DESIGNING A BALANCED SCORECARD FOR BARCLAYS BANK

By Name

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**Introduction**

Global influences and international competitiveness requires organizations to make changes to remain competitive in the business environment they operate operations. Barclays bank is an example of a successful bank by continually improving the business strategy, adapting change initiatives, and being among the leaders in the global financial institutions (Home.barclays, 2017). However, this cannot be achieved without having a system that tracks the performance of strategic strategies and evaluating the continuous improvement over the years. A balanced scorecard is an excellent example of a vital tool that can be implemented by the bank to track the strategic performance of the company (Hopf et al., n.d.).

Historically, financial reporting was considered a useful tool in determining the performance of a firm. However, the reporting fails to capture on the real drivers of an organization performance as well as aligning with the future projections of a company’s performance. Besides, the financial reporting fails to capture the non-financial aspects of an organization that drives performance such as human capital skills, customer satisfaction among other factors (Rostami, Goudarzi and Zaj, 2015). The introduction of the balanced scorecard by Kaplan and Norton solves the shortcomings of relying on financial reporting as a sole determinant of an organization’s performance (Nefstead and Gillard, 2006). This project is aimed at designing a balanced scorecard that helps Barclay’s bank improve performance in both financial and non-financial aspects.

Performance measurement is an essential managerial activity. The balanced scorecard is considered a suitable system for assessing a company’s strategic performance in achieving its vision (Al-Najjar and Kalaf, 2012). This section provides a design of a balanced scorecard that Barclays Bank Ltd. can utilize in evaluating the strategic performance of the group.

A balanced scorecard is aimed at improving performance in four broad categories including the financial perspective, customer perspective, internal process perspective, and learning and growth perspective (Hopf et al., n.d.).

**Financial Perspective**

The financial aspects of an organization play a crucial role in evaluating the performance of an organization attributable to the diverse stakeholder consideration including the shareholders, business owners, financiers, government among other stakeholders (Al-Najjar and Kalaf, 2012). Therefore, the financial perspective of an organization has been among the primary focuses on management and control functions. When designing a balanced scorecard, for a company, financial objectives are taken into consideration as well as aligning them with the strategic goals (Anthoula and Alexandros, 2011.

Barclays bank has the following financial prospects;

**Improving Gross Margin** – an increase of gross margin can only be achieved through a reduction of cost of revenue and an increase in revenue. This is an essential financial objective to Barclays bank given that it is aimed at enhancing the profitability of the firm. The cost of revenue of Barclays bank includes the credit impairment charges and other provisions. These costs amounted to an average of 10% for the last three years (Home.barclays, 2017). Therefore, reducing this cost to 5% by 2019 would significantly enhance the firm’s profitability.

**Increasing Profitability** – the overall profitability of the bank can be enhanced through a reduction in operating expenses. The company generated a net profit of £853 million in the year 2017 up from a net profit of £828 million earned in the year 2016 (Home.barclays, 2017). Therefore, the goal of increasing the profitability to £900 million by the end of the year 2019 is achievable.

**Increasing Group’s Return on Tangible Equity (RoTE)** – this is an essential metric for assessing the firm’s ability to handle a loss. A higher RoTE indicates a higher return on tangible common equity. The company’s RoTE was 5.6% in the year ended in 2017 (Home.barclays, 2017). Therefore, RoTE of above 9% by the year 2019 would indicate higher performance.

Improving Common Equity Tier 1 (CET1) ratio – the ratio is intended to cushion the company upon a financial cirri occurrence. The minimum required CET1 ratio is 4.50% while Barclays had a CET1 ratio of 13.3% (Home.barclays, 2017). Therefore, a CER1 ratio of 15% by the year 2019 is appropriate.

**Customer Perspective**

Meeting the customers’ expectations has become of vital importance in attracting more customers to a company. Organizations have placed more emphasis on customer-centric strategies as an approach to competitive advantage (Rostami, Goudarzi and Zaj, 2015).

The banking industry has intense competition, and companies compete on providing quality services and products to customers. Barclays bank significant customer aspects include;

**High-Quality Services** – the level of service quality is of paramount importance in any business. Customers derive value from the quality of services offered to them by an organization. In the banking industry, superior service quality is vital to enhance customer satisfaction.

Customers highly value the quality of the services provided (Home.barclays, 2017). The evaluation of quality can be determined by the number of complaints made on quality by customers. Therefore, Barclays Bank can set a target of fewer than 30 complaints in the year 2018 and 20 in the year 2019 to indicate an increase in quality.

**Customer Satisfaction** – customer satisfaction plays a crucial role in enhancing repeat business and referrals of customers to an organization. Customer satisfaction results in customer loyalty. Therefore, like the level of quality, the number of complaints in a given year indicates the level of dissatisfaction among customers (Rostami, Goudarzi and Zaj, 2015).

