International Academic Journal for Economics and Administrative Sciences

المجلة الأكاديمية العالمية للاقتصاد والعلوم الإدارية

Website: http://iajour.com/index.php/eas

ISSN: 2708-7271

الرايه الدولية الالكترونية
INTERNATIONAL ELECTRONIC ALRRAYIH

تقييم الاداء المصرفي بأستخدام بطاقة الاداء المتوازن من منظور استراتيجي

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تاريخ استلام البحث: 2021/7/29 **تاريخ نشر البحث: 2021/8/29**

الملخص:

لغرض تقييم اداء مؤسسة ما لذا فمن الضروري اختيار اسلوب التقييم الذي يتناسب مع استراتيجية اهداف المؤسسة. تلعب المصارف دوراً اساسياً في الانظمة المالية بشكل عام و دوراً كبيراً في الاقتصاد العراقي بشكل خاص. و انطلاقاً من المبادئ التي تأخذ من هذه النظرية مصدراً لها و تعتمد على منظور بطاقة الاداء المتوازن , في هذا البحث نراجع الاعمال العلمية حول الموضوع لغرض وضع اطار يناقش دور بطاقة الاداء المتوازن والمعدل ليتناسب مع عمل المصرف.
ان اجراء تقييم اداء يرتكز بشكل عام على قطاع المصارف في العراق سيعود بفائدة كبيرة للعراق و عند توسعه ستعول الفائدة على دول الشرق الاوسط التي تتشارك مع العراق بنفس البيئة الاقتصادية و الاجتماعية و الثقافية و الانتماء.
استناداً على وجهة النظر المعتمدة على النظرية, أن مصادر هذا البحث تتمثل بمساهمته في تطوير التفكير النظري و المفاهيمي و المنهجي الرابط بين التطبيقات الاستراتيجية لسجل الاداء المتوازن في تقييم اداء قطاع المصارف في العراق. و هذا سيساعد في تعزيز المناقشة في البحوث الموجودة.

الكلمات المفتاحية: بطاقة الاداء المتوازن،اداء المؤسسة , تقييم الاداء,وجهة النظر المعتمدة على النظرية.

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Website: http://iajour.com/index.php/eas

ISSN: 2708-7271

Evaluating Banking Performance Using the Balanced Scorecard From A Strategic perspective

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Submission date:29/7/2021 **Publishing date: 29/8/2021**

Abstract:

In order to evaluate the performance of an organization, an appropriate evaluation tool which is strategic to the organizations goals is required. Banks are key players in financial systems, and hence, major players in the economy of Iraq. Drawing from the tenets of the resource based view theory, and the perspectives of the balanced score card, this conceptual paper undertakes a review of scholarly works on the subject matter in order to propose a framework for addressing the role of balanced scorecard, moderated by bank size, in carrying out a performance evaluation with specific focus on the Iraqi banking industry. An investigation into this subject matter would be immensely important for Iraq, and by extension, other Middle Eastern Countries which share similar business environment and socio-cultural affiliation with Iraq. Also, underpinned by the resource based view theory, the originality of this paper lies in its contribution to the development of improved theoretical, conceptual, and methodological reasoning for existing linkages between strategic applications of balanced scorecard in the performance evaluation of banking firms. This will aid in the reinforcement of the discussion in the extant literature

Keywords: *Balanced Scorecard; Firm Performance; Banking; Performance Evaluation; Resource Based View.*

Introduction

Empirical evidence in both developing and advanced economies has shown that countries with developed financial systems grow at faster rates (Huber & Scheytt, 2013; Gendron, Brivot, & Guénin-Paracini, 2016). In the case of Iraq, a developing country, the main objective of its financial services industry is to promote monetary and financial stability that is productive and responsible for the growth, development, and sustainability of the Iraqi economy. Towards this end, Iraqi financial institutions are the nucleus of the financial services industry and play a pivotal role in its development, as well as its stability and sustainability to ensure effective and efficient financial intermediation (Falih, et al. 2020). A few years ago, the World Bank (World Bank, 2017), stated that the total assets of the Iraqi financial institutions according to official figures amounted to Iraqi Dinar 329 trillion (which is equivalent to 318% of its Gross Domestic Product), which dwarfs the market capitalization of the stock market of only Iraqi Dinar 3.5

