

## *Original Paper*

# Do Lebanese Banks Apply Balanced Scorecard in Evaluating Their Performance? An Exploratory Study

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### **Abstract**

*After the development in the administrative work and the focus on quality in its internal and external dimensions, in addition to the undesirable results of financial performance measures that are directed towards knowing past events and not what will be the case in the future, a new management concept appeared close to the end of the last century called the Balanced Scorecard, that balances financial and non-financial measures of performance, to assess short-term as well as long-term performance in a single report. The current research examines whether or not Lebanese banks apply the Balanced Scorecard by its four main dimensions (financial, client, internal operations, and learning-growth perspectives) in evaluating their performance. To achieve the objective of the study the researchers adopt the descriptive-analytical approach utilizing a five-point Likert style questionnaire as the study tool to collect information from the sample that consisted of 165 executives who work in different managerial positions of various departments at branches of banks listed in the Lebanese stock market. The study reached some important findings, mainly that there are potentials for applying the Balanced Scorecard with its four perspectives—primarily the financial perspective—in varying degrees in commercial banks listed in the Lebanese stock market. Based on the findings, the researchers had a set of recommendations directed to decision-makers in the banking sector.*

### **Keywords**

*Balanced Scorecard, financial performance, non-financial performance, strategic planning*

## 1. Introduction

The fast changes that the business domain has witnessed recently urged many organizations to collect data related to performance results, not only those related to financial performance measures but also data related to non-financial performance measures such as data related to marketing and data related to the internal issues of the organization. The traditional financial analysis tools are not sufficient by themselves to evaluate the organizations' performance in the short-term as well as the long-term strategic plans which lead to developing the performance evaluation approaches and trying to integrate the strategic dimension in measuring and evaluating the performance of organizations to know whether or not this performance aligns with their strategic goals.

Throughout the past century, the accounting intellect devised a set of standards to evaluate the financial performance of organizations through certain indicators known as Key Performance Indicators (KPIs). Despite the importance of these standards in evaluating performance, the modern, fast-changing work environment requires something more. As a result, Robert Kaplan and David Norton from Harvard University devised a framework for evaluating the performance of organizations in 1992 based on four perspectives: financial, customer, internal processes, and learning-growth. This framework came to be known as the Balanced Scorecard (BSC). Thus, the BSC changes the vision and strategy of the organization to a comprehensive group of performance measures that supply the framework to implement its strategy. Not only does the BSC depend on achieving the financial goals, but it also empathizes the non-financial goals that the organization must accomplish to meet its financial goals.

Evaluation of strategic performance is especially important for the management of banks since it is an indicator of the extent of their allocative efficiency and discovering any deviation from the planned goals. The BSC is one of the most important modules for financial and non-financial strategic evaluation, which banks resort to in order to shed light comprehensively on their performance and recognize their points of strengths and weaknesses in order to tackle them according to strategic planning that enables banks to avoid and improve defects in performance.

The Balanced Scorecard (BSC) is not an officially implemented concept in the Lebanese Banks although they may apply it or certain aspects of it, with no awareness of it. In the current study, the researchers assess whether or not Lebanese banks listed in the stock market apply the Balanced Scorecard in evaluating their performance.

### *1.1 Literature Review*

The Balanced Scorecard, which was developed by Kaplan and Norton in 1992, provides managements of organizations with a comprehensive structure that interprets the organizations' strategic objectives into measures (Kaplan & Norton, 1993) that evaluate performance through four main perspectives: financial, customer, internal processes, and learning-growth (Kaplan & Norton, 1996).

The financial perspective has a double task—implementation of an organization's strategic plans and evaluating its profitability. The customer perspective can enable an organization to evaluate how satisfied its customers are with its products. The internal processes or operations of the organization

allow managers to evaluate the organization proficiently. The learning-growth perspective recognizes the strengths that an organization has in order to achieve value creation (Norlaila et al., 2013).

Rababah and Bataineh (2016) concluded that only a few studies conducted an analysis of the effect of implementing BSC on the financial performance of organizations. Thus, they recommended that future research must focus on finding the association between implementing BSC and enhancing the financial performance of the organization. In any case, cultural aspects are not chosen to cover all factors that affect the implementation of activity management, but they were selected as samples that may represent the factors that have been found to affect balanced scorecard implementation as a whole.

In a study conducted in Libya on The Jumhouria Bank using BSC, Abofaeid, (2017) concluded that the management of the bank realized the importance of BSC as a strategic and important performance evaluation system, and expressed interest and willingness to learn more about this approach in order to apply it later on.

