EFFECTS OF THE BALANCED SCORECARD ON PERFORMANCE OF NON 
GOVERNMENTAL ORGANISATIONS IN KENYA

BY

MARY NDIBA

A Project Report submitted to the School of Business in Partial Fulfillment of the 
Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

SPRING 2016
STUDENT DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed ____________________________ Date ______________

Mary Ndiba (ID 613182)

This project has been presented for examination with my approval as the appointed supervisor.

Signed ____________________________ Date ______________

Prof. Paul Katuse

Signed ____________________________ Date ______________

Dean, School of Business
COPYRIGHT

2015

Mary Ndiba

All rights reserved

This material can be used for scholarly purposes. Any commercial use of whatever kind without the owner’s authorization is prohibited.
ABSTRACT

The purpose of this study is to investigate the effects of the Balanced Scorecard on performance of NGOs in Kenya. The specific objectives are to understand the effects of each of the BSC perspectives on performance of NGOs – The Financial perspective, Customer perspective, internal business processes perspective and the learning and growth perspective.

The population of the study consisted of 4000 registered NGO with the NGO Board in Kenya. A sample size of 80 respondents was selected based on 5% of the target population and a sample ratio of 10%. The study achieved a success rate of 85% in correctly completed and returned questionnaires.

The study employed a qualitative research approach and a descriptive research design. The instrument of data collection was a questionnaire which was self-administered by the researcher to minimize variation in data collection procedures and also ensure consistency. The researcher had an opportunity to interview a few respondents to get further insights into the population of study. Quantitative and qualitative techniques were used to analyze the data. The study will benefit several stakeholders such as managers of NGOs, future researchers and academicians.

The study found that the BSC is an important tool in the measurement of performance in NGOs. There were set performance metrics for measuring performance in each of the four BSC perspectives and measures were put in place to facilitate their achievement. Some organizations were using the BSC but the respondents were not aware that they were using it as it was known by different names in different organizations. The study also established that the financial perspective takes a different dimension in the NGO set up because NGOs are not driven by profits. They hence use non-conventional ratios such as cost per beneficiary, ratio of administration costs to total budget and sustainability ratios to gauge their financial standing and to attract more donors.

The study concluded that the BSC is an important tool for any given type of organization – for-profit or not-for profit. The success of any BSC lies in how well the measurement metrics are defined and how goals revolving around the organizations value proposition are
set. For a BSC to be effective, it must incorporate the Mission, vision, goals and strategies of the organization.

The research recommends that more and more organizations continue to use the BSC as a performance measurement tool. It further recommends for buy-in by all staff for BSC adoption, starting with top management for its success, and this can only be achieved by educating staff on the BSC, the organizations Mission, vision, goals and strategies and letting all know how they are important in achieving the organizational goals.

To researchers, further studies can be conducted on the effects of the BSC on performance of NGOS. The approaches could include establishing how performance indicators per BSC perspective are determined and if each indicator has a value attached to it. The study could establish how well the BSC fits into the overall performance rating system for the organization.
ACKNOWLEDGEMENT

I would like to thank all my Lecturers in USIU for taking me through the Masters program. Special thanks to Prof. Katuse for guiding me through the development of this thesis.

I express my appreciation to my family for their understanding and support during this project.

I convey my sincere thanks to my supervisor for having agreed to supervise this research proposal paper and for his patience in reading the drafts and guiding me through the iterations. Without him this research would not have been a reality.
TABLE OF CONTENTS

SECOND TITLE PAGE .................................................................i
STUDENT DECLARATION............................................................ii
COPYRIGHT....................................................................................iii
ABSTRACT.......................................................................................iv
ACKNOWLEDGEMENT.................................................................vi
TABLE OF CONTENTS......................................................................vii
APPENDICES...................................................................................ix
REFERENCES.....................................................................................ix
LIST OF FIGURES................................................................................x
LIST OF TABLES..................................................................................xi

