THE BALANCE SCORECARD AS A STRATEGY IMPLEMENTATION TOOL AT SAROVA HOTELS LIMITED

SARAH MWIHAKI MACHUNGO

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2014

DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

Signed………………………….……. Date…………………………….

SARAH MWIHAKI MACHUNGO

D61/72911/2012

This research project has been submitted for examination with my approval as the university supervisor.

Signed………………………….……. Date…………………………….

DR. JOHN YABS

LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENTS

I would like to acknowledge my family for their continued support and motivation as I undertook this research project and my close friends for their consistent guidance and encouragement.

To my supervisor Dr. John Yabs for great guidance, support and intellectual engagement.

To the associates of Sarova Hotels Limited for availing the information I needed to make this research project a success.

Finally to the Almighty God for good health, strength, intellect and financial provision to undertake this research project.

DEDICATION

This research project is dedicated to God, to my deceased Parents, Mr. and Mrs. Machungo, my deceased brother Joseph, my other brothers, Peter, John, Francis, David, James and Michael, my sisters, Salome, Lucy ,Jane and Catherine and to my nephews and nieces,Levi,Samuel,Karen,Ann,Charles,Zachary,Jason,Masamitsu,Yoshimitsu,

Hannah and Leah.

ABSTRACT

The environment within which the hospitality industry operates in Kenya has become very competitive as attributed to the many mushrooming hotels from five star hotels to three star hotels. The growth and competition is also surrounded by many challenges such as the rise in insecurity, focus on social media, digital rankings and referrals, a high level of standards in service among others. To remain competitive, any player in this industry must prove to be different and unique thus the need to not only develop strategies and strategic goals but also to have effective tools for implementing these strategies. This study sought to look at the balance scorecard as a tool for strategy implementation at Sarova hotels limited and the challenges faced in the use of this strategy implementation tool. The findings of the study would also benefit the other stake holders in the hospitality industry and the government since hospitality is a key revenue earner for the government. The research was done using a case study design and the object of the case study was Sarova Hotels Limited. A case study was chosen because it offered the opportunity to do an in-depth analysis of Sarova Hotels Limited as regards the use of the balance scorecard. An interview guide was used and five managers from senior, middle and lower level management were interviewed. The data was analyzed using content analysis. The findings were summarized and presented in this research project. Findings from the research brought out that the balance scorecard has been instrumental in helping Sarova hotels attain their strategic goals such as revenue growth, brand awareness, innovation in product and service delivery and a high guest satisfaction index. However Sarova hotels has in the past to date faced various challenges in the use of the balance scorecard in strategy implementation such as the balance scorecard as a tool for Sarova strategy communication from the directors to the junior employees, preparation of the balance scorecard, review and evaluation of the balance scorecard, performance rewards attached to the balance scorecard among others. Some of the recommendations were better communication of the scorecard from the senior management to the junior management, need to make specific, measurable, achievable, realistic and timely strategic goals in the scorecard, relook into the balance scorecard evaluation process, exploration of other forms of reward in addition the bonus as a way of motivating outstanding performance among others. Some of the recommendations for further research proposed were that studies should be done to survey the various challenges that are encountered by other hospitality institutions that have embraced the balance scorecard as a tool for strategy implementation and effective ways of evaluating the balance scorecard as a tool for strategy implementation. In the course of conducting the research, the main limitation encountered was the fact that the managers interviewed have busy schedules thus securing an appointment for the interview took time delaying the acquisition of required information for this research.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The Balanced Scorecard concept developed by Robert S. Kaplan and David P. Norton in 1992 revolutionized conventional thinking about performance metrics. By going beyond traditional measures of financial performance, the concept has given a generation of managers a better understanding of how their companies are really doing. These nonfinancial metrics are so valuable mainly because they predict future financial performance rather than simply report what's already happened.

Strategic management is the process in which an organization develops and implements plans that espouse the goals and objectives of that organization. The process of strategic management is a continuous one that changes as the organizational goals and objectives evolve. Small businesses engage in strategic management to ensure that they adapt to trends and external changes such as globalization. The Balanced Scorecard is not a strategy making tool in itself. It is just a description and interpretation of the strategy. Thus, it is relevant to strategic management because it presents the bigger picture necessary for strategy making, implementation and evaluation.

The action phase of the strategic management process is strategy implementation. This is one of the most critical phases of the strategic management process. However, many organizations fail not necessarily because they have the wrong strategy, but due to poor strategy implementation. Careful thought has to be given to the strategy implementation tool that an organization would like to use. The balanced scorecard is one of the tools of strategy implementation. The balanced scorecard integrates the short term operational concerns of an organization with the long term strategic direction. Alignment of the day to day activities of an organization to the organization's vision and strategy is possible through the use of the balanced scorecard. It is a tremendously strong communication tool of the strategy and vision of an organization. It has three additional perspectives over and above the traditional financial perspective. The other perspectives, that is, learning and growth, internal business processes, and customer perspectives, are the drivers of future financial performance. Although the balanced scorecard has grown in popularity, its implementation poses some challenges. Some of these include; poor leadership, poorly designed scorecards, lack of training, lack of resources for its implementation, and lack of top management support, among others. This study will sought to find out how Sarova Hotels Limited has applied the balance scorecard in strategy implementation and the challenges faced in its implementation. Three theories namely: goal-setting theory, control theory and social cognitive were explored for purposes of this study.

