A Study of the Implementation of Learning & Growth Perspective of Balance Scorecard in Private Banks

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Abstract

A professor at Harvard University named Robert Kaplan and a consultant from the Boston David Norton developed a new performance Measurement system - *Balance Scorecard*. Both of them did research study on many companies with the objective of exploring new methods of performance measurement (Kaplan and Norton, 1990). The focus for the study was that performance based on financial measures was unproductive for the modern business. These companies also believe that only financial measures in performance measurement system do not create value. There are various alternatives available but the best alternative is Balance scorecard, featuring performance measures financial and non-financial - customer issues, internal business processes, and employee activities. The present study studied, identified and explored the Internal process perspective of balance scorecard practices in private sector banks. The undertaken quantitative research was exploratory cum descriptive cum diagnostic in its nature. The survey sample consisted of 200 bank executives from middle and top management of 10 private sector banks having retail operations in India. Secondary as well as primary sources were used for the data collection and standard statistical tools were used for the analysis. The findings revealed that all the practices of customer perspective of balanced scorecard are significantly implemented to the private sector banks in specific and the whole banking sector in general.

Keywords: Balance Scorecard, Management tool, Internal Process Perspective ,Retail Banking

1. Introduction

The Balanced Scorecard is defined as a particular set of financial and non-measures from an organization's vision, mission and strategy. The selected measures for the Scorecard also help managers in communicating to employees and external stakeholders the outcomes and performance indicators of each dimension by which the organization will accomplish its vision, mission and strategy. The balance Score card is a both strategic management tool and performance measurement tool. The BSC helps the organizations in bridging the gap between strategies and action and that's why BSC is defined as strategic tool. In a single framework

BSC includes financial and non-financial indicators from every perspective that is used systematically in business to align their activities to the vision and strategy of the organization. For any business the biggest challenge is to satisfy the needs of customers by innovation so the business can retain them. Balance scorecard helps in achieving customers' satisfaction through innovation can improve the revenue of the organization and also it helps organizations to focus on strategic areas .Therefore organizations should build up and scrutinize sound strategies relevant to organization's success. (Kaplan and Norton, 1996).

Learning and Growth Perspective: It's the backbone of the balance Scorecard because it involves employee capabilities, information systems capabilities and motivation, empowerment and alignment of employees. Learning and Growth can include such parameters like employee are involved with decisions, alignment of employee skills with jobs, number of employee suggestions implemented, and hours of employee training. It is important to implement the learning and growth perspective dimensions – Human resources, Information technology and organization culture and alignment that improve in the processes so that organization can implement their strategies. The objectives of the three dimensions of learning & growth perspective are: **Human Resources**: The employees should have the skill, talent and expertise to execute activities essential by the strategy, **Information technology**: the information system should have capabilities to give timely information to front line employees and should be adequate enough to support the strategy and **Organization culture and alignment**: the employees should have understanding about vision and the strategy of the organization ,the individual and organization subunit goals should be aligned with the business objectives and the employees share best practices and other knowledge relevant to strategy execution. (Atkinson, Kaplan, Matsumura, Young and Kumar, 2009).

2. Review of Literature

Tuan and Sundar (2010) applies the Balance scorecard model to Rang Dong Plastic Joint-Stock Company (RDP).The author has made the six step methodology for implementing balance Scorecard-specify the Goal, harmonizing measures to strategy ,Identifying measures, estimating results ,developing commitment and future planning. The goals and measures of financial results, competence, innovation and performance are determined. The goal of financial results is survival and future potential whereas measures are liquidity and profitability. The goal of competence is Technological and Employee competence whereas

the measures are number of sales from projects and employee qualification. The goal of innovation is to set standards and be innovative and goals of performance are internal process efficiency and customer satisfaction.

