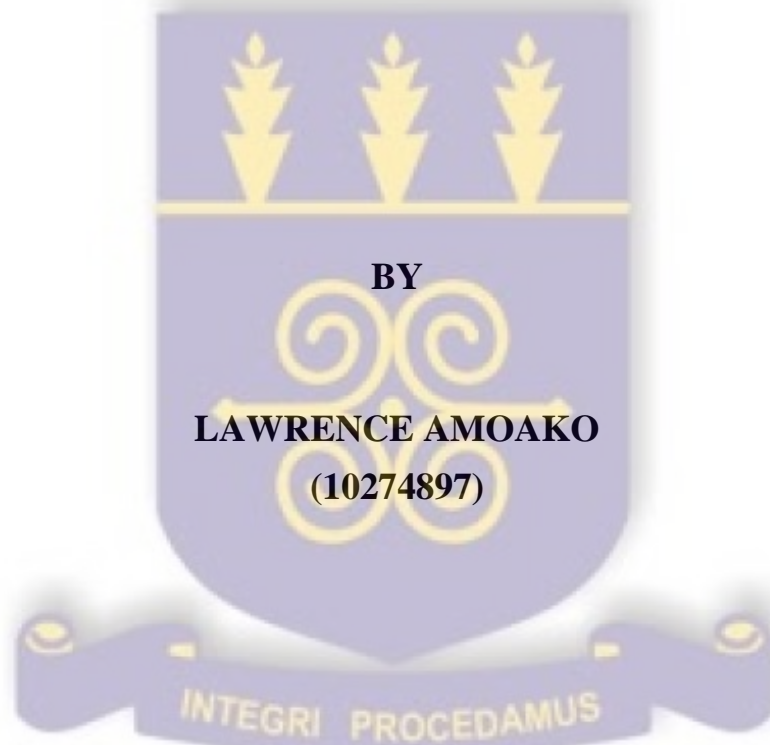


**UNIVERSITY OF GHANA**

**ADOPTION AND IMPLEMENTATION OF BALANCED SCORECARD IN  
GHANA: THE CASE OF SELECTED BANKS IN GHANA**



**THIS THESIS IS SUBMITTED TO UNIVERSITY OF GHANA, LEGON IN  
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD  
OF M.PHIL (ACCOUNTING) DEGREE**

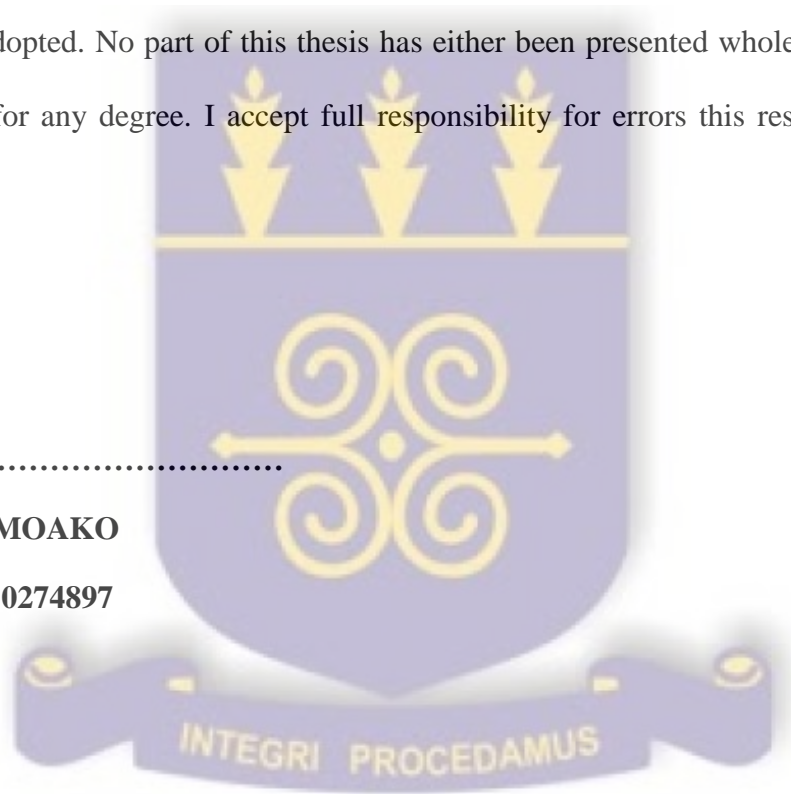
**JUNE, 2016**

**DECLARATION**

I, Lawrence Amoako, hereby declare that this study is my original piece of research conducted between August, 2014 and June 2016 under the supervision of Dr Francis Aboagye-Otchere and Dr Samuel Nana Yaw Simpson of the Accounting Department of the University Ghana Business School, University of Ghana, Legon.

Full acknowledgements have been made for all references of other people's work that have been cited and ideas adopted. No part of this thesis has either been presented whole or in part to any other institution for any degree. I accept full responsibility for errors this research report may contain.

.....  
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**SUPERVISORS CERTIFICATION**

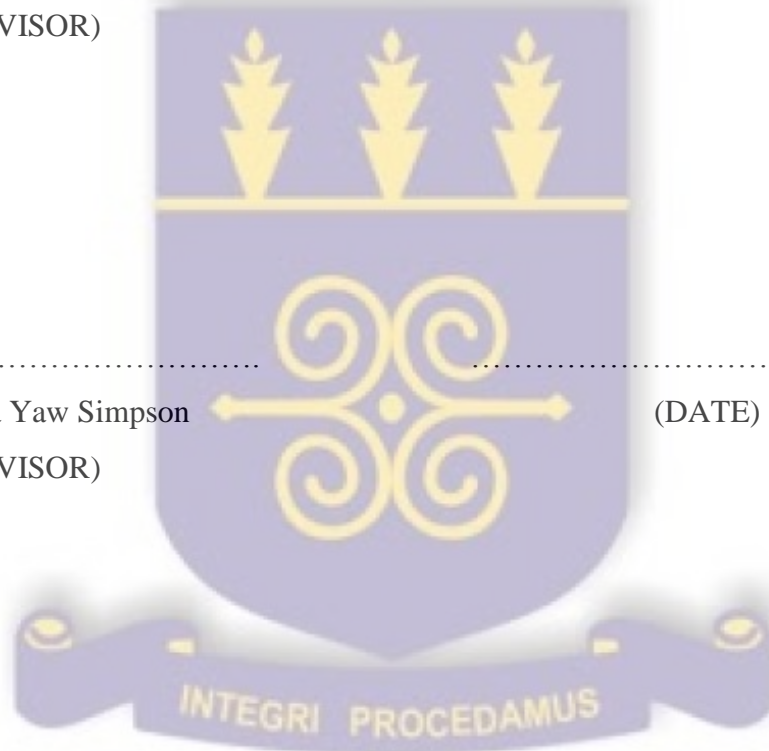
This thesis was conducted under the supervision of the undersigned, both of the Department of Accounting, University of Ghana Business School, Legon.

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(DATE)



**DEDICATION**

I dedicate this work to my parents, Mr. Richard Kwabena Amoako and Miss Comfort Adusa

Boateng

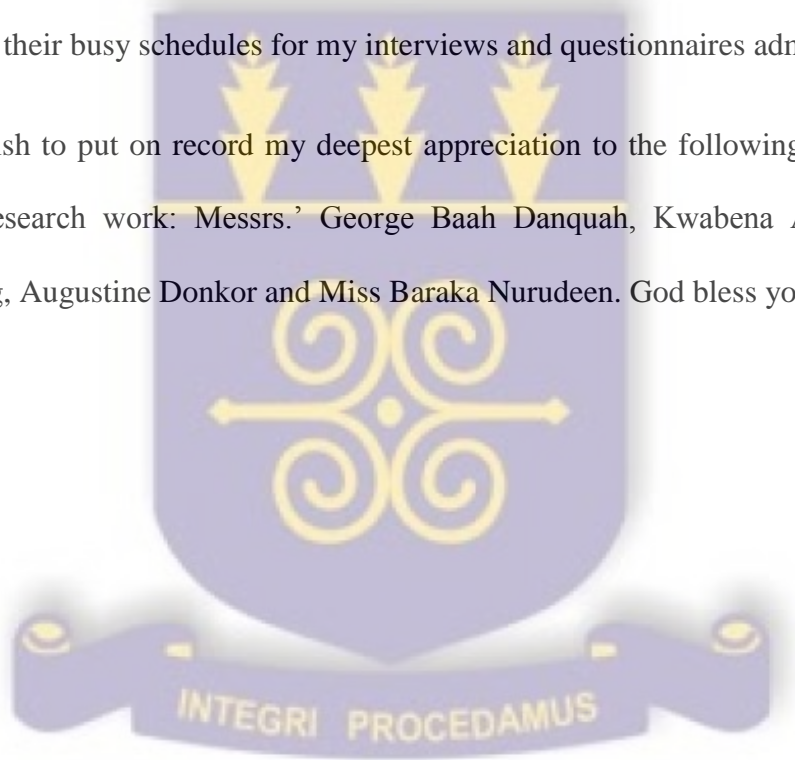


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Furthermore, I wish to put on record my deepest appreciation to the following people for their support in the research work: Messrs.' George Baah Danquah, Kwabena Adjare Danquah, Collins Agyapong, Augustine Donkor and Miss Baraka Nurudeen. God bless you all.

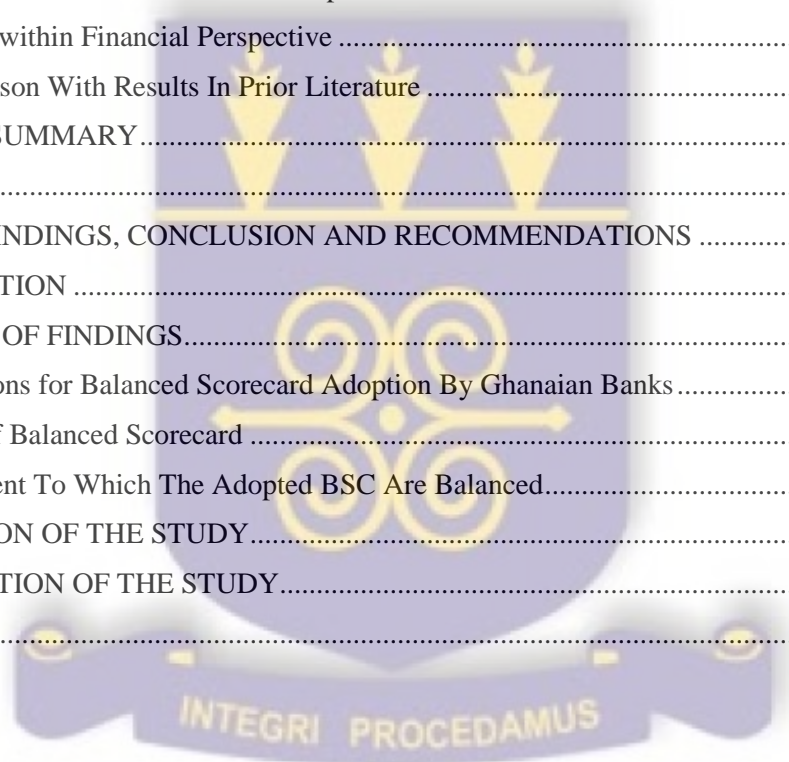


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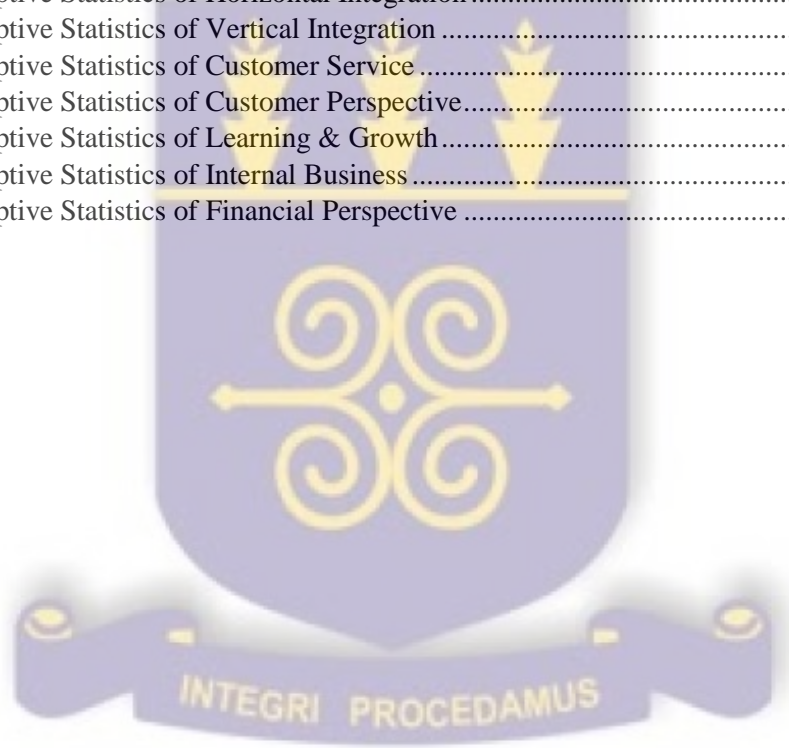
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**LIST OF ABBREVIATIONS**

BSC	Balanced Scorecard
GDP	Gross Domestic Product
PMS	Performance Measurement System
CBSC	Corporate Balanced Scorecard



## ABSTRACT

This study sought to examine adoption and implementation of balanced (BSC) scorecard at corporate level within Ghana's banking sector. The study specifically examined the motivations for implementing BSC, the extent to which the BSC are balanced in the selected entities in terms of the four perspectives and the dimensions of the BSC usage to selected entities.

The study employed the constructivism philosophical framework to knowledge creation. Following from above, the study employed a multiple case study (with data drawn from two different kinds of documentary evidence that is survey data and interview data) with a case each from the four quartile divisions among the twenty seven banks within the Ghanaian banking sector.

The study revealed five basic motivations for the adoption of balanced scorecard namely: competition, prestigious national awards, and external directive from parent company, special improvement initiatives and benchmarking. The implementation motivations are underpinned by the tenets of diffusion and institutional theory, mainly competitive/efficient choice, fashion and fad/ mimetic isomorphism and forced selection/ coercive isomorphism theories. The study also discovered that all the cases do satisfy the requirements of Type III typology. The study also revealed that, the cases mainly use the BSC for decision support, work integration and customer service.

The study is bias towards the banking industry. This limits the generalizability of the results.

The findings of the study provide an insight into how new PMS can be institutionalised within an industry. It also contribute to literature by offering a unique insight of BSC adoption and implementation in a small developing country.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 BACKGROUND OF STUDY

The standard top-down perspective of strategy of an organisation proposes that vital control basically means ensuring that the conduct of individuals is aligned with the foreordained strategy (Merchant, 1985). Simons (1995) went further to build up a structure for strategic control that addresses numerous meanings of strategy. His structure is in view of four levers of control: beliefs systems, boundary systems, diagnostic control systems, and interactive control systems. These four control levers are nested as they work at the same time despite the fact that they are for distinctive purposes. Beliefs systems, he suggested, are those used to enhance core values related to business strategy and to inspire search for new opportunities in line with these values. Boundary systems reduce risks by setting limits to strategically undesirable behaviors. Through diagnostic control systems, critical success factors are communicated and monitored. Finally, interactive control systems are used to discuss strategic uncertainties and to learn novel strategic responses to a changing environment.

Diagnostic controls are built on this principle, though not exclusive, that the outputs of a process are measurable (Simons, 1995). The foregoing undoubtedly classify performance measurement systems naturally to the category of diagnostic control systems.

Financial performance measures have customarily been utilised to control budgets and budgetary, and managers controls are the most widely used form of diagnostic controls (Horngren et al., 1997). Accounting-based performance measures are predominant in the light of the fact that they are comparatively objective, reliable and verifiable and moreover quite natural

to measure performance in financial terms as strategy typically aims at financial success (Ijiri, 1975). The cost of implementing financial indicators is low, because they are produced for external reporting purposes anyway. Financial controls are also unobtrusive allowing a significant amount of autonomy and stimulating creative thinking (Merchant, 1985).

Over the years, there have been increasing criticisms leveled against the financial measures of accounting systems (Emmanuel and Otley, 1995). The criticism has, in part, focused on their historic nature, which ensures that they reveal a great deal about the company's past actions but nothing about its future alertness (Merchant, 1985; Chakravarthy, 1986; Schoenfeld, 1986). Accounting figures do not underscore the elements which will lead to good or poor future financial results. One of the problems with accounting figures is that the financial consequences of the uncompleted chains of action extend beyond the time of measurement. For instance, the performance measures of accounting systems ignore the financial value of a company's intangible assets such as research in progress, human resources and the goodwill as well as the bad-will which the company has built (Dearden, 1987; Kaplan and Norton, 1992). The problem may even be aggravated if the company is in a situation in which it feels forced to pursue short-term financial results rather than the organization's long-term goals (Kaplan and Norton, 1992).

Merchant (1985) proposes the use of non-financial measures as one possibility to avoid the shortcomings of financial controls. While discussion around non-financial measures became prevalent in the past decade, the use of non-financial measures is not a new phenomenon. Kaplan and Norton, (2001) recounted how General Electric, for example, made use of non-financial measures in the 1950s. They identified eight areas of measurement and applied all of them in the assessment of each division. Similarly, a number of previous studies have pointed to the relevance of non-financial measures (Hopwood, 1973; Argyris, 1977; Merchant, 1985;

Schoenfeld, 1986; Eccles, 1991; Maciariello and Kirby, 1994). The efforts made in recent years, however, have been directed at constructing a system of non-financial measures linked to strategy (McNair et al., 1990; Beischel and Smith, 1991; Kaplan and Norton, 1992; Euske et al., 1993).

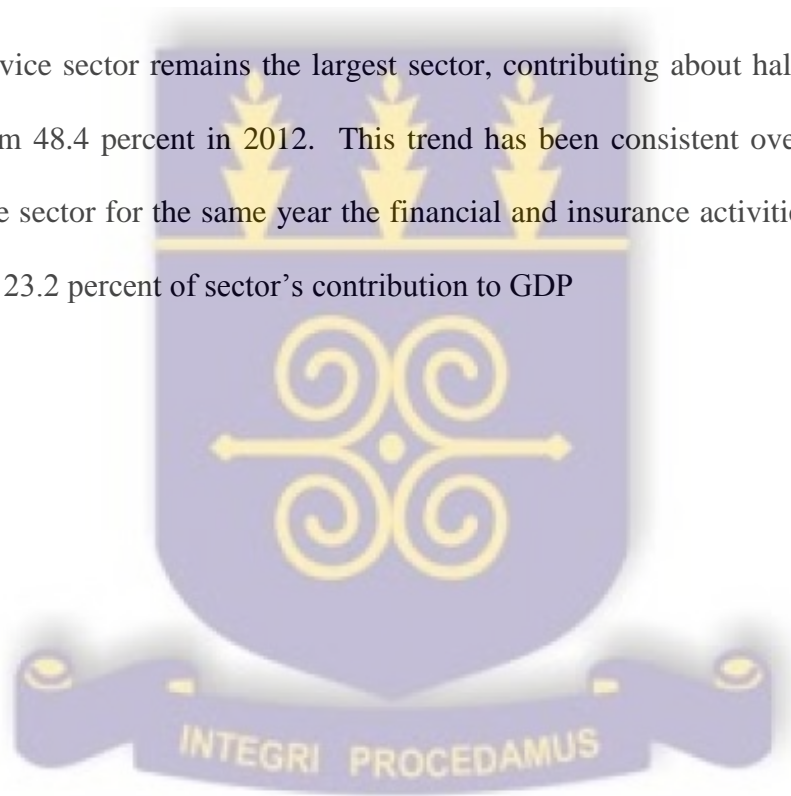
McNair et al. (1990) introduces a performance pyramid in which the vision of the group is broken down into financial and non-financial measures at lower levels. Grady (1991) also shows that the strategic objective of a company ought to be broken down into critical success factors and critical actions. Both ideas call for introduction of measures and targets for those measures. The Balanced Scorecard (Kaplan and Norton, 1996) is another model which integrates financial and non-financial strategic measures.

The Balanced Scorecard (BSC) is distinct from other strategic measurement systems in the sense that it contains outcome measures and the performance drivers of outcomes which are linked together in cause-and-effect relationships (Kaplan and Norton, 1996) making the performance measurement system a feed-forward control system (de Haas and Kleingeld, 1999). Over the twenty three years of its presentation, the BSC has attracted an impressive enthusiasm in practice as well as in academics. In theory, extant research has examined number of themes on balanced scorecard. Hoque, (2014) found over 114 articles published in over 25 accounting journal and 67 articles from business and management journals excluding unpublished works. Notwithstanding literature, there have been countless colloquiums and workshops dealing with BSC issues. By and by, a few overviews show that the BSC idea is generally utilized as a part of huge organizations in the United States and all through Europe. Case in point, Silk (1998) evaluates that 60% of the Fortune 1000 organizations in the United States have had involvement with Balanced Scorecards and current assessment may be wealthier than this. In an overall

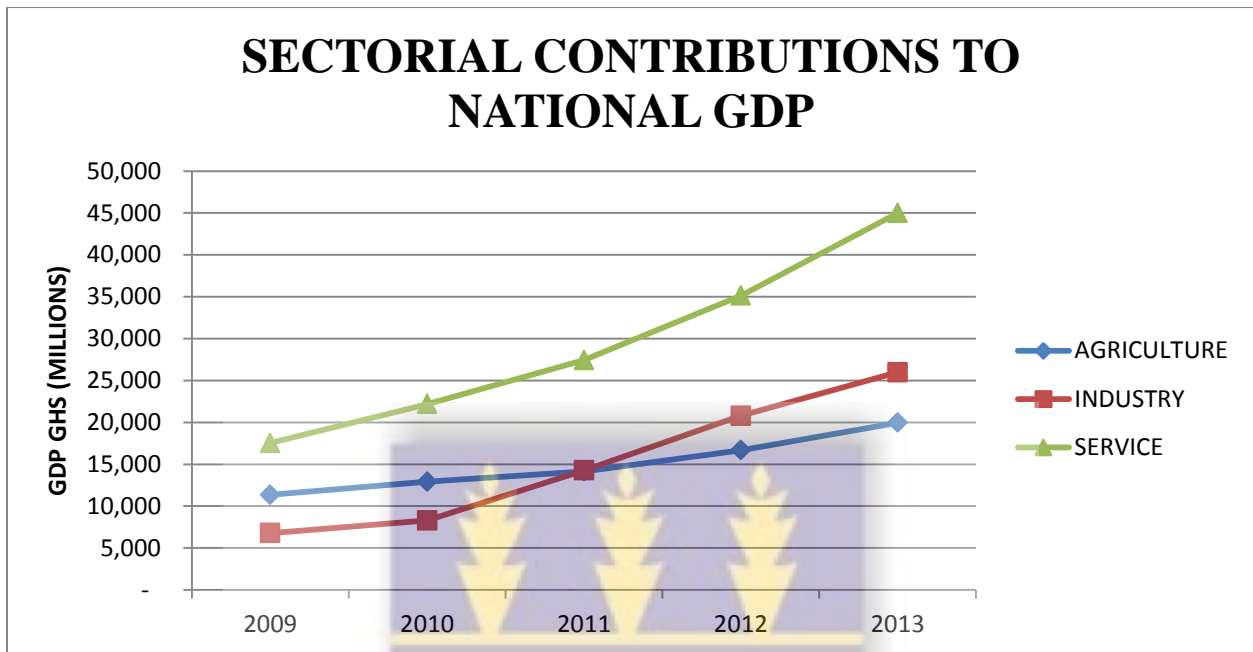
investigation of performance measurement systems, Rigby (2001) demonstrates that the Balanced Scorecard has a use rate of 44% around the world.

