CHAPTER - 1
INTRODUCTION AND RESEARCH DESIGN

1.1 THE BACKGROUND

‘Performance’ means living with a sense of purpose. The sense of performance comes from being involved in an activity that is felt to be worthwhile. Such pursuit of performance is based on a deep desire to achieve excellence at every milestone. The excellence in ‘Performance’ can not be generated by moving any magical stick, but by the contribution of the ‘Employee’, who is learned enough to apply his capabilities for achievement and advancement. Therefore, to confirm employee’s excellence, it is essential to measure employee’s performance by looking him in the financial form, at customer platform, from internal business process ground and through learning and growth mirror.

The cut throat environment demands innovations from an organization. There is a continuous thrust on reaching new heights in performance through growth and profitability, which can be achieved by making better products and providing better services, for which there is an utter need to recognize the potential of the employees. This strategy keeps an organization going and growing.

Kaplan and Norton developed an innovative and multi-dimensional performance scorecard known as ‘Balanced Scorecard’, which supports the organization to align its performance measurement and control from the financial perspective, customer perspective, internal business process perspective and learning and growth perspective.

Moreover, a sense of doing better becomes the cue for improving the organizational performance by recognizing the employees’ performance in the organization concerned1.

'Balanced Scorecard' is more than an adhoc collection of financial and non-financial measures. The 'Balanced Scorecard' has financial measures and added three perspectives covering operational aspects of an organization, which exhibit not only the current position of the enterprise, but also examine its progress through financial, customer, internal business processes and learning and growth perspective. Balanced Scorecard can be applied in banking sector also. The present study is confined to 'Application of Balanced Scorecard in measuring employees' performance in selected banks'. Further cause and effect relationship among the different perspectives is described in Figure 1 as follows:

**Figure 1: Balanced Scorecard Cause- Effect Hypotheses**

1. Knowledge and skills of the employee is the foundation of all innovations and improvements in organization.
2. Skilled and empowered employees will improve the ways they work.
3. Improved work and business processes will lead to increased customer satisfaction.
4. Increased customer satisfaction will lead to better financial results.

<table>
<thead>
<tr>
<th>Learning and Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Business Processes</td>
</tr>
<tr>
<td>Customer</td>
</tr>
<tr>
<td>Financial</td>
</tr>
</tbody>
</table>

The above perspectives answer the following four basic questions:

1. How do we look to the shareholders?
2. How do customers see us?
3. What must we excel at?
4. Can we continue to improve and create value?

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The above perspectives describe that employees play a dominant role in Balanced Scorecard too. The hypotheses show that knowledge and skill of the employee is the foundation of all innovations and improvements in the organization. Further skilled and empowered employees will improve the ways they work. Improved business processes will lead to increased customer satisfaction. Increased customer satisfaction will give better financial results to the organization.

Moreover, today banks are competing in complex environment, so an accurate understanding of their goals and the methods for attaining those goals is vital. The Balanced Scorecard translates bank’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement system. The ‘Balanced Scorecard’ enables banks to track financial results, while simultaneously monitoring progress in acquiring the intangible assets they need for future growth.

Kaplan and Norton\(^3\) designed ‘Balanced Scorecard’ as the measure to pull people toward the overall vision. The ‘Balanced Scorecard’ enables companies to look and move forward instead of backward. Authors elaborated that by combining the financial, customer, internal processes and learning perspectives, the Balanced Scorecard helps managers to understand the inter-relationship. Balanced Scorecard links performance measures, providing answers to four questions:-

a) How do we look to shareholders? (through financial perspective)

b) How do customers see us? (through customer perspective)

c) What must we excel at? (through internal business process perspective)

d) Can we continue to improve value? (through learning perspective)

It was suggested by the authors that if companies want to master today, skills and competencies must be considered.

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Kaplan and Norton\textsuperscript{4} facilitated executives with a comprehensive framework translating company’s strategic objectives into a set performance measures. The ‘Balanced Scorecard’ is a management system that can motivate breakthrough improvements in critical areas like processes, customer and employee development. The Balanced Scorecard can serve as the focal point for the organizational efforts, customers, investors and employees. The study showed certain companies using Balanced Scorecard as a performance measure i.e. Rockwater, global engineering and Construction Company (leader in underwater engineering and construction). Further Apple computers developed a ‘Balanced Scorecard’ to give a focus to senior management on a strategy to emphasize toward customers and go beyond financial measures. It is suggested that ‘Balanced Scorecard’ should be the core of management system, not the measurement system.

Kaplan and Norton\textsuperscript{5} described the cause and effect relationship by a sequence of “if - then” statements. A sequence of hypothesis is used i.e. if we increase learning by giving training to employees about products and services, they will get more knowledge about the full range and thus learning will increase. If employees are more learnt, then their sales effectiveness will improve. If sales effectiveness improves, then the margins of the products they sell will increase. The Performance measurement system should make the relationships (hypothesis) among objectives (and measures) in the various perspectives, so that they can be managed, validated and monitored. To conclude, a good ‘Balanced Scorecard’ should have a mix of core outcome measures and performance drivers.

Kaplan and Norton\textsuperscript{6} described a study of Metro bank. The bank was confronted with two problems: (1) excessive reliance on a single product (deposits) and (2) a cost structure that made it unprofitable to serve more than 80% of its customers at prevailing interest rates. Metro bank embarked upon a two-pronged strategy to deal with these two problems:

(1) Revenue growth – broadening the sources of revenue with additional products for current customers.

(2) Productivity – improve efficiency by shifting non-profitable customers to more cost-effective channels of distribution (e.g. electronic banking, other information technology based projects etc.).

The process of developing a Balanced Scorecard at bank translated each of these strategies into objectives and measured in the four perspectives as shown in Figure 2.

**Figure 2: Balanced Scorecard ‘Framework to Translate a Strategy into Operational Terms’**

The measures in Figure 2 show a balance between external measures for shareholders and customers and internal measures for critical internal business processes and learning and growth of the employees. The result of this effort made by the bank and its strategy is delineated into two parts:-

A. The Revenue Growth Strategy – “Improve Stability by broadening the sources of revenue from current customers”.

B. The productivity Strategy – “Improve Operating efficiency by shifting customers to more cost effective channels of distribution”.

The above stated strategies of Metro bank are shown in Figure 3.

Figure 3: Strategies in Metro bank

Figure 3 describes both strategies:

(A) The Revenue Growth Strategy

(i) The financial objective was to broaden the mix of revenues. Strategically, Metro bank identified the customers who would be likely candidates for a broader range of services, and then sell an expanded set of financial products and services to these targeted customers.

(ii) When customer objective was analyzed, Metro bank’s executives determined that its targeted customers did not view the bank as a logical source for a broader array of products such as mutual funds, credit cards, financial advice etc. The executives concluded that, to

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make bank’s strategy successful, it was essential to shift customers’ perceptions of the bank from transactions processor of cheques, deposits, and payments to a financial adviser.

(iii) Internal activities i.e. internal business processes, which were the ultimate way to reach customer satisfaction point were identified as (1) understand customers, (2) develop new products and services, (3) cross-sell multiple products and services. Each business process would have to be redesigned to reflect the demands of new strategy. Good advertising and good location brought the customers to the banks. The branch employees were responsive, helping customers and providing ongoing customers. The bank launched a major market-orientation and re-engineering program to redefine the sales process. The internal business processes led to improving employee effectiveness and productivity.

(iv) The learning and growth component of the scorecard identified the need for (a) employees to acquire a broad set of skills and knowledge (to become financial counselor with knowledge of tax benefits, rebates and other products and services of the bank), (2) improved access to information, (3) realignment of the system to encourage more customer satisfaction.

Ultimately Metro bank’s strategy required a selected set of employees to be re-skilled and equipped to capture the new demands, meet higher customer expectations and challenges. The availability of these strategic competencies is either an asset (if the bank has the required competencies in its employees) or a liability (when the bank has either not identified the required competencies in its employees or not developed or straight away not existing in the employees).

(B) The productivity strategy

Again, the emphasis is on the employees’ performance. Thus again, employees are playing a dominant role and the literature made it essential to measure employees’ performance.

Further speaking Metro bank identified the need to give answers to three questions: (1) what are the required competencies? (2) what currently exists? and (3) what and how large is the gap?
To answer the above stated questions, Table 1 justifies employee productivity to be calculated.  

**Table 1: Increasing Employee Productivity - Strategic Objective**  
“Develop the competencies needed to support the sales process”

<table>
<thead>
<tr>
<th>Strategic Outcome Measure (Lag indicator)</th>
<th>Performance Driver (Lead indicator)</th>
<th>Strategic Initiative</th>
</tr>
</thead>
</table>
| • Revenue per employee or Sales per Salesperson | • Strategic Job Coverage Ratio | • Redesign the Staff Development Process  
1. Identify strategic jobs  
2. Build competency profile of employee  
3. Assess current staff  
4. Forecast requirements  
5. Identify gap  
6. Build staff development plan |

Table 1 highlights the objective of increasing employee productivity. The strategic objective is to develop the competencies needed to support the process.

(i) Performance driver is the lead indicator. The “lead indicator” identifies what currently exists/happening (what is actually operating?) Strategic job coverage gap is the indicator, which is concerned with (a) required competencies (b) current competencies, (c) gaps in competencies.

(ii) Strategic outcome measure is the lag indicator. The “lag indicator” would tell whether or not the process is working. The idea for the term indicates the gap found in lead indicator. Lead indicator is the strategic job gap identifying the gap in competencies of the employees in their performance. Further lead indicator produces “Revenue per employee” measure as the lag indicator.

(iii) Strategic initiative taken to redesign the staff development process included in Metro bank:-

1) Identify strategic jobs  
2) Build competency profiles  
3) Assess current staff  
4) Forecast requirement

5) Identify gap
6) Build staff development plan

The logic/rationale of defining the strategic priorities is to redefine the basic management program required to execute the strategy. When Metro bank identified the lead and lag indicators after going through the strategic initiative complied for the same, Balance Scorecard was developed as shown in Table 210.

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Strategic Measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td></td>
</tr>
<tr>
<td>F1- Improve Returns</td>
<td>Return-on-investment</td>
</tr>
<tr>
<td>F2 - Broaden Revenue Mix</td>
<td>Revenue Growth</td>
</tr>
<tr>
<td>F3- Reduce Cost</td>
<td>Deposit Service Cost</td>
</tr>
<tr>
<td></td>
<td>Change</td>
</tr>
<tr>
<td><strong>Customer</strong></td>
<td></td>
</tr>
<tr>
<td>C1- Increase Customer satisfaction with our products and people</td>
<td>Share of Segment</td>
</tr>
<tr>
<td>C2- Increase Satisfaction “After the Sale”</td>
<td>Customer Retention</td>
</tr>
<tr>
<td></td>
<td>Depth of Relationship</td>
</tr>
<tr>
<td></td>
<td>Satisfaction Survey</td>
</tr>
<tr>
<td><strong>Internal Process</strong></td>
<td></td>
</tr>
<tr>
<td>I1- Understand Our customers</td>
<td>New product revenue</td>
</tr>
<tr>
<td>I2- Create Innovative Products</td>
<td>Cross-sell ratio</td>
</tr>
<tr>
<td>I3- Cross-Sell Products</td>
<td>Service error rate</td>
</tr>
<tr>
<td>I4- Shift Customers to Cost-Effective Channels</td>
<td>Request fulfillment time</td>
</tr>
<tr>
<td>I5- Minimize Operational Problems</td>
<td>Product development cycle</td>
</tr>
<tr>
<td>I6- Responsive Service</td>
<td>Hours with customers</td>
</tr>
<tr>
<td><strong>Learning and Growth</strong></td>
<td></td>
</tr>
<tr>
<td>L1- Develop Strategic Skills</td>
<td>Employee Satisfaction</td>
</tr>
<tr>
<td>L2- Provide Strategic Information</td>
<td>Revenue per employee</td>
</tr>
<tr>
<td>L3- Align Personal Goals</td>
<td>Strategic job coverage ratio</td>
</tr>
<tr>
<td></td>
<td>Strategic information availability ratio</td>
</tr>
<tr>
<td></td>
<td>Personal goals alignment</td>
</tr>
</tbody>
</table>

Table 2 summarizes the objectives and measures corresponding to the objectives for Metro bank’s Balanced Scorecard, indicating the mixture of leading and lagging indicators. Table shows how Metro bank’s scorecard

describes a system of cause and effect relationships, (i.e. learning generates strong processes, increasing customer satisfaction with its products and services, in turn broadening revenue mix, reducing cost and improving returns) incorporating a mix of leading and lagging indicators, which eventually point to improving future financial performance.

To summarize, had the strategic initiatives, lead and lag indicators not been for the construction of the ‘Balanced Scorecard’ and of course the logical system thinking that the bank fostered, it would most likely not have addressed the gaps in competencies and other deficiencies in learning, business processes, customer satisfaction and financial measures in such a focused way with such a sense of urgency. Table 2 also describes the four perspectives under productivity strategy as follows:-

(i) Learning and growth perspective demands to develop strategic skills and align personal goals;

(ii) Internal perspective shifts to appropriate channel, provide rapid response and minimize problems and errors by utilizing learned workforce;

(iii) Customer perspective dominates customers by increasing customer satisfaction through superior execution;

(iv) Financial perspective improves operating efficiency and return, when customer is satisfied. The reason is customer will provide more business to the bank as he is satisfied now.

In this manner, productivity strategy helped Metro bank to shift from non profitable customer in most cost effective manner and best utilize the work force. Had it not been translated the objectives and framed productive strategy, it had never been operating into cost-effective way of enhancing customer satisfaction and framing strong and rapid internal business processes and revenue generation. The identification of employees’ competencies and right alignment of individual goals to other perspectives’ goals made it possible to achieve the targets and making productivity strategy a big success.
The ‘Balanced Scorecard’ translated bank’s mission and strategy into a comprehensive set of performance measures and provided framework for a strategic measurement system. While framing the ‘Balanced Scorecard’ of the bank, it not only retained an emphasis on achieving financial objectives, but also included the performance drivers of these financial objectives by building capabilities and acquiring the intangible assets for survival and future growth.