According to Satish and Rao (2010) the qualitative aspects of performance measurement also includes innovation and Learning perspective. The measures under innovation and Learning perspective are Introduction of new product, Contribution of new products to total revenue and Introduction of new technology. The Balance Scorecard for commercial banks as suggested by author the employee should be given Competitive compensation, participation in organization, training for enhancing job skills, quality evaluation of performance by comparing to the best standards and increased upward career movement by internal promotions.

According to Dave and Dave (2012) SBI has performed well in learning and growth perspective. Numbers of skilled employees are more and bank spends a huge amount on training of its employees. The bank has implemented modern technology to enhance its banking services .The bank has expended the numbers of ATMs and have largest no. of debit card holders. The use of modern technology is well complemented with sufficient expenditure on the training of old employees and recruitment of grater no. of fresh employees.

According to Panicker and Seshadri (2013) the organisation should support change, innovation and growth. Therefore the author measures the extent of organisation efforts to provide its employees with opportunities to grow and learn through Learning and Growth perspective measures – Number of Employees, Profit per Employee, percentage of Employees receiving training and Employee Engagement. The score is given to each measure on scale of 10-50 on data collected from Standard Chartered Bank. The learning and growth perspective of standard chartered bank is better than other perspectives of balanced scorecard. Employees appraised, Employees Training and Employee Engagement has 100percent score, this means bank value its employees. Bank has various Facilities for employee's i.e crèche facility, maternity and paternity leave and Flexi hours.

Al-Najjar and Kalaf (2012) states that learning and Growth perspective is for the employees of organisation. The organisation should give opportunities to grow and learn to employees. The objectives of learning and Growth perspective are to improve Employee capabilities, Employee satisfaction and Computerized system application. The data are collected from

LLB bank on different measures of Learning and Growth perspective i.e. Employee productivity, Employee turnover, Growth of bank branches, Employee participation in Development programs and no. of Employees using IT in their work. The growth in Bank Branches is 0percent.Employee productivity, Employee turnover and Employee's participation in development programs is decreasing. But the learning and Growth perspective is better than customer perspective.

3. Research Methodology

The universe of the presented study was the set of major private sector banks originating from Indian or foreign nations, but have retail operations in India. The survey population included the respondents from top and middle management (executive level) of these operating private sector banks that have their regional or head office in NCR and it comprise of Shinhan, HDFC, Yes Bank, Citibank, IndusInd, ICICI, Axis, RBL, HSBC and Kotak Mahindra bank to analyze the importance of balanced scorecard practices and also to study the extent of their implementation in these organizations.

Objectives of the Study

To study the implementation of Learning & Growth perspective of balance scorecard practices in private sector banks.

Hypotheses Formulation

H0 - There is no significant difference in perception of bank executives regarding implementation of practices related to Learning & Growth under balanced scorecard approach in private sector banks.

Internal Consistency Analysis

The Cronbach's α-value with a range between 0.787 and 0.834, for all the variables explains the internal consistency with a value of more than 0.70 for all the items. Consequently, no items were removed from the list and considering the results, were accepted for inclusion in the final instrument being a reliable measure.

4. Implementation of Balanced Scorecard practices under Learning and Growth Perspective

The last section of the first part of this chapter is concerned with the tabulation (Table 5.17 to 5.21) and description of inferences in regard to the implementation of balanced scorecard

practices under 'learning and growth perspective' based on the analysis of collected data. For the purpose of analysis statistical tools including frequencies (in percentage), mean, chi-square, analysis of variance (ANOVA) and Duncan's post hoc analysis were used to draw inferences and conclusions.

Among the practices under 'Employee capabilities , the practice 'we in the organization reskill the workforce (Strategic Reskilling, Massive Reskilling, Competency upgrade) has highest mean score (4.44) and 'in our organization employees have support from staff functions' has lowest mean score (4.15).The practice 'We give timely information to front line employees about each customer's relationship' has highest mean score (4.38) and 'We have excellent information systems for employees to improve processes' has lowest mean score (4.21) under 'Information System Capabilities'. Among the practices under 'Motivation ,Empowerment, Alignment', the practice 'We align individual and organizational subunit goals, rewards and recognition systems with the business objectives' has highest mean score (4.35) and 'Our organization have reward structure for implementing suggestions of employees' has lowest mean score (4.20).