1.1.1 Concept of Strategy

Johnson Scholes & Whittington (2008) define strategy as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. It is about where the business is trying to get to in the long-term, which markets the business will compete in and the kind of activities involved in such markets, how the business can perform better than the competition in those markets, the resources required in order to be able to compete, the external, environmental factors affecting the businesses' ability to compete and the values and expectations of those who have power in and around the business.

Strategy Formulation is a stage of strategic management that involves planning and decision making that lead to the establishment of the organization's goals and of a specific strategic plan; Strategy Implementation on the other hand is a stage of strategic management that involves the use of managerial and organizational tools to direct resources toward achieving strategic outcomes. Although implementation is usually considered after strategy has been formulated, implementation is a key part of strategic management. Strategy formulation and strategy implementation should thus be considered as two sides of the same coin (Wheelen and Hunger, 2008).

1.1.2 An Overview of the Hospitality Industry in Kenya

The multi-faceted hospitality industry involves a simultaneous combination of multi-level operations and diverse industries working together. The hotel industry, whilst is only a branch of hospitality, is as complex and unique. The Hospitality sector is fast growing to the need for hospitality services in Kenya's tourism industry. It has been estimated that over 600 million international tourists travel to different parts of the world annually, and the need for hospitality services is ever increasing. Kenya is one of the countries that have adopted tourism as a major economic sector and the need for hospitality services is rapidly increasing. The industry has grown steadily over the years and, currently, tourism is a major foreign exchange earner for the country, and it contributes over 12% to the Gross Domestic Product (GDP). The development of Hospitality industry in different parts of the world has shown that the industry presents both opportunities for the economic growth particularly in the development, and generation of employment opportunities for local communities.

In Kenya, the rapid development of tourism has presented many challenges and the rapid development of tourism in Kenya has not necessarily been accompanied with excellent initiatives. There are a lot of changes in the hospitality industry both nationally and internationally and there are key emerging trends such as wow customer service has become even more influential this year, leadership is modeling the way and showing management teams how critical it is to "walk the talk." Each and every employee forming a connection with guests can improve dramatically with genuine, individual interaction, expectation of more international visitors**,** average rates and occupancy levels are likely to increase over the next few years, influenced by a very new market, social media and mobile will be inseparable, social media and mobile already live in symbiosis and keeping an eye out for authentic ways to make use of emerging social/mobile applications will be of great value to those in hotel marketing, content marketing will replace traditional advertising, traditional advertising is rapidly losing value as hotel marketing professionals begin to take advantage of effective content marketing, marketing's new mantra, "Brands must now act as publishers," has come about due to social media and its potential to engage in meaningful conversations with loyal fans and clients alike, renewed focus on property websites. Finding ways of encouraging direct bookings will be one of the most important parts of a marketing director's job in 2014. Considering travelers are increasingly taking their transactions online, the hotel's own website needs to become the most important avenue for bookings to gain the highest ROI. Digital Rankings, referrals and review sites mean business. According to *The Wall*

Street Journal, Yelp reports 50 million users across its web and mobile platforms. Trip Advisor has become the world's most popular travel website with 34 million unique users each month. Google Places is the Yellow Pages of the digital age meaning that business listings also show up on iPhone searches as well as on Google Maps. Trip Advisor User generated online ratings means more to the hospitality industry then it ever has before. Social media sites like face book, twitter and linked Inn are viewed as extremely important by consumers and business. Reputation Management; there is much anticipation that reputation management will begin to dictate the hotel industry in upcoming years. Considering there are millions of reviews written each day across a plethora of different platforms, the World Wide Web has the power of influencing one's decision making process; being able to manage your businesses reputation will determine success or failure, demand for international knowledge, sustainability is the new standard within the hotel industry, the need for sustainability and green practices in this industry now has a major impact, jobs within the hospitality industry are in demand, the local and international hospitality industry faces a lot of challenges such as global uncertainty, human resources issues, branding issues, financial issues and viability, technology, customer issues, safety and security, supply issues, competition within the same sector and other sectors, cost management, among others. With all these emerging trends and challenges that must be overcome to maintain a competitive edge, ensure survival and success in the industry for any hospitality player, it is key to have effective strategies that are implemented in the most efficient manner.

Extant literature indicates that performance measurement has been widely studied elsewhere in large manufacturing and generic small businesses but there has been little study of this area in tourism and hospitality, particularly in Kenya. However, there is evidence that some hotels in Kenya may be using the existing performance measurement models without appropriate adjustments to reflect the unique challenges of the Kenyan hotel industry. This paper should expand debate on performance measurement generally and hotels in Kenya in particular. It should assist in making informed decisions with regard to strategy formulation and the Balance Scorecard as a tool for Strategy implementation in Kenya's hotel industry.

Global hotel chains, such as Hilton Hotels, Four Seasons, and Marriott have opted for a Balanced Scorecard (BSC) approach or its adaptation. The size and complexity of this industry calls for proper and successful strategy formulation and implementation that will continually raise the performance bar. Numerous studies on the balance scorecard as a tool for strategy formulation and implementation had been done for different industries in Kenya, such as the Ministry of Information and Communication, The Kenya Revenue Authority, National Social Security Fund, Transport Industry; Toyota East Africa Limited, Banking Industry; Commercial Banks in Kenya, Co-operative Bank Kenya e.t.c. however little had been done on the same for the hospitality industries hence the reason behind this research or study.

