School of Management
Blekinge Institute of Technology

USING BALANCED SCORECARD TO ASSESS PERFORMANCE OF BANKS IN GHANA

ABU YAHAYA

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USING BALANCED SCORECARD TO ASSESS PERFORMANCE OF BANKS IN GHANA

By

Abu Yahaya

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Eva Lovstal

ABSTRACT

Title: Using Balanced Scorecard to assess performance of banks in Ghana

Author: Abu Yahaya

Supervisor: Eva Lovstal

Department: School of Management, Blekinge Institute of Technology

Course: Master's thesis in Business Administration, 15 credits (ECTS).

Background and Problem Discussion: The effect of non-financial variables on the financial performance of banks in Ghana can become significant. The information of how customer satisfaction, internal business processes, organizational learning and growth influences financial indicators is therefore of great importance in assessing performance of banks in Ghana.

Purpose: The purpose of this thesis is to create a model to be able to assess performance of banks in several dimensions and measures using the Balanced Scorecard framework.

Method: Quantitative and inductive methods. Primary data is financial and non-financial statistics collected from public institutions and sources, staffs and customers of Barclays Bank Ghana limited, Ecobank Ghana Limited and United Bank for Africa (Ghana) Limited.

Theory: The theory section looks at different concepts and relevant theories that come up when analyzing bank's financial results and how they are being impacted by other non-financial perspectives. I have therefore chosen the most common concept for the theory section.

Analysis: I have used a model to examine how the balanced scorecard can be used to assess performance of banks in several dimensions and measures in order to provide additional information to all stakeholders - internally and externally. The chosen scenario shall then be used to determine if BSC can provide additional information with respect to the performance of the selected banks.

Conclusion: The analyzed banks showed only marginally the impact of non-financial perspectives on financial performance. Analysis also showed that in assessing performance of banks some critical non-financial factors such as customer satisfaction, efficient internal processes and the quality of staff play a crucial role. Of specific interest is the turn-around-time on loan processing and disbursement which is a core function of the banks and for which all the selected banks failed to adequately address. But the study also revealed that the BSC framework indeed provides additional information when used to assess the performance of banks in Ghana.

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ACRONYMS

BBG	Barclays Bank (Ghana) Limited
BPI	Business Performance Indicator
BPR	Business Performance Review
BSC	Balanced Scorecard
CR	Customer Retention
CRM	Customer Relationship Management
CSI	Customer Satisfaction Index
EBG	Ecobank (Ghana) Limited
EPR	Enterprise Resource Planning
EPS	Earnings per Share
HR	Human Resource
IC	Intellectual Capital
ROE	Return on Equity
ROA	Return on Asset
KPI	Key Performance Indicator
LOC	Levers of Control
PMM	Performance Management Model
SLA	Service Level Agreement
TAT	Turn Around Time
UBA	United Bank for Africa
UBAG	United Bank for Africa (Ghana) Limited

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CHAPTER ONE

INTRODUCTION

"When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind...." **(Lord Kelvin)**

1 Introduction

This introducing chapter will provide the reader with an insight into the research area. The main focus of this study is the use of the balanced scorecard framework to assess performance of banks in several dimensions and measures.

1.1 <u>Background</u>

The background to the study is given in the following sections which look at introducing the balanced scorecard, the banking sector in Ghana and the motivation for this work.

1.1.1 Introducing BSC

After questioning contemporary management accounting in several articles during the 1980s, Kaplan & Norton (1992) introduced the Balanced Scorecard (BSC) concept. However, already in 1979, Parker suggested a balanced view on firms' operations comprising financial measures and measures related to marketing strategy, research and development, social responsibility and employees.

Despite Parker's early contribution, the 1992 article by Kaplan & Norton appears to have been more timely and may be recognized as setting into motion the scorecard approach, i.e. the starting point to "put the BSC to work" (Kaplan & Norton, 1993).

According to Roslender (1997), the BSC could serve as an illustration to contemporary 'best practise' pursuits in accounting for strategic positioning, i.e. to support managerial attempts to achieve and sustain a strategic position in the market place.

The BSC intends to reflect the necessity of balance between the traditional financial perspective and the three non-financial elements of customers, internal business processes and innovation/improvement. BSC translates an organisation's mission and strategy into a comprehensive set of performance measures to provide the necessary framework for a strategic measurement and management system (Kaplan & Norton, 1996). The BSC enables companies to track short-term financial results while simultaneously monitoring their progress in developing the capabilities and acquiring the intangible assets that generate growth for future financial performance.

According to Kaplan & Norton, an effective strategic learning process requires a shared strategic framework that communicates the strategy and allows all participants to see how their individual activities contribute to achieving the overall strategy. The BSC provides a representation of the organisations' shared vision. The use of measurements as a language helps translate complex and frequently nebulous concepts into a more "precise" form that promotes consensus among senior executives. The BSC communicates a holistic model that links individual efforts and accomplishments to business unit objectives.

The scorecard should incorporate the complex set of cause-and-effect relationships among outcome measures and the performance drivers that describe the trajectory of the strategy of those outcomes. The measurement system should make the relationships (hypotheses) among objectives (and measures) in the various perspectives explicit so that they can be managed and validated.

1.1.2 The Banking Sector in Ghana

Ghana is a relatively small country within the West African sub-region with a population of about 20 million people. The economy of Ghana can be described predominantly as a developing economy with several sectors of which the banking sector plays a critical role in the development of the economy.

The banking sector in Ghana has seen tremendous growth and development from the colonial era through to independence in 1957 to date.

Banks were established, inter alia, to mobilize financial resources from savers and make these resources available to borrowers for investment. In general, the evolution of the banking system in Ghana may be seen as a response to certain perceived credit needs of some sectors in the economy at different point in time (Gockel, 1995).

Banking emerged in the colonial era with the aim of providing banking services for the British trading enterprises and the British colonial administration. The British Bank of British West Africa, which later became known as Standard Chartered Bank, was established in 1896 followed by Barclays Bank DCO, now Barclays Bank Ghana Limited (BBG) in 1917. In spite of their objectives of providing banking and currency services to expatriate companies and the colonial administration, the bank attracted the patronage of some indigenous Africans.
This therefore led to the establishment of an indigenous bank called the Bank of the Gold Coast in 1953, to operate for the benefit of the indigenous private sector. After independence, however, Ghana left the West African Currency Board (WACB) and split the bank of the Gold Coast into two – the Bank of Ghana (BOG), taking on central banking activities and the Ghana Commercial Bank (GCB) now Ghana Commercial Bank Limited taking commercial banking activities.

Various banks emerged at various times to cater for specific needs of the developmental stage of the economy. For the purpose of financing the purchases of cocoa, the co-operative bank was established in 1935 by the farmers' co-operatives and the colonial government.

To cater for medium and long-term financing needs of the manufacturing and agro-business sectors, the National Investment Bank (NIB) was therefore established in 1963 to provide long-term credit facilities. In 1965, the Agricultural Credit and Co-operative Bank now Agricultural Development Bank (ADB) was established to provide finance for the development of the agriculture sector. The Bank for Housing and Construction (BHC) was also established by government decree in 1972 to undertake mortgage financing activities, facilitate the participation of domestic or foreign private capital in the construction sector and enter into joint venture projects in this sector. The Social Security Bank (SSB) now SG-SSB Bank limited was established in 1977 to allow salaried workers to acquire consumer goods. It was also tasked with the operation of development finance scheme for small-scale industrial and agriculture projects.

Merchant banks emerged to accept deposits and open checking accounts for only corporate bodies. They also open accounts for individuals trading under business names with high net worth and with relatively substantial turnovers as well as for individuals (non-traders) who have big deposits or whose incomes are substantial; the functional distinction among the banks is contiguous. Furthermore, they are also responsible for the operation of offshore, export and import business. As financiers to merchants' merchandise, they were to be responsible for providing such subsidiary function such as administration of letters of credit, guarantees on behalf of their customers, etc. The individual banks in the merchant banking business in Ghana were the Merchant Bank of Ghana Ltd., Ecobank Ghana Ltd., CAL Merchant Bank Ltd. and First Atlantic Bank Merchant Bank.

Despite the creation of specialized banks to cater for various credit needs, it became evident that rural and other informal sector credit needs could not be met. It thus became desirable for the establishment of specialized banks to provide credit to the rural sectors.

1.1.3 Motivation for work

It is obvious from the foregone discussions that the banking sector that existed before the mid-1980s was largely as a result of a conscious government-driven effort that led to the establishment of these banks. This process was largely financed by the government, either directly with the provision of capital or indirectly through public institutions such as the Bank of Ghana (BOG), Social Security and National Insurance Trust (SSNIT), and the State Insurance Corporation (SIC). Thus with the exception of the expatriate banks (BBG and SCB), the government is the majority shareholder in most banks. With this ownership structure, it was not surprising that the banking sector experienced financial distress and lack of competition prior to a major reform that took place from 1989. Banks owned by the private sector are expected to be more technically efficient than government banks due to the fact that private banks operate strictly as profit maximizers while government banks may and often serve as conduits for enforcing government's social responsibility such as granting credit to nonperforming public institutions. Thus banks with a high level of government shareholding do not seem to perform efficiently (Olugbenga and Olankunle, 1998). This is a seemingly general case with all banks with high level of government shareholding such as Agricultural Development Bank, National Investment Bank and Ghana Commercial Bank. This is also revealed in the annual banking survey conducted by PriceWaterHouseCoopers on performance of banks in Ghana under the profitability and efficiency section.

There was a sharp deterioration in Ghana's economy in the 1970s that put severe pressures on the financial system. The 1970s were marked by low average GDP growth of about 2.6%, high inflation which peaked at 123% in 1983, low levels of savings, declining international trade. There were strong indications of severe financial repression.

The evidence of financial repression was reflected in:

- The high inflation rate had eroded the capital base of most banks

- Demand deposits constituted 64% of total deposits, thus constraining long-term lending
- Controls on interest rates had resulted in negative real rates of interest. There were high levels of currency outside banks with the currency/deposit ratio peaking at 77% in 1983
- A sharp depreciation in the domestic currency led to the creation of many unserviceable foreign loans administered by the banks (Sam Mensah, 1997, p. 10).

Giving the crucial role that the financial sector plays in the economic development of the country, it became clear in 1987 that there was the need to reform the sector. This therefore led to the introduction of the financial sector reform programme (FINSAP) in 1988 by the government of Ghana in conjunction with the International Monetary Fund (IMF) and the World Bank. The introduction of FINSAP which was as result of economic repression and poor performance of the financial sector had three main objectives:

- To undertake restructuring of financially distressed banks;
- To enhance the soundness of the banking system through an improved regulatory and supervisory framework;
- To improve the mobilization and allocation of resources - including the development of money and capital markets (Sam Mensah, 1997, p.11)

In line with these objectives, a restructuring of the public sector banks began in 1989. The restructuring of the banking institution was intended to promote competition, reduce government ownership and control and to increase public confidence in the banking system. With these objectives, the Bank of Ghana was strengthened to effectively regulate and monitor performance and competitiveness of banks through the submission of various reports on regular bases to the Banking Supervision Department of the Bank of Ghana. This has also led to the development of the electronic Financial Analysis and Surveillance System (eFASS) to enhance and facilitate the online submission of reports by banks in Ghana.

The reports sent to Bank of Ghana tend to measure solvency, and profitability of the banks. Some of the reports submitted to the Bank of Ghana are the Liquidity reserve requirement which is submitted weekly and it measures the percentage of a bank's current account deposit that must be kept with the Bank of Ghana. It is currently a weekly average of 9% of customers' deposits. The next is the Capital Adequacy Ratio which is submitted monthly and it is a measure of the extent to which the bank's capital can meet its risk assets. It is put at 12% for now. Net Open Position is also a daily report submitted by banks and it measures the bank's exposure in terms of foreign exchange. Then the Profit and Loss Accounts is also submitted on monthly and quarterly basis which measures profitability of the bank's operations. Finally the balance sheet is also submitted monthly and this measures the size of the bank's operations.

The Ghana Bankers' Association in conjunction with PriceWaterHouseCoopers has also launched the Annual Banking Survey with its maiden first edition published in 2006 to report on the performance of the banking sector in Ghana.

The report seeks to measure performance of banks under the following parameters: Market share that measures the bank's portfolio relative to the industry for deposits, loans and advances, and operating assets. Profitability and efficiency that relates to the profitability and efficiency of the banks' assets using measures such as return on assets, profit after tax, profit before tax and net interest margin. Returns to shareholders that measure earnings on shareholders' funds (or investments) using ratios such as returns on equity, dividend per share and earnings per share. Asset quality analysis that deals with the performance of the loan portfolio of the banks using measures as such as loan portfolio profitability ratio. Liquidity balancing acts that deal with how well banks are managing their liquidity positions using measures such as cash ratios. Capital structure and financial risk that relates to the proportion of equity to debt of the banks' capital and the risk associated with the banks' asset (or loans) portfolio respectively. Some of the measures used here are total debt ratios, equity to total deposits and equity to advances.

All these are therefore attempts to measure the performance and competitiveness of banks in Ghana using mainly the financials without taking into consideration the customers' perspective, internal processes, and learning and growth perspectives which are very critical in assessing a holistic view of the performance and competitiveness of banks and their long term sustainable growth. This therefore creates the most appropriate circumstances to apply the BSC framework that anchors on the four cardinals of financial perspective, customer perspective, internal business processes perspective, and learning and growth perspective to assess performance of banks in Ghana.

While financial performance is a major indicator of success, it fails to provide a "big picture" assessment of overall performance. There is the need to recognize that other factors may be equally important in determining their success and often are linked to their ultimate financial performance.

The annual banking awards also being organized by Corporate Initiative Ghana (CIG) seeks to recognize and applaud the best performing banks under various categories such as "Bank of the Year", "Best Bank, Customer Care", "Best Bank, Financial Performance", "Best Bank Corporate Banking", "Best Bank, Retailing Bank", etc. The main objectives are therefore to enhance the performance of the financial sector in terms of products, processes and service;

give public recognition to the best performing banks in the various areas of banking; and stimulate healthy competition amongst the banks that will lead to improved quality of financial products and services. The data gathered for these awards is through a national survey being conducted annually in areas where the banks operate. But this falls short of a comprehensive model that reports performance of banks anchored on the four key performance indicators espoused by the balanced scorecard framework that could give feedback and useful information to internal and external actors. This is also more so because of the presentation format which publishes and highlights only the first three winning banks under each category and the winner of the overall bank of the year award.

The compelling factor that has motivated me to undertake this research is the absence of a comprehensive framework or model that assesses the performance of banks using measures in several dimensions that can provide additional information to stakeholders regarding profitability in the short run versus the long run of banks in Ghana.

1.2 Focus of Study

We can describe the Balanced Scorecard as a carefully selected set of quantifiable measures derived from an organization's strategy. The measures selected for the Scorecard represent a tool for 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. A simple definition, however, cannot tell us everything about the Balanced Scorecard. There are three elements to this tool thus it can be implemented as measurement system, Strategic Management System, communication tool or information tool.

This study will therefore focus on investigating in what respects the balanced scorecard and measures in several dimensions provide stakeholders with additional information regarding performance of banks in Ghana. The use of common measures is to provide for fairness, standardization and ease of presentation on reporting performance of banks in Ghana.

