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USING BALANCED SCORECARD IN MEASURING THE PERFORMANCE OF ONLINE BANKING: CULTIVATING STRATEGIC MODEL MAP IN FINANCIAL SECTOR-CASE OF BAHRAIN

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Abstract

The balanced scorecard is a system that focuses the efforts of employees, from different levels of the organization, towards achieving the company's vision and strategic objectives. The purpose of this study is to use the balanced scorecard in measuring the performance of online banking and to focus on how to cultivate the strategic model map in the Bahraini financial sector. A qualitative method was used

in this study, with the semi-structured interview questions classified into three main elements covering the financial sector: Strategic Vision and Mission, Strategic Objectives based on the four perspectives of Balanced Scorecard (BSC), and the Online Banking Performance Measurement System. Three local banks participated out of 11 conventional retail and Islamic retail banks in Bahrain. The study provides a basis for integrating measures of the BSC and offers guidelines for implementation of a performance management system and how to adjust the strategic model map to fill the existing gaps. A generic online banking strategy model map is formulated to show the strategic objectives and relevant measures of the scorecard perspectives. Representatives of major banks in Bahrain were interviewed to explore the ways in which they measure the performance of their online banking divisions. The study concludes by providing a list of recommendations to the financial sector.

Keywords: Balanced Scorecard (BSC), Bahrain, Measurement, National Banks, Online Banking, Performance, Strategy Map, Arab, GULF Cooperation Council (GCC)

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INTRODUCTION

Overview

Organizations are experiencing revolutionary transformations in response to the emergence of the information era. This new era requires both manufacturing and service organizations to exploit their assets and resources to sustain competitive advantage. The ability of an organization to utilize its intangible assets has become more important than investing in physical or tangible assets. This requires better understanding of customers' needs, internal business processes, and innovative ways to improve.

Traditional measurement systems have been based on accounting models and have measured the financial performance of firms. However, in a global competitive environment, performance needs to be measured through financial and operational perspectives. The balanced scorecard overcomes the limitations of traditional performance measures by complementing financial measures of past performance with measures of future drivers of performance. The balanced scorecard is more than just a measurement tool; it is a system that focuses the efforts of staff, from different levels of the organization, towards achieving the company's vision and strategic objectives.

Main Focus or Challenges and Questions

The main focus of this study is to examine the potential of using the balanced scorecard concept in the field of online banking. This study will attempt to answer questions related to the balanced scorecard and how is it developed, its benefits and limitations, the successfully implemented in the banking sector, its approach and how it can be used effectively to measure the performance of firms providing online financial services and finally, how can the balanced scorecard approach be applied to banks offering online services in Bahrain.

The main objective of this study is to prove that the balanced scorecard can be used as an effective performance measurement system in the online banking sector. The aim is to determine the factors that drive the performance of online banking from four perspectives: customers, internal processes, learning and growth, and financial. According to the chosen factors, indicators are set to measure the performance of each factor. This helps formulate a generic strategy map for online banking that shows the interrelationships of the drivers. The study also examines the strategic goals and measurements of performance of the online division in major national banks in the Kingdom of Bahrain. It concludes with a set of recommendations for improving the performance measurement systems used in national banks in Bahrain.

REVIEW OF BALANCED SCORECARD LITERATURE

The concept of the balanced scorecard (BSC) was developed by Kaplan and Norton [1], and has been applied in numerous firms and government organizations all over the world. The balanced scorecard allows organizations to execute the strategy effectively by combining the measurement system with the management system. Based on the basic principle that “measurement motivates”, the balanced scorecard has been vital to the success of organizations worldwide [1,2].