**Reducing the Waiting Time in the Banking Halls** – timely delivery of services is vital in the service sector. Customers value to be served as fast as possible and thus, unnecessary delays can impair customer satisfaction (Home.barclays, 2017). Barclays bank can reduce the waiting time in the banking halls by increasing the number of tellers, enhancing the systems internet connectivity among other factors. Therefore, the waiting time can be set to a maximum of 5 minutes in waiting to be served in the banking halls.

**Fast Processing of Loans** – delays in processing loans has been considered to impact adversely on customer satisfaction. Customers expect a quick process between applying for a loan and disbursement of the same (Rostami, Goudarzi and Zaj, 2015). Some loans can be for emergency purposes to the customers, and thus, unnecessary delays can negatively impact on customers’ reliability on a bank. Therefore, Barclays Bank can set a target of maximum three days of processing and disbursing loans to the applicants to enhance reliability and customer satisfaction.

**Internal Business Processes Perspective**

The internal business processes aspects determine the approach in which performance expectations can be attained (Nefstead and Gillard, 2006). This perspective is intended to evaluate the performance of internal business processes. Thus, managers are expected to establish the businesses processes that an organization should excel concerning satisfying customers and financial success. The primary theme of this perspective is the internal business processes that drive financial success as well as enhancing customer satisfaction (Rostami, Goudarzi and Zaj, 2015). Therefore, internal business processes at Barclays include;

**Strategic Business Decisions** – the decisions made by an organization have an impact on the stakeholders. Thus, the process of creating a choice should consider how each stakeholder will perceive the decision. The decisions made by an organization should be taken positively by the stakeholders including the government, community, investors, customers, shareholders, employees among other stakeholders. The metric for assessing the perception of a strategic decision can be established from citizenship reputation statistics (Mackay, 2004). Further, engaging the relevant stakeholders in the process of making a decision enhances the performance of a strategic plan and perception among the stakeholders.

**Implementation of a Global Code of Conduct for Employees** – every organization has a particular culture and code and behavior. However, clear communication of an organization’s customers on employees should be communicated for optimal results. Employee code of conduct is considered to guide the employees on their behavior mainly when dealing with each other and customers (Rostami, Goudarzi and Zaj, 2015). An organization’s employee is considered to be closer to the customers, and thus, the image that such employee portrays to the customers has an impact on customers’ perception about an organization (Home.barclays, 2017). Barclays bank can develop and implement an employees’ code of conduct to govern their behaviors and conduct when executing their duties. The effectiveness of the performance of employee behavior can be achieved through training. The conformance to the code of conduct can be evaluated through the percentage of employee attestation to the code of conduct.

**Proactive Management of Social, Governance and Environmental Impacts of the Business** – business environment influence a company’s performance. Therefore, an organization is obliged to scan the environment and establish proactive measures that can be implemented to conform to the business environment requirements (Rostami, Goudarzi and Zaj, 2015). For instance, the increased awareness on the need for environmental conservation obliges organizations to develop strategies to align with such requirements such as less carbon emission. Therefore, Barclays bank can have a target of reducing annual carbon emission by 10%. Another factor to consider is the company’s dealings with suppliers. A healthy relationship between suppliers and business is believed to promote a company’s competitive advantage over the rivals in an industry or a market. The relationship can be enhanced by improving the bank’s level of paying suppliers in time to 100% by the end of the year 2019. The company’s level of paying the suppliers within 45 days was 85% in the year 2017 (Home.barclays, 2017). Therefore, increasing the scale to 100% will eliminate conflict that may arise between the bank and its suppliers which include other banks through interbank transactions (Resources.barclays.com, 2013).

**Learning and Growth Perspective**

An organization’s employees play a crucial role in enhancing an organization performance. They are highly valued assets and thus, require appropriate nurturing and motivation to reduce labor turnover, low performance, and job dissatisfaction. Employee motivation is considered to have a positive impact on their performance a commitment to their duties (Resources.barclays.com, 2013). Therefore, this aspect of the balanced scorecard is crucial in driving the performance of Barclays bank to the greater heights. Thus, the bank should motivate, recognize and retain staff for the better performance of the company concerning satisfying the customers and enhancing the financial progress of the bank (Rostami, Goudarzi and Zaj, 2015). The balanced scorecard focuses on;

**Improving the Employees’ Skills** – continuous learning is recommended to the employees to keep them updated with the trends in the business environment and what is expected of them.

Training the employees improves their service delivery approach and hence positively impact on the quality of service to the customers. Consequently, the firm stands a chance of reduced customer complaints concerning the poor quality or unfair treatment by the employees. Therefore, the level of training and skills acquisition among employees can be evaluated against the number of customers’ complaints (Rostami, Goudarzi and Zaj, 2015). Low or no customer complaints imply that the employees have the necessary skills to handle customers’ expectations while a higher level of customer complaints implies a lack of required skills among employees.