1.1.3 Sarova Hotels Limited

Sarova Hotels is one of Kenya’s leading independent hotel groups, with eight prestigious properties in key locations across Kenya. The brand offers a host of diverse experiences; game drives, sports, water sports, health clubs, health and wellness centres and cultural as well as contemporary entertainment. For the business travelers, Sarova Hotels features up-to-date business facilities as well as conference and seminar venues. Sarova Hotels in Kenya commenced operation in l974, formed by two of the sons, Chani and Mohinder, along with their nephew Khushwant Mahindru and a Kenyan, John Ngata Kariuki. In that same year, the Hotel Ambassadeur, Nairobi became the first Sarova Hotel in Kenya. In 1976, Whitesands on the North Coast of Mombasa became the second Sarova property, and the first entry into the tourism industry.1978 saw the acquisition of the New Stanley Hotel, now known as The Sarova Stanley. The hotel underwent extensive renovations that were completed in 1998. These renovations restored the hotel to its former Victorian grandeur and helped it regain its place as Nairobi's leading five-star hotel. Sarova Mara, a luxury tented camp in the world renowned Maasai Mara game reserve, was opened in 1984. In 1986, Sarova Lion Hill Lodge joined the Sarova group. Sarova Shaba Lodge in the Shaba game reserve, eastern Kenya, was opened in 1989. In 1992, Sarova hotels purchased the Panafric hotel, another Nairobi landmark. Sarova Saltlick and SarovaTaita Hills game Lodges are the latest two properties to be added to the Sarova Hotels portfolio. Sarova Hotels took over the management of the two lodges on 1st April 2007.Today Sarova hotels have more than one thousand rooms in eight hotels across East Africa, employing over one thousand five hundred people.

The strategic terms, vision, mission and values are an integral part of the daily activities of any organization and play a key role in paving the way for its success. Their corporate vision is to be the preferred hospitality company in the ownership and management of hotels, resorts and game lodges in the key markets of Africa and their mission is to engage with guests and exceed their expectations in providing them with Sarova's unique offerings of products and services delivering Refreshing African Hospitality, to make

Sarova Hotels the Employer of Choice by offering associates a dynamic and challenging work environment which fosters personal and professional growth, to work with the communities within which they operate in areas of improving their lives through a leadership driven Corporate Social Responsibility charter and to deliver consistent value addition to their shareholders. The company has embraced the following as its core values: Passion, Creativity, Integrity, Teamwork, Loyalty, Communication, Consistency and Ownership. Sarova Hotels indeed offers diverse unforgettable experiences and is the hotel group of choice for all seeking memorable holiday experiences.

The Sarova group of hotels exists within a local and international environment that is faced with immense challenges and is not unique to the daily emerging trends in the hospitality industry and to maintain its survival, success and competitive advantage, strategic management is a key element as well as implementation of the same. The group of hotels sets both short term and long term strategies that form part of the performance targets set for the senior level management, middle management, supervisory teams and the junior employees. It was established that the Sarova Group of hotels has a performance appraisal system that is administered to all employees both management and junior employees alike. The group of hotels was among the few in the industry who have introduced the Balance Scorecard for the management team but it is not clear what role the Balance Scorecard plays in the Strategy formulation and implementation. It is for this reason that this study was undertaken.

1.2 Research Problem

Corporate organizations that would like to remain competitive and stay miles ahead of their competitors have to be in a position to employ their uniqueness and tact in strategy formulation and implementation as this is a great determinant to the success of an organization and its continued existence. Pierce and Robinson (2008) argue that to effectively direct and control the use of firms resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control system are essential strategy implementation ingredients. One of the goals to be achieved in strategy implementation is synergy between and among functions and business units. Strategic management is the top management's responsibility which entails defining the firm's position, formulating strategies based on the environment under which the company is operating and coming up with guidelines on the execution of long-term organizational functions and processes. Problems of successful implementation centre around and how well or badly the existing organization responds and how adequate it's reporting proves to be.

A company should concentrate on its core competencies to get a distinctive competitive advantage in relation to its competitors. Firms can also strategize to grow by using their core competencies to venture into other related or unrelated lines of business to achieve their long-term goals. The top management engages into strategy formulation for the company which involves planning and making decisions that will develop the company's strategic goals. The plans include assessing the environment, analyzing core competencies and creating goals and plans and baring in mind the challenges that it will encounter in implementing the strategy pursued. Hill and Jones (2001) argue that strategic managers need to choose organizational structures that will allow them to operate a number of different businesses efficiently. A company's choice of structure and control mechanisms depends on the degree to which a company must control the interrelations among divisions. The more the interdependent the divisions the more complex are the control and integration mechanisms required to integrate the activities and make the strategy work.

Aosa (1992) did a study on aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya. He argued that a study with a narrower focus would achieve greater depth thereby providing further insights into strategic management in Kenya.

Numerous studies on the balance scorecard as a tool for strategy formulation and implementation had been done for different industries in Kenya, such as the Ministry of Information and Communication, The Kenya Revenue Authority, National Social Security Fund, Transport Industry; Toyota East Africa Limited, Banking Industry; Commercial Banks in Kenya, Co-operative Bank Kenya e.t.c. however little had been done on the same for the hospitality industries hence the reason behind this research or study.