Contextually, research according to the World Bank Global Economic Prospect, 2012 in their annual IMF Economic Outlook research outlined that nearly 60% of sub-Saharan Africa's GDP is made by the service sector. The same posited that 15 percent increase in the service sector's contribution to GDP is associated with a doubling of income per capita.

In Ghana, the service sector remains the largest sector, contributing about half, 49.5 percent of GDP in 2013 from 48.4 percent in 2012. This trend has been consistent over the prior years. Within the service sector for the same year the financial and insurance activities contributed the second highest of 23.2 percent of sector's contribution to GDP

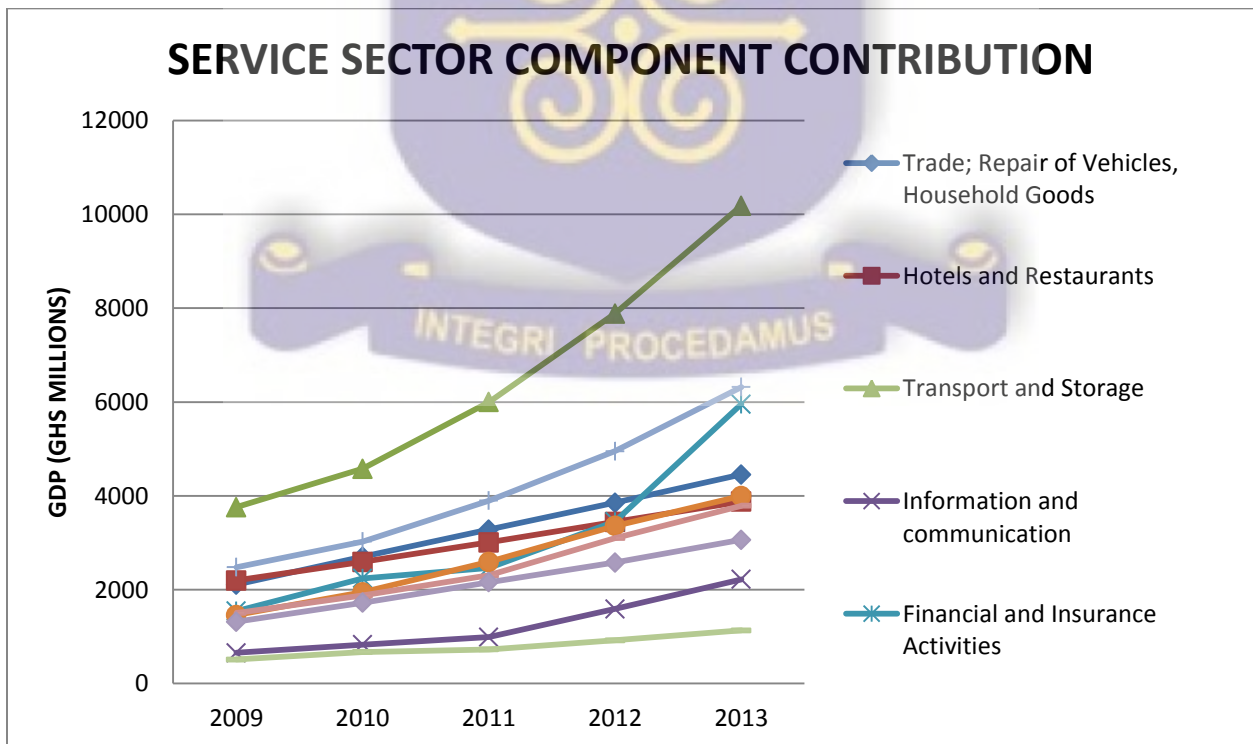


**FIGURE 2.1: SECTORAL CONTRIBUTIONS TO NATIONAL GDP**



*Ghana Statistical Service, 2014*

**FIGURE 2.2: SERVICE SECTOR COMPONENT CONTRIBUTION**



*Ghana Statistical Service, 2014*

The service sector especially the banking industry in Ghana has seen many years of financial reforms sponsored by the World Bank and the International Monetary Fund. As a result, the country currently has a vibrant banking sector made up of 27 banks (12 foreign and 15 local banks) and 768 bank branches (Banking Survey, 2013). In addition, there are also a number of financial service institutions such as insurance companies, investment houses, rural banks, the stock exchange, cooperative credit unions, savings and loans institutions, mutual funds, and other microfinance institutions that are spread all over the financial market in the country.

This has resulted witnessed keen competition among the banks with most of the new entrants especially from Nigerian banks adopting innovative technology, skilled personnel, customer care, and speed, on time delivery, widening geographical coverage and aggressive marketing strategies to deliver high customer value and achieve sustainable growth and enhanced stakeholder value. These developments coupled with the paucity of research in both theory and context in this thematic area of balanced scorecard make the Ghanaian banking industry appropriate for investigating the reasons behind the implementation, the balance in the adopted scorecards and the purposes for which the balanced scorecard is being put to use and challenges encountered in its usage.

## **1.2 PROBLEM STATEMENT**

Hoque, (2014) reviewed 114 articles published in 25 accounting journals and 67 articles in business and management journals over a 20-year period, which provides an overview of the balanced scorecard implementation and usage, research settings, theoretical orientations, and methods of investigation and analysis.

A common limitation in many of the studies in this review was how external institutions, such as funding agencies, government regulation, professional bodies, and socio-political contexts, could play a significant role in the adoption and implementation choice of the balanced scorecard (Kasperskaya, 2008; Modell, 2009; Daniel, Myers, & Dixon, 2011). From this limitation in the above studies, Hoque (2014) deduced that, it is conceivable that organisations might adopt the balanced scorecard to gain legitimacy from their external constituencies without consideration of the efficiency or effectiveness of its adoption. What is the current state of knowledge in this aspect of balanced scorecard and which areas in terms of empirical, contextual and methodological remain unresolved?

Malmi (2001) studied balanced scorecard adoption among 17 Finnish companies using semi-structured interviews, discovered several reasons that influence the adoption of BSC. The different reasons that appeared to influence adoption decisions were fashion and fad reasons, quality awards programs, economically rationale reasons and support change programs. Inamder and Kaplan, (2002) also studied, BSC adoption in their work on, applying the BSC in healthcare provider organisations. They found out that organisations adopted the BSC as a response to external forces including financial pressure, competition, consumerism, industry consolidation, regulatory reporting, information management, and new technology. Wiersma, (2009) had different motivations for BSC adoption. He discovered three different purposes for which corporate bodies adopt BSC. The three motives are the evaluation style, alternative controls that are used in organisations and the receptiveness of managers to new types of information system. These findings are inconsistent with Malmi, (2001) and Inamder and Kaplan, (2002). It is however worthy of note that, a couple of studies (just five in accounting and three in business and management) was situated in different types of research settings in developing or emerging

nations and these had no bearing with this thematic area. Further research is needed to determine the motivations or rationale behind BSC implementation in developing economies.

Another obvious limitation with the limited research on this thematic area of BSC relates to the methodology utilized. Malmi (2001) made use of recommendations of consulting companies, other studies have low response feed-back while others relied on estimate findings (Silk, 1998). Speckbacher et al. (2003) opined that such methodological procedures are perceptibly in danger of distorting the findings.

Although the above studies illustrate widespread interest in understanding corporate motivations to adopt BSC, the few studies have not been consistent and are based in western economies. This provides a significant research opportunity, as an in-depth field studies in the issues raised above in any specific developing country on various research gaps of the balanced scorecard outlined above will be enlightening. Such a study could provide some explanations for the drivers of adoption and implementation of balanced scorecard practice.

### **1.3 OBJECTIVES OF THE STUDY**

The study aimed at addressing the following specific objectives to contribute to resolving the research problem. The study;

- a) Examines the motivations for the corporate adoption of balanced scorecard in Ghana, using the banking industry.
- b) Examines the dimensions of the BSC usage to selected entities.
- c) Assesses the extent to which the scorecards are balanced in the selected entities.

#### **1.4 RESEARCH QUESTIONS**

The study sought answers to the following research questions:

- a) What are the motivations for corporate adoption of balanced scorecards within the Ghanaian banking industry?
- b) For what purposes are the adopted scorecards used?
- c) To what extent are the adopted balanced scorecards balanced, in terms of structure under the four perspectives?

#### **1.5 SIGNIFICANCE OF THE STUDY**

The significance of the study can be viewed along three strands: research, practice and policy. In terms of research significance, the study makes three significant contributions to literature. First the study goes beyond current research on balanced scorecard adoption, by examining adoption at the corporate level of business organisation and exploring the motivations for its adoption in Ghana. This is relevant as it responds to the paucity of literature on BSC adoption and usage in sub Saharan Africa (Daniel, Myers, & Dixon, 2011; Kasperskaya, 2008; Modell, 2009; Hoque, 2014).

Secondly, Hoque, (2014) intimated that, some developing nations might be adopting and implementing the balanced scorecard primarily to comply with requirements of external institutions as intimated earlier such as funding agencies, government policy reforms, or professional bodies. This study responds to the call for further research on balanced scorecard.

Finally, the study fills this contextual gap in management accounting research by considering emerging economies. The study responds to the recent call by Endenich, Brandau, and Hoffjan (2011) that further research is needed to determine international variations in design and

use of the balanced scorecard in organisations in both private and public sectors. The additional insights into this aspect of balanced scorecard will be of great value to literature.

In relation to practice and policy, the findings of the study, and the recommendations provided at the end of the study should go a long way to help improve balanced performance measurement systems, strategies and techniques among Ghanaian banks. Essentially, all recommendations provided will be aimed at ensuring that the right mixes of variables are measured.

For policy makers and regulators, the study provides a strong foundation for identifying the major means of spreading or enforcing a desired management accounting idea or practice within an industry.

### **1.6 SCOPE OF THE STUDY**

This research work constrained itself to examining the case of some Ghanaian banks. Though there are several banks within the industry this study was limited to only four banks. The selection was based on the quartile rankings of the banks by Pricewaterhouse Coopers..

Consequently, the extent to which it would be valid to extrapolate the results of the study to all other banks would be subject to error. However, those selected were significant enough to mitigate the significance of the error. Participants were made to understand the purpose of the study and its usefulness to the banking industry. These actions, among others, were expected to improve the reliability and robustness of the findings.

## 1.7 CHAPTER DISPOSITION

This study will be organized into five chapters.

Chapter one provides introduction to the study as well as an outline of the study; the research problem, objectives and questions; the significance of the study; the scope of the study. This is intended to provide a frame of reference within which the findings of this research as well as the methodology used should be assessed. That is to say, it is intended to provide a sense of direction for the research work.

Chapter two reviews the extant literature on balanced scorecard with emphasis on its adoption and usage. In this chapter, varying views and opinions would be discussed as well as research work already conducted on this subject area. This is necessary for the purposes of comparison and references to established and accepted theories and acknowledged beliefs that may be employed or referenced in the course of the research. This chapter will also review theories surrounding management accounting system adoption.

Chapter three discusses the research approach and strategy; sampling; data collection and analysis methods; limitation of the study; and other methodological issues.

Chapter four presents the data analysis and discussion of the research findings.

Chapter five summarises the key findings and conclusions of the study and makes recommendations for balanced scorecard usage in Ghana and for further research.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 INTRODUCTION

This chapter explores the extant scientific and empirical literature surrounding the implementation of balanced scorecard. It discusses the role of performance measurement system, financial and non-financial measures of performance measurement, definition and nature of balanced scorecard, history of how balanced scorecard has evolved as one of the prominent strategic performance measurement framework, empirical evidence on corporate implementation of balanced scorecard and the various types of balanced scorecards in use and other relevant issues affecting BSC adoption.

#### 2.2 PERFORMANCE MEASUREMENT SYSTEM

Performance measurement is an important topic in the management accounting literature. Horngren et al. (1997) opined that performance measurement systems are collections of financial and/or non-financial performance indicators that managers use to evaluate their own or their unit's performance or the performance of their subordinates. Lohman et al (2004) however explained performance measurement as an activity that managers perform in order to reach predefined goals that are derived from the company's strategic objectives. The above suggested explanations will suffice to define performance measurement systems as financial and non-financial measures that derived from the strategic objectives of an organisation for the purposes of tracking the organisational performance in line with it strategic objectives.

### **2.2.1 The Role of Performance Measurement System**

The conventional top-down view of strategy implies that crucial control essentially means ensuring that the behavior of people is consistent with the predetermined strategy (Merchant, 1985). Simons (1995) advanced a structure for strategic control that addresses multiple definitions of strategy and the anticipated and growing phases of strategy development. This structure has been used by later researchers in the context of performance measurement (Kasurinen, 1998) and its particular concentration on strategic control is key for the purposes of this study.

His framework is grounded on four levers of control; beliefs systems, boundary systems, diagnostic control systems, and interactive control systems. These four control levers are nested as they work concurrently even though for different purposes. Kasurinen, (1998) explained further that, beliefs systems are used to enhance core values related to business strategy and to inspire search for new opportunities in line with these values. Boundary systems lessen risks by setting parameters to strategically undesirable behaviors. Through diagnostic control systems critical success factors are communicated and monitored. Finally, interactive control systems are used to discuss strategic uncertainties and to learn novel strategic responses to a changing environment. Diagnostic controls he alluded that, are built on this principle though not exclusive, that the outputs of a process are measurable. Therefore performance measurement falls naturally to the category of diagnostic control systems.

### **2.2.2 Typologies of Performance Measurement Systems (PMS)**

Toni and Tonchia (2001) identified in literature five typologies of PMS. First typology which are strictly hierarchical (or strictly vertical), branded by cost and non-cost performances on different

levels of aggregation, till they ultimately become economic-financial. The first hierarchical model was that of Gold (1955), which connects productivity and ROI.

The second typology which is the balanced scorecard or tableaux de bord, considers several separate performances independently. These performances correspond to diverse perspectives (financial, internal business processes, customers, learning/growth) of analyses, that, however substantially, remain separate and whose links are defined only in a general way. Their model has been integrated with some vertical linkages, from the operational measures up to the financial ones.

The third typology preferably referred to as frustum, where there is a synthesis of low-level measures into more aggregated indicators, but without the scope of translating non-cost performance into financial performance; typically the economic-financial measures are kept separate from the aggregate ones of customer satisfaction. He further explained that, the frustum approach permits the vertical architecture to be defined at the lowest levels, involving the aggregation and synthesis of the performances, while at the higher levels the frustum approach is nearer to a balanced architecture, thus with a tableau of economic-financial performances and customer satisfaction/market performances.

The fourth typology depicts characteristics which distinguish between internal and external performances; these are the only ones directly perceived by the customers.

Lastly the remaining typologies of PMS are related to the value chain; these models, in respect to the preceding ones, also consider the internal relationship of customer/supplier.

A cursory glance of this review by Toni and Tonchia (2001) shows that the various measures of performance can be categorised broadly into financial and non-financial measures.

### **2.2.3 Financial and Non-Financial Measures**

Financial performance measures have traditionally dominated performance measurement and have been used to control managers, and also adjudged the most widely used form of diagnostic controls (Horngren et al., 1997). Accounting-based performance measures are predominant because they are relatively objective, reliable and verifiable (Ijiri, 1975). It is quite natural to measure performance in financial terms as strategy typically aims at financial success. The cost of implementing financial indicators is low, because they are produced for external reporting purposes anyway. Financial controls are rather unobtrusive allowing a significant amount of autonomy and stimulating creative thinking (Merchant, 1985).

Over the years, there have been increasing criticisms leveled against the financial measures of accounting systems which is well acknowledged in literature (Emmanuel & Otley, 1995). The criticism has, in part, focused on their historic nature, which ensures that they reveal a great deal about the company's past actions but nothing about its future alertness (Merchant, 1985; Chakravarthy, 1986; Schoenfeld, 1986; Dearden, 1987; AICPA, 1994; Kaplan and Norton, 1996). Accounting figures do not emphasize the elements which will lead to good or poor future financial results. One of the problems with accounting figures is that the financial consequences of the uncompleted chains of action extend beyond the time of measurement. For instance, the performance measures of accounting systems ignore the financial value of a company's intangible assets such as research in progress, human resources and the goodwill as well as the bad-will which the company has built.

The problem may even be heightened if the company is in a situation in which it feels forced to pursue short-term financial results rather than the organization's long-term goals (Dearden, 1969; Hopwood, 1972, 1973; Vancil, 1979; Kaplan, 1984; Merchant, 1985; Johnson and Kaplan, 1987;

Demirag, 1998). Dearden (1969) for instance, shows that because new investments are detrimental to the short-term return on investment, owing to asset valuation and depreciation policy, managers may be reluctant to make such investments even if the investments are in the financial interest of the company.

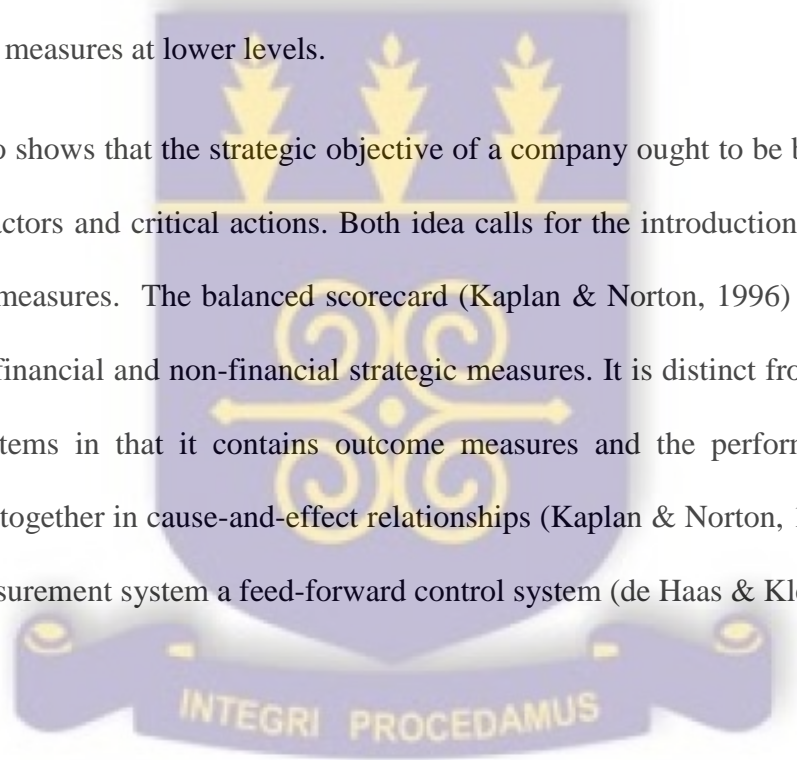
Furthermore, managers may refuse to invest in growth and innovation potential so that they can present acceptable short-term results. While possibly improving short-term profitability, such actions may lead to low efficiency and loss of customer loyalty and satisfaction, which may render the company vulnerable to competitor attacks. Such issues imply that the accounting systems are an insufficient decision-making and assessment tool. In order to reduce the problem involved, strategic measures are required which indicate the company's future earnings potential. In addition, attention has focused on strategy implementation, which causes problems in many firms, (Kiechel, 1984; Mintzberg, 1994; Simons, 1995) the risk being that the strategic plan remains remote from the company's day-to-day actions.

Merchant (1985) proposes the use of non-financial measures as one possibility to avoid the shortcomings of financial controls. While discussion around non-financial measures has become prevalent in the past decade or so, the use of non-financial measures is not a new phenomenon. General Electric, for example, made use of non-financial measures in the 1950s. They identified eight areas of measurement and applied all of them in the assessment of each division (Kaplan & Norton, 2001).

Similarly, a number of theorists have pointed to the relevance of non-financial measures (Hopwood, 1973; Argyris, 1977; Parker, 1979; Anthony et al., 1984; Merchant, 1985; Schoenfeld, 1986; Eccles, 1991; Maciariello & Kirby, 1994).

Non-financial measurement systems have generally been characterized by loosely coupled local systems guided by local needs and with no integration of the company's strategic objectives or any balancing of local and company considerations (Merchant, 1985; Mouritsen et al., 1995). The efforts made over the years, however, have been directed at constructing a system of non-financial measures linked to strategy (McNair et al., 1990; Beischel & Smith, 1991; Grady, 1991; Kaplan and Norton, 1992; Euske et al., 1993; Kaplan & Norton, 1996). McNair et al. (1990) introduces a performance pyramid in which the vision of the group is broken down into financial and non-financial measures at lower levels.

Grady (1991) also shows that the strategic objective of a company ought to be broken down into critical success factors and critical actions. Both idea calls for the introduction of measures and targets for those measures. The balanced scorecard (Kaplan & Norton, 1996) is another model which integrates financial and non-financial strategic measures. It is distinct from other strategic measurement systems in that it contains outcome measures and the performance drivers of outcomes, linked together in cause-and-effect relationships (Kaplan & Norton, 1996) making the performance measurement system a feed-forward control system (de Haas & Kleingeld, 1999).



### **2.3 OVERVIEW OF BALANCED SCORECARD**

The balanced scorecard (BSC) is an integrated strategic performance management framework that helps organisations translate strategic objectives into relevant performance measures (Bremser & White, 2000). David Norton and Robert Kaplan presented the balanced scorecard in a 1992 Harvard Business Review article. The article was grounded on a multi-company research

project that studied performance measurement in twelve companies whose intangible assets played a central role in value creation (Kaplan, 2009).

They introduced the balanced scorecard to provide a missing component and bridge across the various literatures that had been developed earlier. The literature on quality and lean management, which laid emphasis on employees' continuous improvement activities to reduce waste and increase company responsiveness. The literature on financial economics, which placed heightened emphasis on financial performance measures; and the stakeholder theory where the firm was an intermediary attempting to forge contracts that satisfied all its different constituents. They retained the valuable insights from each, and introduced the balanced scorecard built on four pillars: financial perspective, customer perspective, internal process perspective and innovation and learning perspective.

