

## Using the Balanced Scorecard in the Vietnam Bank for Agriculture and Rural Development

Nguyen Thi Linh<sup>1</sup>, Nguyen Thi Trang<sup>2</sup>

<sup>1</sup>University of Labour and Social Affairs, Hanoi, Vietnam

<sup>2</sup>Vietnam Bank for Agriculture and Rural Development, Vietnam

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**ABSTRACT:** The balanced scorecard gives managers a more balanced view of the entire organization's operations, providing a basis for selecting performance indicators that help managers evaluate the effectiveness of the organization. comprehensively execute the strategy while linking short-term goals with long-term strategy and vision. As one of the banks with a large market share, Vietnam Bank for Agriculture and Rural Development (Agribank) needs to build a balanced scorecard as a strategic management tool. The establishment of a balanced scorecard at Agribank should be approved by senior managers for all employees in the bank, with the support of the information technology system, it is certain that the balanced scorecard will be a strategic management tool to help the bank achieve its strategic goals and gain a long-term competitive advantage to become a bank with a large market share in Vietnam.

**KEYWORDS:** Balanced scorecard, strategic management, Agribank.

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### 1. INTRODUCTION

Established on March 26, 1988, operating under the Law on Vietnamese Credit Institutions, up to now, Vietnam Bank for Agriculture and Rural Development is a leading commercial bank playing a leading and key role in Vietnam's economic development, especially investment in agriculture, farmers and rural areas. As a state-owned commercial bank, in addition to performing the functions and tasks of a bank, Vietnam Bank for Agriculture and Rural Development must always complete the tasks assigned by the Party and the State. It is the leading bank in the cause of industrialization and modernization of the country, contributing to hunger eradication, poverty reduction, and building rural Vietnam to become increasingly prosperous, rich and beautiful; At the same time, it is a trusted bank for all domestic and foreign customers. Aware of its role and responsibility, the bank's branch system has continuously grown, overcoming difficulties and challenges to stand firm, gradually innovating and constantly changing, contributing to success in the country's innovation process. Vietnamese banks in general, and Agribank in particular, operate in a globalized environment with a high level of competition, so building a measurement system as a bridge for the bank to achieve its strategic goals is necessary. The balanced scorecard (BSC) is a tool that meets the need for strategic planning through establishing a performance evaluation system in four aspects: financial, customer, internal process, training and developing. BSC gives managers a more balanced view of the entire organization's operations, provides a basis for selecting performance evaluation indicators to help managers evaluate the effectiveness of strategy implementation in a comprehensive way, and, at the same time, links short-term goals with long-term strategy and vision. Therefore, building BSC as a strategic management tool in Agribank is a practical need, especially this is a bank in a group of banks with a large market share.

The article evaluates the importance of BSC in Agribank Vietnam and gives suggestions for building BSC in this bank. Step by step, the process is carried out from strategic planning and the relationship between BSC and strategic planning, starting from the quality management department to building the BSC department. The establishment of BSC is approved by senior managers to all employees in the bank and with the support of the information technology system, it is certain that BSC will be a strategic management tool to help the bank achieve its strategic goals and gain long-term competitive advantage to become a bank with a large market share in Vietnam.

### 2. LITERATURE REVIEW

In order to formalize the use of non-financial information in assessing the performance of business units, Kaplan and Norton established the Balanced Scorecard in the early 1992s (Kaplan and Norton, 1996). According to a BSC assessment, there is arguably a "balance" between financial and non-financial metrics, as well as between short- and long-term performance. The

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balanced scorecard idea has gained a lot of traction and is now a helpful tool in business strategy management.

BSC has been widely utilized in the US since Kaplan & Norton first introduced it in 1992. According to a Silk (1998) poll, up to 60% of US organizations have used BSC and view it as a useful management tool.

Numerous studies on the viability of using BSC in enterprises have also been conducted in New Zealand. The study "The Adoption and Use of the Balanced Scorecard in New Zealand: A Survey of the Top Companies", published in 2003's *Pacific Accounting Review*, is a good illustration of this. It was written by the author group Blundell and his colleagues. The authors conducted a survey of 40 leading companies on the New Zealand stock market. The results show that these companies commonly use BSC with 4 aspects of the model. However, the "Finance" aspect is still the most used. In addition, factors in the "Training and Development" aspect are also of interest to managers (Blundell et al., 2003). Jusoh conducted study on the use of BSC and its efficacy in 2008 in order to assess the functioning of Malaysian manufacturing firms. According to research, less than 30% of the organizations polled utilize BSC in whole or in part. Many Malaysian manufacturing firms continue to place a greater emphasis on financial than on non-financial characteristics.