Definitions of Balanced Scorecard

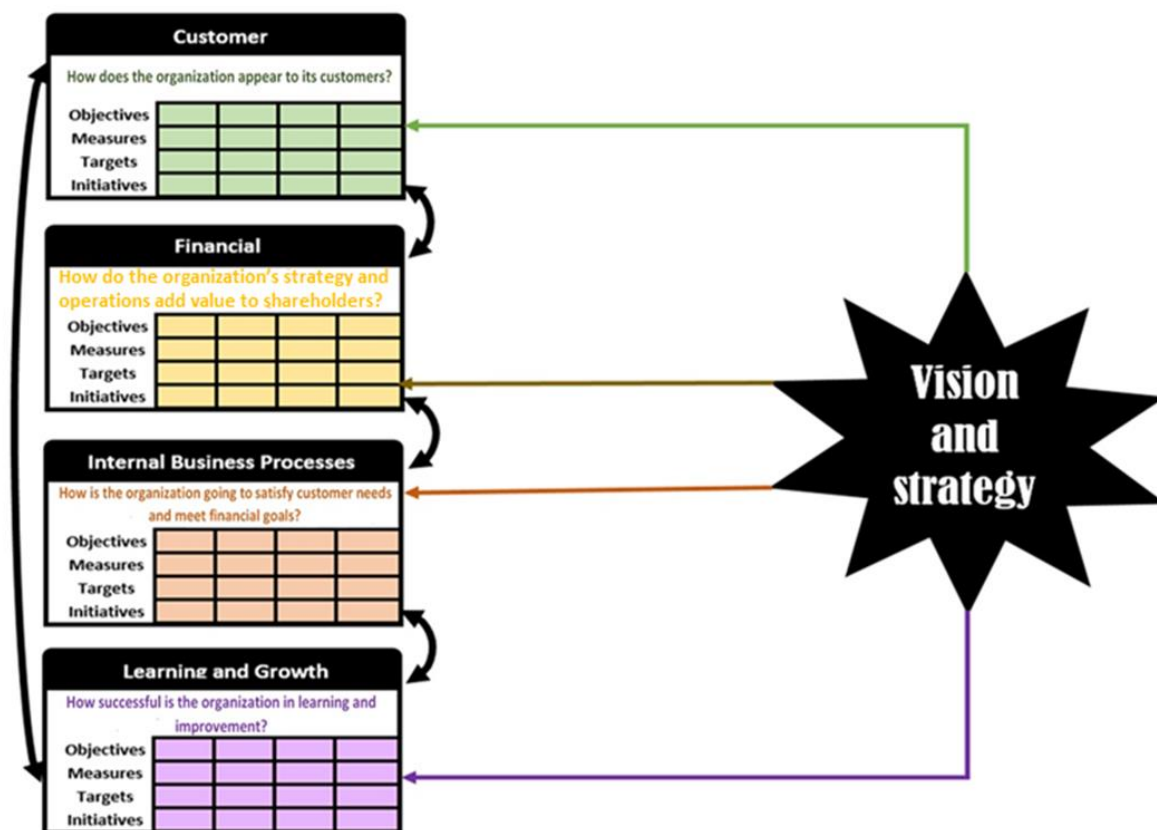
The balanced scorecard, as defined by Kaplan and Norton [1], helps managers look at the business from four perspectives: first, the customer perspective, which provides the answer to the question “How do customers see us?” The second perspective is the internal perspective, which answers “What must we excel at?” The innovation and learning perspective answers “Can we continue to improve and create value?” Finally, the financial perspective answers the question “How do we look towards shareholders?” Figure 1 shows the links between the four perspectives. According to Turban et al., [3] the balanced scorecard is a method that “evaluates the overall health of organizations and projects by looking at metrics in finance, customer’s view of the organization, internal business processes, and ability to change and expand”.

Using the Balanced Scorecard as a Strategic Management System

Kaplan and Norton [4] suggest the use of the balanced scorecard in linking a company’s long-term strategic objectives with short-term actions. This can be achieved through four new management processes. The first process is translating the vision, in which the company’s vision and strategy have to be articulated as an integrated set of objectives that explain the long-term drivers of success.

The second process is communicating and linking; the scorecard allows managers to communicate an organization’s long-term strategy to all levels, thus aligning the departmental and individual objectives with the strategy. Business planning is the third process; it allows the integration of business and financial plans. Managers can use the goals of the balanced scorecard as a basis for allocating resources and coordinating the actions that contribute to achieving long-term objectives. The fourth process is feedback and learning; the scorecard allows a company to monitor short-term results from three perspectives in addition to the financial perspective and to evaluate the strategy based on those results. This process facilitates strategy review and learning.

Figure 1: The Balanced Scorecard (BSC) links performance measures.



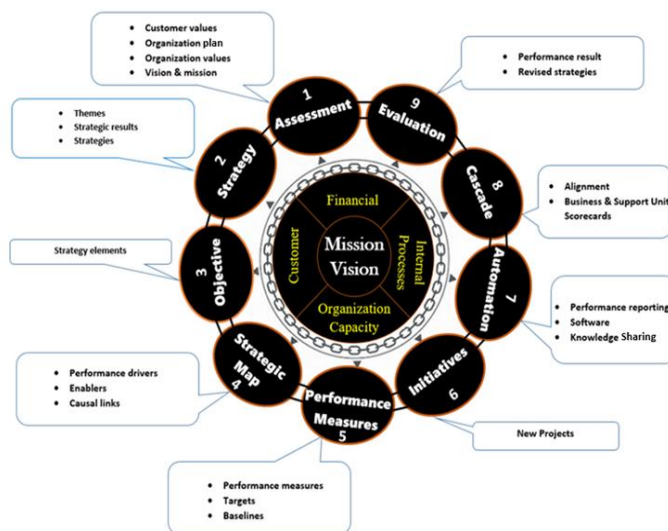
Development and Implementation of Balanced Scorecard

Rohm et al. [5] considers the development of a balanced scorecard a journey not a

project because the value of a scorecard comes from continuous self-examination and thorough analysis. Creating and maintaining a balanced scorecard is a long-term commitment that requires the acceptance of changes in behavior of staff at all levels of a company. The balanced scorecard journey has two phases: building the scorecard and implementing the scorecard.