In another study that compared the performance of two groups of banks, one used BSC while the other group didn't. Davis and Albright (2004) concluded that bank branches in the group that applied BSC performed much better than the other branches which didn't apply it. BSC enhances financial performance when non-financial procedures are integrated in a logical and systematic manner. Traditional performance evaluation systems focused only on possible explanations; moreover, there exists a lack of a consistent connection between measures chosen for the system for evaluating performance and projected financial interest.

Kumar and Sharma (2016) concluded that banks that are performing financially well are not necessarily the best banks when all other intangible procedures are taken into account. It is quite important for a bank to adopt BSC as a comprehensive, precise, consistent strategic performance measurement tool in order to recognize the bank with the best performance in the industry and to supply further information about performance to all parties of interest. Related regular measures for banks under BSC should be identified to guarantee consistency among all banks for proper evaluation of performance.

In a research paper on Performance Measurement in the United Kingdom, Michael and Tobi (2014) found that the Balanced Scorecard, is one of the three most widespread Performance Measurement Systems (PMS) being employed in the UK banking industry. They collected the information for their research using a questionnaire with a sample size of 15 banks operating in the UK. The study concluded that there are strong indicators that there exists a relationship between the Bank's strategic goals and the PMS used by the bank. There is no particular characteristic of the bank that shows a significant connection with the PMS adopted in the bank. The study recommended that strategic planning be associated with performance measures to devise an efficient PMS, which should increase the direct relationship to strategies, and, thus, improve its suitability in the industry.

In their study, Panicker and Seshadri (2013) found that BSC has a central role in evaluating commercial banks' performance since it comprises both financial and non-financial aspects, unlike the traditional Key Performance Indicators (KPI) which only measure the financial performance.

Dinçer et al. (2016) examined the performance of 33 banks operating in Turkey through BSC and concluded the perspectives of BSC that are more considerable concerning all types of banks operating in the state. Their research resulted that the financial perspective of BSC was first in rank according to the sample respondents with 65.7%, the customer perspective came in the second rank with 22.1%, learning-growth perspective stays in the third rank with 6.3%, and the perspective of internal processes has the weakest importance with 5.9%.

Based on the analysis of responses to their study instrument, Gathungu and Nyangau, (2018) found that the respondents to their questionnaire agreed that adopting and using the balanced scorecard has helped them manage change and prepare objectives that are associated with the strategy and goals of the organization, improve communication among different parties in and out of the organization and set strategic goals. They also found that the strategy and the company's goals are communicated through the balanced scorecard from top management to the bank's management where each of them creates a scorecard linked to the strategic goals and objectives that the organization has set for the financial year. This guarantees that the measured and supervised objectives are associated with the company's plans and strategies. Their study also showed that their sample measured performance based on the four perspectives that the BSC suggests. It appeared that the respondents agreed about the significance of both financial and non-financial performance perceptions for the company. In addition, they agreed that by using BSC they could improve the performance of the organization both from the operational and financial perspectives through the use of information obtained from the BSC to make sound, quality decisions.

In their study, Rostami et al. (2015) concluded that the function and significance of the financial system in the present-day economy are quite substantial so that the sustainable development of an economy cannot be achieved without the development of the financial markets. Financial organizations have played an essential role in this respect. Nowadays, so many organizations have realized that they should continuously improve their performance which must be determined by planning and setting future goals in order to continue to exist, sustain their positions and gain more benefits.

On the other hand, Balkovskaya and Filneva (2016) constructed a strategic approach of the BSC for banking organizations using a Russian regional bank as an example. They found that the efficiency of transactions, sales development, and efficient procedures are three significant aspects that should be enhanced as they have a strong effect on the performance of the bank. Automated procedures and improved efficiency of transactions can help improve operations and enhance the customer service quality which, therefore, augmented the number of the bank's customers. They recommend that BSC be coupled with other analytic tools to authenticate the relationship among the indicators of performance. Likewise, in his study, Kasasbeh (2018) found that BSC is a more advantageous measurement tool than the conventional financial measurement tool. However, implementing it is still on a low scale because of many obstacles and problems. Although the major obstacles are still ambiguous, some problems

facing implementing BSC in commercial banks operating in Jordan include lack of top administrative support, lack of organizational culture, collecting data, and employees' resistance to automation.