BSC's targets are drawn from the goals appearing in the strategic map, which is a tool for direct and clear interpretation of the organization's strategy. The strategy map is the most inspiring strategy document an organization has created, but without the accountability and focus provided by the accompanying indicators, the benefits of the strategy map are lost. Strategy maps communicate strategic destinations, while indicators within the BSC monitor progress, allowing organizations to know with certainty that they are moving in the right direction. Although the BSC's original goal was to balance previous financial measures with elements that influence the organization's future value, more and more businesses are establishing one because they see its importance in balancing strategy with short-term activity. Because it is used in this way, BSC has limited many problems that arise in effective strategy implementation.

BSC is used as a communication tool to convey strategy clearly and concisely to all relevant members both inside and outside the organization through the strategy map. Through the strategy map, BSC is utilized as a communication tool to simply and clearly communicate strategy to all pertinent members inside and outside the business. BSC assists firms in converting plans into detailed goals and objectives. Increased profitability, quicker deliveries, lower pollution, and closing the skills gap are a few examples of objectives. These objectives are set forth in a strategy map and connected by cause-and-effect chains.

### Aspects of the balanced scorecard

The financial aspect of the BSC is important in summarizing the measurable economic results from the activities performed. The objectives in this dimension will show whether or not the strategy's implementation, which is covered in detail in the other dimensions, will result in better bottom-line results. Profits, return on capital, revenue growth, and asset utilization efficiency are all examples of financial objectives that are frequently linked to profits.

In the customer perspective, managers determine the market segment and customers the company will participate in, and measure their unit's performance in that segment. This element frequently contains a number of standard indicators to assess the effectiveness of the strategy, including market share in the target market sector, customer happiness, customer loyalty, and new customer acquisition. The customer's perspective also includes a number of specific objectives pertaining to the values the business upholds for its clients, such as reducing order turnaround times, timely deliveries, ongoing product improvement, and the capacity to predict new market demands and swiftly create new products to address those demands. The customer aspect makes it possible for business managers to connect customers with market strategies, which will create future financial value.

In the internal process aspect of BSC, managers identify key processes that the business must perform well. Those processes make it possible for businesses to: Create value to attract or retain customers in target markets and satisfy shareholder expectations regarding financial goals. Internal processes are the ones that have the biggest influence on customer satisfaction and the organization's financial objectives, such as business operations, customer management, innovation and innovation processes, and socially relevant processes.

The training and development aspect defines the infrastructure that an organization must build to create long-term growth and innovation. Organizational resources, information system resources, and organizational resources are the three key resources used to carry out training and development. Financial, customer, and internal process goals indicate large gaps between the current capabilities of people, information systems, and organizational capabilities and the future requirements that must be achieved to create breakthrough development for the organization. Businesses must make investments in raising employee skill levels, bolstering IT infrastructure, and restructuring the organization to close this gap. These objectives are outlined in the BSC's training and development component. Employee-related metrics include metrics such as employee satisfaction, training, and skills. The capacity of an information system can be measured through the availability and accuracy of customer information and internal process information.

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### 3. RESEARCH METHOD

Quantitative research to evaluate the level of application of the balanced scorecard and assess the importance of the balanced scorecard in banks. Done through the following 3 steps:

Step 1: We build a questionnaire on Google Forms, send it to accountants and business managers via email using a convenient sampling method, and send it to friends, relatives, and partners. ...

Step 2: The number of survey questionnaires distributed was 120, sent to 120 Agribank branches, and the number of votes collected was 115 from 115 Agribank branches, reaching 80%. All receipts meet the required information requirements.

Step 3: We analyze the data on SPSS 22 software with the following tools: Frequency statistics, and average statistics.

The questions in the survey apply the 5-point Likert scale: 1- Strongly disagree; 2 - Disagree, 3 - Normal, 4 - Agree, 5- Strongly Agree.

### 4. APPLICATION OF BALANCED SCOREBOARD IN STRATEGIC MANAGEMENT AT AGRIBANK

#### 4.1. Current status of using balanced scorecard in strategic management at Agribank

##### *Current status of assessing the importance of BSC aspects to evaluate Agribank's efficiency*

The results of assessing the importance of the 4 aspects of the BSC show that the average value of the aspects has similar values, ranging from 3.25 to 3.59. Among them, two aspects that are rated as more important are the financial aspect and the customer aspect with means of 3.59 and 3.44 respectively. The research and development aspect alone is the aspect rated as the lowest in importance with a mean of 3.25.

**Table 1. Statistics describing the importance of 4 BSC aspects**

	N	Minimum	Maximum	Mean	Std. Deviation
Financial aspect	115	1	5	3.59	1.055
Customer aspect	115	1	5	3.44	1.037
Internal process aspect	115	1	5	3.34	.827
Training and development aspect	115	1	5	3.25	1.036
Valid N (listwise)	115				

(Source: Compiled by the authors)

##### *Current status of application level of BSC aspects in Agribank*

The current situation of using BSC in Agribank branches is considered under 4 used aspects: Financial aspect, customer aspect, internal process aspect, and research and development aspect.