trillion. Nonetheless, the Iraqi financial industry is dominated by banks which makes it by far the most important part of its financial system, accounting for more than 75% of the assets and is dominated by state ownership (Mahmoud & Ahmed, 2014; Salman & Mohammed, 2020). The banking sector in Iraq comprises of 71 banks (7 public banks and 64 private banks).
Recent improvements in the dynamics of the banking sector in relation to the growing complexities of global financial trade, as well as the widening of global financial functions and increased competition have placed a premium on banks in Iraq to improve their performance in order to survive, while conforming to contemporary performance management strategies. In addition, it should be noted that the global business environment has become more intensively dynamic and increasingly unpredictable in recent decades and managing a company has become more demanding (Aigbogun, Ghazali, & Razali, 2016; 2017; 2018). In the banking sector, customers are also becoming more demanding; hence, increasing the level of competition in the industry. Thus, a constant evaluation and re-evaluation of performance level in the banks is necessary to cushion the effect of the dynamisim of the external business environment. This is were the challenge lies in selecting the best-fit methods or instruments to deploy this evaluation.
Performance evaluation alludes to the systematic process for collecting valid and reliable information regarding the performance of an organization as well as the factors that influence such performance (Yaghoobi & Haddadi, 2016; Al Khanbashi & Aigbogun, 2020). In line with this reasoning, it will be right to deduce that the process of evaluating performance of banks involves parameters that accurately describes how effectively the banks as well as their employees and vital stakeholders are accomplishing their aims and objectives. This is where being strategic in approach becomes important as the strategic management of banking objectives is tied to the goals, mission and objectives of such bank (Ozturk, & Coskun, 2014).
A common and traditional way in which many organizations, banks inclusive, evaluate their performance is by using financial measures which has proven not to give a complete indication of all the dimensions necessary to evaluate performance. Love and Holt (2000) argued that in order to correctly determine future business performance of an organization, evaluation of its performance should embrace vital business drivers and look beyond traditional financial measures into more holistic performance measures. This is where the balanced scorecard becomes important as a strategic performance evaluation tool. A balanced scorecard is a strategic management performance metric that helps companies identify and improve their internal operations to help their external outcomes. It measures past performance data and provides organizations with feedback on how to make better decisions in the future (Ozturk & Coskun, 2014).
The objective of this conceptual paper is to explore the implications of using balanced scorecard for evaluating banking performance. Corresponding with the four balanced scorecard perspectives (finance, customer, internal business process, and learning & growth), the most vital evaluation dimensions of banking performance are identified from secondary sources in the relevant literature. This study offers both theoretical and practical contributions, in terms of developing a workable conceptual framework that can be tested and applied in future studies, and offering recommendations for its application to banking managers and policy formulators respectively.

Literature review

As discussed in Johnson and Kaplan (1987), the practices of management accounting have been strongly criticised. These criticisms have led to the establishment of several novel management accounting techniques across different industries and contexts. Many of these techniques have been critically evaluated by research scholars and internationally publicized. Among the most prominent ones is the balanced scorecard. This section discusses the review of the literature in line with the following subheadings: conceptualizing balanced scorecard; conceptualizing and operationalizing banking performance; and balanced scorecard in performance evaluation.

Conceptualizing balanced scorecard

The balanced scorecard is a widely accepted multi-criteria tool for measuring and evaluating performance (Bassioni, Price, & Hassan, 2005; Nudurupati, Nudurupati, Arshad, & Turner,2007). In conceptualizing the balanced scorecard as a strategic performance management instrument, Kaplan and Norton (2004b) views the balanced scorecard as a globally validated instrument of management accounting that incorporates both tangible and intangible assets as well as financial and non-financial performance measures in a multidimensional holistic framework that better situates organizational strategies. In the context of the banking industry, Ozturk and Coskun (2014) portrays the balanced scorecard as a strategic management tool that turns an organization's visions and strategies into actions to be executed. They argue that via the balanced scorecard tool, organizational strategies are adopted and implemented by other organizations while preserving the institution's internal integrity. The balanced scorecard makes organizational strategies more explicit, clearer and focused.