Figure 2 illustrates the nine-step framework; the output from each step provides the input for the next step. The circle helps express the sense that building and implementing a scorecard is a continuous journey, not a project.

Figure 2: Building and Implementing a Balanced Scorecard.



ONLINE BANKING BALANCED SCORECARD

According to Ozturk and Coskun [6], to see whether the organizations have met the pre-determined goals successfully, performance criteria should be specified and strategic objectives should be developed within each perspective of BSC. Moreover, transforming BSC perspectives into a set of actions through strategy designation is viewed as a protection measures for the organization’s vision and strategy. Accordingly, they

suggest the application of BSC in an IT system since bankers need to build and implement new strategies to conform to the development of internet banking.

Online Banking Financial Perspective

The first step in the adaptation of the balanced scorecard is to set the strategic goals for the company. Each company has a different vision and mission statement, therefore each company develops its own unique balanced scorecard that best suits its situation and shows the measures of the strategic objectives.

The first set of objectives is financial, based on the four perspectives of the balanced scorecard. The main financial strategy objective of all industries is to increase shareholder value. According to Kaplan and Norton [7], the financial strategy can be divided into two basic parts: revenue growth and productivity. The overall strategy of the bank is to increase shareholders' value through customer acquisition and penetration of client wallets and improve asset quality to reduce losses due to the booking of bad loans.

In the case of online banking, the high-level financial goal is to increase shareholder value. This can be accomplished by setting the goals of the revenue growth and productivity strategies. A study conducted by Aladwani [8] on the drivers of online banking showed that "creating new markets" is among the top ten drivers of this sector. Online banks may introduce new sources of revenue by offering banking products and services to new market segments; examples include college students and working women. Online banks could increase customer value by offering multiple banking services instead of a single service to every customer.

The productivity strategy includes reducing operational and administrative costs, which are two main drivers of online banking, according to Aladwani [8]. The second component of the productivity strategy is asset utilization; in manufacturing companies, assets include property, plant and equipment. In the online banking

sector, this objective can be adapted to maximize the use of the information systems and IT infrastructures.

Online Banking Customer Perspective

Kaplan and Norton [7] state that the core of the business strategy is the customer value proposition. This proposition defines how the company will differentiate itself from competitors to retain targeted customers. A study by Zahoor and Sahaf [9] stated that “the customer perspective has a significant positive influence on the financial performance”.

A typical customer value proposition of an online banking services provider should describe the attributes of these services. Al-Alawi [10], Aladwani [8], and Jun and Cai [11] agree that online services must be reliable and generate the same results as, or better than, traditional methods. Reliability mainly consists of providing the correct service and displaying accurate account records.

Security is a crucial attribute for conducting financial transactions over the internet. Jun and Cai [11] and Jayawardhena and Foley [12] Al-Alawi and Hafedh [13] argue that customers are concerned for the privacy of the personal information that is logged on to the site and the security of the transactions performed in transferring funds or paying bills. Al-Alawi and Abdelgadir [14] recommend that online banks should always update the security and protection systems to safeguard against potential threats (also refer to Al-Alawi [15]).

Online banking heavily depends on the attributes of the website, therefore it is reasonable to add a feature to the customer value proposition that includes the website attributes. The quality of the website functions of an online bank is crucial to ensure user satisfaction. Al-Alawi [16] and Jayawardhena and Foley [12] agree that the increased competition among existing financial services providers and the threats of new entrants to the market allow bank customers to be a few keystrokes

away from shifting to a competitor with better online functions. The website features are limited to speed, content, design, ease of use.

The customer perspective in the balanced scorecard of online banking is summarized in Table 1.

Table 1: Customer intimacy value proposition of online banking.

Financial service attributes	Website attributes
Reliable Secure	Speed Content Design Ease of use
Relationship	Image
Mass customization Friendly environment	Trusted brand name

Online Banking Internal Process Perspective

After defining the financial and customer perspectives, a company can “determine the means by which it will achieve the differentiated value proposition for customers and the productivity improvements to reach its financial goals”, as stated by Kaplan and Norton [7].