The group of hotels was among the few in the industry who had introduced the balance Scorecard for the management team but it is not clear what role the Balance Scorecard plays in the Strategy formulation and implementation. It is for this reason that this study was undertaken. The role of the study was to bring out the role of the balance scorecard in strategy formulation and implementation at Sarova Hotels limited.

1.3 Research Objectives

The objectives of the study were:

i. To establish the role of the balance scorecard in Strategy implementation at Sarova Hotels Limited.

ii. The Challenges encountered in the use of the Balance scorecard as a tool for Strategy implementation at Sarova Hotels Limited.

1.4 Research Questions

i. What is the role of the balance scorecard in Strategy implementation at Sarova Hotels Limited.

ii. What challenges are encountered in the use of the Balance scorecard as a tool for Strategy implementation at Sarova Hotels Limited.

1.5 Value of the Study

The environment within which the hospitality industry operates in Kenya has become very competitive. The industry has become very competitive as attributed to the many mushrooming hotels from five star hotels to three star hotels. There are many trends both international and national that have come up such as the rise in insecurity, focus on social media, digital rankings and referrals like Trip Advisor, guest feedback, rise in content marketing and a high level of standards in service among others. This has further heightened the level of competition in the industry.

Thu every hospitality establishment wants to have the greatest share from the target market and thus high revenue generation. With this then, various hospitality establishments in Kenya have strategized on how to attain their long term objectives. This study would be of great importance to the hospitality industry because would be used as a basis to show how competiveness and success in such a dynamic industry can be maintained using the balance scorecard to formulate and implement strategies that promote high organizational performance and success.

The government plays key roles in the hospitality industry. The government regulates the tourism industry as its relations with different countries across continents and this determines the support the different nations give to the Kenyan tourism sector thus has an impact in the hospitality industry. This study would be important to the government since it would help shed light on the role of the balance scorecard in strategy implementation which is key to continued competitiveness and success in the hospitality industry in Kenya, a major revenue contributor to the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the review of various literatures in the fields that the study is based on. It is divided into different sections. The first section features the various theories that give strengths to the study. These are the goal-Setting theory, control theory and social cognitive theory. Also featured is an in depth look at the balance scorecard, strategy implementation and the role of the balance scorecard in strategy implementation.

2.2 Theoretical Underpinnings of the Study

Great strategies are worth nothing if they cannot be implemented (Okumus and Roper 1999). It can be extended to say that better to implement effectively a second grade strategy than to ruin a first class strategy by ineffective implementation. Less than 50% of formulated strategies get implemented (Mintzberg 1994; Miller 2002; Hambrick and Canella 1989). Every failure of implementation is a failure of formulation.

The utility of any tool lies in its effective usage and so is the case with strategy. Strategy is the instrument through which a firm attempts to exploit opportunities available in the business environment. The performance of a firm is a function of how effective it is in converting a plan into action and executing it. Thus implementation is the key to performance, given an appropriate strategy.

In literature, implementation has been defined as “the process by which strategies and policies are put into action through the development of programs, budgets and procedures" (Wheelan and Hunger pp15). This involves the design or adjustment of the organization through which the administration of the enterprise occurs. This includes changes to existing roles of people, their reporting relationships, their evaluation and control mechanisms and the actual flow of data and information through the communication channels which support the enterprise (Chandler 1962; Hrebiniak and Joyce 2005).

A review paper of the article entitled, "Performance Management Theory: A Look from the Performer's Perspective with Implications for HRD" *by Thomas W. Buchner, University of Minnesota.* Performance management has been defined as management's systematic application of processes aimed at optimizing performance in an organization (Warren, 1982). Weiss and Hartle (1997): 'A process for establishing a shared understanding about what is to be achieved, and how it is to be achieved, and an approach to managing people that increases the probability of achieving success'.

Three theories namely: Goal-Setting Theory, Control Theory and Social Cognitive will explored for purposes of this study. Goal-Setting Theory was found to be exceptionally reliable, valid, and useful across diverse work situations (Locke et al., 1981).Difficult and specific goals led to higher performance when compared to vague do-your-best goals (Locke and Latham, 2002). This theory makes a solid case for the use of difficult and specific goals to create the strong situations necessary for substantial achievement (Locke and Latham, 2002).They pointed out that performer's participation heightens the importance of the goal, thereby strengthening goal commitment. Control Theory Also referred to as feedback control or cybernetics. It is described in self-regulation terms as an ongoing comparative process aimed at reducing the discrepancy standards for behavior and the observed effects of actual behavior (Carver and Scheier, 1981, 1998).The theory asserts that most performance management does not emphasize feedback (Coen and Jenkins, 2000).Performers taking charge of their own feedback loops helps them obtain the timely feedback they need to make the negative discrepancy adjustments indicated by this theory. Social Cognitive Theory highlights that Motivation is influenced by interaction of three elements: work environment itself, what the performer thinks, and what the performer does (Bandura, 1986). It asserts that Strong performance requires positive self-beliefs of efficacy in addition to appropriate skills and abilities. People who see themselves as highly capable of performers tend to embrace difficult goals with above average (Bandura, 1994). Specifically, strong self-efficacy translates to higher level of goal challenge, effort expended in pursuit of established goals, perseverance and resilience.

