

Role of Balance Score Card on the Performance of International Schools in Kenya: A Case Study of Brookhouse Schools Ltd.

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Abstract: The Balanced Score Card (BSC) is an important tool used in measuring performance of an organization. It entails four different perspectives: Financial, Customer, Internal and Learning perspectives. The financial perspective evaluates the organization ability to meet the expectations of shareholders. The customer perspective focuses on the ability meeting the demands of the customer. The internal perspective seeks to ascertain if the organization has chosen the right business policies and processes that would deliver customer and shareholders' expectations. Lastly, the learning perspective evaluates if the organization is focused on its vision and if it is flexible to sustain its ability to change. BSC tool provides a powerful framework for building and communicating strategy by allowing the business model to be visualised in a strategy map which forces managers to think about cause-and-effect relationships. The research designed adopted was descriptive research. The study relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions. The findings of the study indicate an excellent response rate 73.9% with the distribution being in all the different groups of targeted responses. The study established a correlation value of 0.773 which indicates that there exists a positive relationship between BSC and performance of the organization. The regression model that was used was significant at 95% confidence level. The study established that learning measures positively affect organizational performance more than other variables in the BSC hence it was recommended that Learning measure should be given a priority for performance of the organization.

Keywords: Balance Score Card, Learning measures, Internal Measures, Financial Measures, Customer Satisfaction Measures.

I. INTRODUCTION

The Balanced Score Card (BSC) is an important tool used in measuring performance of an organization. It entails four different perspectives: Financial, Customer, Internal and Learning perspectives. The financial perspective evaluates the organization ability to meet the expectations of shareholders (Samir, 2006). The customer perspective focuses on the ability of the firm to meet the demands of the customer (Kaplan & Norton, 1996). The internal perspective seeks to ascertain if the organization has chosen the right business policies and processes that would deliver customer and shareholders' expectations (Samir, 2006). Lastly, the learning perspective evaluates if the organization is focused on its vision and if it is flexible to sustain its ability to change (Kaplan & Norton, 2004). Therefore, the BSC tool provides a powerful framework for building and communicating strategy by allowing the business model to be visualised in a strategy map which forces managers to think about cause-and-effect relationships (Kaplan & Norton, 2005). Organizational performance is the sustained strategic and integrated success of an organization that is attained by

improving the contribution of the people who work in it and developing the capabilities of teams and individuals (Nordberg, 2008). The strategic part of organizational performance is concerned with short term and long-term goals while the integrated approach focuses on vertical integration, functional integration, human resource integration and integration of corporate and individual objectives (Kaplan & Norton, 2006). Indeed, across the globe, the appropriate use of the BSC tool has been associated with improved strategy communication and execution, better management of information, improved performance reporting, better strategic alignment and better organizational alignment (Samir, 2006).

The BSC was developed by Drs. Robert Kaplan (Harvard Business School) and David Norton as a performance measurement framework that added strategic non-financial performance measures to the traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. Balanced scorecard is an integrated strategic planning and performance management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. It provides a framework that not only provides performance measurements but helps planners identify what should be done, measured and executed (Kaplan & Norton, 1996a).

With growing interest in improving performance management in organizations, the balanced score card can be a valuable tool that meets the need for improvement and change especially for companies venturing into very competitive or monopolistic market. It is a customer based planning and process improvement system with its primary focus on driving an organization's change process by identifying and evaluating pertinent performance measures. It is an integral part of the mission identification, strategy formulation and process execution, with an emphasis on translating strategy into a linked set of financial and non-financial measures (Chan, 2004).