The Framework of Balanced Scorecard in banking Sector with special reference to Metro Bank

The information age environment for a service organization (as the present study is taking into account the banking sector) requires new capabilities for competitive success. The ability of the banks to mobilize and exploit its tangible and intangible assets has become more decisive than investing and managing physical assets. Intangible assets enable banks to:

- Develop customer relationships that retain the loyalty of existing customers.
- Enable new customer market segments and market areas to be served efficiently.
- Introduce innovative products and services desired by targeted customers.
- Produce high-quality products and services at low cost with short lead times.
- Mobilize employees’ skills for continuous improvement in process capabilities, quality and response times.
- Utilize information technology, data bases and system and update them too.

Here comes the Balance Scorecard which provides bank managers and executives with the instrumentation they need to navigate to future competitive success.
Organization of Measures of Balanced Scorecard

The measures are organized into four perspectives:

A) Financial perspective
B) Customer perspective
C) Internal business processes perspective
D) Learning and growth perspective

The scorecard provides a framework, a language to communicate and implement strategy, into action. It uses measurement to inform employees about the drivers of current and future performance. The four perspectives are described in detail.

(A) Financial Perspective

Financial perspectives are related to the quantitative aspects/financial objectives and measures. They define the financial performance expected from the strategy.

Strategic themes for the financial objectives:

The financial themes that drive the business strategy are:-

1. Revenue growth and mix
2. Cost reduction/productivity improvement
3. Asset utilization/investment strategy

(1) Revenue growth and mix refers to expanding and re pricing product and service offerings, reaching new customers and markets and changing the product mix.

(2) Cost reduction and productivity improvement refers to efforts made to decrease the direct costs of products and services.

(3) For the asset utilization/investment theme, managers attempt to utilize the assets and make productive investments. Table 3 shows the strategic financial theme corresponding to measures used to achieve the objectives of the organization.
Table 3: Measuring Strategic Financial Themes

<table>
<thead>
<tr>
<th>Strategic Themes</th>
<th>Revenue growth and mix</th>
<th>Cost reduction/ productivity improvement</th>
<th>Asset utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Measures</td>
<td>Percentage revenue from new products, services and customers</td>
<td>Revenue per employee</td>
<td>Percentage of sales</td>
</tr>
<tr>
<td>Utility</td>
<td>The linkage to financial objectives helps to generate financial returns to investors and other stakeholders. It will also help to utilize the potential of employees at its maximum by enhancing their productivity and reducing their cost.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Metro bank chose a financial objective to increase the share of income from its revenue growth potential and reduce its current heavy reliance on income from core deposits and transactions based products.

The financial themes of increasing revenues, improving cost and productivity and enhancing asset utilization can provide the necessary linkages across all four scorecard perspectives.

The financial theme of the present study:

The present study is limited to measuring employees' performance in banking sector. Therefore, the research emphasizes productivity and cost measures relating to employees' performance.

(B) Customer Perspective

Banks need to identify the customers and market segments in which they have chosen to compete. The customer perspective enables organizations to align their core customer outcome measures - satisfaction, loyalty, retention, acquisition and profitability to targeted customer. The perspective helps to identify and measure the value propositions they will deliver to targeted customers and market segments by offering products or
services better aligned to their customer preferences. The banking sector also needs to shift focus to customers.

Table 4 shows the strategic themes for customer perspectives corresponding to measures used to achieve the objective.

**Table 4: Measuring Strategic Customer Themes**

<table>
<thead>
<tr>
<th>Strategic Themes</th>
<th>Enhancing market share</th>
<th>Customer acquisition</th>
<th>Maintain customer</th>
<th>Customer satisfaction</th>
<th>Enhance customer profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Measures</td>
<td>In terms of number of customers</td>
<td>Rate at which a business unit attracts or wins new customers</td>
<td>Rate at which a business unit retains or maintains ongoing relationship with customer</td>
<td>Assess the satisfaction level of customers regarding services and employees' performance</td>
<td>Net profit from a customer</td>
</tr>
<tr>
<td>Utility</td>
<td>Customer perspective of the scorecard translates an organization's mission and strategy into specific objectives about targeted customers and market segments</td>
<td></td>
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</table>

Metro bank identified customer relationship objective and made a survey about how the bank and its employees provided services to its customers.

The customer perspective theme of enhancing customer satisfaction, retention, acquisition, profitability and market share provides the necessary linkage across all the four scorecard perspectives.

**The customer perspective theme of the present study:**

The present study is limited to measuring employees' performance in banking sector. Therefore, research relates to customers' perception regarding employees' performance and their satisfaction by services offered in banks relating to different dimensions.
(C) **Internal Business Process Perspective**

Internal business process perspective identifies the processes that are most critical for achieving customer and shareholder objectives. It relates to improving existing operating processes. A complete internal process value chain works as follows:

1. The internal process perspective starts with ‘Innovation process’ (identifying current and future customer needs and developing new solutions/processes for these needs).
2. Internal process proceeds with the ‘Operating process’ i.e. delivering existing products and services to existing customers
3. Internal process ends with ‘Post sale services’ i.e. relating to offering services after the sales that adds to the value, customer receives from the company’s product and service offerings.

**The internal business process value chain:**

Each business has a set of processes to create value for customers and producing financial results. So three principal business processes are identified which are emerged as the strategic themes. Table 5 describes the same.

**Table 5: Measuring Strategic Internal Business Process Themes**

<table>
<thead>
<tr>
<th>Strategic Themes</th>
<th>Innovation Process (create the product)</th>
<th>Operations process (produce and deliver to customers)</th>
<th>Post sales service process (offer rapid response to failures)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Measures</td>
<td>• Percentage of sales from new products</td>
<td>• Manufacturing process capabilities</td>
<td>Speed of responses to failures – treatment of defects</td>
</tr>
<tr>
<td></td>
<td>• New product introduction vs. competition</td>
<td>• Time to develop next generation of products</td>
<td></td>
</tr>
<tr>
<td>Utility</td>
<td>Internal Business Process helps to improve and reduce cycle times, increase yield and lower cost for business processes.</td>
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</tbody>
</table>

Internal Business Process helps to improve and reduce cycle times, increase yield and lower cost for business processes.
To create and maintain business processes, banks have to adopt policy of market orientation. Metro bank’s internal perspective measured the bank’s ability to identify profitable market segments, develop new products and services, sell existing and new products to customers and provide services to customers timely and efficiently, without service defects.

For internal business process perspective, managers identify the critical processes at which they must excel, if they are to meet the objectives of targeted customer segments and provide the necessary linkage across all four scorecard perspectives.

The **internal business process perspective theme of the present study:**

The present study is limited to measuring employees' performance in banking sector. Therefore, research relates to employees' perception towards their performance for internal business processes with respect to dimensions of market orientation and steps followed for functioning of internal processes.

**D) Learning and Growth Perspective**

The objectives as delineated in financial, customer and internal business process perspective identify, where the organization must excel at, to achieve the objectives and breakthrough performance. The objective of the learning and growth perspective provides the infrastructure to enable achievement of objectives in the other three perspectives as discussed earlier. Actually objectives in the learning and growth perspectives are the drivers for achieving excellent outcome in the three perspectives.

Table 6 shows the strategic themes for learning and growth perspective corresponding to measures used to achieve the objectives.
Table 6: Measuring Strategic Learning and Growth Themes

<table>
<thead>
<tr>
<th>Strategic Themes</th>
<th>Employee capabilities</th>
<th>Information system capability</th>
<th>Alignment</th>
</tr>
</thead>
</table>
| Strategic Measures | • Measuring employee satisfaction by survey.  
  • Measuring employee performance by business per employee and costs associated | Measure employee performance by knowledge of the products, services and database handling | Awareness level of major activities of the business units and participation in decision making. |
| Utility | Learning and growth perspective is an attempt toward re-skilling of the employees so that their minds and creative abilities can be mobilized toward improving internal processes, enhancing customer satisfaction and giving more productivity at low costs. | | |

Metro bank recognized a multiyear program transforming bank employees from routine processors (of customers’ requests) to pro-active, trusted and valued financial counselors.

Learning and growth perspective describes that employees must take new responsibilities, if the business is to achieve its customer and internal business process objectives. Strategies for superior employee performance will require significant investment in right people, system and processes for building and strengthen the organizational capabilities. Ultimately, the capability to achieve targets relating to financial, customer and internal business processes depends upon the organization’s capabilities to strengthen employees’ learning and growth.

Rationale to measure employees’ performance:-

As emphasized, learning and growth is the basis to improve internal business processes, customer satisfaction and performance on financial
parameters. Therefore, it is the need of the hour to measure employees' performance from four facets i.e.

1) Financial perspective
2) Customer perspective
3) Internal business process perspective
4) Learning and growth perspective.

**The learning and growth perspective theme of the present study:-**

The present study is limited to measuring employees' performance in the banking sector. Therefore, research relates to analyzing employees' perception towards their performance relating to different dimensions of learning and growth.

Kaplan and Norton\(^\text{11}\) observed that many top executives, while attempting to implement their business strategies, give limited description to employees regarding what they should do and importance of their tasks. Without clear and more detailed information, companies have failed in executing their strategies. Strategy maps provide a tool called 'Balanced Scorecard'. On the one end, it gives employees a clear line of sight into how their jobs are linked to organizational objectives, so that they can work in a coordinated manner. It is emphasized that employees need to gain a broader understanding of the marketing and refining business. On the other end, company must nurture the leadership skills to articulate the company's vision and develop employees. With all the employees aligned to the new strategy will lead to impressive financial results through strong processes and satisfied customers, because strategy itself implies the movement of an organization from present position to the desirable position.

Kaplan and Norton\(^\text{12}\) viewed that financial outcomes are separated from improving employees' capabilities. The employees' capabilities create value for the organization. Balanced Scorecard provides a new framework for describing value creating strategies that link tangible and intangible assets.


Balanced Scorecard measures the performance through financial perspective, customer perspective, internal business processes perspective and learning and growth perspective. In this way, the perspectives enable individuals and teams to define what they must do to contribute towards higher level goals. It was illustrated that if employees improve on-time delivery through strong processes, customer satisfaction improves, and organizational desired outcomes can be achieved (in terms of financial perspectives).

Kaplan and Norton\(^{13}\) proved that how organizations use their scorecards to align key management processes to the strategy. It was suggested by authors that Balanced Scorecard helps organizations to achieve breakthrough performance by following certain principles vis-à-vis translate the strategy to operational teams i.e. (a) to create and make employees understand strategy map (b) align the staff functions and information technology (c) make strategy everyone’s everyday job by educating the employees about business concept and learn about customer segmentation (d) make a strategy a continual process by introducing a simple management meeting to review strategy (e) mobilize leadership for change by breaking traditional approaches and using the Balanced Scorecard to communicate a vision for better performance than the present. It was concluded that visibility of manager’s effort is heightened when Balanced Scorecard is used as an interactive control system.

Kaplan and Norton\(^{14}\) gave an idea that by constructing Balanced Scorecards (performance measures), success will be evaluated, specifically for each of the four perspectives. The literature supports that (a) learning and growth perspective measures the skills and know how of the work force (b) internal perspective evaluates achievement of operational excellence in operational processes (c) customer perspective go for customer value proposition by measuring bonds with customers and (d) financial perspective accounts for measuring asset utilization, enhanced productivity and improved


cost structure, which can provide revenue growth. Balanced Scorecard is used as performance management process, thereby making strategy a continuous process.

Kaplan and Norton\textsuperscript{15} focused on the bottom, the foundation of the strategy map and suggested that intangible assets actually determine the performance of the critical internal processes. The intangible assets include ‘Human Capital’ and ‘Information Capital’. The strategic readiness of human capital is measured by confirming whether employees have the right kind and level of skills to perform on the internal business processes. The strategic readiness of information capital is a measure of how well the company’s strategic portfolio of infrastructure and applications support the internal business processes including communication networks, transaction processing applications, sharing of information and knowledge.

Kaplan and Norton\textsuperscript{16} expressed that most organizations fail to achieve the profitable growth. There exists a gap between actual and intended performance. It happens due to disconnect of companies’ strategies and functions, processes and people required to execute it. The authors stated that 95% of the typical company’s employees are unaware of, or do not understand its strategy. The gap between strategy formulation and execution can be closed by creating an office of strategy management. The tool that the company can use to track performance is the ‘Balanced Scorecard’. This scorecard can help the executives’ team to select performance targets and identify required strategic initiatives.

Kaplan and Norton\textsuperscript{17} elaborated that the four perspectives’ framework of business unit’s ‘Balanced Scorecard’ describes how the unit creates shareholder value by improving customer relationships driven by excellence in internal business processes, which are continually improved by aligning people, system and culture. So the question arises regarding four

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perspectives that (a) how do we align our people to improve critical processes (Learning and Growth), (b) what processes must we excel at to satisfy our customers (Internal Business Process), (c) what are the ways to create value for customer (Customer) to reach our financial objectives, and finally (d) what are stakeholders’ expectations for financial performance (financial). Each of the four perspectives is linked in a chain of cause-and-effect relationships. To conclude, performance measurement and management system, based on ‘Balanced Scorecards’, help corporations define and capture the benefits of organizational alignment. Further the authors suggested to provide effective learning opportunities to employees for organizational readiness, which facilitates cross selling the product line (business process perspective) and increases share of customer’s financial transactions (customer perspective), which in turn increases revenues and margins (financial perspective). The vertical links of four perspectives in ‘Balanced Scorecard’ create an extraordinary powerful system uncovering opportunities for value creation (through employees, processes, customer and finance) and achieving management objectives. To conclude, companies have a new tool to look forward for implementing strategies.