1.3 Problem Discussion

As the preceding discussion suggest, we might need more balanced performance information to fully assess an organization's success. It seems that for all we have learned, we remain stuck in the quagmire of financial measurements. Perhaps tradition is serving as a guide unwilling to yield to the present realities. Traditionally, the measurement of all organizations has been financial. Bookkeeping records that are being used to facilitate financial transactions can be traced back thousands of years. At the turn of the twentieth century, financial measurement innovations were critical to the success of the early industrial giants like General Motors. The financial measures created at that time were the perfect complement to the machinelike nature of the corporate entities and management philosophy of the day. Competition was ruled by scope and economies of scale, with financial measures providing the yardsticks of success.

The situation is not different with what is happening in the banking industry in Ghana today. The industry has failed to grow with changing times and still relies heavily on the use of financial factors in assessing the successes of strategies, profitability and allocation of resources to business units to the detriment of its long-term sustainability and future profits. This is therefore a debilitating factor to assessing true performance of banks in Ghana with respect to their strategies and goals. To overcome this limitation, the balanced scorecard will be used to give a balanced and more holistic approach to assessing performance of banks in Ghana.

By the 1990s the noise made by the voices that were criticizing the measurement systems being used by firms had grown to a crescendo (Neely et al., 1995; Marr and Schiuma, 2002). Increasing number of firms appeared to be "re-engineering" their measurement systems, with data suggesting that between 1995 and 2000, 30 to 60% of companies had transformed their performance measurement systems (Frigo and Krumwiede, 1999). Evidence suggests, for example, that in 2001 the balanced scorecard had been adopted by 44% of organizations worldwide (57% in the UK, 46% in the US and 26% in Germany and Austria). And more recent data suggests that 85% of organizations were going to have performance measurement system initiatives underway by the end of 2004 (Rigby, 2001; Silk, 1998; Williams, 2001; Speckbacher et al, 2003, Marr et al, 2004). However, cautionary evidence from three Austrian academics reported that 8% of 174 companies from German speaking countries decided not to implement a performance measurement system (and a balanced scorecard in particular) because they could not see advantages or ‘positive impact’, especially given the implementation effort required (Speckbacher et al, 2003).

Somewhat surprisingly (especially given all of this activity) there has been relatively little research into whether the balanced scorecard has worked well in terms of its implementation and its usefulness to organizations. In fact this criticism can be leveled at the field of performance measurement more generally, which has seen much prescription, but relatively little empirical research (Franco and Bourne, 2003). Kaplan and Norton have made some efforts to demonstrate the impact of the balanced scorecard, but their approach has been to use largely anecdotal cases (Kaplan and Norton, 2000). An important and notable effort is the work of Chris Ittner and David Larcker, which reports that only 23% of organizations that they surveyed consistently built and tested causal models to underpin their measurement systems, but that these 23% achieved 2.95% higher return on assets and 5.14% higher return on equity (Ittner and Larcker, 2003).

Others have sought to undertake similar studies, but have tended to execute them less robustly. Survey data collected by consultancy and commercial research companies suggests that organizations managed through 'balanced' performance measurement systems perform better than those that are not (Lingle and Schiemann, 1996; Gates, 1999). Lingle and Schiemann (1996) report evidence that organizations making more extensive use of financial and non-financial measures and linking strategic measures to operational measures have higher stock market returns. While Lawson et al's (2003) study shows that the use of a performance measurement system as a management control tool reduces overhead costs by 25% and increases sales and profits. Other authors such as de Waal (2003) and Sandt et al (2001) have found less tangible benefits from the use of performance measurement systems. Dumond (1994) and Sandt et al (2001) suggest that using balanced performance measurement systems improve the decision-making performance of managers and employees. Lawson et al (2003) and Dumond (1994) found that using performance measurement systems and linking scorecards to compensation significantly increased employee satisfaction, although Ittner et al. (2003) present evidence to the contrary.

Ketelhohn (1999) and Vasconcellos (1988) found that the identification and selection of appropriate measures and key performance indictors enhance the implementation and acceptance of business strategy, at the same time as enhancing employee understanding of the business. Furthermore, Forza and Salvador's research (2000, 2001) supports the suggestion that employee communication that focuses on feedback from measures increases collaboration and facilitates buy-in. This paper therefore examines how the BSC framework can be used in providing additional information to internal and external actors regarding performance of banks in Ghana.

The banking industry in Ghana has become very vibrant and dynamic, and is experiencing a rapid growth. In the spate of just two years that is between 2005 and 2007, the Central Bank of Ghana has licensed about 7 universal banks bringing the total number of banks to 24. There was also the buy over of some Ghanaian owned banks by foreign banks. Out of the 7 banks licensed, 6 are foreign owned. These new banks did not only bring about the injection of massive foreign capital but also came along with aggressive marketing strategies which has sparked intense competition among banks. It is this new trend in the banking industry, where all banks are aggressively marketing and competing for the same customers and each trying to out-compete the other in terms of service and with slogans such as the “customer is king” that has informed my decision to choose banks in Ghana for this particular study.

The reason for selecting the balanced scorecard is because of its popularity and acceptability among business communities and the academia world wide. It has been described as one of the 75 most influential ideas of the twentieth century by the Harvard Business Review. It is also simple to implement if the company is able to clearly define its strategic objectives and goals. Breaking down these strategic objectives into the relevant measures or metrics will assist the company to be able to communicate its strategies across the entire organization and monitor the progress of the success or otherwise of the implementation of its strategies. There alternatives to the BSC model such as are levers of control by Simons (2000) and the performance prism developed by Accenture and the Center for Business Performance which has five facets of how we should view the business: stakeholder requirement (this is at top layer), strategies, processes, capabilities and stakeholder contributions (this is at the bottom layer). Each facet of the prism flows from the top to the bottom, linking stakeholder requirements to strategy, strategy to processes, processes to capabilities, and capabilities to contributions made by stakeholders.

An increasing number of banks in Ghana are now listing on the Ghana Stock Exchange to raise fresh and additional capital to finance their operations. The past strong performance of the stocks of banks on the Ghanaian stock market has generated a lot of investor interest, often leading to over subscription during initial public offers (IPO). The available sources of reference on the performance of banks have traditionally been their End of Year Financial Statements as published in the dailies and the Ghana Banking Survey report (PriceWaterHouseCoopers 2006 & 2007). Also the Bank of Ghana through various reports that banks are mandated to submit on daily, weekly, monthly, quarterly and yearly bases attempts to measure the competitiveness and regulatory compliance of banks. All these attempts to measure performance and competitiveness of banks do not take into account the effect of non-financial perspectives and therefore creates a huge vacuum, which this study seeks to fill in by providing information on performance of banks in Ghana in four perspectives. There is therefore no reliable data and information on the extent to which non-financial perspectives affect the performance and profitability of banks in Ghana. With the possibility of some institutions falsifying their financial performance through creative accounting in collaboration with their external auditors, as witnessed in the USA in the Enron saga, it becomes very imperative to provide a new framework that will give a complete and a balanced overview of the performance and profitability of banks in Ghana. This paper therefore seeks to fill in the existing vacuum between financial and non-financial perspectives in respect of the performance of banks in Ghana through the use of the balanced scorecard.

1.4 Research Purpose

Based on the reasoning above, the purpose of this study are a)apply the BSC framework on banks in Ghana, and b)evaluate if and in what respects it provides additional information about the performance of banks. In recent years, the word balanced scorecard has become very common and the craze for it has also been very wide spread. The study will seek to answer the various questions below through the use of analysis and empirical data on financial and non-financial performance indicators of banks in Ghana. The research questions below are put in the context and perspective of the balanced scorecard as an information tool in relation to the purposes stated above:

1) How can a BSC framework be used – internally and externally – for assessing performance? (RQ1)
2) Does BSC provide additional information with respect to performance of banks in Ghana? (RQ2)
3) If Yes, in what respects? (RQ3)

1.6 Outline of Study

This study is divided into five chapters. By now, the content of the first chapter is already presented and familiar to the reader, consequently, only the content of the following chapters will be briefly discussed below. Figure 1.1 visualizes the outline of the study.

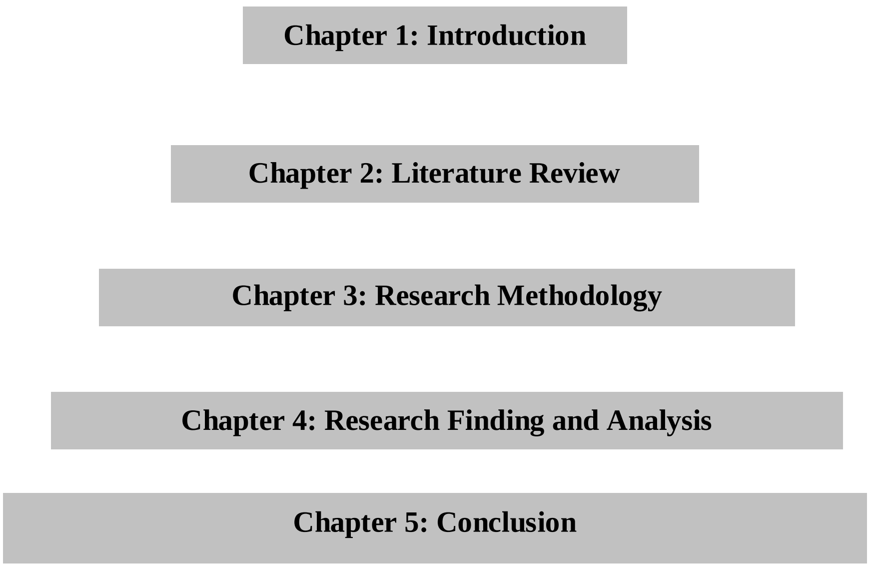

Fig 1.1 Outline of the Study

The second chapter provides the reader with an overview of the literature related to the two research questions of the study, on previous research within the area of balanced scorecard as a strategic and performance measurement model. Chapter three describes the research methodology to be adopted for this paper and data collection. Chapter four presents the research findings and analysis of the data collected. In chapter five, a visualization of the emerged frame of reference is provided. Finally, chapter five contains the overall conclusions that can be drawn from the research. Conclusions will be given in relation to the two research questions and the chapter is ended with recommendations for managers, theory and further research within the area of BSC as a strategic control and performance measurement model to banks in Ghana.

CHAPTER TWO

LITERATURE REVIEW

"Performance control systems can serve two purposes, to measure and to motivate."

H. Mintzberg, The Structure of Organizations, 1979

"The firm becomes what it measures"

Hauser and Katz, You are What You Measure, 2002

2.1 Introduction

The previous chapter provided the background and the problem discussion of the area of this study, leading down to the specific research questions. In this chapter, we review earlier studies for BSC. The aim of this chapter is to provide relevant literature in the field of BSC and its application as a strategic and performance measurement model. First, we will review theories describing how organizations can use the balanced scorecard as a strategic and performance measurement tool and relate that on how they can measure their performance using the balanced scorecard concept.

2.2 Definitions of the Balanced Scorecard

There are several definitions of the term balanced scorecard from several literatures. If you do a search on the Google website, you would get several numbers of definitions on the balanced scorecard and below are just a few:

"The balanced scorecard is a strategic management and measurement system that links strategic objectives to a comprehensive range of key performance indicators, to provide a balanced view."

"The balanced scorecard is a strategic management system based upon measuring key performance indicators across all aspects and areas of an enterprise: financial; customer; internal process; and learning and growth."

"A model of business performance evaluation that balances measures of financial performance, internal operations, innovation and learning, and customer satisfaction."

In this study, the third definition will be adopted since it espouses the use of the balanced scorecard as a business performance evaluation model that assesses performance in several dimensions and measures..

Kaplan and Norton liken the usefulness of the balanced scorecard to the needs of a pilot steering an aircraft as follows:

"Think of the balanced scorecard as the dials and indicators in an airplane cockpit. For the complex task of navigating and flying an airplane, pilots need detailed information about many aspects of the flight. They need information about fuel, air speed, altitude, bearing, destination and other indicators that summarize the current and predicted environment. Reliance on one instrument can be fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously." (Kaplan and Norton, 1992, p. 71).

The quotation above goes to emphasize the usefulness of the balanced scorecard in assessing organizational performance. It brings to the fore the importance of using both financial and non-financial key performance indicators (KPIs) that are critical to the health of the organization and that give the manager all the information that is required to help him/her focus on the achievement of its strategic goals.

The ability to monitor the performance and results of a company’s strategies through the selection of very few critical metrics/measures that permeates the entire organizational structure taking into account both internal and external factors, is what has informed my decision to choose the balanced scorecard among several other strategic control and measurement systems as the tool to use for this study.

2.3 BSC as a Strategic Performance Measurement Model

The BSC first started as a performance measurement system by Kaplan and Norton and it was later developed into a strategic control system to help organization implement their strategies. The balanced scorecard, it was argued, will assist top management to effectively communicate their vision and strategies to every member of the organization through the common metrics that is well understood by everyone in the organization. It therefore can be seen as an effective strategic information tool.

Performance measurement can be defined as the process of measuring efficiency, effectiveness and capability, of an action or a process or a system, against given norm or target. (Deborah Nightingale, 2005, p4)

Below is a figure that depicts the balanced scorecard framework, which addresses the main research questions raised in the previous chapter. This has the vision of the organization in the middle and the various strategic objectives/goals and the metrics for the four main perspectives. There are various questions that organizations planning to implement the BSC must try to answer. For customer perspective, the main question is how the organization looks to its customers. For financial perspective, the question the organization must answer is how it looks to its shareholders. For the learning and growth perspective, the focus is on how the organization continuously can improve its operations and create value. Finally, under the internal business perspective, what must the organization excel at in order to deliver value to its customers at a reduced transaction cost to increase its profitability is the question to deal with.

