

Örgütsel Davranış Araştırmaları Dergisi Journal Of Organizational Behavior Research Cilt / Vol.: 3, Sayı / Is.: S2, Yıl/Year: 2018, Kod/ID: 81S2168



# PERFORMANCE EVALUATION OF MELLI BANK OF YAZD PROVINCE USING THE BALANCED SCORECARD (BSC) TECHNIQUE

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ABSTRACT

Performance evaluation is a main task of each organization and as a performance management aspect that was often implemented through the use of financial indices. Over the past two decades, issues such as the organizational learning, knowledge creation and innovation capacity have been taken into account as determinants of the competitive advantage. The Balanced Scorecard (BSC) technique is among the most comprehensive approaches that have been welcomed in the present era. It monitors and controls the performance of all organizational components based on strategies, compares it with programs and objectives of organizations, and measures and evaluates the success rates, work output, and progress in achieving strategic goals. At Harvard University, Robert Kaplan and David Norton designed a model for employee performance, which used criteria with multiple perspectives instead of emphasizing financial criteria, in order to measure the employee performance. It aimed to translate the organizational strategy into the criteria that exclusively transmitted the company's vision to the organization. They called it the Balanced Scorecard model including four perspectives: financial perspective, domestic process perspective, customer perspective, and innovative and educational perspectives. The present research collected data from selected branches of Bank Melli of Yazd and its supervisory office in order to evaluate the performance of Bank Melli Branches using the Balanced Scorecard technique, desired indices and questionnaires. Research results indicated that ranking Bank Melli Branches based on financial indices was not related to their performance and it was significantly changed according to the balanced scorecard model.

Keywords: Scorecard, Performance Evaluation, Bank Melli, Performance Management.

#### **INTRODUCTION**

Senior managers of companies, for-profit and nonprofit organizations spend significant time, energy, and financial resources on developing their strategies, but most of them lack the high performance of their strategies. Therefore, senior managers have always been looking for a solution to ensure that their strategies are implemented. Characteristics of the knowledge-based economic era have questioned the effectiveness of traditional assessment methods that seem appropriate for organizations in the industrial economy (Tull et al., 2013). In such a situation, the Balanced Scorecard Technique was first introduced as a new method of performance evaluation, and then as a tool to implement strategies, or in other words, a system for management. Results of a research called the "Measures that are performance derivers" by these two scientists, Norton and Kaplan, in 21 best-selling companies in January 1992 indicate that successful companies do not rely on financial measures to assess their performance, but they evaluate their performance from four aspects: 1- Financial Perspective, 2- Customer Perspective,

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3- Internal Process Perspective, 4- and Learning and Growth Perspectives. (Kaplan, Norton, 2011).

Performance evaluation can be defined as the process of quantifying the effectiveness of actions. A performance branch can be defined as a measure to quantify the efficiency and effectiveness of an activity (Bernolak, 1997). According to this description, a performance evaluation system is a set of criteria for quantifying the effectiveness of activities.

# THEORETICAL PRINCIPLES AND HYPOTHESES

Balanced Scorecard reflects missions, values, and perspectives and strategies of organizations in terms of goals and scales in financial, customer, internal processes and growth and learning aspects. This integrated performance evaluation model is based on strategic, operational and financial indices. In fact, the balanced scorecard is a framework for converting perspectives of a company or an organization into a set of performance indices in four domains (Kaplan, Norton, 2012). According to the basic principle of this model, the performance evaluation system should provide sufficient information for managers to answer quadruple questions: 1. What services or products do meet our customers' needs and expectations and what is the customer opinion about us? (from the customer's perspective); 2. Which business and process should be improved and prioritized for acquiring value added and customer satisfaction after analyzing current trends (From perspective of processes)? 3. How do we train and improve our organization to achieve our goals (From perspective of learning and growth)? and 4. How can we maintain our current levels of service equal to our budget levels and use existing opportunities to raise profit and interests of organizations and shareholders (Financially)? (Maris, 1999). The following hypotheses were tested to achieve the main objectives of research:



Hypothesis 1: Staff training leads to higher branch performance.

**Hypothesis 2**: There is a relationship between the customer satisfaction and branch performance. **Hypothesis 3**: Bank ranking based on the profitability does not indicate the higher performance of those branches.