Table 5.17: Frequencies, Mean and Standard Deviation on Implementation of Balanced Scorecard Practices under Learning and Innovation Perspective (N = 200)

Sl. No.	Statements	Frequencies (in Percentage)					Mean	SD	X² Value	Sig.
		HI	I	N	S	HS				
A	**Employee Capabilities**									
1	Our employees are involved with decisions	0.0	0.0	11.5	40.5	48.0	4.37	.681	44.5[a]	.000*
2	Our organization always give recognition to employees for good job	0.0	0.5	9.0	43.5	47.0	4.37	.667	134.6[b]	.000*
3	Our employees have access to sufficient information to do the job well	0.0	0.0	16.5	37.0	46.5	4.30	.737	28.2[a]	.000*
4	Our employees are encouraged to be creative and use initiative	0.0	0.5	7.5	53.0	39.0	4.31	.628	150.9[b]	.000*
5	We in the organization reskill the Workforce (Strategic Reskilling, Massive Reskilling, Competency upgrade)	0.0	0.0	10.0	36.5	53.5	4.44	.669	57.6[a]	.000*
6	In our organization employees have support from staff functions	0.0	0.5	9.5	51.0	34.5	4.15	.788	112.5[b]	.000*
7	In our organization we believe in retaining the loyal and Long term employees	4.5	0.0	15.0	36.5	44.0	4.16	.988	81.0[b]	.000*
B	**Information System Capabilities**									

8	We give timely information to front line employees about each customer's relationship	0.5	0.5	3.5	51.5	44.0	4.38	.631	260.1[c]	.000*
9	We give accurate information on each segment of individual customer	0.0	0.0	6.5	50.5	43.0	4.37	.603	66.4[a]	.000*
10	In our organization we give timely, rapid and accurate feedback to operation employees of the service delivered	0.0	0.0	10.5	43.5	46.0	4.36	.664	47.1[a]	.000*
11	We have excellent information systems for employees to improve processes	0.5	0.0	20.0	37.0	42.5	4.21	.793	86.0[b]	.000*
12	Our organization have adequate information systems and knowledge applications to support the strategy	0.0	0.0	17.0	41.0	42.0	4.25	.728	24.0[a]	.000*
C	**Motivation, Empowerment, Alignment**									
13	Our organization published successful suggestions of employees to increase the visibility and creditability of the process	0.0	0.0	14.0	40.0	46.0	4.32	.707	34.7[a]	.000*
14	We have illustrates the benefits and improvements that had been achieved through employee suggestions	0.5	0.0	17.0	42.0	40.5	4.22	.758	95.4[b]	.000*
15	Our organization have reward structure for implementing suggestions of employees	0.0	0.0	20.5	39.5	40.0	4.20	.755	14.8[a]	.000*
16	We align individual and organizational subunit goals, rewards and recognition systems with the business objectives	0.0	0.0	9.0	47.5	43.5	4.35	.639	53.7[a]	.000*
17	We share best practices and other knowledge relevant to strategy execution	0.5	0.0	13.5	44.5	41.5	4.27	.726	110.8[b]	.000*

* Significant at 0.01 level

Further, to analyze the differences among the responses of the bank executives of sampled private sector banks on the implementation of the aspects under 'Learning and growth perspective', analysis of variance (ANOVA) was used.