Table 2 shows the level of BSC usage. Agribank branches are all using BSC with fairly uniform aspects (average value 2.9 to 3.52). Agribank branches are applying BSC in the financial aspect and customer aspect the most (mean is 3.52 and 3.33). Particularly, the research and development aspect is not widely used by Agribank branches, as shown by the mean value of 2.90.

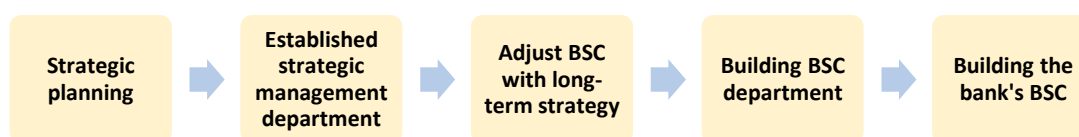
Thus, Agribank branch managers are aware of the importance of BSC and have initially applied aspects of the balanced scorecard to evaluate performance in the bank.

**Table 2. Statistics describing the level of use of 4 BSC aspects**

	N	Minimum	Maximum	Mean	Std. Deviation
Financial aspect	115	1	5	3.52	1.045
Customer aspect	115	1	5	3.33	1.011
Internal process aspect	115	1	5	3.06	1.275
Training and development aspect	115	1	5	2.90	1.052
Valid N (listwise)	115				

(Source: Compiled by the authors)

#### 4.2. Building a balanced scorecard system in strategic management at Agribank



(Source: Compiled by the authors)

**Figure 1. Building a balanced scorecard system**

**Strategic planning:** Suppose that based on the bank's deposit size and number of branches, the bank's leadership sets a strategic goal: to be among the 5 largest banks in Vietnam.

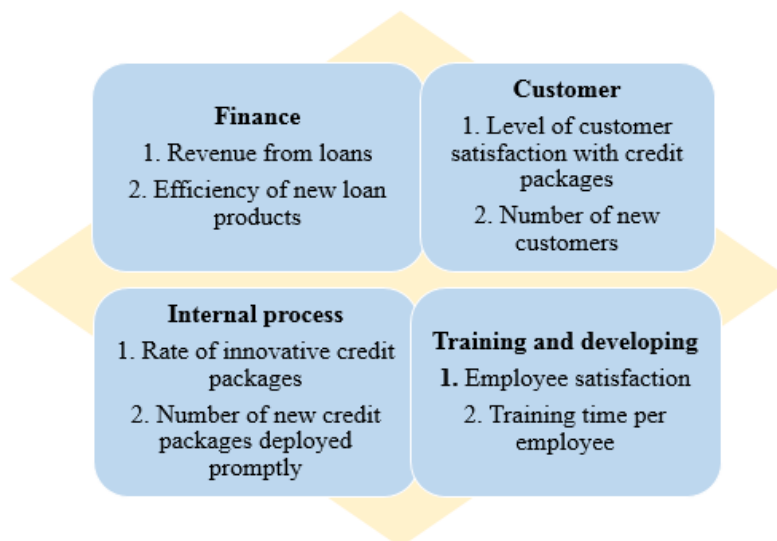
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**Establishment of strategic management department:** Aims to concretize the strategy and integrate it into the performance management system. The strategy management department assumes responsibility for managing the BSC-based operating system based on the following tasks: Identifying performance management methods and ensuring these methods are implemented; Handling balanced scorecard and related issues; Manage the process of creating a new BSC or updating an existing BSC: must take into account the annual plan in accordance with the bank's long-term strategy, describe the work and operating procedures of the departments, and determine the methods necessary measures to establish performance indicators; Identify data needed to measure performance; Manage the process of determining goals and performance measurement factors. Update goals and measurement targets for relevant subjects and departments; Investigate the cause in case of using the BSC system to evaluate goals that are not achieved; Manage the process of identifying improvements, developing lower evaluation criteria, and submitting to management for approval.

**Adjust BSC with long-term strategy:** The strategic management department creates a system of BSC votes to evaluate the performance of bank employees. The BSC ticket system is built for specific subjects depending on the job description of each department and individual. The evaluation content on the evaluation form is connected to the bank's strategic plan. Then, through evaluation content, senior managers share the bank's vision and strategy with their employees using a performance measurement system. Building a BSC ticket system and adjusting the targets on the ticket during the actual implementation process is a way for administrators to achieve similar personal and organizational goals. Through bank employees achieving their goals, it will concretize the organizational goals of success. In order for the BSC form to achieve its goals, the construction of the BSC form must involve the participation of all senior managers and department managers. Therefore, the ultimate goal of strategic management through BSC is to create a direct relationship between individual BSC and the entire bank's BSC.