# **RESEARCH METHOD**

The present research systematically investigated the status of a number of Bank Melli branches of Yazd as statistical samples, and designed questionnaires using data collection methods and tools such as analysis of organizational mission and examining the status of its strategies and using experts' opinions. Data was summarized using the raw and first hand data from employees, customers and managers of branches; and the most important performance criteria of those branches were determined and the performance was evaluated through the balanced scorecard method; hence, using a new ranking based on the performance of bank branches was provided using the obtained results.

# **RESEARCH FINDINGS**

# Determining the importance of examined indices

Indices were determined in each of four studied perspectives according to the balanced scorecard model by Robert Kaplan and David Norton. Using a questionnaire, each of these factors was then separately examined and evaluated by experts. Table 1 presents obtained results. These results indicate that factors of the customer index such as the number of customer complaints and the feedback system had a relatively low impact on the performance evaluation from experts' perspective. Experts generally considered these factors important in financial and market indices. In the internal process index, the employees' history, their knowledge as well as the amount of their absence were considered as the low-impact factors. In the growth and learning index, all factors except for employee training were low-impact factors on the assessment of Bank Melli branches of Yazd Province.

Effective factors				Very important (5)		Important (4)		Medium (3)		Low important (2)		Not important (1)	
		Studied indices	Frequency	Score	Frequency	Score	Frequency	Score	Frequency	Score	Frequency	Score	
		Number of available branches for customers on the branch performance evaluation	20	100	5	20	2	6	2	2	1	1	
5		Number of customer complaints on the branch performance evaluation	10	50	8	32	2	6	3	6	7	7	
tome		Time of responding to customers on the branch performance evaluation	18	90	9	36	1	3	2	2	0	0	
Cust		Method of responding to customers on the branch performance evaluation	25	125	1	4	3	9	1	2	0	0	
		Total cost of service delivery	23	115	5	20	2	6	0	0	0	0	
		Feedback system on the branch performance evaluation	5	25	10	40	13	39	2	4	0	0	
Mean score			84	~	25	~	12	~	3	~	1		
iket		Amount of resource absorption on the branch performance evaluation	27	135	3	12	0	0	0	0	0	0	
and ma		Resource allocation rate (loan payment) on the branch performance evaluation	28	140	2	8	0	0	0	0	0	0	
ial		Profitability rate on Average score	30	150	0	0	0	0	0	0	0	0	
nanc	ומזור	Amount of credit on the branch performance evaluation	26	130	2	8	2	6	0	0	0	0	
Ξ		Accessibility of objectives	22	110	5	20	1	3	1	2	1	1	
		Mean score		133	~	10	~	2	~	0	~	0	
Internal processes (human resources		Employees' knowledge levels on the branch performance evaluation	6	30	7	28	9	27	8	16	0	0	
	tria)	Employees' work experience on the branch performance evaluation	7	35	5	20	8	24	8	16	2	2	
	crite	Personnel absence rate on the branch performance evaluation	3	15	10	40	12	36	5	10	0	0	
		Employees' turnover on the branch performance evaluation	19	95	8	32	3	9	0	0	0	0	

Table 1: Results of studied importance of indices



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	Employees' satisfaction on the branch performance evaluation	21	105	9	36	0	0	0	0	0	0
	Employees' efficiency on the branch performance evaluation	13	65	9	36	8	24	0	0	0	0
	Personnel training on the branch performance evaluation	18	90	5	20	4	12	3	6	0	0
	Branch Location	19	95	5	20	3	9	2	4	1	1
Mean score		66	~	29	~	18	~	7	~	0	
Growth and learning	Providing new service packages on the branch performance evaluation	8	40	12	48	5	15	5	10	0	0
	New circular and supervisory provisions at work on the branch performance evaluation	9	45	8	32	6	18	7	14	0	0
	Service cycle time for customers in all aspects on the branch performance evaluation	6	30	12	48	8	24		0	4	4
	Number of mistakes in customer and bank accounts on the branch performance evaluation	8	40	10	40	6	18		0	6	6
Mean score		39	~	42	~	19	~	6	~	3	

# Descriptive data analysis



The following tables were used for descriptive analysis of research data (SPSS Software diagrams). These tables are derived from the mean and total variance of responses to indices of each component responded by all respondents.