Table 5.18: Summary Table of One Way Analysis of Variance (ANOVA) for Implementation of Balanced Scorecard Practices under Learning and Growth Perspective

Sl. No.	Component (Learning and Growth Perspective)		Sum of Squares	Df	Mean Square	F	Sig.
1	Employee	Between Groups	4.064	9	.452	1.846	.063***

	Capabilities	Within Groups	46.482	190	.245		
		Total	50.545	199			
2	Information System Capabilities	Between Groups	6.111	9	.679	2.682	.006*
		Within Groups	48.100	190	.253		
		Total	54.211	199			
3	Motivation, Empowerment, Alignment	Between Groups	6.238	9	.693	2.377	.014**
		Within Groups	55.410	190	.292		
		Total	61.648	199			

* Significant at 0.05 level; ** Significant at 0.05 level; *** Significant at 0.10 level

With highly significant f-value between groups, on aspect of 'Employee capabilities' (f-value at 1.846, and p value at 0.063), aspect of 'Information system capabilities (f - value at 2.682 and p value at .006) and aspect of 'Motivation, Empowerment, alignment (f-value at 2.377, and p value at 0.014) it may be concluded that there are significant differences in perception of the bank executives belonging to various sampled private sector banks regarding implementation of balanced scorecard practices under 'Learning & growth Perspective' on the stated aspects (Table 5.18).

Based on the analysis of variance (ANOVA) results, the aspects of 'Employee Capabilities', 'Information System Capabilities' and 'Motivation, Empowerment, Alignment' were further investigated using the Duncan's post hoc analysis.

5. **Table 5.19: Summary Table of Duncan's Range Test for Sampled Organizations on Implementation of Balanced Scorecard Practices in regard to Employee Capabilities under Learning and Growth Perspective**

Sl. No.	Name of the Bank	N	Subset for alpha = 0.05	
			1	2
1	RBL Bank	20	4.0643	
2	Citibank	20	4.1857	4.1857
3	Yes Bank	20	4.1929	4.1929
4	ICICI Bank	20	4.2000	4.2000
5	Shinhan Bank	20	4.2000	4.2000
6	HSBC	20	4.3429	4.3429
7	HDFC Bank	20	4.3714	4.3714
8	IndusInd Bank	20	4.4000	4.4000
9	Kotak Mahindra Bank	20		4.4929
10	Axis Bank	20		4.5214

Means for groups in homogeneous subsets are displayed.
Harmonic Mean Sample Size = 20

It was observed that two major subsets emerged on the basis of differences on the aspect of 'Employee Capabilities. 'RBL bank' with significantly low mean scores fall under one subset with other remaining banks forming one more subsets but with list of common banks under them except the 'Kotak Mahindra Bank' and 'Axis Bank' (Table 5.19). Thus it may be concluded that executives of 'Kotak Mahindra Bank' and 'Axis Bank', have

rated Employee capabilities the most important for implementation as compared to the other banks.

It was observed that three major subsets emerged on the basis of differences on the aspect of 'Information system Capabilities. 'RBL bank' and 'Citibank' with significantly low mean scores fall under one subset with other remaining banks forming two more subsets but with list of common banks under them except the 'Axis Bank' (Table 5.20). Thus it may be concluded that executives of 'Axis Bank, have rated this aspect the most important for implementation as compared to the other banks.

Table 5.20: Summary Table of Duncan's Range Test for Sampled Organizations on Implementation of Balanced Scorecard Practices in regard to Information System Capabilities under Learning and Growth Perspective

Sl. No.	Name of the Bank	N	Subset for alpha = 0.05		
			1	2	3
1	RBL Bank	20	3.9200		
2	Citibank	20	4.0900	4.0900	
3	ICICI Bank	20		4.2800	4.2800
4	HSBC	20		4.2900	4.2900
5	Shinhan Bank	20		4.3100	4.3100
6	HDFC Bank	20		4.3700	4.3700
7	IndusInd Bank	20		4.4400	4.4400
8	Kotak Mahindra Bank	20		4.4500	4.4500
9	Yes Bank	20		4.4500	4.4500
10	Axis Bank	20			4.5200

Means for groups in homogeneous subsets are displayed.
Harmonic Mean Sample Size = 20

It was observed that two major subsets emerged on the basis of differences on the aspect of 'motivation, empowerment, alignment.' 'Shinhan bank', 'RBL bank', 'Yes Bank and 'HSBC bank' with significantly low mean scores fall under one subset with other remaining banks forming one more subsets but with list of common banks under them except the 'Kotak Mahindra Bank' (Table 5.21). Thus it may be concluded that executives of 'Kotak Mahindra Bank', have rated this aspect the most important for implementation as compared to the other banks.