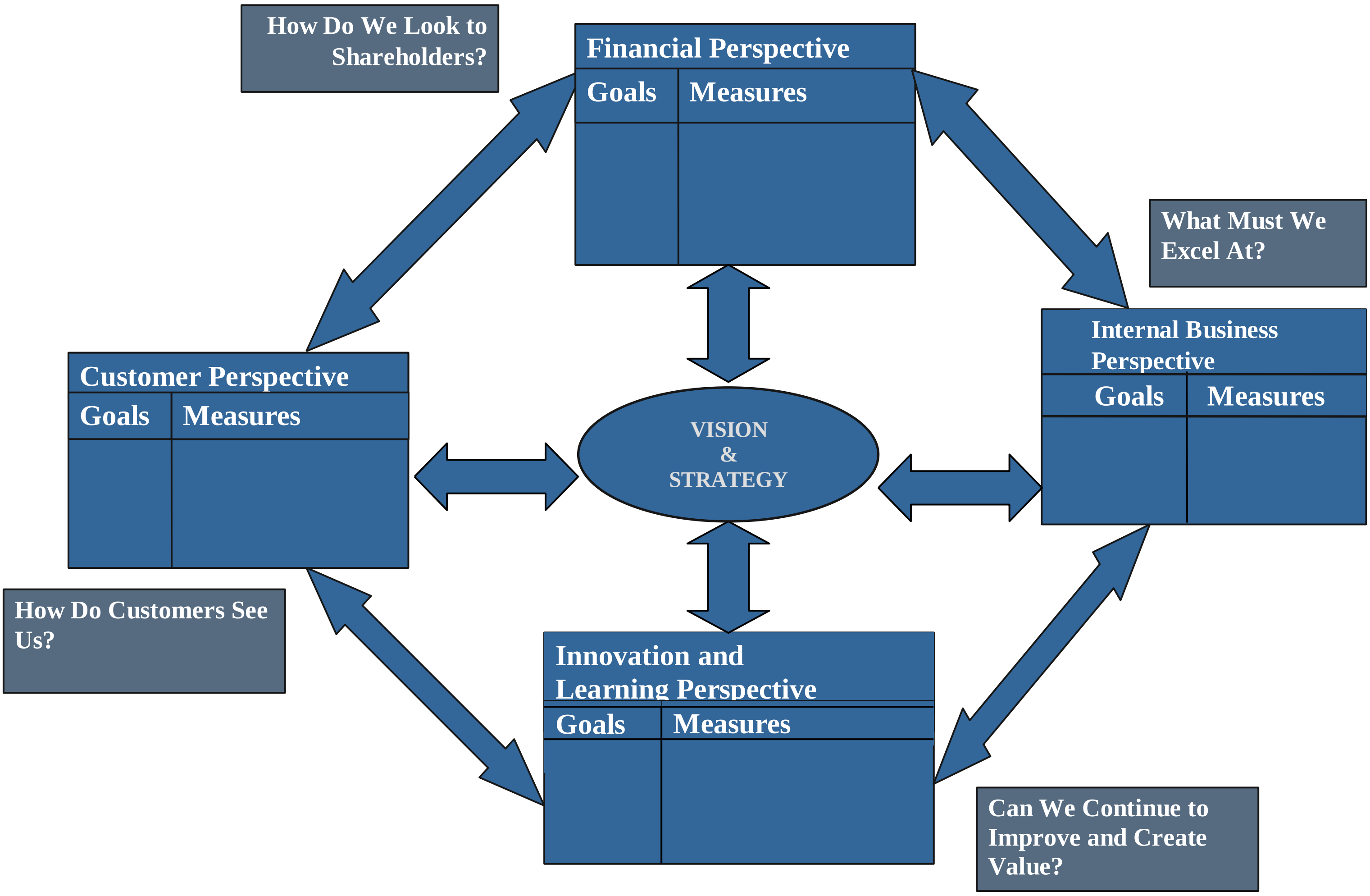

Figure 2.1: Balanced Scorecard as performance measurement tool
Source: Robert S. Kaplan and David P. Norton, The Balanced Scorecard - Measures That Drive Performance, Harvard Business Review, January-February, 1992

Roberts & Adams (1993) also propose that a measurement system should not only facilitate the implementation of a company's strategy, but also promote a culture of constant change.

Although the BSC appears to be the most widely used concept, the idea of measuring and visualising the invisible in non-financial terms is of course not a "Kaplan and Norton" exclusivity. In "The invisible balance-sheet" a Swedish group (Sveiby et al., 1989) successfully (at least in relation to attention in the Swedish debate) argued for non-financial measurements of human, structure and market capital. Obtaining inspiration from this book, The Swedish Coalition of Service Industries (1995) recommended different performance measures on intangibles. One of the active members in the Council is Skandia. Skandia also participated in a group headed by the Swedish Public Relations Association (1996) that proposed measures of intangibles in five different segments. The intention has been to satisfy the specific requirements of an individual company and to create a list of generally applicable factors to be used when comparing firms.

Sveiby (1997, 1997b) has further developed a model for the measurement of intangibles which he calls the Intangible Assets Monitor. This model has been applied to several Swedish companies.

Cates (1997) proposes four criteria that managers can use in testing the functionality and cost efficiency of any proposed performance measurement system. These criteria are (*a*) diagnosis of the paths to value creation, (*b*) projection of whatever unfolding scenarios senior and segment managers wish to explore (*c*) valuation of shares and (*d*) applications to goal-setting, compensation policies, mergers & acquisitions pricing, line manager empowerment and good two-way communications between analysts and investors.

Smith (1998) states that the formulation of strategic goals and the monitoring of their achievement is a complex exercise for any organisation. For Smith, the integration of quantitative and qualitative measures to provide an indication of the competitiveness remains a challenge for management accountants. Although the balanced scorecard is a possible means to overcome short-terminism, it still gives no clear indication of a weighting system that would enable the four perspectives within the balanced scorecard to be combined satisfactorily to yield 'organisational effectiveness'. The author also asserts that the question of comparability also remains unclear because different market situations, product strategies and competitive environments will require different scorecards. According to Booth (1998), the real difficulty is not so much the classification, identification and measurement of intangibles, but rather finding the links between intangibles and financial performance.

Balanced scorecard is closely related to the intellectual capital concept. The latter not only comprises measurements and organisational learning, but even an attempt to create value for the long term. Intellectual capital deals with the logic of an economy of creativity (Mouritsen, 1999) by empowering individuals and structuring processes. By putting knowledge into information technology, personnel knowledge is rendered structural and becomes re-usable at many places simultaneously. The stories and metaphors comprising a vision of the future are as important as the measurements of intangibles (ibid.). The latter is similar to the view that scorecards represent a language utilised in the dialogue between top management and employees (Cepro, 1998). It is a means to emphasise the link between the performance of the individual and the firm. Presently, according to Wurzburg (1998) there is considerable work underway in enterprises trying to identify how crucial intellectual capital variables contribute to the firm's performance.

Alternatively, there are other strategic-focused control management models such as the Levers of control (LOC) by Simons, 2000. Simons (1987, 1990, 1991, 1994) presented a series of cases that contribute to a theory of how senior managers can use controls to implement and develop strategy, which culminated in his book '*Levers of Control*' (Simons 1995b), where he has outlined how management controls can contribute to effective strategy implementation. Simons argued that it is not the identification of controls associated with particular strategies that are important, but the distribution of management attention among controls. He introduced four key constructs that have to be analyzed and understood in order to implement strategy successfully: core values; risks to be avoided; critical performance variables and strategic uncertainties. Each construct is controlled by a different system, or lever, the use of which has different implications. The LOC framework consists of four types of control systems: a beliefs system, a boundary system, a diagnostic control system, and an interactive control system. In this study, the balanced scorecard framework will be used instead of the LOC framework because of the popularity and craze of the BSC framework. The BSC framework is also more relevant for this study considering its focus, which has to do with assessing the performance of banks. Assessing performance in several dimensions and measures is not also covered in Simon's model which is basically focused on the implementation of strategy as discussed above.

Performance measurement systems are not without flaws. Performance measurement models are regarded as instruments for combining the interests of the organization with the interests of organizational players. When these models reflect valid cause-and-effect connections between the adopted or chosen indicators, they are considered to be superior to lists of indicators that do not conduct or reflect the organizational objectives. However, establishing cause-and-effect relations between the indicators of the various areas of an organization may be complicated due to the individual's limited cognitive capacity. Accordingly, performance measurement models that affirm the existence of valid causal relations have been criticized with regard to authenticity of these relations, especially inspired on the rhetorical aspect of the arguments used by the authors of the *Balanced Scorecard*, a performance measurement model that is given emphasis amongst the organizations (Norreklit, 2000, 2003). Nor have empirical tests on causality in performance measurement models gained statistical significance of this causality (Malina & Selto, 2004, 2005). Cause-and-effect relations can be mistaken for logical relations, which are established using a financial calculation and cannot be checked empirically, and finality relations, based on human desires, where an individual outlines routes or means which are believed to lead to the planned objectives. Finality relations, therefore, can be part of a credible tale told by the organization (Malina & Selto2004), which, if institutionalized, is able to orient behavior.

In conclusion, the BSC has inspired the development and application of a variety of models and is an illustration of contemporary 'best practise' in accounting for strategic positioning (Roslender, 1997). BSC is closely related to intellectual capital and comprise not only tools for the measurement of intangibles resources but also a vision of continuous learning and change to create value for the future. The mere existence of BSC reveals a message that what finally counts is not only financial outcomes, but even long-term relationships with customers and employees. These relationships are facilitated or hampered by adequate or non-adequate organisational structures.

2.4 Measuring and Assessing Performance

According to the Baldrige Criteria (1997) a major consideration in performance improvement involves the creation and use of performance measures or indicators. It further explains performance measures or indicators as measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. It gave the criteria for selecting the measures or indicators as being the ones that best represent the factors that will lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or company performance requirements therefore represents a clear basis for aligning all activities with the company's goals.

Traditionally, performance measurement of businesses has usually been through the use of mainly financial indicators. But financial measures such as returns on investment and earnings per share are historical in nature and therefore have little predictive value to management of an organization. This therefore becomes insufficient for decision making regarding the future performance of the organization.

The goal of making measurements is to permit managers and other external actors to see a company more clearly - from many perspectives - and hence to make wiser and long-term decisions. The Baldrige Criteria (1997) booklet reiterates this concept of fact-based management as follows:

"Modern businesses depend upon measurement and analysis of performance. Measurements must derive from the company's strategy and provide critical data and information about key processes, outputs and results. Data and information needed for performance measurement and improvement are of many types, including: customer, product and service performance, operations, market, competitive comparisons, supplier, employee-related, and cost and

financial. Analysis entails using data to determine trends, projections, and cause and effect - that might not be evident without analysis."

One model that can be used to assess and manage corporate performance is the Performance Management Model (PMM).It incorporates economic, financial and operational performance indicators that are applicable at all levels of the organization. The above indicators are measured and evaluated in order to obtain a complete critical analysis of a business's overall performance. According to Malina & Selto (2003, 2004 and 2005), PMMs with valid cause-and-effect relations between indicators are more important to organizations since they integrate into organizational objectives. PMMs, namely, the balanced scorecard (Kaplan & Norton, 1992), seek to integrate both strategic and financial measures in a cause-and-effect relation where the action on non-financial measures influences the financial measures.

2.5 Criticisms of the BSC approach

One of the criticisms leveled against the BSC model is its over reliance on measures. This is even more evident in cases where measures are tied to employee evaluation and bonuses. A particular case in point is where bonuses for branch managers of Citibank branches in California were tied to BSC measures. The performance of each branch manager was evaluated as "below par," "par" or "above par," even though it is clearly stated in the company manual that lacking an objective indicator for people performance, evaluation and bonuses will be based on the subjective judgment of the branch manager's superior.

Pfeffer and Sutton (2000) warn against such practices, citing a similar BSC implementation at a financial institution where the superior's evaluation of branch managers was conducted through quarterly meetings where they merely sat down and talked for half an hour. A branch manager who did train his team members and helped them move up was evaluated as "par" because he failed to retain talent in his team. That branch manager was frustrated by the evaluation and could not understand how his performance could be evaluated as "par" when he indeed was developing talent in the division as a whole. Such use of measurement may have an adverse effect on employee morale, satisfaction, and loyalty.

Furthermore, over reliance on measures of any type may hamper the application of tacit knowledge and wisdom. With heavily regulated measures, management is restricted in its use of tacit knowledge, as it must justify its decisions by reference to measures. These problems can be avoided simply by not tying measures to performance, and by using measures as a guide rather than a straitjacket. However, problems with the BSC model go deeper.

Another criticism of the BSC model is its complexity, the time and cost required for its implementation compared to its "low ease of use." The complexity and difficulty lie in the choice of effective measures. Roos et al. (1997) explain that for performance measures to be effective they have to be reliable and consistent with the actions of the unit, and with the short- and long-term goals of the whole organization. Finding measures that are specific to the unit, yet general enough to reflect the strategy of the organization, and that incorporate long- and short-term views seems to be too optimistic. Consider the example of the branch manager discussed earlier; although he was losing talent on his team, he was developing human capital for other divisions, units, and the organization as a whole. This may be the reason the BSC model's authors stress the need to apply the model as a guide, not a full-blown plan.

2.6 Conclusion

In conclusion, chapter two provided a brief review of literature related to our research questions (RQ1 – RQ3). This brief chapter also provided a conceptualized frame of reference for the study. The aim of this chapter was to select relevant theories and concepts that will be used in the research.

To assess the impact of financial and non-financial perspectives on performance, the approach here is to look at the flow in terms of the cause-and-effect framework. That is, an organization with proper learning and growth structures is able to empower its employees to deliver efficient services, which in term create satisfied customers, which will result into strong financial performance. This can be summarized below as:

1. knowledge & skills of employees is the foundation of all innovation and improvements;
2. skilled and empowered employees will improve the ways they work;
3. improved work processes will lead to increased customer satisfaction; and
4. increased customer satisfaction will lead to better financial results.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter two reviewed the literature sources as they relate to the main research questions (RQ1- RQ3) in chapter one. A conceptualized frame of reference was developed to guide in the collection of data and to also help in gaining a better understanding of the balanced scorecard as an information model. The main research questions that this paper seeks to answer through empirical data and analysis are:

RQ1: How can a BSC framework be used – internally and externally – for assessing performance?

RQ2: Does BSC provide additional information with respect to performance of banks in Ghana?

RQ3: If Yes, in what respects?

These research questions will be answered through the relevant literature references, theories and empirical data that will be collected using the most appropriate research methodology as will be discussed in this chapter. This chapter therefore starts with a general overview of the various research methods and then narrows down on the specific methods that were used for this research.

3.2 Research Methods

There are several research methods that can be used in any given research work. The method chosen depends on the nature of research to be conducted. The two major research methodologies are quantitative methods and qualitative methods. We also have statistical analysis, action research, and personal reflection.

3.2.1 Quantitative Research Methods

Quantitative research is described by the terms ‘empiricism’ (Leach, 1990) and ‘positivism’ (Duffy, 1985). It derives from the scientific method used in the physical sciences (Cormack, 1991). It describes, tests, and examines cause and effect relationships (Burns & Grove, 1987), using a deductive process of knowledge attainment (Duffy, 1985).

Quantitative methodologies involve those methodologies, such as closed surveys, structured interviews and sociograms (diagrammatic representations of interactions between individuals) which enable data (concrete or conceptual) to be collected, measured and compared with a standard. Quantitative methods involve the use of survey, observation and questionnaire (Board of Studies New South Wales [NSW], 1999).

A survey is a method which uses different techniques such as observation, interview or a written list of questions called a questionnaire. Surveying is the process of conducting a study from representative samples of specific populations (for example, selected banks in Ghana). If a questionnaire is used, it may be comprised entirely of closed questions, multiple-response questions, Lickett scale questions (differential sliding scale or rating scale questions) or open-ended questions, or may be a combination of all question styles. Data recording sheets for observation or a short list of structured interview questions are two other instruments that can be used during a survey. (Board of Studies NSW, 1999)

According to the Board of Studies (1999), an observation is a methodology which involves watching and recording behaviors within a clearly defined area. The researcher plays the role of a passive observer and is, therefore, not part of the action(s) being observed and recorded. When observation is used as a quantitative method as described above with quantifiable and measurable variables, the researcher becomes independent of the activity and therefore the results of such a study has credibility if done properly. Such outcomes will have objectivity and replicability. Since different observers following the same procedure will arrive at similar results. Observation becomes a kind of Qualitative method when there is some element of subjectivity and inductive reasoning in drawing conclusions. This is further explained under participant observations in the next section.

