved	38	42.7	42.7	73.0
4	Weakly Achieved	17	19.1	19.1	92.1
5	Not Achieved	7	7.9	7.9	100.0
	Total	89	100.0	100.0	

(Source: Research data, 2012)

42.7% of the respondent indicated that seeking continuous process improvement enhances strategy implementation.

Table 8: Internal Process Operations Perspectives in Strategy Implementation in LGAs

Internal Process Operations Perspectives	N	Mean	Std. Deviation	Variance
Seek continuous process improvement	89	3.01	0.959	0.92
Deliver services aligned with resources and prioritized core activities	89	3	0.989	0.977
Valid N (list wise)	89			

(Source: Research data, 2012)

Seeking continuous process improvement had the highest mean of 3.01. It was closely followed by delivery of services aligned with resources and prioritized core activities. The LGAs ought to adopt new technologies to modernize their internal process operations which could lead to more revenue.

VII. Learning and Growth Perspectives

The respondents had to indicate the extent to which they consider their LGAs would achieve success in strategy implementation through learning and growth objectives.

Table 9: Achievement on workforce having appropriate skills required to perform their duties.

	Workforce has appropriate skills required to perform their duties	Frequency	Percent	Valid Percent	Cumulative Percent
1	Very Well Achieved	7	7.9	7.9	7.9
2	Well Achieved	24	27.0	27.0	34.8
3	Fairly Achieved	36	40.4	40.4	75.3
4	Weakly Achieved	15	16.9	16.9	92.1
5	Not Achieved	7	7.9	7.9	100.0
	Total	89	100.0	100.0	

(Source: Research data, 2012)

40.4% of the respondent believed that workforce has the appropriate skills required to perform their duties.

Table 10: Learning and Growth Perspectives in Strategy Implementation in LGAs

Learning and Growth Perspectives	N	Mean	Std. Deviation	Variance
Workforce has appropriate skills required to perform their duties	89	2.9	1.034	1.069
Employee undergo training to gain valuable new skills	89	2.78	1.02	1.04
Creates positive work climate (employee satisfaction, constant communication, and alignment with goals and mission of LA)	89	2.83	1.141	1.301
Valid N (list wise)	89			

(Source: Research data, 2012)

All the responses recorded a mean of between 2.65 and 2.90 which implies that they were fairly and well achieved. This further confirms the findings that there is a weak link on the effectiveness of strategy implementation in LGAs especially on the learning and growth perspectives. The LGAs need to embrace learning and growth initiatives which are crucial in designing and evaluating effectiveness of strategy implementation. This will help improve on learning and growth efforts which will help improve service delivery among the LGAs.

VIII. Conclusion

The effectiveness of strategy implementation depends mainly on how the process is managed. Once the LGA has set up in motion the activities to secure the resources and defined a timeframe to attain the set objectives, the implementation team must monitor the project identifying and highlighting the milestones. LGAs perform a key role in provision of services in their areas of jurisdiction. LGAs will draw a lot from these findings in terms of articulating the financial, customer service, internal process operations and learning and growth perspectives in the quest to measure the effectiveness of strategy implementation. Majority of the respondents indicated that a lot needs to be done to improve on the effectiveness of strategy implementation in the LGAs.