As exclusive reliance on financial measures in a management system is insufficient, the BSC highlights the difference between lag indicators versus lead indicators. Financial measures are used as lag indicators that echo on the aftermaths from past activities (Kaplan & Norton, 2001). Examples of lag indicators are return on investment, revenue growth, customer retention costs, new product revenue, revenue per employee, and the like. These lagging outcome indicators need to be complemented (supplemented) by measures of the drivers of future financial performance, that is, lead indicators. Examples of lead indicators are revenue mix, depth of relationships with key stakeholders, customer satisfaction, new product development, diversification preparedness and contractual arrangements. The BSC put forward four principal perspectives:

### **2.3.1 Financial Perspective**

Economic growth strategies are usually approached from a revenue growth or productivity perspective. Revenue growth involves either increasing revenue from new markets, new products and new customers; or increasing sales to existing customers. Productivity strategies involve either improving cost structures by expense reduction; or the more effective utilization of assets (Kaplan & Norton, 2001). These widely accepted metrics form the financial perspective of the BSC.

### **2.3.2 Customer Perspective**

The unique mix of product, price, service, relationship, and image that the company offers, is at the core of any business strategy, and are introduced in the BSC via the customer perspective. This customer-value proposition defines how the company differentiates itself from competitors and is crucial because it helps an organisation unite its internal processes to improve services been offered to customers (Kaplan & Norton, 2001). Value propositions include operational excellence, customer intimacy and product leadership and sustainable strategies which are based on excelling at one of the three while maintaining threshold standards with the other two. Identification of a value proposition allows the company to know which class and type of customer to target. In addition, the customer perspective identifies the intended outcomes from delivering a differentiated value proposition, e.g., market share in targeted customer segments, account share with targeted customers, acquisition and retention of customers in the targeted segments and customer profitability (Kaplan & Norton, 2001).

### **2.3.3 Internal Process Perspective**

The internal process perspective captures the critical organisational activities that will determine the means by which the company will achieve the differentiated value proposition and the productivity improvements for the financial objectives (Kaplan & Norton, 2001). These are captured by (1) spurring innovation to develop new products and services and to penetrate new markets and customer segments; (2) increasing customer value by expanding and deepening customer relationships with existing customers; (3) achieving operational excellence by improving supply-chain management, internal processes, asset utilisation, resource-capacity management, etc.; and (4) becoming a good corporate citizen by establishing effective relationships with external stakeholders. Related financial benefits typically occur in short-term, intermediate and long-term stages.

### **2.3.4 Innovation and Learning Perspective**

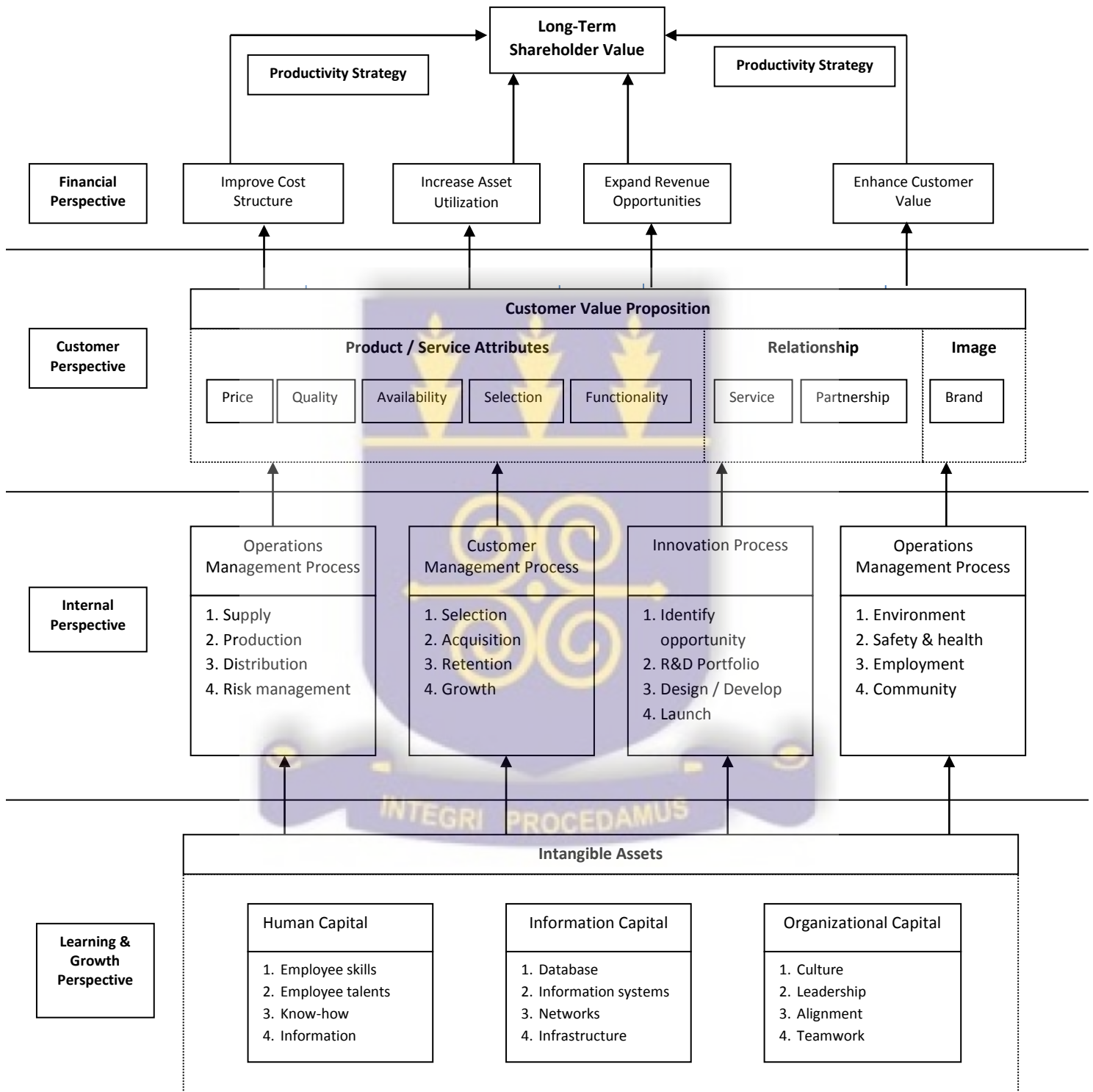
The foundation of any strategy is the innovation and learning perspective. Employee capabilities and skills, technology, and corporate climate are needed to support the strategy. These objectives enable the company to bring into line its human resources and information technology with the strategic needs from its critical internal business processes, differentiated value proposition, and customer relationships (Kaplan & Norton, 2001). Each of the four perspectives are individualised by the organisation around the vision and the mission, and objectives, measures and targets are established accordingly. The BSC can be used to accomplish four important management processes: (1) translating the vision: objectives and measures; (2) communicating and linking by bringing understanding to employees relating to critical objectives and how they will be measured; (3) business planning: helps organisation integrate plans by using objectives to set targets; and (4) feedback and learning: tests the viability of overall strategy. As such, the BSC

benefits shareholders, management and employees. Shareholders are provided with an improved understanding of the workings of the operation, and are able to realize that the business is more than just money orientated and that a greater focus can be placed on building a stronger operation rather than just financial performance. Management is provided with greater ability to communicate the vision, deal with change and growth, provide more relevant and structured information, create a workforce that has an interest in the strategic direction of the operation and is working toward the achieving the same mission and are better able to measure true performance. Employees have greater ownership of their position, a belief in the strategic direction of the operation through their input, a say in the development of their skills and an understanding of how their performance is measured.

### **2.3.5 Strategy Maps**

Another outstanding characteristic within the BSC is its ability to describe the causal relationships between strategic objectives. For example, a simple causal chain of strategic objectives would be; employees better trained in quality management tools reduce process cycle times and process defects, the improved processes lead to shorter customer lead times, improved on-time delivery, and fewer defects experienced by customers; the quality improvements experienced by customers lead to higher satisfaction, retention, and spending, which drives, ultimately, higher revenues and margins. All the objectives are linked in cause-and-effect relationships, starting with employees, continuing through processes and customers, and culminating in higher financial performance. The idea of causal linkages among Balanced Scorecard objectives and measures led to the creation of a strategy map. Figure 2.3 shows the current structure for a strategy map. Today, all BSC projects build a strategy map of strategic objectives first and only afterwards select metrics for each objective.

**FIGURE 2.3: GENERIC STRATEGY MAP FOR BANKS**



Source: Kaplan and Norton, 2001

### 2.3.6 Criticisms of BSC

The BSC has attracted relatively little criticism. Butler et al. (1997) considers Kaplan and Norton's model to be too general. They point out that it may not fit the organizational culture and jargon. They also feel that BSCs may ignore corporate missions; in situations where employees accept the company mission it may be better to build metrics on that mission instead of importing an unfamiliar concept from outside the company.

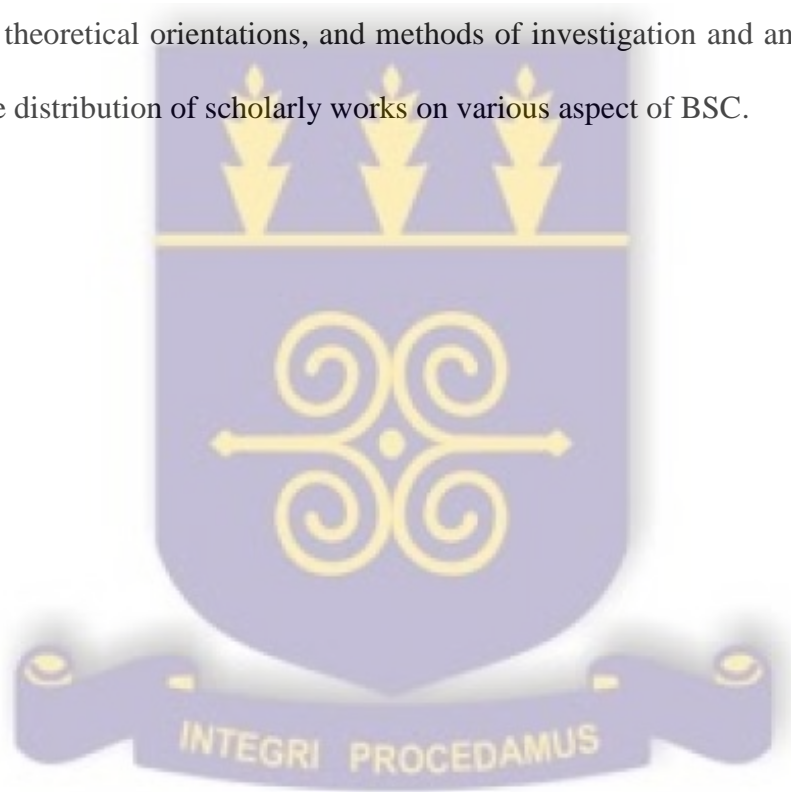
Laitinen (1996) in turn considers the selection of (four) basic dimensions and their interrelationships problematic. He claims that measures in practical applications appear to be only loosely connected to each other, being unable to provide any clue about which company-internal factors should be developed to achieve success in the market place and in financial terms.

Norreklit (2000) has similarly questioned the existence of a causal relationship between the four areas of measurement. Moreover, she questions the validity of BSCs to serve as a strategic management control tool. Epstein and Manzoni (1997) question the ability of companies to agree on a strategy in such clear terms that it would enable construction of a BSC. They also feel that maintaining such a system may prove laborious.

Vaivio (1995) in turn questions the idea that a handful of quantitative measures can portray the various facets of a company's strategy. In addition to such criticism, a few authors have questioned the novelty of the idea. For example, the French are known to have used a somewhat similar system called Tableaux de Bord for decades (Lebas, 1994; Epstein & Manzoni, 1998; Lynch & Cross, 1991). Moreover, the idea of linking measures to strategy is not unique to the BSC (McNair et al., 1990; Beischel & Smith, 1991; Grady, 1991).

## **2.4 EMPIRICAL REVIEW ON ADOPTION AND IMPLEMENTATION OF BALANCED SCORECARD**

Extant literature have shown the numerous research conducted in performance measurement systems especially balanced scorecard (BSC). Hoque, (2014) reviewed 114 articles published in 25 accounting journals and 67 articles in business and management journals over a 20-year period, which provides an overview of the balanced scorecard implementation and usage, research settings, theoretical orientations, and methods of investigation and analysis. The tables below indicate the distribution of scholarly works on various aspect of BSC.



**TABLE 2.1 Frequency Distribution of Articles on the Balanced Scorecard Published in Accounting Journals by Topics.**

Frequency distribution of articles on the balanced scorecard published in accounting journals by topics.						
Years	1992–1996	1997–2001	2002–2006	2007–2011	Total	Total %
Uses in decision making	0	3	10	14	27	23.60%
Adoption/implementation	0	3	7	14	24	21%
Diffusion of the balanced scorecard	0	3	9	11	23	20.10%
Balanced scorecard (general) <sup>a</sup>	0	3	6	4	13	11.40%
Organisational effectiveness	0	2	2	8	12	10.50%
Review and critical analysis	0	2	3	2	7	6.10%
Impacts on employee mental states	0	0	1	3	4	3.50%
Employee incentive plans	0	0	0	3	3	2.60%
Cause–effect relationships	0	0	0	1	1	0.80%
<b>Total</b>	<b>0</b>	<b>16</b>	<b>38</b>	<b>60</b>	<b>114</b>	<b>100%</b>

Source: Hoque, 2014

**TABLE 2.2 Frequency Distribution of Articles on the Balanced Scorecard Published in Accounting Journals by Research Settings.**

Frequency distribution of articles on the balanced scorecard published in accounting journals by research settings.						
Years	1992–1996	1997–2001	2002–2006	2007–2011	Total	Total %
Accounting firms	0	1	0	1	2	1.79%
Services private sector (banking, insurance, airlines, telecommunication)	0	0	8	6	14	12.20%
Government departments/agencies	0	0	6	7	13	11.40%
Manufacturing	0	2	3	7	12	10.50%
Marketing and retailing	0	1	5	5	11	9.60%
Publicly traded listed companies	0	1	3	7	11	9.60%
Local governments/municipalities	0	1	1	8	10	8.70%
Private hospitals/healthcare	0	1	0	5	6	5.20%
Not-for-profit/non-government organisations	0	2	0	0	2	1.70%
Nil/not stated	0	7	6	10	23	20.10%
Other <sup>a</sup>	0	0	6	4	10	8.70%
<b>Total</b>	<b>0</b>	<b>16</b>	<b>38</b>	<b>60</b>	<b>114</b>	<b>100%</b>

<sup>a</sup> Includes reviews, commentaries and articles offering practical insights.

Source: Hoque, 2014

**TABLE 2.3** Frequency Distribution of Articles on the Balanced Scorecard published in Business and Management Journals by Topics.

Years	1992–1996	1997–2001	2002–2006	2007–2011	Total	Total %
Balanced scorecard (general) <sup>a</sup>	11	7	11	6	35	52.20%
Adoption/implementation	0	2	5	6	13	19.40%
Organizational effectiveness	1	2	4	3	10	14.90%
Uses in decision making	0	1	2	5	8	11.90%
Impacts on employee mental states	0	0	1	0	1	1.50%
Causal relationships	0	0	0	0	0	0%
Diffusion of the balanced scorecard	0	0	0	0	0	0%
Employee incentive plans	0	0	0	0	0	0%
<b>Total</b>	<b>12</b>	<b>12</b>	<b>23</b>	<b>20</b>	<b>67</b>	<b>100%</b>

*Source: Hoque, 2014*

**TABLE 2.4** Frequency Distribution of Articles on the Balanced Scorecard Published in Business and Management Journals by Research Settings.

Frequency distribution of articles on the balanced scorecard published in business and management journals by research settings.						
Years	1992–1996	1997–2001	2002–2006	2007–2011	Total	Total %
Service private sector (banking, insurance, airline, telecommunications)	0	3	4	4	11	16.40%
Publicly traded listed companies	0	1	3	6	10	14.90%
Manufacturing	0	2	4	1	7	10.40%
Local governments/municipalities	0	1	1	1	3	4.50%
Accounting firms	0	0	1	0	1	1.50%
Marketing and retailing	0	0	0	0	0	0%
Private hospitals/healthcare	0	0	0	0	0	0%
Government departments/agencies	0	0	0	0	0	0%
Not-for-profit/non-government organizations	0	0	0	0	0	0%
Nil/not stated <sup>a</sup>	12	5	10	8	35	52.30%
<b>Total</b>	<b>12</b>	<b>12</b>	<b>23</b>	<b>20</b>	<b>67</b>	<b>100%</b>

<sup>a</sup> Includes mainly descriptive articles in HBR.

*Source: Hoque, 2014*

Though these distributions show an extant literature on BSC, only limited studies have concentrated on BSC adoption and implementation within developing economies. Just to mention a few, all the study carried out on BSC implementation has been situated in Europe with

the exception of Noorein and Kaplan (2002) which was situated in the United States. A chorus limitation sung by many research works include but not limited to, was how external institutions, such as funding agencies, government regulation, professional bodies, and socio-political contexts, could play a significant role in the adoption and implementation choice of the balanced scorecard in developing economies (Daniel, Myers, & Dixon, 2011; Kasperskaya, 2008; Modell, 2001, 2009). From this limitation (in the above studies), Hoque, (2014) deduced that, it is conceivable that organisations might adopt the balanced scorecard to gain legitimacy from their external constituencies without consideration of the efficiency or effectiveness of its adoption.

Shields and Shields (1998) suggest that future research should be informed by what has been learned from past research. What is the current state of knowledge in this aspect of balanced scorecard and which areas in terms of empirical, contextual and methodological remain unresolved?

In addition to the contextual gap espoused earlier, majority of research work on balanced scorecard on this thematic area has centered on surveys exploring BSC adoption at business unit level of the organisations (Kald & Nilsson, 2000). An exception is Speckbacher et al. (2003) and Kraus and Lind (2010), and Malmi (2001) whose work in turn explores the implementation of the corporate balanced scorecard (CBSC). Speckbacher et al. (2003) using samples of publicly traded firms in Germany, Austria and Switzerland found only 13% of companies were CBSC-adopters. Kraus and Lind (2010) similarly examined corporate balanced scorecard adoption in 15 Sweden multinational companies, of which 8 were found to have adopt. It was discovered that the scorecards were financially focused in all the companies which they attribute to simplicity, internal comparability and capital market pressures. A common limitation in both research works

was that they just researched the degree of adoption in their respective countries and not examining the reasons for adoption.

Malmi (2001) studied balanced scorecard adoption among 17 Finnish companies using semi-structured interviews. The study discovered several reasons for the adoption of BSC. Four different reasons that appear to influence adoption decisions are discussed below. First, some companies stated that BSCs translate strategy into action. Hence, it seems that companies have had some problems in tying strategy work and yearly operations together and that BSCs appear to be an appealing solution to this problem. Second, quality programs and especially various types of quality awards sought by organizations seem to encourage BSC adoptions in Finland. Most of the companies see balanced scorecard as a crucial part of quality award self-assessment, to be able to score high points. Third, some companies seem to have adopted BSCs to support some other change agendas. Furthermore, he mentioned that, when a company had undergone a process of merging two formerly separate companies, the management of the new entity required management structure and systems different from those that had prevailed in the once independent companies. Introduction of the BSC served as one of the cornerstones of the new, neutral system. Fourth, a surprisingly high number of interviewees mentioned motives which relate to managerial fads and fashions (Abrahamson, 1991, 1996; Malmi, 1999). Half of the companies said they obtained information about the BSC from consultants.

Noorein & Kaplan, (2002) used nine hospital managers to assess motives for adopting the balanced scorecard, perspectives involved, major challenges and barriers encountered, and benefits encountered in performance improvement. They unearthed the reasons for adoption as a proactive response to external forces, including financial pressure, competition, consumerism, industry consolidation, regulatory reporting, information management, and new technology.

Järvenpää (2008) in his work on environmental and performance management forces: Integrating “greenness” into balanced scorecard using both qualitative and longitudinal case study approaches discovered that the forces driving the implementation of the Environmental and Performance Management System which had the balanced scorecard integrated, changed from external to internal forces over time. The initial purpose of EMS implementation was to obtain an environmental certificate. Later on the forces turned to internal ones when the causal link between improving environmental performance and profitability was recognized. The PMS implementation, as well as the PMS and EMS integration, had internal forces driving them. Among the several internal reasons included the need to improve its information systems and internal reporting practices as the previous system left internal reporting conducted by multiple and fragmented information systems rendering decision makers bereft of relevant and reliable information. Secondly, they also required measures from perspectives other than the purely financial. Broadening the measurement perspective was thus another reason behind BSC implementation. Thirdly, the IT director thought that a BSC would enable the organisation to identify critical success factors, establish the measures for these factors and communicate the vision, values and strategy from directors to employees. This third factor reflects the general normative features of the BSC.

The question that stands unanswered is, what are the motivating factors in corporate and governmental agency adopting and implementing BSC in developing economies. Is it due to the alluded facts in literature or the rational speculations of previous research works?

## **2.5 THE EXTENT TO WHICH THE ADOPTED BSC ARE BALANCED**

Soderberg et al. (2011) suggested that, there are two unique sets of attributes of Kaplan and Norton's BSC: The first unique attribute relates to the structure of the scorecard, which highlights the design of the BSC which he describes as three structural elements. The second set of attributes relates to BSC use, and this describes how the scorecard is intended to be used to manage the organization. The paper describes two use elements. Firms that have a BSC containing each of the three structural elements and the two use elements are considered to have a fully developed BSC. The study, in assessing the extent to which the scorecards are balanced will make use of this structural attributes of the BSC as postulated by Kaplan and Norton's. Kaplan and Norton's BSC has three key structural features:

- Its measures are derived from strategy
- There is balance among measures
- The measures are causally linked

### **2.5.1 Measures Derived From Strategy**

The primary purpose of the BSC is to help implement strategy, Kaplan and Norton (1996) and as such the metrics adopted must measure those activities which lead to strategy implementation. This idea is consistent with Nanniet al.'s (1992) integrated performance measurement system wherein strategy drives the selection of measures. Similarly, McNair et al. (1990) strategic measurement system framework also emphasizes that the measures must have a strategic focus. Although not conclusive, the bank's whose performance measures are derived from its strategy, such performance measurement system may be called a Balanced Scorecard. Consequently, the direct relationship between strategy and performance measures is a minimum requirement for an organization's performance measurement system to be classified as a BSC organization.

