Balanced Scorecard: A Strategic Tool for Enhancing Managerial Performance in Nigerian Banks (A Study of United Bank for Africa)

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Abstract

This study investigated the application of balance scorecard in improving performance of managers in UBA plc. The main objective of the study is to examine the effect of balance scorecard adoption on the performance of managers, as reflected in improved abilities, achieve customer and financial objectives, competencies levels and potential abilities for innovative behaviour. Cross-sectional survey research design was adopted for the study. The target population is the staff of selected branches of United Bank for Africa (UBA). Yamane's formula was used to randomly choose a sample of 300 employees from the focal organization. A structured questionnaire was used for data collection. Descriptive statistic of frequency counts and simple percentages were used in analyzing the data, while the hypotheses were tested with Pearson Moment Correlation. The findings of the study showed that there is a significant relationship between balance scorecard and performance of bank managers in UBA plc. It was concluded that the balanced score card if properly implemented will enhance managerial performance in Nigerian organizations. Based on the findings of this study, the study recommends that management of UBA plc should put in place structure to aid the effective implementation of the balanced scorecard as a key measure of performance among the bank managers. Since the balanced scorecard is a strategic instrument for enhancing performance, there should be organizational wide participation in its development. Managers should tailor the perspectives to reflect the specific organizational situation and needs. There should be in-built flexibility and adjustments in the face of the dynamic and complex environment.

Keywords: *Organization, manager, performance, balanced scorecard*

Introduction

For over thirty years, bank manager's performance and measures have been regarded as a critical building element that pervades todays banking companies, allowing important stakeholders to evaluate the firms' accomplishments. According to the number of topics addressed at important business conferences, as well as the number of researches conducted on financial institution performance management score cards (Micheli & Mari 2014). It had become a popular subject, and it had progressed to the point where it is recognized as a crucial component of financial management. The internal and external outcomes of any organization's leaders, including managers and other management cadre, have a significant impact on the organization's success. Sawent (2016) sees managerial performance as a continuous processed used to identify, measure and create strategies in tandem with the purpose and vision of the business.

The balance scorecard is a strategic management performance measure used to solve problems in various internal organization functions and improve various company operations as a consequence of external events. Balanced scorecards are used to measure and provide feedback on the productivity of managers in organizations. A balanced scorecard is primarily viewed as a performance management report used by the managerial team, and is typically focused on managing the execution of strategies or operational activities. The balanced scorecard is a strategic performance assessment tool that allows companies to integrate non-financial indicators into their performance in order to get a comprehensive picture of their success. Because certain elements of financial metrics may not be recorded, the measurement is important. Financial metrics such as the return on investment (ROI), return on equity (ROE), return on asset (ROA), worker productivity, organizational profitability, sales margin, and profits per share (EPS) are used to calculate outcomes. The balanced scorecard assists in translating a company's vision and strategy into a set of measurable performance indicators. As a result, the full implementation of the method connects each individual on the team to guarantee that everyone understands how they may contribute to the plan. According to Kaplan and Norton (2007), the balanced scorecard complements conventional financial measurements by offering three non-financial metrics for evaluating performance. Customer perceptions, internal company processes, and learning and development are among the non-financial metrics.

Kaplan and Norton (2001) created the balanced scorecard in response to the increasing financial requirement to properly build and execute a successful strategic planning and assessment tool that uses both financial and non-financial metrics. In order to accomplish better strategic objectives, banks and other businesses need to have a balance performance indicator. The balanced score card converts an organization's objectives and strategy into a complete set of performance metrics that serve as a framework for executing that plan. It derives its name from an effort to balance financial and non-financial aspects of service and manufacturing organizations in order to assess both short- and long-term performance in a single report. The Balanced Scorecard method of performance management aims to strike a balance between immediate and long-term goals. In fact, using a performance balance scorecard system to identify important measures may assist increase the likelihood of reaching and completing organizational objectives. Advanced performance management system, business implementation methods, and improving overall performance against key indicators may be characterized as the three main benefits of balancing score card performance. As a result, the use of a performance scorecard may be used to assess managers' work, boost productivity, and improve overall organizational performance, while increasing corporate profit (Kaplan & Norton, 2001).