The internal process perspective defines the critical activities that achieve the financial and customer-related objectives. These activities fall into four main processes as categorized by Kaplan and Norton [7]:

- Building the franchise by innovating new products and services and entering new markets. Increased innovations are known to produce long-term revenue improvements.
- Increasing customer value by enhancing relationships with existing customers. This produces intermediate improvements to revenue.

- Achieving operational excellence by improving supply chain management, the costs and delivery time of processes, and asset utilization. These improvements create short-term financial benefits.
- Becoming a good corporate citizen by establishing relationships with external stakeholders.

To support the customer intimacy strategy, online banks must understand their customer segments better. The internet can be used to collect customer feedback about the quality and speed of the banking services available and the rate of the functionality of the website. Al-Alawi and Abdelgadir [14] emphasize the importance of seeking feedback from customers to generate ideas and support development which will eventually increase customer satisfaction.

Online Banking Learning and Growth Perspective

The fourth perspective of the balanced scorecard, learning and growth, defines the organization's intangible assets and their role in the strategy. Intangible assets are categorized by Kaplan and Norton [17] into three parts:

- **Human capital:** This defines core competencies that include the availability of skills, talent, and know-how to perform critical activities.
- **Information capital:** This states the availability of information systems and knowledge applications and infrastructure needed to support an organization's strategy.
- **Organization capital:** This includes culture-awareness of the shared mission and vision among employees; leadership-the availability of qualified leaders at all levels of the organization; alignment-the alignment of goals with the strategy at all levels; teamwork-the sharing of knowledge and skills throughout the organization.

Technology is a critical part of online banks. The hardware and software applications need to be updated regularly, and large amounts of effort should be put into

researching emerging technologies and their suitability for enhancing the offered online services as stated by Martinsons et al. [18]. A study by Nisha [19] in Bangladesh indicated that banks which have growths in their financial measurements such as Return on Assets (ROA) and Return on Equity (ROE) had “increased their efforts towards the characteristics under the learning and growth, internal business process and customer perspectives”.

Measuring Performance of the Objectives

The objectives of online banking mentioned in the previous sections may be assessed by measuring and evaluating each set of objectives using the appropriate performance measures. Monitoring these measures allows the company to identify areas in which it needs to improve. The measures should always be compared to industry standards and averages, according to Martinsons et al. [18]. The financial objectives included the high level financial goal of increasing shareholder value; this goal can be measured by the online bank’s actual share price and the return on investment compared to the rest of the industry. The revenue growth strategy is measured by the revenue from new banking products and services and ratio of customers using multiple services to customers with a single service. In the productivity strategy, reduction of cost is measured by the cost per transaction compared to the industry. The maximum use of existing infrastructures can be monitored by the number of affiliates. The customer intimacy proposition of online banking is measured by the share of targeted customers. Moreover, banks have to measure profitability based on types of customers or products to adjust the customer proposition accordingly. The website attributes are assessed by the rate of transactions performed online compared to the industry rate.

Formulating the Strategic Model Map

The balanced scorecard measures a company’s performance from four perspectives - financial, customer, internal processes, and learning and growth. Kaplan and

