

The Impact of adopting Balanced Score card- Environmental Social Responsibility Indicator in achieving qualified financial projects (Central Bank of Iraq CBI as a case study)

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Abstract:

Problem Statement: economic environment differs than before, due to the rapid strategic changes and high level of demand for qualified services and/ or goods, that leads to another sense of competing among businesses, especially in last decades of 20th century, business environment involved in globalization to response and satisfy customers depending on the interaction between society as (external environment) and business's infrastructure as (internal environment). These changes need a rapid response that means using new systems in planning strategies, organizing, leading and controlling as well to sustain and survive.

Methodology: it is a descriptive paper that analyze the results through depending on non- experimental design through three (retrospective, longitudinal, and cross- sectional) indicators to examine environmental social responsibility ESP as one of balanced score card perspectives. **Results:** there is a positive impact of adopting ESRP to achieve qualified financial projects. **Conclusion:** the interlinkage between external environment (society) and internal one (business infrastructure) is very tight, but the horizon to understand this tight relationship is still fuzzy, due to the dynamic changes of those interlinkages and more efforts have to be done to enrich this phenomenon.

Keywords: economic environment, globalization, external environment, internal environment, environmental social responsibility.

Introduction

Balanced scorecards BSC, is a tool that translating the intangible assets into tangible outcomes; virtualizing vision, mission and objectives into real tangible objects. Kaplan & Norton (1996) who firstly called for this tool and talked about four main indicators; financial, customer, inter-business process and finally learning & growth perspectives, then after many years of searching they mentioned through many articles that adding and/ or omitting many indicators are accepted according to current and desired situations that any organization seeks to.

Recently, environmental social responsibility perspective ESRP becomes an obvious indicator/ or perspective that affects the outcome results, especially in sense of developing and improving programs that submitted to society, the interlinkage between internal environment (organization infrastructure) activities and external environment (society) needs results in high qualified projects (Kaplan & Norton, 1997). According to many studies; ESRP could be a tool for evaluating and measuring the performance; “most widely accepted studies presented in the Environmental Kuznets Curve (EKC), that hypothesizes the relationship between per capita income and the use of natural resources and / or the mission of wastes has an inverted U- shape” (Stern, 2018); due to this opinion, ESRP stands as a lens to understand

the external environment in a logical way, then translated by organization that stands as internal environment into active actions.

Background on Emerging Balanced Scorecards BSC & Qualified Financial Projects:

it is a top-down method for defining an organization's goals and objectives, and each of its four perspectives (financial, internal business processes, learning and growth, and customers) and the fifth one (environmental social responsibility perspective ESRP)- *that discussed here in specific* , there are relevant key performance indicators that identified based on the organization's mission and vision; then altogether help to clarify the organization's long-term vision. Accordingly, the organization will be able to monitor its goals, strategy and objectives, and make any necessary corrective measures promptly and will lead ultimately to substantial and lasting performance improvement (Kaplan & Norton, 1992: 71-80; 1996; 2001; M. Maloain, 2015: 270-310). In this context, any action creates either positive or negative reaction, and to achieve positive one, communication channels are very important to link organizations with their external environment, which this perspective (ESRP) typically calls for. Studies justify their use of ESRP according to the suggestion of Kaplan & Norton in (1997) to add and/ or omit any perspective without disturbing the balance that affects the performance measurement system; hypothesize that there is a relationship between ESRP and economic development. Studies refer that knowing and understanding external environment and their needs cannot be valuable without intellectual integration (Hasnan, 2006), thus, ESRP could play a great role in formulating a blend of scanning, understanding, and planning certain strategies to serve societies and achieving development (Abo Qamer, 2009: 62; Dicle & Ertop, 2019: 13-87). Further, others argue that focusing on employees, environment; shareholders & stakeholders have to be in a balanced way, otherwise, BSC cannot adopted!

(Edvinsson & Malone, 1997; Lingle & Schiemann, 1999).