A business must utilize measurement and management methods generated from its strategy and capabilities if it is to survive and thrive in this information age competition (Kaplan & Norton, 2006). Unfortunately, many businesses base their strategies on customer connections, core capabilities, and business capacity, while solely using financial metrics to motivate and evaluate success. Financial metrics, which are used by the majority of businesses to evaluate success, have been criticized since they are historical in nature and lack a forward-looking perspective (Emmanuel & Otley, 2005). Commercial banks' financial services are becoming more complex and extensive in Nigeria, but the degree of managerial failure in these services suggests that there is a lack of an effective balance sheet for bank managers, as well as a lack of strong client relationships. With such a large difference, bank managers and executives have a lot to learn about how to create sound financial and serviceable plans to close the gaps using the right methods.

The intricacy of today's competitive experiences in the banking sector makes commercial bank managers (UBA Plc) anxious, to the point that Bank "A" manager views Bank "B" manager as a rival, and they don't regard each other as branch managers of the same bank, but as competitors. This single conduct damages the performance of bank management in the banking operation to stakeholders (customers and staff). The current degree of competition has caused commercial bank managers to become more focused and anxious on how to maintain tight touch with their clients at all costs, in order to avoid losing their active consumers to assumed rivals. Commercial bank managers have evolved into chameleons, shifting from one service provision to the next, often combining multiple services and relocating or establishing a new branch to meet the needs of their customers as a strategic performance and to demonstrate to the general public that their services are unique and better than those of their competitors. Thus, there is an ever increasing pressure on managers for performance improvements. This is exacerbated by industry competition and slow economic growth. Banks management is therefore in constant search of strategies in improving managerial performance (Umar & Olatunde, 2011). The balance scorecard has been seen as a viable tool in this regard. However, there is the lack of understanding of its suitability for the banking sector leading to its limited application. There is also the dearth of empirical literature on the benefits reported from these few applications. This study will fill this gap by providing the needed evidences.

The main objective of this study is to investigate the application of balance scorecard in improving the performance of managers in UBA plc. The specific objectives are to:

I. To determine the extent to which the adoption of the balanced scorecard has resulted in better serving of customers' needs.
II. To ascertain if balanced scorecard adoption has helped in improved attainment of financial objectives.
III. To find out if the adoption of the balanced scorecard has improved competency levels of managerial employees.
IV. To establish if the adoption of the balanced scorecard has resulted in significant improvement in managerial innovative potentials.

The following hypotheses stated in null forms are tested:

1: There is no relationship between the adoption of balanced scorecard and customers 'needs satisfaction.

2: There is no significant relationship between the adoption of balanced scorecard and improved attainment of financial objectives.

3: The adoption of the balanced scorecard has not resulted in significant improvement in managerial competency levels.

4: There is no relationship between the adoption of the balanced scorecard and significant improvement in managerial innovative potentials.

The significance of the study lies in the fact that it provides empirical evidence on the potency of the balanced scorecard in enhancing managerial performance. The results will be a source of information for future researchers on the topic and provide the basis for training and rewarding managers.

Review of Literature

The Balanced Scorecard as we know it now was created by Kaplan and Norton (1992) to improve managerial planning and control. Measures on the Balanced Scorecard were originally developed to complement "traditional financial measures with criteria measuring performance from three additional perspectives, those of customers, internal business processes, and learning/growth.

Learning and growth perspective views, as the most fundamental component of the causal connection, concentrate on how workers may better themselves and provide greater value to the organization (Pourmoradi *et al*., 2016). Without a doubt, learning and growth perspectives such as the effective process (quality information system), employee ability (experienced and skilled), and degree of firm alignment (culture, teamwork, and congruence) are critical in achieving the company's objectives (GonzalezSanchez *et al*., 2017). Financial perspective shows if a strategy's transformation leads to increased economic success. The emphasis is on cost and providing the greatest value to consumers and stakeholders. Net Operating Income, Return on Capital Employed (ROCE), Revenue Growth, Return on Investment (ROI), Cash Flow, and other metrics may be included.

According to Kairul *et al*. (2013), customer perspective is a viewpoint that evaluates a company's capacity to provide excellent services and goods to consumers, including delivery efficiency and customer happiness. Customer perspective covers; customer acquisition, customer profitability, customer satisfaction and retention (Putri *et al*., 2017). The internal business process is important to achieving the two previously stated views since it assists in identifying the main business processes in which they must excel (Kairul *et al*., 2013; Gekonge, 2005). In addition, Kaplan and Norton (1992) defined a few process value-chains within this viewpoint, including invention, operation, and post-sales service.