The balanced scorecard was originally developed by Kaplan and Norton (1992), who designed it to have four main performance perspectives - financial, process, customer, and learning & growth perspectives. These four perspectives (composing of 22 criteria) of the original balanced scorecard are used in many organizations. However, some other organizations use differently numbered and named perspectives because of the structure of the organization, organizational culture, product or services features.

Conceptualizing banking performance

In order to evaluate the performance of an organization, an appropriate evaluation tool which is strategic to the organizations goals is required (Al Khanbashi & Aigbogun, 2020). This in itself is not an easy choice to make. According to Tangen (2004), a successful performance evaluation tool is basically a guideline of how to measure performance, which helps an organization to plan, manage, perform and control its actions. Judging from this assertion, it stands to reason that to carry out an evaluation from a strategic point of view, the information extracted has to be relevant, accurate, provided in the right time, and easily assessable to bank top managers who need it for decision making. Thus, banks are encouraged through the use of performance measurement tools to focus on measuring a wide range of business performance related issues such as processes, people and products. Condition of an economy and regulation made by organization, stakeholders and client are some of the other factors that are needed to be considered during implementation of performance evaluation (Venkatraman & Ramanujam, 1986).

In evaluating banking performance several research scholars have rendered their opinions. Popularized by Parasuraman et al. (1985), many researchers (for example; Al-Hawari, 2006; Abdullah, Suhaimi, Saban, & Hamali, 2011; Chai, Tan, & Goh, 2016) opine that service quality is one of the key ways for assessing banking performance. In some studies, certain demographic profiles where seen as significant in the evaluation of banking performance; for example, Al-Tamimi (2011) observes that the size of the bank is an important factor that influences a banking performance evaluation, noting that large banks will usually outperform smaller banks.

Moreover, other researchers have considered other variables; such as finance (Kao & Liu, 2004); customer satisfaction (Adiele & Gabriel, 2013); internal business process (Owusu, 2017).

Balanced scorecard in performance evaluation

Performance evaluation is a systematic review process carried out to help an organization reach a certain goal (Chen, Hsu, & Tzeng, 2011). Making performance evaluation part of the management and control system helps the organization to effectively manage its resources and measure its performance in relation to its goals (Wu & Hung, 2008). According to Parker (2000) the balanced scorecard approach deployed by any firm for evaluating their performance should have the vital characteristics of clarity, reliability, validity, and comprehensibility. In line with this, Kagioglou et al. (2001) developed a framework to measure performance on the basis of the balanced scorecard and added project and supplier perspectives into their framework which they labelled "Performance Measurement Process Framework (PMPF)". Furthermore, in the study of Ozturk and Coskun (2014) on balanced scorecard in banking performance measurement, they assert that the role of managers in carrying out one of their core functions, management control, they ought to ensure the following: determine performance goals, carry out the actual performance evaluation, make comparison between the outcome and the expectations and then eliminate the resulting differences. The authors furthered added innovation as a vital dimension in extant measurement systems that helps to conceptualize the balanced scorecard tool in order to accommodate recent realities. In the competitive business environment. Chai et al. (2016) notes that whatever the resituated balanced scorecard used, it should be constructed to adapt to the organizational structures and cultures of the organization in order to be successful.
Judging from Chen, Hsu, and Tzengn (2011) view on the balanced score card recommendation by Kaplan and Norton (1992), a multi-correlation approach should be fostered among the four perspectives of balanced scorecard. They argue that the ultimate aim of satisfying customers is to enhance financial gains, it is thus essential to identify the areas of value creation for the customer, ways to generate sales as well as avenues to increase customer loyalty. Moreover, internal processes are make up a vital feature of value creation, and learning and growth is a vital intangible component of this (Chen et al., 2011). Learning and growth is positively related to internal processes (Al-Omari,Alomari, & Aljawarneh, 2020).