Whereas, qualified financial Project refers to all activities and new technologies that involved in banking sectors. Banking and financing projects considered as a (*skeleton*) of developing economy in general, due to the global rapid improvement. Banking has been transformed from simple buildings and branches (brick & mortar) into digital virtual information technology; that means every tangible asset (buildings, hard wares, etc.) are transferred into intangible ones (software programs); and these projects need high qualified intellectual resources to give quick response towards customers' needs, because the relationship among banks, markets, and societies have become intertwined (Vives, 2019: 55-69).

Related Literature Review:

Many different academic studies and researches were reviewed to understand and to analyze the intellectual part of using BSC in organization in general that related to banking industry as well as financial institutes in specific with regard to SREP. It is clear that BSC considered in both academic and business world interests; and the term and concept of BSC originates from the field of Management Accounting (Akkermans & Oorschot, 2005: 2-21); then quickly handled in other areas of management research, such as in organization studies (Dinesh & Palmer, 1998), in operational management studies (Bourne et al., 2000) and through informational management system studies (Mooraj et. al., 1999).

Theoretically; Kaplan and Norton in 1992 submitted their new measuring tool which is called Balanced Scorecard BSC according to the high level of businesses and their need of new system to measure and evaluate their projects that can be aligned with their long- term strategies, vision and mission to achieve qualified projects (Abo Qamer, 2009). In addition, BSC is not a unique model for

measuring the project outcomes but it is a new method of managing organizations that ensure the high level of profits and increasing the ability of achieving competitive advantages; because it depends on the cause- and- effect relationship, thus this system helps organizations to understand what is the most important indicators than other ones, and which objectives are more valuable to improve (Kaplan & Norton, 1996). Kaplan & Norton also tried to overcome the shortcomings of using traditional way of measuring that relied merely on financial indicators; in which they introduced three additional measuring categories that related to non- financial indicators, and submit it as a clear translated paper of organization business unit that transferred the vision, mission, and strategy into objectives and measuring its results through four main areas, i.e. (the financial perspective; the customer perspective; the internal business process perspective & the organizational learning and growth perspective).

In the same context; BSC is a “Balancing Tool” between the lagging (outcome measures) and the leading (performance drivers) indicators; and between the financial and non-financial measures (Nørreklit, 2000; 2003). BSC is a process of linking the key performance indicators (KPI’s) as a chain that leads the organization through the four perspectives to achieve the objectives (Nørreklit, 2000); because one of the hidden strength tricks of BSC is that BSC leads the management team to explore the beliefs and assumptions support their strategy. Partly, the success behind the use of BSC, could be implied in the exact timing of the globalization and the rapid change of economy around the world; in which Harvard Business Review published a series of articles when BSC was promoted (Kaplan & Norton, 1992), and after many efforts in many companies for one - year, Kaplan and Norton conducted research on (12) companies in USA and found that depending on financial measures alone was not enough and it wouldn’t be affective to any company’s long-term vision (Al- Sumairi, 2009: 152-153).

BSC Literature raised many advantages of using BSC such as; few numbers or financial indicators can be adopted for checking; BSC could be considered as a bridge between different fields of management; BSC clearly noticed that there is a positive influence on business functions. But never the less, such other studies showed that BSC deteriorates qualified businesses which could be have a negative effect on achieving organization’s projects, while other studies failed in concluding either to be with/ or against BSC.

Ever since, the article of Kaplan & Norton (1992) found its embrace from many mangers around the world to deal with BSC as strategical management technique either if their organizations are profitable ones or not i.e., in healthcare sector, educational institutes, oil industry, fashion, banking and insurance industries; financial sectors as well; moreover, BSC literature submitted many public experiences and/or private ones (Al- Thunaiian, 2013: 88-97 cited by Abbood, 2022: 121).