Today, the term 'international school' is used loosely to refer to what has been described as a "conglomeration of individual institutions which may or may not share an underlying educational philosophy" (Hayden & Thompson, 1998). While the first international schools often began with roots from missionary endeavors, over the past century the creation of international schools has evolved and expanded dramatically. Today, many of these schools exist mainly to serve the 'expatriate' population families living outside their home country for work or other purposes. Others are founded upon a 'for-profit' basis, hoping to capitalize on the increasing desire of individuals to benefit from the perceived advantages of an 'international school' education. Still others, through substantially fewer, were created by individuals hoping to establish a school with a specific focus or objective. This increasingly wide-ranging scope is expressed by Hayden and Thompson (1995a), where they argue that "the body of international schools is a 'conglomeration of individual institutions which may or may not share an underlying purpose.

Brookhouse is a co-educational day and boarding school for students aged 2-19years, offering an adapted form of the British National Curriculum to Kenyan and international students. It is a global member of the Round Square association of schools worldwide and thus endorses the Round Square ethos by considering six foundation pillars as central to a holistic approach to education, Environment, Internationalism, Leadership, Democracy, Adventure and Service in Kenya. The school strives to develop each student's intellectual, emotional, physical and social growth to their full potential. Brookhouse school has staff that are highly qualified professionals who are committed to the international focus of the school. The Brookhouse staff room is a mix of British expatriates, Asian and Kenyan teachers, all of whom have extensive knowledge of the British curriculum.

II. STATEMENT OF THE PROBLEM

There is an increasing trend towards implementing the BSC as a set of performance indicators (Zelman, Pink & Matthias, 2006). In the literature review, the feasibility and value of using balanced scorecard to measure performance has been evidenced (Chan & Ho, 2000). Importantly, performance measurement in higher learning institutions is an important issue both at the individual and the national level since education costs continue to rise and the performance level in these organizations is moving out of control. The BSC is a management tool that gives an institution the ability to plan for the future in a strategic manner, while meeting the day-to-day operational requirements of providing quality services to customers. It allows organizations to develop a logical connection among mission and vision, and the strategies, programs, services, and activities that departments and individuals must manage and implement to be successful. A BSC is set of strategic and operational performance measures help to translate mission requirements into desired department, team, and individual performance results and build accountability.

Donald (2009) believed that schools should establish performance measurement techniques based on their teaching, research and scholarship functions to evaluate performance of related to resource allocation. The higher education performance measurement should have the following functions: control and measure education quality, provide information to education policy decision-makers, provide references for education resources management and allocation and provide each department with indicators of performance management. Therefore, there are two primary objectives of measurement: to assist universities in improving education quality; and, to help universities meet customer demands and achieve their responsibilities. The BSC brings a new vision, in which the indicators for evaluating past performance, are complemented by variables that are intended to measure the effectiveness of competitive factors of future performance. Through the BSC, the institution aims to monitor both, their current performance and efforts, research activities, improve customer services, streamline key processes, provide an environment in which its students are motivated and developed.

Some studies have been conducted to ascertain the use of the BSC tool in strategy implementation and as a measure of organizational performance. Kabiru (2011) investigated the role of the BSC tool as a strategic management implementation tool by Gateway Limited, a Small and Medium Enterprise (SME). It was established that the BSC tool was an efficient tool in monitoring and evaluating strategy implementation in SMEs. Thuo (2012) investigated the challenges in the implementation of the BSC tool at Safaricom Kenya Limited. The findings indicated that the effectiveness of the BSC tool depended on the ability of the management to customize the measures to the settings of the organization. Kinya (2012) investigated the challenges faced by commercial banks in the use of the BSC tool in strategy implementation. The findings indicated that the BSC tool was not well customized to all the functional areas of the commercial banks in Kenya. Kinanu (2013) investigated the applications of BSC tool in the performance of Multi National Companies (MNCs) listed on Nairobi Securities Exchange (NSE). The findings indicated that the BSC tool was applied extensively in the strategy implementation processes at the MNCs in Kenya. However, the study did not establish if there existed a cause and effect relationship between the BSC tool and the performance of the MNCs in Kenya. Based on this review, it is clear that BSC measures on the performance of international schools in Kenya should be examined. Therefore, this study sought fill the identified knowledge gap through an in-depth investigation of the effects of the BSC measures on the performance of international schools in Kenya with a focus on Brookhouse School.