Madsen and Stenheim (2014) found that both consultants and users of the BSC whom they interviewed recognize that it is useful. Many of them remarked that BSC is a good practice. The consultants emphasized that the BSC has many potentials to balance shareholder and stakeholder demands and local culture and business practices. The user organizations emphasized that BSC helps management focus, balance, align goals, communicate and visualize. BSC is a cultural and motivational tool and can be used to drive processes of change in the organization. Their study highlighted advantages associated with social and organizational procedures of BSC, not the technical.

Some of the previous literature focused on the importance of BSC, others studied implementing it at organizations. Also, some compared between banks that apply BSC and others that don't, while some studies measured the performance of organizations using two out of the four perspectives of BSC. However, no studies have been carried out in Lebanon about the subject matter of this study as far as the researchers know. The current study assesses whether or not Lebanese banks listed in the stock market apply the Balanced Scorecard by its four main dimensions (financial, client, internal operations, and learning-growth perspectives) in evaluating their performance.

## *1.2 Conceptual Framework*

### *1.2.1 Balanced Scorecard*

Kaplan and Norton (1992) defined the Balanced Scorecard as a group of financial and non-financial measures that present the management with a fast, clear, and comprehensive depiction of the performance of the organization. They also defined it as a record card with four perspectives –financial, customer, internal processes, and learning-growth—that presents a balanced image about the operational performance in addition to the leadership performance for the future (Kaplan & Norton, 1996). Al-Moughrabi (2006, p. 278) defined the BSC as the first systematic effort that tried to devise a performance evaluation system that would translate the organization's strategy into specific goals and standards to achieve continuous development. It also unifies all measures used in the organization.

Based on the above, the Balanced Scorecard (BSC) is a modern, managerial tool that enables an organization to plan strategically, achieve its strategic goals and evaluate its operational, financial, and strategic performance through a balanced framework of financial and non-financial standards which can provide comprehensive data to help control an organization's performance.

### *1.2.2 Perspectives of the BSC*

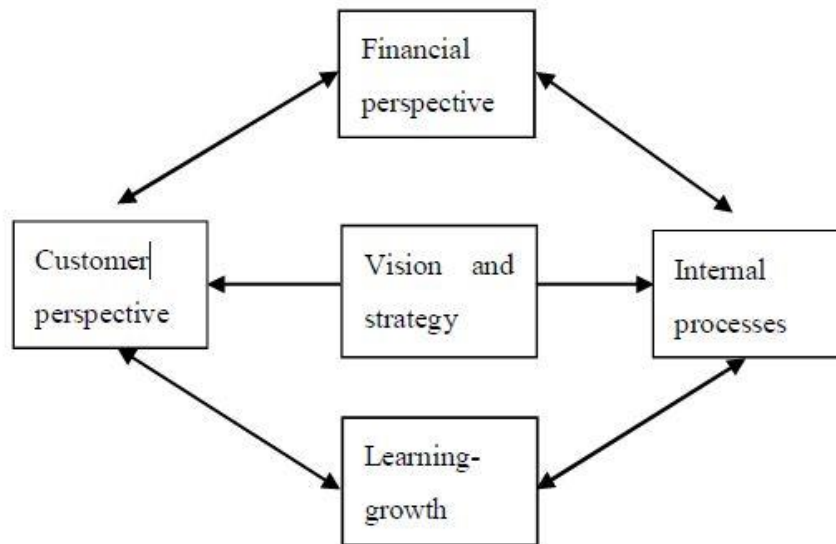
According to Kaplan and Norton (1993, 1996), there are four basic perspectives that provide management of organizations with an inclusive framework that interprets the organizations' strategic objectives into procedures through which the performance of the organization can be evaluated. These perspectives are as follows:

- A. Financial Perspective: Despite the important role of the intangible objectives and their impact on the long term, so many researchers consider financial objectives as the optimum method of

implementation (Niven, 2006). The financial perspective is considered the final output of the organization's activities through which the organization seeks to boost its profits so as to meet shareholders' expectations. Thus, it is the image that reflects the success of the strategies which the organization follows to achieve shareholders' profitability through increasing the value of their investments (Kaplan & Norton, 2001). The financial standards reflect the outcomes which represent the historical financial performance of the organization. The standards within this perspective would reflect the extent of the impact of other standards and perspectives on the financial performance of the organization since it is considered the outcome of all changes and improvements done in the other perspectives. The most suitable standards for this strategy include the average annual growth rate of sales, asset turnover ratio, inventory turnover ratio, and rate of increase in clients' numbers (Lassoued, 2018).