Benefits of Balance Scorecard

According to Kaplan and Norton (1992), there are three main benefits of using BSC. First and foremost, it gives a complete picture of a company's performance in a single report by linking various metrics to the company's key capabilities and strategy. As a whole, BSC assists companies in focusing on performance measurement across multiple areas; it considers elements of some of the most significant competitive advantages in the business, and it only keeps measures that are directly related to strategy, preventing information overload within the company. As a strategic management tool, balanced scorecard helps bank top management to convey its vision, purpose, aim, goals and strategies more effectively and efficiently to the whole company.

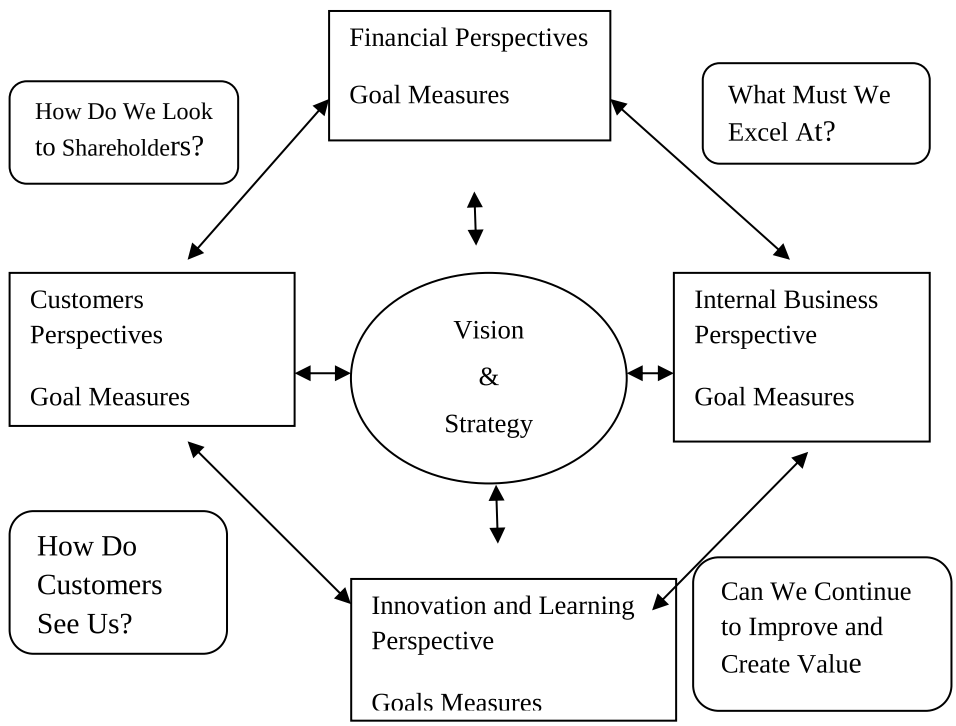

Figure 1: Balance Scorecard as performance measurement tool, that drive managers' performance. **Source:** (Kaplan and Norton1999)

Nair and Pareek (2011) looked at the performance management methods and metrics utilized by a sample of Indian private sector businesses. According to the results of a study, every company questioned utilized both financial and non-financial performance metrics to assess its success. Using a corporate scorecard system modified from the BSC, Ridwam, Harun, and Fahmid (2013) investigated the effects on the performance of a state-owned business (Freemantle Port Authority). The research technique that was used was a case study. There were substantial effects on the organization's structure, operations, and overall performance due to BSC, according to the results.

Teker, Teker, and Kent (2011) used time series panel data from 2003 to 2010 to evaluate the financial performance of Turkish commercial banks. It was decided to employ thirteen Turkish commercial banks registered on the Istanbul Stock Exchange. The goal was to create a financial performance indexing model. The development of a bank performance measuring model was undertaken. Non-financial variables were shown to be more significant than financial success in recent years in evaluating the performance of the chosen commercial banks. Increased client happiness, efficient administration and effective leadership, as well as the use of cutting-edge technology in banking operations, all contribute to determining a bank's success in nonfinancial terms. Ibrahim and Murtala (2015) investigated the usefulness of BSC in the Nigerian banking sector for evaluating performance. The data was gathered via a survey. The studied banks acknowledged the value of adopting BSC as a performance metric, according to the findings.

Asante (2013) conducted research to find out the performance metrics local Ghanaian banks used to evaluate the efficiency of their branches and whether or not those same performance measures were also applied to branch managers. The study included both qualitative and quantitative methods. Primary data was gathered via the use of a questionnaire and interviews, both formal and unstructured. Also used were the chosen banks' Annual Accounts for the years 2009-2012 to collect data. Researchers discovered that Ghanaian banks use financial and non-financial performance indicators to evaluate the effectiveness of their local branches and branch managers.