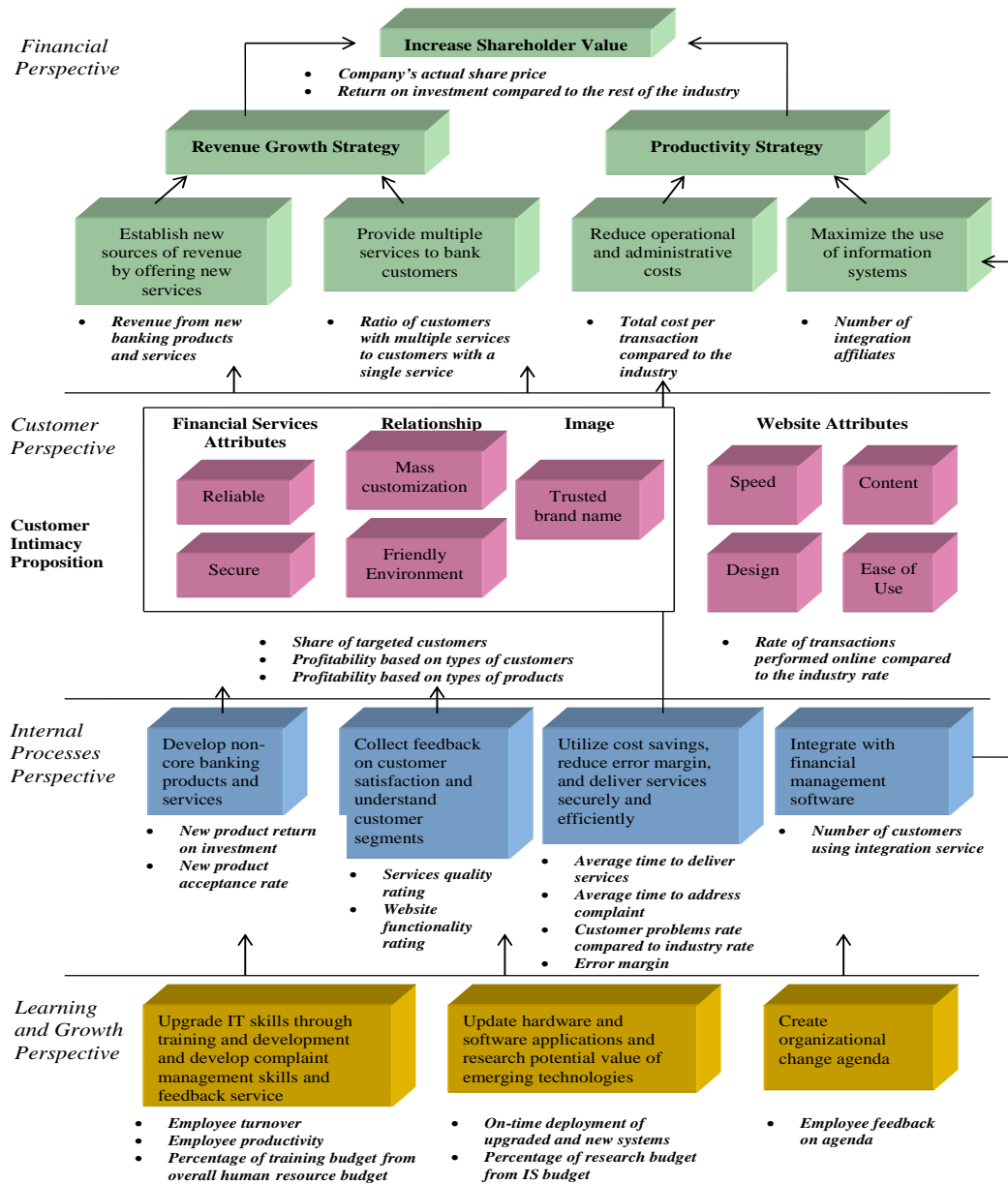
Norton [7] define a strategy map as a visual representation of an organization's strategic objectives and the relationships among them that drive performance. They claim that executives need a complete description of the company's strategy to easily communicate the strategic objectives among themselves and their employees. Strategy maps provide a clear framework that shows how a company can convert its assets, both tangible and intangible, into tangible outcomes. Strategy maps illustrate the skills, knowledge, and systems that employees need – learning and growth – to create and build the suitable strategic capabilities and efficiencies – internal processes – that deliver value to the target market – customers – which will lead to substantial increases in shareholder value. Balkovskaya and Filneva [20] study one of the Russian regional banks showing progressively a procedure for developing a BSC strategy map. They use a method lead to a clear map to assist management to prioritize their strategic stages in the limited resources to direct the bank's strategy in a most operative approach.

A strategy map can serve as a checklist; if a company is missing a part of the strategy map framework, there are probably a few shortcomings in the company's strategy. Kaplan and Norton [7] frequently found that companies have no connections between internal processes measures and the customer value proposition, no objectives for innovation, and imprecise objectives for employee motivation and skills or for the role of information technology.

Figure 3 represents the generic strategy map for firms offering online financial services. The map shows the strategic goals from the four perspectives and the measures that indicate performance in each area. The strategy map allows managers to link the objectives from each perspective by identifying cause-and-effect relationships. The map shows that if employees are trained properly and technology is updated, then the internal activities will be performed well. If the crucial activities are performed well, then customers will be highly satisfied. If customers are satisfied, then revenues will grow gradually. The measures allow the managers to detect problems at an early stage and respond to them before the financial outcomes

are affected.

Figure 3: Online banking strategy map.



RESEARCH METHODOLOGY AND DATA COLLECTION

To describe the research methodology, this section is divided into the following sections: research approach, research participants, research assumptions, sample

selection, and data collection.

Research Approach

The qualitative research approach was chosen for this study because it was found to be the most suitable for the purpose of this research, as the purpose is to have a better understanding of the way local banks measure their performance and the problems they face along the process. The research also includes examining the basis for choosing the objectives and the methods used to achieve them. The qualitative approach allows close contact with the participants to gather their attitudes and perceptions, and find complete and detailed information about the banks. The interview was found to be the most appropriate qualitative research instrument because it provides access to the opinions of the participants about the strategic goals and objectives of their banks and their views on the existing and future approaches for achieving those goals.