Accordingly, Soderberg et al. (2011), ascribed organizations not meeting this criterion are non-BSC organizations. Since establishing a connection between strategy and the performance measures is a precursor for any subsequent variants of BSC implementation, we classify organizations with a BSC with this attribute as a Level 1 BSC organization.

### **2.5.2 Balance Among Measures**

The second element of “structure” is balance in terms of the number of perspectives of performance, and the number and type of measures in each perspective, (e.g. each perspective should have a similar number of indicators and there should be a balance between driver and outcome indicators, and financial and non-financial measures) (Kaplan & Norton, 1996). Kaplan and Norton (1996) introduced three additional perspectives of performance beyond the financial dimension:

- (1) Learning and growth;
- (2) Internal business processes; and
- (3) Customer.

Together, these four dimensions encourage organizations to clearly communicate the strategic objectives they want to achieve and how they plan to achieve them.

### **2.5.3 Measures Are Causally Linked**

The third element of structure pertains to the linkages between the different measures within each performance dimension as well as across the four performance dimensions. According to Kaplan and Norton (1996, 2001), measures should be linked together in a series of driver (leading indicators).

Although there is considerable research on the balanced scorecard, to the best of the researcher's knowledge only two studies have attempted to empirically study the extent to which an organization's BSC conforms to the specifications of the Kaplan and Norton construct.

Firstly, Stemsrudhagen (2004) surveyed 83 Norwegian organizations to explore the degree to which their performance measurement systems include the structural properties of Kaplan and Norton's BSC. The respondents were also asked to what extent each measure (35 measures provided in a list) was used to manage their organization. Stemsrudhagen (2004) reported that the performance measurement systems included many of the measures found in Balanced Scorecards, irrespective of whether the companies had implemented a BSC. While Stemsrudhagen's study garnished literature on BSC, one potential weakness of Stemsrudhagen's study is that it asked respondents themselves to classify whether their organizations had a BSC. This study overcomes this weakness by using a variety of survey questions to discern what level of BSC an organization is using.

The second study is Speckbacher et al.'s (2003) survey of German, Swiss and Austrian publicly-traded firms' usage of the Balanced Scorecard. Similarly to this study, they classify Balanced Scorecards into three different levels of implementation (Speckbacher et al., 2003):

Type I BSC: A specific multidimensional framework for strategic performance measurement that combines financial and nonfinancial measures.

Type II BSC: A Type I BSC that additionally describes strategy by using cause-and-effect relationships.

Type III BSC: A Type II BSC that also implements strategy by defining objectives, action plans, results and connecting incentives with BSC.

They found that 39 percent of the organizations surveyed had at least started to implement a BSC system. They also found almost all of the organizations in their study used three of the four Kaplan and Norton Balanced Scorecard perspectives – i.e. financial, customer and internal business.

## **2.6 USAGE OF BALANCED SCORECARD**

Kaplan and Norton (1996) state that the BSC should be the foundation for every organization's management system. They argue the BSC should be used as a device for gathering feedback on the firm's progress, enhancing organizational learning, communicating the firm's strategy, and motivating its employees. In order to achieve these goals, Kaplan and Norton (1996, 2001) propose that there are two use elements that a firm's BSC must possess: double-loop learning, and tie-in to compensation. Double-loop learning (Argyris, 1991) is at the heart of a dynamic process that updates the organization's strategy as its external environment changes. Double-loop learning, which is similar to Simons' (1995) interactive control lever, is the process of questioning the assumptions underlying the organization's strategy, as reflected in the linkages and measures of the BSC, when the organization's actual results differ from the expected results. If its performance is lower than expected, the organization's managers should consider if they should revise the organization's strategy and/or revise its scorecard.

The second proposed use of BCS according to Kaplan and Norton (1996) is tying compensation to the BSC. They believe it will increase employees' awareness of the activities they need to execute in order to implement the organization's strategy and enhances their motivation to undertake them effectively (Otley, 2003). Kaplan and Norton (1996) state that tying compensation to the BSC is an important implementation step as once compensation is tied to

achieving the BSC's objectives, the BSC is more likely to be the cornerstone of the performance management system.

Prior literature has identified a number of purposes for which firms use the BSC. First, from 17 case studies in Finish firms, Malmi (2001) found two different types of BSC usage. Some firms used the scorecard as a management by objectives system, where targets were used and rewards were based on achieving those targets. In contrast, other firms used the BSC as an information system to provide their managers with a tool to improve performance. Second, Speckbacher et al. (2003) developed a taxonomy of three different types of BSC usage that firms are going through sequentially. When firms develop a scorecard they often start with a strategic performance measurement system which includes a set of financial and non-financial measures. Afterwards, the cause and effect relationships between the different (sets of) measures are developed further to translate the firm strategy to operational activities. This is the type II BSC. Finally, the most sophisticated type of use is a fully-developed scorecard that implements a firm's strategy through communication, action plans, and incentives.

Of the 42 firms in the sample of Speckbacher et al. (2003) 21, 9 and 12 firms used the BSC in a type I, type II or type III fashion, respectively. Finally, Bedford et al. (2006) examined whether firms used cause and effect logic in the BSC, tied the system to incentives, and investigated whether the scorecard was used on multiple levels in a firm.

In a sample of 92 Australian firms, Bedford et al. (2006) found that 43.5% do not use cause and effect logic in the design of BSCs, 7.6% use it only among perspectives, 14.1% only among measures, and 34.8% between both measures and perspectives. 52% of the firms tied the BSC to incentives for higher level managers, whereas this was 41% for staff employees. They argued

that BSCs that are used at multiple levels are better able to create a common language in which the strategy developed at the top of the firm or business unit is operationalized in performance metrics.

### **2.6.1 Doll and Torkzadeh's Instrument for Management Information System Usage**

Doll and Torkzadeh (1998) developed a multidimensional instrument for measuring management information system usage. This instrument was developed in the context of fulfilling organizational functions. Therefore, the instrument evaluates how intensively an organisation uses the Management Information System to perform their organizational functions, but does not evaluate the value of the MIS system itself. Because the Balanced Scorecard is a management information system, the instrument seems, at face value, to be appropriate for measuring different purposes of Balanced Scorecard usage. Doll and Torkzadeh (1998) argued that the instrument included three dimensions. The first dimension is decision support, which includes two components: problem solving and decision rationalization. Problem solving refers to the extent that information is used to evaluate cause and effect relationships (Doll and Torkzadeh, 1998). Managers who use the MIS for decision rationalization aim to improve the decision-making process or justify the reasons for decisions (Doll & Torkzadeh, 1998). The second dimension is work integration, which includes two components: horizontal integration and vertical integration. Horizontal integration captures the extent to which the Management Information System is used “to coordinate activities with others in one’s work group” (Doll & Torkzadeh, 1998). Vertical integration captures the use of the MIS “to plan one’s own work, monitor performance, and communicate vertically to coordinate one’s work with superiors and subordinates” (Doll & Torkzadeh, 1998). The final dimension is customer service and refers to

the use of the MIS to provide better services to both internal and external customers. The instrument mainly captures decision-making purposes of BSC usage. Only the vertical integration dimension includes some aspects of decision control. Performance rewarding plays only a minor role in this vertical integration dimension. Therefore, the instrument is biased against finding control purposes in general and performance rewarding purposes in particular. Furthermore, the horizontal integration dimension only partly addresses whether the managers use the scorecard to communicate the firm's strategy to their subordinates.

Hence, the above instrument was only used to assess the various dimensions of all potential of BSC usage. This instrument has been used in similar research in assessing the dimensions of usage of BSC Wiersma (2009).

## **2.7 THE GHANAIAN BANKING INDUSTRY (CONTEXTUAL FRAMEWORK)**

Ghana, a country situated in the coast of Sub Saharan Africa and member Economic Community West Africa States (ECOWAS) with a population of about 24.2 million, a real GDP growth rate of 4% as at 2014, an inflation rate of 17.1% as at June, 2015, GDP per capita of \$1.442 and a lower middle income (World Bank, 2014). Ghana has a stable currency over the years, fledgling democracy and one of the fastest growing economies in the West African sub-region. Moreover, Ghana is the second most prolific cocoa producer in the world and has substantial deposits of minerals such as gold and diamond. More importantly, Ghana has also started production of oil in commercial quantities in the last quarter of 2010 (Gottschalk al., 2010). A major financial boom is expected from the oil industry and the banking sector is expected to play a major role in the economic development of the country.

The banking industry in Ghana has seen many years of financial reforms sponsored by the World Bank and the International Monetary Fund. As a result, the country currently has a vibrant banking sector made up of 26 banks (12 foreign and 14 local banks) and 768 bank branches (Banking Survey, 2013). Local banks are defined as banks which are wholly owned by Ghanaians or with Ghanaians as the majority shareholders while foreign banks are either wholly owned by foreigners or foreigners own majority of the equity. Some of the notable foreign banks include Standard Chartered Bank, Barclays Bank (the UK), SG-SSB Bank (France), Stanbic Bank (South Africa), Zenith Bank, United Bank for Africa, (Nigeria) and Ecobank Ghana Limited, a Pan African Bank among others. Local banks include Ghana Commercial Bank, Agricultural Development Bank and National Investment Bank which are owned wholly or substantially by the state and the purely private local banks such as Prudential Bank, UniBank and UT Bank just to mention a few. In addition, there are also a number of financial service institutions such as insurance companies, investment houses, rural banks, the stock exchange, cooperative credit unions, savings and loans institutions, mutual funds, and other microfinance institutions that are spread all over the financial market in the country.

To ensure stability in the banking environment, the Central Bank of Ghana introduced a lot of reforms in the recent past. For instance, in 2006, the Central Bank deregulated the banking system by abolishing its three tiered structure of commercial, development and merchant banks in favour of a universal banking license that allows banks to operate in all sectors of the economy, depending on their risk appetite. The Bank of Ghana also raised the minimum capital requirement to \$60 million to be fulfilled by all banks by the end of 2012. The result has witnessed keen competition among the banks with most of the new entrants especially from Nigeria adopting technology and aggressive marketing strategies to deliver high customer value.

As a result, the top two banks namely Ghana Commercial Bank and Barclays Bank which have existed for over fifty years, have each seen a tremendous drop in market share from, 12.8 percent to 10 percent and 9.3 percent to 6.6 percent respectively between 2011 to 2013 (Banking Survey, 2014).

These developments therefore make the Ghanaian banking industry appropriate for investigation of the reasons behind the adoption of balanced scorecard as a performance and strategic tool in the industry.

## **2.7 Theoretical Review**

Several studies have made use of theories in explaining management accounting system adoption in commercial and public institutions (Abrahamson, 1991; Bjørnenak, 1997; Malmi, 1999). The scientific literature contains prominently two theories that are engaged in explaining the motivations for management accounting system adoption: diffusion theory and institutional theory (IT). The principal objective of the study is to explore the adoption and implementation of balanced scorecard in the Ghanaian banking industry; for this reason the researcher was confronted with the choice between Diffusion theory and Institutional theory or both. This chapter explores the extant theoretical and empirical literature surrounding these theories on management accounting system implementation.

### **2.7.1 Diffusion Theory**

Diffusion is the dispersion of an idea all over a populace. For diffusion to take place, Rogers (1995) maintains that there must exist an idea or innovation to be diffused. Secondly, there must exist a population of potential adopters for the innovation. Finally, there must be communication

flows between the innovation's developers and potential adopters. Diffusion is said to occur when an innovative technique has been adopted by an organisation. Diffusion is not an automatic consequence of innovation and its ease of progress is subject to favourable factors existing within its environment. Adoption, for example, is contingent upon the degree of benefit the innovation will bring to the organisation; the consistency of the innovation with the adopters' existing values; the complexity of the innovation; the potential of the idea for being implemented on a trial basis, and the ease of observing the resulting benefits (Rogers, 1995).

Bjørnenak (1997) and Malmi (1999) used diffusion theory to empirically explore management accounting adoption when considering the diffusion of activity-based costing (ABC) in Norway and Finland, respectively.

Within the diffusion process, there are various stages that occur (Hagerstrand, 1967). Firstly, there is innovation where the new process is adopted by a relatively few "leaders." The second stage is the diffusion stage and this is where the number of adopters increases most dramatically. There then follows a shrinking stage where the rate of adoption slows and finally the saturation stage as the diffusion process comes to an end. The greatest rate of adoption is within the diffusion stage and Bjørnenak (1997) suggests that this may be due to a bandwagon effect. Malmi (1999) goes further and suggests, using a framework developed by Abrahamson (1991), that there are four alternative explanations for adoption of innovative techniques:

(1) Efficient-choice suggests that changes are based on rational economic motivations and consistent with expectations from both economic theory and the perceived superiority and appropriateness of the new techniques. This would also be consistent with the competitive isomorphism from institutional theory.

(2) Forced-selection is where a power, such as government or a parent company, can enforce adoption upon an organisation. In the language of institutional theory, this would be a regulative and coercive process of institutionalization (Scott, 1995).

(3) The fashion perspective is where a practice is adopted from “fashion-setting organizations” (Abrahamson, 1991, 1996). Featherstone (1991, 1995) shows how consultants act as such organisations by the role they play in the production, codification and diffusion of symbolic capital (Bourdieu, 1984). Nava (1997) identifies this fashion perspective as using emblems of status and individuality.

(4) The fad perspective relates to when an organization adopts a practice by copying other organizations that have earlier adopted the practice. According to Burrell (1992) this is different from a fashion perspective in that it is concerned more with the pursuit of novelty rather than with symbolic capital. This would clearly be a case of mimetic isomorphism and is often a defensive measure. This is to say that it is borne out of a fear that legitimacy or competitive advantage will be lost (Meyer & Rowan, 1977; Abrahamson & Rosenkopf, 1993).

### **2.7.2 Institutional Theory**

Institutional theory explores the impact of rules, social norms and rationalised concepts on formal organisational structures, practices and procedures and has become prominent in the field of management over the past two decade (Meyer & Rowan, 1977; Scott, 2008). In this context, scholars have argued that organisations are formed and run according to commonly accepted norms and concepts to gain social legitimacy, which inevitably leads to isomorphism (DiMaggio & Powell, 1983). The tenets of institutional isomorphism have

been studied in the context of general management (Dacin, 1997) and in related areas such as business ethics and corporate governance (Davis & Greve, 1997; Long & Driscoll, 2008), human resources (HR) (Brewster, Wood, & Brookes, 2008), and marketing (Brouthers, O'Donnell, & Hadjimarcou, 2005).

DiMaggio and Powell (1983) identify three isomorphic mechanisms as the main drivers of convergence in economic and organisational contexts: coercive, mimetic and normative isomorphism.

Coercive isomorphism emerges from enforced social norms and formal pressure that are exercised, for example, by governmental institutions and powerful international organisations (DiMaggio & Powell, 1983; Scott, 2008). Studies from various fields of management have demonstrated that coercive isomorphism may force companies to adopt internationalisation strategies (Cheng & Yu, 2008), introduce particular quality standards (Guler et al., 2002) or implement information systems (Liang, Saraf, Hu, & Xue, 2007). The literature suggests that firms are exposed to coercive pressures when they depend on particular scarce resources such as capital, customers and suppliers; the same can be true of subsidiaries and their parent companies (Mizuchi & Fein, 1999; Palmer, Jennings, & Zhou, 1993). Other research has analysed coercive isomorphism in the field of financial accounting. In this context, the International Financial Reporting Standards (IFRS) constitute the most obvious and significant coercive influence encouraging convergence (Rodrigues & Craig, 2007).

Mimetic isomorphism occurs when firms imitate the practices, processes or structures employed by successful and acknowledged organisations to counteract uncertainty or

respond to socially constructed expectations (Brown, 2011; Haveman, 1993). When managers face uncertainty or ambiguous goals, they tend to assume that their peers and particularly the leading competitors have already developed appropriate solutions (Benders et al., 2006). Thus, mimetic isomorphism often occurs through the imitation of “best practices” (Haveman, 1993; Mizruchi & Fein, 1999), which are disseminated by a relatively small set of major consulting firms (Abrahamson, 1996; DiMaggio & Powell, 1983). Elnathan, Lin, and Young (1996), discovered that companies frequently benchmark themselves against their competitors and imitate practices that are considered to be successful and legitimate. Benchmarking activities thus represent an important driver of mimetic isomorphism.

Normative isomorphism results from business professionalisation and the creation of standards in social networks (Galaskiewicz, 1985). DiMaggio and Powell (1983) define professionalisation as “the collective struggle of members of an occupation to define the conditions and methods of their work” (p. 152). Universities and professional training institutions are important drivers of normative isomorphism. By developing and promoting shared values and common ideas, these institutions strengthen the formation of social expectations regarding appropriate practices and characteristics (DiMaggio & Powell, 1983; Mizruchi & Fein, 1999). Seeking legitimacy, firms tend to employ accredited or certified professionals (e.g., certified management accountants or certified public accountants) who received their post-secondary education at renowned universities and share similar values and opinions (DiMaggio & Powell, 1983; Greenwood, Suddaby, & Hinings, 2002; Williamson & Cable, 2003). Normative isomorphism has been analysed in various fields of business administration (e.g., Galaskiewicz, 1985; Point & Tyson, 2006; Sanders &

Tuschke, 2007; Young, Charns, & Shortell, 2001). Young et al. (2001) show that in public hospitals, the implementation of innovative business practices such as total quality management (TQM) is positively related to the directors' possessing graduate degrees.

These two theoretical strands (diffusion and institutional theories) supplement one another more than they challenge each other, as seen in the above review. Bjørnenak (1997) and Malmi (1999,2001) made use of these two theories in their respective study on management accounting adoption when considering the diffusion of activity-based costing (ABC) in Norway and Finland. Moreover, these two theoretical strands (diffusion and institutional theories) suggest the same idea but in different words. The researcher will therefore make use of the two theories in explaining the motivations behind balanced scorecard adoption in Ghana.

## **2.8 CHAPTER SUMMARY**

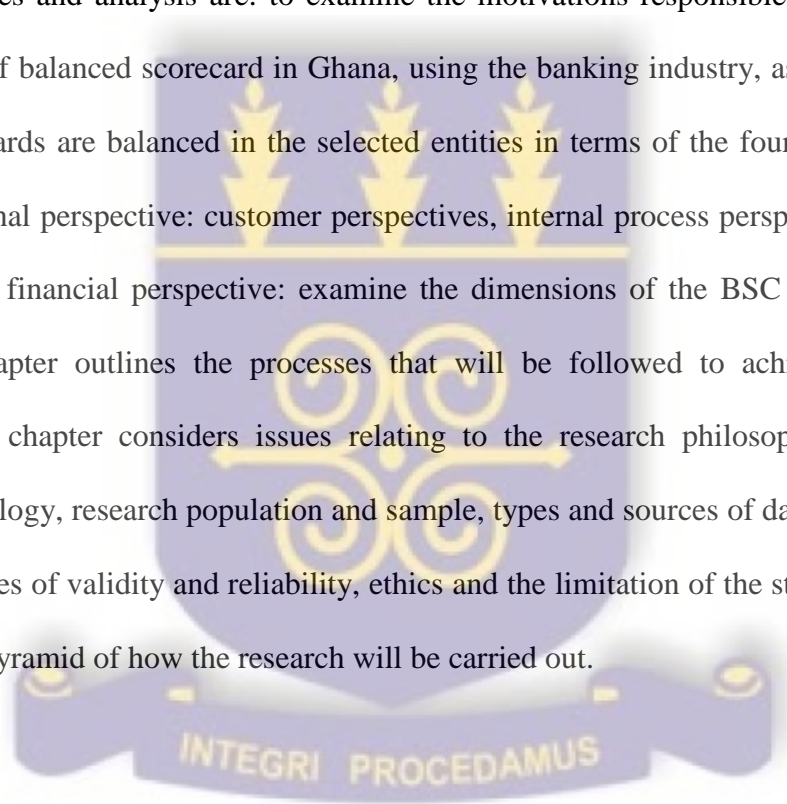
Arguably the interest in balanced scorecard approaches to managing a business has now achieved a sustained increased all over the world not just as a North American system but a global performance measurement system as we have entered a more thoughtful and socially responsible era of doing business with different concerns to the maximization of shareholder value. This therefore provides an ideal opportunity to study the phenomenon – the study of which can help us to understand the motivations for adoption and implementation, the balance within the adopted scorecard and the dimensions of usage of the balanced scorecard.

## CHAPTER THREE

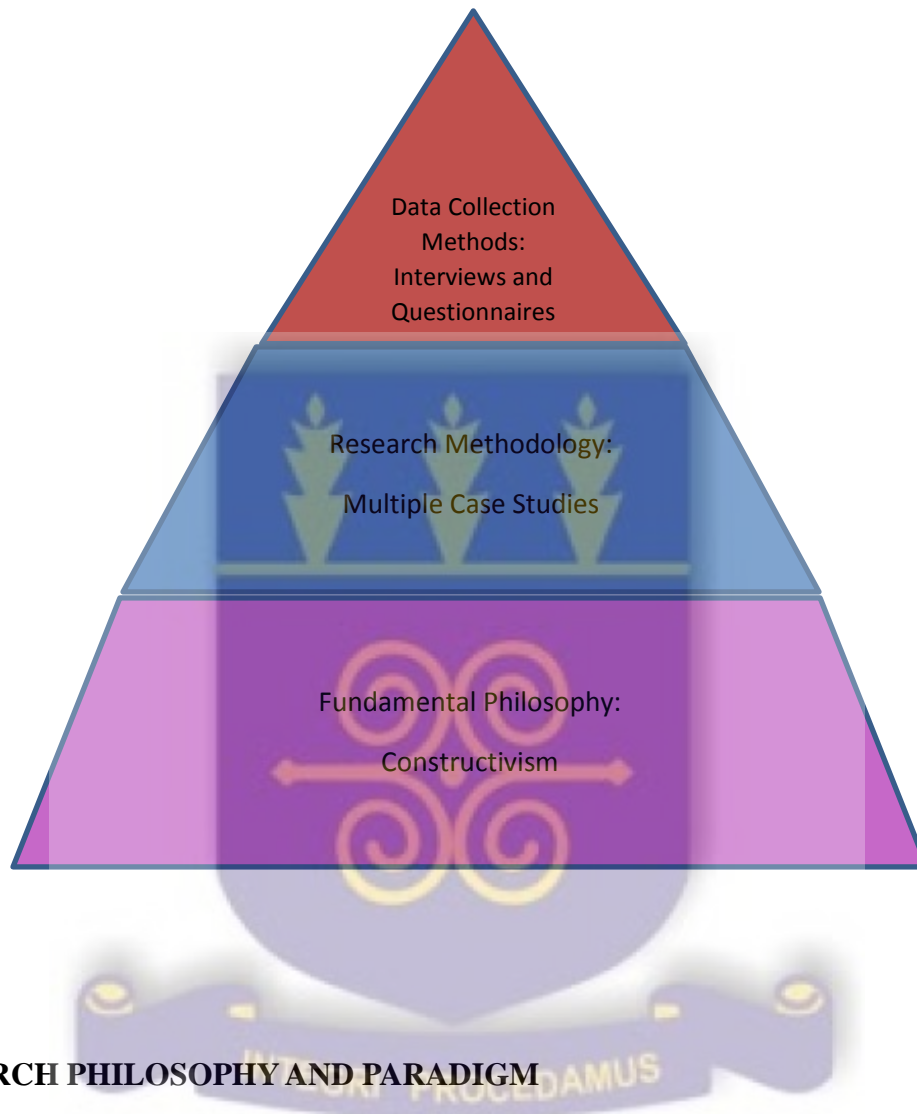
### METHODOLOGY

#### 3.1 INTRODUCTION

The research objectives this study seeks to achieve through empirical data, relevant literature references, theories and analysis are: to examine the motivations responsible for the corporate implementation of balanced scorecard in Ghana, using the banking industry, assess the extent to which the scorecards are balanced in the selected entities in terms of the four perspectives and any other additional perspective: customer perspectives, internal process perspective, innovation and learning and financial perspective: examine the dimensions of the BSC usage to selected entities. This chapter outlines the processes that will be followed to achieve the research objectives. The chapter considers issues relating to the research philosophical framework, research methodology, research population and sample, types and sources of data, data collection and analysis, issues of validity and reliability, ethics and the limitation of the study. Below is the methodological pyramid of how the research will be carried out.