III. RESEARCH OBJECTIVES

The objectives of this study were as follows:

- i. To determine the effects of financial impact on the performance of Brookhouse School.
- ii. To examine the effects of internal measures on the performance of Brookhouse School.
- iii. To ascertain the effects of organizational learning on the performance of Brookhouse School.
- iv. To evaluate the effects of customer satisfaction on the performance of Brookhouse School.

IV. LITERATURE REVIEW

Several agency researchers have compared executive and/or firm performance before and after the adoption of a performance contingent incentive pay. Among these researchers, the works of Larcker (1983), Banker et al. (1996) and Lazear (2000) are of great relevance. Larcker (1983) shows that firms adopting long-term performance plans (when compared to similar non-adopting firms) exhibit significant growth in capital expenditures. Banker et al. (1996) find that sales increased after a sales-based performance plan was implemented at a retail establishment and the effect continued over time. Lazear (2000) finds that the output of workers installing automobile windshields increased after a switch from hourly wages to piece rates. Finally, Wallace (1997) finds that firms decreased new capital investments, intensified the disposition of existing assets and increased stock repurchases after adopting a residual income-based performance measure.

The theory of customer service is based on identifying and satisfying your customers' needs and exceeding their expectations. A company must be totally committed to delivering consistently high standards of service to gain and retain customer loyalty. Everyone from top management to down must be tuned into what the customer wants. Creating a customer service culture within a company can help build success. Customer satisfaction and loyalty are inextricably linked to the quality of customer service and, ultimately, to the company's profitability. The theory states that for a company to remain competitive, it should indoctrinate new employees into the customer service culture immediately.

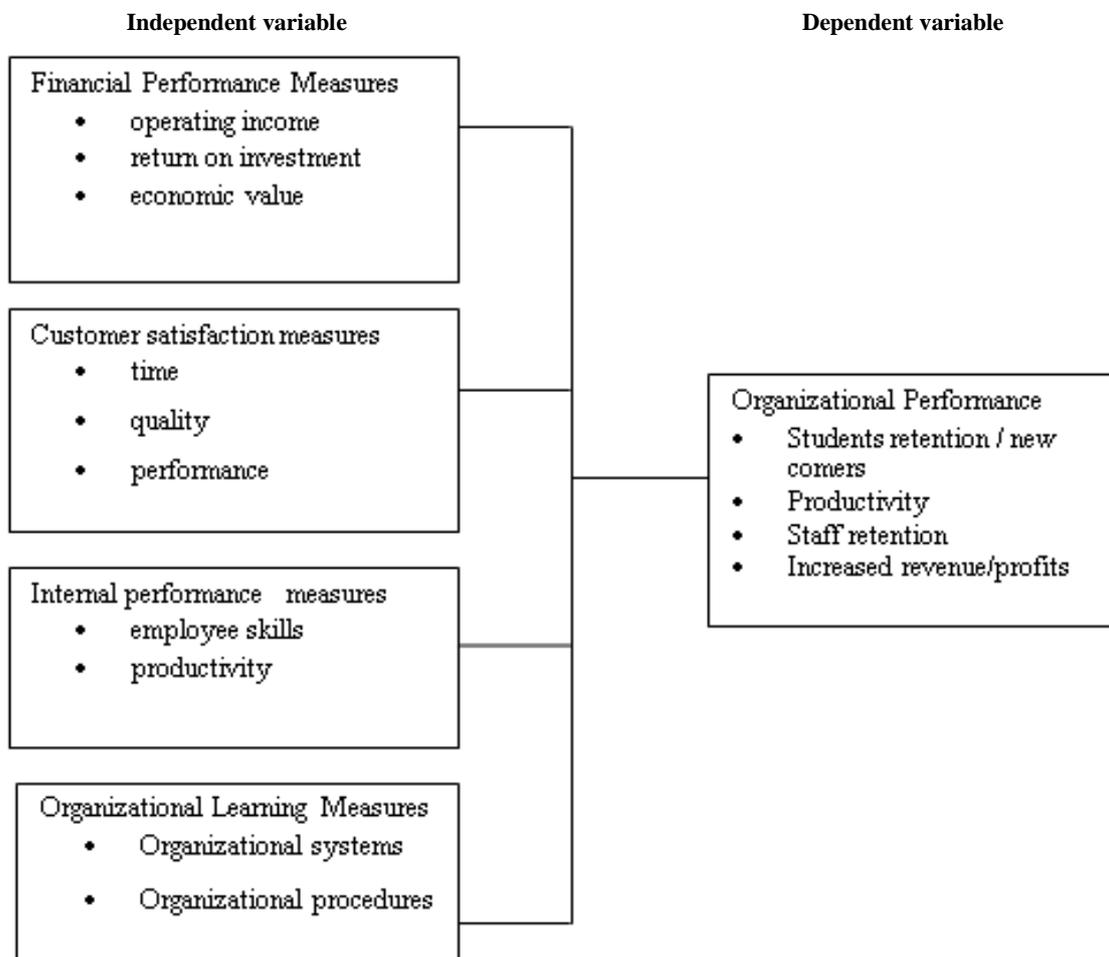
Provide comprehensive training programs that make them experts in their field. Emphasize how providing excellent customer service is the cornerstone of your business. Ensure the front-line customer service team is personable, friendly and knowledgeable (Oliver, 1981).