Research Participants

To study the possibility of applying the balanced scorecard to the banking sector in Bahrain, the interview participants were chosen from the following retail conventional and retail Islamic national banks [21]. Three local banks participated out of 13 conventional retail and Islamic retail banks in Bahrain. Bank-A, Bank-B and Bank-C. Most of the banks refused to participate due to confidentiality of information. Nevertheless, they were informed and assured that data collected will be treated in the strictest confidence and will be used only for this study.

Face-to-face interviews were conducted with all the participants; one person was selected from each bank except Bank-B, where two people were interviewed. The participants were at the management level and were supervisors in the electronic banking departments. The interviewees were responsive to most questions but some were reluctant to answer due to the confidentiality of some internal procedures.

FINDINGS: DISCUSSIONS AND ANALYSIS

This section holds the findings from the research conducted on the local banks in Bahrain. Each bank is discussed individually: the first part describes the bank's vision and mission, strategic objectives, and performance measurements. The second part discusses the objectives of the online banking division and the indicators used in measuring its performance. The information is based on reports, banks' websites, and the interviews, as mentioned in the previous section.

Bank-A

The vision of Bank-A is to be the premier financial services enterprise in the region by providing superior products and services through innovation, technology, and lifelong customer relationships. The vision also includes customers in the goal of expanding the bank's presence overseas to satisfy diversified needs of customers. The bank also believes that the customers are the driving force in everything it does. The vision for employees is to encourage the principles of entrepreneurship, decision making, and ownership through training, development, delegation, and performance-based reward systems. The bank is determined to utilize cutting edge technology. It acknowledges the shareholders as the source of future financial strength and they are promised continued growth and profitability. The vision incorporates the financial, customer, internal process, and learning and growth perspectives of the balanced scorecard and involves the shareholders as well.

Bank-A updates its strategy every three years; the current strategy includes the objectives of increasing the return on shareholder equity to 20% by the end of the year, enhancing the ratio of income to operating expenses, and examining further strategic alliances and opportunities of mergers and acquisitions to diversify assets and revenues. The bank has achieved major improvements in the financial indicators of net profit growth, total assets growth, and the cost to income ratio.

The goal for customers is to exceed their expectations by offering a range of innovative products and services and delivery channels. The goals also include increasing the customer loans portfolio, expanding the insurance services provided in association with the insurance company by achieving increases in premium income and the number of transactions. Bank-A intends to maintain its leading position in the cards service even though new entrants emerged onto the market; it was able to achieve that through successfully launching the first smart card from a financial institution in Bahrain. Bank-A also created an online community where customers and non-customers can join in forums and discussion groups; it also includes other features such as advanced navigation tools, greeting e-cards, and prayer times.

To improve the internal processes, Bank-A has in the past enhanced the role of financial control and planning; as for the current year, it introduced the concept of risk-adjusted return on capital (RAROC), which is a tool for the profitability of customers against associated risk exposures. The concept of matched funds transfer pricing (FTP) was refined to determine the actual profitability of Bank-A achieving business unit.

The key objectives of Bank-A in achieving operational efficiency are eliminating inefficiencies in banking operations and implementing the concept of straight-through processing (STP) for trade finance, advisory service, and salary processing for corporate clients. The bank is in the process of implementing new core banking and branch automation systems; these infrastructural developments will provide benefits to the bank in the form of operational efficiency and to customers in improving delivery channels and enhancing levels of services.

Bank-A considers the staff the human face of the bank and they should convey trust and confidence to the clients. Bank-A initiated a new Management Trainees Program and the success of this program has attracted widespread industry recognition. A new Performance Management System was introduced for employees, which is

based on a competency framework that rewards individual performance. The goal of providing talented Bahrain nationals with great career opportunities has been met by achieving a 95% Bahrainization level. From the objectives mentioned above, it is noticeable that Bank-A gives a great amount of consideration to non-financial objectives along with financial goals in its strategy.

To fully investigate the objectives and performance measurements of the electronic banking division in Bank-A, the Manager of Business Support in Electronic Banking division was asked to clarify the objectives of the e-banking division. He explained that the e-banking division is divided into subdivisions that include Business Support, which deals with procedures and costs and monitors operations, and Business Development, which handles marketing and customer awareness. These two departments manage the six e-banking access channels: internet banking for retail and corporate clients, contact centers, Tele-banking or interactive voice response (IVR), ATM, Mobile Banking and SMS. The e-banking Business Support Manager said, "The e-banking division was created based on Bank-A's vision of utilizing cutting edge technology."