Recently, environmental social responsibility perspective ESRP becomes one of BSC’s perspectives (financial, customer, internal processes; and learning & growth) that can help to formulate a generic strategy map for supporting such projects that shows the interrelationships among those perspectives (dimensions/ indicators).

Thus, throughout the theoretical point of view BSC is a method that “evaluates the overall health of organization and projects by looking at metrics in finance, customer’s view of the organization, internal business processes, and ability to change and expand” (Al- Alawi, 2018: 5), BSC literature supposed that using this technique should be aligned with high level of education to be aware enough towards creating novel projects to ensure the sustainability of any organization; which means, BSC supposed that organizations have to be more interactive with their external environment to be sure that they are going on the right path; because if organizations and their employees understand

the way of improving strategies and projects, the higher positive outcomes gain.

Research Method:

the paper built on hypothesizing that; “*Environmental social responsibility perspective ESRP has a positively influence on achieving qualified financial projects*”; and adopting descriptive analysis of collected data of questionnaire as main source of data or from secondary data. This technique is adopted in many earlier studies related to electricity, education, financing & banking; and many other industries (Kaplan & Norton, 1996; Nørreklit,

2003; Rafiq et al., 2019). Likert scale (1=Strongly disagree to 5= Strongly Agree) is adopted to analyze (249/ out of 320 survey) for employee with regards to SERP, which considered recently as a distinctive indicator of developing and improving programs of any society in order to achieve the integration among the community layers.

Results & Discussion:

The results show that environmental social responsibility perspective with regards to (*Mean, Std., Skewness, Kurtosis, CI95% for Mean*) are shown in table (1) below:

Table (1)

Dimensions	N	Mean	Std.	Skewness	Kurtosis	CI 95% for Mean	
						Lower Bond	Upper Bond
Environmental Social Responsibility perspective	249	3.72	0.414	-0.265	0.961	3.67	3.77

Sources: Rasha H Abbood, Ph.D. 2022: 81.

Skewness measures the symmetry, and the kurtosis parameter describes how pointy or flat the distribution is. A perfectly symmetrical data set has a skewness equal to 0. Except for Environmental Social Responsibility perspective, the data are almost symmetrical. While at Environmental Social Responsibility perspective ESRP; it’s a little bit skewed to the

left, which indicates more data above the average. The kurtosis is close to zero which suggests that the curves are close in shape to the normal distribution curve.

Descriptive statistical analysis for ESRP questionnaires as shown in table (2) below is adopted to exam this impact.

Table (2)

<i>Items of BSC-ESRP</i>	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>BSC-ESRP1</i>	0 0.00%	14 5.62%	41 16.47%	109 43.78%	85 34.14%	4.06	0.854
<i>BSC-ESRP2</i>	2 0.80%	14 5.62%	55 22.09%	102 40.96%	76 30.52	3.95	0.908
<i>BSC-ESRP3</i>	6 2.41%	12 4.82%	60 24.10%	106 42.57%	65 26.10%	3.85	0.945
<i>BSC-ESRP4</i>	8 3.21%	10 4.02%	53 21.29%	112 44.98%	66 26.51%	3.88	0.957

BSC-ESRP5	8 3.21%	22 8.84%	67 26.91%	81 32.53%	71 28.51%	3.74	1.065
BSC-ESRP6	12 4.82%	19 7.63%	70 28.11%	84 33.73%	64 25.70%	3.68	1.086
BSC-ESRP7	12 4.82%	17 6.83%	84 33.73%	86 34.54%	50 20.08%	3.58	1.037
BSC-ESRP8	14 5.62%	13 5.22%	90 36.14%	84 33.73%	48 19.28%	3.56	1.038
BSC-ESRP9	14 5.62%	15 6.02%	56 22.49%	121 48.59%	43 17.27%	3.66	1.016
BSC-ESRP10	12 4.82%	15 6.02%	105 42.17%	74 29.72%	43 17.27%	3.49	1.004
BSC-ESRP11	14 5.62%	24 9.64%	91 36.55%	73 29.32%	47 18.88%	3.46	1.077
• BSC Ind.						3.72	0.787

Sources: Rasha H Abbood, Ph.D. 2022: 99.