- B. **Customer Perspective:** This perspective represents the way clients view the organization. It is through this perspective that managers can transform their obligations towards clients to specific standards related to their interests that satisfy their needs. This perspective has many standards which supply important information to ensure that clients get their products and services in time, coupled with the price and quality that suit their needs. This perspective also entails a detailed analysis of the market and categories of clients within that market since clients are not similar in terms of their priorities and preferences (Atkinson & Kaplan, 2003). This perspective includes many standards as follows:
- 1) Market share
  - 2) Customer retention
  - 3) Customer acquisition
  - 4) Customer satisfaction
  - 5) Customer profitability
- C. **Internal Processes Perspective:** The significance of this perspective is evident after the organization specifies its objectives in both financial and customer perspectives, whereas it can determine methods of presenting the expected value for clients and means to accomplish improvements in services or products which would result in achieving profitability and increasing revenues. Therefore, managers of organizations must propose measures that satisfy both clients and shareholders using appropriate business processes. Consequently, the main purpose of this perspective is to apply business processes that achieve financial success and customer satisfaction (Panicker & Seshadri, 2013). This perspective is related to the financial perspective since it focuses on improving the efficiency of internal processes operations. It is also related to the customer perspective since it creates value for them. Finally, it is related to the learning-growth perspective through the reason and result relationship since the employees who do the work are the main source of developing the work and increasing its efficiency. The internal processes include three sub-processes as follows (Ashton, 2001):

- 1) Innovation Processes: These processes mean presenting new products that are defined based on the clients' needs including determining the market, inventing the product or service, and improving the technology of production operations and information technology.
  - 2) Operations Processes: These include production processes, making the products and services available for customers, improving the quality of production processes, and decreasing the time needed to deliver the product or service to the client.
  - 3) Post Sales Services: This includes presenting suitable after-sales services for clients or delivering the service or product quickly and accurately. In light of the balanced performance system, new phases are suggested and current phases are developed in a way that satisfies the clients' needs, which also helps achieve the financial goals. In this domain, modern accounting systems, such as Activity-Based Costing and Total Quality Management can be used to associate the organization's strategy with the operational processes management.
- D. Learning-Growth Perspective: Managers of organizations must identify measures that would assist them in achieving the vision of the organization, and consequently, maintaining the organization's ability to develop. As such, this perspective is directly related to the workforce at the organization and measures the efforts that the organization puts forth to present for its workforce proper opportunities to learn more about their field of work that will consequently lead to their growth. Kaplan and Norton (1996) proposed examples of measures that can be used in this perspective, including:
- 1) Employee empowerment: All skills and abilities of workers at the organization in addition to available computer programs represent basic constituents of the learning process to achieve growth in the organization and to comprehend modern technology or the proposed strategic ideas.
  - 2) Available Information Systems: The available potentials of information systems and methods of implementing them in a way that aligns with available conditions represent an essential factor in the process of learning-growth within the balanced evaluation system of the organization's performance.
  - 3) Motivation and Capabilities: Creating motivation for the employees to abide by the regulations and encouraging them to improve their performance levels and to learn things that achieve growth for the organization's activities is also a common factor in achieving growth with the balanced evaluation system of the organization's performance.



**Figure 1. The Four Perspectives of the Balanced Scorecard. Source: Adapted from Kaplan and Norton (1992)**

The above perspectives are the most common and organizations can determine other perspectives according to the nature of their work. Consequently, organizations can choose perspectives such as research and development, environment, society, etc.

### 1.2.3 Cause and Effect Relationship within the BSC

Measuring the balanced performance is based on a diversity of results measurements and performance drivers of these results. It represents an integrated operation that starts with putting forth the strategy and ends with the financial results reached. This operation is characterized by sequence and connectivity, which reflects a chain of cause and effect relationships that are included in the four perspectives above.

The Return on Capital Employed is considered one of the financial perspective measurements the main cause for this financial measurement is the repetition of sales as a reflection of high customer loyalty. Customer loyalty which goes under the customer perspective has a great effect on the return on capital employed (Eklof et al., 2018). Also, there are many other factors that lead to increasing the extent of customer loyalty such as on-time delivery of orders, and improving it is the result of reducing operating cycles and increasing the quality of internal processes. These two measurements go under the perspective of internal processes. Now, reducing operating cycles and increasing the quality of internal processes are achieved through training the employees and increasing their skills, which goes under the learning-growth perspective (Jehanzeb & Bashir, 2013). Kaplan and Norton (1992) emphasized that the strategic goals consist of a balanced representation of financial and non-financial measurements that include a chain of cause and effect relationships between the results measurements and the performance drivers of these results. This means that the learning-growth measurements are drivers for the



operations of internal processes, which are in turn drivers for customer measurements. In addition, customer measurements are drivers for financial measurements; thus, this cause and effect relationship means that the four perspectives integrate and react with one another. Consequently, choosing the goals in the perspective of internal processes should lead to achieving the financial goals, and choosing the goals in the perspective of internal processes is done in light of customer goals and financial goals. Also choosing the goals in the learning-growth perspective should lead to the goals in the other three perspectives.