2.3 The Balance Scorecard

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and non-profit 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 is a performance metric used in strategic management to identify and improve various internal functions and their resulting external outcomes. The balanced scorecard attempts to measure and provide feedback to organizations in order to assist in implementing strategies and objectives. Johnsen (2001) defines the balance scorecard a management model that translates the organizational mission and strategy into a collection of performance measures.

The Balance Scorecard was originated by Drs. Robert Kaplan (Harvard Business School) and David Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. The heart of the balanced scorecard is a framework of four major perspectives for strategy implementation – financial, customer, internal business, and innovation and learning.

The financial perspective asks how the organization should appear to shareholders so that the company can succeed financially. This perspective indicates if the business is improving the bottom line, measuring items such as profitability and shareholder value. Financial objectives reflect economic consequences of actions already taken in the other perspectives. The customer perspective asks how an organization should appear to customers to achieve the organization’s vision. Customer objectives identify customer and market segments where the business would compete and what performance would be expected for these targeted segments. The scorecard focuses on customer concerns primarily in four categories: time, quality, performance and service, and cost.

The internal business perspective asks what business processes the organization should excel at to satisfy shareholders and customers. This perspective measures the internal business processes, core competencies, and technologies that would satisfy customer needs. Lastly, the innovation and learning perspective asks how the organization would sustain its ability to change and improve to achieve the organization’s vision. The learning and growth perspective identifies the organization’s infrastructure needed to support the other perspectives’ objectives. This perspective measures a company’s ability to innovate, improve, and learn, such as the ability to launch new products. The balanced scorecard suggests that we view the organization from the four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives.

2.4 The Balance scorecard as a tool for strategy implementation

Starting in the early 1990s, Robert S. Kaplan and David P. Norton advocated a “balanced scorecard” as a top-down management system. The system would translate an organization’s mission and existing business strategy into a limited number of specific strategic objectives that could be linked and measured operationally. The balanced scorecard stressed the few critical drivers of future organizational performance – capabilities, resources, and business processes – and the results of those drivers – outcomes for customers and the growth and profitability of the organization. Specific objectives were linked in cause and effect relationships derived from the strategy, measured, and communicated to the organizational members for strategy implementation. Many public, private, and not-for-profit organizations have adopted the scorecard as part of their strategic management approach. The balanced scorecard is illustrated as a tool to better implement strategies.

In their many articles and books, Kaplan and Norton advocated the balanced scorecard as a management system designed for organizations to manage their strategy. Specifically, the scorecard was a way to: clarify and translate vision and strategy, communicate and link strategic objectives and measures, plan, set targets, and align strategic initiatives; and enhance strategic feedback and learning. The scorecard was primarily intended for a “closed system” – a strategic business unit responsible for an entire value chain in producing and distributing products for defined customers. Departments and functional units within the strategic business unit would produce their own mission and strategy to support that of the strategic business unit. However, the scorecard was also useful for implementing strategy with other organizations, such as suppliers.

The success of the balance scorecard implementation as outlined by Kaplan and Norton (2001) came from the positive reactions of the majority of employees who considered that it gave more clarity and outlined everyone's contribution to the organization's final mission. The balance scorecard is an integrated management system consisting of three components: strategic management system, communication tool and measurement system Niven,(2003).It results in a carefully selected set of measures derived from and linked to an organization's core strategies. The measures selected for the scorecard represent a tool of leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives. Companies are using the scorecard to: clarify and update strategy; communicate strategy throughout the company; align unit and individual goals with strategy; link strategic objectives to long term targets and annual budgets; identify and align strategic initiatives and to conduct periodic performance reviews to learn about and improve strategy, Niven (2003).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in this study and the reasons for their selection. It describes the research design, data collection and data analysis.

3.2 Research Design

This research was conducted through a case study. A case study was used to help bring out an in-depth understanding of the balance scorecard as a tool for strategy implementation at Sarova Hotels Limited. Saunders and Lewis (2007) argue that a case study strategy is of particular interest if one wishes to gain a rich understanding of the context of the research and the process being enacted. The importance of a case study in research is emphasized by Young (1960) and also Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. Cooper and Schindler (2003), say that the emphasis of detail in a case study provides valuable insight for problem solving, evaluation and strategy.

3.3 Data Collection

The primary data was collected using a comprehensive interview guide. The researcher obtained permission to conduct the case study, and then proceeded to do the interview with the use of the interview guide. Six different level managers were interviewed, that is senior level, middle level and lower level. The managers that were interviewed included the Food and Beverage Manager, the Senior Hotel Assistant Manager, the Unit Engineer, the Marketing Executive, the Senior Sales Account Manager, and the Human Resource Coordinator.

3.4 Data Analysis

The data that was collected was qualitative. Content analysis was used to identify repetitive issues that were mentioned from all the interviewees. This is a research technique for the objective, systematic and description of the manifest content of communication (Cooper and Schindler).Conclusions and recommendations were thereafter made based on the collected information.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

In this chapter, qualitative data was collected which consists of words and observations and not numbers. Analysis and interpretation is important because it brings order and understanding to the study. Different managers at Sarova Hotels Limited were interviewed and the data has been presented in form of a summary of the questions asked. An analysis was done on how the interviewees focused on various similar challenges that are experienced in the use of the balance scorecard as a tool for strategy implementation. Consistencies and differences have been identified from the data.