Kaplan and Norton\textsuperscript{18} illustrated how a corporate strategy can be sliced into four themes. These themes in turn are linked to own cause and effect relationships. The purpose of strategy map is to become the leading company in industry (a) by creating a high performance culture by expanding and building strategic skills, capabilities and expertise, continuous learning and knowledge (learning and growth perspective), (b) which is linked to excel at technology, expand channels and market orientation (internal business process perspective), (c) to optimize customer profitability by providing innovative high performance products and services (customer perspective), (d) leading to increasing revenues in existing markets and grow revenue in new products and services, which increases returns (financial Perspective). To conclude, the mastering in management system enables executives to

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manage human resources, operations and strategies relating to customers and finance, and to balance the tensions among them.

Kaplan and Norton\textsuperscript{19} observed that strategic dreams turn into nightmares, if organizations start engaging in distracting, expanding and restructuring. Therefore, the question arises what kind of system companies need? The ‘Balanced Scorecard’ can identify and measure the sources of corporate value creation at four perspectives – financial, customer, process and learning and growth. The financial perspective helps to create financial synergies through the customer perspective. Corporate synergies can be generated by offering lower price and greater convenience to the customers, or solutions more complete than competitors. The process perspective describes corporate synergies as gained by exploiting core competencies in technologies, back-office operations and computer systems to sell itself in the market. The learning and growth perspective enables corporations to create value from activities related to human capital, developed by utilizing their capabilities and learning from the environment. The explanation clarifies that ‘Cause and effect’ relationship exists that span the four perspectives of ‘Balanced Scorecard’.

Kaplan, Norton and Rugelsjoen\textsuperscript{20} put an issue that why fifty percent of the corporate alliances fail and why only half of the joint ventures yield return above cost of capital. The ‘Balanced Scorecard’ management system can help companies switch their alliances focus from ‘contributions and operations’ to ‘strategy and commitment’. The idea behind failure was the way they were traditionally organized and managed. The companies’ leaders have not followed up to ensure that their vision is clear into action. They simply focus on achieving the targets instead of working across organizational boundaries to make the alliance a strategic success. In strategy map (Balanced Scorecard drawn), the employee supports the firm to achieve business processes, customer satisfaction and ultimately, financial objectives.


Employee achieves business processes, deliver customer value, which in turn drives financial and stakeholder outcomes. In conclusion, 'Balanced Scorecard' management system provides a framework for partners (employees at different levels) to work productively, to achieve benefits that neither could accomplish on its own.

In a nutshell, Kaplan and Norton are the pioneer of ‘Balanced Scorecard’. They are associated with the so called ‘Performance management system’ for the last two decades and their contribution is immense.

PERFORMANCE LINKAGES

Keeping in mind the different views of authors regarding performance measurement, the performance is linked to other perspectives as follows:-

Performance and the People/Employees

Whether an organization measures performance in terms of end results or a process of accomplishing preset targets, it cannot happen by itself. It requires an active force to energize the process of spotting opportunities and capturing them at the same moment. This active force is “people power”, the most dynamic resource for any organization. Further this active force has to be present to utmost utilize all other resources to achieve concrete results, whether it is technology, customer satisfaction or financial performance. So, the key to the success of any organization truly lies in people/workforce/employees and their learning and growth indeed.

Performance and Quality of Business Processes/Quality Orientation

The primary purpose of providing best quality business processes is to delight the customers, which in turn gives you more business.

A customer is the most important visitor on any organization’s premises. He is not an interruption to work. He is the purpose of it. It is the responsibility of the organization to change the attitudes of people working in the premises because people make quality of business processes.
Performance and the Satisfied Customer

Different customers have different expectations. Ability of the employees to achieve higher overall customer satisfaction rating lies in knowledge and caliber of the employees in providing the products and services and also the willingness to help customers in one or the other way by satisfying their needs and requirements.

This dynamic triangular relationship must exist between customer needs, organizational goals and performance of employees. This means, as long as business has customers with an ongoing interest in patronizing its products and services, it will continue to thrive. When the employees are continuously motivated and competent to satisfy customers, the business is stable and remains an institution that contributes to the growth of the organization.

Performance and the Financial Aspects

Continuing elaborating the importance of workforce/employees, an organization must be ‘people oriented’, which is essential to sustain and improve productivity and it must be measured in quantitative terms to evaluate the performance of employees. Productivity is defined as the ratio of output to input. Productivity is a measure of an organization’s effectiveness in using all its resources viz. employees, financial resources etc. In the service sector, it is difficult to quantify the output from the employee because services offered by employee are intangible, especially the indicators used for assessing the productivity of the employees in the banks. Indicators measuring employees’ performance are ‘Business per employee’, and ‘Profit per employee’.

With the term productivity, the challenge of management is three fold:

- How to maximize productivity of the employee at the given time?
- How to make employee productivity grow year after year?
- How to ensure that improved productivity (thus employee performance) creates customer delight.

Further, to achieve the operational performance, the role of employees, their contribution and costs incurred on them cannot be undermined. Therefore it is essential to compare the parameters of employees’ productivity and employees’ cost ratios.

**LINKING BALANCED SCORECARD MEASURES TO BANK’S STRATEGY WHILE MEASURING EMPLOYEES’ PERFORMANCE**

The objective of any ‘Performance measurement system’ should be to motivate all employees to implement the organization’s strategies successfully. A successful Balanced Scorecard communicates a strategy through an integrated set of financial and non-financial measures. Further principles supporting bank’s Balanced Scorecard to be linked to its strategy are as follows:

1) Cause and effect relationship
2) Performance drivers
3) Linkage to financials.

1) **Cause and Effect Relationship**

The ‘Performance measurement system’ should make the relationships among measures in the various perspectives so that they can be managed and validated. Every measure that is selected for a Balanced Scorecard should be the part of the chain of cause and effect relationship that communicates the meaning of the bank’s strategy.

2) **Performance Drivers**

Balanced Scorecards use certain generic measures which reflect the common goals of many strategies. The performance drivers reflect the uniqueness of the bank’s strategy. A good Balanced Scorecard should have an appropriate mix of outcomes (lagging indicators) and performance drivers (leading indicators) that have been customized to the bank’s strategy.

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3) **Linkage to Financials**

A Balanced Scorecard must retain emphasis on outcomes, especially financials. Quantitative measure is the base for making improvements accurately.

**BUILDING A BALANCED SCORECARD: THE PROCESS**

The process of each organization is unique and may wish to follow its own path for building a Balanced Scorecard, considering its requirements and benefits. The five steps process can be followed effectively to produce a "good" Balanced Scorecard to achieve its goals and objectives\(^\text{24}\).

**Steps:**

1. Define the measurement architecture
   - Task 1: Select the appropriate organizational unit
   - Task 2: Identify the corporate linkage
2. Build consensus and strategic objectives
   - Task 3: Construct first round of interviews
   - Task 4: Synthesis session
   - Task 5: Executive workshop: first round
3. Select and design measures
   - Task 6: Subgroup meetings
   - Task 7: Executive workshop: second round
4. Build the implementation plan
   - Task 8: Develop the implementation plan
   - Task 9: Executive workshop: third round
   - Task 10: Finalize the implementation plan
5. The frame for implementation.

The process followed as suggested above is described as follows:

(1) **Define the Measurement Architecture**

**Task 1: Select the appropriate organizational unit**

The architect, in consultation with the senior executive team, defines the business unit for which scorecard is required. The scorecard process

works best in a unit, which conducts activities across an entire value chain: innovation, operations, marketing, selling and services. The relevant question is whether the organization has (or should have) a strategy to accomplish its mission? If yes, the unit is actually a valid candidate for the Balanced Scorecard.

**Task 2: Identify the Corporate Linkages**

Once the unit has been defined and selected, the architect should know about the relationship of the unit. The architect conducts interviews with key senior executives to know about:

- Financial objectives for the unit/bank (growth, profitability, cash flow etc.).
- Corporate themes (environment, safety, community/social relations, employee policies, quality, price competitiveness, innovations and research and development)
- Linkage to other units/banks (common customers, core competencies, opportunities for customer satisfaction, customer relationships, technology updating).

This knowledge is vital to guide the development process and helps to recognize the constraints and opportunities of the unit and also in comparison to competing units.

**(2) Build Consensus around Strategic Objectives**

**Task 3: Conduct first round of interviews**

The architect prepares background material, company's vision, mission and strategy. The material is supplied to each senior manager in the unit/bank generally among 6 to 12 executives. The architect should also acquire information on the banking industry and competitive environment of the bank. It includes significant trends of market size and growth, competition and competitor offerings, customer preferences and technological development to update the unit itself.

After the senior executives have reviewed the material, the architect conducts interviews of approximately 90 minutes with each senior manager,
asking questions and probing after responses. The interviews accomplish several important objectives relating to introduction of the concept of Balanced Scorecard. The top management is responsible to workout strategy and objectives into tangible operational measures and identifies the conflict among the key participants for framing Balanced Scorecard.

Task 4: Synthesis Session

After all the interviews have been conducted, the team of architect and other members meets to discuss the responses, highlight issues and develop a tentative list of objectives and corresponding measures that will provide the basis for the first meeting of top management team. The architect team can also discuss their impression about the personal and organizational resistance to Balanced Scorecard and the output of the synthesis session in listing and ranking objectives in the four perspectives. Each perspective will be accompanied by objectives and identify issues for the executive team to resolve. The objectives in each perspective must represent the unit's strategy and confirm whether the objectives across the four perspectives are linked in cause and effect relationship.

Task 5: Executive Workshop: First Round

The architect schedules and conducts a meeting with the top management team to begin the process of gaining acceptance and consensus on the Balanced Scorecard. During the workshop, the architect facilitates a group debate on the vision and strategy statement before reaching the consensus. The group then moves to the question. “If I succeed with my vision, mission and strategy, how will my performance differ for shareholders, customers, internal business processes and for my ability to learn, grow and improve”? During the workshop, each perspective is addressed in a sequence.

The architect shows the proposed objectives, their rankings and quotes from the interviews. Videotapes of interviews with shareholders and customers’ representatives are added and recorded to work for external perspective and the same procedure is followed for employees and managers working for business processes to delineate internal perspective too. Each
perspective should be discussed in its own right to emphasize its specific relevance, so that strengths and weaknesses can be fully explored.

The views of all the participants regarding the objectives for each perspective are gathered. The participants vote on the top three to four objectives through written ballots and show of hands. Each person is given three green dots to place a dot for each objective, considering the most important. For the highest ranked objectives, the architect and the team will draft a one-sentence or one-paragraph description.

The executive team must be divided into four subgroups, each responsible for one of the perspectives. One executive from each subgroup is chosen to lead for the next stage of the process. Key functional managers should be included in the subgroups to broaden the base of consensus.

By the end of the workshop, the executive team will have identified three to four strategic objectives for each perspective, a descriptive statement for each objective and a list of potential measures for each objective. After the meeting, the architect prepares a post workshop document that summarizes the accomplishments and lists the composition and the leader of the four subgroups.

(3) Select and Design Measures

Task 6: Subgroup meetings

The architect works with the individual subgroups for meetings. During these meetings, the subgroup attempts to accomplish four objectives:

1. Refine the working of the objectives in line as expressed in the first executive workshop.
2. For each objective, identify the measures that best capture, communicate and justify the rationale to introduce the objective.
3. For each proposed measure, identify the sources of the necessary information and actions that may be required to make the information accessible.
4. For each perspective, identify the key linkages among the measures.
In facilitating these meetings, architect draws the framework for the four perspectives that describe the cause and effect relationships underlying the strategy.

The art of selecting and designing measures

The essential objective in selecting specific measures for a scorecard is identify the measures that best measure and communicate the concept of a strategy. Certain core measures appear on scorecard for the organizations are identified as:-

1. Core financial measures
   - Return on investment
   - Profitability
   - Revenue growth
   - Cost reduction and productivity

2. Core customer measures
   - Customer acquisition
   - Customer retention
   - Customer profitability
   - Customer satisfaction

3. Core business process measures
   - Percentage of sale from new products
   - New product introduction vs. competitors
   - Time to develop next generation products

4. Core learning and growth
   - Employee Satisfaction
   - Employee retention
   - Employee productivity

The final output from the subgroups collect the following information:

(i) A list of the objectives for each perspective, accompanied by a description.
(ii) Details regarding the corresponding measures for each objective.
(iii) An illustration of each measure can be quantified.
(iv) A graphic model to measure each objective in four perspectives.
Task 7: Executive Workshop: Second Round

A second workshop involves the senior management team, their direct subordinates, middle managers, who debate the organization’s/bank’s vision, strategy statements and the tentative objectives and measures for the scorecard. The output from the subgroups should be presented by executives in the subgroups and not by the architect or his team. The participants comment on the proposed measures, and start developing an implementation plan. A good focus helps to sketch out a brochure to communicate the scorecard intentions and contents to all the employees of the unit/bank. Benchmarking can be done to achieve specified target by next three to five years.

(4) Build the implementation Plan

Task 8: Develop the implementation plan

This plan should include how the measures are to be linked to database and information system, communicating the ‘Balanced Scorecard’ throughout the unit/bank. As a result of this process, an entirely new executive information system that links top level units down to shop-floor and site-specific operations can be developed.

Task 9: Executive Workshop: Third Round

The senior executive team meets for the third time to reach a final consensus on the vision, mission, objectives and measures developed in the first two workshops. The executive workshop identifies action programs to achieve the targets. By the end of the workshop, the executive team agrees on an implementation program to integrate scorecard into a management philosophy, develop an information system and communicate ‘Balanced Scorecard’ to employees.