Using a quasi-experimental design, Davis and Albright (2004) investigated the impact of adopting a balanced scorecard on financial performance at bank branches to see whether they outperformed bank branches of the same company. Researchers discovered that BSC-model-implementing branches outperformed their non-BSC counterparts in terms of financial performance. They also found that including non-financial indicators logically and systematically enhanced financial performance when using the BSC approach. As a result of this, there was less of a link between the beleaguered interest financial metric and performance system actions performed under conventional performance assessment systems.

In their theoretical work "Study on Balanced Scorecard of Commercial Bank in Performance Management System," Zhang and Li (2009) examined Chinese commercial banks. It was decided to use the BSC model to help commercial banks improve their performance. These researchers found that the BSC model improved the validity of Performance Management Appraisal System by taking into account internal company processes, customer and financial considerations, as well as the development of workers.

This study will derive great impetus from the shareholders' value and balanced scorecard stakeholders' theories. Friedman (1971), the proponent of Shareholder Theory, argued that a corporation is regarded as an asset held only by its shareholders. Since then, the emphasis of evaluating company performance has always been on financial performance, such as shareholder return, whether success is measured by profit or failure by bankruptcy (Porter, 2008). The Balance Score Card (BSC) framework was the most often referenced and discussed performance framework in the research, with over 168 citations (Neely, 2005). Kaplan and Norton(1992) were the first to develop the BSC performance assessment system, which was based on stakeholder theory. According to Gonzalez Sanchez *et al.* (2017), as a result of the technological revolution, the traditional measurement system is only suitable for the industrial-age environment; as a result, qualitative and descriptive data covered by BSC will provide managers with a clearer holistic view of organizational performance (Malgwi & Dahiru, 2014). BSC has progressed from a basic framework to the primary component of a strategic planning and management system since then.

Methodology

The study utilized the cross-sectional research design. The cross-sectional survey was chosen because it allowed for the gathering of primary data through questionnaires, which were then quantitatively evaluated using descriptive and inferential statistics (Ridwam, Harun & Fahmid, 2013). The study's participants were employees of a first-tier commercial bank (UBA PLC) in Lagos, Nigeria. The justification for the focus on the banking sector was based on its role in in the country's economic development. According to Ilesanmi (2011), the financial sector of every economy is the nation's "heart beat". In addition, Lagos is the 'hub' of the activities in Nigeria. It looked at the managers' performance in terms of core competency, customers' needs satisfaction, financial target achievement, and innovative potentials.

Due to a lack of funds and time, four local government areas (Ikorodu, Island, Oshodi/Isolo, and Ikeja,) were selected through ballot from the list of ten local government areas of the state. Thereafter, eight branches (two branches each) from four local government areas were conveniently selected. According to Wikipedia.com, UBA has a population of about 20,000 people as of January 11, 2020. The total number of employees at the UBA's chosen branches in Lagos State is (1528). Yamane (1967) formula was used to draw a representative sample of 317 employees using the systematic random sampling method. The data collection instrument was a 5-point Likert. Structured questionnaire adapted from the works of Soderberg(2006) on the balance scorecard: Structure and Use in Canadian Companies.

Content validity of the instrument was established by three management experts who confirm that the instrument sufficiently covered the subject of inquiry. The Cronbach Alpha test was used to determine its reliability of the instrument. Result of the analysis of 12 prototype questionnaires administered yielded values of dependent variable (Managerial Performance) = 0.72 and the independent variable (Balance Scorecard) = 0.85, 0.68, 0.81 and 0.73, respectively. SPSS Software Version 21.0 was used to analyze the data. The first stage of data processing involved descriptive analysis, which consisted of tables with frequency distribution, percentages, means, and standard deviation for the variables in the questionnaire, while the Pearson moment correlation was used to test the hypotheses proposed at the start of the study. The correlation coefficient (r) was utilized to assess the type and degree of the connection between the dependent (managerial performance) and independent (Balance Scorecard) variables in order to establish the relationship.

Data Analysis, Findings and discussions

The demographic distribution of sampled respondents, gender distribution shows 53.7% of the respondents were male, while 46.3% of the respondents were female. In term of marital status distribution in the study, it shows that 11.3% of the respondents were single, 25.0% of the respondents were married, 3.3%, 18.7 and 8.3% were within divorced, separated and others respectively. In addition, the distribution of respondents focusing on educational qualification, 0.2% of the respondents were in SSCE/Diploma levels, 23.3% of the respondents were in NCE/OND levels, 26.7% of the respondents were in B.Sc./HND levels, while 26.3% of the respondents were in MBA/M.ED. Levels and 14.7% were Professional Qualification. In addition, according to Department of the respondent in the organization, 29.7% of the respondents are management staff, 20.3% of the respondents are senior staff, 19.7% junior staff and 15.0% of the respondents are contract staff. According to distribution focusing on tenure, 23.3% of the respondents have spent between 1-5years in the bank, 41.7% between 6-10years, 22.3% between 11-15years, 12.7% respondents had spent 16years and above in the organization.