**FIGURE 3.1: PHILOSOPHICAL FRAMEWORK**



### **3.2 RESEARCH PHILOSOPHY AND PARADIGM**

Quilan et al (2011) asserted that, there are several philosophical frameworks that underpin research works and each of these represents a particular framework for viewing the social world as well as particular ontological and epistemological standpoints. The three main philosophical frameworks are the positivism, constructivism and interpretivism. Positivism holds the view that there is one objective reality and that reality is singular and separate from consciousness. Constructivism holds the view that social phenomenon develops in social contexts and that

individuals and groups create in part their own realities. Interpretivism holds that knowledge is a matter of interpretation. All other philosophical frameworks are embedded in one or other of the three epistemological positions.

This study will be grounded on constructivism philosophical framework as seen in figure 3.1 above. As alluded to earlier, constructivists claim that truth is relative and that it is dependent on one's perspective. This paradigm recognizes the importance of the subjective human creation of meaning, but doesn't reject outright some notion of objectivity. Constructivism is built upon the premise of a social construction of reality (Searle, 1995). One of the advantages of this approach is the close collaboration between the researcher and the participant, while enabling participants to tell their stories (Crabtree & Miller, 1999). Through these stories the participants are able to describe their views of reality and this enables the researcher to better understand the participants' actions (Lather, 1992; Robottom & Hart, 1993). This approach is chosen above the others as it will help to develop a better understanding of the enduring factors responsible for BSC implementation (Kasurinen, 2002). Moreover, since most of the above objectives in the research are difficult to define objectively; this approach will provide a fruitful method for studying the above objectives.

### **3.3 RESEARCH DESIGN AND STRATEGY**

Following from above, this research study will be developed using a multiple case study methodology. Quilan et al (2011) asserted that, case study research calls for in-depth study of the phenomenon under investigation. The phenomenon under investigation can be an issue, or a number of issues, an organization or a number of organisations, an individual, or a number of

individuals, an event or incident, or a number of incidences. Yin (2009), states that a case study can be an event, an entity, an individual or even a unit of analysis; as he asserted it is an empirical enquiry that probes contemporary phenomenon within its real life context using multiple sources of evidence. According to Yin (2003) a case study design should be considered when: you cannot manipulate the behaviour of those involved in the study; you want to cover contextual conditions because you believe they are relevant to the phenomenon under study.

The phenomenon under investigation is the implementation of balanced scorecard at corporate level in Ghana of some selected companies. A case study approach to this research is appropriate as the research calls for an in-depth study of the enduring drivers of adoption, assessed the extent to which the scorecards are balanced in the selected entities in terms of the four perspectives and any other additional perspective: customer perspectives, internal process perspective, innovation and learning and financial perspective: examined the dimensions of the BSC usage to selected entities of this performance measurement system. Furthermore, the intentions of the actors have a crucial role in explaining these actions (Pihlanto, 1994). In contrast to survey research formats, the case study allows for more meaningful follow-up questions to be asked and answered and can result in more extensive findings and insights that are valid, generalizable and rigorous (Meredith, 1998).

The case study method also offers many benefits such as the ability to directly observe causality and combine evidence and logic to build, develop or support theory that is not available using other research methods (Maffei & Meredith, 1995). The researcher by using a case study approach conveys that he is not going to test a hypothesis or try to make any statistical generalizations. Therefore, the results of the study can be generalized as rather more contextual than statistical as done in previous research (Ahrens & Chapman, 2006; Ahrens & Dent, 1998;

Enquist et al., 2006; Vaivio, 2008; Woodside & Wilson, 2003). According to Modell's (2005), Vaivio (2008) and Woodside & Wilson (2003) classification, the result of this study can be used for generating a hypothesis which can be tested by a survey later.

Yin (2003) and Stake (1995) use different terms to describe a variety of case studies. Yin categorizes case studies as explanatory, exploratory, or descriptive. He also differentiates between single, holistic case studies and multiple-case studies. Stake identifies case studies as intrinsic, instrumental, or collective. The selection of a specific type of case study design will be guided by the overall study purpose. Yin (2003) asserted that, a multiple case study enables the researcher to explore differences within and between cases. The goal is to replicate findings across cases. He further explained that comparisons will be drawn, it is imperative that the cases are chosen carefully so that the researcher can predict similar results across cases, or predict contrasting results based on a theory.

Yin (2003) describes how multiple case studies can be used to either, predicts similar results (a literal replication) or predict contrasting results. That is they can be used for predictable reasons (a theoretical replication). Overall, the evidence created from this type of study is considered robust and reliable, though it can also be extremely time consuming and expensive to conduct.

This variety of case study was selected due to the population structure of the study which is described in the next section.

### **3.4 POPULATION OF CASES**

Population of a study refers to every person who, or every entity which, could be included in the research or the name for the large general group of many cases from which a researcher draws a sample and which is usually stated in theoretical terms. The study population of the research will be made up of all the registered universal banks in Ghana. The banking industry was selected because my prior investigations revealed that most banks in Ghana have adopted the balanced scorecard (where balanced scorecard is financial and non-financial measures) making the industry suitable for the research. Although restricting the sample to a single industry limits my ability to generalize the results, there is a strong believe that a single industry analysis has substantially higher internal validity than a multi-industry analysis. Neumann (2007) defined internal validity as the ability of experimenters to strengthen a causal explanation's logical rigor by eliminating potential alternative explanations for an association between the treatment and the dependent variable through experimental design. An important advantage of this choice is that it will enable me to implicitly control for the myriad of confounding variables that can substantively impact any results from a multi-industry, cross-sectional study. The overview of the study population is attached to the appendix.

### **3.5 SELECTION AND JUSTIFICATION OF CASES**

Sampling according to Neumann (2007) is the method which describes how respondents should be chosen. There are two types of sampling in research: probability sampling and non-probability sampling. Qualitative researchers rarely draw a representative sample from a huge number of cases to intensively study the sample cases whereas that is the goal of quantitative research. This

research has a mix of both qualitative and quantitative orientations, and will make use probability sampling. Probability sampling is a sampling method in which each case, individual or element has an equal probability of being selected.

A sample was drawn from the population for the case study using stratified sampling approach. This type of sampling requires that the researcher first divides the population into sub populations (strata) on the basis of supplementary information. After dividing the population into strata the researcher draws at random a sample from each subpopulation. This method will ensure that the samples are more representative of the population as compared to simple or random sampling. The banks are divided into four quarters as provided by PricewaterhouseCoopers (Ghana) through their Banking Surveys annually on the basis of their total operating assets. Total operating assets of a bank comprises of non-operating assets and operating assets, and represents the asset base of the bank. Non-operating assets comprises net book value of fixed assets (e.g. landed property, information technology infrastructure, furniture and equipment, vehicles) and other assets, including prepayments, sundry debtors and accounts receivable. The operating assets include cash and liquid assets, loans and advances, and any other asset that directly generates interest or fee income. This division will ensure that the sample is not skewed towards any of the big or small performing banks. The researcher therefore conveniently chose four banks, each from the four quarters, specifically Stanbic Bank (Ghana) Limited, Cal Bank Limited, First Atlantic Bank Limited, and Prudential Bank Limited respectively. The banks that were selected were based on their willingness to allow their companies to help in the data gathering.

**Total Operating Assets**

(Thousands of Ghana Cedis)

Name of Bank	2014	2013	Change	
Ecobank Ghana Limited	3,199,047	2,031,906	1,167,141	1st Quartile Banks
Ghana Commercial Bank Limited	2,832,573	2,361,404	471,169	2nd Quartile Banks
Standard Chartered Bank Ghana Limited	2,245,992	1,921,987	324,005	3rd Quartile Banks
Barclays Bank of Ghana Limited	1,889,110	1,803,485	85,625	4th Quartile Banks
Stanbic Bank Ghana Limited	1,679,398	1,117,486	561,912	
Agricultural Development Bank Limited	1,352,162	1,111,326	240,836	
Fidelity Bank Limited	1,277,192	1,001,270	275,922	
CAL Bank Limited	1,108,618	747,294	361,324	
SG-SSB Bank Limited	1,006,112	758,309	247,803	
Zenith Bank (Ghana) Limited	923,309	681,409	241,900	
UT Bank Limited	893,362	600,183	293,179	
National Investment Bank Limited	836,798	767,514	69,284	
UniBank (Ghana) Limited	817,515	504,995	312,520	
Access Bank (Ghana) Limited	741,058	263,384	477,674	
United Bank for Africa (Ghana) Limited	692,926	560,422	132,504	
Guaranty Trust Bank (Ghana) Limited	651,074	413,104	237,970	
Prudential Bank Limited	641,732	517,904	123,828	
HFC Bank (Ghana) Limited	561,174	407,250	153,924	
Bank of Africa	535,070	367,363	167,707	
First Atlantic Bank Limited	244,114	168,678	75,436	
Energy Bank (Ghana) Limited	217,077	193,907	23,170	
Sahel -Sahara Bank Limited	166,821	87,900	78,921	
Bank of Baroda Limited	114,925	91,313	23,612	

**Source: PwC Banking Survey, 2014**

Three participants or respondents were selected from each of the banks making a total of twelve respondents. A judgmental sampling method was used in selecting participants for the research. Using a judgmental or purposive sampling technique, the researcher decides or makes a judgment, about who to include in the research. The criterion for inclusion in the research lies in the capacity of the participant to inform the research. The participants chosen by the researcher to be included must have a contribution to make to the research in terms of the focus of the research. In this study, the focus of the study is the implementation of balanced scorecard adoption at corporate level in the banking industry of Ghana. The people that were chosen to participate in the study were key informants on this topic that is financial controllers, human resource managers, and chief operations manager.

### **3.6 OVERVIEW OF SELECTED CASES**

The banks involved in the study vary in size in terms of its total operating assets, geographical coverage and period of establishment. Brief profiles of each of the selected banks are discussed below.

#### **3.6.1 Stanbic Bank**

On November 2 1992 Standard Bank Investment Corporation (SBIC) acquired operations of ANZ Grindlays Bank (African arm of ANZ Grindlays Industrial Holdings [ANZ Holdings] a company registered in the UK). The acquisition included ANZ Grindlays' non-controlling interests in banks in Nigeria (40%) and Ghana (30%). In 1993, SBIC changed the names of those banks acquired from ANZ Grindlays a year earlier, to Stanbic Bank with effect from 1 July 1993, Merchant Bank Ghana remained unchanged. SBIC Africa Holdings Ltd disposed of its 30%

shareholding in the Merchant Bank (Ghana) Ltd (MBG) from 31 May 1999. MBG, therefore, ceased to be an associate company of the Standard Bank Group and was to be treated like any other bank. Stanbic Bank applied to the Ghanaian authorities for permission to establish a new bank under their umbrella, called Stanbic Bank Ghana Ltd, which will offer full commercial and merchant banking services. Stanbic Bank Ghana Ltd opened for business in December 1999. Currently the bank has a total operating asset of ₵ 1,679,398,000, with twenty six (26) branches nationwide and within the first quartile of the banks in Ghana.

### **3.6.2 Cal Bank**

Currently the most innovative indigenous Ghanaian Bank in Ghana, CAL Bank formerly Continental Acceptances Ltd and CAL Merchant Bank commenced operations in July 1990, providing world class financial solutions to the Ghanaian banking sector. CAL Bank received its Universal Banking License in 2004 and soon commenced providing specialized retail banking services.

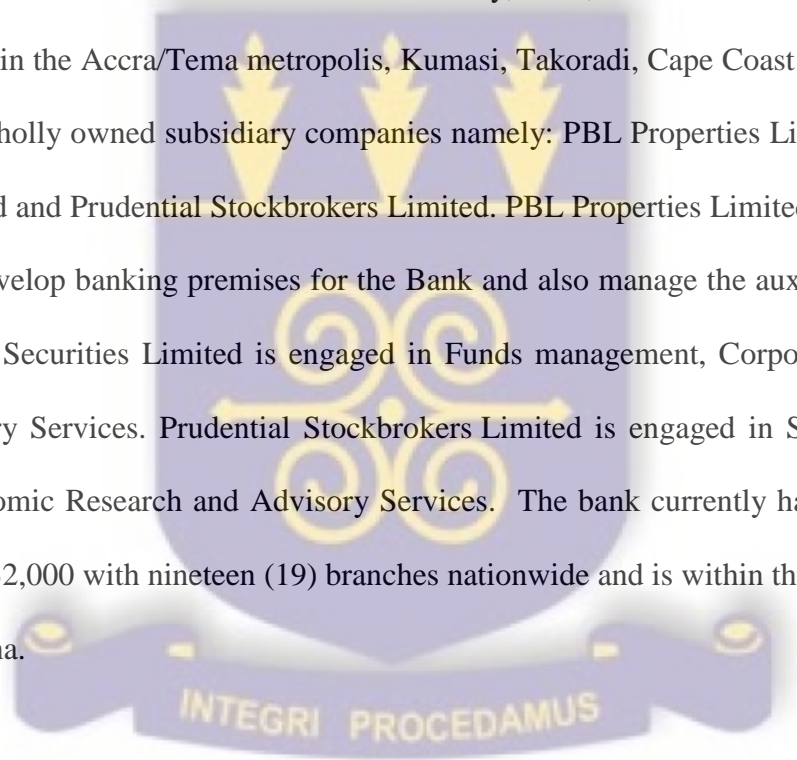
With its highly skilled professional staff who emphasizes the delivery of efficient and excellent customer services, CAL Bank Limited continues to provide a broad range of banking and financial solutions to large corporations, small and medium-sized enterprises, public sector institutions and retail customers through a network of 22 branches and over 100 ATMs across Ghana.

We aspire to be a financial services institution of preference through delivery of quality service, using innovative technology and skilled personnel to achieve sustainable growth and enhanced stakeholder value. The Bank's vision is to be a leading financial services group creating sustainable value for our stakeholders.

The bank currently has total operating assets of ₵ 1,108,618 with eighteen (18) branches nationwide and within the second quartile of the banks in Ghana.

### **3.6.3 Prudential Bank Limited**

Prudential Bank Limited (PBL) was incorporated as a private limited liability company in 1993 under the Companies Code Act 179. The Bank opened its doors for business on 15th August, 1996 with its first Branch in Accra. As at the end of May, 2012, the Bank had 19 Branches and 2 Agencies located in the Accra/Tema metropolis, Kumasi, Takoradi, Cape Coast and Tamale. The Bank has three wholly owned subsidiary companies namely: PBL Properties Limited, Prudential Securities Limited and Prudential Stockbrokers Limited. PBL Properties Limited was established to acquire and develop banking premises for the Bank and also manage the auxiliary staff of the Bank. Prudential Securities Limited is engaged in Funds management, Corporate Finance and Business Advisory Services. Prudential Stockbrokers Limited is engaged in Stock brokerages, Equity and Economic Research and Advisory Services. The bank currently has total operating assets of ₵ 647,732,000 with nineteen (19) branches nationwide and is within the third quartile of the banks in Ghana.



### **3.6.4 First Atlantic Bank Limited**

First Atlantic Bank was incorporated in August 1994 under the laws of the Republic of Ghana and commenced operations as a merchant bank in November 1995 with its headquarters in Accra, Ghana. Following restructuring and changes in ownership structure in 2011, First Atlantic Bank now offers full scale commercial and retail banking suite of services tailored to meet the increasingly sophisticated needs of all their clients. The bank's vision is to be in the top tier of

banking services provision and recognized for leadership in their chosen market segments and superior value proposition that adds value to the business of their customers. Its mission is to provide appropriate financial services, packaged to the satisfaction of their customers by a well-motivated professional staff to ensure sustainable growth in shareholders' value. The main core values include: *Customer driven, Astute, Relentless and Empathetic*. Some of the products offered include inward remittance, outward remittance, foreign cheques/ draft, AMEX cards and cheque, safe custody, current account, saving account, loans and advances, overdraft, credit bills for collection, credit bill negotiated, documentary credit, guarantees/ bonds, call deposit, fixed deposit, Atlantic cash saver, wealth management, mobile banking, E-zwich card, phone banking etc.

The Bank's business is facilitated through its eight (8) branches located in the southern and northern sector of the economy.

### **3.7 SOURCES OF DATA AND DATA COLLECTION INSTRUMENTS**

This research project, as stated above, will involve a multi-method approach (Creswell, (2003): Denscombe, (2003). The research will draw on two different kinds of documentary evidence that is survey data and interview data. Taken together, these data will provide the research project with the in-depth and triangulated perspective necessary in case study research. First, the research objectives, for which the study seeks to answer, include, to examine the motivations responsible for the corporate adoption of balanced scorecard in Ghana, using the banking industry: assess the extent to which the scorecards are balanced in the selected entities in terms of the four perspectives and any other additional perspective: customer perspectives, internal

process perspective, innovation and learning and financial perspective: examine the dimensions of the BSC usage to selected entities. The researcher interviewed different managers to achieve a better understanding of the phenomena. The interviewees' responsibilities varied from finance, to human resource through to bank operations area management. The researcher and two research assistants participated in all the interviews. The interviews were recorded on tape and transcribed onto paper. We usually spent from forty five minutes to one hour in the bank and the duration of interviews varied from 30 to 45 minutes. All the interviews were conducted at the bank's headquarters, and in the interviewees' chosen language. Therefore, all the quotations in the study are direct English, and consequently, different shades of meaning that may emerge due to transcribing and interpretation may be insignificant.

In the next phase of data gathering for the case study, each of the three participants from the various cases in the research was made to fill a questionnaire. The questionnaire instrument was designed to solicit respondents' views on the reality, structure, usefulness, components and understanding of their organization's performance measurement system (the balanced scorecard). There were a number of sub-questions through which the nature of applications was studied. We first focus on the content of scorecards, including perspectives on the use, and an assessment of whether the assumed cause-and-effect relationships are reflected in the scorecards (Laitinen, 1996; Norrekilt, 2000). The key questions addressed are the following: Are targets set for measures? Are managers rewarded on the basis of scorecard measures? The researcher addressed the perceived usefulness of the BSC through the use of Doll and Torkzadeh's instrument for management information system usage.

The questionnaire was made of only one set of questionnaire designed for corporate managers of the selected banks. The questionnaire was made of predominantly close ended questions, and

was seeking to establish the structure and contents of their balanced scorecard and how useful is the scorecards to the banks selected. Section one of the questionnaires was to solicit for information on the characteristics of target respondents and other demographic features such as years spent in the company, and positions.

The researcher intended to use written questionnaires as supplementary data collection to collect data from customers because it is relatively less expensive in terms of time spent in collecting data; it can be distributed to large number of respondents simultaneously in a large geographical area at a relatively low cost and questions in written questionnaires are often standardized and are therefore not susceptible to changes in emphasis as in the case of verbal interviews. And also based on literature available, it was realized that most authors (Morgan 1996; Wang, 2006), have used this method to study large samples. The possibility of written questionnaires testing will be misunderstood and interpreted differently by different people was checked by pre- of questionnaires to evaluate respondents understanding of the questions. A copy of the questionnaire and a copy of the interview schedule will be placed in the appendices of this thesis.

### **3.8 TRIANGULATION**

As stated above, the study involves multiple sources of data (Yin, 2008). The researcher utilized several modes of triangulation to increase the trustworthiness of the study (Vaivio, 2008; Woodside & Wilson, 2003; Lee & Humphrey, 2006). First, we utilized several different types of data, i.e. survey data and interviews on the implementation of balanced scorecard at corporate level in the Ghanaian banking industry. Altogether, the research was drawn on two different kinds of documentary evidence, survey data and interview data. Taken together, these data will

provide the research project with the in-depth and triangulated perspective necessary in case study research.

Second, my interviewees were from different backgrounds. Third, both the researcher and his assistants participated in all interviews, which enabled researcher triangulation. Fourth, we allowed as much time for interviewing and observing in the case company as was possible.

### **3.9 ISSUES OF VALIDITY AND RELIABILITY**

The issue of validity is perhaps the key issue in research. A measurement of the validity of the research is the degree to which the research project measures what it set out to measure, the degree to which the research project accomplishes what it set out to accomplish. The validity of this research project is evident in the manner in which a strict focus has been maintained throughout the research project. This strict maintenance of the focus of the research project has been facilitated by the deployment throughout the design of the research project of the four frameworks approach to the design of the research project (Quinlan, 2011). The validity of the research is evident in the multi-method approach taken to the research, and outlined above. This case study will be triangulated using between method approaches to triangulation (Denzin, 1970). The data collection methods used in the study includes documentary research, survey data and interview data. The data collection methods used in the study is the correct data collection methods for case study and strongly they will yield the data required. The population in the case study is an expert population in relation to the phenomenon under investigation.

The issue of reliability in the research project according to (Quilan, 2011) relates to the degree to which the research can be repeated while obtaining consistent results. The validity of this case study has been established above. The populations used in the case study and the data gathering methods deployed in the case are appropriate to the phenomenon under investigation in the case study. This case study could be repeated and the same results would be achieved. It would seem, therefore, that the case study is reliable.