Task 10: Finalize the Implementation Plan

Balanced Scorecard must be implemented into the organization’s/bank’s management system. Ultimately, the management information system as the part of ‘Performance management system’ will catch up to the process.
Time for implementation

The framing of project can last for about 16 weeks as shown in Figure 4. Not all of this time is taken up with scorecard activities. The schedule is largely determined by and depends on senior executives' availability for interviews, workshops and subgroups meetings. The architects' involvement is heavy at the front end of this time table. In the second half of the time table, the client and the senior executives' team should take more responsibility for development of the scorecard. The architect shifts to staff that assists in the conduct of these meetings25.

Figure 4: A Typical Balanced Scorecard Timeline

Figure 4 describes the 'Balanced Scorecard' timeline. The more the senior executives' team takes responsibility for the subgroup meetings, the

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more likely that the Balanced Scorecard project will culminate in a new approach for managing the business.

At the completion of the project schedule, the senior and top managers of the unit/bank should have obtained clarity and consensus on the translation of the strategy into objectives and measures for the four perspectives. The new system will enhance the responsibilities for capturing and reporting data for the scorecard to have measures at the heart of the organization’s ‘Performance management system’.

**Balanced Scorecard Advantage**

1. Balanced Scorecard is both a performance measurement and management system that enables the organizations to clarify their vision and strategy, which further helps to translate them into action.
2. Balanced Scorecard provides feedback around both internal outcomes and external outcomes to improve strategic performance and results continuously.
3. Balanced Scorecard captures both the financial and non-financial aspects of the company’s strategy and identifies cause and effect relationship that drives business success.
4. Balanced Scorecard is a measure that focuses and sustains revitalization and continuous improvement efforts.
5. Balanced Scorecard fills the gap that exists in implementation of a performance measurement system and obtains feedback about the organization’s strategy. Organization becomes aligned and focused by using ‘Balanced Scorecard’ to implement the long term strategies. This way ‘Balanced Scorecard’ has become a true ‘Performance measurement system’ in today’s highly competitive environment particularly for managing service organization and information age companies.

**1.2 THE PROBLEM**

Banking industry is service oriented sector and it is highly dependent on human power/human resources and this characteristic forces banks’ management to be aware for achieving a high level of quality, customer
satisfaction and loyalty through on time delivery, customer and employee satisfaction so that best outcome can be generated. In the competitive times, changing organizational roles, changing external demands and power of information technology has forced banking industry to recognize and update performance measures, which can present a clear picture of employees' performance.

In this section issues and problems relating to employees' performance measurement are discussed:-

1.2.1 Issues of performance measurement - financial vs. non financial measures.

1.2.2 Ethical issues relating to performance measurement.

1.2.3 General issues relating to performance measurement.

1.2.1 Issues of Performance Measurement - Financial vs. Non Financial Measures

Financial Measures

Financial performance measures are used to provide financial information to the managers to evaluate efficiency and effectiveness. Banker et al., Ittner and Larcker, Kaplan and Norton conclude that financial measures are historical, focusing on inputs and work for short time period. Moreover these measures emphasize only financial aspects.

These limitations indicate that financial measures should be expanded to generate the valuation of organizations' intangible and intellectual assets such as high quality products, responsive business processes, market oriented products, services and employees in order to give outcome in terms of enhanced business and profits that are critical for success in today's

competitive environment. These types of measures can be categorized as non-financial performance measures (Kaplan and Atkinson) 29.

**Non Financial Measures**

Kaplan and Norton 30 suggested that using only financial measures can damage an organization's capacities, therefore a combination of financial and non-financial measures are required for measuring performance.

Morris and Mills 31 argued that it is difficult to assess quality of services in service organization (like a bank) because of their intangible nature, but it is essential to take into account intangible assets.

To conclude, a combination and organization of financial and non financial measures can help to eradicate the limitations of overdependence on financial measures. But right selection of measures and their combination is utmost important, otherwise there will be a total wastage of time and resources as well.

**1.2.2 Ethical Issues Relating to Performance Measurement**

Banner and Cooke 32 discussed a number of issues that surround the formal performance measurement process. Certain problems and issues that commonly arise are :

- The problematic use of subjective criteria to evaluate the performance of the employees.
- Problems in the writing of performance standards.
- Problems in the writing of indicators/dimensions for measurement of employees' performance.
- Difficulty in using and implementing the performance measurement system.

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a) Motives behind deliberate inaccuracy in employees' performance measurement

In theory, employees' performance measurement is an objective, rational and systematic attempt on the part of the managers to accurately describe subordinate's performance. In reality, however, managers have a variety of concerns that are clearly more pressing than simply generating accurate and honest ratings.

Longenecker\(^{33}\) viewed that factors other than the subordinate's actual performance influence the ratings that subordinate receives and always part of their evaluative process. The main outcome of this tendency involves managers intentionally inflating or deflating the employee’s (subordinate’s) overall rating. A typology of rater’s motives while performance measurement is described in Figure 5.

**Figure 5: A Typology of rater’s motives and manipulative rating behaviour**

<table>
<thead>
<tr>
<th>RATER'S MOTIVE</th>
<th>INFLATED RATINGS</th>
<th>DEFLATED RATINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHYSITIVE</td>
<td>- Keeps the employee motivated</td>
<td>- Scare better performance out of an employee to prevent eventual termination.</td>
</tr>
<tr>
<td></td>
<td>- Maximize the merit pay increase</td>
<td>- Build a stronger case against an employee who is destined to be terminated</td>
</tr>
<tr>
<td></td>
<td>- Avoid creating a permanent record that damage the employee’s career</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Reward good performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Assist an employee with a personal problem</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Liking the subordinate personally</td>
<td></td>
</tr>
<tr>
<td>DEViant</td>
<td>- Avoid hanging dirty laundry in public</td>
<td>- Punish an employee</td>
</tr>
<tr>
<td></td>
<td>- Avoid conflict with a subordinate</td>
<td>- Encourage an employee to quit</td>
</tr>
<tr>
<td></td>
<td>- Promote a problem employee up and out</td>
<td>- Minimize merit pay increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Comply with an organizational edict to keep ratings low</td>
</tr>
</tbody>
</table>

Longenecker and Ludwig\textsuperscript{34} identified that over 70\% of the managers had the following reasons for intentionally inflated ratings:

- The belief that accurate ratings would have a damaging effect on the subordinate's performance.
- The desire to improve an employee's eligibility for merit.
- The desire to avoid airing the department's / branch's dirty laundry, especially if the written report will be reviewed by others.
- The wish to avoid creating a negative record of poor performance that might hound the employee in the future.
- The need to protect good performer whose performance was suffering due to personal problems.
- The desire to promote a disliked employee up and out of the branch/department.

Though negative distortions don't occur as frequently, yet they do occur. Further the following reasons for intentionally deflating subordinate's rating were cited:-

- To punish a rebellious employee.
- To encourage a problem creating employee to quit.
- To create a strong record to have a planned firing.
- To minimize the amount of merit increase an employee receives.

In short unethical performance measurement can lead to have distrust among the employees, which may put adverse effect in terms of performance. So a governance is required which can comply, check and challenge the activities done/ action taken while measuring employees' performance and preparing reports.

1.2.3 General Issues relating to Performance Measurement

In banking sector, certain problems emerge while measuring employees' performance vis.-a-vis.:  

1. Increasing competition from public, private and foreign banks, driving a need for a measure of quality of services, flexibility, innovations in processes, research and development practices in technology and rapid response.

2. Changing roles for performance measurement from accounting to other aspects relating to intangible assets.

3. The power of communication and information technology, making the capture of data for easier accessibility and opening up new opportunities for data review and subsequent action.

4. Demand of competitive banking environment to increase productivity, less response time and lower costs. This competitive era put immense pressure on banking to continually explore new grounds and do more in less time and resources.

5. The power of banking sector is increasing link to intellectual capital. People are the drivers of their own and branch/department's performance and competitiveness in banking world. Therefore, performance measurement deals with providing right measures of performance with improved organizational performance by improving employees' performance.

In short, keeping in mind the issues and problems in banking industry and survival and success in such a competitive scenario requires banking sector to integrate business processes for building higher synergy for ensuring a success. It can be possible by implementing the right mix of strategy, people and business processes for the ultimate success in terms of customer satisfaction and profitability.

1.3 RATIONALE OF THE STUDY

1. In Banks, employee's performance is to be measured, which further helps to decide what to do next.

2. The real value of performance measurement comes from the action that it follows. A bank can have the best measurement system in the world, but until and unless appropriate and timely action is taken on the
basis of information provided, the impact of performance can not be determined.

3. The information provided by the performance measurement system allows the banks to underpin the strategies and practices. The transparency in the system helps the banks to frame and revise the strategies and programs as per the requirements.

4. Appropriate performance measures are integral part of the banking sector and of course essential for the employees too. The problem is “Measuring the wrong things and things will go wrong”. The need is to answer the question, ‘To whom the customer first contacts in the bank?’ The answer is ‘the employee’. Therefore, employees’ performance is to be measured through ‘Customer perspective’.

5. To generate deep and valuable insights into the strengths and weaknesses relating to technology and processes, it is essential to have a measurement parameter, which indicates the performance for internal business processes. After all, customer is the ultimate beneficiary of such processes and employee is the ultimate user. Therefore, employees’ performance must be measured through ‘Internal business process perspective’.

6. The report of employees’ performance lies in employees’ capabilities and learning, which enables management to achieve set targets and goals efficiently. Therefore, employees’ performance must be measured through ‘Learning and growth perspective’.

7. Banks gain benefits by earning business and profits from the services offered by the learned employees. Banks also incur costs for availing the employees’ services. It becomes essential to record employees’ contribution in business and profits against costs incurred on them. Therefore, employees’ performance must be measured through ‘Financial perspective’.

Broadly speaking, it is essential to measure performance of the employees as “You can't manage what you can't measure".

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The need of the study depicts that an innovative multi-dimensional performance scorecard is required, which provides a framework for selecting multiple key performance indicators that actually supplement traditional financial measures with operating measures/non financial measures of customer satisfaction, internal business processes and last but not the least learning and growth activities. Balanced Scorecard (developed by Kaplan and Norton, 1992) is the ultimate step towards linking short term operational control to long term vision and strategy of the business. Balanced Scorecard supports the firms to align its performance measurement and controls with the customers, internal business processes and learning and growth perspectives.

Balanced Scorecard plays the three roles of measurement viz. comply, check and challenge as a means of control. Different parameters under the four perspectives of scorecard viz. financial, customer, internal business processes and learning and growth perspective can be designed, implemented and used to generate an effective ‘Performance measurement system’. Ultimately they become the drivers that put the performance management system on the management agenda today. Balanced Scorecard facilitates a filter criteria, that can be used to measure the employees’ performance and can be the part of performance measurement system. The system can reduce over use of financial measures by adopting non financial measures, which are utmost important and can not be neglected. The system can remove the unethical issues and problems generated, while measuring employees’ performance.

Rationality behind Application of Balanced Scorecard

The traditional financial measures are based exclusively on past performance and results have little predictive value to the management. But an effective performance measurement system must encompass a blend of both results and process measures, so that organization can keep score and reasonably predict what the score will look like to take further action.

Moreover when measuring employees’ performance, it is essential to look for both financial and non-financial measures so that employees can be
looked from all perspectives, whether there are financial measures (from employee’s productivity and cost ratios) or non financial measures like customer perspective (employee stands in direct contact with customer), business processes (employee operates on processes to give outcome to customer), learning and growth perspective (employee updates learning to operate on processes and give outcome to customer).

Traditional performance measurement systems measure the tangible and financial assets, but an organization has to measure and respond to intangible assets of value to the organization and human assets too, because they are giving financial results.

The concept of Balanced Scorecard overcomes the drawback of traditional performance measurement systems and strikes a balance between financial and non financial measures, between outcome and process measures and between internal and external perspectives.

1.4 OBJECTIVES OF THE STUDY

The main objectives of the present study are:

1. To find out the existing ‘Performance measurement system’ in the selected banks.

2. To measure employees’ performance by applying ’Balanced Scorecard’ in the selected banks.

3. To find out the areas of improvement and make suggestions to improve employees’ performance in the selected banks.

1.5 HYPOTHESES OF THE STUDY

While considering the objectives of the present study, the hypotheses relating to customer perspective, internal business process perspective and learning and growth perspective are delineated as follows:

Hypotheses with respect to ‘Customer perspective’:

$H_{01}$: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Tangibles’.

"41"
H_{02}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Responsiveness'.

H_{03}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Reliability'.

H_{04}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Assurance'.

H_{05}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Empathy'.

H_{06}: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to age.

H_{07}: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to education.

H_{08}: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to income.

H_{09}: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to duration of services availed.

Hypotheses with respect to 'Internal business process perspective':

H_{010}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Intelligence generation'.

H_{011}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Intelligence dissemination'.

H_{012}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Responsiveness'.

H_{013}: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to 'Delivering services'.
H014: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Post sale services’.

H015: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to age.

H016: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to education.

H017: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to income.

H018: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to experience.

Hypotheses with respect to ‘Learning and growth perspective’:

H019: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Knowledge distribution’.

H020: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Knowledge interpretation’.

H021: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Internal acquisition of knowledge’.

H022: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘External acquisition of knowledge’.

H023: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Organizational memory’.

H024: There is no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Growth dimension’.

H025: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to age.
\(H_{026}: \) There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to education.

\(H_{027}: \) There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to income.

\(H_{028}: \) There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to experience.

1.6 RESEARCH METHODOLOGY

Planning facilitates a framework within which the objectives of the research are to be achieved. The plan and procedure of research study is bound up with the objectives of the study. Further the objective of the study is to measure the employees' performance by identifying the key performance indicators in different perspectives of the Balanced Scorecard.

1.6.1 Research Problem and Focus

The study is focused on investigating in what respects the Balanced Scorecard and its measures facilitate information regarding employees' performance in the banks under study. The purpose of the study is to apply the Balanced Scorecard framework on top most banks in public and private sector in India. The study is to answer the questions stated by using data analysis on financial and non-financial performance indicators of banks in India.