The performance of internet banking is mostly based on the utilization rate, which is the number of transactions conducted online and the number of online banking clients, The e-banking Business Support Manager confirmed that by saying "Our department does not focus on the income generated online to measure the performance of the services but rather on the utilization rate."

Based on the proposed objectives of online banking previously mentioned in this study, it has been found that Bank-A uses some of the proposed measures to evaluate the performance of its online banking services. As explained by the e-banking Business Support Manager, the main financial goal is to generate profit to cover the costs or initial budget; if the division was granted a budget of BD1,000,000 (1 BD1 = \$2.66) at the beginning of the year, the department has to at least generate enough profit to cover this budget.

The website is evaluated by the utilization rate and the target set in the current strategy is as expressed by the e-banking Business Support Manager: "To increase utilization by tenfold". He also added that the website is evaluated by the number of online banking customers by saying "The bank has managed to attract eleven times more clients in three years". A few years ago, the number of online customers was 5000 and the current number is exceeding 80000 customers. The website of Bank-A has recently won the E-content award as the best Arabic bank website.

The e-banking Business Support Manager explained that the bank has recently offered online loan advisory service and loan application options; this may be considered as a method of mass customization to enhance relationships with customers. Regarding the image of the bank: in addition to the trusted image, Bank-A intends to make customers think of Bank-A as their home. This is clarified by the e-banking Business Support Manager in saying "Bank-A wants to attract both its customers and non-customers to think of our website as their home; they can pay their bills, view currency exchange rates, even make travel reservations and pay parking tickets in the future, all through our website." This leads to the first objective concerning the internal processes, which is creating new e-services; the goal of the bank is to expand the services offered online to include non-banking services. The existing e-services are Secura online, which offers insurance products online and was created from a partnership between Bank-A and the insurance company. Clients can also purchase savings certificates online.

Another internal processes objective is to "convert existing conventional banking services to e" as articulated by the e-banking Business Support Manager. When asked about the meaning of "e", the e-banking Business Support Manager explained that it is all types of electronic channels, not only the internet. The department sets a goal of introducing several new online services every year and this conversion yields the benefits of easy access and communication between the bank and the clients. The e-banking Business Support Manager also explained that this conversion has to be done in gradual steps to ensure the retention of employees; he said "The bank is

offering marketing skills training programs to operations staff to convert them from operations to sales.”

Regarding the objectives for the employees of the e-banking department, the division lacks such objectives and the employees are evaluated instead by the bank’s HR department which follows the Performance Management System mentioned earlier; the way this system operates is confidential and therefore it was not revealed.

Bank-B

Bank-B’s vision is based on growth and expansion in delivering principled banking solutions to greater numbers of customers that meets different needs and innovating means to expand Islamic banking throughout the region. The bank is committed to enhancing the customers’ and shareholders’ value and caring for its employees and the community in which it operates. The bank maintains a culture of integrity and honesty that reflects its commitment to Islamic values. This vision is considered comprehensive but it does not specify the goals for processes, employees, and emerging technologies.

The strategy is based on a three-year plan; the main financial objective is to meet the projected level of budget set for each year, as explained by the Head of Financial Control, HR and Administration. They also explained the measures used for profits by saying “The profits are measured by the type of transactions and the type of products.” The bank focuses on monitoring increases in net income, owners’ equity, and total assets.

The bank seeks customer satisfaction in all of its processes; it offers innovative products to both retail and corporate customers. The Head of Financial Control added “The bank’s new focus is on the quality of customers, because 100 customers may generate BD100,000 in profits but a smaller number of only ten customers may

generate BD1,000,000. He also stated that the last customer survey was held two and a half years ago and the current measure of customer satisfaction is the number of complaints.

Regarding internal operations, the bank introduced new products and services recently. Among them are the Family of Solidarity Takaful products, which are a result of an agreement between Bank-B and Solidarity, an Islamic insurance company. These products offer insurance services that comply with the principles of Islam.

The bank believes that the employees are the heart of its success, therefore the HR department attempted to retain skilled employees by creating an employee relationship management committee that organizes social events. The bank sponsors a number of employees to enroll in the program of the Advanced Islamic Banking Diploma at the Bahrain Institute of Banking and Finance (BIBF) and organizes specialized in-house training courses. Regarding this point, the Head of Financial Control said “We have appointed a Head of Training that facilitates training programs offered to employees at all levels of the bank.”

When asked if the bank considers non-financial measures during decision-making, he answered “The non-financial measures are not included while forming strategies but it will come in the near future.” He also added that the bank does not have a separate strategy for the e-banking division and recognized the shortfalls in the bank’s strategic objectives but said “We are working on filling the gaps in our strategy.”