BSC-ESRP1 “CBI participates in establishing banking projects that support the Iraqi society”

Table (2) shows 43.78% (109 out of 249) responders score for the “agree” option, and 34.78% (85 out of 249) who scores for the “strongly agree” option; then 16.47% and 5.62% respectively for both neutral and disagree options; whereas no scores for “strongly disagree”. The mean here indicates the highest value among other statements, it is 4.06 and the standard deviation is 0.854. *The score value refers to the acceptance of responders toward this statement with respect for those who has another point of view which means that CBI has to sacrifice more efforts to increase their attention towards establishing more banking projects to support Iraqi society.*

BSC-ESRP2 “CBI encourages private sector to improve banking sector”

This statement shows 40.96% (102 out of 249) responders score for the “agree” option, and 30.52% (76 out of 249) who score “strongly agree” option; then 22.09% responders who

score for the “neutral” option; while 5.62% (14 out of 249) score for “disagree” option; whereas the strongly disagree scores only 0.80%. it is 3.95 and the standard deviation is 0.908; *responders accept this statement with respect for those who has another point of view which means that CBI has to sacrifice more efforts to increase their attention towards encouraging private sector to improve banking sector accordingly.*

BSC-ESRP3 “CBI participates in such investing project in education & infrastructure”

Table (2) illustrates 42.57% (106 out of 249) responders who score for the “agree” option, and 26.10% (65 out of 249) who score for the strongly agree option; then neutral option scores 24.10% (60 out of 249) responders. While 4.82 (12 out of 249) responders score for the “disagree” option, whereas strongly disagree option scores 2.41% (6 out of 249) responders. The mean is 3.85 and the standard deviation is 0.945; *in spite of majority that shows the*

acceptance of this statement, but still others have another view and note that CBI has to increase its investments in education & infrastructure.

BSC-ESRP4 “CBI tries to create novel working opportunities to enhance the economy”

The table shows that 44.98% (112 out of 249) responders who score for the agree scale, and 26.51% (66 out of 249) who score the “strongly agree” option; then 21.29% score for the “neutral” option; while disagree scale has 4.02% (10 out of 249) responders. Strongly disagree option has 3.21% (8 out of 249) responders. The mean is 3.88 and the standard deviation is 0.957. The interesting note is the mean score higher than 3 which reflects the acceptance of this statement; *although the majority refers to the acceptance of this statement, but still, others note that CBI has to sacrifice efforts to create more opportunities to enhance the economy.*

BSC-ESRP5 “CBI submits scholarship for post- graduate programs”

This statement shows 32.53% (81 out of 249) responders who score for the “agree” option, and “strongly agree” option scores 28.51% of responders; then, 26.91% (67 out of 249) responders who score for “neutral” option; while 8.84% and 3.21% respectively for disagree and strongly disagree scales. The mean is 3.74 and the standard deviation is 1.065; most of responders are appropriate with CBI procedures, but still, others are do not, and they inspire for more attention.

BSC-ESRP6 “CBI submits training programs to universities to identify the importance of investment in developing the society in Iraq”

Table (2) illustrates 33.73% (84 out of 249) responders who score for the “agree” option, and 28.11% scores for “neutral” option; then 25.70% (64 out of 249) who score for the strongly agree scale; whereas 7.63% and 4.82% respectively score for both disagree and strongly disagree scales consequently. The mean is 3.68

and the standard deviation is 1.086; *the majority for this statement accept CBI producers, but again, others believe that they have to increase their efforts to ensure the development of Iraqi society.*

BSC-ESRP7 “CBI tries to align the needs of Iraqi market with the investment banking projects”