## 2. Research Problem and Hypotheses

Lebanese banks are currently facing a lot of challenges especially in the light of the present economic and security circumstances. As a result of some informal interviews with certain clients and employees at a number of banks, the researchers recognized a certain extent of dissatisfaction toward banks, something which is not customary for the Lebanese banking sector. That is the reason behind setting off to evaluate the performance of Lebanese banks through focusing on the four main perspectives of the Balanced Scorecard (financial, customer, internal processes, and learning-growth) since the BSC is a comprehensive system for evaluating financial and non-financial performance, which indicate future performance. Thus, the researchers had the following main question in mind:

Are there potentials for applying the Balanced Scorecard with its four perspectives in commercial banks in Lebanon?

From the above question, the following sub-questions arise:

- 1) Are there enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the financial perspective?
- 2) Are there enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the customer perspective?
- 3) Are there enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the perspective of internal processes?
- 4) Are there enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the learning-growth perspective?

Based on the above main question, the researchers had the following main hypothesis:

H<sub>1</sub> There are potentials for applying the Balanced Scorecard with its four perspectives in commercial banks in Lebanon.

From the above main hypothesis, the following sub-hypotheses arise:

H<sub>1.1</sub> There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the financial perspective.

H<sub>1.2</sub> There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the customer perspective.

H<sub>1.3</sub> There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the perspective of internal processes.

H<sub>1.4</sub> There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the learning-growth perspective.

### 3. Procedures and Methods

In the current study, the researchers adopted a descriptive-analytical approach, utilizing an empirical study. A quintet Likert style questionnaire of 20 items was constructed and distributed to a sample that consisted of 180 people who work in different managerial positions of various departments at branches of banks listed in the Lebanese stock market.

#### 3.1 Population and Sample Selection

The population of the study consists of different departments of banks listed at the Lebanese stock market. A total of 180 questionnaires were distributed among the sample, 168 of which were retrieved and 165 were valid for testing and analysis. The demographic data of the sample is shown in the table below:

**Table 1. The Participants' Distribution according to Demographic Information**

Variable	Category	Frequency	Percent
Education	Bachelor	42	25.5
	Master's	108	65.5
	Ph.D	15	9.1
Major	Accounting	39	23.6
	Business Administration	60	36.4
	Finance	39	23.6
	Economics	27	16.4
Years of experience	5-10 years	9	5.5
	10-15 years	42	25.5
	More than 15 years	114	69.1
Job Position	Deputy Financial manager	21	12.7
	Executive Manager	45	27.3
	Branch Manager	48	29.1

	Deputy Branch Manager	21	12.7
	Operations Manager	30	18.2
<b>Total</b>		<b>165</b>	<b>100.0</b>

It is evident from Table 1 that 65.5% of the participants have a Master's degree, 25.5% have a Bachelor's degree, and 9.1% have PhDs. It is also evident that 36.4% of the participants have a major in business administration, 23.6% in accounting, 23.6% in banking and finance, and 16.4% in economics. Regarding their distribution according to years of experience, 69.1% of the sample has more than 15 years of experience, 25.5% has 10-15 years of experience, and 5.5% has 5-10 years of experience. As for their distribution according to position, 29.1% of the sample is a branch manager, 27.3% is an executive manager, 18.2% is an operations manager, 12.7% is a deputy financial manager, and 12.7% is a deputy branch manager.

Based on the sample's education, long experience, and job positions the researchers believe that the sample's responses would be professional and reliable as related to the subject matter of the study.

### 3.2 Instrumentation

The researchers constructed a five-point Likert-style questionnaire and asked managers of different departments in banks listed at the Lebanese stock market to respond to the 20 items of the questionnaire. The following table shows the scale range:

**Table 2. Correction of the Research Tool with a Five-point Likert Scale of the Consent**

Answer	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Degree	1	2	3	4	5

### 3.3 Validity

The following Table 3 shows the results of the internal consistency of the study tool.