CHAPTER ONE
1.0 INTRODUCTION.............................................................................1
1.1 Background of the Study............................................................1
1.2 Statement of the Problem..........................................................6
1.3 General Objective.........................................................................7
1.4 Specific Objectives.......................................................................7
1.5 Significance of the Study.............................................................8
1.6 Scope of the Study.......................................................................8
1.7 Definition of Terms.....................................................................9
1.8 Chapter Summary......................................................................10

CHAPTER TWO
2.0 LITERATURE REVIEW...............................................................12
2.1 Introduction................................................................................12
2.2 Effects of the Financial Perspective of the BSC on performance of NGOs............12
2.3 Effects of Customer Perspective of the BSC on performance of NGOs............21
2.4 Effects of Internal Business Processes Perspective of the BSC on performance of NGOs

2.5 Effects of the Learning and Growth Perspective of the BSC on performance of NGOs

2.6 Chapter Summary

CHAPTER THREE
3.0 RESEARCH METHODOLOGY

3.1 Introduction

3.2 Research Design

3.3 Population and Sampling Design

3.4 Data Collection Methods

3.5 Research Procedures

3.6 Data Analysis Methods

3.7 Chapter Summary

CHAPTER FOUR
4.0 RESULTS AND FINDINGS

4.1 Introduction

4.2 Demographics

4.3 Effects of the Customer perspective on performance of NGOs

4.4 Effects of the Internal Business processes perspective on performance of NGOs

4.5 Effects of the Learning and Growth perspective on performance of NGOs

4.6 Chapter Summary
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS..................47
5.1 Introduction.................................................................................................47
5.2 Summary.....................................................................................................47
5.3 Discussions..................................................................................................47
5.4 Conclusions.................................................................................................52
5.5 Recommendations.......................................................................................54

REFERENCES.....................................................................................................57

APPENDICES

Appendix I: Research Questionnaire..................................................................62
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Translating Vision and Strategy: Four Perspectives</td>
<td>3</td>
</tr>
<tr>
<td>4.1</td>
<td>Academic Standing</td>
<td>33</td>
</tr>
<tr>
<td>4.2</td>
<td>Analysis of Key Ratios computed by different NGO</td>
<td>35</td>
</tr>
<tr>
<td>4.3</td>
<td>Other Ratios used by NGOs</td>
<td>36</td>
</tr>
<tr>
<td>4.4</td>
<td>Significance of Financial Ratios in measuring an organization’s performance</td>
<td>37</td>
</tr>
<tr>
<td>4.5</td>
<td>Metrics for capturing impact on Beneficiaries hence customer satisfaction</td>
<td>38</td>
</tr>
<tr>
<td>4.6</td>
<td>Staff Qualification</td>
<td>38</td>
</tr>
<tr>
<td>4.7</td>
<td>Beneficiary Feedback Mechanisms</td>
<td>39</td>
</tr>
<tr>
<td>4.8</td>
<td>Adoption of Technologies</td>
<td>40</td>
</tr>
<tr>
<td>4.9</td>
<td>Definition of target Beneficiaries</td>
<td>40</td>
</tr>
<tr>
<td>4.10</td>
<td>Preference of current organization by Beneficiaries over competitors</td>
<td>41</td>
</tr>
<tr>
<td>4.11</td>
<td>Geographical definition</td>
<td>41</td>
</tr>
<tr>
<td>4.12</td>
<td>Operations management</td>
<td>42</td>
</tr>
<tr>
<td>4.13</td>
<td>Customer management</td>
<td>43</td>
</tr>
<tr>
<td>4.14</td>
<td>Alignment with regulations and social responsibility</td>
<td>43</td>
</tr>
<tr>
<td>4.15</td>
<td>people</td>
<td>44</td>
</tr>
<tr>
<td>4.16</td>
<td>System of documenting learnings</td>
<td>45</td>
</tr>
<tr>
<td>4.17</td>
<td>Organisational procedures</td>
<td>45</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 3.1: Sampling Frame.................................................................30

Table 4.1: Respondents Demographic.....................................................34