Goal-setting theory (Locke and Latham, 1990) suggests that not only does the assignment of specific goals result in enhanced performance but that, assuming goal acceptance, increasing the challenge or difficulty of goals leads to increased motivation and increases in performance (Mitchell et al, 2000). Expectancy theory hypothesizes that individuals change their behavior according to their anticipated satisfaction in achieving certain goals. Both of these theories have important implications for the design of performance management processes. Clark (2005) suggests that both goal-setting and expectancy theory are founded on the premise that human beings think in a rational, calculative and individualistic way.

Organizational learning has been conceptualized in a limitative way, being frequently described as an emerging process of try and error, or even random. Other reducing perspectives on organizational learning, like presenting it as a rational process from the domain of choosing and decision-making, do not capture the richness of the phenomena that is embedded in interpretative systems, communities of practice, dialogue and memory. But, by considering that organizational learning establishes a relationship between environmental change and business strategy, or even attributing organizational learning the capacity to change that relation over time is a way of recognizing that organizational learning is strategically relevant (Crossan & Berdrow, 2003).

CONCEPTUAL FRAMEWORK:

A conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables (Young, 2009). In the study, the conceptual framework will look at the relationship between independent variables being Financial performance measures, Customer satisfaction measures, Internal performance measures and Organizational Learning measures with dependent variable being organizational performance measures as shown in Fig 2.1 below.



Alexander (2013) investigated the effect of balanced score card as a performance measurement tool in the Insurance Firms in Kenya. Primary data was collected using questionnaires which were administered to supervisors and managers in the firms. The study found that the current performance measurement tool was comprehensive and effective in measuring performance. The study also found that the customer perspective element of balance scorecard adequately measured customer satisfaction in their firms. It was found that the business process element of balance scorecard adequately measured the performance of internal process in their firms. Innovation and learning element of balance scorecard adequately measures the ability of the firm to innovate and adopt the environment. Nzuve and Nyaega (2013) in a study of application of balanced scorecard in performance measurement at Essar Telecom Kenya limited, with data being collected by use of personal interviews with the heads of departments mainly the technical, information technology, customer experience, finance ,human resource, sales and marketing. The study revealed that the company primarily uses the BSC for strategy implementation and as a performance measurement tool and recommends that the company should provide enough resources especially for funding further comprehensive sensitization on the importance of balanced score card in relation to strategic implementation. There is also need for vigorous capacity building program to improve the appreciation and usage of the balanced score card to tap on the gains so far made.

