

Balanced Scorecard and Organizational Sustainability: An empirical Study from the Perspectives of Middle Management Executives of Retail Banking Division of Emirates NBD Bank, UAE

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ABSTRACT

Measurement of performance of an organization has become a challenging task in the context of constant evolution of business. The issue becomes more complicated, when the organizational structure seems to be complicated, spread across different autonomous, semi-autonomous and cross functional divisions. Emirates NBD Bank, one of the leading banking organization in the middle east has been undergoing the same challenges of evolution and managing sustainability. Moreover, the organization is bound to manage the performance in the emerging organizational complexity and role transformations. As per the decision of top management, retail banking division has been chosen in the exclusive functional divisions for balanced scorecard intervention and the middle management executives have been made responsible for the entire process since last few years. For the purpose of the present study, analysis has been done of data collected through survey based questionnaire from 25 middle management executives of the retail banking division. The analysis has revealed mixed opinions and identified the areas on which, further improvement is required for sustainable growth and improvement in the selected performance indicators from stakeholders' perspectives in the process of implementation of balanced scorecard.

Key Words: Balanced Scorecard, Organizational Sustainability, Emirates NBD Bank

1. Introduction

The banking industry in UAE is the biggest by the investment value in the Gulf Cooperation Council (GCC) business. As on 2014, UAE banking industry is dominated by twenty three local national banks, which account for more than seventy five percent of total banking investments and assets, whereas twenty eight overseas banks account for the rest (emiratesnbd.com, 2014). Dubai is considered as one of the key international financial hubs in the world. As on 2013, ten UAE based banks rank among the top 500 strongest banks worldwide and additionally four other banks have found their place in the first half of this list (thebanker.com,2014). Emirates NBD has the highest position between UAE banks, which is considered the best bank in UAE and Middle East. (dubanks.com, 2014). Currently, Emirates NBD has more than 9,000 people, representing 70 nationalities, which is considered as one of the top biggest and multicultural diversified organizations in the UAE, and is delivering a continuous high value to its shareholders, customers and employees year over year (emiratesnbd.com, 2014). Since August 2009 till June 2014, the bank has witnessed an average annual growth of around 12% in terms of bank deposits and around 14% in loans disbursement (centralbank.ae, 2014). By third quarter of 2014, Emirates NBD total assets have reached to AED 353.9 billion (US\$ 96.4 billion). The Group is running its activities in the UAE, Kingdom of Saudi Arabia, Qatar,

Egypt, United Kingdom, Singapore, India, Indonesia and China. As socially responsible corporation (SRC), Emirates NBD is involved in many SRC functions, concentrating on important foundations in the UAE, in fields of the charity, environment, culture, education, sport and art (emiratesnbd.com 2014).

In 1990, Nolan Norton Institute (the research arm of KPMG) conducted a study suggested a multiple stakeholders' based performance measurement model for an organization. Thus, concept of balanced scorecard was born, which revolutionized the overall perspectives of organizational performance measurement orientation. The new model linked the concept to all major stakeholders of business by redefining KPIs of business through financial, customer, operations/internal business process and employees involvement. Such approach of measurement enhanced the legitimacy of the initiatives as a better tool for sustainable business as it was an improvement from the traditional financial based process towards entire business focus integration and strategic design implementation.

The present research intends to measure the organizational sustainability through adopting the Balanced Scorecard, which is being used in the Retail Banking section of Emirates NBD Bank, Dubai head quarter, since 2007. The retail section is managing three portfolios (individual, small and medium enterprises,

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wealth management) with customer base exceeding one million customers.

1.1 Research Objectives

The retail banking division of Emirates NDB Bank is using balanced scorecard since 2007. In this context, the present research paper attempts:

- To understand the level of executive engagement at the designing and the implementation of balanced scorecard in the retail banking division of Emirates NBD bank
- To evaluate the level of compliance of balanced scorecard perspectives by respective departments under retail banking division of Emirates NBD bank
- To study the level of agreeableness of the managerial executives with different achievements as claimed to be attained by implementing balanced scorecard in the retail banking division of Emirates NBD bank
- To observe strengths and weaknesses of the practice of implementation of balanced scorecard in the present format in the retail banking division of Emirates NBD bank
- To suggest improvements to make balanced scorecard as sustainable instrument for the Emirates NBD bank