	PEARSON CORRELATION COEFFICIENT (r)	**P.VALUE**	**REMARKS**
HYPOTHESIS 1	0.531	0.OO0	SIGNIFICANT
HYPOTHESIS 2	0.625	0.OOO	SIGNIFICANT
HYPOTHESIS 3	0.645	0.OOO	SIGNIFICANT
HYPOTHESIS 4	0.823	0.OOO	SIGNIFICANT

Source: SPSS Data Analysis Output 2022

Discussion of Findings and Policy Implications

The findings of hypothesis one showed that scorecard results in better satisfaction of customers' needs by managers ($r = .531$; $p = .000 < 0.05$). This implies that the balanced scorecard plays a significant role in helping managers meet customers' needs. This is borne out the fact that managers are forced by the balanced scorecard to identify the specific needs of customers and organizational requirements for meeting them. Managers will weed out non performing customers and market segments, while focusing on the needs and segments which the organization is best suited to serve. The finding is consistent with those of Agyeman (2017), who found that Ghanaian banks used the balance scorecard to improve bank managers' performance with respect to customers' needs satisfaction.

The findings of hypothesis two showed that the balanced scorecard has a significant effect on managers' attainment of set financial objectives ($r = 0.625$; $p = 0.000<0.05$). The implication of this is that the balanced scorecard provides the needed impetus for the achievement of targeted financial objective. Given the needed resources both at the individual and organizational levels, the balanced scorecard enable managers to vigourously pursue and achieve targeted financial objectives. The result is in agreement with those of Kambari, Nyikyaa, and Ladan (2019) on the use of the balance scorecard as a major performance instrument in evaluating the financial performance of deposit money bank managers in Nigeria.

The findings of hypothesis three revealed that the use of the balanced scorecard improves the competency levels of managers ($r = .645$; $p = .000$). This implies that as an instrument for measuring performance, the balance scorecard ensures that required skills and competencies are determined in advance to aid managerial performance. The setting of both customer and financial objectives requires a corresponding determination of the competency levels required of managers to achieve them. To this end, the organization strives to impart these skills in the managers in order to improve their performance levels. This finding is line with Kerin and Rudelius (2014), who found that the balanced scorecard provides a link between competency and performance levels of managers.

The findings of hypothesis four showed that there is a relationship between the adoption of the balanced scorecard and innovative behavior of managers ($r = 0.823$; $p = 0.000<0.05$). The implication of this is that the use of the balanced scorecard provides an enabling environment for managerial innovation. The provision of efficient processes and investment in organizational infrastructures provides the needed dynamic capabilities required for innovative behaviours. Managers key into this to acquire and exhibit innovativeness in the performance of their jobs.

Conclusion and Recommendations

Based on the findings, it can be concluded that utilizing the balanced scorecard is a potent tool in improving the performance of bank managers in Nigeria. The balance scorecard forces organizations to not only set financial objectives, but in addition determine concrete activities that will aid the achievement of stated objectives. The balance scorecard enables the organization to think systematically by considering all factors that are essential in enhancing organizational performance. These measures are used to motivate and measure managerial performance based on an integrated framework. Performance management become easier when organizations not set managerial targets but also provide the needed information, resources and investments needed based on the application of the balanced scorecard. Improved managerial performance will invariably improve total organizational performance. This study has helped in providing the needed evidence to support the deployment of balanced scorecard for evaluating managers in Nigerian organizations. The study recommends that:

Banks should implement the balanced scorecard as a performance measurement and strategic tool to improve the performance of managerial employees in an organization. Information systems to track the various dimensions of the balanced scorecard should be developed and strengthened to aid the implementation of the framework. There is also the need for investment in training and development as well organizational infrastructures to reap the benefits of the balanced scorecard. Since the balanced scorecard is a strategic instrument for enhancing performance, there should be organizational wide participation in its development. Managers should tailor the perspectives to reflect the specific organizational situation and needs. Flexibility and adjustments in the event of the dynamic and complex environment become prerequisites for success.

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