Kariuki (2012) investigated the effect of the BSC as a strategy implementation tool at AAR Kenya Ltd. The study found out that AAR Kenya Ltd has been using the BSC for the last five years and it has reap immense benefits. The organization according to the study uses all the four perspectives of the balanced score card; Internal business process, customer perspective, Financial perspective and learning and growth perspective. When developing the KPIs for each employee the organization puts a weighting that has a bias on the employees area of operation in the organization. Mulu and Anne (2009) aimed at finding out how Ernst & Young-Kenya, has applied the BSC in strategy implementation across the business and the challenges faced in the application of the balanced score card. Data collection instrument was an interview guide and observation. The study established that Ernst & Young-Kenya has used the BSC to implement its strategies. From the study, a number of challenges were established. Wanguku (2013) in his study on adoption of the BSC as a Strategic Approach by Large International Non-Governmental Organizations in Kenya, the study results indicated that awareness of BSC among the study respondents was very good at 93%. However adoption of the BSC as a performance measurement or strategic management system was poor in the INGOs surveyed at 32%. Reasons provided for BSC application included need to evaluate finance management systems, need to review compliance of policies and procedures by the field offices and need to use a balanced set of metrics to measure the health of field offices supported or affiliated with the INGO.

Kinanu (2013) did a study on application of balanced score card and the performance of multinational corporations listed on the Nairobi securities exchange. The findings of the study were that balance score card is used in order to assist in financial measures, customer focus, internal business processes and organizational learning and growth. MNCs have been using balance score card for financial perspective and this results in increased gross profit growth as well as the net income has as a result of measuring the employee performance, increased revenue growth of the firm, increased annual sales growth as a result performance evaluation has been undertaken, decreased operating cost of the firm when employees cost to revenue generated is evaluated, organization selling expense to sales ratio has been reducing after performance evaluation has been undertaken and that stock prices growth in the firm has been achieved.

V. RESEARCH METHODOLOGY

The research carried out was a case study which is a depth study of a particular situation rather than a sweeping statistical survey (Shuttleworth, 2008). The case study research design is useful for testing whether scientific theories and models actually work in the real world. According to Mugenda and Mugenda (1999), descriptive design enabled the researchers collect comprehensive data and thus provide relevant and specific information relevant to draw conclusion on the population under study. Stratified sampling method was used to draw samples from the Brookhouse staff and parents population. The methods used for data collection was mainly through questionnaires administered to the respondents. This method enabled an in-depth investigation of the role of the balance score card as a measurement tool in international schools. The target population for this study was drawn from Brookhouse staff and parents. For this study, and based on Neuman (2003), the sample size was derived thus: 20% of 573 which was 115, a figure that is sufficient for data collection. The study relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study. Descriptive statistics technique were used to analyze the quantitative data. Coding was done in SPSS, analyzed and the output interpreted in frequencies, percentages, mean scores and standard deviation. The findings were presented using tables, graphs and pie

charts. This enhanced by an explanation and interpretation of the data. A Likert scale was used on the questions. The Likert scale was preferred because by using it, coding and analysis of the data collected is easy as it has predetermined categories. It also gives the respondent a wide choice to select from and thus yields more accurate data than other scales like the graphic rating scale and ranking scale. To determine the effect of balance score card on the performance, the study adopted a regression model.