Conceptual framework proposition

This paper proposes a conceptual framework that incorporates the moderating effect of bank size in the framework of the relationship between resource based view theory factors (human resources, physical resources, and organizational culture) acting as independent variables and balanced scorecard perspectives (finance, customer, internal business process, and learning & growth) as the dependent variable.
This conceptual framework is underpinned by the resource based view which posits that internal resources of a firm is more important in becoming more competitive and achieving better performance than the external resources (Alalie, Harada, & Noor, 2018). The internal resources are the human resource, physical resources and organizational resources. It stands to reason that the method of evaluation of performance in an organization is a valuable organizational resource that is built upon a solid organizational culture, hence a potential differentiator when performance are being benchmarked with industry standards. The choice of the banking industry as the context in this paper is established on the reality that the banking industry, especially in Iraq, is characterized by many challenges, including functional, strategic, financial, and reputational

threats and risks which have direct and indirect effects on banking performance (Falih et al., 2020). The display illustrated in Figure 1 is a representation of the conceptual framework proposed by this study.

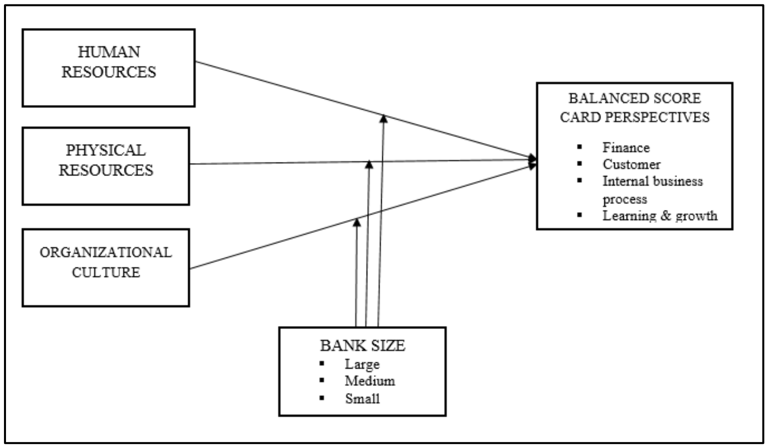

Fig. 1: Conceptual Framework.

Conclusion

This paper proposes a holistic conceptual framework that incorporates the moderating effect of bank size in to the linkage between resource based view factors and the perspective of the balanced scorecard. It is the first phase of a broader research that investigates these performance evaluation in the midst of the current COVID-19 pandemic. Recently the competition in the banking industry has increased. Worse still the effect of COVID-19 outbreak which has seen several government measures, has placed challenges on the surviving banks to improve their performance in order to stay afloat. As a result the increasing customer's demands as well as changes in technology are expected to have a great impact on the management of the bank performance in order to retain and attract potential customer and investor into the banking industry.

Limitation and future direction

This conceptual paper has likelihood for subjective bias because as typical of studies of this nature, there might be limitations in the rigour with which papers have been selected to be reviewed. In addition, a process of quality assessment was not taken into account, hence, a possibility that conclusions have been made from secondary sources that have not been accessed for their intrinsic quality. So, in generalizing the findings care should be taken in applying it for policy recommendations.
In writing this paper, there were some gaps in knowledge that were not addressed. There are several questions still unaddressed and are thus recommended for future research. These are: There is the need to establish a data bank for measures for bank performance assessment purposes. The data, which will require annual updates should comprise: (i) standard definitions and coding of the measures; (ii) standard definitions and coding of organizational factors; (iii) documented reports of the effect of the organizational factors on banking performance outcomes. Also, future studies can consider different other elements of organizational factors to be linked with the resource based view factors recommended in this paper which affect performance evaluation. There are other elements that can be considered in evaluating performance of

organizations and, by these, it could make the framework more comprehensive with details to be used by different types of business

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