**Employee Motivation** – employee motivation enhances their contribution to an organization in both carrying their roles and sharing of useful ideas. Therefore, the bank can improve employee motivation through active engagement on matters concerning the bank such as an inclusion in the process of making a decision. The bank can intrinsically or extrinsically motivate the employees for improved performance (Rostami, Goudarzi and Zaj, 2015). This aspect of a balanced scorecard can be evaluated by assessing the employees’ level of performance against the set target.

**Fair Dealings with Employees** – fairness, transparency, honesty, and justice are highly valued by an employee while working for an organization. Therefore, fair dealings with the employees on issues such as promotion, remuneration, gender balance, solving conflict among other matters should be considered (Resources.barclays.com, 2013). Fair dealings among the employees reduce the level of employee turnover. Retaining essential knowledge and competencies have become of vital importance in the modern business world. Fair dealings can be evaluated by the number of labor turn-over in a given year. A target of less than 5% on labor turnover of the entire bank’s workforce is appropriate by the year 2019.

**Improving Youth Employability** – the current level of unemployment from a global perspective concerns the youth. Having more youths in the workforce gives an organization a future face (Rostami, Goudarzi and Zaj, 2015). Further, youths promote innovation due to higher adaptability with the technological development.

**Figure 1: Overview of Balanced Scorecard**



**Designing a Balanced Scorecard for Barclays Bank**

**Financial Perspective** *(How the company can increase growth, profitability, cash flow, and return on investment)*

|  |  |  |  |
| --- | --- | --- | --- |
| Objectives | Measurement | Target (2019) | Action Plan |
| Improve gross margin | Total revenue minus cost of revenue | 95% | Reduce cost of revenue |
| Increase profitability | Percentage income from operations | £900 million | Reduce operational costs |
| Increase Group (Return on Tangible Equity) RoTE | Percentage of return to earnings | Greater than 9% in 2019 | Increase revenue and cut costs |
| Improve CET1 ratio | Comparison of core equity capital with risk-weighted assets | 15% | Improving the bank’s financial strength |

**Customer Perspective** *(How the company can create product value, market differentiation, "killer customer care")*

|  |  |  |  |
| --- | --- | --- | --- |
| Objectives | Measurement | Target | Action Plan |
| High quality services | Number of customers’ complaints per month | Less than 20 | Superior quality service delivery |
| Customer satisfaction | Number of positive feedback per month | 95% of the total feedback | Create a communication system through the internet |
| Reduce the waiting time in the banking halls | Average time taken by customers in the banking hall per month | 5 minutes | Increase the number of tellers and introduce a gigabit internet connection of the computer systems |
| Fast processing of loans | Average time taken between the time of requesting a loan and disbursement time per month | 3 days | Increase the credit personnel |

**Internal Processes Perspective** *(What systems can be used by the company to create or elevate to achieve operational excellence)*

|  |  |  |  |
| --- | --- | --- | --- |
| Objectives | Measurement | Target | Action Plan |
| To ensure material business decisions considers the entire stakeholders | Citizenship reputation (YouGov survey) | 6.5/10 | To actively engage all the stakeholders on decisions pertaining the bank |
| Implementation of a global code of conduct that set consistent and clear expectations of behavior to every employee | ‘Bank’s Way’ Code  (Percentage of employees attested) | 97% | Training employees on the expected conduct when working for the bank |
| Proactive management of social, governance and environmental impacts of the business | Global carbon emissions (tones CO2 ,percentage reduction year after year)  Percentage of suppliers paid within the due date (45 days, by value) | 10%  100% | Building or leasing green houses, use of energy saving bulbs  Maintaining a healthy liquidity status to settle short term obligations in time |

**Learning and Growth Perspective** *(How the company can promote learning, innovation, and the personal growth and retention of valued people)*

|  |  |  |  |
| --- | --- | --- | --- |
| Objectives | Measurement | Target | Action Plan |
| Improve employee skills | Number of complaints made by customers per month | Less than 20 by year 2019 | Regular employee training |
| Improve employee motivation | Improvement on productivity (meeting the set target) | 85% | Actively engaging the employees on bank affairs and motivating employees intrinsically and extrinsically. |
| Enhance fairness and justice when dealing with employees | Number of employee turnover per year | 5% | Fair treatment of employees |
| Improve youth employability | Number of apprenticeships at Barclays (currently at 600) | 2,000 | Being an equal opportunity employer |

**Conclusion**

A balanced scorecard is aimed at assessing an organization’s performance in both financial and non-financial aspects. When developing a balanced scorecard, more emphasis is given four broad catergorie3s including the customers, employees, finance, and growth.

The four perspectives are linked to each other, and an organization is expected to simultaneously improve each category for the overall improvement of an organization’s performance. For instance, employee growth and learning enhances the quality of their services and thus, meet customer satisfaction. Consequently, an organization generates more income and therefore, progress positively financially. The design of the balanced scorecard for the Barclays bank illustrates the importance of the four aspects in enhancing the bank’s overall performance.

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