A questionnaire is a technique for collecting data beyond the physical reach of the researcher, that is, from a large or diverse sample of people. It is an impersonal instrument for collecting information and must, therefore, contain clear questions, worded as simply as possible to avoid any confusion or ambiguity since the researcher probably will not be present to explain what was meant by any one particular question. The questionnaire should be designed to fulfill a specific research objective; it should be brief and the sequence of the questions logical. (Board of Studies NSW, 1999)

3.2.2 Qualitative Research Methods

Qualitative methodologies involve a phenomenological perspective whereby researchers aim to understand, report, and evaluate the meaning of events for people in particular situations, that is, how their social world is structured by the participants in it. The focus of qualitative methodologies is the way in which participants (rather than the researcher) interpret their experiences and construct reality. Some examples are an unstructured interview, focus group, open-ended questionnaire and participant observation. Qualitative methodologies include interview, participant observation, ethnographic studies, and focus group. (Board of Studies NSW, 1999)

An interview may be tightly structured, semi-structured, unstructured, in-depth or conversational. This methodology involves the researcher and the interviewee in a one-to-one situation and may be quite time consuming. The researcher may interview several people at different times using the same interview question schedule. (Board of Studies NSW, 1999)

Participant observation is where the researcher is immersed in the action being observed but his role as a researcher is not obvious. An example of participant observation methodology occurs when the researcher goes into a shopping centre in a wheelchair or joins a group; in order to study it. Researchers using participant observation must be aware of the ethical implications of this methodology. A methodology wherein the researcher's role is more in the open is the participant-as-observer methodology. In this, the researcher still participates in, as well as observes, the action being studied but does so with the knowledge of other participants. (Board of Studies NSW, 1999)

Ethnographic study is the systematic collection of data derived from direct observation of the everyday life of a particular society, group or subculture. This methodology requires the researcher's immersion in the culture/subculture under study and is an interactive process. The researcher is interested in understanding the customary actions, beliefs, knowledge and attitudes of the social group as these are reflected in the ways of engaging in everyday life. (Board of Studies NSW, 1999)

A focus group is a small group numbering 3 - 8 persons whose members are brought together by the researcher for an in-depth discussion of a specific issue or topic. The researcher plans an interview schedule and organizes the time and place. A tape recorder is essential for the success of the use of this methodology. The techniques of conducting the focus group are similar to conducting an in-depth interview; the researcher needs, however, to be able to manage up to eight people talking about the issue or topic. (Board of Studies NSW, 1999)

There are other research techniques such as research analysis which involves examining data to interpret meaning, make generalizations and extrapolate trends. Often the data come in graphical form and because these data are expressed in the language of mathematics, they should be evaluated and interpreted by means of appropriate mathematical or statistical procedures. (Board of Studies NSW, 1999)

There is also another research methodology called action research which is an informal, qualitative, interpretive, reflective and experimental methodology that requires all the participants to be collaborative researchers. Action research is carried out by people who usually recognize a problem or limitation in their workplace situation and together, devise a plan to counteract the problem, implement the plan, observe what happens, reflect on these outcomes, revise the plan, implement it, reflect, and revise and so on. Action research can be thought of as a spiral of planning, acting, observing and reflecting, occurring through time until the most desirable outcomes for all participants are achieved. (Board of Studies NSW, 1999)

3.2.3 Personal Reflection Research Method

Finally there is the personal reflection research methodology which requires the researcher to reflect upon, and evaluate, their own experiences, memories, values and opinions in relation to a specific issue or topic. (Board of Studies NSW, 1999)

3.3 Data Collection

The methodologies adopted for this research was a combination of quantitative, qualitative methods and personally reflective research methods. For the quantitative method, structured interviews and questionnaires were designed to collect data on the strategic objectives of the selected banks in order to identify relevant measures/metrics being used under the four perspectives of the balanced scorecard. The officers of the banks that were interviewed by the Chief Operating Officer (COO), the Chief Finance Officer (CFO) and the Head of Human Resources. The reason for selecting these three categories of staff is because they are directly responsible for formulating and implementing strategies, policies and guidelines in connection with the bank's financial performance, training and human resource development, and operational procedures and guidelines. This was then followed with a customer and employee survey of the selected banks to collect data on the identified measures/metrics in order to calculate them for the purpose of analysis. This was most specifically targeted at collecting data on metrics under customer perspective, the internal business processes and, learning and growth perspectives.

Theories and research in the areas of the usage of BSC and the extent to which this will assist banks in Ghana is not available, as such, conclusions and analysis will be through empirical evidence using personal reflective research methodology and interviewing of professionals and authorities within the banking sector in Ghana.

In collecting data on balanced scorecard for an organization, four main key performance indicators (KPI) which are financial perspective, customer perspective, internal business processes and learning & growth perspectives must be considered in addition to the main strategic objectives of the organization and its target and goals for the various perspectives.

Under each KPI, the organization must select metrics that will align business performance to its strategic objectives and vision. The authors of the model suggested that companies must keep these metrics very simple and that a reasonable number will be about 5-6 metrics under each KPI. The standard KPI are not exhaustive and companies can therefore add or vary this

KPI to reflect their unique situation or circumstance. Therefore throughout this study a small number of metrics will be considered in data gathering and the analysis.

3.4 Formulae for Calculating Metrics

There formulae for calculating the metrics under the financial perspectives are given in Appendix F.

Customer satisfaction index (CSI) is calculated from a given sample of customers by computing the average of those customers' satisfaction ratings based on a six-point scale ranging from "very dissatisfied" to "very satisfied".

Customer retention can be deduced from the formula,

Customer Life (N):

(Given rate of customer retention)

$N = 1 / (1 - CR)$;

Where, CR stands for customer retention.

From the above formula,

Customer retention (CR):

(Given average customer life)

$CR = 1 - 1/N$.

These formulae were used to compute customer satisfaction and customer retention in Appendix G.

The employee retention metric was calculated using the stability index which is giving as:

$$\text{Stability Index} = \frac{\text{(Number of leavers with more than one year service)}}{\text{Total number of staff in post one year ago}} \times 100$$

3.5 The Size and Characteristics of Selected Sample

The population size is all 24 universal banks in Ghana and a sample size of 3 universal banks was used, giving the timeframe for the completion of the thesis. The three selected banks are Ecobank Ghana, Barclays Bank Ghana and UBA Ghana Limited. The purpose of selecting these 3 universal banks is because Barclays bank is the oldest bank in Ghana and is 90 years old; Ecobank Ghana Limited is currently the strongest performing bank in Ghana and has won several banking awards in the past four years. UBA Ghana represents the new generation of banks that have just entered the Ghanaian market. A total of 9 senior management staffs of the selected banks were interviewed. These are officers in the category of executive management that are responsible for the bank's strategy formulation and execution. A total of 15 employees were also interviewed to calculate the employee satisfaction index and the stability index for employee retention. I conducted an intensive interview to last about an hour each with the selected officials of the chosen banks where time permitted relating to the use of BSC in the banks.

Data was collected both from primary and secondary sources. The data from the primary sources were from the selected banks as mentioned above, which was through the filling of questionnaires and interviews that concentrated on the internal processes and learning and growth perspectives. The secondary sources were annual publication of the banking survey in Ghana by PriceWaterHouseCoopers (2006, 2007) and the banks' published financial statements. The general public was interviewed taking a sample size of 30 with at least 10 customers from each bank.

With learning and growth perspective, the metrics employee retention, employee satisfaction or employee turnover were considered. A total of at least 15 employees from the three banks were interviewed.

3.6 Coding

For ease of presentation and data analysis, the various questions on the questionnaire were coded. The customer satisfaction survey had Q1…Q6 representing questions 1 to 6 on the questionnaire. The respondents had C1…C15 where C1 represents the first respondent and so on.

The employee survey were coded as R1…R5 and E1...E20; where R1 represent the first employee who responded to the questionnaire and E1 represent the first question on the questionnaire. Please see Appendix G for more details.

CHAPTER FOUR

RESEARCH FINDINGS AND ANALYSIS

4.1 Introduction

In this chapter, the results of the survey are tabulated and further analysis of the data gathered is performed to answer the three research questions in Chapter One under section 1.4.

4.2 BSC Measures for Assessing Performance

This section will examine the measures to be used in investigating how the BSC framework can used – internally and externally - in assessing performance of banks. The key areas of analysis which will form the basis of establishing how the balanced scorecard can be used to assess the performance of banks in Ghana are:

i) internal operational efficiencies (internal business processes perspective);

ii) financial performance indicators (financial perspective);

iii) employee satisfaction ratings, retention and innovativeness (learning and growth perspective); and

iv) customer satisfaction and customer retention through efficient service delivery and value added services (customer perspective).

The four perspectives of the balanced scorecard are the financial perspective, customer perspective, internal business processes perspective, and learning and growth perspective. The financial perspective deals with how the organization appears to its shareholders. The customer perspective focuses on how the customer sees the organization; internal business processes perspective has to do with the kind of processes the business must excel at; and the learning and growth perspective deals with how the business can continue to improve and create value for all its stakeholders.

The reason for analyzing the banks along these lines is because these areas are very core to the strategies of most banks. The key function of banks is financial intermediation where they take from the surplus and give to the deficit. To effectively execute this function, they need to perform very well in these areas. It is generally known that, to get low cost and cheaper funds to lend, banks must grow their current account deposits from individuals. In order to achieve this, they must have the right internal processes and controls that will deliver high quality and efficient services to its valued customers in order to attract and retain them. For efficient execution of the internal processes, the banks must have well motivated, experienced and skilled staffs. This will ensure they have satisfied customers and are therefore able to retain them. This will ultimately impact their financial performance.

The following sections will present the three selected banks along these areas. The first section will present Barclays, followed by Ecobank and the UBA.

4.3 Barclays Bank Ghana Limited

Barclays Bank Ghana is part of the Barclays Group with its group head office based in the U.K. Barclay has been operating in Ghana for over 90 years and has posed very strong results in the past until 2008. It has over 100 branches and it is the bank with the most ATMs in Ghana.

4.3.1 Vision and Values at Barclays Bank

The strategic vision of Barclays Bank Ghana Limited is giving as:

> ***"To be the best retail and commercial bank every market, every product, every customer, every time."***

This vision therefore emphasizes on bringing banking service to the doorsteps of its customers with the ultimate objective of dominating the banking industry in Ghana.

The financial controller stated the main strategic areas for the bank:

- Improve shareholder funds
- Penetration of client wallet
- Customer acquisition
- Asset quality

The financial controller alluded to the fact that the relationship between the four measures above boils down to service quality.

Barclays has a set of values and principles that define how its staffs must behave and conduct themselves in the performance of their duties. Barclays communicates clearly its vision, mission and values through this expected behaviors and guiding principles.

Barclays considers the customer to be a key component of its strategy. This is evident in the five key value drivers where customer is weighted as 30%. Below are the key value drivers and the weights assigned to them in the following order:

1) Company - 20%;
2) Customer – 30%;
3) Colleague – 15%;
4) Control – 30%;
5) Community – 5%.

The above information was gathered from the head of human resources, the Barclays staff handbook and from interview with some of their staffs. This determines the overall appraisal of staff performance and their relative contribution toward the achievement of the bank's strategic objectives. The above also means that there is a lot of emphasis on internal controls to ensure that internal processes are devoid of frauds and staff performed their duties within defined and stated operational policies.

Barclays' core values are embodied in the "Barclay Behaviors" and the "Barclays Guiding Principles" which are listed below. The significance of these core values is to properly align corporate objectives with that of individual employees in order to create strategic congruence. This is to ensure that employees are properly directed and focused on key business or strategic areas that are part of the broad corporate strategy of the bank. This also forms the non-financial measures that assess the quality of each individual's contributions towards the achievement of overall corporate goal, profitability.

The Barclay behaviors are also given as:

a) Drive performance;
b) Build pride and passion;
c) Delight our customers;
d) Grow talent and capability;
e) Execute at top speed; and;
f) Protect and enhance our reputation;

The Barclays guiding principles are as follows:

a) Winning together – how you act in a way to promote Barclays Africa and Indian ocean as well as own area.
b) Customer focused – how you go out of your ways to promote excellent customer service
c) Best People – how you actively build relationship and constantly seek to improve both own and colleague performance

d) Pioneering – Challenging conventional thinking, try to innovate and hatch new ideas and demonstrate drive and persistence

e) Trusted – deliver on commitment and act with integrity

4.3.2 Measuring Performance at Barclays Bank

Through these measures, the bank is able to assess its performance and determine whether it is on track in relation to achieving its strategic goals. Through the appraisal system, managers are able to identify their high flyers and reward them appropriately. It also helps managers to focus their energies on their best people in order to drive results and manage non-performance by identifying gaps in staff skills and taking appropriate actions to address them. The bank's appraisal system is lined to its bonus system in order to reward and sanction non-performance. To bring banking services to the doorsteps of its customers requires that the bank invest heavily in building branches across the length and breadth of the country and also increase the availability of banking service through the deployment of complementary channels like ATMs. This has informed the recent massive branch expansion and deployment of two ATMs each at all its branches in Ghana.

Barclays Bank Ghana limited has currently not implemented the balanced scorecard yet, even though it has plans to do so in the near future as stated by the financial controller.

Nonetheless, the financial controller still attests to the fact that the various perspectives under the balanced scorecard plays significant role in assessing organizational strategic performance. Since considering both financial and non-financial perspectives will give a balanced view and a true organizational performance and long term sustainability.

This was what he had to say for each of the perspectives when asked if he will consider the four measures in assessing the bank' strategic performance:

- Under financial he said, "Yes because of its importance to survival".
- Under Customer perspective he said, "Yes because of its overarching impact on all other performance metrics".
- Under Internal Processes he said, "Yes because to excite customers, you need to ensure that internal processes are both effective and efficient".
- Under Learning and Growth he said, "Yes because in the service industry, the strategy that makes the difference is the people strategy".

In terms of the bank's strategic objectives for the various Key Performance Indicators (KPIs), this was what he said, *"Our strategic objective in terms of financials is to improve on returns to all stakeholders: shareholders, staff, and the environment within which we do business (shareholder, employee, and community).Under customer perspective, we have to ensure that no customer of the bank travels excessive distance to access the bank's services. For internal processes, ensure zero-defect in all processes and service delivery channels; and*
For learning and growth, it is obvious expansion comes with massive deployment of talent which means that learning becomes an integral part of the growth process."

For effective implementation of the bank's strategy, strategic objectives are broken down into measurable parameters and assigned to the various divisions of the bank, which is then cascaded through the entire organizational structure. This was affirmed by the following statement:

> *"There is a strict application of performance metrics at all levels of management. For the superior to be successful, the subordinate must be equitably measured to the*

standards of the superior and there will be no problem with cascading organizational strategy."

According to the head of human resources, developing skills of staffs is one of the key objectives of her department. Every staff that is assigned a new role is also given adequate training to prepare the staff for the job. There are annual training programmes designed for each member of staff to equip the staff with the various customer service culture, sanction policies, and operational framework for the bank. Such trainings are compulsory and the staff is made to write an exam after the training and the staff must obtain the minimum pass mark.