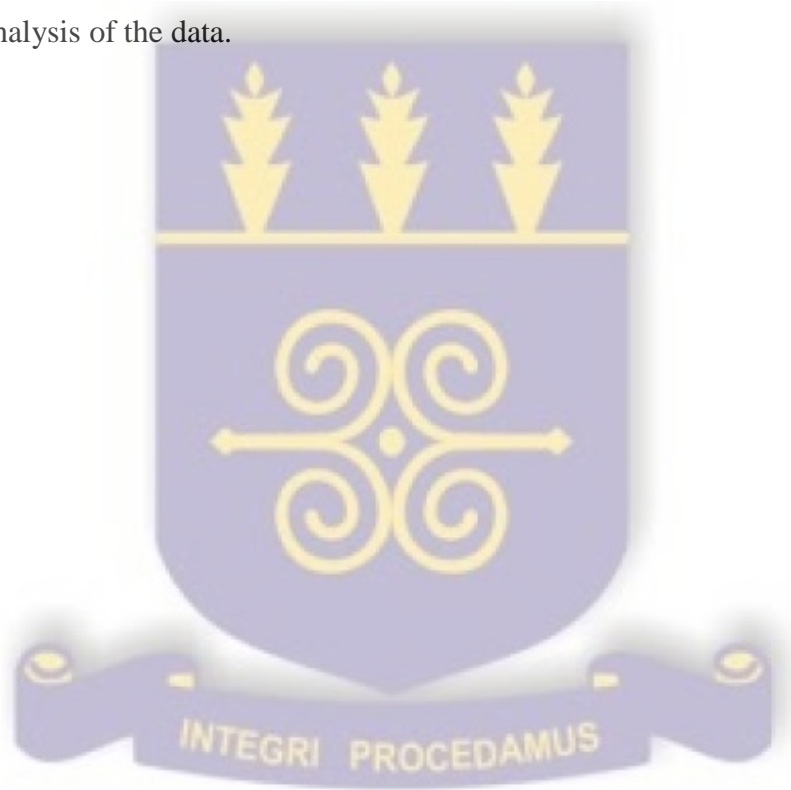
### **3.10 ETHICS**

The ethical issues in this research are substantial. The research has been requested by a tertiary institution as part of my partial fulfillment of my Master of Philosophy (Accounting) degree. The research, when it is complete, will go to shape the work of other research works in performance measurement and it will also go to shape the experiences and decision making of corporate managers of the banking industry of Ghana and other countries within the sub region. As this is the case, the case study must be properly and thoroughly conducted. It must be well designed. The findings of the research, the conclusions drawn from the research the final product of the research must be meaningful and useful.

There are ethical responsibilities in the conduct of this research to the populations of the research: the population of senior managers involved in the study. The participants in the research must be dealt with in a professional manner. Their contribution to the research will be acknowledged. They were made aware of the fact that their participation will make a substantial contribution to their outfit and the industry in the sub region. The participants were made fully

aware of the extent of the participation in the research required of them before they agree to participate.

The individual identities of participants and their companies in the research will remain anonymous. The data gathered for the research will be held safely and securely. The names of the participants and their organisations will also remain anonymous and only the researcher and his supervisor will have access to the information. Correct data analysis method procedures were also used in the analysis of the data.



## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION OF RESULTS**

#### **4.1 INTRODUCTION**

The current chapter presents the data analysis and a discussion of the study results made in the selected banks. The chapter begins with the profiles and background of respondents and moves on to analyses of the data and discusses the findings of the data analysis along the lines of the study's objectives. The data collected from the fields of study were analysed using descriptive and quantitative measures which includes summary statistics.

#### **4.2 CHARACTERISTICS OF RESPONDENTS**

The nature of the study required the use of interviews and questionnaires; it is therefore imperative to know and appreciate the demographic characteristics of respondents in order to understand the background of respondents' for the study. This includes educational level and number of years each respondent has been with the bank, and position held currently. The background of the respondents is important because it gives the premise in which respondents answered the question. The respondents were all selected from the sampled banks to provide the necessary information for the study. Twelve (12) respondents were selected and interviewed. These respondents were selected based on their positions, educational background and the departments that they find themselves. The interviewees were made up of the financial controller, operations manager and human resource manager of the respective banks.

On the number of years respondents have been with the banks, it was realised that respondents have spent a minimum of six (6) years and a maximum of ten (10) years in their respective managerial position. This resulted in an average of six (6) years. It is very clear from this that, respondents are up to the task of giving an insightful account of the organisations performance measurement system. The table below describes the positions of the interview participants and their organization type (for confidentiality only the participants' and organizations' codes are shown).

<b>Interviewee Code</b>	<b>Title</b>	<b>Organisation Code</b>
A	Chief Financial Officer	1 <sup>st</sup> Quartile
B	Human Resource Manager	1 <sup>st</sup> Quartile
C	Operations Manager	1 <sup>st</sup> Quartile
D	Chief Financial Officer	2 <sup>nd</sup> Quartile
E	Human Resource Manager	2 <sup>nd</sup> Quartile
F	Operations Manager	2 <sup>nd</sup> Quartile
G	Chief Financial Officer	3 <sup>rd</sup> Quartile
H	Human Resource Manager	3 <sup>rd</sup> Quartile
I	Operations Manager	3 <sup>rd</sup> Quartile
J	Chief Financial Officer	4 <sup>th</sup> Quartile
K	Human Resource Manager	4 <sup>th</sup> Quartile
L	Operations Manager	4 <sup>th</sup> Quartile

*Source: Fieldwork*

### **4.3 DATA ANALYSIS FOR “OBJECTIVE ONE”**

#### **4.3.1 Motivations for Corporate Implementation of Balanced Scorecard**

This section presents the empirical results and it begins with an explanation of why the case banks adopted the balanced scorecard (BSC).

The data analysis suggested five basic motivations for the adoption of balanced scorecard in the Ghanaian banking industry namely: competition, prestigious national awards, external directive from parent company, special improvement initiatives and benchmarking. Exemplary data

supporting the motivations and an indication of their pervasiveness are provided in the table below.

**TABLE 4.1: Summary of Classical Quotes Of Respondents**

Motivations	Classic Quotes	Quartiles Showing Strong Evidence
Increased competition	<p>The level of competition that we are facing is increasing both at home and from the continent.</p> <p>The increasing threat of poaching of skilled and experienced staff by our competitors are very rife</p> <p>There can be little doubt that the level of competition that the bank is facing is increasing on a global basis.</p> <p>There are twenty seven class one banks currently, the customer has several options to choose from.</p> <p>We needed to transform the mission and vision of the bank into workable goals</p>	<p>2<sup>nd</sup> Quartile</p> <p>3<sup>rd</sup> Quartile</p> <p>4<sup>th</sup> Quartile</p>
Prestigious National Awards	<p>The banking awards are organized by consumers of banking services and have significant impact on banks' choice of performance measurement.</p> <p>We (universal banks) are eligible and are automatically selected at no qualification or registration fees so you can choose to stay out.</p>	<p>2<sup>nd</sup> Quartile</p> <p>3<sup>rd</sup> Quartile</p>
External directive from parent company	<p>We belong to a bigger group and it came as a directive from them, as to why they chose that I can't say much</p>	<p>1<sup>st</sup> Quartile</p>
Special Improvement Initiatives	<p>Our decision to adopt BSC was internally motivated as we needed to respond to the increased competition by adopting some nonfinancial measures that can be placed under various perspectives of BSC.</p>	<p>2<sup>nd</sup> Quartile</p> <p>3<sup>rd</sup> Quartile</p> <p>4<sup>th</sup> Quartile</p>
Benchmarking	<p>It is an industry practice to have a customer care center, have a satisfactory employee package, operate within an efficient system and overall achieve good financial results for shareholders. So no one needs to tell us this. It is a common practice.</p>	<p>2<sup>nd</sup> Quartile</p>

Source: Author's own construct

#### 4.3.1. Increasing Competition

Increased competition within the banking industry was a key motivation driving the adoption of BSC among the last three quartiles of the industry. A respondent within this quartile asserted that,

*“There can be little doubt that the level of competition that the bank is facing increasing on a global basis. The competition is coming from the industry players and the macro environment”.*

Another respondent within this category also said that:

*“There are twenty seven class one banks currently, the customer has several options to choose from”.*

Another respondent also asserted that there was some mass exodus of their skilled personnels to their competitors likely to be due to the better conditions of services available; this what a manager asserted:

*“The increasing threat of poaching of skilled and experienced staff by our competitors is very rife”*

A review of literature in response to this answers unearthed the fact that, the banking industry in Ghana has seen many years of financial reforms sponsored by the World Bank and the International Monetary Fund. As a result, the country currently has an active banking sector made up of 27 banks (12 foreign and 15 local banks) with 768 bank branches (Banking Survey, 2013). In addition, there are also a number of financial service institutions such as insurance companies, investment houses, rural banks, the stock exchange, cooperative credit unions, savings and loans institutions, mutual funds, and other microfinance institutions that are spread all over the financial market in the country.

The question that followed these responses was that, what about increasing competition that led to your outfit implementing the BSC?

The chorus of most of the answers in response to this question was that, the increasing competition placed the banks under continual pressure to act to reduce costs and enhance the value they deliver to their customers. These were the responses of some of the managers;

*“In terms of performance measurement, the increased competition has had a significant impact. My bank now seeks aggressively to differentiate itself from its competitors on grounds of quality of service, flexibility, customisation, innovation and rapid response”.*

*“The old-fashioned measures used to evaluate business performance simply do not provide this insight”.*

*“Our bank now finds itself competing in a market where value and cost are the primary drivers. And you competing on the grounds of these non-financial drivers means that you need information on how well you are performing across a broad spectrum of drivers”.*

A review of the mission and vision statements of these quartiles shows some representations of what they said. All the sampled banks had a well-defined vision and mission statement which is quite consistent with the BSC as a strategy formulation tool. The quartiles had several common strategic themes such as, achieve financial strength, develop a strong brand image, customer focus, and achieve operational excellence. The three quartiles have been forced to change their measures because they have changed their strategies. In doing so, the case banks have adopted the balanced scorecard.

#### 4.3.2 Specific Improvement Initiatives

Analyses of the interviewees' responses also revealed that, the increased competition, have lead case banks to embark on specific improvement initiatives in their operating activities. The essence of these specific improvements, are basically to seek constantly ways in which products and services can be improved, so that greater value can be delivered to customers at ever greater levels of efficiency. This was what some respondents have to say:

*“Our decision to adopt BSC was internally motivated as we needed to respond to the increased competition by adopting some nonfinancial measures that can be placed under various perspectives of BSC”.*

*“In line with our redefined mission and focus on key business processes, employee and customer satisfaction. The Balanced Scorecard made sense to help us pull everything together”*

Before any organisation can determine what it needs to improve, however, it has to establish where and why its current performance falls short. Hence the need for performance measures to track these areas of vital concern. This was an assertion by a respondent:

*“First, our bank needed to translate strategy into action and, it seems that BSCs appear to be an appealing solution to this intention, though the previous system wasn't that bad, the balanced scorecard perfectly translate our strategy into action”.*

These initiatives according to the study have been centered on the four perspectives of the balanced scorecard. Under the learning and growth perspective, there have been improvements in human capital through training of employees and recognition of professional upgrading. Banks

have installed modern banking facilities (infrastructure, networks database and modern information system) which have now become an industry requirement. These improvements in learning and growth have laid a good foundation for improvement in internal perspective of the banks. Banks now have innovative processes and products and have increased investment in research and development and environmental and community activities. This they believe will create a brand and give them competitive advantage over their fellows within the industry. The above lag indicators are likely to bring about quality services and improved and reduced cost structure that can be passed on to consumers. The resultant effect is that there will be an expansion in their net interest.

#### **4.3.3 Benchmarking**

Benchmarking was another important driver of specific improvement initiatives that have also led to the adoption of a balanced performance measurement system. This benchmarking activity has been spearheaded by Pricewaterhouse Coopers (PwC), an audit firm and the industry. They carry out high profile studies in the banking industry annually which have heightened the interest of industry players. These benchmarking studies – especially those which compare performance rather than practice – are effectively structured applications of business performance measurement. Data, which summarise the performance of different businesses, are gathered and compared. Performance gaps, performance shortfalls, even performance advantages are identified. Such studies are valuable precisely because they provide rich performance insights. Often these performance insights result in banks realising that they need to achieve radical performance improvements to survive and prosper. One method for achieving these is business process re-engineering and value chain analysis (Hammer & Champy, 1993). Few banks may have performance measurement systems which may support this improvement initiative, and

hardly are the traditional measures of business performance appropriate. The case banks adopted the balanced scorecard to support this process.

*“It is an industry practice to have a customer care center, have a satisfactory employee package, operate within an efficient system and overall achieve good financial results for shareholders. So no one needs to tell us this. It is a common practice.”*

#### **4.3.4 Prestigious National Awards**

There were significant number of respondents within the second and third quartiles asserting that, national prestigious awards also played an influential role in their implementation aside the great benefit in translating and communicating the missions and visions of the bank. This was evidenced in their responses given:

*“The banking awards are organized by consumers of banking services and have significant impact on banks’ choice of performance measurement”.*

*“We (universal banks) are eligible and are automatically selected at no qualification or registration fees so you can choose to stay out”.*

*“We have been nominated and won several awards from two top national awards with distinction four (4) years after the Balanced Scorecard implementation”.*

The review of literature relating to prestigious awards within the Ghanaian banking industry revealed that in recognition of the substantial improvements in business performance that many banks have achieved, a number of national and international awards have been established. Currently there are two main competitive national awards relevant to the banking industry of

Ghana; Ghana Banking Association (GBA) Awards and Chartered Institute of Marketing, Ghana (CIMG) Awards.

#### **4.3.4.1 CHARTERED INSTITUTE OF MARKETING, GHANA AWARDS (CIMG)**

The Chartered Institute of Marketing, Ghana (CIMG) Awards in line with the mission of the institute, to deepen the interest of the marketing profession and that of its members and to ensure that the Institute impacts positively in the performance of its legitimate role on society and the economy of Ghana and the world at large, the Chartered Institute of Marketing, Ghana initiated an award scheme in 1989. The objectives of the awards are:

- To create awareness for the Marketing Concept and its importance for the success of businesses.
- To promote high professional standards and to encourage excellence among marketing practitioners.
- To stimulate healthy competition among organizations
- To ensure an improved quality of products and services being offered by businesses.

The conspicuous characteristics of this award scheme that makes it relevant to this study are the evaluation schemes adopted by the institute which has been built on the principles of balanced scorecard. This has influenced the inclusion and adoption of measures which were traditionally not used by banks in Ghana. Below are the selection criteria for the Institute for award winning banks.

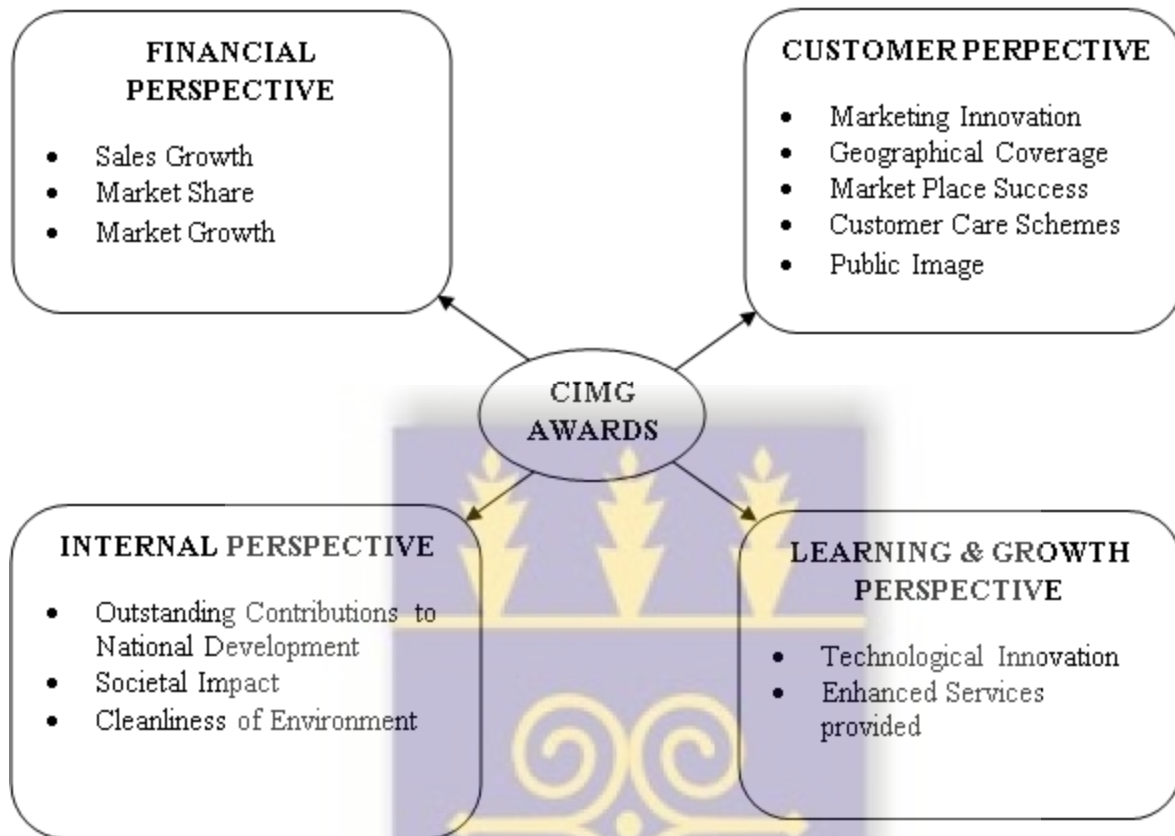
- Marketing Innovation
- Technological Innovation

- Level of Sophistication
- Geographical Coverage
- Outstanding Contributions to National Development
- Market Place Success
- Societal Impact
- Market Share
- Market Growth
- Sales growth and market coverage
- Customer Care Schemes
- Public Image
- Cleanliness of environment
- Enhanced services provided

Banks are now adopting creative and innovative marketing strategies and other non-financial measures in their activities to improve on their performances to earn an award. The evaluation schemes of the CIMG Awards can be categorized under the various perspectives of balanced scorecard.



**FIGURE 4.1: CIMG AWARDS SELECTION CRITERIA**



**Source: Author's own construct**

#### **4.3.4.2 Ghana Banking Association Awards (GAB Awards)**

Corporate Initiative Ghana (CIG) is a non-profit association of corporate bodies in Ghana, with an aim to work for the facilitation of an improved financial services environment in Ghana. Its members are made up of a group of both national and multinational companies with a common aim to see an enhanced and efficient financial services industry in Ghana.

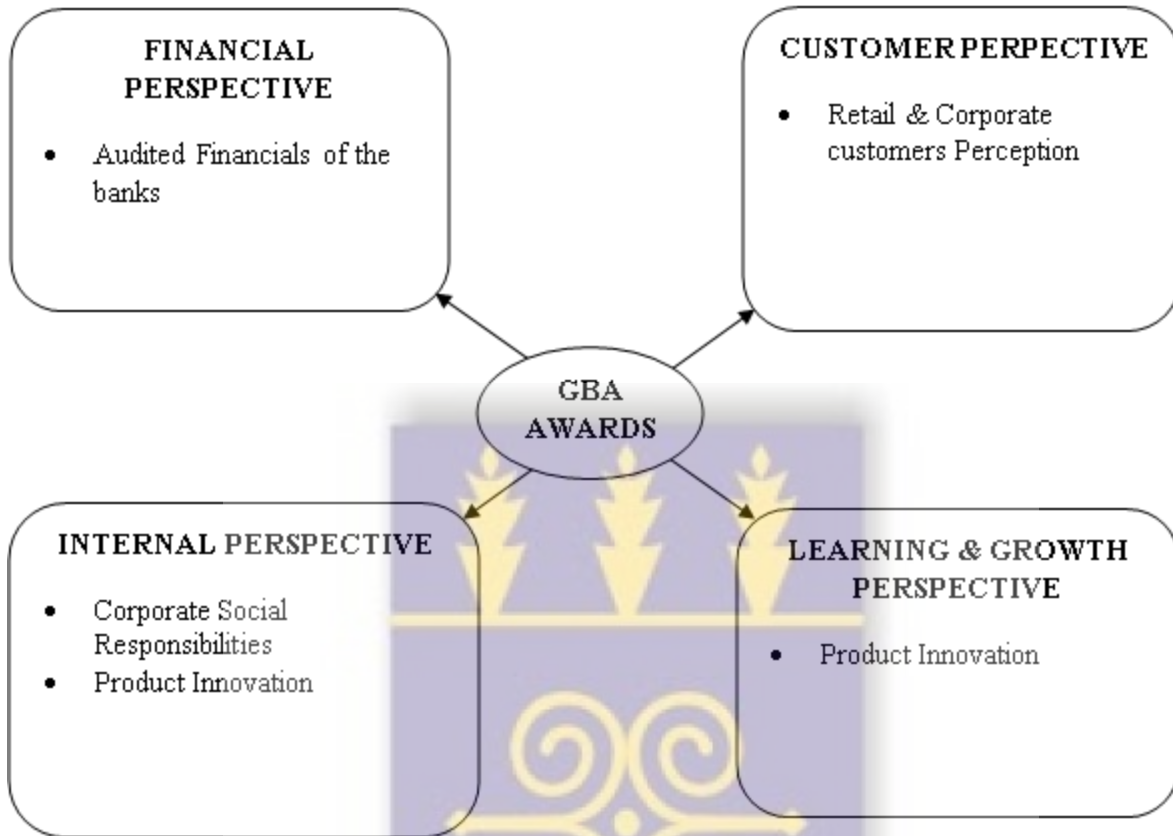
Since 2001, Corporate Initiative Ghana (CIG) in collaboration with Association of Ghana Industries and Ghana National Chamber of Commerce has organized the Ghana Banking Awards with the aim of increasing competition amongst banks operating in the country. This it expects

would lead to an improvement in the quality and efficiency of delivery of financial services to the banking population in the country.

Banks are assessed in various categories through surveys of their retail and corporate customers, emphasizing the fact that the Awards are primarily based on the customers' perception of the services they access from their banks. Audited Financials of the banks are examined to extract information on their financial performance for the year. Banks are, additionally, obliged to provide data of their Corporate Social Responsibility and Product Innovation activities. Similarly the awards categories in the Ghana Banking Awards can also be crystallize under the four main perspectives of the balanced scorecard.

The repercussion for the case banks performance measurement is crystal clear in reference to these two prestigious awards. As an ever increasing number of banks explore the frameworks underpinning these awards, the fact that their traditional performance measurement systems are woefully inadequate will become clear. Banks will either decide to ignore this message, or act upon it. All the evidence to date suggests that most banks adopt the latter course of action – i.e. they have changed their performance measurement systems to include the tenets of the balanced scorecard as required by the prestigious awards in the industry. This is clearly shown in the interview data gathered.