VI. SUMMARY OF FINDINGS

The organization under study had the application of financial measures in the management of school resources (92.9%) thus an indication of BSC implementation in the organization. More specifically, the financial measures that have been implemented include: return on investment, cash flow and finally rapid sales growth. Customer satisfaction being operational in nature tell of whether the final product after financial measures, internal efficiency and learning measures have been implemented, achieve the required objective. The implementation of customer relationship systems in the organization is an indication of its quest towards implementing the BSC. On the other hand, the taking into account of the expectations of the parents and the teachers in decision making is also an indicator of BSC implementation in the organization under study. This is in line with the assertion of Kaplan and Norton (1992) who stated that what matters most to customers is time, quality, performance, service and cost. With regards to internal efficiency measures, the respondent agreed that to a large extent (94.2%) the internal efficiency structures that have been put in place will affect the overall organizational performance.

VII. REGRESSION ANALYSIS

Linear regression analysis was used in the study to determine the linear relationship the dependent variable; organizational performance (OP) and the independent variables which were Internal Efficiency (IE), Customer Satisfaction (CS), Learning Measures (LM) and finally Financial Performance (FP). This measure of association is multivariate in nature covering all the variables that are involved. The four independent variables that were studied explain 76% of the factors impacting organizational performance as represented by R Squared the coefficient of determinant.

Table 1: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.773 ^a	.762	.687	.24859	2.001

- a. Dependent Variable: OP
- b. Predictors: (Constant:), IE, CS, LM, FP

Other factors that did not contribute in the research accounted for 23.8% on organizational performance. 0.773 was the correlation coefficient implying a strong positive linear relationship between BSC and Organizational Performance (OP). The Durbin Watson value of 2.001 was established illustrating the lack of autocorrelation in the model residuals.

ANOVA:

The significance of the regression model was tested through ANOVA. The f-value of the findings were at 21.088 which was significant at a p-value of $p=0.018$ at 95% confidence value. This means that it had less than 5% probability of misinterpretation. This means that the results of the findings can be relied upon to depict the existing relationship between BSC and Organizational Performance.

Table 2: Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.448	3	1.789	21.088	.018 ^a
	Residual	2.379	79	.048		
	Total	8.827	82			

- a. Dependent Variable: OP
- b. Predictors: FP, CS, IE, LM

The inferential also covered the regression coefficients and as shown in the Table 3, deeper insight was gotten on the relationship between the dependent and independent variables.

Table 3: Regression Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.456	0.467		2.479	0
	LM	0.533	0.201	0.301	3.145	0.02
	FP	0.256	0.059	0.315	3.008	0.02
	IE	0.249	0.101	0.347	3.188	0.01
	CS	0.201	0.043	0.309	3.456	0.03

a. Dependent Variable: CA

b. Independent Variables: IE, FP, CS & LM

$$\text{Organizational Performance} = 1.456 + 0.249 X_1 + 0.256 X_2 + 0.201 X_3 + 0.336 X_4 + e \quad P < 0.05$$

The results in table 4.10, indicates that Learning Measures has the most significance positive effect on the performance of international schools. From the above regression model, Internal Efficiencies, Financial Performance, Customer Satisfaction, Learning Measures would be 1.456. Through the regression model, the variables were optimized to have a feel quantitatively of the impact that they would have on the dependent variable. The findings show that, while other factors are held constant, a unit increase in Internal Efficiencies would yield a 0.249 increase in organizational performance. A unit increase in financial performance would yield a 0.256 increase in organizational performance. On the other hand, a unit increase in Customer Satisfaction would yield a 0.201 increase organizational performance. On an all in all average look, a unit increase in BSC (IE, FP, CS & LM) application would yield an increase in organizational performance since the p value is 0.03 less than the scientific set p-value of 0.05. This is an indication of a strong relationship between the dependent and independent variable which is positive.