In examining Barclays bank in the context of each of the four dimensions the following strategic grid or strategy map can be used:

Financial	**Shareholder Value** **Grow Revenues**			
Customer	Acquire more customers			
Internal Process	**Operations management** *Improve operational efficiency*	**Customer management** *Enhance customer value*	**Innovation** *Create new products and services*	Regulatory & Social *Improve comm.-unities and the environment*
Learning and Growth	Human Capital - Skills - Training - Knowledge	Information Capital - Systems - Databases - Networks	Organizational Capital - Culture - Leadership - Alignment - Teamwork	

Figure 4.1: Strategy grid for Barclays Bank. Source: Author

This therefore creates the linkages between the four dimensions and how they support each other in order to create value for the customer and improve profitability.

The overall strategy of the bank is to increase shareholder's value through customer acquisition and penetration of client wallets and improve asset quality to reduce losses due to the booking of bad loans.

Under the learning and growth perspective, three areas emerged which are human capital, information capital and organizational capital. The framework is aimed at creating the right strategic alignment between employee goals and that of the bank so as to create the right synergies to enable the employee deliver superior service to the customer. The key measures here that are relevant to the bank are employee satisfaction, employee innovation and employee stability index which is driven by the main strategic objective to train and retain its key or best staff. Barclays has a very low staff turnover and its staffs are empowered through the availability of online access to information across its entire branches that are linked to the head office

The various activities under the learning and growth perspective assist to achieve an efficient internal processes that deliver services to the customer in a timely fashion and that adequately meets the customer's needs and allows the bank to comply with its social responsibilities while meeting all regulatory requirements. Barclays organizes an annual event called the "The Make A Difference Day (MADD)", where it staffs go out to render some kind of service to the community. This could be in the form of donations or community service such are cleaning and painting of public schools and hospitals. The relevant measures under this perspective are the turn-around-time on its core services bearing in mind that customer acquisition is one of its key strategic objectives. The metrics will enable the bank determine how well it is serving its customers and whether it meeting objective of zero-defect in service excellence.

The customer’s perception of the bank’s service delivery culture on its core services and products is also very important in determining the extent to which the bank is able to penetrate the client’s wallets. If a customer is not happy with the bank customer service delivery, that customer may definitely turn to other competitors for better services and same/similar products. Therefore customer satisfaction and retention are relevant measures under this perspective.

All the above should therefore feed into the financial performance of the bank in order to create value for the shareholder and other stakeholders. The relevant measures that determine if the bank is creating value for its shareholders are return on equity and earnings per share. In terms of dominance within the industry, the relevant measure is the bank’s share of the industry’s total operating income and ROA to determine the quality of its assets.

4.3.3 Balanced Scorecard Measures at Barclays Bank

Below is a balanced scorecard for Barclay's bank.

BARCLAYS BANK GHANA LIMITED		
FINANCIAL PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Financial dominance	Industry Share of total Operating Income	14.40%
Improve shareholder value	EPS	6,211.70
	ROE	54.90%
Asset Quality	ROA	5.40%
CUSTOMER PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURE**	**Performance**
Customer Acquisition	Customer Satisfaction Index (CSI)	68
	Customer Retention	0.85
INTERNAL BUISNESS PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Improve operational efficiency	SLA for Account Opening	60
	SLA for cash withdrawal	90
	SLA for Loan disbursment	45
LEARNING & GROWTH PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Retain and improve employee skill set	Employee Satisfaction Index	84.93
	Employee Innovativeness	4.2
	Employee Stability Index	0.90%

Table 4.1: Balanced scorecard for Barclays Bank Ghana Limited. Source: Author

From the table above, Barclays Bank Ghana Limited has shown strong performance in terms of learning and growth perspective, internal process perspective, customer perspective and financial perspective. Under internal process, Barclays Ghana needs to do a lot more to improve its loan processing and disbursement function, and from the survey results, it was one of the factors that affected its customer satisfaction index. It was also discovered that, Barclays Bank Ghana has recognized this challenge and has implemented a software that will automate its loan processing and disbursement function and has made asset quality as one of its key performance indicators.

It is also obvious from the above table that there is strong link between financial performance and the other non-financial perspectives

An interview with the financial controller of Barclays Ghana has indicated that they are currently not using the balanced scorecard but there are plans to implement it in future with no definite time frame. On the implementation of the balanced scorecard as strategic control and performance management system, the financial controller had this to say:

> *"No, we have not implemented the balanced scorecard yet, but plans are advanced to begin adopting the balanced scorecard. We however have put own internally developed scorecard for all Banks within the Emerging Markets cluster which plays the role of the widely known balanced scorecard."*

In relation to how managers work with subordinates using the measures discussed so far, the financial controller said," *Managers are expected to subject their subordinates to the same performance standards expected of them, albeit, equitably."*

To be able to measures the contributions of each individual towards the achievement of corporate strategic objective so each person is able to give a good account him/herself, an appraisal system has been put in place as stated below:

> *"There is a quarterly appraisal system and it is in the interest of all staff to achieve the minimum standards as that determines whether a colleague would be entitled to a bonus or salary review in the subsequent year."*

Staff appraisals are done based on the five key value drivers mentioned above.

On the benefits of the balanced scorecard, he had this to say,

> *”Will be able to address this when it is fully implemented. What we use now encourages competition within the cluster and foster drive for achieve corporate objectives.”*

4.4 Ecobank Ghana Limited

Ecobank Ghana Limited is part of the Ecobank group with its head office situated in Togo. Ecobank has over 40 branches and has bagged the “The Bank of the Year” award being organized annually by Corporate Initiative Ghana for more than three times.

4.4.1 Vision and Values of Ecobank

The vision of Ecobank is *“To build a world class African Bank*”.

Ecobank operates on the following core values culled from its website:

> *“ … Its rapid growth is attributed to the vision and values it was built on. These values include:*
>
> - *Operating a “one bank” vision transcending existing geographical barriers*
> - *Attracting, developing and retaining the best talents on the African continent*
> - *Using appropriate technology to deliver accessible, consistent and reliable service to our customers*
> - *Standardization of policies and procedure*
> - *Operating on the basis of good corporate governance and ethics.*
>
> *We are also committed to exploring the potential offered by the Internet as an efficient distribution and communications channel for delivering the services provided by our network of branches and offices.”*

4.4.2 Measuring Performance at Ecobank

Ecobank has adopted the balanced scorecard as its strategic and performance management model. It therefore uses the four perspectives of the balanced scorecard for evaluating the implementation and achievement of its corporate strategic vision.

The main strategic objectives as stated by the financial controller are to increase shareholders value, increase customer base (acquire more customers), work towards zero defect in its internal processes and attracting and retaining highly talented and qualified personnel.

The main strategy to increase shareholders value is to grow revenues through aggressive expansion and acquisition of more customers. Its objective of rendering convenient, accessible and reliable service to its customers is to create and deliver value to them through efficient processes supported by well talented and well trained staff.

Below is the strategic grid for Ecobank Ghana Limited:

Financial	**Shareholder Value** **Grow Revenues**		
Customer	Grow Customer Base		
Internal Process	Improve Operational Efficiency		**Regulatory & Social** *Contribute to communities and the environment*
Learning and Growth	Human Capital	Information Capital	Organizational Capital
	Attract, develop and retained best talents in Africa (learning and development)	The" One-Bank" concept - Databases - Systems - Network	Building leadership

Figure 4.2: Strategy grid for Ecobank Ghana Limited. Source: Author

Under the learning and growth perspective, there are three elements thus, human capital, information capital and organizational capital. Ecobank believes that its people are its greatest asset. This is confirmed by the following statement culled from its website:

> "Ecobank seeks to harness the power of its human capital in its mission of building a world class bank and contributing to the development of Africa.
>
> We believe our people are our greatest resource and we invest in attracting, retaining and developing our people..."

It therefore devotes adequate resources in training and developing its people. The following buttresses the all important assertion, also culled from its website under its human capital learning and development:

> *"We devote up to 5% of payroll cost to training and development opportunities. A key strategic intent and indicator for training and development is that all staff must have at least an average of 40 hours of training and coaching every year. "*

Ecobank also see technology as a core strategic tool as quoted on their corporate website:

> *"Technology underpins the strategy of the group. The "One Bank" concept is a major initiative designed to ensure that the group operates to the same consistent standards in terms of processes and service delivery anchored on our technology platform. To this end, a Technology and Shared Services Centre has been built in Accra to centralize and standardize middle and back office operations across the group. "*

This means that well trained staffs are empowered with online access to corporate information in order to deliver superior service to its customers.

Leadership is built from within through coaching and grooming such that the people are imbibed with the organizational culture and leadership skills that create the right strategic alignment between corporate strategic goals and that of individuals, teams and departments. The consequence of this is getting the people with the right attitude and skills to assist in achieving corporate strategy.

4.4.3 Balanced Scorecard Measures at Ecobank

From the above analysis, the few critical key indicators that will focus the bank's energies and resources in achieving its corporate strategy under the learning and growth perspective are employee satisfaction, employee stability index and employee innovativeness. The core foundation of having well trained, innovative and empowered staffs at the learning and growth stage will ensure that the bank has the right people to execute the processes at the internal business processes stage in order to deliver value to the customer. Under the internal processes perspective, the relevant measures are turn-around-time on the core functions of the bank since it targets to achieve zero defects in its processes. Consequent to this is the implementation of standard policies and procedures, and the leverage on technology to deliver superior service to its customers. By measuring customer feedback on how best they are delivering on their core activities, it will give them an indication of whether they are on track or not on their customer service delivery strategy. Therefore, customer retention and customer satisfaction index were the key indicators that were considered under the customer perspective. Since this two have direct bearing on the perception of quality of services being delivered by the personnel executing the internal processes in place. This therefore helps to support the strategic measures in the internal business processes, and learning and growth perspectives.

Very core to its strategy is to consistently deliver higher returns on shareholder value. There are key sustainability indicators that are defined by the group, but for the purpose of this study, we shall limit the measures to only the following under the financial perspective:

- Return on Average Equity (%)
- Earnings per share
- Return on Average Assets (%)

ECOBANK GHANA LIMITED		
FINANCIAL PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Improve shareholders value	EPS	1,007.20
	ROE	53.35%
	ROA	4.40%
CUSTOMER PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURE**	**Performance**
Improve customer satisfaction rating	Customer Satisfaction Index (CSI)	55
improve customer retention	Customer Retention	0.71
INTERNAL BUISNESS PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Improve core customer service delivery	SLA for Account Opening	44
	SLA for cash withdrawal	64
	SLA for Loan disbursment	50
LEARNING & GROWTH PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Attract, develop and retain best talents	Employee Satisfaction Index	79.1
	Employee Innovativeness	3.4
	Employee Stability Index	1%

Table 4.2: Balanced scorecard for Ecobank Ghana Limited. Source: Author

Ecobank Ghana has also demonstrated good performance in all the KPIs under consideration, in the areas of loan processing and disbursement under internal business process perspective. But one striking revelation was its poor service in terms of its counter service and account opening function. Ecobank Ghana from this analysis may have a hidden problem which could affect the future performance of the bank. This is apparent in its employee satisfaction index and innovativeness under the learning and growth perspective which is very low.

The strategic objectives or goals of the bank are cascaded through the entire fabric of the bank by sharing the overall strategic targets among divisions, departments and units. Managers are then tasked to share these targets among their teams and team members albeit equitably based on seniority and the amount of resources made available to the teams and its team members. This therefore connotes the saying that "*To whom much is given, much is expected*". It therefore becomes the responsibility of the manager to ensure that every team and its team members are achieving targets assigned to them. Deviations from set targets are noted and reported through the monthly appraisal system, while commendations are also given to staffs that are achieving and surpassing their targets. The head of human resources stated that there are performance-based incentive packages that have been put in place to motivate staff to give their best towards the achievement of overall corporate strategic objectives.

On the benefits of the balanced scorecard, the head of the performance management unit said, *"The balanced scorecard ensures a fair assessment of staff performance"*, while on its disadvantages he said, "*It is too cumbersome and tends to generalize performance of staff"*.

4.5 United Bank for Africa (Ghana) Limited

United Bank for Africa (Ghana) Limited first came into Ghana in 2004 as Standard Trust (Ghana) Limited. The name was changed from Standard Trust (Ghana) Limited to United Bank for Africa (Ghana) Limited in 2007 after the merger of the two banks in Nigeria. United Bank for Africa (Ghana) Limited is part of the UBA Group with its group head office located in Nigeria. UBA Ghana has currently 25 branches spread across three regions.

4.5.1 Vision and Values at UBA

United Bank for Africa's vision is "*To become a role model for African Businesses*".

The above vision drives the entire corporate strategy of UBA. The bank has an aggressive expansion strategy which has seen it opening branches in more than 6 African counties within the last two years. It has also established branches in London, China, France and the Cayman Islands and it is still growing.

The core values of the bank are enshrined in the acronym HEIR which stands for Honesty, Empathy, Integrity and Resilience.

It is a key requirement for every staff within the UBA Group to internalize its vision, mission and core values. Staffs are also held to very high standards of accountability, integrity and customer service delivery, and there are no exceptions. This is to ensure, the actions and behavior of staffs are aligned with the strategic goals of the bank.

4.5.2 Measuring Performance at UBA

UBA Ghana has recently integrated its performance management and staff appraisal system with the parent group which is currently implementing the balanced scorecard. This therefore means that UBA Ghana has adopted the balanced scorecard as its strategic and performance management model. From the BSC programs office at UBA, the following diagrams were given to demonstrate how UBA is implementing the balanced scorecard. This also explains how they have translated their strategies into measurable items in order to effectively communicate it to its staffs and shareholders.

First diagram is what they called the strategic management pyramid which gives the linkages between their vision, mission and values and their strategies.