4.2 Strategy of Sarova Hotels

Sarova Hotels in Kenya commenced operation in l974.Their main aim was to be the leading chain of hotels in the key markets of Africa as asserts their vision: To be the preferred hospitality company in the ownership and management of hotels, resorts and game lodges in the key markets of Africa. The chain of hotels' mission to the guests, shareholders, employees and the community is their guiding tool in the attainment and drive to this vision.

Over the years, Sarova hotels has heightened and increased its brand awareness and clientele base both locally and internationally and has grown in terms of the market share it currently enjoys. The group of hotels is very reputable for it excellent service as per their tag line; Refreshing African hospitality, highly well trained and professional employees and the commendable growth in revenue over the years. Sarova hotels main strategy is to acquire continuous revenue growth each year through excellent guest service, maintaining a motivated and professional team, working closely with the community and exceeding the expectations of the shareholders. Sarova hotels conduct and still conduct strategic analysis on a continuous basis so that it can strategically perform its business. It has basically survived by doing a SWOT and PESTLE analysis of the hospitality industry in Kenya and Africa. The management has used its success factors to reinforce excellent leadership in the different hotels thus good business practices that keep raising their performance bar.

Sarova hotels has yearly strategies, three year plan strategies, five year strategies, ten years strategies and other long term strategies. The strategies are developed and formulated mainly by the directors, the group managers and the different hotels general managers with the input of the different heads of departments represented by the general managers. Sarova hotels has employed different strategies to attain its current position in the industry and this includes operational excellence strategy, recruitment of qualified professional staff and investment in continuous staff training such as skills training, management trainings, leadership trainings, hotel operations trainees programs, management trainee programs, mentorship programs among other. Sarova hotels limited is among the few hotels in Kenya if any that has a fully fledged training centre:"The Sandy Vohra Centre for learning and development". The group of hotels has invested in the most modern infrastructure and equipment such as flat screen television sets, state of the art air condition, computerized self cooking centre e.t.c. focused goal setting approach, good performance management mechanisms tools e.g. performance appraisal, channels for feedback to identify gaps, analysis of the same and action plan development, product upgrades, sales and marketing strategies with well defined customer mix and market segments

Staff welfare, strategic locations in different regions in Kenya; in the big cities, the coastal area and game parks, focus on the community with a key focus on “going green” through effective energy management and cost management strategies with a focus on key cost reduction measures.

4.3 The Balance Scorecard as a tool for strategy implementation at Sarova Hotels Limited

The management has over the years used the balance scorecard as tool for strategy implementation. The balance scorecard has been used a s tool to implement long term, middle term and short term strategic goals by Sarova Hotels limited. Once the strategies have been formulated, the managing director formulates his balance scorecard based on the designed balance scorecard format and the same is cascaded down to the directors, the group managers, the general managers, heads of departments and other managers. Each manager is able to highlight from his manager’s scorecard his strategic deliverables for the year and develop their own. The scorecard is then reviewed twice a year. In June it is reviewed but not given a performance rating then in December it is reviewed and given a performance rating which determines the manager’s bonus for that year with which is at a maximum scoring rate of seventy percent as the additional thirty percent is derived from the performance appraisal form score. The gaps identified in the balance scorecard are thus highlighted and an action plan drawn as a focus for the next performance period. The performance appraisal is reviewed by the respective manager and their immediate manager and the same analyzed by the human resource manager and the general manager.

4.4 Challenges encountered while using the Balance scorecard as a tool for strategy implementation at Sarova Hotels Limited

Upon doing interviews with five managers at Sarova Hotels Limited to establish various challenges that have been encountered by the organization in using the balance scorecard as a tool for strategy implementation, different challenges came to light as discussed below:

The challenges are discussed as below:

4.4.1 Sarova Strategy communication

From the interviews it was evident that in as much as the senior manager understand the different Sarova strategies and incorporate them in the balance scorecard, most junior employees understand the vision of the organization and the long term goals of the organization but the middle term and the short term strategies are not well clear or broken down in the balance scorecard meaning that it would be difficult to expect excellent attainment of middle term and long term goals since the employees may not fully understand what they are thus their role in the same would ambiguous since they do not develop balance scorecards like the management team. Thus communication posing a challenge to strategy implementation.

4.4.2 Preparation of the Balance Scorecard

Preparation of the some of the strategic goals are not well defined and clarified at the top and thus the same is cascaded downwards and this affects the attainment of that strategic goal. Through the balance scorecard strategy is most of the times not completely broken down into components that all levels of employees understand. Some acronyms and abbreviations used in the balance scorecard are assumed to be well understood by all who use the balance scorecard but this may not be the case for the majority. Some managers may tend to duplicate the previous year's scorecard which means that the strategic goals or deliverables for that year may not be cascaded to the employees below such a manager and thus may not be achieved.

4.4.3 Review and Evaluation of the Balance Scorecard

The balance scorecard is reviewed twice a year, in June and in December thus there is no follow up by each person's superior on the progress in terms of attainment of each strategic goal in the balance scorecard in between the six months period.

Most strategic deliverables inn the scorecard are achieved closer to the review date to ensure high performance score whereas this should be a continuous activity all year through.

The evaluation process may not be as effective as it is based on what the employees feels and explains they have done or achieved well for a specific period versus what their manager thinks is their true achievement thus there is no major basis for performance against the scale.