References

- [1] Aidemark, L.G., "The meaning of Balanced Scorecards in the Health Care Organization Financial Accountability & Management", 17(1), pp. 23-40, 2001.
- [2] Allio, M., "A Short, Practical Guide to Implementing Strategy", *Journal of Business Strategy*, 26, pp. 12-21, 2005.
- [3] Amaratunga, D., Haigh, R., Sarshar, M., Baldry, D., "Application of the Balanced Scorecard concept to develop a conceptual framework to measure facilities management performance within the NHS facilities", *International Journal of Health Care Quality Assurance*, 15(4/5), pp. 141-151, 2002.
- [4] Chan, Y. C. L., "Performance measurement and adoption of balanced scorecards A survey of municipal governments in the USA and Canada", *The International Journal of Public Sector Management*, 17(3), pp. 204-221, 2004.
- [5] Chan, Y. C. L., Ho, S. J. K., "Performance Measurement and the use of Balanced Scorecard in Canadian hospital Advances in Management Accounting", 9, pp. 145-170, 2000.
- [6] Chang, L., "Managerial responses to externally imposed performance measurement in the NHS: An institutional theory perspective", *Financial Accountability & Management*, 22(1), pp. 63-85, 2006.
- [7] Elefalk, K., "The Balanced Scorecard of the Swedish police service: 7000 officers in total quality management project", *Total Quality Management*, 12(7/8), pp. 958-966, 2001.
- [8] Eskildsen, J.K., Kristensen, K., Juhl, H.J., "Private versus public sector excellence", *TQM Magazine*, Vol. 16, No. 1, pp. 50- 56, 2004.
- [9] Ho, S. J. K., Chan, S. J. L., "Performance measurement and the implementation of Balanced Scorecards in municipal governments", *Journal of Government Financial Management*, 51(4), pp. 8-19, 2002.
- [10] Hrebiniak, L., "Obstacles to Effective Strategy Implementation' *Organizational Dynamics*", 35, pp. 12-31, 2006.
- [11] Johnsen, A., "Balanced Scorecard: Theoretical perspectives and public management implications *Managerial Auditing Journal*", 16(6), pp. 319-330, 2001.
- [12] Kotelnikov, V. (2001) *Effective Leadership* Retrieved May 14, 2012, [Online] Available: <http://www.1000advices.com/guru/leadership.html>
- [13] Mboga, H., "Understanding the Local Government System in Kenya: A Citizen's Handbook' Nairobi", Institute of Economic Affairs, 2009.
- [14] Mitchell, S., "Modernizing social services: The management challenge of the 1998 social services white paper", In M. Hill (Ed.), *Local authority social services* (pp. 179-200). Oxford: Blackwell, 2000.
- [15] Moseti, Y., "Public Participation for Sustainable Development in Local Cities 46th ISOCARP Congress", Kenya, 2010.
- [16] Moullin, M., "Using the public sector scorecard in health and social care", *Proceedings of the Performance Measurement Association Conference*, Edinburgh, 2004.
- [17] Moxham, C., Boaden, R., "Voluntary sector performance measurement: A balanced approach", *Proceedings of the 3rd Conference on Performance Measurement and Management Control*, Nice, France, September 22-23, 2005.
- [18] Niven, P. R., "Balanced Scorecard Step by step for government and non-profit agencies West Sussex: John Wiley & Sons Inc., 2003.
- [19] Noble, C., "The Eclectic Roots of Strategy Implementation Research", *Journal of Business Research*, 45, pp. 119-134, 1999b.
- [20] World Bank, "An Assessment of Local Service Delivery and Local Government in Kenya. Geneva. World Bank, 2002.
- [21] Pollit, C., Bouckaert, G., "Public management reform: A comparative analysis Oxford", Oxford University Press, 2000.
- [22] Protti, D., "A proposal to use a Balanced Scorecard to evaluate information for health: An information strategy for the modern NHS (1998-2005). *Computers in Biology and Medicine*, 32(3), pp. 221-236, 2002.
- [23] Radnor, Z., Lovell, B., "Success factors for implementation of the balanced scorecard in a NHS multi-agency setting", *International Journal of Health Care Quality Assurance*, Vol. 16, No. 2, pp. 99-108, 2003.
- [24] Wilson, C., Hagarty, D., Gauthier, J., "Research using the Balanced Scorecard in the public sector", *Journal of Corporate Real State*, 6(1), pp. 53-63, 2003.
- [25] Wisniewski, M., Olafsson, S., "Developing balanced scorecards in local authorities: A comparison of experience", *International Journal of Productivity and Performance Management*, 53(7), pp. 602-610, 2004.