Figure 4.3: UBA Strategic Management Pyramid. Source: UBA Programs Office

This was further elaborated by the statements below:

> *"Enterprise performance measures are derived from the strategic thrust and cascaded down through the directorates, departments and down to the individuals. The system thus provides Management with a framework to strategically manage the performance of the Bank.*
>
> *The current performance management system operating in UBA is based on the Balanced Scorecard (BSC) Methodology that has four perspectives."*

4.5.3 Balanced Scorecard Measures at UBA

The release from the BSC Programs Office did mention the four perspectives of the balanced scorecard as being adopted by UBA as follows:

- Financial

— Market/Customer

— Internal Business Processes

— Learning and Growth

From this was derived the main key performance indicators under the four perspectives as given below:

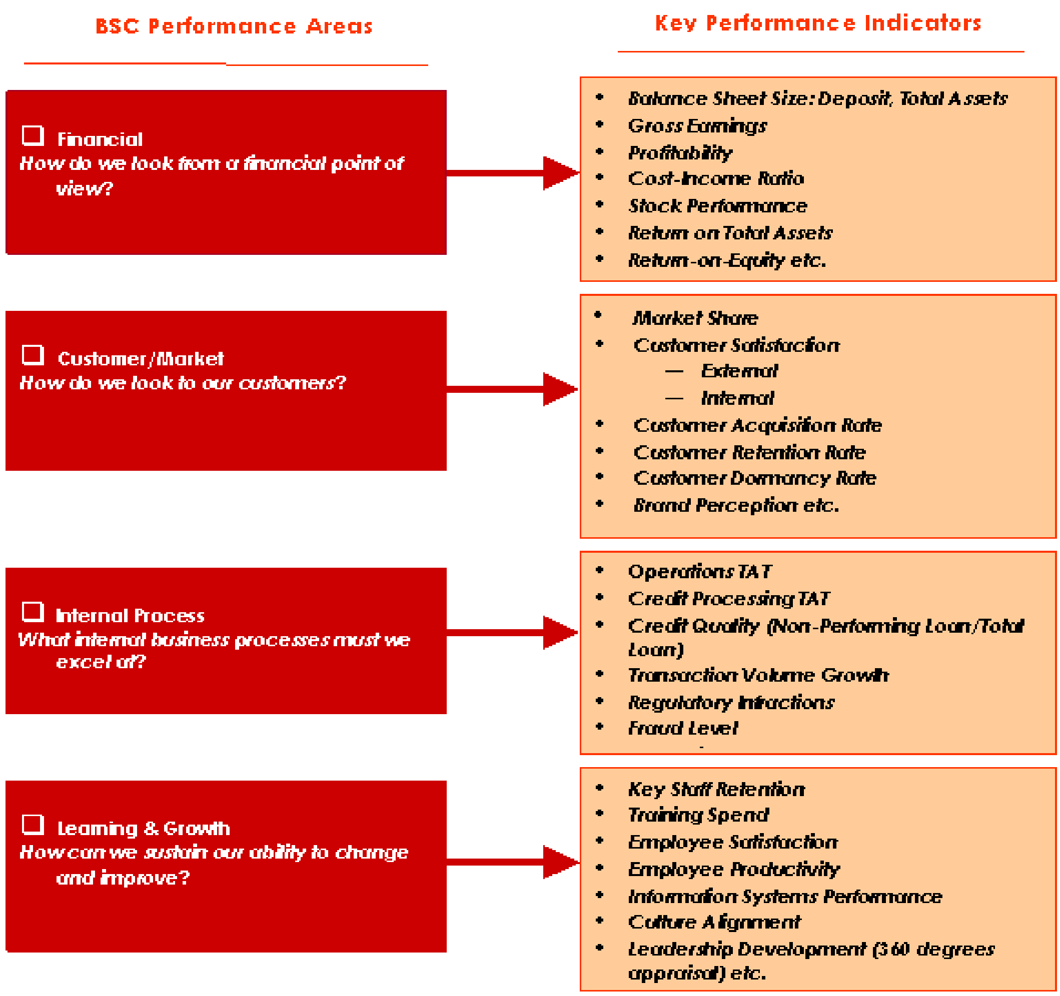

Figure 4.4: BSC Perspectives/KPI for UBA. Source: UBA BSC Programs Office

The four perspectives of the balanced scored are anchored on the following as stated by the BSC Programs office:

- How the organization looks financially;
- How we are seen/perceived by the customer in the market;
- What we must excel at to achieve world class operational excellence and;

- How we can sustain our ability to improve and change towards attracting & retaining the best people and aligning the culture of the organization to its defined core values.

Core to its strategy is to deliver superior service to its customers using highly talented people. It has promised its shareholders to consistently deliver higher returns on its shareholders value.

As stated by the financial controller, the bank seeks to consistently improve its shareholders value, surpass customer expectation with its unique customer experience initiative while striving for excellence at all that it does with its crop of dedicated and talented pool of professionals. Its strategy therefore emphasizes long term shareholder value, operational efficiency, excellent internal processes, and attracting and retaining key talented staff.

The linkages can be explained using the top-down approach. Having the people with the right talents and skills (learning & growth), will enable them to execute the critical set of internal processes that will deliver value to the customer which will bring about increased profitability (financial).

For the purpose of this study, we shall limit the relevant measures to be used under each perspective to following as defined by the scorecard for UBA Ghana below:

UBA GHANA LIMITED		
FINANCIAL PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Improve shareholder value	EPS	-5,627.36
	ROE	-22.00%
	ROA	-3.02%
CUSTOMER PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURE**	**Performance**
Improve customer satisfaction rating	Customer Satisfaction Index (CSI)	79
improve customer retention	Customer Retention	0.4
INTERNAL BUISNESS PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Operations TAT	SLA for Account Opening	78
" "	SLA for cash withdrawal	92
Credit Processing TAT	SLA for Loan disbursment	15
LEARNING & GROWTH PERSPECTIVE		
STRATEGIC OBJECTIVE	**STRATEGIC MEASURES**	**Performance**
Retain and improve employee skill set	Employee Satisfaction Index	81.80
	Employee Innovativeness	4.17
	Employee Stability Index	15.00%

Table 4.3: Balanced Scorecard for UBA (Ghana) Limited. Source: Author

UBA Ghana has shown strong performance in customer satisfaction, employee satisfaction, internal business process except loan processing and disbursement and innovativeness. The canker with loans could be the debilitating factor that may be affecting the bank's profitability. This is understandably so because the bank has had some bad times in terms of loans that were advanced to its customers. The situation got so bad that they had to put a temporary hold up on loans disbursement to its customers.

In order to be consistent with the concepts of the balanced scorecard, staffs are appraised on the four perspectives. Staffs are measured on how well they have contributed to the financial achievement of their branch or division. The second level is how satisfied customers are with the services of the branch or department where the staff is currently assigned. This is done through a survey of internal and external customers. On the internal processes quadrant, the staff gets a score based on customer (internal and/or external) feedback on his/her core deliverables. On the learning and growth perspective, each staff is at least accessed on innovativeness, which is self initiatives taken and contribution of the staff that has significantly reduce cost or increase revenue.

Managers work with the measures on the scorecard in relation to their subordinates by assigning targets to its team members based on the target received. Managers are then held responsible for the overall performance of their teams, and team members also account for the performance of their team leaders. Consequently, the average of the aggregated performance of all team members must be equal to the performance of the team leader. This becomes the benchmark around which performance within teams are appraised, where staff are classified as laggard/non-performer or average/normal performer or role model. There are incentives attached for role model performance while there is also arrangement for exit for non-performance.

On the benefits of the balanced scorecard, the performance management officer had this to say, *"The balanced scorecard has assisted UBA to create a metric organization that ensures fair and holistic measurement of performance"*. On the disadvantages, he said, *"There is a lot of subjectivity in the areas of the soft side of the balanced scorecard and if not properly managed, staff may disagree with it and become apprehensive of the system. This may deficit the very purpose for which the balanced scorecard was implemented in the first place"*.

4.6 Analysis of BSC Performance Measures and Metrics

The four perspectives of the balanced scorecard and the various measures and metrics derived from data on the three selected banks in the previous sections will be analyzed in the next sections in order to establish if BSC provides additional information with respect to the performance of banks in Ghana.

4.6.1 Analysis of Financial Performance

Under financial perspective, the following measures/metrics were considered for all the three banks:

1) Operating Income (Market share);
2) Return On Equity (ROE);
3) Return On Asset (ROA);
4) Earnings Per Share (EPS).

These are good indicators of the financial health of an organization since they measure how efficiently businesses are utilizing their assets and the value they are returning to shareholders on their investments. A business that is financially healthy will consistently return high ROA, EPS and ROE year in/year out. These measures will therefore give information to shareholders on the state of the businesses they have invested in.

Please see Appendix F for detailed definition of the above measures. Data on these measures were collected from both internal sources and the Ghana Banking Survey report (PriceWaterHouseCoopers, 2007). Operating income is a measure of a company's earning power from ongoing operations, that is equal to earnings before deduction of interest payments and income taxes. It is also called operating profit or EBIT (earnings before interest and taxes). This therefore has strong bearing on the performance of management in an organization and it indicates the degree of operating leverage for the organization.

The return on assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. It is calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment".

The assets of the company are made of both debt and equity. Both of these types of financing are used to fund the operations of the company. The ROA figure gives investors an idea of how effectively the company is converting the money it has to invest into net income. The higher the ROA number, the better, because the company is earning more money on less investment.

Return on Equity of ROE is an indicator of a company’s profitability. It is the most important profitability metrics. Return on equity reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. Shareholder equity is equal to total assets minus total liabilities. It’s what the shareholders “own”. Shareholder equity is a creation of accounting that represents the assets created by the retained earnings of the business and the paid-in capital of the owners. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. For the most part, the higher a company’s return on equity compared to its industry, the better. Earnings per share (EPS) is defined as an entity's net profit for a particular period divided by the number of ordinary shares. Basic EPS is computed by dividing net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. EPS is a standard measure often used to assess an entity's profitability.

The above measures/metrics were calculated and presented in tables 4.1, 4.2 and 4.3. The results are further summarized and presented in a table below:

Bank	**Share of Industry Total Operating Income**	**Return on Assets (ROA)**	**Return on Equity (ROE)**	**Earnings Per Share (EPS) (¢)**
Barclays Ghana	14.40%	5.4%	54.90%	6,211.70
Ecobank Ghana	7.81%	4.40%	53.35%	1,007.20
UBA Ghana	0.84%	-3.02%	-22.00%	-5,627.36

Table 4.4: Financial Performance Measures for BBG, EBG and UBAG.
Source: Author

Barclays Bank Ghana's share of the industry total operating income of 14.40%, Ecobank Ghana Limited had a share of 7.81% and UBA Ghana Limited with 0.84%.

On ROA; Barclays Bank Ghana Limited again recorded an impressive figure of 5.4%, Ecobank Ghana Limited following had 4.40% and UBA Ghana Limited recorded -3.02%.

With reference to ROE, Barclays Bank Ghana Limited recorded 54.90%, Ecobank Ghana Limited recorded 53.35% and UBA Ghana Limited recorded -22.00% for the period under review.

Referring to results on EPS; Barclays Bank recorded a figure of 6,211.70, Ecobank Ghana Limited with 1,007.20 and UBA Ghana Limited with a figure of -5,627.36.

This only shows the financial performance of the three banks. The next sections will now examine in details what goes into attaining these financial results and if indeed the remaining measures to be discussed could provide additional information to shareholders regarding the performance of the banks. The outcome of which should put the shareholders in a position of power so that they are able to make informed decisions about their investments based on the additional information from data gathered on the customer perspective, internal business processes perspective, and learning and growth perspective.

4. 6.2 Analysis of Customer Perspective

For banks to survive and deliver consistent superior financial performance in the areas indicated under the financial perspective above, the banks should have customers that are very satisfied with their products and services or unless those banks enjoy some monopolies where there are no substitutes for their products and services and the switching cost is also very high. Except for such conditions, customers not happy with the services and products of one bank will quickly switch to other banks resulting in dwindling deposits with outflow of funds that could otherwise be given out as loans to generate interest income. Some of the ways that banks with poor processes and dissatisfied customers can retain their customers will be through low pricing of their products and services. But this is not a sustainable strategy because other banks with efficient internal processes would easily match up by reducing their cost of operations which may translate into lower cost for their products and services thereby attracting the customers that are dissatisfied with their banks and are just hanging on because of only the pricing factor.

Therefore to measure how the customers see the banks, the metrics for customer perspective are customer satisfaction index and customer retention rate. The customer satisfaction metric is the most important because customer satisfaction is directly linked to an organization's profits. Service delivery via various channels of IT applications has emerged as an important attribute in satisfying customers. Therefore, a company with very satisfied customers is able to create sustained profitability and high growth value. The company also benefits from word of mouth advertising from its satisfied customers thereby reducing its cost of advertising whiles at the same time increasing its customer base (Roger Best, 2007). This therefore means that the higher the satisfaction index, the higher the future profitability of an organization may be.

Customer retention is how long a business is able to keep a customer for the purpose serving the customer with repeated businesses. If a business is able to increase the number of customers it retains year on year, that business will be able to reduce the cost associated with customer dissatisfaction and exit and will not have to spend as much on marketing efforts to attract new customers. Also, because retained customers tend to bring in higher annual revenue and margin per customer than do lost or new customers, the total profits of the business should increase.

Bank	Customer Satisfaction	Customer Retention
Barclays Ghana	68	0.85
Ecobank Ghana	55	0.70
UBA Ghana	79	0.4

Table 4.5: Customer Measures for BBG, EBG and UBAG. Source: Author

The results tabulated in table 4.5 from the survey indicate that, Barclays Bank Ghana got 68 points on a scale of 100 for overall customer satisfaction; Ecobank recorded 55 points while UBA recorded 79 points.

In terms of customer retention, Barclays recorded 0.85 points on a scale of 1, Ecobank recorded a figure of 0.70 and then UBA with a figure of 0.4.

Customer satisfaction and retention are important linkages to a market-based strategy and profitability. A company’s ultimate goal to succeed is to attract, satisfy and retain target customers. If a company is able to achieve this in an attractive market, the business will produce above-average profit.

The customer is a critical component in the profitability equation, but this fact is often over-looked in any financial analysis or annual reports. Customers are a marketing asset that businesses are yet to quantify in the accounting system, yet the company that is able to attract, satisfy and keep customers over their lifetime of purchases is in a powerful position to deliver superior levels of profitability.

This assertion is evidenced from the results of the survey where Barclays Bank Ghana Limited with the highest customer retention value also is the most profitable followed by Ecobank Ghana Limited and then UBA Ghana Limited.

To examine if customer perspective provides any additional information regarding financial performance of the banks, the spearman's correlation co-efficient was calculated for metrics between the financial and the customer perspectives. Below are the results:

			CSI	**CR**	**Operating Income**
Spearman's rho	**Customer Satisfaction Index(CSI)**	Correlation Coefficient	1.000	-.500	-.500
		Sig. (2-tailed)	.	.667	.667
		N	3	3	3
	Operating Income	Correlation Coefficient	-.500	1.000	1.000
		Sig. (2-tailed)	.667	.	.
		N	3	3	3

Table 4.6: Spearman's Rank Correlation between Customer Perspective and Financial Perspective. Source: Author

(** Correlation is significant at the .01 level (2-tailed))

From the table above there is generally some correlation between customer perspective and financial performance with a correlation co-efficient of 1.00 between operating income and customer retention. The peculiar negative relationship between customer satisfaction and operating income could be clear signs of the imperfect nature of the market or an indication of customer's unwillingness to try new banks. This could be temporary, though. As customers begin to identify better services and products from other competing banks, through word of mouth from the satisfied customers of these other banks, this trend may change over time. If this study is done again in 10 years down the line with service levels being as they are now, the results could be surprisingly different.

4. 6.3 Analysis of Internal Business Processes

The efficiency of the internal processes of an organization can affect the way the company delivers service to their customers. Operational efficiency and effectiveness therefore allows company to render service to its customers at a lower or reduced cost. It could also be a source of differentiating factor by which the company can create competitive advantage in its industry. Also, a company with good internal processes is able to quickly respond to customer queries, respond to customers' needs through new product development with short speed-to-market time frames. Such a company also reduces the waiting time for the delivery of its services and increases availability of its services to customers through the use of the "state of the art" technology such as eCommerce, internet banking, SMS banking, ATM services, etc. Also through the application of software or technology such as customer relationship management (CRM) software, companies are able to better manage their relationship with their customers. Through such a platform, the company is able to gather information that makes it understand the needs of its customers in order to deliver superior service to wow its customers. This effort will definitely be recognized by customers who in turn reward the companies through repeat businesses, which leads to high customer retention because customers are very satisfied with the services they are getting from the companies. This makes the companies enjoy higher lifetime value of the satisfied and retained customers thereby leading to sustained financial performance such as higher profitability.