The evaluation process does not involve all key managers, for example it would be key to evaluate a marketing executive in the presence of a group marketing manager or director and the general manager but this is only done by the general manager who has minimal strength and knowledge in this area or field.

4.4.4. Performance Rewards attached to the Balance Scorecard

The balance scorecard is used at times as a tool for punishment especially during review.

The management bonus is based majorly on the balance scorecard score and this can be a source of de-motivation in a situation where one is not able to achieve his strategic goals due to aspects beyond his control, for example low revenues because of insecurity.

The strategic deliverables in the balance scorecard are not given timeframes thus they may or may not be achieved.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of the study, conclusions drawn by the researcher and recommendations based on the research results. It also gives policy implications of the study to the government, the hospitality industry and the various stakeholders within the hospitality industry.

5.2 Summary of the Study

This study was done to bring out the role of the balance scorecard in strategy implementation at Sarova Hotels Limited and the challenges encountered in the use of the balance scorecard as a tool for strategy implementation. It was a qualitative kind of study where by content analysis has been carried out based on the feedback on use of the scorecard as a strategy implementation tool and the various challenges that were brought out by the five managers interviewed from the different departments and sections. The data has been analyzed by bringing out the challenges that were repetitively encountered within the different sections during strategy implementation. Based on the findings of the study, the balance scorecard has been instrumental in helping the organization attain its different strategic goals such as financial growth, brand awareness, guest satisfaction among others. However in the use of the balance scorecard as a tool for strategy implementation Sarova hotels various challenges have been encountered such as the balance scorecard as a tool for Sarova strategy communication from the directors to the junior employees, preparation of the balance scorecard, review and evaluation of the balance scorecard, performance rewards attached to the balance scorecard among others.

5.3 Conclusion

Based on this study, we can conclude that to achieve long term prosperity and dominance in a market share and a continuous competitive advantage, it is key to come up with key and relevant strategic initiatives in line with the vision of the organization. The senior management needs to understand that developing these strategies is very key but of more importance is the successful implementation of these strategies. The balance scorecard provides four different perspectives that provide a balanced mechanism in achieving desired organizational performance and attainment of set strategic goals. The balance scorecard is a key tool in the successful implantation of set strategic goals and as such Sarova Hotels has embraced the tool. The balance scorecard has been instrumental in managing set strategic goals each year and this has enabled the group of hotels to attain high performance levels such as revenue growth, brand awareness, guest satisfaction index increase, successful implementation of the brand standards and standard operating procedures thus operational excellence, high profile corporate clientele and innovation in the service and products provided to the guests.

However there are a couple of challenges that the organization has faced which if dealt with, the organization would move to its next phase in performance and in line with the vision. The challenges faced include the balance scorecard as a tool for Sarova strategy communication from the directors to the junior employees, preparation of the balance scorecard, review and evaluation of the balance scorecard, performance rewards attached to the balance scorecard among others. The hospitality industry is growing everyday as we see different hotels mushroom all over Kenya, raising the level of competition and this comes also at the face of different challenges such as insecurity, political interference, travel advisories, the influence of social media among others. This means that for any hotel to remain competitive and successful, it must be do something different from its competitors, thus the need for Sarova hotels to deal with the highlighted gaps in the use of the balance scorecard as a tool for strategy implementation.

5.4 Recommendations

This study has brought various aspects that should be factored by Sarova Hotels and the various stakeholders within hospitality industry in pursuit competitive advantage and continued success. From the findings of this study, it is evident that there are various action points that Sarova Hotels needs to pursue to raise the bar for their performance and success. This include: Better communication of the scorecard from the senior management to the junior management, there is need to make specific, measurable, achievable, realistic and timely strategic goals in the scorecard, relook into the evaluation process so that the bonus reward is viewed as fair thus a tool for motivation to achieve set strategic goals for any period, explore other forms of reward in addition the bonus as a way of motivating outstanding performance in the achievement of the individual strategic goals outlined in the balance scorecard. The group of hotels links the balance scorecard evaluation to the performance appraisal but may also need to intermarry the other performance measurements tools such as checklists, weekly employee evaluation tools and guest feedback amongst others. There is need to give timeframes to all strategic goals and deliverables in the balance scorecard since some goals will take longer or shorter time frames to achieve than others.

The group of hotels would further raise the bar for performance by introducing a buddy system to the action follow process of the balance scorecard so that there is a peer to peer aspect that makes employees to motivate one another in the attainment of strategic goals and deliverables outlined in the balance scorecard. The group of hotels may need have all levels of management seat and discuss the strategic goals or deliverables in the scorecards so that they are clear to everyone and everyone clearly knows their role in the successful achievement of the overall strategic goals thus successful strategy implementation. The group of hotels may also need to embrace the balances scorecard for junior employees. Strategy implementation is one of the most critical phases of the strategic management process. However, many organizations fail not necessarily because they have the wrong strategy, but due to poor strategy implementation. Thus for Sarova hotels to successfully and continuously attain their set goals the implementation phase must be flawless thus the recommendations above with regards to the balance scorecard as a tool for strategy implementation.