VIII. DISCUSSION

Financial growth that was realized in the last one year was stated to have grown the institution. This is in line with the highlight made by Hannabarger, Buchman and Economy (2011) who indicated that the financial measures are able to tell the requirements and performance of a business. The financial measures that are in use in the organization under study are operating surplus, working capital and public equity. . The inclusion of parents and students in relationship development programs which are incorporated in the institutions activities means that the institution is thriving to meet the needs of their clients. This could be an indication that higher prices could be charged since there is efficiency as the argument is put forth by Kaplan and Norton (1992). The products and services that are given by the organization have been tailored to meet the expectations of the parents and the student is one measure that has been put in place to ensure efficiency and synergy to occur in the organization. To add on, the delivery of services to the parents has good satisfaction levels as suggested by the respondents. Also, the views of the parents and students are incorporated in the design, implementation and improvement of products and service. The use of the parents and student indicator as a basis for the improvement of internal processes suggests the use of BSC in performance measurement, through continuous monitoring of the communication flow in the organization. The mentoring and tuition of the organization staff is a process which the study highlighted as being very important. All the employees in the organization need to understand the problems that might be faced by their clients (parents and students) and able to sort them out, if not, pass them up the ladder for someone more capable to sort them out. The skills that are exerted on the employees result in their training enables them to be better placed to work efficiently thus in the long run, impacting on performance.

IX. CONCLUSION

Organizational learning measures, training programs have been implemented to ensure that systems run smoothly in the organization under study. Employee competence is nurtured for the achievement of the goals and objective of the organization and learning measures emerged to be the highly contributor to the performance of the organization under study. As much as financial perspectives have received critical review from scholars like Kaplan and Norton (1996a), they are still significant especially when synergy is reached with other perspective such as customer satisfaction and internal performance measures. Customer satisfaction is the end product of the BSC implementation. If the customers are

not satisfied, then the whole BSC implementation is considered a failure. The needs of the customer as highlighted in this study need to be easily identified and met so as to meet the requirements of the BSC. On the other hand, internal efficiency has got to do with the critical processes that make activities that have been undertaken successful. The same conclusion is highlighted by Kaplan and Norton (1992) as activities that make the strategy of the organization to be achievable. The correlation of employee and parent's interests are also considered highly while at the same time, the review of the BSC takes into account the employee side of the sphere. A review of the initial hypothesis of the study indicates that all the null hypotheses based on the objectives of the study were rejected and the alternate accepted. Financial Measures (0.02), Customer Satisfaction (0.03), Internal Efficiencies (0.01) and Learning Measures (0.002), all show a positive relationship with the dependent variable organizational performance. These findings as depicted from the regression analysis show that the relationship is quite strong and positive. An increase of any of the independent variables will result to an increase of the dependent variable (Organizational Performance).

X. RECOMMENDATIONS

The study recommends that Brookhouse should engage balanced scorecard as their primary measurement tool to enhance their performance in term of customer satisfaction, economical value and sales growth. Brookhouse management should be focus more on learning measures aspect of BSC as it emerged to be the most contributing variable to the organisational performance. They need to train and improve the concerns of their employee's welfare which will results to retaining, motivating and improving productivity of the organization because Learning Measures proved to be the most highly ranked contributor to the performance of Brookhouse. They also need to invest more in technology to cope with the ever changing business world. The organizational systems and procedures should be designed in such a manner that there is efficiency in all the parts in order to bring about synergy and in the long run, good organizational performance. The financial perspective of the BSC appears important as well especially when it comes to the implementation of strategy. This is also the case when it comes to the assessment of the overall performance of the organization. As such, the financial measures and perspectives are as important since operational requirements which make the other perspectives possible cannot be met without fulfilling the financial perspective. With Internal measures Brookhouse should integrate framework for describing and translating strategy through the use of linked performance measures in four balanced perspectives. The internal processes of organizations need to be as seamless and as smooth as possible. At the same time, effective internal processes will result in satisfaction to the shareholder and return on their investment. When it comes to customer satisfaction, the study recommends that the goals of time, quality, performance and service should be made clear to every organization staff and how best they can be achieved. Organization should also strive to show customers that cost is just one component of the overall picture and that it should not negate the other perspectives of BSC.

Recommendations for Further Research:

The study recommends further research to get empirical evidence on the impact of the Balance score card on organizational performance compared to other performance measures to see which one is more effective.

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