**Table 3. Validity Statistics (Internal Consistency)**

First Domain			Second Domain			Third Domain			Fourth Domain		
#	R	Sig.	#	R	Sig.	#	R	Sig.	#	R	Sig.
1	.172*	.027	1	.448**	.000	1	.219**	.005	1	.693**	.000
2	.229**	.003	2	.462**	.000	2	.617**	.000	2	.601**	.000
3	.666**	.000	3	.594**	.000	3	.571**	.000	3	.388**	.000

4	.724**	.000	4	.791**	.000	4	.220**	.005	4	.588**	.000
5	.543**	.000	5	.294**	.000	5	.171*	.028	5	.737**	.000

R = Pearson Correlation Coefficient. \*\*Prob. < 0.01, \* Prob. < 0.05.

The above Table 3 shows that all items of the questionnaire are statistically correlated at sig. 0.01 and 0.05 in the overall domains. This indicates that there is internal consistency among the items of the questionnaire, which supports the validity of the data collected from the sample.

#### 3.4 Reliability

Findings of the current study show that Cronbach's Alpha for all the items of the questionnaire is 0.692 and Guttman's split-half coefficient 0.873 as shown in the table below:

**Table 4. Reliability Statistics (Cronbach's Alpha and Split-Half).**

Cronbach's Alpha		Split-Half	
No. of Items	Cronbach's Alpha	Correlation Between Forms	Guttman Split-Half Coefficient
20	.692	.805	.873

It is evident from Table 3 above that the value of Cronbach's Alpha is 0.692 and Guttman Split-Half Coefficient is 0.873, both of which support the reliability in the data of the study.

#### 4. Discussion and Analysis

The researchers adopt the standard illustrated in Table 3 that follows to judge the inclination of each item when using the quintet Likert Scale depending mainly on the mean value and relative weight to determine the extent of consent to the items and domains of the questionnaire.

**Table 5. Level of Agreement about Items according to Mean Value of Answers**

Level of agreement	V. Low	Low	Medium	High	V. High
Mean	less than 1.81	1.81-2.60	2.61-3.40	3.41-4.20	<b>more than 4.21</b>
RII	less than 36.3%	36.3%-52.2%	52.3%-68.2%	68.3%-84.0%	<b>more than 84.1%</b>

**Mean:** Mean of answers, **RII**= Relative Importance Index (mean/5 \* 100%).

This gives statistical significance that averages that are less than 1.81 show very low consent to the item or the domain as a whole, and averages ranging between 1.81 and 2.60 show low consent to the item or the domain as a whole. Whereas averages between 2.61 and 3.41 indicate medium consent of

the members of the sample to the item or the domain as a whole. Averages between 3.41 and 4.20 show high consent to the item or the domain and averages higher than 4.21 show very high consent to the item or the domain as a whole.

#### 4.1 Testing the First Sub-hypothesis

The following table shows the results of the statistical analysis of items in the first domain, **Extent of availability of necessary data to calculate performance measurement in BSC regarding the financial perspective**, where the mean, standard deviation, relative importance index, level of approval, and rank of each item were calculated. Also, the One-Sample T-Test was used to determine the relevance of the responses to the value (3) which reflects neutrality.

**Table 6. Result Analysis of the First Domain: Extent of Availability of Necessary Data to Calculate Performance Measurement in BSC regarding the Financial Perspective**

Items	M	SD	RII	T-test	Sig.	LA	R
<b>Return on investment rate</b>	4.36	0.70	87.2%	25.05	0.00**	V. High	2
<b>Sales growth rate</b>	4.47	0.69	89.4%	27.59	0.00**	V. High	1
<b>Reduction rate of costs of services supplied to clients</b>	3.11	1.35	62.2%	1.04	0.30	Medium	5
<b>The net present value of operational activities over present value of investment and financing activities</b>	4.11	1.11	82.2%	12.84	0.00**	High	4
<b>Interests paid over net present value of operational activities</b>	4.33	0.66	86.6%	25.67	0.00**	V. High	3
All items	<b>4.08</b>	<b>0.47</b>	<b>81.6%</b>	<b>29.56</b>	<b>0.00**</b>	<b>High</b>	

\*\*Prob. <0.00

The mean of the sample's responses to all items of the domain "Extent of availability of necessary data to calculate performance measurement in BSC regarding the financial perspective" is 4.08 with a relative weight of 81.6%. Also, the value of the calculated T-test is 29.56, which is greater than the value of the tabulated 'T' at the significance level of 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, the first hypothesis of the study that states "There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the financial perspective" is accepted. The researchers consider the financial perspective as the final output of the bank's activities through which the bank

seeks to boost its profits to be up to shareholders' anticipations. Thus, it is the image that reflects the achievement of the approaches that the bank follows to attain shareholders' profitability.