5.5 Recommendations for further research

This study has focused on the balance scorecard as a tool for strategy implementation and the various challenges encountered by Sarova hotels in the of the balance scorecard as a tool for strategy implementation. Further studies should be done to survey the various challenges that are encountered by other hospitality institutions that have embraced the balance scorecard as a tool for strategy implementation. Another study can be done to determine how the balance scorecard can effectively be evaluated to ensure that set strategic goals or targets are successfully attained and any gaps addressed to consistently attain set strategic goals and guarantee consistent and successful strategy implementation.

5.6 Implications on policy and practice

The hospitality industry is a very important industry in Kenya and all over the world. This is because the hospitality industry plays a key role as revenue earner both though domestic tourism and international tourism. Kenya is one of the countries that have adopted tourism as a major economic sector and the need for hospitality services is rapidly increasing. The industry has grown steadily over the years and, currently, tourism is a major foreign exchange earner for the country, and it contributes over 12% to the Gross Domestic Product (GDP). The rapid development of tourism has presented many challenges and the rapid development of tourism in Kenya has not necessarily been accompanied with excellent initiatives. There are a lot of changes in the hospitality industry both nationally and internationally and there are key emerging trends. With all these emerging trends and challenges that must be overcome to maintain a competitive edge, ensure survival and success in the industry for any hospitality player, it is key to have effective strategies that are implemented in the most efficient manner. This study has helped to bring out the role of the balance scorecard as a tool for strategy implementation in a hotel setting or in hospitality with Sarova hotels as the subject. The study has helped to bring out how the balance scorecard has enabled Sarova hotels to implement various strategies and the success story such as revenue growth, increase in guest satisfaction, and brand awareness among others. The study has also highlighted the challenges faced in the use of the balance scorecard and made recommendations too with regards to this. This information is very key for other hospitality institutions and stakeholders and thus if well utilized will help raise the bar for competitiveness not only for Sarova hotels but for the hospitality industry at large which eventually has a ripple effect o the government both locally and internationally.

REFERENCES

Aosa,E(1992): “An empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya”,

Ivanko, S. (2013).Organizational Development.*Modern Theory of Organizations*, 67-69. Retrieved July 21, 2014, from http://www.fu.uni-lj.si/fileadmin/usr-files/Mednarodna_pisarna/Modern_Theory_of_Organization_2013_04.03.2013.

Johnson,G.andScholes.K.(2002) *Exploring Corporate Strategy*: 6th edition. London: Prentice Hall USA.

Kaplan, Robert S; Norton, D. P. (1993)."Putting the Balanced Scorecard to Work".*Harvard Business Review*.

Kaplan, Robert S; Norton, D. P. (1996).*The Balanced Scorecard: Translating Strategy into Action*. Boston, MA.: Harvard Business School Press.

Kaplan, R. S. and D. P. Norton (2005) The Office of Strategy Management, *Harvard Business Review*(October): 72-80.

Kenya tourism in turmoil amid terror warnings. (2014, May 21). Retrieved July 30, 2014, from http://www.news24.com/Travel/International/Kenya-tourism-in-turmoil-amid-terror-warnings-20140520

Pearce,J.A. and Robinson,R.B.(2013) : *Strategic Management Formulation, Implementation and control*,8th edition new York :McGraw hill.

Porter, M. (1991).Towards a dynamic theory of Strategy.*Strategic Management Journal*, (12), 95-95.Retrieved July 20, 2014 from http://ecaths1.s3.amazonaws.com/fernandoserra/Porter (1991).

R. S. Kaplan and D. P. Norton, “The Balanced Scorecard – Measures that Drive Performance,” *Harvard Business Review* 70, no. 1 (1992): 71-79; R. S. Kaplan and D. P. Norton, “Putting the Balanced Scorecard to Work,” *Harvard Business Review* 71, no. 5 (1993): 134-147.

Sarova Hotels Information. (2014, June 21). Retrieved July 28, 2014, from http://www.sarovahotels.com/

Thompson,A.A and Strickland,A.J.(1998) *Crafting and implementing Strategy*:Text and Readings.10th edition.New York McGraw Hill.

Unpublished PHD thesis of the University of Strathclyde, Glasgow ,Scotland

Wheelen, T., & Hunger, J.D. (2008).Strategy Formulation. In *Strategic management business policy: Concepts and cases.* Pearson Education Inc.

APPENDIX II: INTERVIEW GUIDE

Questions to the Sarova Managers.

1. How long have you worked for Sarova Hotels Limited?
2. Does the organization have a vision, mission and core values?
3. Do you have a strategy? If yes what is it?
4. Who is involved in strategy formulation and implementation?
5. How often do you rethink and redo the strategy of Sarova Hotels Limited?
6. What is your role in Strategy formulation and implementation?
7. Do you think that employees understand the Sarova Strategy and their role in the same? If no, why?
8. What challenges do you encounter while formulating and implementing your strategy?
9. Do you utilize the Balance Scorecard as a tool for strategy implementation?
10. Do you think that employees understand the concept of the Balance scorecard and its role in strategy implementation? If no or yes why?
11. What challenges do you encounter in the implementation of the Balance scorecard as a tool for strategy implementation?
12. What factors have affected the use of the balance scorecard as a tool for strategy implementation at Sarova hotels limited?
13. Do you think that Sarova Hotels Limited have been able to attain their strategic goals for the different periods set? Explain
14. Do you think that the Balance scorecard has been instrumental in the achievement of these strategic goals and how if yes.