**FIGURE 4.2: GBA AWARDS SELECTION CRITERIA**

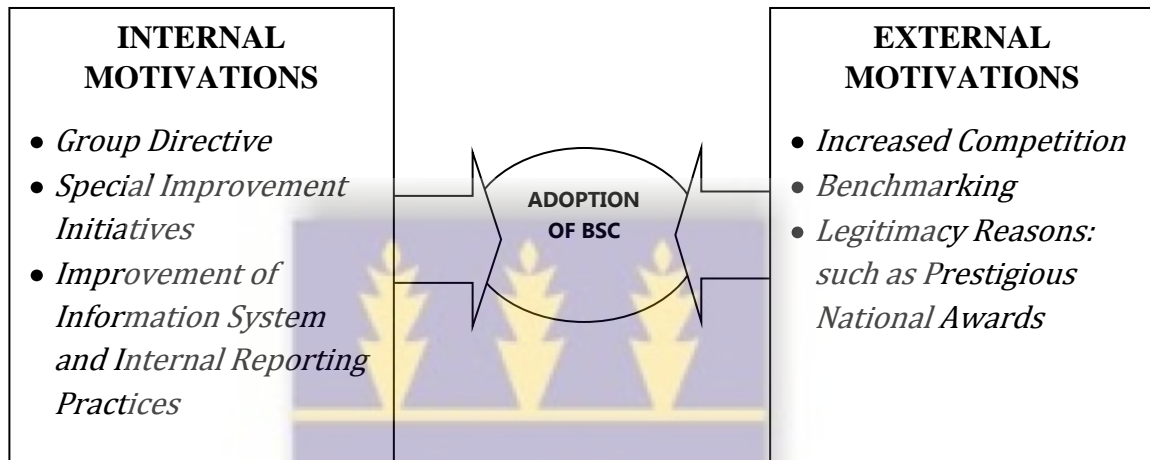


**Source: Author's own construct**

#### **4.3.5 Group Directive**

Some case bank appears to have adopted balanced scorecards (BSCs) as a result of group directive or imposition. Malmi, (2001) ascribed this to the fact that, it usually happens, when a bank had undergone a process of merging two formerly separate banks. The management of the new entity required management structure and systems different from those that had prevailed in the once independent companies. Introduction of the BSC served as one of the cornerstones of the new, neutral system. This is the case of one of the case studies.

*“We belong to a bigger group and it came as a directive from them, as to why they chose that I can’t say much, as to why they chose that I cannot say much”.*



**Source: Author’s own construct**

#### **4.3.6 Emerging Theories in the Study**

This section seeks to bring to bear the relevance of the theory adopted and therefore discusses the theoretical reasoning underlying the phenomenon under study. This discussion is quite essential in providing a vivid story in showing how this study links to the adopted theory. This section therefore discusses how the diffusion and institutional theories explain implementation of BSC adoption in Ghana.

The motivations for adoption profile of the case banks as shown in the table above depict resemblances of institutional theory with significant overlaps with diffusion theory as discussed in the theoretical review. For the purpose of the analysis there are two cases that adopted the balanced scorecard for economically rational reason this would appear to coincide or consistent with the competitive isomorphism from institutional theory. In the language of diffusion theory

adoption motivation is based on efficient-choice which suggests that changes are based on rational economic motivations and the perceived superiority and appropriateness of the new techniques.

The most common in addition to these economically rational motivations, many of the cases in the sample study, also admitted that there were other motivations that influenced the adoption of balanced scorecard. This motivation is the fashion and fad perspective in Abrahamson's (1991) framework. This would clearly be a case of mimetic isomorphism and is often a defensive measure. This is to say that is borne out of a fear that legitimacy or competitive advantage will be lost. The outside influences came from several different sources, namely prestigious awards in the industry and benchmarking activities of recognized institutions. The most commonly cited reasons for this were the CIMG and GBA Awards and benchmarking activities by Pricewaterhouse Coopers. This is exemplified by the classic quotes under both headings.

The last theory that can be inferred from the motivations for adoption is the forced-selection (diffusion theory) that is, where a power, such as government or a parent company, can enforce adoption upon an organisation. In the language of institutional theory, this would be a regulative and coercive process of institutionalization. This surfaced in one case bank where the parent company by directive instructed them to use the balanced scorecard performance measurement system.

#### **4.3.7 COMPARISON WITH RESULTS IN PRIOR LITERATURE**

This study has unearthed the motivations for balanced scorecard adoption in the Ghanaian banking industry. The motivations mainly have born out of competition, benchmarking, prestigious national awards, group directive, and special improvement initiatives. In light of my

earlier discussion of motivations for BSC adoption of this study and that of previous research, I examine if the results of my study are fundamentally different from those studies or consistent with them.

Cooper and Crowther (2008) on their work on adoption of value-based management in large UK companies found evidence of relocation diffusion, as several adopters are influenced by new officers, for example chief executive officers and finance directors, importing Value Based Management techniques that they have used in organizations within which they have previously worked. This finding was inconsistent with the findings of the study. Lansiluoto and Jarvenpaa (2008) also studied the forces that prompted a Finnish food manufacturing company to implement environmental management system (EMS) and performance management system (Balanced Scorecard), using both qualitative and longitudinal case study approaches. They unearthed the fact that the implementation was born out of the need to improve its information systems and internal reporting practices and the need for organisation to identify critical success factors, establish the measures for these factors and communicate the vision, values and strategy from directors to employees. The findings of this study are consistent with the current study as shown above. The findings also have strong similarity with the work of Malmi (2001) on balanced scorecard in Finnish companies. First, some companies stated that BSCs translate strategy into action. Similarly, some of the cases used in the study adopted the BSC model because they found it to be effective in translating the strategy of the bank into action.

Malmi (2001) also enumerated that quality programs and especially various types of quality awards sought by organizations seem to encourage BSC adoptions in Finland. This also surfaced as one of the reasons for the adoption of the balanced scorecard in the Ghanaian banking industry. Two of the cases acceded to this motivation for the adoption of the balanced scorecard.

The relevant prestigious awards at stake in the Ghanaian banking industry were the GBA and CIMG Awards.

Malmi also alluded to the fact that there were instances where the scorecard has to be adopted as a result of merging two formerly separate companies. The management of the new entity required management structure and systems different from those that had prevailed in the once independent companies. This can be likened to the ‘imposition’ from the parent company which was evident in the current study.

The current study also discovered some cases alluding to motives which relate to managerial fads and fashions (Cooper & Crowther, 2008; Malmi, 1999). Half of the companies said they obtained information about the BSC from consultants. Some respondents were quite frank about the role of consultants. This was the case in Malmi (2001). However in this study managerial fads and fashions manifested itself through benchmarking activities and prestigious awards in the industry. It was observed that, the benchmarking activity which has been spearheaded by Pricewaterhouse Coopers have significant impact on the banks choice of performance measurement (Balanced Scorecard). PwC carry out high profile studies in the banking industry annually which have heightened the interest of industry players. These benchmarking studies – especially compare performance rather than practice – are effectively structured applications of business performance measurement. Data, which summarise the performance of different banks, are gathered and compared. Performance gaps, performance shortfalls, even performance advantages are identified. Such studies are valuable precisely because they provide rich performance insights. Often these performance insights result in banks realising that they need to achieve radical performance improvements to survive and prosper.

#### **4.4 DATA ANALYSIS OF “OBJECTIVE TWO”**

##### **4.4.1 USAGE OF BALANCED SCORECARD**

On the questions to understand whether the various banks that formed the sample for the study uses balanced scorecard and for what purpose, the study utilizes a Likert scale of five (5) points scale which are interpreted as; 0.01 - 1.44 = Strongly Disagree, 1.45 – 2.44 = Disagree, 2.45 – 3.44 = Neutral (Unsure), 3.45 – 4.44 = Agree and 4.45 - 5.00 = Strongly Agree. The study realized that balanced scorecard is often used in the various operations of banks. Descriptive statistics of within quartile analysis are shown at the appendix whereas interquartile descriptive statistics are shown in the text.

According to the framework of assessment that is Doll and Torkzadeh’s Instrument for Management Information System Usage, the first dimension is decision support, which includes two components: problem solving and decision rationalization. Problem solving refers to the extent that the balanced scorecard is “used to analyze cause and effect relationships” (Doll & Torkzadeh, 1998) within the balanced scorecard. Managers who use the balanced scorecard for decision rationalization aim to improve the decision-making process or explain/justify the reasons for decisions.

**TABLE 4.2 Descriptive Statistics of Problem Solving**

<b>DETAILS</b>	<b>Mean</b>	<b>Std. Deviation</b>
P1	4.2222	0.44096
P2	4.1111	0.33333
P3	3.7778	0.66667
P4	3.8889	0.33333
P5	3.8889	0.33333
P6	3.7778	0.44096
<b>Average</b>	<b>3.9500</b>	

*Source: field work, 2016*

Within quartile analysis of this usage and purpose shows that the first quartile of the industry had an overall average of 3.83 on problem solving usage of the balanced scorecard out of a possible likert scale of five (5) points scale whereas the second, third and fourth quartiles scoring 4.25, 3.5 and 4. This suggests that respondents agree that they use the balanced scorecard for problem solving purposes. Their usage of it manifest in using the application to decide how best to approach a problem, think through problems, making sure data matches analysis of problem, checking their thinking against data, and analyzing how problems occurred.

Outside cases analysis as per table 4.2 shows that, on this usage of problem solving, revealed that respondents of the study recorded an overall average of 3.95 indicating that respondents generally agreed that their respective banks do use balance scorecard in problem solving. This overall average was based on specific questions on whether banks use the application to decide on how to approach certain problems, help think through problems, on issues of data and so on. Respondents on how the banks uses balance scorecard application to best approach a problem and had an average of 4.22, which do indicate that banks significantly uses the balance

scorecard application in problem solving. On scale of 1 to 5, respondents on average scored 3.78 concerning the use of the balance scorecard application in analyzing problems. This was significant as it indicated that banks generally use the balance scorecard in their operations.

**TABLE 4.3 Descriptive Statistics of Decision Rationalisation**

<b>DETAILS</b>	<b>MEAN</b>	<b>STD. DEVIATION</b>
R1	3.8889	1.05409
R2	3.0000	0.86603
R3	3.4444	0.72648
R4	3.3750	0.74402
R5	3.8889	0.92796
R6	3.6000	0.69921
R7	3.5556	0.52705
<b>Average</b>	<b>3.5400</b>	

*Source: field work, 2016*

Within cases analysis of this usage unearthed an overall average for the first to fourth quartiles 3.68, 4.05, 3.86 and 3.1 respectively. This shows that respondents agree that the various quartiles used the BSC for explaining their decision, justify decisions, help make explicit the reasons for decisions, rationalize decisions among others, though the last quarter scored a relatively lower average compared to each of the quartiles in the study.

However on the use of the balanced scorecard application within the entire industry as per table 4.3, respondents generally agreed on an overall average of 3.54. Thus it is noted in table above that, on questions concerning the rationalization of problems, the use of the balance scorecard in explaining banks decisions, making explicit the reasons behind certain banks decision and so forth, respondents indicated that the balance scorecard application plays a major role in all these

issues. For example, on the question “we use this application to control or shape decision process”, only 1 respondent disagreed, and as high 5 agreed to the assertion and 2 strongly agreed. This overall score an average of 3.89 indicating that respondent firmly agreed to the assertion that they use balance scorecards in rationalizing their decision and further to control or shape decision processes.

**TABLE 4.4 Descriptive Statistics of Horizontal Integration**

DETAILS	MEAN	STD. DEVIATION
H1	3.6667	0.5000
H2	3.6667	0.5000
H3	3.7778	0.4409
H4	3.3333	0.5000
<b>Average</b>	<b>3.6100</b>	

**Source:** *Field work, 2016*

The second dimension is work integration, which take account of two components: horizontal integration and vertical integration. Horizontal integration captures the extent to which the balanced scorecard is used to coordinate activities within the organisation. It addresses how corporate managers use the scorecard to communicate the firm’s strategy to their subordinates (Doll & Torkzadeh, 1998). Vertical integration captures the use of the balanced scorecard to plan work, monitor performance, and communicate vertically to coordinate work between superiors and subordinates. Performance rewards are tied to this vertical integration dimension. The data analysis unraveled that, the balance scorecard with its four key quadrants is used by organizations to help in integrating their operations, that is, horizontal or vertical integration. The study therefore tried to assess whether banks in Ghana uses the balance scorecard application in such ways. It was recorded by respondents per the table above that, banks in Ghana on average

uses the application for the both horizontal and vertical integrations. Thus for the horizontal integration, per all the questions asked respondents generally agreed with and average record of 3.61 ( per table 4.4) on a scale of 1 to 5 that banks in Ghana uses the balance scorecard application to horizontally integrate their activities.

Within case analysis however revealed, an average score of 3.51, 3.88, 4 and 3.42 for the respective quartiles within the industry. This indicates that respondents within the various quartiles do agree to the fact that BSC is used as a tool for horizontal integration.

**TABLE 4.5 Descriptive Statistics of Vertical Integration**

DETAILS	MEAN	STD. DEVIATION
V1	4.3000	0.4830
V2	4.6000	0.5164
V3	3.8000	0.6324
V4	4.0000	0.4714
V5	8.0000	12.6578
V6	4.1000	0.7378
V7	4.1000	0.7378
V8	4.3000	0.4830
<b>Average</b>	<b>4.1500</b>	

*Source: Field work, 2016*

On vertical integration, respondents of the study did indicate that banks use the balance scorecard application to link other groups ahead in ranks or below, banks further uses it to assess performance and to evaluate groups activities which is tied to performance rewards. With these respondents agreed that banks uses the balanced scorecard application by recording an average of 4.15 out of a scale of 1 to 5 as per table 4.5. On the use of the application in getting feedback

on job performance respondents agreed that on average score of 4.3 indicating a good use of the balance scorecard application in the various banks operations.

**TABLE 4.6 Descriptive Statistics of Customer Service**

DETAILS	MEAN	STD. DEVIATION
C1	4.4000	0.5164
C2	4.3000	0.6749
C3	4.1000	0.8756
C4	4.0000	0.8165
C5	3.5000	0.5270
<b>Average</b>	<b>4.0600</b>	

*Source: Field work, 2016*

The final dimension is customer service and refers to the use of the balanced scorecard to provide better services to both internal and external customers. Hence, the study sort to assess if banks used the balance scorecard application in any aspects of the customer service programs. Respondents asserted on an overall average score of 4.06 out of 5 scale points ( as indicated in table 4.6) that banks uses the balance scorecard application to deal with their customers. For improve customer service, respondents asserted that banks uses the application to serve internal and external customers, use the application to improve service quality as well as being more creative towards customers.

From above, it was clear that banks in Ghana do use the balance scorecard application in their operations from problem solving to customer service improvement.

## **4.5 DATA ANALYSIS FOR “OBJECTIVE THREE”**

### **4.5.1 The Extent to Which the Adopted Scorecards Are Balanced**

Soderberg et al. (2011), opined that, there are two unique sets of attributes of Kaplan and Norton’s BSC: The first unique attribute relates to the structure of the scorecard, which describes the design of the BSC which he describes three structural elements. The second set of attributes relates to BSC use, and this describes how the scorecard is intended to be used to manage the organization. The paper describes two use elements. Firms that have a BSC containing each of the three structural elements and the two use elements are considered to have a fully developed BSC. The study, in assessing the extent to which the scorecards are balanced will make use of this structural attributes of the BSC as postulated by Kaplan and Norton’s BSC. These three key structural features: Its measures are derived from strategy, there is balance among measures, and the measures are causally linked.

The primary purpose of the BSC is to help implement strategy; Kaplan and Norton (1996) and as such the metrics adopted must measure those activities which lead to strategy implementation. The second element of “structure” is balance in terms of the number of perspectives of performance, and the number and type of measures in each perspective, (e.g. each perspective should have a similar number of indicators and there should be a balance between driver and outcome indicators, and financial and non-financial measures) (Kaplan & Norton, 1996). The third element of “structure” pertains to the linkages between the different measures within each performance dimension as well as across the four performance dimensions. According to Kaplan and Norton (1996, 2001), measures should be linked together in a series of drivers (leading indicators).

To help the study assess whether there is balance among the measures of the banks' balanced scorecard, a five (5) Likert scale was used where 1 represented rarely balanced and 5 on the other hand meant frequently balanced. Descriptive statistics of within quartile analysis are shown at the appendix whereas interquartile descriptive statistics are shown in the text.

#### **4.5.2 Balance within Customer Perspective**

On specific questions asked under customer perspective, it was generally concluded based on the respondents answers that, they generally believe that banks balanced scorecard are balance with an overall average score of 3.56 out of the 5 scale points under the customer perspective. This relate to the four quartiles of the industry as a whole. It should be noted that some of the questions raised under this perspective score below average indicating that respondents did not agree to the balancing of the balanced scorecard on such issues. For example, only an average score of 2.8 out of the 5 Likert scale points was recorded on whether the application is balanced on the question of customer satisfaction. This indicated that respondents believed that the balanced scorecard was rarely balanced when it comes to customer satisfaction, but on growth rate of new customers, respondents did believe that the scorecard is often balanced. Overall, respondent do believe that the balance scorecard of banks in Ghana is frequently balance under customer perspective with an average of 3.56 at a standard deviation of 1.18 as per table 4.7.

However, within cases analysis revealed average scores 4.6, 3.17, 4.86 and 2.48 respectively for the quartiles in descending order. The fourth quartile scored the lowest with 2.48 whereas the third quartile scored the highest with 4.86 mean score on the questions raised on customer perspective of their scorecard.

**TABLE 4.7 Descriptive Statistics of Customer Perspective**

<b>DETAILS</b>	<b>MEAN</b>	<b>STD. DEVIATION</b>
CP1	3.6000	0.5164
CP2	3.4000	1.0749
CP3	2.8000	1.7511
CP4	3.8000	1.1352
CP5	4.1000	0.9944
CP6	3.1111	2.0275
CP7	4.1000	0.7378
<b>Average</b>	<b>3.5600</b>	

*Source: Field work, 2016*

#### **4.5.3 Balance within Learning and Growth Perspective**

Concerning whether activities banks performs under the learning and growth perspectives are balanced, respondents answered in various ways on the specific questions under this perspective.

**TABLE 4.8 Descriptive Statistics of Learning & Growth**

<b>DETAILS</b>	<b>MEAN</b>	<b>STD. DEVIATION</b>
LG1	3.1	0.99443
LG2	3.3	1.63639
LG3	3.6	1.17379
LG4	3.4	1.07497
LG5	3.6	0.69921
LG6	3.5	1.08012
LG7	3.6	1.17379
LG8	3.8	1.13529
LG9	3.9	0.56765
LG10	4.2	0.42164
<b>Average</b>	<b>4.04</b>	

*Source: Field work, 2016*

In general, respondents of the study did agree that overall banks in Ghana scored an average of 4.04 as per table 4.8 indicating that banks activities under learning and growth are frequently balanced under the balance scorecard application. One specific questions under learning and growth, the least score respondents gave to question asked was 3.1, this indicates that respondents were not sure whether such activities were balanced or not. As high as an average score of 4.2 was recorded by respondents under the learning and growth indicating how respondents were so sure that such an activity was frequently balanced under the balance scorecard.

Nevertheless, within cases analysis revealed average scores 4.3, 3.93, 3.9 and 2.40 respectively for the quartiles in ascending order. The fourth quartile scored the lowest with 2.40 whereas the third quartile scored the highest with 4.3 mean score on the questions raised on learning and growth perspective of their scorecard.

#### **4.5.4 Balance within Internal Process Perspective**

For internal processes perspectives, several of the questions posed to the respondents indicated that activities under this perspective were frequently balanced. Thus, the least average score given by respondents under this perspective was 3.7 which still fell in the frequently balanced score. As high as 4.5 was also recoded under this perspectives.

**TABLE 4.8 Descriptive Statistics of Internal Business**

DETAILS	MEAN	STD. DEVIATION
IP1	4.3333	0.5000
IP2	3.7000	1.0593
IP3	3.9000	0.8756
IP4	3.8000	1.2292
IP5	4.1000	0.7378
IP6	4.0000	1.1547
IP7	4.0000	0.6666
IP8	4.1429	0.3779
IP9	3.8750	0.8345
IP10	4.5000	0.5345
<b>Average</b>	<b>4.0400</b>	

*Source: Field work, 2016*

These caused the overall acceptance of the balanced scorecard under the internal process perspective by respondents by scoring it an overall average of 4.04 which places the perspective as a balanced perspective under the balance scorecard measure. This indicates that, banks in Ghana frequently have their internal processes balanced and uses the balance scorecard to monitor and improves on processes to make the banks effective.

Within case analysis of this perspective also reveal that, the average of 3.03 for the fourth quartile which was also the lowest score for this perspective. The first quartile scored as high as 4.7 average score for this perspective which was also the highest. The second quartile had an average of 4.1 for this perspective and the third quartile had 3.6 average.

#### 4.5.5 Balance within Financial Perspective

The financial perspective of the balance scorecard is what is left to be assessed whether banks scorecards activities were balanced with respect to this.

**TABLE 4.9 Descriptive Statistics of Financial Perspective**

DETAILS	MEAN	STD. DEVIATION
FP1	4.8000	0.4216
FP2	4.8750	0.3535
FP3	4.6000	1.2649
FP4	5.0000	0.0000
FP5	5.0000	0.0000
FP6	4.9000	0.3162
FP7	4.6000	1.2649
<b>Average</b>	<b>4.8300</b>	

*Source: Field work, 2016*

Respondents in general do agree that banks financial perspective under the balance scorecard is frequently balance as respondent in overall scored it on an average score of 4.83 as per table 4.9 which is the highest score in connection with all the other three perspectives. Thus, respondents think all the activities based on all the questions asked were frequently balanced as the lowest score based on the 5 Likert scale recorded under this perspective was 4.6 and the highest average score of 5.

Within case analysis shows that the first and third quartiles had an average of 5 indicating that their measures on this perspective is highly balanced whereas second and fourth scored an average of 4.48 and 4.95 respectively.

#### 4.5.6 Comparison With Results In Prior Literature

This finding is consistent with (Kraus & Lind, 2010) where they explore the adoption of the corporate balanced scorecard (CBSC) and its impact on corporate control of business units. The

scorecards were financially focused in the 15 companies. The respondents argued that analysts were only interested in financial measures, such as cash flow, sales growth, EBIT, EBITDA and capital turnover, as these offered a prognosis on future financial performance.

With respect to the four case studies that are known to have adopted the balanced scorecard at the corporate level the researcher obtained the following results from the data analysis: All Balanced Scorecards satisfy the requirements of Type I. This means that, the adopted scorecards do satisfy the criteria of our minimum standard Type I BSC. This corresponds to the existing literature that points out that most firms that claim to have adopted the balanced scorecard do basically satisfy this minimum criteria.