#### 4.2 Testing the Second Sub-hypothesis

Table 7 shows the results of the statistical analysis of items in the second domain, **Extent of availability of necessary data to calculate performance measurement in BSC regarding the customer perspective.**

**Table 7. Result Analysis of the Second Domain: Extent of Availability of Necessary Data to Calculate Performance Measurement in BSC regarding the Customer Perspective**

Items	M	SD	RII	T-test	Sig.	LA	R
<b>Number of customers' complaints</b>	3.20	1.40	64.0%	1.84	0.07*	Medium	5
<b>Service price supplied compared by price in competitive market</b>	4.25	0.64	85.0%	25.15	0.00**	V. High	2
<b>Number of services supplied on time</b>	4.40	0.89	88.0%	20.23	0.00**	V. High	1
<b>Client's awareness of the quality of services supplied</b>	4.24	1.13	84.8%	14.04	0.00**	V. High	3
<b>Predicting clients' future needs</b>	3.33	1.31	66.6%	3.20	0.00**	Medium	4
All items	<b>3.88</b>	<b>0.55</b>	<b>77.6%</b>	<b>20.79</b>	<b>0.00**</b>	<b>High</b>	

\*\*Prob. <0.00

The mean of the sample's responses to all items of the domain "Extent of availability of necessary data to calculate performance measurement in BSC regarding the customer perspective" is 3.88 with a relative weight of 77.6%. Also, the value of the calculated T-test is 20.79, which is greater than the value of the tabulated 'T' at the significance level of 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, the second hypothesis of the study that states "There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the customer perspective" is accepted. The researchers believe that the customer perspective is the way clients vision the bank, through which managers can alter their responsibility towards clients to specific standards related to their interests that suit their needs.

#### 4.3 Testing the Third Sub-hypothesis

Table 8 shows the results of the statistical analysis of items in the third domain, **Extent of availability of necessary data to calculate performance measurement in BSC regarding internal processes.**

**Table 8. Result Analysis of the Third Domain: Extent of Availability of Necessary Data to Calculate Performance Measurement in BSC regarding Internal Processes**

Items	M	SD	RII	T-test	Sig.	LA	R
<b>Rate of sales from new services</b>	3.31	1.34	66.2%	2.97	0.00**	Medium	3
<b>Actual time to offer a service compared to the projected time</b>	2.31	1.06	46.2%	8.35	0.00**	Low	5
<b>Rate of faulty transactions from total transactions in a specific period of time</b>	3.09	1.51	61.8%	0.77	0.44	Medium	4
<b>Rate of increase in using IT</b>	4.08	0.77	81.6%	17.93	0.00**	High	2
<b>Number of new services</b>	4.29	0.87	85.8%	19.07	0.00**	V. High	1
All items	<b>3.42</b>	<b>0.37</b>	<b>68.4%</b>	<b>14.58</b>	<b>0.00**</b>	<b>High</b>	

\*\*Prob. <0.00

The mean of the sample's responses to all items of the domain "Extent of availability of necessary data to calculate performance measurement in BSC regarding internal processes" is 3.42 with a relative weight of 68.4%. Also, the value of the calculated T-test is 14.58, which is greater than the value of the tabulated 'T' at the significance level of 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, the fourth hypothesis of the study which states "There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the perspective of internal process" is accepted. The researchers believe that this perspective becomes clear after the bank stipulates its goals in the financial and customer perspectives, while it can establish methods of presenting the anticipated value for clients and ways to achieve advancements in the bank services which would result in attaining profitability and boosting revenues. It focuses on all the major activities and processes required for the bank to excel in delivering the value that customers expect in a product and efficient manner.

#### *4.4 Testing the Fourth Sub-hypothesis*

The following table shows the results of the statistical analysis of items in the third domain, Extent of availability of necessary data to calculate performance measurement in BSC regarding learning-growth.