Bank	Account Opening	Counter Service	Loan Processing
Barclays Ghana	60	90	45
Ecobank Ghana	42	57	51
UBA Ghana	78	92	15

Table 4.7: Internal Business Processes Measures for BBG, EBG and UBAG. Source: Author

Therefore, there is a positive correlation between the performance of a company and the efficiency and effectives of its internal processes as evidenced from data available in this study. Barclays Bank Ghana Limited recorded 60, 90 and 45 customer satisfaction ratings for account opening, counter service and loan processing respectively. Ecobank recorded 42, 57 and 51 account opening, counter service and loan processing respectively. UBA Ghana Limited recorded for the same metric 78, 92, and 15 respectively.

Also in assessing how the internal business processes perspective affects customer perspective, it can be inferred from the table below that, there is some relationship between customer satisfaction and internal business processes with a correlation co-efficient of 0.5.

			Internal Business Processes	**CSI**	**CR**
Spearman's rho	**Internal Business Processes**	Correlation Coefficient	1.000	.500	.500
		Sig. (2-tailed)	.	.667	.667
		N	3	3	3
	CSI	Correlation Coefficient	.500	1.000	-.500
		Sig. (2-tailed)	.667	.	.667
		N	3	3	3
	CR	Correlation Coefficient	.500	-.500	1.000
		Sig. (2-tailed)	.667	.667	.
		N	3	3	3

Table 4.8: Spearman's Rank Correlation between Internal Business Processes and Customer Perspectives. Source: Author

This therefore means that well structured internal business processes will lead to higher customer satisfaction rating, which could translate into better financial performance. The inverse relationship between customer satisfaction and customer retention could indicate an imperfect nature of the market or lack of competition where customers are not inclined to demand for better and alternative service and may just be enduring the poor services being offered to them by some of the existing and older banks.

4.6.4 Analysis of Learning and Growth

A learning organization is a knowledgeable organization. An organization that empowers its staff and resource them adequately will surely reap the benefit in term of superior performance and growth. For most organizations that have treated their employees as their most critical resource, they have often been rewarded with higher and sustained profits. There is a saying that, “You cannot give what you don’t have”. Therefore, organizations with dissatisfied employees will often find out that, their customer service efforts are always not without problems. They may have very brilliant customer service framework or model, but will have serious issues implementing it because they have dissatisfied employees. Poor customer service delivery then affects customer satisfaction, which in turn affects customer retention and thereby reduces the “lifetime value of a customer” as a result of early exit. This scenario does not hold in the monopoly market or imperfect markets where customers cannot easily access substitutes.

Employee satisfaction, employee retention, employee skill development and the extent of knowledge management are very critical to the performance and survival of businesses. How well these efforts are managed can affect a company’s profitability and growth. Well motivated and talented staffs are always ready to go the extra mile to help in achieving corporate objectives and goals.

Bank	Employee Satisfaction	Employee Innovative	Employee Stability Index
Barclays Ghana	84.93	4.2	0.9%
Ecobank Ghana	79.1	3.4	1%
UBA Ghana	81.80	4.17	15%

Table 4.9: Learning and Growth Measures for Barclays, Ecobank and UBA.
Source: Author

With reference to the figures in table 4.9 above Barclays with the best financial performance (please refer to table 4.5 for data on financial measures) recorded 84.93, 4.2, and 0.9% for employee satisfaction, employee innovativeness and employee stability index respectively. This was followed by Ecobank with 79.1 for employee satisfaction, 3.4 for employee innovativeness and 1% for employee stability index.

UBA Ghana makes an interesting case, with an impressive record of 81.80 for employee satisfaction and 4.17 for employee innovativeness but it also has the highest staff turnover, recording 15% for employee stability index. There additional information the BSC framework has provided in assessing the performance of UBA Ghana is that, it has revealed that there are two sides to its performance, the first being the poor financials and high staff turnover; and the other being the good customer service culture that the bank has been able to build and be recognized for within the period it has operated within the Ghanaian banking industry. It therefore never came to me as a surprise when UBA Ghana was voted “The Best Bank, Customer Care” for the 2009 banking awards being organized by Corporative Initiative, Ghana.

In examining the effect of the learning and growth perspective on internal business processes, it is apparent from the table below that there is strong relationship between employee innovation and internal business processes. This therefore means that, the bank that creates the enabling environment for innovation to flourish will definitely be rewarded with efficient processes that lead to higher customer satisfaction index.

			Innovativeness	Employee Satisfaction Index	Employee Stability Index	Internal Business Processes
Spearman's rho	**Innovativeness**	Correlation Coefficient	1.000	1.000	-.500	1.000
		Sig. (2-tailed)	.	.	.667	.
		N	3	3	3	3
	Employee Satisfaction Index	Correlation Coefficient	1.000	1.000	-.500	1.000
		Sig. (2-tailed)	.	.	.667	.
		N	3	3	3	3
	Internal Business Processes	Correlation Coefficient	1.000	1.000	-.500	1.000
		Sig. (2-tailed)	.	.	.667	.
		N	3	3	3	3

Table 4.10: Spearman's Rank Correlation between Learning & Growth and Internal Business Processes. Source: Author

(**Correlation is significant at the .01 level (2-tailed))

From the foregoing reasoning, it can therefore be deduced that the learning and growth perspective affects the performance of a company positively. In other words, there is a positive correlation between company's performance and its learning and growth strategy.

4.7 Conclusion

Several companies that have implemented the balanced scorecard in Europe and the US have reported some significant gains in their performance. There are recent claims that more than 50% of US companies have implemented the balanced scorecard whiles in Europe the percentage is about 47% (Nightingale, 2005, p.4). In Ghana there is no comprehensive data on the usage of this concept or framework to assess performance of banks.

But from the literature reviews in chapter two where the benefits and other related topics of the balanced scorecard were examined in detailed, one could draw the inference that if banks in Ghana implement the balanced scorecard in their institutions, this will improve their performance and bottom line by enabling them stay more focused on their core strategies.

Being able to define their strategies in terms of such measurable outputs will assist them to work smarter, focus their energies and resources on key units and sub-units which are critical to their strategies and be able to drive their performance through these selected few metrics.

To derive the maximum benefit from the balanced scored will mean to avoid most of the issues or criticisms that were raised under the literature review in chapter two and rather concentrate on the “DOs” of the balanced scorecard implementation as stated below:

- Use the scorecard as an implementation pad for strategic goals;
- Ensure strategic goals are in place before the scorecard is implemented;
- Ensure that a top-level (non-financial) sponsor backs the scorecard and that relevant line managers are committed to the project;
- Implement a pilot before introducing the new scorecard;
- Carry out ’entry review’ for business units before implementing the scorecard.

After implementation, there is also the need for continuous review and re-adjustment of the selected metrics in order to improve the scorecard. This could be through weekly or monthly review of performance targets against actuals so that variations can be identified and corrected early enough to keep the boat on course in order to avoid wrecking it by waiting till the last minute as often is the case with most businesses.

CHAPTER FIVE

CONCLUSION

5.1 Introduction

This chapter concludes with the findings of the research and makes the appropriate recommendations for adoption. It also highlights the limitations of the research and the need for further work in the selected area.

5.2 Conclusion of study

From the analysis done so far in the preceding chapter, it can be inferred that using the balanced scorecard to assess performance of banks in Ghana will give a more holistic view than using just the financials. From the data giving in the study (see tables 4.1, 4.2, & 4.3), it is clear that the well performing banks financially may not necessarily be the best banks in the industry when other perspectives or dimensions are taking into consideration. The sustainability of such performance may largely be dependent on certain practices that are not geared towards customer satisfaction and efficient business processes or practices in order to create superior returns and long term growth based on customer satisfaction and lower transaction cost.

It is therefore very clear from the study that the customer perspective, learning and growth perspective, and internal business processes perspective affect the assessment of the performance of banks to a very large extent in Ghana. With the kind of results that have been gathered through this research, any investor who wants to invest, merge or takeover these banks will be better informed with measures in several dimensions in terms of customer perspective, internal business processes perspective (operational structures and controls), and learning and growth perspective (systems and leadership development) all of which affect the long term performance and survival of the banks than just looking at their financials alone. Customer perspective, internal business process perspective, and learning and growth perspective therefore play complementary roles in assessing performance of institutions. As alluded to in the previous chapters, for a business to be able to create sustainable growth and profit, that business must be able to aggressively recruit new customers and retain them through efficient service delivery and customer service. That is because if new customers are recruited and they are not satisfied with the services and product of the organization they may exit early and it will cost a lot more to the business to recruit to replace the lost customers in order to stay in business. It has been estimated that it cost about five times or more to recruit a new customer than it is to retain an existing customer. An early exit by a customer also makes the organization to lose the life time value of the customer which may run into several hundreds of thousands or even million of Ghanaian new cedis. The higher cost of replacement will also lead to higher marketing cost for recruiting new customers or attracting back dissatisfied customers which will therefore result into dwindling profits.

From the interviews with the three banks, Barclays has not implemented the balanced scorecard before and may be considering doing that in the future and UBA Ghana Limited had just implemented the balanced scorecard. Ecobank Ghana has successfully implemented it for the past one year and they claimed that it has actually improved their performance and profitability. A further review of other banks indicates that another bank, Cal bank, is also trying to implement the balanced scorecard in the not too distant future. The bank has actually engaged some consultants to see to the implementation.

The balanced scorecard could also assist in the performance of banks to a large extent if implemented as a strategic tool. The extent to which it will assist banks in Ghana can be deduced from the data presented in tables 4.1, 4.2, and 4.3 above. Assuming Ecobank had such a dashboard, immediately it will be able to ascertain the performance of its customer service efforts and internal operational strategies and re-tune them in case it is not achieving the desired results. One obvious canker in the banking industry, which has been revealed by this study, is customers' dissatisfaction with the loan request processing and disbursement function of banks. It therefore means that a very smart bank that is able to perfect this function would have succeeded in creating a cash cow that could turn the fortunes of the bank. The failure of banks to adequately play this role has led to the proliferation of all manner of businesses that engage in lending money to the public at ridiculous interest rates. One such company that has recognized this niche market or need and has taken advantage of it is Unique Financial Services which is now among the club one-hundred businesses in Ghana.

In conclusion therefore, the balanced scorecard framework can be implemented to assess performance of banks in Ghana. The BSC framework can also assist by providing additional information using measures in several dimensions such as customer perspective, internal business processes perspective and learning and growth perspective to managers, shareholders and other interested stakeholders regarding the performance of the banks in Ghana. This will enable banks focus on the core strategies in order to create and deliver superior value and returns to their stakeholders. This puts the shareholders in an informed position regarding the value the banks are delivering to them in the short-run versus the long-run. This additional information the BSC framework is providing could be viewed like a commentary on "facts behind the figures" to reveal the non-financial inputs that went into achieving the financial results and whether the results being reported by the banks are sustainable in the long run. From the data gathered and the analysis done so far, additional information on customer dissatisfaction on loan processing functions of Barclays Bank Ghana and UBA Ghana, poor customer service and inefficient internal processes coupled with low employee motivation in the case of Ecobank. This information can be very useful to both shareholders and management of the banks which can help them fine tune the execution of their strategies.

5.3 Recommendations

From the results of this study, I will recommend the following:

- Banks implement the balanced scorecard as a performance measurement and strategic implementation tool to improve their operational performance and profitability.

- PriceWaterHouseCoopers in carrying out the annual banking survey on the performance of banks in Ghana must include other non-financial perspectives as elaborated in this paper so that the investors, academics and the general public are better informed on the holistic performance of banks in Ghana. This will be a sort of facts behind the figures presentation that will increase the level of competition among banks in Ghana.

There is the need to place emphasis on the fact that, when implementing this framework, banks must follow a well planned methodology and the advice that was given in this paper in order for them to reap the full benefit of their investment.

5.4 Limitation and Further Research

Due to time constraint, just a few of the metrics were selected for each of the four main perspectives to demonstrate the power of the balanced scorecard. In the event of a more corroborative research work between the academia and industry, the number of metrics under each perspective could be increased. The return on investment on the implementation of the balanced scored could also be investigated and a more detailed analysis using complex statistical models to determine the extent to which non-financial perspectives affect financial performances of organizations or institutions with a much bigger sample size. A further research work could also be done in other industries such as manufacturing, merchandize retailing and profit and non-profit institutions to help drive the implementation and measurement of their strategies.

APPENDIX A

QUESTIONNAIRE/SURVEY QUESTIONS FOR BANK CUSTOMERS

1. For how long have you been saving with this bank?
2. Are you satisfied with the way the bank treats you as a customer?
    a) Very dissatisfied (0)
    b) Somewhat dissatisfied (20)
    c) Moderately dissatisfied (40)
    d) Somewhat satisfied (60)
    e) Moderately satisfied (80)
    f) Very satisfied (100)
3. With all required documentations provided, are you satisfied with how long you have to queue to cash money from the counter?
    a) Very dissatisfied (0)
    b) Somewhat dissatisfied (20)
    c) Moderately dissatisfied (40)
    d) Somewhat satisfied (60)
    e) Moderately satisfied (80)
    f) Very satisfied (100)
4. With all required documentations provided, are you satisfied with how long it takes for the bank to open a new account for you?
    a) Very dissatisfied (0)
    b) Somewhat dissatisfied (20)
    c) Moderately dissatisfied (40)
    d) Somewhat satisfied (60)

e) Moderately satisfied (80)

f) Very satisfied (100)

5. With all required documentations provided, are you satisfied with how long it takes for the bank to process and disburse you loan application request?

    a) Very dissatisfied (0)
    b) Somewhat dissatisfied (20)
    c) Moderately dissatisfied (40)
    d) Somewhat satisfied (60)
    e) Moderately satisfied (80)
    f) Very satisfied (100)

6. How will you rate the bank's response time to issues you raise?

    a) Very dissatisfied (0)
    b) Somewhat dissatisfied (20)
    c) Moderately dissatisfied (40)
    d) Somewhat satisfied (60)
    e) Moderately satisfied (80)
    f) Very satisfied (100)

7. Overall, how would you rate the products the bank is offering to you?

    a) Very dissatisfied (0)
    b) Somewhat dissatisfied (20)
    c) Moderately dissatisfied (40)

d) Somewhat satisfied (60)

e) Moderately satisfied (80)

f) Very satisfied (100)

APPENDIX B

QUESSTIONNAIRE FOR CHIEF OPERATING OFFICER (COO)

1. Do you have operational policy & guidelines, and an internal control framework for your staff?

    a) YES (1)

    b) NO (0)

2. Do you have performance contracts with your operational (frontline and back office) staffs on turnaround time for processing account opening request, cash withdrawal from the counter, and processing of loan request and disbursement?

    a) YES (1)

    b) NO (0)

3. If question 2 is YES, what is the turnaround time for new account opening as stated in the performance contract after a customer has presented all required documentations?

    a) 0-60mins (1)

    b) >60mins (0)