The research questions are:

1. How can a Balanced Scorecard framework be used internally and externally for assessing employees' performance?
2. Does, Balanced Scorecard provide information with respect to employees' performance in banks in India?
3. If yes, in what respects.

1.6.2 Scope of the Study

The study is to measure the employees' performance in banks. In the present study customers of banks are taken into account to measure the
employees' performance for 'Customer perspective'. Further officers at different levels are taken into account to measure their performance for 'Internal business process perspective' and 'Learning and growth Perspective' through primary data collection in Chandigarh.

1.6.3 Sample Selection

Sample for the present study involves banking sector i.e. SBI and ICICI bank. Rationale to choose SBI and ICICI bank in the present study is that both the banks are capital employed toppers. In the year 2007, State Bank of India is having capital employed of Rs. 566806 cr. having rank '1' for capital employed, so the bank is the topper in public sector banks in India. Further ICICI bank is having capital employed of Rs. 345312 cr. with rank '2' for capital employed, so the bank is the topper in private sector banks in India.

The present study is confined to officers at different levels of SBI and ICICI bank in Chandigarh. For SBI, 15 branches in Chandigarh were being visited. There are 10 branches of ICICI bank in total in Chandigarh so they all were being visited for data collection.

1.6.3.a Criteria for Selection of Sample (Officers)

State Bank of India

In Chandigarh circle (circle includes Punjab, Haryana, Chandigarh and Jammu), there are 1034 officers as on 31/12/10. The sample is taken for approximately 10% of the total officers in Chandigarh circle.

ICICI Bank

In Chandigarh, there are 352 officers as on 31/12/10 so almost 30% of the total is considered for the present study.

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1.6.4 Sources of Data

As the objective indicates to measure employees' performance by using Balanced Scorecard perspectives in financial terms, customer views, business processes terms and learning and growth terms of the employees so study emphasizes on collection of data from primary and secondary sources both.

For the financial perspective, statistical tables relating to banks in India 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10, Department of Economic Analysis and Policy, Reserve Bank of India, Mumbai are used. Further websites of banks to go through annual reports and web site of Reserve Bank of India were also used. Report on Trend and Progress of Banks in India, RBI, was also referred for the present study. Performance highlights of Banks, Indian Banks' Association, Mumbai was taken into consideration for the research purpose.

For the customer perspective, research instrument was used. Through primary survey and interviews of customers, an attempt was made to measure employees' performance in both the banks under study.

For the internal business process perspective, primary data collection was done. Through interviews and surveys from experts and employees, data was collected.

For learning and growth perspective, research questionnaire was used and through interview and survey of employees, data was collected for research purpose and to fulfill objectives of the study.

1.6.5 Sample Size

For the customers' perception regarding employees' performance, 100 customers from each bank are taken into account. For the internal business process perspective, 15 employees from each bank (SBI and ICICI) are considered. For the learning and growth perspective, 100 employees are taken into account from each bank. Customer perspective was related to perception of customers so the instrument (questionnaire) was based on different dimensions relating to customer satisfaction.
Internal business process part of 'Balanced Scorecard' to measure employees' performance include measuring employees' (officers') performance for business processes, so questionnaire relating to business process perspective was based on different dimensions of processes involved to carryout the transactions in the respective banks. The research includes 15 officers from each bank.

As learning and growth part of measuring employees' performance involve learning in general so this part of the study includes 100 officers in each bank (SBI and ICICI) and are interviewed for dimensions relating to learning and growth. Table 7 denotes the sample size.

Table 7: Sample Size

<table>
<thead>
<tr>
<th>Perspective</th>
<th>SBI</th>
<th>ICICI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial perspective</td>
<td>Secondary Data</td>
<td>Secondary data</td>
<td>2005-06 to 2009-10</td>
</tr>
<tr>
<td>Customer perspective</td>
<td>100</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>Internal business process perspective</td>
<td>15</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Learning and growth perspective</td>
<td>100</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>215</strong></td>
<td><strong>215</strong></td>
<td><strong>430</strong></td>
</tr>
</tbody>
</table>

Table 7 simplifies the sample size for all the perspectives. In total there are 430 respondents through primary data, who are the part of the sample size for 'Customer perspective', 'Internal business perspective' and 'Learning and growth Perspective' in the present study. Financial Perspective includes secondary data of both the banks for a period of five years.

Further sample size of officers for 'Internal Business Process Perspective' and 'Learning and Growth Perspective' is elaborated in Table 8.
<table>
<thead>
<tr>
<th>Bank</th>
<th>Internal business process perspective</th>
<th>Learning and growth perspective</th>
</tr>
</thead>
</table>
| SBI                          | Officers having experience between 16-20 years or more than 20 years. | Officers having:  
  • income between Rs. 2 lacs to Rs. 5 lacs  
    - Assistant manager  
    - Customer relations Officer  
  • income between Rs. 5.1 lacs to Rs.10 lacs  
    - Deputy manager  
    - Service officer  
    - Assistant general manager  
    - Cash officer  
  • income more than Rs. 10 lacs  
    - General manager (Chandigarh Circle)  
    - Branch manager |
| ICICI                         | Operations Managers (officers dealing in Internal Business Processes) | Officers having  
  • Income less than Rs. 2 lacs  
    - Junior officers  
    - Senior officers  
  • Income between Rs. 2 lacs to 5 lacs  
    - Assistant Manager  
  • Income between Rs. 5.1 lacs to 10 lacs  
    - Assistant Manger I  
    - Accounts Operating manger  
    - Customer Service Manager  
    - Branch Sales Manager  
  • Income more than Rs. 10 lacs  
    - Assistant manger II  
    - Branch Manager |

Table 8 shows the sample of officers in measuring employees' performance for internal business processes. Basically internal business process instrument was somewhat technical. The study is based on performance of the employees' (officers in the present study) performance. In SBI, generally officers had less knowledge relating to business processes and specifically in operations field, so only the officers who were having the experience between 16 to 20 years and more than 20 years were taken into consideration. In ICICI bank, officers involved in business processes/operations i.e. Operation managers were being interviewed. These officers were working in the concerned area.
Table 8 gives the details for learning and growth perspective that in SBI, sample consists of officers having income between Rs. 2 lacs to Rs. 5 lacs (Assistant manager and Customer relation officers), officers having income between Rs. 5.1 lacs to Rs. 10 lacs (Deputy manager, Service officers, Assistant general manager and Cash officers) and officers having income more than Rs. 10 lacs are General manager in Chandigarh circle and branch managers. In ICICI bank the sample consists of officers having income less than Rs. 2 lacs (Junior officers and Senior officers), Officers having income between Rs. 2 lacs to Rs. 5 lacs (Assistant managers), officers having income between Rs. 5.1 lacs to Rs. 10 lacs (Assistant manager I, Accounts operating manager, Customer service manager and Branch sales manager) and officers having income more than Rs. 10 lacs (Assistant manager II and Branch manager).

1.6.6 Data Collection

As the title suggests, measurement of employees' performance by application of Balanced Scorecard i.e. Financial, Customer, Internal business process and Learning and growth perspective in SBI and ICICI bank, data collection follows:

1. Financial Perspective: The data is collected through secondary sources, so statistical techniques and formulas are used relating to finance terms.

2. For Customer, Internal business process and Learning and growth perspective: The data is collected by drafting the instrument and by primary data collection.

1.6.7 Research Instrument used for Primary Data Collection

a) Customer Perspective

Keeping in mind the theoretical construct relating to services rendered by employees to the customers and keeping in view the employees’ performance measurement in SBI and ICICI bank, Service Quality:
SERVQUAL (Parasuraman, Zeithaml and Berry, 1988)\textsuperscript{38} was used. The construct of the quality as measured by this scale involves customer’s judgment of an entity’s performance (employees’ performance in this context) relating to the quality of services and overall excellence of superiority provided by it. Originally the scale is composed of a set of 22 items. While doing work on the instrument the researcher:

- Included items that represent the five dimensions of service quality relating to banking industry keeping in view the dimensions described by Parasuraman et al., (1988) and measurement of employees’ performance for services.

- Added items that sought to capture dimensions of quality specific to the banking industry. It was essential due to the existence of cultural differences between countries, religions, which reinforces the importance of building additional items in the dimensions of service quality in the Indian banking industry.

Actually service quality is to be provided by the employees so the dimensions of services quality themselves speak about employees’ performance. The five dimensions that are used to measure employees’ performance for service quality/services rendered in the banks are:

1. **Tangibles**: It is the appearance of the bank’s physical facilities, equipments and employees.

2. **Responsiveness**: It is the willingness of the bank employees to help customers and provide prompt services.

3. **Reliability**: It is defined as the ability of the bank employees to perform promised services dependably and accurately.

4. **Assurance**: It is defined as the employee’s knowledge, courtesy and ability to inspire the customers to have trust and confidence for their bank.

5. **Empathy**: It refers to the caring and individualized attention the bank provides to its customers.

   The questionnaire relating to customer perspective is enclosed in 'Appendices'.

**Five point scale**: In total, twenty five items in all the five dimensions are selected to measure employees’ performance through customers’ views. All items were measured on five-point Likert Scale from (Strongly disagree) to 5 (strongly agree).

**Customer satisfaction**: Satisfaction was operationalized by satisfaction score of perception of service quality rendered to each and every customer by the employees of the bank. The measurement is denoted by the scores from 1 (being highly dissatisfied) to 10 (being highly satisfied). It was essential to measure employees’ performance from the view point of customer satisfaction.

   While constructing the research instrument, the following points were kept in mind:

   1. The statements were in simple English, short and written in simple form.
   2. For all the dimensions, meanings were mentioned so that the terms could be well understood by customers at any level.
   3. Items included in the instrument reflect the construct for which the scale sets out to measure i.e. to measure employees’ performance for various dimensions relating to customer perspective in banking industry.

**Pre testing of the preliminary draft**: Pre testing of the research instrument was done on a sample of 100 respondents to identify and eliminate potential problems. All items and aspects of the questionnaire were tested, including difficulty in understanding the questions and instructions.

   Prior to analysis of the results, research instrument was tested for its reliability. For reliability testing, internal consistency method was adopted. The Cronbach alpha (\(\alpha\)) values 0.95 for all the five dimensions namely, ‘Tangibles’, ‘Responsiveness’, ‘Reliability’, ‘Assurance’ and ‘Empathy’. It
depicts that the value exceeded the minimum requirements of alpha as 0.50, thereby demonstrating that all the five dimensions are internally consistent and have acceptable reliability values in their original form.

b) Internal Business Process Perspective

Internal business process is the process that is critical for achieving financial objectives and customer objectives. The process starts from identifying the customers’ needs and the market, delivering services and post sale services. The focus of the internal business process perspective is to encourage employees to think for innovative solutions to customer needs from the very beginning of identifying their needs, delivery of services and post sales services and ultimately the process is packed up into dimensions for measuring employees’ performance in banking industry.

Keeping in view the process of internal business processes i.e. identifying the market, operation/delivery of products and services and post sale services, and the theoretical construct, the employees’ performance is measured in SBI and the ICICI bank, by using Market Orientation: MARKOR Scale (Kohli, Jaworski and Kumar, 1993)\textsuperscript{39}. Market orientation is defined as the organization-wide generation of market intelligence relating to current and future needs of the customers, dissemination of intelligence within the organization and responsiveness to its working\textsuperscript{40}. This view emphasizes the identification of market, market intelligence and intelligence processing. The construct of the market orientation relating to internal business processes as measured by this scale involves perception of employees regarding their performance while working on the operations or while working for the internal business processes in banking sector. Originally the scale consists of a set of 20 items. While doing work on the instrument, the researcher:


• Included all dimensions of MARKOR Scale i.e. 'Intelligence generation', 'Intelligence dissemination' and 'Responsiveness'.

• Added two dimensions i.e. 'Delivering services' and 'Post sale services' of banking industry with 3 dimensions of MARKOR Scale as described. The rationale behind this change was the Balanced Scorecard given by Kaplan and Norton\(^\text{41}\). The founders suggested that 'Internal business process perspective' starts from the point of identifying the market, operations/ delivering product and services and ends by providing post-sale services i.e. the process involves identifying market, developing new solutions for delivering existing products and services and offering services after the sale that add to the value, which customer receives from the organization. Therefore, it was an urgent need to collect five dimensions in all, which sought to capture dimensions of processes specific to the banking industry. It was essential due to cultural differences between countries, religions, working environment which emphasized the importance of building additional items in all the dimensions of market orientation of business processes in the Indian banking industry.

• Represented the scale, keeping in view market orientation and internal business processes as defined by the founders of Balanced Scorecard.

The five dimensions are used to measure employees’ performance for internal business process parameter in banking sector:

**Intelligence generation**: Intelligence generation refers to the collection and assessment of both customers’ needs/preference and the forces (tasks and business environment) that influence the development and refinement of customers’ needs.

**Intelligence dissemination**: Intelligence dissemination refers to the process of market information exchange with an organization. It involves both horizontal (i.e. interdepartmental) and vertical transmission of market information.

Responsiveness: Responsiveness is the action taken in response to intelligence that is generated and disseminated in earlier steps. The concern focuses on the degree to which marketplace needs to play a dominant role in assessment of market and development of market programs.

Delivering services: The process involves delivery of products and services to existing customers and concerned to provide efficient services to new customers/target market segment as identified during the stages of intelligence generation, dissemination and responsiveness.

Post sale services: The services are confined to offering services after the sale that add to the value, which customer receives from an organization’s product and service offerings.

The items in all the five dimensions of market orientation for internal business processes measuring employees' performance are enclosed in 'Appendices'.