**Construction of BSC department:** Building a divisional BSC aims to: Raise awareness throughout the bank of short- and medium-term strategies determined by senior management within the framework of the vision; Translate these strategies into measurable goals at headquarters, divisions, and affiliates, thereby ensuring that each organizational unit focuses on common strategic goals within the framework of its duties and responsibilities; Identify certain goals in terms of financial, customer, internal process, and training and development aspects that support the implementation of overall goals; Monitor the performance of headquarters, divisions and affiliated units objectively and effectively, through key assessment indicators determined directly related to goals; And, finally provide input to the recommended personal performance management system to be established in a later phase.

The balanced scorecard is used to link the bank's strategic goals through approaching four aspects: finance, customers, internal processes, and training and development.



(Source: Compiled by the authors)

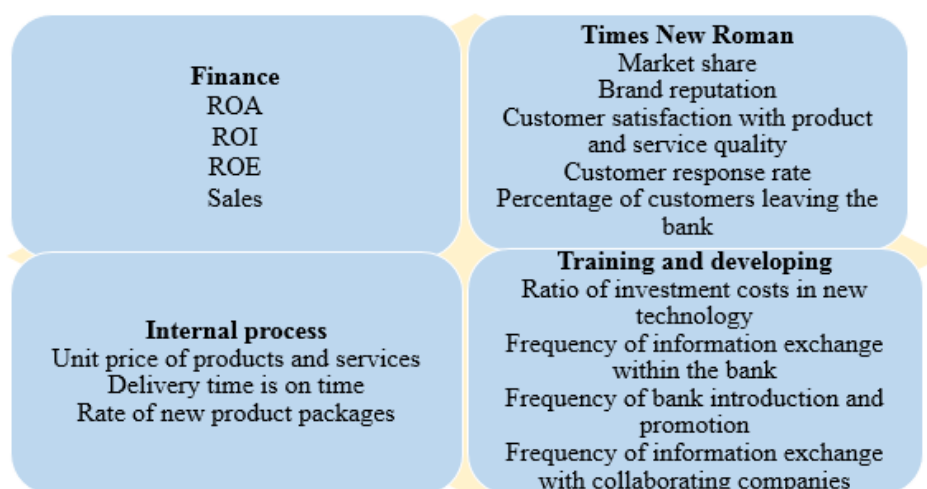
**Figure 2. Balanced scorecard of the credit department**

Each departmental balanced scorecard must include important information such as: definition of assessment criteria, assessment criteria formula, data needs, level of detail related to key assessment factors.

**Building the bank's BSC:** The bank's BSC includes key performance measures determined by reviewing the Bank's strategy and the roles and responsibilities of each specific department and division. These measures are also presented as aggregated data of BSC results from departments and divisions. This measurement system needs to ensure: Attachment to strategic goals;

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Demonstrate the roles and responsibilities of departments and divisions and priority activities; Defined in detail and clearly formulated; It is necessary to consider the benefits the system brings with the costs of building and maintaining the system.



(Source: Compiled by the authors)

**Figure 3. Balanced scorecard at the bank**

**Implement strategic management and monitor the evaluation system:** To manage the BSC system - a strategic management tool, senior bank administrators need to pay attention: The BSC system is not only a performance measurement and evaluation system but also a strategic management tool. Therefore, before implementing BSC, it is necessary to ensure that this system has been discussed and approved by all bank employees; Key measurement indicators need to be updated periodically, at least once a year to ensure compliance with the bank's annual plan; A supporting information technology system is needed to ensure accurate and timely measurement results; BSC results need to be fair, transparent and accurate.

## 4. CONCLUSION

The balanced scorecard is a method of converting an organization's vision and strategy into specific goals and metrics by establishing a performance evaluation system in four aspects: financial, customer, internal processes, training and development. BSC has been widely used in countries around the world, including Vietnam. According to statistics from the American BSC Association, currently 70% of the 1000 largest businesses in the world (as voted by Fortune magazine) have applied BSC in strategic management (Kaplan, 2000), and are also rated as one of the 75 most effective inventions in corporate governance (Niven, 2009).

Statistical results at 115 Agribank branches in Vietnam have shown that bank administrators have been aware of the importance of using the balanced scorecard to evaluate branch performance, at the same time, it is an information channel to evaluate the tasks of managers of departments in the bank. Since then, the study has made suggestions for building BSC in Agribank. Step by step, the process is carried out from strategic planning and the relationship between BSC and strategic planning, starting from the quality management department, to building the BSC department. BSC is established from senior managers to all employees in the bank and is supported by the information technology system, therefore, it is certain that BSC will be a strategic management tool to help the bank achieve its strategic goals and gain long-term competitive advantage to become a bank with a large market share in Vietnam.

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