2. Review of Literature

Though there are several studies on the Balanced Scorecard, but only few have been found to be establishing the principal model of the Scorecard at the stage of implementation. The availability of research literature is found to be more limited, while coming to the research on banking industry. A study on Austrian, German and Swiss banking organizations (Speckbacher et al. 2003) has revealed that almost sixty percent of the banking organizations in these countries have somehow implemented balanced scorecard in their organizations. Another study by Soderberg (2012), has revealed that none of the banking and financial organizations implemented balanced scorecard across all the divisions and adopted at a limited scale. However, the study has acknowledged that all the surveyed organizations have complied with the original purposes and methods of balanced scorecard implementation as suggested by Kaplan like linking the same with strategic objectives, maintaining functional balanced, understanding cause-effect relations and clear policies about incentives for successful implementation of balanced scorecard. Over the period of time, different measurement metrics have been developed by different scholars in the process of implementation of balanced scorecard in industry. Ahmed Al-Baidhani (2010), in his study has identified bonus scorecard, personal scorecard, process scorecard, KPI

scorecard, stakeholder scorecard, strategy scorecard, enterprise scorecard, board scorecard, and executive scorecard. Ralph (2011) in his research work based on almost two hundred manufacturing organizations based in Europe, has recommended that for effective implementation of balanced scorecard, each stakeholder's interest must be taken care of separately and separate metrics must be developed. Mehta (2012) has also developed a comprehensive performance measurement metrics related to balanced scorecard implementation in the hospitality industry of South Asia. Though the ideal applicability of different dimensions of balanced scorecard at different stages of business has been categorically described by Kaplan, yet, many subsequent studies have revealed that such structured pattern is not universally followed across different industries. Daniel (2011) has shown in his research that in the banking industry in north America, especially in USA and Canada, balanced scorecard dimensions are chosen collectively according to the demand in the situation. Same phenomenon has been found to be applicable in the research by the same author (Daniel, 2011) regarding implementation method of balanced scorecard. Here also, the researcher has found that instead of rigidly following the recommended steps, almost 60% of the banking organizations create their own mechanisms of implementation. Regarding barriers of implementation of balanced scorecard, different observations have been made by different scholars. Niven (2012) has cited the observation of report, published in the Fortune Magazine and expressed his support with the observations made therein. He has conducted an empirical research on sixty organizations of Greater New York area and found that 70% of the surveyed organizations failed to attain the successful implementation level of balanced scorecard due to vision barriers. Ratnam (2012) has however identified management barrier as the key significant reason in failing proper implementation of balanced scorecard. Ratnam has conducted a study on the failure of implementation of balanced scorecard on twenty six organizations located across different free trade zones in UAE. In that sense, his work is a unique study. Regarding the role of balanced scorecard in ensuring organizational sustainability, different studies have been found in different industries. Kathley (2013) has conducted a significant study on airlines industries in western Europe and has found that top management of most of the companies are quite sure about that, but have remained sceptical on the issue. Rodger and Prince (2014) have found that in the manufacturing and engineering industries in Europe, balanced scorecard as a sustainability tool has been well accepted in many service industries.

However, no such landmark research has come to the knowledge of the researcher, which has been carried out either in the banking industry in UAE or in a retail banking

sector, anywhere across the globe. This can be identified as significant research gap in the domain of retail banking and the present study is intended to fill this gap

3. Implementation of Balanced Scorecard at Emirates NBD Bank- An Overview

Regarding the applicability of balanced scorecard, it has been found that Emirates NBD Bank has been using Balanced Scorecard at two levels, i.e., at the business unit level and at the support unit level. At the business unit level, the sustainability of business performance is measured in terms of revenue generation by the branches, product teams, segment teams and direct sales teams. Whereas, at the support units levels, the same is measured through control and service efficiency in terms of major functional processes like HR, finance, accounting, procurement etc. It was also found that as a policy issue, 15% weightage is distributed each to financial perspective, customer perspective, business process perspective and learning and growth perspective. Remaining 40% is dedicated to strategic perspectives (Emirates NBD Bank, 2014).