Five point scale: In total, 17 items in all the five dimensions are selected to measure the employees' performance through employees' survey. All items in various dimensions were measured on five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Employees' satisfaction relating to performance: Satisfaction level is examined by specifying employee satisfaction score and is collected by receiving the perception of employees towards their performance. The measurement is denoted by the scores from 1 (being highly dissatisfied) to 10 (being highly satisfied). It was the need of the study to measure employees' satisfaction towards their performance.

While constructing the research instrument, the following points were kept in consideration:

1. The statements were in simple form. For all the dimensions, meanings were mentioned so that the terms were well understood by the concerned employees.
2. Items included in the instrument reflect the construct for which the scale sets out to measure i.e. to measure employees' performance for
various dimensions relating to internal business process perspective in banking industry.

**Pre testing of the preliminary draft:** Pre testing of research instrument prepared for the present study was done on a sample of 10 respondents to identify and eliminate potential problems. All items in all the dimensions of the instrument were tested.

Prior to analysis of the results, instrument was tested for its reliability. For reliability analysis, internal consistency method was adopted. The Cronbach’s alpha (α) values 0.81 for all the five dimensions namely ‘Intelligence generation’, ‘Intelligence dissemination’, ‘Responsiveness’, ‘Delivering services’ and ‘Post sale services’. The facts show that value exceeds the minimum requirement (alpha= 0.50), thereby stating that all the five dimensions are internally consistent having acceptable reliability values in their original state.

c) Learning and Growth Perspective

Learning is a transformational process, which is continuously created and recreated, to be acquired or transmitted to improve the development of the organization by means of new and update initiatives. Therefore, learning requires a move putting more knowledge to databases so that knowledge can migrate into an organization and impact business performance. In this way, learning embraces individuals and the whole of the organization. Growth relates to the possession of expertise and ability to demonstrate that the individuals concerned have adequate know how to respond quickly and alertly at times, when there are opportunities in related areas. Individuals who are capable of acquiring one or, more than one area of expertise within or radically different fields are right fit for ‘Growth Dimension’.

The focus of ‘Learning and growth perspective’ is to provide continuous learning to employees and to attain ideas for improving processes and performance and re skilling the employees so that their minds and creative abilities can be mobilized for achieving organizational objectives (including market orientation through internal business processes, customer satisfaction and financial performance). Keeping in consideration the theoretical construct
relating to learning and growth of the employees and the objective of the study i.e. to measure employees’ performance relating to learning and growth in SBI and ICICI Bank, ‘Organizational Learning Scale’ was used\(^{42}\). The scale as developed recognizes the multi-dimensional character of learning and collects information about the five dimensions of learning i.e. ‘Internal acquisition of knowledge’, ‘External acquisition of Knowledge’, ‘Knowledge distribution’, ‘Knowledge interpretation’ and ‘Organizational memory’. Further “Growth Dimension” is used by the authors as a means by which expert knowledge may be individually measured. An instrument was developed including Growth Dimension\(^{43}\).

To determine the reliability of the items in the growth dimension, Cronbach’s \(\alpha\) an indication of the scales’ internal consistency was undertaken. The construct of the learning and growth involves perception of employees regarding their performance while working in their jobs/fields in banking sector. Originally the learning scale consists of a set of 25 items. The ‘Growth dimension’ originally included 8 items. While doing work on both the dimensions for the instruments mentioned the researcher:

- Included all dimensions of ‘Organizational learning scale’ i.e. ‘External acquisition’, ‘Interpretation acquisition’, Knowledge distribution’, ‘Knowledge interpretation’ and ‘Organizational memory’.
- Reset all dimensions of ‘organizational learning scale’ in a sequence that was suitably fit for banking sector and for the convenience of employees to respond easily and without trouble. The arrangement was done in a sequence as ‘Knowledge distribution’, ‘Knowledge interpretation’, ‘Internal acquisition of knowledge’, ‘External acquisition of knowledge’ and ‘Organizational memory’. The setting of dimensions in the instrument was done at the stage of pretesting.
- Added items in all the five dimensions of learning specific to banking industry. It was essential due to cultural differences among countries.

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religions, working environment, which emphasized the importance of building items in all the dimensions of learning and growth in banking sector.

- Reset items of ‘Growth dimension’ in a sequence that was best fit for banking industry and which could easily help the employees to give their views while performing the tasks during jobs.

The five dimensions of learning and one dimension of growth perspective to measure employees’ performance in banking sector are described:

1. **Knowledge distribution**: Knowledge is the psychological result of perception, learning and reasoning. The act of dispensing and providing information among several or many, results in distribution of knowledge.

2. **Knowledge interpretation**: The act or process of applying general principles to gain learning and achieve the targets to the explanation of the results.

3. **Internal acquisition of knowledge**: The act/process of gaining skills to enhance learning and reasoning. The gain is from the internal sources.

4. **External acquisition of knowledge**: The act/process of gaining skills to enhance learning and results, which helps to achieve the targets. The gain is from the external sources.

5. **Organizational memory**: The capability of the organization, by which it retains the knowledge of databases, records and documents for reference to achieve the preset goals and objectives. After all, this capability is created by employees/workforce as organization is itself intangible, so it was essential to measure employees’ performance for ‘Memory’ parameter relating to learning.

6. **Growth dimension**: The possession of expertise and capability to operate in areas related to work or in different situations and capacity to avail the opportunities concerned specifies growth.

The items in all the five dimensions of learning and growth measuring employees’ performance are presented in ‘Appendices’.
Five point scale

In total, 20 items in all the six dimensions were selected to measure the employees’ performance through employees’ survey. All items in various dimensions were measured on five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Employees’ satisfaction towards their performance

Satisfaction was operationalized by employees’ satisfaction score by collecting the perception of employees towards their performance in the banks concerned. The measurement was denoted by the scores from 1 (highly dissatisfied) to 10 (highly satisfied). It was the requirement of the employee survey to measure employees’ satisfaction towards their performance.

While constructing and redrafting the instrument, the following points were viewed:-

1. The statements were simplified for the convenience of the employees concerned.
2. For all the dimensions, meanings were specified to make convenient for the employees and to have easy follow up.
3. Items for all the six dimensions were included in the instrument as per requirements of banking sector.

Pre-testing the preliminary draft:

Pre-testing of the instrument was done on a sample of around 100 respondents to recognize and eliminate potential problems. Sequence of write up of dimensions as expressed earlier was also done keeping in view the suggestions given by the respondents and their comfort while filling the questionnaire. All items in various dimensions of the instrument were tested.

Prior to analysis of the results, instrument was tested for its reliability. Reliability analysis indicates internal consistency. The Cronbach’s alpha value was 0.76 for all the six dimensions namely ‘Knowledge distribution’, ‘Knowledge interpretation’, ‘Internal acquisition of knowledge’, ‘External acquisition of knowledge’, ‘Organizational memory’ and ‘Growth dimension’. It shows the value exceeds the minimum requirement (alpha=0.50), thereby
stating that all the six dimensions are internally consistent and have acceptable reliability value in the original state.

1.6.8 Analysis of Data and Statistical Techniques used

After data collection, the step was to process and analyze it, so as to arrive at the conclusion. Following tools were used in the study:

a) Financial Perspective

Financial parameters relate to measuring the aspect from financial point of view. The focus is on having more employee productivity with least employee costs so that employee can be utilized at its best, thereby providing maximum output with minimum input. In the present study, Ratio analysis was used to analyze the employees’ performance in SBI and ICICI Bank.

Ratio analysis is the study of financial statements with respect to the calculation and comparison of the ratios concerned. The results can represent organization’s situation financially. In order to measure the employees’ performance, employees’ productivity and employees’ cost ratios serve as a reliable tool.

Employees are very important for any kind of business. In the service sector, employees act as an integral source of input. Thus employee productivity is the utmost important indicator of per employee contribution. Following ratios have been used for the study.

A. Employees’ Productivity Ratios

1. Business per employee
2. Profit per employee

1. Business per employee: The ratio indicates ‘Total business’ (Deposits + Advances) per employee.

2. Profit per employee: The ratio indicates ‘Net profit’ per employee.

B. Employee Cost Ratios

1. Employee cost to operating expenses
2. Employee cost to total business
3. Employee cost to total assets
1. **Employee cost to operating expenses**

   It is the ratio of payment to and provision for employees as a percentage of operating expenses.

2. **Employee cost to total business**

   The ratio indicates payments to and provision for employees as percentage of total business.

3. **Employee cost to total assets**

   The ratio indicates payment to and provision for employees as percentage of total assets.

   ‘Payment to and provision for employees’ is the part of ‘Operating expenses’. Operating expenses include other items also. It was essential to calculate cost ratios on the basis of payment to and provision for employees to know the cost part incurred on employee, by their respective banks. On the contrary, it was also essential to calculate productivity ratios on the basis of business and profit to know the contribution by the employees for their respective banks.

Table 9 shows the description:

**Table 9: Measuring Employees’ Performance through Financial Perspective**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Ratio</th>
<th>Definition of Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Employee Productivity Ratios</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Business per employee</td>
<td>Total business*/Number of employees</td>
</tr>
<tr>
<td>2.</td>
<td>Profit per employee</td>
<td>Net profit/Number of employees</td>
</tr>
<tr>
<td><strong>B. Employee Cost Ratios</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Employee cost to Operating expenses</td>
<td>Payment to and provisions for employees as a percentage of Operating expenses</td>
</tr>
<tr>
<td>4.</td>
<td>Employee cost to Total business</td>
<td>Payment to and provisions for employees as a percentage of Total business</td>
</tr>
<tr>
<td>5.</td>
<td>Employee Cost to Total assets</td>
<td>Payments to and provisions for employees as a percentage of Total assets</td>
</tr>
</tbody>
</table>

*Total Business = Deposits + Advances

Table 9 gives the better picture of the analysis of the employees’ performance in the concerned banks. These ratios are analyzed by calculating Mean (\(\bar{X}\)) and standard deviation (\(\sigma\)):

---

(i) **Mean**: It is the average of number of items.

\[ \bar{X} = \frac{\text{Sum of all items}}{\text{No. of items}} \text{ i.e. } \frac{\sum X}{N} \]

(ii) **Standard Deviation**: It is the square root of the means from arithmetic mean.

\[ \sigma = \sqrt{\frac{\sum X^2}{N}} \]

Where
- \( \sigma \) = Standard deviation
- \( N \) = No. of observations
- \( X \) = \( (x - \bar{X}) \)

**b) Customer Perspective, Internal Business Process Perspective and Learning and Growth Perspective**

Following statistical techniques were used to analyze the data and to arrive at the conclusions:

1. **Descriptive Statistics**: Measures of central tendency such as mean, standard deviation etc. were calculated to study the nature and distribution of items in all the dimensions of three perspectives.

2. **Independent t-test**: Independent t-test was used to compare the mean perception of respondents for measuring employees' performance.

3. **Anova Test**: Anova procedure was used to check the mean perception of respondents based on demographic variables.

4. **Correlation Analysis**: The relationship between independent and dependent variables was analyzed.

5. **Stepwise Multiple Regression Analysis**: The analysis was performed to determine the relative contribution of each of the employees' performance dimensions in all the three perspectives. Further multicollinearity procedure was followed.

**Multicollinearity**: The multicollinearity (the problem of inter-correlation among independent variables to predict future prospects) is encountered in 'Multiple regression analysis' as it may affect the results to some extent.
The multicollinearity concept was used to check the variability and heterogeneity of data relating to customers, internal business processes and employees as explained in following steps:

a) Detection of the Multicollinearity

It was recognized that the use of all explanatory variables to predict future prospects might give rise to some of the redundant variables and multicollinearity problems. Multicolinearity problem is likely to occur when explanatory variables correlate with each other. Consequently the effect of each variable of the dependent variables becomes difficult to identify. Hence following statistic factors were used to diagnose the multicollinearity:

i) Variance Inflation Factor (VIF)

\[ VIF = \frac{1}{1-R^2} \]

is the coefficient of the multiple determination of the regression produced by regressing the variable \( X_i \) against the other \( Y \) variables. If any VIF exceeded 10, the correspondent variable should be considered to be deleted or otherwise to use an alternative method instead of Ordinary Least Squares.

ii) Tolerance value

The tolerance of an independent variable is an additional method to measure the effects of multicollinearity in a data set. The value of the tolerance of the variable has a range from zero to one. The closer the tolerance of variable’s value to one indicates the independence, and if the tolerance value is close to zero, the variables are multicollinear.

6. Statistical software used: The calculations were made by applying ‘Microsoft Excel’ and ‘SPSS version 17’ software on the computer.

1.7 BANKS’ PROFILE

Performance measurement has become a widespread formal organizational procedure with managers measuring and evaluating subordinates’ performance and banking sector is also adopting one or the other measure for the same. Banking industry in India has achieved new heights with the changing times. The use of technology has brought a revolution in working of the banks. The working scenario in India has become dynamic now-a-days.
The figure describes 27 public sector banks, 22 private sector banks, 31 foreign banks and 84 Regional Rural Banks. Cooperative credit institutions are also categorized. Banking system itself includes a competitive environment.

Today, banks have proceeded the era of "competition" and have been infatuated with the era of "information". In the new era, banking sector would tend to be equipped with contemporary and advanced abilities in order to be successful in the world wide competition. The banks' focus in exploiting intangible assets is more indispensable than the management of tangible assets because in today's turbulent environment, it is utmost important for mangers to lead their business efficiently.

Performance measurement plays many important roles in running any organization. It may be manufacturing company or a service based organization like banking sector. For a long time, managers have used accounting-based measures for monitoring progress, providing feedback and motivating employees to perform well. These financial measures only reflect the performance of the banks in the past and can not explore the banks' future operating conditions. But with the advent of new competitive realities in banking sector, such as increased customer expectations, demand for Total quality management, flexibility in processes (due to continuous development in technology) and special consideration is given to measure the impact of expenditure incurred on employees' learning programs, the conversation
migrates to the question of designing a comprehensive set of performance measures to be packed in ‘Performance measurement system’ for the success of safe and reliable banking.