Figure 1: Distribution of mean and standard deviation of studied indices from employees' perspective



Figure 2: Distribution of mean and standard deviation of studied indices from customers' perspective





Figure 3: Distribution of mean and standard deviation of studied indices from supervisors' perspective

# Hypothesis Test

# Hypothesis Test 1

In order to calculate the branch performance in the present study, the total scores by customers, employees and supervisors were considered as the performance index of each branch. Spearman's rank correlation coefficient was used to determine the significance relationship between hypothesis factors of research. Based on results of Table 2, the correlation coefficient between staff training and branch performance was significant at the level of  $p \le / 0.05$ ; hence, there was a direct relationship between the employee training and branch performance.

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#### Table 2: Correlation coefficient between the employee training and branch performance

Index	Branch performance					
muex	r	р				
Employee training	0.578	0.001				

#### Hypothesis Test 2

Based on results of Table 3, the correlation coefficient between employee satisfaction and branch performance was significant at the level of  $p \le / 0.05$ ; hence, there was a direct relationship between the employee satisfaction and branch performance.

### Table 3: Correlation coefficient between the employee satisfaction and branch performance

Index	Branch performance				
Index	r	р			
Employee satisfaction	0.833	0.001			

### Hypothesis Test 3

Based on results of Table 4, the correlation coefficient between bank ranking and branch performance was significant at the level of  $p \le / 0.05$ ; hence, there was a direct relationship between bank ranking and branch performance.



# Table 4: Correlation coefficient between bank ranking and branch performance

Index	Branch performance					
mucx	r	р				
Bank ranking	0.035	0.735				

# CONCLUSION

Performance evaluation is a main task of each organization and a performance management aspect that was often implemented through the use of financial indices (Ghobadi, 2016). Over the past two decades, issues such as the organizational learning, knowledge creation and innovation capacity have been taken into account as determinants of the competitive advantage due to the emergence of globalization, intense competition, and unprecedented technological advances particularly in the field of communications and information (Milani, 2011).

Given the privatization of a large number of banks in Iran and the decision on the entry and activity of foreign banks in the banking sector, there is a need for increased efficiency and performance through implementation of optimal performance management in domestic banks in order to prepare for the intense competition in the national banking system. The bank branch performance evaluation is one of the first steps towards the implementation of the performance management in the banking system. According to findings of the present research, the current ranking of Bank Melli of Yazd did not have any relationship with their performance, and thus there is a need for further evaluation to make accurate ranking.

#### Table 5: Ranking selected branches of Bank Melli of Yazd

Row	Branch name	Rating branches of Bank Melli of Yazd	Ranks of branches based on balanced scorecard model	Mean scores of branches in the model
1	Iranshahr	3	1	6.840

2	17 Shahrivar Boulevard	4	2	6.211
3	Azadi Square	4	3	6.087
4	Power Department	3	4	6.045
5	Enqelab	4	5	5.955
6	Imamzadeh Jafar Boulevard	4	6	5.950
7	Qiyam	3	7	5.889
8	Taleghani	3	8	5.870
9	Islamic Azad University of Yazd	4	9	5.867
10	Qadir	1	10	5.818
11	Hafte Tir	4	11	5.652
12	Homafar	3	12	5.571
13	Salman Farsi	4	13	5.522
14	Judiciary	3	14	5.500
15	Silo Yazd Three way	4	15	5.435
16	Markar Square	3	16	5.391
17	Kashani	3	17	5.364
18	Yazd	1	18	5.227
19th	Kasnavieh	4	19	5.217
20	Atlasi Square	5	20	5.200
21	Chamran street	4	21	5.167
22	Fajr	3	22	5.130
23	22 Bahman Yazd Boulevard	3	23	5.130
24	Shahid Beheshti Street	4	24	5.125
25	Taft Education department	5	25	5.120
26	Safayyeh	3	26	5.043
27	Paknejad Boulevard	5	27	4.966
28	Sadaqi	3	28	4.875
29	Mehdi Street	5	29	4.731
30	Yazd Finance	3	30	4.480
31	Shohada Crossroad	5	31	4.464
32	Imam Hossein	3	32	4.320



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