4. Research Methodology

The present research has been conducted on the basis of the analysis of data collected through structured questionnaire survey from twenty five managerial employees employed in the retail banking division of Emirates NBD Bank, located in UAE. As the bank is one of the fastest growing and largest banking organizations in the region and the researcher found it convenient to administer questionnaire survey and feedback, due to personal acquaintance, the same has been chosen for the present study. The present study is a good example of quantitative and descriptive study, as the same has been conducted on the basis of collected primary data and interpretation of analysis of primary data through standard statistical tools. As Emirates NBD bank uses two types of Balanced Scorecard structure, the researcher has incorporated the same in the questionnaire also. However, the structured questionnaire has emphasised more on the level of executive engagements in implementing the mechanism (as per the perception of the respondents), compliance of balanced scorecard perspectives by the respective departments, level of agreeableness with different achievement as claimed to be attained by implementing balanced scorecard, strengths and weaknesses of the practice of implementation of balanced card in the present format etc. A total number of 25 middle management executives have been surveyed through structured questionnaire across retail business divisions of the bank. As, the survey was done on one to one basis, 100% response could be generated. It took, almost 45 days to complete the survey. The questionnaire had four sections and total 20 questions were asked. On the issues

of level of executive engagements in implementing balanced scorecard (Section 1), 2 questions have been asked; and, on the issues of compliance of balanced scorecard perspectives by respective departments (Section 2) 2 questions have been placed. However, regarding the level of agreeableness with different achievements as claimed to be attained by implementing balanced scorecard (Section 3) 6 questions have been asked. Finally, strengths and weaknesses of the practice of implementation of balanced card in the present format (Section 4) have been reviewed through 10 questions. To analyse the data, standard statistical tools like mean and standard deviations have been applied.

5. Data Analysis and Interpretation

The data analysis shows diverse trends of opinion on different issues. On the issue of level of executive engagement in implementing balanced scorecard, two questions have been asked. The question was asked on 5 point likert scale, indicating 1 = never, 2 = rarely, 3 = some times, 4 = regularly and 5 = always). Following are the results found on these issues.

Table 1: Level of Executive Engagements in Implementing Balanced Scorecard

Statement/Question	Mean	Standard Deviation
Level of engagement at the stage of designing balanced scorecard mechanism for your unit	2.3	.043
Level of engagement at the time of regular implementation of balanced scorecard	4.6	.37

On the issue of compliance of balanced scorecard perspectives by respective departments, a standard pattern of response was recorded through 5 point likert scale (indicating 1 as strongly disagreed, 2 disagreed, 3 as neither agreed or disagreed, 4 as agreed and 5 as strongly agreed). The analysis of response pattern shows the following trends:

Table 2: Compliance of Balanced Scorecard Perspectives by Perspective Departments

Statement/Question	Mean	Standard Deviation
All functional measurements are done in compliance with balanced scorecard requirement	4.3	.23
All functional targets are set according to balanced scorecard objectives	4.1	.27

On the issue of agreeableness with different achievements as claimed to be attained by implementing balanced scorecard (Section 3), the questions were asked through 5 point likert scale (indicating 1 as strongly disagreed, 2 as disagreed, 3 as neither disagreed or agreed, 4 as agreed and 5 as strongly agreed).

Table 3: Agreeableness with Different Achievements

Statement/Question	Mean	Standard Deviation
Improved the market position due to effective implementation of balanced scorecard	3.9	.07
Improved the communication of strategy across the organization due to effective implementation of balanced scorecard	4.1	.18
Improved accomplishment of strategic goals due to effective implementation of balanced scorecard	2.9	.37
Improved Efficiency in Operations due to effective implementation of balanced scorecard	3.1	.38
Improved Financial Performance due to effective implementation of balanced scorecard	3.8	.23
Improved HR process delivery due to effective implementation of balanced scorecard	3.9	.22

On the issue of strengths and weaknesses of the practice of implementation of balanced card in the present format, following trend of observations have been found to be made by the respondents on the basis of 5 point likert scale questionnaire (indicating 1 as strongly disagree, 2 as little agreed, 3 as neither disagreed nor agreed, 4 as agreed and 5 as strongly agreed).

Table 4: Strengths and Weaknesses of the Practice of Implementation of Balanced Scorecard in the Present Format

Statement/Question	Mean	Standard Deviation
Current balanced scorecard format reflects the bank's overall strategy effectively	3.9	.06
Current balanced scorecard format balances between financial and non-financial aspects properly	3.7	.14

Current balanced scorecard format has cascaded from senior to middle to junior executives effectively	3.8	.19
Current balanced scorecard format is based on historical data of the bank	2.9	.25
Current balanced scorecard is comprehensive enough	3.9	.11
Current balanced scorecard format is capable enough to develop manpower on sustainable basis	3.2	.14
Current balanced scorecard format has the problem of too many Key Performance Indicators (KPIs)	3.7	.12
Current balanced scorecard format is not effective in tracking data (on time data/real time data)	2.7	.23
Current balanced scorecard format is not effective in measuring process setting	2.1	.21
Current balanced scorecard format has not covered effectively some quantitative KPIs	2.6	.17

6. Findings and Observations

It has been found that more than the design stage, the managerial employees have been involved at the regular implementation of balanced scorecard in the organization.