Performance management of commercial banks is an important aspect of banking management to breakthrough the traditional, single application of financial indicators measuring performance. The present study raises the value of performance measurement system based on the introduction of customer dimensions, internal business process parameters, employees’ learning and growth and financial factors.

In India, ‘Balanced Scorecard’, in combination with bank’s policies, is a ‘Performance management system’ for assisting the banks in actualizing their strategies. The scorecard can serve as a tool that can guide strategic thoughts to fulfill individual and organizational goals.

1.7.1 Statistical Tables Relating to State Bank of India and ICICI Bank

The present study is confined to State Bank of India and ICICI Bank. Following Tables provide data on selected important items of both the banks under study from the financial year 2005-06 to 2009-10.

| Table 10: Financial Highlights Relating To State Bank of India and ICICI Bank | (Amount in Rs. Lacs) |
|---|---|---|---|---|---|
| Items | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| **Business per employee** |  |  |  |  |  |
| SBI | 299.23 | 357.00 | 456.00 | 556.00 | 636.00 |
| ICICI | 905.00 | 1027.00 | 1008.00 | 1154.00 | 1029.00 |
| **Profit per employee** |  |  |  |  |  |
| SBI | 2.17 | 2.37 | 3.73 | 4.74 | 4.46 |
| ICICI | 10.00 | 9.00 | 10.00 | 11.00 | 12.00 |
| **Capital** |  |  |  |  |  |
| SBI | 52630 | 52630 | 63147 | 63488 | 63488 |
| ICICI | 123983 | 124934 | 146258 | 146329 | 111489 |
| **Reserves and Surplus** |  |  |  |  |  |
| SBI | 2711778 | 3077224 | 4840119 | 5731283 | 6531432 |
| ICICI | 2131616 | 2341392 | 4535753 | 4841973 | 5050348 |
| **Deposits** |  |  |  |  |  |
| SBI | 38004605 | 43552109 | 53740395 | 74207312 | 80411623 |
| ICICI | 16508316 | 23051019 | 24443104 | 21834783 | 20201660 |
| **Borrowing** |  |  |  |  |  |
| SBI | 3064124 | 3970334 | 5172741 | 5371368 | 10301160 |

64
Table 10 gives the details of the important items and ratios to highlight the financial position of SBI and ICICI Bank. The details for the period ranging from the financial year 2005-06 to 2009-10 are discussed below:

‘Business per employee’ in SBI is increasing, in ICICI Bank, it has decreased in the year 2009-10. Business per employee is more in ICICI Bank than SBI.

‘Profit per employee’ in SBI has increased every year. In ICICI Bank, after decrease in the year 2006-07, there is an increase from the financial year 2006-07 to 2009-10. Profit per employee of ICICI Bank is more than SBI.
'Capital' in SBI is constant from the year 2005-06 to 2006-07, then there is increase in 2007-08 and again after increase in 2008-09, it shows constant figure. In ICICI Bank, there is increasing trend from the financial year 2005-06 to 2008-09, and then there is decrease. In ICICI Bank, more Capital is introduced.

'Reserves and surplus' in SBI has an increasing trend. In ICICI Bank also, there is increase from the financial year 2005-06 to 2009-10. In SBI, Reserves and surplus are more than ICICI Bank.

'Deposits' in SBI are increasing from the financial year 2005-06 to 2009-10. Further, ICICI Bank shows increase till the financial year 2007-08 and decrease in 2008-09 and in 2009-10. Deposits of SBI are more than ICICI Bank.

'Borrowings' of SBI have an increase from the year 2005-06 to 2009-10. ICICI Bank shows an increase. ICICI Bank has more borrowings than SBI except in the financial year 2009-10.

'Investments' in SBI decline in the year 2006-07 and then there is increase till 2009-10. In ICICI Bank there is increase in investments. In SBI Investments are more than ICICI Bank.

'Advances' in SBI are increasing from the financial year 2005-06 to 2009-10. In ICICI Bank, Advances are increasing till the financial year 2007-08 and decline in 2008-09 and 2009-10.

'Fixed assets' in SBI are increasing. In ICICI Bank, there is decline in 2006-07, increase in 2007-08 and again decline for two financial years 2008-09 and 2009-10. In ICICI Bank, Fixed assets are more than SBI till 2007-08 and less thereafter.

'Interest income' in SBI is increasing from the year 2005-06 to 2009-10. In ICICI Bank, it is increasing till the financial year 2008-09 and decrease in 2009-10. In SBI Interest income is more than ICICI.

'Other income' in SBI declines in the financial year 2006-07 and increases in 2007-08, 2008-09 and 2009-10. In ICICI Bank, there is increase till the year 2007-08 and then it declines in 2008-09 and 2009-10. SBI generated more from other income than ICICI Bank.
'Interest expended' is increasing in SBI in the five years from 2005-06 to 2009-10. In ICICI Bank, the amount is decreasing from the financial year 2007-08 to 2009-10. In SBI, Interest expended is more than ICICI Bank.

'Operating expenses' are increasing from the year 2005-06 to 2009-10. In ICICI Bank, expenses are declining in the year 2008-09 and 2009-10. SBI incurred more for operating expenses than ICICI Bank.

'Cost of funds' to SBI are increasing for four consecutive years from 2005-06 to 2008-09 and decline is observed in 2009-10. For ICICI Bank, cost of funds are increasing till 2007-08 and decline in 2008-09 and 2009-10.

'Ratio of wage bills to total expenses' in SBI is declining in four consecutive years from 2005-06 to 2008-09 and increase in 2009-10. ICICI Bank also shows the same position. SBI Bank shows more wage bills to total expenses than ICICI Bank.

'Return on assets' in SBI is declining from 2005-06 to 2006-07 and increase in 2007-08 and 2008-09, again return declines in 2009-10. In ICICI Bank, return declines in 2006-07 and increase in 2007-08, further declines in 2008-09 and increase in 2009-10 showing fluctuations. ICICI Bank shows more return on assets than SBI except in the year 2008-09.

Table 11: Number of Offices of State Bank of India and ICICI Bank

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>3901</td>
<td>3825</td>
<td>4031</td>
<td>4353</td>
<td>4678</td>
</tr>
<tr>
<td>Semi urban</td>
<td>2475</td>
<td>2573</td>
<td>2923</td>
<td>3305</td>
<td>3636</td>
</tr>
<tr>
<td>Urban</td>
<td>1534</td>
<td>1733</td>
<td>1799</td>
<td>2017</td>
<td>2236</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>1331</td>
<td>1436</td>
<td>1500</td>
<td>1772</td>
<td>1887</td>
</tr>
<tr>
<td>Total</td>
<td>9241</td>
<td>9567</td>
<td>10253</td>
<td>11447</td>
<td>12437</td>
</tr>
<tr>
<td>ICICI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>75</td>
<td>75</td>
<td>131</td>
<td>138</td>
<td>151</td>
</tr>
<tr>
<td>Semi urban</td>
<td>99</td>
<td>188</td>
<td>387</td>
<td>461</td>
<td>566</td>
</tr>
<tr>
<td>Urban</td>
<td>169</td>
<td>205</td>
<td>359</td>
<td>399</td>
<td>481</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>220</td>
<td>246</td>
<td>373</td>
<td>410</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td>563</td>
<td>714</td>
<td>1250</td>
<td>1408</td>
<td>1698</td>
</tr>
</tbody>
</table>


Note: No. of offices includes administrative offices.
Table 11 gives the details of number of offices of SBI and ICICI Bank in rural, urban, semi urban and metropolitan areas.

Facts of rural area show that in SBI, number of offices in rural area decrease in 2006-07 and increase is shown in next three consecutive years from 2007-08 to 2009-10. In ICICI Bank, number is constant in 2006-07 and then there is increase.

In Semi urban area, SBI and ICICI Bank, both show an increase. Number of offices in urban area also increased in both the banks. The increase in offices is observed in metropolitan cities in both the banks under study. In total, SBI Bank has more offices than ICICI Bank.

Table 12: SBI and ICICI Bank - Offices in Chandigarh

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI</td>
<td>26</td>
<td>34</td>
<td>42</td>
<td>44</td>
<td>45</td>
</tr>
<tr>
<td>ICICI</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>


Table 12 observes the number of offices in Chandigarh, which denotes that in both the banks, offices have increased. SBI has more offices in Chandigarh than ICICI Bank.

Table 13: SBI and ICICI bank- Category Wise Employees

<table>
<thead>
<tr>
<th>Category and Bank</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>58660</td>
<td>55599</td>
<td>57765</td>
<td>64685</td>
<td>70622</td>
</tr>
<tr>
<td>ICICI</td>
<td>11163</td>
<td>18921</td>
<td>40686</td>
<td>34596</td>
<td>35256</td>
</tr>
<tr>
<td>Clerks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>89821</td>
<td>81080</td>
<td>76818</td>
<td>96974</td>
<td>87356</td>
</tr>
<tr>
<td>ICICI</td>
<td>14010</td>
<td>14194</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sub-staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>50293</td>
<td>48709</td>
<td>44622</td>
<td>44237</td>
<td>42321</td>
</tr>
<tr>
<td>ICICI</td>
<td>211</td>
<td>206</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>198774</td>
<td>185388</td>
<td>179205</td>
<td>205896</td>
<td>200299</td>
</tr>
</tbody>
</table>


Note: Employees Break-up of ICICI Bank is not available. Total employees of this Bank have been considered as officers.
Table 13 shows the category wise employees of SBI and ICICI Bank. In SBI, there are more employees than ICICI Bank.

1.7.2 State Bank of India

Historical Background of State Bank of India

The State Bank of India (SBI) is the largest Indian banking and financial services company with its headquarters in Mumbai, India. The bank traces its ancestry to British India, through the Imperial Bank of India, founded in the year 1806 as Bank of Calcutta, making it the oldest commercial bank in India. The Government of India nationalized the Imperial Bank of India in 1955, with Reserve Bank of India and renamed as ‘State Bank of India’. It was founded on 1st July 1955.

Symbol and Slogan of State Bank of India

The symbol of State Bank of India is a circle and not key hole and a small man at the Centre of the circle. The symbol depicts perfection and the common man being the centre of the bank’s business. The Slogan of State Bank of India is “Pure banking nothing else”.

Vision Statement of State Bank of India

- My SBI.
- My customer first
- My SBI: first in customer satisfaction
- Retain its position in the country as a pioneer in development banking

Mission Statement of State Bank of India

- We will be prompt, polite and proactive with our customers.
- We will speak the language of young India.
- We will create products and services that help our customers achieve their goals.
- We will go beyond the call of duty to make our customers feel valued.
- We will serve even in the remotest part of our country.
- We will offer excellence in services to those abroad as much as we do to those in India.
- We will imbibe state of art technology to drive excellence.
Philosophy of State bank of India

➢ To have sound ethical values.
➢ To be a financial innovator.
➢ A micro portal for all human beings seeking authentic happiness, fulfillment and a meaningful life.

State Bank of India and Workforce

"Performance appraisal should be used as a tool for human resource development. Reporting Authority should realize that the objective is to develop an officer so that he realizes his true potential. It is not means to be a fault-finding process but a development one. The various columns in the format should be filled with due care and attention and after devoting adequate time. The Reporting Authority and the Reviewing Authority should not feel shy in reporting shortcomings in the performance, attitudes or overall personality of the officer reported upon".

Banking Subsidiaries

State Bank of India has the following five Associate Banks vis.-a-vis.

1. State Bank of Bikaner and Jaipur
2. State Bank of Hyderabad
3. State Bank of Mysore
4. State Bank of Patiala
5. State Bank of Travancore

Non Banking Subsidiaries

The Bank has the following non banking subsidiaries in India;

1. SBI Capital Markets Ltd.
2. SBI Funds Management Pvt. Ltd.
3. SBI Factors and Commercial services Pvt. Ltd.
4. SBI Cards and Payments Services Pvt. Ltd.
5. SBI DFHI Ltd.
6. SBI General Insurance Company Limited
The non banking subsidiaries are explained in detail:

1. SBI Capital Markets Ltd. (SBICAP)
   SBICAP undertakes merchant banking activities, advisory activities and services, project appraisal and security broking. Its focus is on urban infrastructure and power, which are reckoned as the growth drivers. The other focus areas are public issues of equity, debt placements, broking and sales and distribution.

2. SBI Funds Management Pvt. Ltd. (SBI FUNDS)
   SBI FUNDS is the Asset Management Company (AMC) set up for managing and controlling the affairs of SBI Mutual Fund.

3. SBI Factors and Commercial services Pvt. Ltd. (SBI FACTORS)
   SBI FACTORS has put in place a technology driven platform for offering integrated receivables management. Factoring involves a collection of finance services designed to improve the cash flow position of Small and Medium Enterprises (SMEs) by turning their credit invoices into ready cash.

4. SBI Cards and Payments Services Pvt. Ltd. (SBICPSL)
   SBI Cards and Payment Services includes;
   a. Market Leadership in VISA petrol spends in India.
   b. Launch of ELITE Card which is offered by invitation only.
   c. Ten percent maiden dividend declared.
   d. Launch of e-bill payment of SBI credit card for SBI account holders.

5. SBI DFHI Ltd. (SBI DFHI)
   SBI DFHI Ltd. is a primary dealer, the institution created by Reserve Bank of India to support the book building process in primary auctions of Government securities. The company is active in retailing of Government securities.

6. SBI General Insurance Company Limited
   SBI General Insurance Company Limited is a joint venture between the State Bank of India and Insurance Australia Group (IAG). It is a technology driven with state-of-the-art IT systems.
Joint Ventures

The Bank has the following joint ventures in India:

1. SBI Life Insurance Company Ltd.
2. SBI General Insurance Company Ltd.
3. SBI-SG Global Securities Private Ltd.

The joint ventures of State Bank of India are explained:

1. **SBI Life Insurance Company Ltd.**

   The joint venture is between State Bank of India and Paribas Assurance. SBI Life Insurance’s mission is to emerge as the leading company by offering a comprehensive range of Life insurance and pension products at competitive prices, ensuring high standards of world class customer service and operating efficiency.