4. What is the turnaround time for cash withdrawal at the counter as stated in the performance contract after a customer has presented a withdrawal slip to a teller?

    a) 0-30mins (1)

    b) >30mins (0)

5. What the turnaround time for loan processing and disbursement as stated in the performance contract after a customer has produced all required documentations?

    a) 0-48hrs (0)

    b) >48hrs (1)

6. Do you monitor and enforce all the above service level agreements (SLAs)?

a) YES (1)

b) NO (0)

7. How do you measure the above SLAs, through?

a) customer feedback (0)

b) others (mystery shopping, electronic devices, etc) (1)

8. Are your operational guidelines and procedures simply enough for your staff to follow and perform their assigned tasks?

a) YES (1)

b) NO (0)

9. If YES, on the average, how many incidence of Teller shortages & overages do you record in a month?

a) Low (0-1 incidence a month) (1)

b) High (>1 incidence a month) (0)

10. On the average, how many incidence of wrong entries into customers' accounts do you record in a month:

a) 0-1 incidence a month (1)

b) High (>1 incidence a month) (0)

11. On the average, how many incidence of fraud do you record in month?

a) Low (0-1 incidence a month) (1)

b) High (>1 incidence a month) (0)

12. Are frontline staffs empowered to take decisions bothering on service quality without necessarily requiring approvals from their superiors?

    a) YES (1)
    b) NO (0)

13. Has provision been made for customers to channel their grievances with respect to service quality issues?

    a) YES (1)
    b) NO (0)

14. Is the feedback of customers sought on the service quality and processes of the bank?

    a) YES (1)
    b) NO (0)

15. Does the bank have a call centre or customer interactive centre for customers to call/phone in for assistance and enquiries?

    a) YES (1)
    b) NO (0)

16. Does the bank have automated teller machines (ATM) at all its branches?

    a) YES (1)
    b) NO (0)

17. Does the bank have automated teller machines (ATM) at offsite locations for its customers?

    a) YES (1)
    b) NO (0)

18. Does the bank electronic products, i.e. SMS banking, internet banking, telephone banking, etc?

    a) YES (1)

b) NO (0)

19. How many new products have launch in the last one year?

a) 0 (0)

b) >1 (1)

APPENDIX C

QUESTIONNAIRE FOR CHIEF FINANCE OFFICER (CFO)

1. Have you heard of the balanced scorecard concept before?
    a) YES (1)
    b) NO (0)

2. Has your bank implemented the balanced scorecard as a performance measurement or strategic implementation tool?
    a) YES
    b) NO

3. Has the implementation of the balanced scorecard assisted in your corporate strategy implementation and performance measurement?
    a) YES (1)
    b) NO (0)

4. Have you observed an impact of customer perspective on the performance of your bank?
    a) YES (1)
    b) NO (0)

5. Have you observed an impact of financial perspective on the performance of bank?
    a) YES (1)
    b) NO (0)

6. Have you observed an impact of internal business process perspective on the performance of your bank?
    a) YES (1)
    b) NO (0)

7. Have you observed an impact of learning and growth perspective on the performance of bank?
    a) YES (1)
    b) NO (0)

APENDIX D

QUESTIONNAIRE FOR HEAD OF HUMAN RESOURCES

1. How many staffs with more than one year of service have left the organization in the last one year?
2. What was the total number of staff with more than one year of service in the last one year?
3. What is your employee turnover?
4. Does the bank organize induction course for newly recruited employee?
   a) YES (1)
   b) NO (0)
5. What is the minimum educational requirement you required to become a teller, customer service officer, or credit processing officer?
   a) Undergraduate and above (1)
   b) Others (0)

6.Do you have annual training programs planned for each staff at the beginning of every year?

   a) YES (1)
   b) NO (0)

7.Averagely, how many training courses does a staff attend in a year that relates to his/her job?

   a) 0-1 (1)
   b) > 1 (0)

8.Does the bank enforce that all staffs attend the training programs they have been slated to attend for the year?

   a) YES (1)

b) NO (0)

9.Is there a policy that sanctions staff that deliberately refuses to attend the training program(s) they have been slated for?

a) YES (1)

b) NO (0)

10. Does the bank have an intranet for its staff?

a) YES (1)

b) NO (0)

c)

10. Does the intranet contain information on the bank's products?

d) YES (1)

e) NO (0)

APPENDIX E
EMPLOYEE SATISFACTION SURVEY

Bank Employee Satisfaction Survey	**Strongly Disagree**	**Disagree**	**Neither Agree nor Disagree**	**Agree**	**Strongly Agree**
1. I understand what is expected of me.	1	2	3	4	5
2. I am kept informed about matters that affect me.	1	2	3	4	5
3. I have the resources (materials, equipment, supplies, etc.) necessary to do my job well.	1	2	3	4	5
4. I am able to do my best every day.	1	2	3	4	5
5. Communication within my division/department/unit is good.	1	2	3	4	5
6. In the last month, I was recognized and praised for doing a good job.	1	2	3	4	5
7. Someone in the court cares about me as a person.	1	2	3	4	5
8. I have opportunities to express my opinion about how things are done in my division.	1	2	3	4	5
9. The court is respected in the community.	1	2	3	4	5
10. My coworkers work well together.	1	2	3	4	5
11. I am encouraged to try new ways of doing things.	1	2	3	4	5
12. I understand the connection between the work I do and the mission and goals of the bank.	1	2	3	4	5
13. My working conditions and environment enable me to do my job well.	1	2	3	4	5
14. I feel valued by my supervisor based on my knowledge and contribution to my department, unit, or division.	1	2	3	4	5
15. I feel free to speak my mind.	1	2	3	4	5
16. In the last month, someone in the bank has talked to me about my performance.	1	2	3	4	5
17. I enjoy coming to work.	1	2	3	4	5
18. My coworkers care about the quality of services and programs we provide.	1	2	3	4	5
19. I am treated with respect.	1	2	3	4	5
20. I am proud that I work in the bank.	1	2	3	4	5

Source: Available at
http://www.ncsconline.org/D_Research/CourTools/Images/courtools_measure9.pdf
(accessed 24/05/08)

APPENDIX F
GLOSSARY OF KEY FINANCIAL TERMS, EQUATIONS AND RATIOS

Capital adequacy ratio is the ratio of adjusted equity base to risk adjusted asset base as required by the Bank of Ghana (BoG)
Cash assets includes cash on hand, balances with the central bank, money at call or short notice, and cheques in course of collection and clearing
Cash ratio = (Total cash assets + Total liquid assets) ÷ (Total assets - Net book value of fixed assets - Investments in subsidiaries and associated companies)
Cash tax rate = Actual tax paid ÷ Net operating income
Cost income ratio = Non-interest operating expenses ÷ Operating income
Current ratio = (Total assets - Net book value of fixed assets – Investments in subsidiaries and associated companies) ÷ (Total liabilities - Long term borrowings)
Dividend payout ratio = Proposed dividends ÷ Net profit
Dividend per share = Proposed dividends ÷ Number of ordinary shares outstanding
Earnings per share = After tax profits before proposed profits ÷ Number of ordinary shares outstanding
Financial leverage ratio = Total assets ÷ common equity
Liquid assets includes cash assets and assets that are relatively easier to convert to cash, e.g., investments in government securities, quoted and unquoted debt and equity investments, equity investments in subsidiaries and associated companies
Loan loss provisions = (General and specific provisions for bad debts + Interest in suspense) ÷ Gross loans and advances
Loan portfolio profitability = Interest income attributable to advances ÷ Net loans and advances
Loan loss rate = Bad debt provisions ÷ Average operating assets
Net book value per share = Total shareholder's funds ÷ Number of ordinary shares outstanding
Net interest income = Total interest income - Total interest expense
Net interest margin = Net interest income ÷ Average operating assets
Net operating income = Total operating income - Total non-interest operating expenses + Depreciation and amortisation - Loan loss adjustment + Exceptional credits
Net operating (or intermediation) margin = [(Total interest income + Total non-interest operating revenue) ÷ Total operating assets] - [Total interest expense ÷ Total interest-bearing liabilities]
Net profit = Profit before tax - Income tax expense
Net spread = (Interest income from advances ÷ Net loans and advances) - (Interest expense on deposits ÷ Total deposits)
Non-interest operating expenses include employee related expenses, occupancy charges or rent, depreciation and amortisation, directors emoluments, fees for professional advice and services, publicity and marketing expenses
Non-interest operating revenue includes commissions and fees, profit on exchange, dividends from investments and other non-interest investment income, and bank and service charges
Non-operating assets comprises net book value of fixed assets (e.g., landed property, information technology infrastructure, furniture and equipment, vehicles) and other assets, including prepayments, sundry debtors and accounts receivable
Operating assets include cash and liquid assets, loans and advances, and any other asset that *directly* generates interest or fee income
Operating income = Net interest income + Non-interest operating revenue
Profit after tax margin = Profit after tax ÷ Total operating income
Profit before tax margin = Profit after extraordinary items but before tax ÷ Total operating income
Quick (acid test) ratio = (Total cash assets + Total liquid assets) ÷ (Total liabilities - Long term borrowings)
Return on assets = Profit after tax ÷ Average total assets
Return on equity = Profit after tax ÷ Average total shareholders' funds
Shareholders' funds comprise paid-up stated capital, income surplus, statutory reserves, capital surplus or revaluation reserves
Total assets = Total operating assets + Total non-operating assets
Total debt ratio = Total liabilities ÷ Total assets

Source: Ghana Banking Survey 2006, PricewaterhouseCoopers in conjunction with Ghana Association of Bankers, pp71

APPENDIX G

CUSTOMER SURVEY RESULTS

ECOBANK GHANA LIMITED

Customer Survey	**C1**	**C2**	**C3**	**C4**	**C5**	**C6**	**C7**	**C8**	**C9**	**C10**	**N**	**CR**		
Q1	2	2	2		2	10	1	6	3	2	3.30	0.67		
Q2	100	80	100	100	100	100	100	80	20	80				
Q3	40	20	40	80	60	80	40	80	0				44	**Cash Withdrawal from counter**
Q4	100	60	40	100	100	40	100	80	20	0			64	**Account Opening**
Q5	40	80	60	80		100	40	80	20				50	**Loans**
Q6	40	40	40	100		60	60	80	20	60				
Q7	60	40	60	100	80	80	100	80	20	60				
AVERAGE	**63.3**	**53**	**56.7**	**93.3**	**85**	**76.7**	**73**	**80**	**17**	**50**	**65**			

BARCLAYS BANK GHANA LIMITED

Customer Survey	**C1**	**C2**	**C3**	**C4**	**C5**	**C6**	**C7**	**C8**	**C9**	**C10**	**N**	**CR**		
Q1	5	7	15	4	8	8	9	6	4	0.5	6.65	0.85		
Q2	60	80	80	80	100	40	20	40	20	80				
Q3	60	80	20	100	60	60	60	40	20	100			60	**Cash Withdrawal from counter**
Q4	100	80	100	80	100	80	100	100	80	80			90	**Account Opening**
Q5			80			60		40		0			45	**Loans**
Q6	80		60	60	80	60	20	60		80				
Q7	100	100	60	80	80	60	60	60	80	80				
AVERAGE	**80**	**85**	**67**	**80**	**84**	**60**	**52**	**57**	**50**	**70**	**68**			

UBA GHANA LIMITED

Customer Survey	**C1**	**C2**	**C3**	**C4**	**C5**	**C6**	**C7**	**C8**	**C9**	**C10**	**N**	**CR**		
Q1	1	1.5	0.4	3	0.5	2	3	0.8	3	1.5	1.67	**0.401198**		
Q2	100	100	60	100	100	20	60	80	80	100				
Q3	100	100	80	100	100	0	80	100	60	60			78	**Cash Withdrawal from counter**
Q4	100	100	40	80	100	100	100	100	100	100			92	**Account Opening**
Q5	0					60	0			0			15	**Loans**
Q6	60	100	80	80	80	20	80	80	60	100				
Q7	60	100	80	100	100	100	100	100	80	100				
AVERAGE	**70**	**100**	**68**	**92**	**96**	**50**	**70**	**92**	**76**	**76.7**	**79**			

APPENDIX H

EMPLOYEE SURVEY RESULTS

ECOBANK GHANA LIMITED

Employee Survey	R1	R2	R3	R4	R5	Avg Score
E1	3	5	1	4	5	3.6
E2	4	4	1	4	2	3
E3	4	4	4	5	5	4.4
E4	3	4	4	4	4	3.8
E5	4	4	4	5		4.25
E6	4	4	4	4	2	3.6
E7	5	4	5	5	4	4.6
E8	3	4	5	4	3	3.8
E9	4	5	5	5	5	4.8
E10	5	3	3	5	4	4
E11	4	4	1	4	4	3.4
E12	4	4	3	4	5	4
E13	3	4	5	4	4	4
E14	4	4	4	4	4	4
E15	5	4	5	4	4	4.4
E16	3	3	4	4	2	3.2
E17	4	3	4	5	5	4.2
E18	5	3	4	5	3	4
E19	4	3	5	4	3	3.8
E20	4	4		4	5	4.25
Satisfaction index score						**79.1**

<u>BARCLAYS BANK LIMITED</u>

Employee Survey	**R1**	**R2**	**R3**	**R4**	**R5**	**R6**	**Avg Score**
E1	5	5	5	5	4	5	4.83
E2	5	5	4	4	3	4	4.17
E3	4	4	5	3	3	4	3.83
E4	3	5	4	5	4	5	4.33
E5	5	5	4	4	4	5	4.50
E6	3	3	5	4	3	5	3.83
E7	4	4	4	4	3	5	4.00
E8	5	5	4	4	4	5	4.50
E9	5	5	4	4	4	5	4.50
E10	4	5	4	4	3	5	4.17
E11		5	4	4	3	5	4.20
E12	3	5	4	5	4	5	4.33
E13	4	4	4	4	3	5	4.00
E14		4	4	4	4	5	3.50
E15	5	4	5	4	4	5	4.50
E16	4	5	4	4	4	4	4.17
E17	5	4	4		4	5	4.40
E18	3	5	4	5	4	5	4.33
E19	5	5	4	5	4	5	4.67
E20	5	5	4	3	3	5	4.17
Satisfaction index score							**84.93**

UBA GHANA LIMITED

Employee Survey	R1	R2	R3	R4	R5	Avg Score
E1	5	5	5	4	5	4.80
E2	4	4	5	3	4	4.00
E3	4	4	4	4	4	4.00
E4	5	4	5	4	5	4.60
E5	4	3	4	3	5	3.80
E6	3	2	4	3	4	3.20
E7	5	5	4	3	3	4.00
E8	5	4	5	3	4	4.20
E9	4	4	3	4	4	3.80
E10	4	5	4	4	4	4.20
E11	4	4	4	4	5	4.20
E12	5	5	4	4	5	4.60
E13	4	4	4	4	4	4.00
E14	4	5	4	4	5	4.40
E15	5	4	4	3	4	4.00
E16	3	1	3	4	4	3.00
E17	4	4	4	4	5	4.20
E18	5	4	4	4	4	4.20
E19	4	4	4	4	4	4.00
E20	5	4	5	4	5	4.60
Satisfaction index score						**81.80**

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