On the issues of compliance of balanced scorecard perspectives by respective departments, it is also found that almost same level of positive effectiveness has been experienced by the respondents on both the functional measurements and functional goal settings through balanced scorecard.

On the issues of agreeableness with different achievements as claimed to be attained by implementing balanced scorecard, least positive trends in opinion has been observed on the question regarding the improvement of the accomplishment of strategic goals due to effective implementation of balanced scorecard, whereas most positive trend in opinion has been found on the question of improvement in communication of strategy across the organization by effective implementation of balanced scorecard. Improvement in efficiency in operations seems to have been perceived in a less positive manner, yet, on the other issues like improvement in

market position, financial performance and HR performance, almost same time of positive temperament has been witnessed.

On the issues of strengths and weaknesses of the practice of implementation of balanced card in the present format, a mixed trend of opinions has been found. On of most the issues evaluated under this section, almost uniform pattern of positive patterns of opinion has been found. However, it has been also recorded that the ability of the current balanced scorecard format to track on time/real time data, in measuring process setting and addressing all aspects of quantitative KPIs has not been perceived so positively.

Moreover, it is to be stated here that maximum division of opinion has been reflected on the issues like improved efficiency in operations due to effective implementation of balanced scorecard and improved accomplishment of strategic goals due to effective implementation of balanced scorecard. Maximum unanimity of opinion is however has been observed on the issue of the reflection of bank's overall strategy effectively through current format of balanced scorecard.

7. Suggestions and Recommendations

Based on the observations in the previous sections, following suggestions and recommendations can be made:

- As it has been found that, the current format of balanced scorecard has somehow failed to meet the expectations in terms of tracking on-time/real-time data, which is an important requirement in the process of operational monitoring on continuous basis, the required changes in the format, design and implementation should be incorporated, which not only provides the required data on different business and functional domains, but also will help the organization in cross checking of data across different units of the organization.
- It has been also found that the involvement of the managerial employees at the stage of designing of the present format of balanced scorecard was limited. Balanced scorecard format design must be updated on regular intervals and the involvement of executives in the process needs to be more rigorous and participative.
- Though, it has been found that most of the respondents have given their positive opinions on most of the functional improvements through balanced scorecard, yet the concern remained as relatively less positive trend is visible on the issue of improvement in attaining strategic goals through balanced scorecard. It somehow indicates that at the functional level, the format is working at a satisfactory

level; though at the strategic level more emphasis should be given in finding the relational links between strategic goal attainment and functional and process integration.

- Though, Emirates NBD Bank, set up a task force to initiate the process, back in 2007 and a wide spread training and familiarity programmes have been conducted involving almost 600 operational staffs and 82 managerial staffs at the initial stages, yet a monitoring committee should have been set up to keep tracking the regular developments and understanding system change requirements.

8. Limitations and Future Scope of Research

The limitations of the present study and scope of further research are indicted below.

- The present study has been restricted to only 25 respondents and more detailed picture might have been captured by extending the study to a larger number of respondents.
- The study could have been more comprehensive by making a comparison, between the managerial employees of retail banking division and other divisions.
- A future study can also be done on comparing the perceptions of the managerial employees and non-managerial employees involved in the process of the Emirates NBD Bank.
- An inter-organizational level comparative study between Emirates NBD Bank and its competitor which has also implemented balanced scorecard as the tool for business sustainability can also be done to derive key lessons of effectiveness of such practice in the banking industry in UAE.
- A more detailed analysis can also be done in future, where the study can be conducted on whether the perceptions on different issues addressed in the present study significantly vary across age groups, experiences and nationalities. The same research approach can be adopted on the comparative basis at the industry level in UAE.

9. Conclusion

It has been understood that balanced scorecard is a comprehensive tool, which can affect entire business dynamics of an organization. However, the system format must be continuously modified, updated and made relevant in the ever changing business scenario. Integrating the same with the organizational culture, strategy and policy will ensure its effectiveness at a higher scale.

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