2. **SBI General Insurance Company Ltd.**

   The joint venture is between the State Bank of India and Insurance Australia Group (IAG). SBI General’s vision is to lead the nation by increasing general insurance penetration as well as partnering the nation in reducing risks systematically. SBI General introduces innovative portfolio of products at competitive prices, which are convenient to buy.

3. **SBI-SG Global Securities Private Ltd.**

   The joint venture is between State Bank of India and Societe Generale Securities Services (SGSS). The venture is set up to offer high quality custody services, Fund Accounting, Risk Analysis and Performance Measurement and Registrar and Transfer Services to domestic investors like financial institutions, private banks, corporates, brokers etc.

**State Bank of India- Products and Services**

State Bank of India caters to the need of agriculturalists and landless labourers through network of rural and semi-urban branches. The branches have covered a whole gamut of agricultural activities like crop production, horticulture, plantation crops, digging of wells, tube wells and irrigation...
projects and allied activities like dairy, fishery, piggery and rearing of silk worms.

International banking services of State Bank of India are delivered for the benefit of its Indian customers, non resident Indians, foreign entities and banks through a network of 173 offices/ branches in 33 countries as on 5th March 2012. The service includes corporate lending, loan syndication, merchant banking, short term financing, collection of clean and documentary credits and remittances.

Through corporate banking, SBI is one shop providing wide range financial products/ services for large, medium and small customers at domestic and international level. It deals in Working capital financing, Term loans, Deferred payment guarantees, Corporate loans, Export credit etc.

State Bank of India involves a wide range of services including SBI Term Deposits, SBI Recurring Deposits, SBI Housing Loan, SBI Car Loan, SBI Education Loan and SBI Personal Loan.

SBI’s International Group delivers the full range of cross border finance solutions through its four wings- the domestic division, the foreign offices division, the foreign department and the International Services division.

SBI offers the trusted financial solution to all complex trade finance fund needs (both in Indian rupee and foreign currencies) including export avenue and import avenue.

SBI has Correspondent Banking Division which develops and maintains relationship with banks and financial institutions across the globe. The Correspondent network forms the foundation for all international operations of SBI.

SBI’s Merchant Banking Department (MBD) caters to the forex funding needs of the Indian corporates. It is strongly positioned to offer foreign currency loans at competitive rates to finance the business.

SBI is playing dominant role in overseas treasury operation. The Treasury Management Group (TMG) is the part of International Banking

45. www.sbi.co.in
Group (IBG) and functions under the Chief General Manager (foreign offices). The division management, supervision and control of treasury functions at SBI's foreign offices. The functions include asset liability management, market risk management, and trading operations.

On the whole, The State bank of India is changing outdated front and back end processes to modern customer friendly processes to improve the customer experience. The Bank is also looking at opportunities to grow in size in India and abroad. Throughout this change, the bank is also attempting to change old mindsets and take all employees together on this exciting road to transformation.

1.7.3 ICICI Bank

Historical Background to ICICI Bank

ICICI bank was established in 1994 by 'Industrial Credit and Investment Corporation of India', an Indian financial institution, as a wholly owned subsidiary company. The parent company was formed in 1955 as a joint venture of World Bank to provide project financing to Indian industry. The bank was initially known as the 'Industrial Credit and Investment Corporation of India Bank', before it changes its name to the abbreviated 'ICICI Bank'. The parent company was later merged into ICICI bank.

Symbol and Initiative

The symbol of ICICI bank is a circle written ‘i’ in it demonstrating the first word of name of the bank 'ICICI Bank'. The logo green initiative is the organization wide initiative that moves beyond moving people, processes and customers to cost effective automated channels to build awareness and consciousness of the environment, society and the nation. The initiative ranges from green offerings, green engagements to green communication with their customers.

Vision Statement of ICICI Bank

To be the leading provider of financial services in India and a major global bank.
Mission Statement of ICICI bank

We will leverage our people, technology, speed and financial capital to:

- Be the banker of first choice for our customers by delivering high quality, world class products and services.
- Play an active role in full utilization and realization of India’s potential.
- Maintain a healthy financial profile and diversify our earnings across geographies and businesses.
- Maintain high standards of governance and ethics.
- Contribute positively to the countries and markets in which we operate.
- Create value for our stakeholders.

Philosophy of ICICI Bank

We seek to partner India’s growth and globalization by delivering world class financial services across all cross-sections of the society.

ICICI Bank and Workforce

ICICI group believes that its employees are the greatest drivers of growth and development. The performance and aspirations are underpinned by a strong organization culture of dynamism, meritocracy, excellence in execution and high standard of professional integrity that have helped ICICI group to become an industry leader.

Subsidiaries

The ICICI Bank has key subsidiaries:

1. ICICI Prudential Life Insurance Company
2. ICICI Lombard General Insurance Company
3. ICICI Prudential Asset Management Company
4. ICICI Venture Funds Management Company Limited
5. ICICI Securities Limited and ICICI Securities Primary Dealership Limited
6. ICICI Bank UK PLC
7. ICICI Bank Canada
The subsidiaries and their roles are explained:  

1. ICICI Prudential Life Insurance Company

   ICICI Prudential Life Insurance Company (ICICI Life) maintains its market leadership in the private sector with an overall market share of 9.3% based on retail business received premium in the year 2010.

2. ICICI Lombard General Insurance Company

   ICICI Lombard General Insurance Company (ICICI general) maintained its market leadership in the private sector with overall market share of 9.5% in the year 2010.

3. ICICI Prudential Asset Management Company

   ICICI Prudential Asset Management deals with the asset management, the average assets under management of ICICI AMC increased from Rs. 514.56 billion for March 2009 to Rs. 810.18 billion for March 2010.

4. ICICI Venture Funds Management Company Limited

   ICICI Venture maintained its leadership position in private equity in India, with funds under management of about Rs. 114.40 billion at year-end 2010.

5. ICICI Securities Limited and ICICI Securities Primary Dealership Limited

   ICICI securities achieved a profit after tax of Rs. 1.23 billion in the year 2010 compared to Rs. 0.04 billion in the year 2009.

6. ICICI Bank UK PLC

   ICICI Bank UK offers retail, corporate and investment banking services in the UK and Europe. During the year 2010, ICICI Bank UK continued to focus on rebalancing the deposit base towards retail term deposits increased from 58% at March 31, 2009 to 66% at March 31, 2010.

7. ICICI Bank Canada

   ICICI Bank Canada is a full-service Bank which offers a wide range of financial solutions to cater to personal, corporate, investment and trade
requirements. ICICI Bank has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Hong Kong, Sri Lanka, Qatar and Dubai International finance centre and representative offices in China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia.

**ICICI Bank – Products and Services**

ICICI Bank has designed a gamut of accounts and deposits to cater to unique banking needs. The Bank is providing extensive branch and ATM network and facilities like mobile, phone, internet and doorstep banking and experience banking to its best.

ICICI Bank introduced ICICI Bank Young Stars Account, a Bank account designed exclusively for kids, so that the child can save his money.

ICICI Bank offers a wide range of Trade services designed for short term to medium term trade financing requirements so that the company can seize new business opportunities whenever they arise. Customers can gain benefit from Bank's streamlined processes based on a strong technological backbone to provide best in class service levels, and reduce the hassles relating to trade transactions.

With the introduction of technology, increasing competition and market expectations, ICICI Bank has started offering a slew of services with current account.

ICICI Bank offers friendly experience (fx) services and products to its client's unique requirements and also leveraging technology to deliver bespoke solutions and user-friendly experience. This is basically online portal that gives the most competitive and transparent rates and take care of all the transactions involving foreign currencies. It involves transactions in a secure network and real time platform with competitive forex rates.

ICICI Bank with its technology driven banking give an option- Online Tax to avoid paperwork and wastage of time. The user can easily view, download and print the acknowledged copy of the challan.

ICICI Bank facilitates Online Confirmation of Forward deals. The online confirmation feature of the forward contract system enables to view and accept forward confirmations online. The confirmations are available for
acceptance within 24 hours of booking the deal, thus reducing the time involved in their manual dispatch.

Bank’s corporate and investment banking franchise is built around a core relationship team that has strong relationships with almost all of the country’s corporate houses. ICICI Bank has commercial banking group within the wholesale banking group for growing this business through identified branches, while working closely with the corporate relationship teams.

ICICI Bank’s international strategy is focused on building a retail deposit franchise, meeting the foreign currency needs of Indian corporate clients, taking trade finance exposures linked to imports to India and achieving the status of the preferred non-resident Indian (NRI) community bank in key markets.

ICICI Bank’s information technology focuses on increasing customer convenience by targeting a 24X7 service window, reducing customer complaints, and increasing turnaround and resolution timeframes. New modules are implemented in private banking system to manage the customer-life-cycle and offer a consolidated view of the client’s portfolio.

The Bank has facilitated E advices to help in providing faster information of daily transactions. E advices are sent out daily at the end of the day, to the trade customers. Current account with ICICI Bank is essential for getting E advices.

ICICI Bank provides Business Banking Advisor to help the client with the business loans and trade transactions. It is a team of experts to bring best-in-class solutions for different needs on investments, banking, loans and property services.

Customised Investment planning at ICICI Bank create, review and rebalance investment plan to meet evolving needs through five stage process namely Understanding the client’s risk profile, Asset allocation, Investment advisory, Review of investments and Matching client’s changing needs. The process is backed by in-depth research on different asset classes and a wide range of investment products.
ICICI Bank facilitates trade alerts. Planning for payments and timely action are critical requirements in trade transactions. To take care of these critical requirements, clients can take advantage of the trade alerts, specifically designed to provide details of the transactions falling due or the payments to be made.

ICICI Bank provides personal banking privileges including discount on safe deposit locker charges, personal international debt card privileges including personal accident insurance cover, complimentary, personalized international debit card, enhancing limits on shopping transactions.

ICICI Bank gives Lifestyle Privileges including Investment seminars (providing invitations to exclusive seminars and expert panel discussions), Lifestyle events (arranging special screening of movies, plays, classical music concerts, art exhibitions, theaters workshops and other events too).

In a nutshell, State Bank of India strives to be transparent organization, ensuring dignity and respect and inculcate value system across the organization for ensuring trustworthy relationship with its associates and stakeholders. ICICI bank strives to achieve excellence in every activity the bank undertakes and continuously upgrade and update knowledge and skills of its human resources. “Leadership through Service” has been identified as a core value proposition of ICICI Bank’s business strategy. This entails achieving service excellence at bank’s branches and enhancing customer service skills among its employees. The Bank continued its endeavour to enhance its human resource capability and invest in skill development and training of its employees to enhance employee engagement.

1.8 LIMITATIONS OF THE STUDY

The following limitations were observed by the researcher:

1. In the service industry, the product is not tangible, so the productivity depends on the quality rather than quantity of services. This limitation makes the measurement difficult.
2. The analysis was based on the perception of the customers and employees. Therefore, the probability of data inaccuracies due to item misinterpretation or predisposition to certain responses does exist.

3. Responses from primary data collection (employees and customers both) had been solicited from banks in Chandigarh. The perception of people in Chandigarh may vary from respondents of rest of India.

4. The respondents for ‘Internal business process perspective’ were less in number because it was technical in nature and could not be filled by all the respondents.

5. One public sector and one private sector bank were included in the study, whose customers and employees were participating for research purpose. As a result, the generalization of the findings of this research should be considered carefully.

1.9 FURTHER AVENUES/SCOPE OF RESEARCH

Research can be conducted on manufacturing companies like Tata Steel Industry, consultancy sector like Tata Consultancy Services, pharmaceutical Industry like Dr. Reddy’s Labs, Ranbaxy, Indian hotels like Taj Groups to measure organizational performance and employees’ performance as well, on the basis of financial, customer, internal business process and learning and growth perspective by applying Balanced Scorecard. Review of literature serves by exploring maximum studies in manufacturing industry. Other sectors are not considered or very less considered for research purpose. Moreover, organizations as discussed earlier are using Balance scorecard as a strategic management system and as a cost reduction and profit maximization tool. The present study is confined to measurement of employees’ performance in banking sector only. The research can be conducted to apply ‘Balanced Scorecard’ to measure banks’ performance as a whole. Further, the research can be addressed (a) to identify the extent of the usage of ‘Balanced Scorecard’ (b) to identify the key performance indicators in different perspectives of the scorecard (c) to explore whether concerned organizations use all the four perspectives, namely financial, customer, internal business processes and learning and growth in their
scorecard and (d) to capture the impact of 'Balanced Scorecard' on different areas. The study can be conducted by comparing different industries also. If the researcher is interested to emphasize banking industry, a comparative study of public, private and foreign banks can be helpful in evaluating the performance of the scorecard as a management tool.

1.10 CHAPTER OUTLINE

The report of the present study is divided into six chapters. First chapter provides the reader with an introduction to the concept of 'Balanced Scorecard' and describes the research methodology and research design used for data collection and analysis. The chapter also contains banking scenario in India and motivation for the present study along with research problem and purpose. The second chapter provides with an overview of the literature on previous research within the area of 'Balanced Scorecard' and its perspectives as a strategic performance measurement model. Chapter three contains detailed discussion on 'Performance measurement system' in selected banks. Chapter four presents the research findings and analysis of the data. Chapter five contains the overall conclusions drawn from the research in relation to data analysis and existing performance measurement system in selected banks. Chapter six suggests strategies for future 'Performance measurement programs'. The chapter is closed with the recommendations for the management. The study shall motivate further research within the area of 'Balanced Scorecard' as a strategic control and performance measurement tool to other banks and similar organizations as well.