Table 5.21: Summary Table of Duncan's Range Test for Sampled Organizations on Implementation of Balanced Scorecard Practices in regard to Motivation, Empowerment, Alignment under Learning and Growth Perspective

Sl. No.	Name of the Bank	N	Subset for alpha = 0.05	
			1	2
1	Shinhan Bank	20	4.02	
2	RBL Bank	20	4.04	

3	Yes Bank	20	4.12	
4	HSBC	20	4.14	
5	Citibank	20	4.24	4.24
6	ICICI Bank	20	4.36	4.36
7	IndusInd Bank	20	4.39	4.39
8	HDFC Bank	20	4.39	4.39
9	Axis Bank	20	4.4	4.4
10	Kotak Mahindra Bank	20		4.59

Means for groups in homogeneous subsets are displayed.
Harmonic Mean Sample Size = 20

Based on the results and inferences from 'Section – E', the null hypothesis $H_02.4$ may be rejected as there are significant differences in perception of the bank executives belonging to different banks on implementation of balanced scorecard practices under 'learning and growth perspective' in their respective banks. Moreover, based on the results in Table 5.17 and results of further analysis tabulated in subsequent tables it may also be concluded that overall most of these practices under the various aspects of 'learning and growth perspective have been implemented by the private sector banks.

Moreover, on the basis of the results (Table 5.1 to Table 5.21) and inferences drawn in the above sections, it may be concluded that the null hypothesis H_02 of the study stands rejected as there are significant difference in perception of bank executives regarding implementation of balanced scorecard practices in their respective private sector bank. Also it may be inferred on the basis of the responses of the executives that the private sector banks have implemented most of the practices under various perspectives and aspects of balanced scorecard in their respective banks.

5. Conclusion

All the practices under all the aspects including 'employee capabilities', 'information system capabilities' and 'motivation, empowerment, alignment' were found to be implemented to at least some significant extent by all the banks according to the perception of the bank executives of various private sector banks under the 'learning and growth' perspective of balanced scorecard.Amongst the aspects under 'learning and growth' perspective the practices pertaining to 'information system capabilities' were found most implemented followed by 'employee capabilities' and 'motivation, empowerment, alignment' respectively.

Significant differences were observed on all the aspects of 'learning and growth' perspective including practices under 'employee capabilities', 'information system capabilities' and 'motivation, empowerment, alignment', as far as the perception of bank executives in regard

to the implementation of these practices at their respective banks are concerned. Axis bank' followed by 'Kotak Mahindra bank' and 'IndusInd bank' have implemented the practices under 'employee capabilities' the most, as compared to others and on the least side stand banks including 'RBL bank' and 'Citibank'.Practices under aspect of 'information system capabilities' were least implemented by 'RBL bank' followed by 'Citibank' and 'ICICI bank', and on the contrary 'Axis bank', 'Yes Bank' and 'Kotak Mahindra bank' leads the sample on this aspect of 'learning and growth perspective'.

The selected banks also differed as far as implementation of 'motivation, empowerment, alignment' aspect is concerned with 'Kotak Mahindra bank' on top followed by 'Axis Bank' and 'HDFC bank'. However 'Shinhan bank', 'RBL bank' and 'Yes bank' appears at the bottom of the list but have still have well implemented these practices in their respective banks.On the basis of the results, drawn inferences and noted findings in the above sections, it may be concluded that there are significant difference in perception of bank executives regarding implementation of balanced scorecard practices in their respective private sector bank. Also it may be inferred on the basis of the responses of the executives that the private sector banks have implemented most of the practices under various perspectives and aspects of balanced scorecard in their respective banks.

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