**Table 9. Result Analysis of the Fourth Domain: Extent of Availability of Necessary Data to Calculate Performance Measurement in BSC regarding Learning-growth**

Items	M	SD	RII	T-test	Sig.	LA	R
<b>Extent of employee satisfaction</b>	2.85	1.34	57.0%	1.39	0.17	Medium	4
<b>Number of suggestions presented by employees to develop work</b>	2.02	1.04	40.4%	12.14	0.00**	Low	5
<b>Existence of a system for incentives and rewards</b>	3.80	0.86	76.0%	11.89	0.00**	High	3
<b>Employee turnover</b>	4.15	1.09	83.0%	13.51	0.00**	High	2
<b>Average number of employee training hours</b>	4.20	1.02	84.0%	15.12	0.00**	High	1
<b>All items</b>	<b>3.40</b>	<b>0.66</b>	<b>68.0%</b>	<b>7.90</b>	<b>0.00**</b>	<b>Medium</b>	

\*\*Prob. <0.00

The mean of the sample's responses to all items of the domain "Extent of availability of necessary data to calculate performance measurement in BSC regarding learning-growth" is 3.40 with a relative weight of 68.0%. Also, the value of the calculated T-test is 7.90, which is greater than the value of the tabulated 'T' at the significance level of 0.05. This means that there is an increase of statistical significance to the neutral level in the average responses of the members of the sample; consequently, the third hypothesis of the study which states "There are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the learning-growth perspective" is accepted. The researchers believe that this perspective is related to the employees at the bank and determines the efforts which the bank applies to present the employees with proper chances to learn more about their field of work, which leads to their growth.

The researchers also interviewed senior executives (regional managers, branch managers, and members of the board of directors at some branches) at a number of banks whose managers constitute part of the study sample. These senior executives assured that there are presently very few banks in Lebanon that apply the balanced scorecard, while other banks apply certain aspects of the balanced scorecard, but they have no awareness of it.



## 5. Results and Recommendations

The topic of modernizing organizations and integrating concepts of Key Performance Indicators (KPIs) in their line of work became one of the most essential contemporary management issues. The process of measuring and evaluating performance is one of the basic management processes which is equally important to other processes in an organization and a basic element in the organization's success, evolution, and sustainability. As such, the researchers put forward the hypotheses to examine whether or not Lebanese banks apply the Balanced Scorecard in evaluating their performance.

The study at hand concluded that although the Balanced Scorecard is not officially applied in commercial banks in Lebanon, there are enough data for applying it regarding the financial perspective. The results showed that the financial perspective has the most concern among the sample since the financial perspective is the main short-term as well as the long-term factor in the banks' sustainability. This result is explicit in that most variables of the financial perspective are highly existent in the sample's responses.

The results additionally showed that there are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the customer perspective. This result can be explained in that banks seek to satisfy their clients' needs since customer satisfaction helps banks maintain their clients and attract new ones as well. This is evident in that most variables of the customer perspective are highly existent in the sample's responses.

The results also showed that there are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the perspective of internal processes. This is due to banks' interest in developing modern controls in operations management to address deviations, develop performance and align operations with the objectives of the bank. This is evident since most of the variables of financial perspective are significantly present in the sample responses.

The study also showed that there are enough data for applying the Balanced Scorecard in commercial banks in Lebanon regarding the learning-growth perspective. Although this perspective leads to improving the internal processes, which in turn positively affects customer and financial perspectives, most of the variables were explicit at an average level in the sample's responses.

The results of the current study meet with the study conducted by Kasasbeh (2018) in that implementing BSC is still on a low scale. The results also meet with Dinger et al. (2016) that the financial perspective of BSC was first in rank according to the sample respondents and the customer perspective came in the second rank. The results additionally coincide with Michael and Tobi's study (2014) in that BSC increases the direct relationship to strategies.

Following the results, the researchers had some recommendations, as shown below:

- The Central Bank of Lebanon (Banque Du Liban) should adopt using the Balanced Scorecard since the Central Bank is considered the most technically qualified bank, and that would be the first step after which all banks should follow.

- All banks in Lebanon should apply all features of the Balanced Scorecard to measure their performance since it is a major aspect of competitiveness in the international market.
- Lebanese banks must attract experienced personnel who are qualified and able to apply the Balanced Scorecard effectively.
- Lebanese banks should start putting forth visions and strategies and discuss them with their employees so that all understand them and work on devising strategic goals from the banks' visions and strategies and defining the goals procedurally so that they are achievable.
- Lebanese banks should determine a set of measurements, standards, and necessary indicators to measure and evaluate performance at all their branches and link them to promotion and incentive systems.
- The Lebanese banks should conduct marketing research and exploratory studies on the banks' clients about their satisfaction toward the delivered services and what they expect the banks to offer them; in addition, banks should take the clients' opinions into consideration regarding the banking services they offer.

## 6. Suggestions for Further Research

Based on the results of the current study, the researchers suggest that more research be done about the Balanced Scorecard. The main areas for research may include the effects of implementing the BSC on banks. Researchers may also examine implementing BSC in other large enterprises as well as in SMEs and the resulting effects.

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