Surprisingly all the four cases overwhelmingly do satisfy the other two typologies, that is the Type II and Type III. This is inconsistent with prior literature. Speckbacher et al. (2003) found out that out of the forty two (42) sampled companies used only 21 firms have employed cause-and-effect relationships that is a distinguishing characteristic between the Type I and Type II. One reason they attributed to this could be that the other companies have only recently started the process of implementation and/or they may find it difficult to obtain cause-and-effect relationships. Of the 21 companies that already have cause-and-effect relationships, only 12 have linked incentives to BSC measures. The other companies employ a “wait while we learn” approach where no incentives will be set until the company understands BSC better (Epstein & Manzoni, 1998). The researcher infer from this development that, the cases employed in this study might have drawn heavily on the insightful experience of the earliest adopters, consultancy bodies or a potential bias from my balanced scorecard interviewees and respondents. This is a performance measurement that has been recommended by management for

use within the organisation and therefore had a vested interest in providing a positive message on the usefulness of this performance measurement system.

From above, one can easily conclude based on the respondents of the study that banks performance measurement system are frequently balanced in general considering all the four perspectives of the balance scorecard application.

#### **4.6 CHAPTER SUMMARY**

The study has revealed five basic motivations for the adoption of balanced scorecard in the Ghanaian banking industry namely: competition, prestigious national awards, and external directive from parent company, special improvement initiatives and benchmarking. The implementation motivations are underpinned by the tenets of diffusion and institutional theory, mainly competitive/efficient choice, fashion and fad/ mimetic isomorphism and forced selection/coercive isomorphism theories. The study also reveals that with respect to the four case studies that are known to have adopted the balanced scorecard at the corporate level the researcher discovered that all the selected cases overwhelmingly do satisfy the requirements of Type III typology, which encapsulate Type II and Type I. It was therefore concluded that the banks performance measurement system are frequently balanced in general considering all the four perspectives of the balance scorecard. It is worth noting that the scorecard of the cases were financially balanced scoring the highest average. The study also revealed that the selected cases mainly use the BSC for decision support, work integration and customer service.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.1 INTRODUCTION

This chapter summarises the findings of the study, presents the conclusions drawn by the researcher and the recommendations for management of the selected banks and other banks in Ghana and within the sub Saharan Africa and further which areas in terms of empirical, theoretical and methodological remain unresolved on balanced scorecard performance measurement system.

The study aimed at examining corporate adoption and implementation of balanced scorecard in Ghana, using the banking industry: specifically I examined the motivations for implementation of the balanced scorecard: Assessed the extent to which the scorecards are balanced in the selected entities in terms of the four perspectives: Examined the dimensions of the BSC usage to selected entities.

#### 5.2 SUMMARY OF FINDINGS

The following summaries are presented based on the findings presented in this study.

##### 5.2.1 Motivations for Balanced Scorecard Adoption By Ghanaian Banks

The study revealed five basic motivations for the adoption of balanced scorecard in the Ghanaian banking industry namely: competition, prestigious national awards, and external directive from parent company, special improvement initiatives and benchmarking. The implementation motivations are underpinned by the tenets of diffusion and institutional theory, mainly

competitive/efficient choice, fashion and fad/ mimetic isomorphism and forced selection/ coercive isomorphism theories.

### **5.2.2 Usage of Balanced Scorecard**

The study made use of the Doll and Torkzadeh's Instrument for Management Information System Usage to assess the various dimension of the use of the balanced scorecard. The first dimension according to the framework of assessment that is Doll and Torkzadeh's Instrument for Management Information System Usage, is decision support, which includes two components: problem solving and decision rationalization. Problem solving refers to the extent that the balanced scorecard is used to analyze cause and effect relationships (Doll & Torkzadeh, 1998) within the balanced scorecard. Managers who use the balanced scorecard for decision rationalization aim to improve the decision-making process or explain/justify the reasons for decisions. On problem solving, respondents of the study recorded an overall average of 3.95 indicating that respondents generally agreed that their respective banks do use balance scorecard in problem solving. This was significant as it indicated that banks generally use the balance scorecard in their operations. Further on the use of the balance scorecard application, respondents generally agreed on an overall average of 3.54. This was based on questions concerning the rationalization of decisions, the use of the balance scorecard in explaining banks decisions, making explicit the reasons behind certain banks decision and so forth, respondents indicated that the balance scorecard application plays a major role in all these issues. This overall average was significant indicating that respondent firmly agreed to the assertion that uses balanced scorecards in rationalizing their decision and further to control or shape decision processes.

The second dimension is work integration, which take account of two components: horizontal integration and vertical integration. Thus for the horizontal integration, per all the questions asked respondents generally agreed with and average record of 3.61 on a scale of 1 to 5 signifying that banks in Ghana uses the balance scorecard application to horizontally integrate their activities. On vertical integration, respondents of the study did indicated that banks uses the balance scorecard application to link other groups ahead in ranks or below, banks further uses it to assess performance and to evaluate groups activities which is tied to performance rewards. With these respondents agreed that banks uses the balance scorecard application by recording an overall average of 4.15 out of a scale of 1 to 5. These indicate a good use of the balance scorecard application in the various banks operations.

The final dimension is customer service and refers to the use of the balanced scorecard to provide better services to both internal and external customers. Hence, the study sort to assess if banks used the balance scorecard application in any aspects of the customer service programs. Respondents asserted on an overall average score of 4.06 out of 5 scale points that banks uses the balance scorecard application to deal with their customers. For improve customer service, respondents asserted that banks uses the application to serve internal and external customers, use the application to improve service quality as well as being more creative towards customers.

### **5.2.3 The Extent To Which The Adopted BSC Are Balanced**

To help the study assess if there is a balance among the measures of the banks' balanced scorecard, a five (5) Likert scale was used where 1 represented rarely balanced and 5 on the other hand meant frequently balanced. on specific questions asked under customer perspective, the study base on respondents answers generally concluded that banks balance scorecard are balance with an overall average score of 3.56 out of the 5 scale points under the customer perspective.

Concerning whether activities banks performs under the learning and growth perspectives are balanced respondents answered in various ways on the specific questions under this perspective. In general, respondents of the study did agree that overall, banks in Ghana scored an average of 3.6 indicating that banks activities under learning and growth are frequently balanced under the balance scorecard application.

For internal processes perspectives, several of the questions posed to the respondents indicated that activities under this perspective were frequently balanced. Thus, the least average score given by respondents under this perspective was 3.7 which still fell in the frequently balanced score. As high as 4.5 was also recorded under this perspectives. These caused the overall acceptance of the balanced scorecard of under the internal process perspective by respondents by scoring it an overall average of 4.04 which places the perspective as a balanced perspective under the balance scorecard measure.

Respondents in general do agree that banks financial perspective under the balance scorecard is frequently balance as respondent in overall scored it on an average score of 4.83 which is the highest score in connection with all the other three perspectives. The lowest score based on the 5 Likert scale recorded under this perspective was 4.6 and the highest average score of 5. This provides a strong assertion that the adopted scorecards are financially balanced.

From above, one can easily conclude based on the respondents of the study that banks activities are frequently balanced in general considering all the four perspectives of the balance scorecard application.

### **5.3 CONCLUSION OF THE STUDY**

This section presents the conclusions of the study using the results of the analysis recorded as a basis for generalization. The following conclusions are drawn from the findings of the study.

Contrary to earlier conjectures and speculations regarding the implementation of BSC in developing economies by Hoque, (2014) and earlier literature that, some developing nations might be adopting and implementing the balanced scorecard primarily to comply with requirements of external institutions such as funding agencies, government policy reforms, or professional bodies is partly accurate. The implementation motivations per the study revealed some of the conjectured ideas. The current study revealed that BSC implementation are been encouraged as a result of competition, prestigious national awards, benchmarking, external directive from parent company, and special improvement initiatives within Ghanaian banking industry.

It can also be concluded that the adopted BSC within the industry are balanced in terms of the structure. This means, according to the Speckbacher et al. (2003) developed taxonomy of three different types of BSC. The BSC do satisfy the type III typology. This means the adopted scorecards include a set of financial and non-financial measures, cause and effect relationships between the different (sets of) measures that are developed to translate the firm strategy to operational activities and finally, communicates the firm's strategy through communication, action plans, and incentives.

The final conclusion that can be drawn based on the findings is the fact that the adopted BSC are mainly used for decision support, work integration and customer service.

#### **5.4 CONTRIBUTION OF THE STUDY**

The study provides a number of interesting findings that have both academic and practical relevance.

This study has several contributions for academia. First, it is one of the few empirical studies in developing economies on the motivations for adoption and the implementation of innovative performance measurement systems (balanced scorecard) responding to calls from Hoque, (2014) who intimated that, some developing nations might be adopting and implementing the balanced scorecard primarily to comply with requirements of external institutions as intimated earlier such as funding agencies, government policy reforms, or professional bodies.

It also provides a better comprehension of the context and the motivating factors in which organizations are implementing new performance measurement approaches. The study also goes beyond current research on balanced scorecard adoption, by examining adoption at the corporate level of business organisation by exploring the motivations for its adoption in Ghana. This is relevant as it responds to the paucity of literature on BSC adoption and usage in sub Saharan Africa (Daniel, Myers, & Dixon, 2011; Kasperskaya, 2008; Modell, 2009; Hoque, 2014).

#### **5.5 RECOMMENDATIONS OF THE STUDY**

This section of the chapter presents recommendations from the study. The recommendations are based on the findings and conclusions drawn from the study.

The results of this study have practical implications for corporate bodies and government business enterprises. The study's primary contribution for practitioners is its description of current performance measurement system practices in the Ghanaian banking industry, which

allows managers of other banks to guide and gauge their bank's BSC adoption progress as compared to the BSC taxonomy.

Secondly, results of this study have practical implications for organizations who are thinking about the deployment of innovative performance measurement systems like balanced scorecards. The study results should guide them in developing it and making it congruent to the corporate mission and vision combining a good mix of financial and non-financial measures.

It also shows how professional bodies, government agencies can influence change in the market through prestigious awards and benchmarking by making the basic constructs of an idea the underpinning merits for an award.

## **5.6 LIMITATIONS OF THE STUDY**

This study, like any empirical research in a complex world, has its limitations. One of these limitations is the fact that the sample is somewhat biased in terms of the type of respondents, there is higher proportion of controllers and because this is a performance measurement that has been recommended by management for use within the organisation and therefore had a vested interest in providing a positive message on the usefulness of this performance measurement system. The researcher could not assess whether the scorecards were used more extensively at lower levels. Likewise the study is bias towards the banking industry. This limits the generalizability of the results.

Another limitation is that the researcher only accessed the 4 cases at the corporate level as time constraint would not permit him to explore all the possible cases within the Ghanaian banking industry.

## 5.7 FUTURE RESEARCH DIRECTIONS

The researcher makes the following recommendation for future research based on the findings and the limitations of the study.

There is a need for case studies of companies that have adopted balanced scorecards both at the corporate and business unit levels to investigate whether the use is pervasive.

Further studies might also pick up the point why the scorecards are financially centered. This avenue is consistent with Kraus and Lind (2010). Kaplan and Norton (2001) contend that the BSC goes beyond just a performance measurement system, but a total strategic performance measurement and management system. They explained that a firm contemplating to adopt a balanced scorecard must have all the weight of corporate management and fully adopt the PMS and tie it to strategy, link performance measures in cause and effect relationships and rewards. The performance measurement community literature will be garnish with evidence from emerging economies like Ghana with findings that support the presence improved financial performance as postulated by the forerunners of the BSC because evidences show full adoption. It is also suggested that more robust empirical investigations be conducted on a larger scale across national frontiers to confirm these findings.

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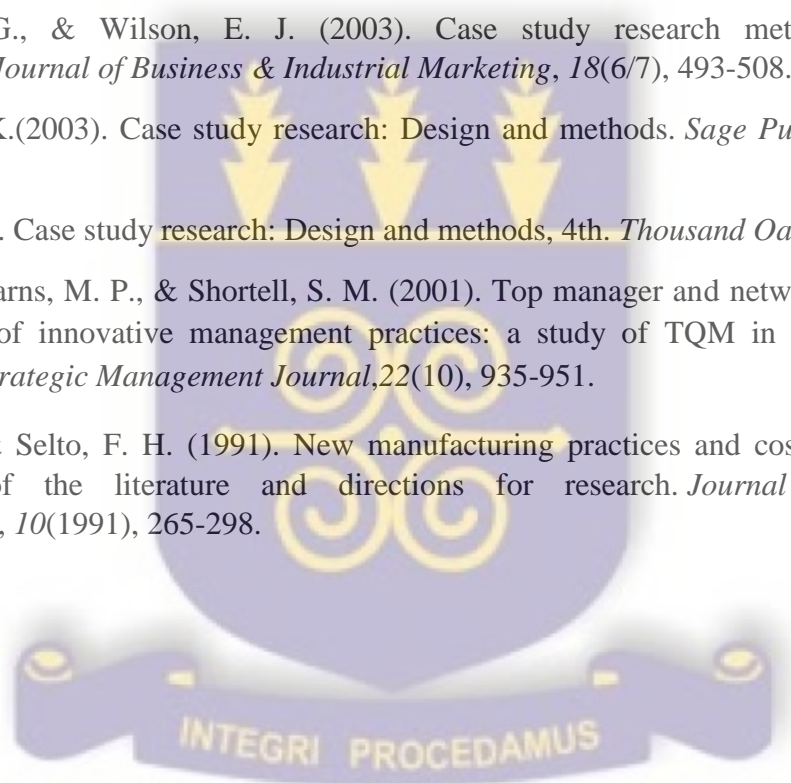
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**APPENDIX**

**QUESTIONNAIRE AND INTERVIEW GUIDE**



**UNIVERSITY OF GHANA  
DEPARTMENT OF ACCOUNTING  
(University of Ghana Business School)**

Dear Respondent,

This study seeks to solicit information on the implementation of balanced scorecard in the Ghanaian Banking Industry. Please note that all information provided will be strictly confidential and will be used for academic purposes only. By completing the questionnaire and interview session, you indicate that you voluntarily wish to participate in this research. For any questions please contact me; my details are provided below:

Researcher's name: Lawrence Amoako

Contact: [lawafreh@gmail.com](mailto:lawafreh@gmail.com)/ 0206784390

**Section 1: General information**

1. Name of Bank

.....

2. Designation of Respondent

.....

3. Functions of Respondent

.....

4. Number of years in the organisation

1-5

6-10

11-15

16-20

20+

5. Number of years in current position

1-5

6-10

11-15

16-20

20+



**Section 2: Please indicate the extent to which you agree or disagree with the following statements concerning .... Circle the appropriate number on the Likert scale: 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral (N), 4=Agree (A) and 5=Strongly Agree (SA).**

**BALANCED SCORECARD USAGE**

	<b>PROBLEM SOLVING</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
P1	We use this application to decide how to best approach a Problem	1	2	3	4	5
P2	We use this application to help us think through problems					
P3	We use this application to make sure the data matches our analysis of problems					
P4	We use this application to check our thinking against the data					
P5	We use this application to make sense out of data.					
P6	We use this application to analyse why problems occur.					

	<b>RATIONALIZING</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
R1	We use this application to help us explain our decisions.	1	2	3	4	5
R2	We use this application to help us justify our decisions.					
R3	We use this application to help us make explicit the reasons for our decisions.					
R4	We use this application to rationalize our decisions.					
R5	We use this application to control or shape the decision process.					
R6	We use this application to improve the effectiveness and Efficiency of the decision process.					
R7	We use this application to make the decision more rational.					

	<b>HORIZONTAL INTEGRATION</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
H1	We use this application to communicate with other people in my work group.	1	2	3	4	5
H2	My work group and I use this application to coordinate our Activities.					
H3	We use this application to coordinate activities with others in my work group.					

H4	We use this application to exchange information with people in my work group.					
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	<b>VERTICAL INTEGRATION</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
V1	We use this application to help me manage our work.	1	2	3	4	5
V2	We use this application to monitor our own performance.					
V3	We use this application to plan our work.					
V4	We use this application to communicate with people who report to us					
V5	We use this application to communicate with people who we report to					
V6	We use this application to keep my supervisor informed.					
V7	We use this application to exchange information with people who report to me.					
V8	We use this application to get feedback on job performance					

	<b>CUSTOMER SERVICE</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
C1	We use this application to deal more strategically with Internal and/or external customers.	1	2	3	4	5
C2	We use this application to serve internal and/or external customers.					
C3	We use this application to improve the quality of customer service					
C4	We use this application to more creatively serve customers.					
C5	We use this application to exchange information with internal/or external customers					

**To what extent is your bank’s scorecard balanced under the following perspectives?**

(From rarely to frequently on a 5 point scale)

<b>CUSTOMER PERSPECTIVE</b>		1	2	3	4	5
	Number of customer complaints					
	Customer satisfaction: Survey ratings on customer satisfaction of products and services					
	Profit per online customers; After-tax earnings divided by total number of online customers					
	Customer retention rate: Capability of keeping existing customers					
	Customer increasing rate : Growth rate of new customers					
	Profit per customer: After tax earnings divided by total number of customers					
	Number of new customer contacts (visits, phone calls, etc.)					

<b>LEARNING AND GROWTH</b>		1	2	3	4	5
1	Responses of customer service: Numbers of suggestions provided by customers about products and services					
2	Professional training: Numbers of professional certifications or training programs per employee					
3	Employee stability :Turnover of employees					
4	Employee satisfaction: Employee satisfaction about both hardware and software provided by the bank.					
5	Organization competence: Improvement of project management, organizational capability, and management by objective					
6	Number and length of down time					
7	Level of absenteeism					
8	Percentage of key staff turnover					
9	Quantity of energy consumed (e.g. fuel, hydro, natural gaz)					
10	Degree of recognition of outstanding staff for their performance					

<b>INTERNAL PROCESSES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Number of new products					
Total numbers of new service items					
Transaction efficiency					
Average time spent on solving problems occurring during transactions					
Customer complaints					
Customer criticisms due to dissatisfaction about products and services					
Number of removed products or services					
Rationalized forms and processes					
Degree of procedures systemized by documents, computer software					
Management performance					
Improvement of effectiveness, efficiency and quality of each objective					
Sales performance					
Successful promotion of both efficiency and effectiveness of sales					
Number and length of down time					
Level of absenteeism					
Percentage of key staff turnover					

<b>FINANCIAL PERSPECTIVE</b>					
Operating revenues:					
Sales revenue					
Debt ratio					
Debts divided by assets					
Return on assets:					
After-tax profit/loss divided by average total assets					
Earnings per share (EPS)					
After-tax earning minus preferred share dividends by weighted average of shares outstanding					

Profit margin: After-tax profit/loss divided by total operating revenues.					
Return on investment (ROI) After-tax profit/loss divided by total cost					

### Interview Questions

**Interviews will be semi-structured. As such, a set of general questions will be prepared to start and focus the interview. However, follow up questions will adapted based on responses.**

1. What are the vision and mission statements of your bank now? Did your organisation have a well-defined vision and mission statement and strategy before utilizing the BSC?
2. How beneficial is the BSC usage in achieving the above mission statement?
3. What forces both external and internal drove the introduction of BSC in your organisation.
4. What processes were followed in developing and implementing the BSC in your bank?
5. Were there any significant challenges in the development and implementation processes?
6. How were those challenges resolved?
7. Are there any accountability reporting practices in the corporate BSC. How frequently are they?

**REGISTERED BANKS IN GHANA**

Name of Bank	Year of Incorporation	Majority Ownership	Number of Branches 2014
Access Bank (Ghana) Limited	2008	Foreign	33
Agricultural Development Bank Limited	1965	Local	77
Bank for Africa	1997	Foreign	19
Bank of Baroda (Ghana) Limited	2007	Foreign	2
Barclays Bank of Ghana Limited	1917	Foreign	59
BSIC (Ghana) Limited	2008	Foreign	12
CAL Bank Limited	1990	Local	18
Ecobank Ghana Limited	1990	Foreign	78
Energy Bank (Ghana) Limited	2010	Foreign	7
Fidelity Bank Limited	2006	Local	43
First Atlantic Bank Limited	1994	Local	8
First Capital Plus Bank Limited	2009	Local	15
Ghana Commercial Bank Limited	1953	Local	158
Guaranty Trust Bank (Ghana) Limited	2004	Foreign	24
HFC Bank Ghana Limited	1990	Local	24
International Commercial Bank Limited	1996	Foreign	12
Merchant Bank Ghana Limited	1971	Local	22
National Investment Bank Limited	1968	Local	28
Prudential Bank Limited	1993	Local	19
The Royal Bank Limited	2011	Local	1
SG-SSB Bank Limited	1975	Foreign	36
Stanbic Bank Ghana Limited	1999	Foreign	26
Standard Chartered Bank Ghana Limited	1896	Foreign	22
UniBank (Ghana) Limited	1997	Local	18
United Bank for Africa (Ghana) Limited	2004	Foreign	27
UT Bank Limited	1995	Local	25

*Source: PwC Banking Survey, 2014*

## CAL BANK

### Descriptive Statistics

Details	Minimum	Maximum	Mean
P	4.00	5.00	4.2500
R	4.00	5.00	4.0500
H	4.00	4.00	3.8750
V	4.00	5.00	3.5800
C	4.00	5.00	4.0733
CP	1.00	4.00	3.1733
LG	3.00	4.00	3.9337
IP	3.00	5.00	4.1000
FP	1.00	5.00	4.4837
Valid N (listwise)			

SSSS

## STANBIC BANK

### Descriptive Statistics

Details	Minimum	Maximum	Mean
P	3.00	5.00	3.8300
R	2.00	5.00	3.6800
H	3.00	4.00	3.5100
V	3.00	5.00	4.5233
C	3.00	5.00	4.6733
CP	4.00	4.00	4.6233
LG	3.00	4.00	4.3337
IP	3.00	5.00	4.7000
FP	5.00	5.00	5.0000
Valid N (listwise)			

SSS

**PRUDENTIAL**

**Descriptive Statistics**

Details	Minimum	Maximum	Mean
P	3.00	4.00	3.5000
R	3.00	4.00	3.8600
H	4.00	4.00	4.0000
V	4.00	4.00	4.0000
C	3.00	4.00	3.6333
CP	4.00	5.00	4.8600
LG	3.00	5.00	3.9037
IP	3.00	4.00	3.6000
FP	5.00	5.00	5.0000
Valid N (listwise)			

**FIRST ATLANTIC BANK**

**Descriptive Statistics**

Details	Minimum	Maximum	Mean
P	4.00	4.00	4.0000
R	2.00	4.00	3.1000
H	3.00	4.00	3.4200
V	3.00	5.00	3.9200
C	3.00	4.00	3.6033
CP	1.00	4.00	2.4800
LG	1.00	5.00	2.4037
IP	1.00	4.00	3.0300
FP	4.00	5.00	4.9500
Valid N (listwise)			