This statement shows around 34.54% (86 out of 249) responders who score for the “agree” option, 33.73% and 20.08% respectively score for the neutral and strongly agree options; while 6.83% (17 out of 249) who score for the “disagree” option. The last score is 4.82% (12 out of 249) responders who score “strongly disagree” option. The mean is 3.58 and the standard deviation is 1.037; *responders accept this statement with respect to those who do not agree and looking for more efforts.*

BSC-ESRP8 “CBI supports NGOs, victims of wars & disaster; people of social needs”

Very close values of this statement for 36.14% and 33.73% respectively for neutral and agree options, and 19.28% (48 out of 249) responders who score for the strongly agree option; then 5.62% score for the strongly disagree option. While “disagree” option scores 5.22% (13 out of 249) responders. The mean of this statement is 3.56 and the standard deviation is 1.038; *responders support CBI in their policy, but still, others believe that CBI can increase its supports to overcome the differentiations of those disable people.*

BSC-ESRP 9 “CBI supports social and cultural carnival projects”

Table (2) shows 48.59% (121 out of 249) responders score “agree” option, and 22.49% score for “neutral” scale; then strongly agree obtains 17.27%; while 6.02% (15 out of 249) who scores for the “disagree” option. While strongly disagree option scores 5.62% (14 out of 249) responders. The mean of this statement is 3.66 and the standard deviation is 1.016; *responders accept this statement with high level*

of score, but it is not absolute, and more supported activities have to be done as others noted.

BSC-ESRP 10 “CBI supports children of special needs”

This statement shows 42.17% (105 out of 249) responders who score for the neutral option, and agree option obtains 29.72%; then 17.27% and 6.02% respectively for strongly agree and disagree scales, whereas strongly disagree scores 4.82% (12 out of 249) responders. The mean is 3.49 and the standard deviation is 1.004; *the efforts of CBI are accepted as most of responders refer, but more efforts have to increase towards those children with special needs.*

BSC-ESRP 11 “CBI adopting pioneering projects of adults after studying”

The latest statement of this part shows 36.55% (91 out of 249) responders score for the “neutral” option, and 29.32% (73 out of 249) who score for the “agree” option; then, the strongly agree option obtains 18.88% scores of responders; whereas 9.64% (24 out of 249) score for the “disagree” option; while strongly disagree option scores 5.62% (14 out of 249) responders. The mean is 3.46 and the standard deviation is 1.077; *responders accept this statement with majority, but still, others believe that these efforts are under expectation and CBI has to adopt more pioneering projects.*

Environmental social responsibility perspective ESRP is considered as an important indicator or perspective of BSC to achieve qualified financial projects especially if it aligned with high level of efforts toward encouraging societies to take parts of any activities. The interlinkage between external environment that presents by society and the internal one that presents by all levels of management is very tight, and during last decades the studies are increased and indicate that successful social development results the effectiveness of performance especially in public organizations

(Banabakova & Georgiev, 2017); whereas, another study shows less response towards this perspective; but at the same time, it suggests to sacrifice more efforts to achieve prosperity to their society due to its impact on achieving sustainability (Abo Qamer, 2009, Abbood, 2022: 128-129).

Conclusion; Limitations & Further Researches:

Although the results of ESRP showed earlier refer that there is a good impact of it towards achieving qualified financial projects, but still these results are far from expectations, due to the importance of society’s roles especially if we consider that societies are sources of feed back and any positive and / or negative reaction has its influence on the process of development of projects (Sarigül & Coşkun, 2021).

In this context, increasing methods of communication and creating novel channels of sharing knowledge that implies the importance of ESRP role is very important to sustain and develop. In addition to, investing in those SMART ideas that raised by adults, students...etc. in any society through encouraging them and supporting them with facilitates to invest and sustain; societies grow and rise from their members.

BSC perspectives in general, and ESRP in specific considered as a source of deep knowledge that still its library has not been enrich enough.

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