To examine the objectives of the internet banking division of Bank-B, the e-banking supervisor was asked to clarify these objectives. He started by explaining the goal concerning customers by saying “Our job is to convert customers from branches to online banking to reduce the workload of the branches.”

The above responses of managers at Bank-B reveal that the bank lacks an e-banking strategy that sets objectives for revenue growth, internal processes and employees. The measures are focused on customer transactions but it has the potential for implementing the balanced scorecard.

Bank-C

The vision of the bank is to be a leading regional Islamic financial institution that meets the evolving needs of the markets it serves, and the mission of Bank-C includes providing valuable returns to shareholders, investors, and customers through the development of assets and the introduction of banking products that enhance customer satisfaction.

The main financial indicators monitored by the bank are net income, return on investment, shareholders' equity and total assets. To meet the dynamic needs of the growing number and segments of customers, the bank is divided into three divisions: retail banking, commercial and corporate banking, and business development and investments. The Manager of Corporate Communications said "The bank is in the process of an overhaul of operations and services offered to customers and to achieve that, 97% of senior managers were recently recruited during the past 18 months."

To support the objectives of enhancing efficiency across all operation lines, the bank is launching a new core banking system which includes branches, SMS, ATM, Mobile Banking and internet banking. The Manager of Corporate Communications added "All senior managers and the CEO are in the core banking committee". As for the evaluation of customer satisfaction, the Manager of Corporate Communications said "The last customer survey was conducted four years ago."

A new performance measurement system is being used to evaluate the branches instead of the previous method based on the branches' activities. The Manager of

Corporate Communications explained that the bank is upgrading the skills of the employees at all levels of the bank by enrolling them in the International Computer Driving License (ICDL) program to be prepared for the launch of the core banking system. The bank also sponsors prominent employees in postgraduate programs in Bahrain and abroad. To evaluate the performance of employees, the bank uses 12 measures that include ratings of behavior, creativity, knowledge, and others.

Bank-C is lagging behind other national banks in offering its services online. It is in the process of launching the website but has to consider the financial and non-financial factors of online banking during the formulation of the new strategy.

CONCLUSIONS

The balanced scorecard approach has proved to be an effective measurement of performance over the years. The need to implement a corporate strategy and the increases in competition are two main reasons to adopt the balanced scorecard approach. It has been estimated by Gautreau and Kleiner [22] that 60% of the Fortune 1000 companies have a balanced scorecard or are considering one.

This paper has proposed the application of the balanced scorecard concept to online banking providers. The four perspectives have been used as a basis to determine the main factors that drive the processes involved in online banking. The financial objectives were to increase shareholder value, create new sources of revenue and reduce costs; the appropriate sets of financial metrics for each driver were identified. The customer perspective was defined as the customer intimacy proposition. This includes the financial services attributes of reliability and security; the relationship with customers can be enhanced through mass customization and maintaining a friendly environment and the trusted image of the bank should be strengthened. The website attributes should also be considered because it is a crucial part of online banking.

The internal processes of online banks include developing non-traditional banking services, collecting feedback on customer satisfaction levels, reducing errors and delivering services efficiently, and integrating with financial management software. Learning and growth consist of empowering employees by upgrading skills in information technology and complaint management, updating the existing technologies and monitoring the potential of emerging technologies, and promoting a strategic awareness culture among employees.

The drivers of online banking from the four perspectives and the related metrics were presented in a strategy map framework. This map represents a template for online banking providers; each provider can alter the proposed set of perspectives and measures based on its needs.

The main conclusions drawn from the interviews conducted with managers of selected national banks in Bahrain are that national banks rely on financial measures to evaluate their performance. Some of the banks involved goals for customers and employees in their visions but some of them appear to be vague and imprecise.

RECOMMENDATIONS

National banks in Bahrain are advised to seek the potential of applying the balanced scorecard to measure the performance in the branches and the e-banking divisions.

To facilitate the implementation of the online banking balanced scorecard, the following points are recommended to the banks:

- Online banking managers should create a separate vision and mission statement that best serves the dynamic needs of the competitive environment.
- The current financial position of the online services should be assessed and goals should be set for the revenue growth and productivity strategies.

- The website should always be updated with new options and banking services to match the services of other online services providers.
- Online banking providers should consider integrating with financial management software or other systems to maximize the use of their technology infrastructure.
- Specific goals regarding the employees should be identified in the strategy. The goals should include upgrading IT skills and complaint management skills. Feedback on employee satisfaction rates should be collected to increase productivity and retention levels.

Measures and targets for each objective should be appropriately set to reflect the bank's performance in every area. The measures should be limited to the most crucial indicators and should be easy to control and manage.

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