



## DEVELOPING A BALANCED SCORECARD AT THE JOINT STOCK COMMERCIAL BANK FOR FOREIGN TRADE OF VIETNAM

BY

Ph.D. Nguyen Duy Phuong<sup>1</sup>, Ph.D. To Thi Ngoc Lan<sup>2</sup>, M.A. Tran Thi Kim Chi<sup>3</sup>

<sup>1,2,3</sup>University of Labor and Social Affairs



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### Abstract

The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) proposed its strategy based on the overall strategy of the State Bank. However, this strategy was not implemented effectively. Therefore, there was a need for an appropriate management model to overcome the deficiencies. The Balanced Scorecard introduced by Robert S. Kaplan and David P. Norton is not only a tool to evaluate the strategic implementation but also a tool for managers to get feedback and update their organization's strategy. The Balanced Scorecard turns mission and strategy into goals and metrics of four categories: Finance, Customers, Internal Processes, and Learning.

**Keywords:** Balanced Scorecard, Banking, Strategy.

## 1. INTRODUCTION

Any business that wants to survive and develop sustainably needs an appropriate strategy. But reality shows that many businesses spend a lot of time and effort collecting information, analyzing it, and devising strategies but do not focus on turning that strategy into concrete action. The Joint Stock Commercial Bank for Foreign Trade of Vietnam has also launched its unit's strategy based on the general strategy of the State Bank of Vietnam. However, the bank's strategy implementation process is still not effective. Therefore, the Joint Stock Commercial Bank for Foreign Trade of Vietnam needs an appropriate governance model to overcome these remaining shortcomings. The Balanced Scorecard model founded by Robert S. Kaplan and David P. Norton is not only a tool to check and evaluate strategy implementation, but it is also a tool to help managers receive feedback and updates. update the organization's strategy. The balanced scorecard translates mission and strategy into goals and metrics organized into four different perspectives: Financial, Customer, Business Process, Internal, and Learning.

Through the process of research and study, the author found that the Balanced Scorecard System is a tool suitable for the current practice of the Joint Stock Commercial Bank for Foreign Trade of Vietnam. The balanced scorecard not only helps the bank evaluate performance based on measuring financial factors but also based on measuring non-financial factors (customer satisfaction, product quality, services, etc.)

thereby providing the Board of Directors with a balanced and comprehensive view of the Bank's operations. At the same time, the Balanced Scorecard will help the Board of Directors of the Joint Stock Commercial Bank for Foreign Trade of Vietnam deploy the system's strategies into specific plans and actions to orient operations and create sustainable competitive advantages. of the Joint Stock Commercial Bank for Foreign Trade of Vietnam.

## 2. RESEARCH METHODS

### 2.1. Theoretical research methods

Collect secondary data sources: Data collected from published documents on balanced scorecards and balanced scorecard construction.

Synthesize, compare, and explain the content related to the balanced scorecard following the article.

### 2.2. Research methods

This is a study to build a Balanced Scorecard for the Joint Stock Commercial Bank for Foreign Trade of Vietnam. Based on the theory of the Balanced Scorecard, the author collects data on the Bank's operations combined with discussion methods with the Board of Directors and Departmental leadership team to make assessments, analyses, and analyses. measurements, thereby establishing a strategic map and selecting appropriate core measurement indicators. From the strategic map, the Bank determines the specific action programs that need to be implemented, the budget, and resource allocation to achieve the set goals.



### 3. RESEARCH RESULTS

#### 3.1. Perspective, mission, and core values of the Joint Stock Commercial Bank for Foreign Trade of Vietnam Perspective

Building Vietnam Joint Stock Commercial Bank for Foreign Trade into a multi-functional financial banking group with an international scope of operations and a leading position in Vietnam; bringing customers the best services; and harmonizing the interests of customers, shareholders, and employees.

##### **Vision 2030**

Strive to become the number one bank in Vietnam, one of the 100 largest banks in Asia, one of the 300 largest financial and banking groups in the world, and one of the 1,000 largest listed enterprises worldwide. demand, making great contributions to Vietnam's development.

##### **Mission**

Leading bank for Vietnam's prosperity

##### **General development orientation**

Develop and expand operations to become a multi-functional financial banking group with regional and international influence.

Continuing to affirm its position in the core business segment of the Joint Stock Commercial Bank for Foreign Trade of Vietnam, which is commercial banking activities.

Safety and Efficiency in business are the top goals; "Towards a green bank, sustainable development for the community" is the overall goal.

Developed on a modern technological foundation with high-quality human resources and management according to international standards

Develop and expand the scale of operations through Mergers and Acquisitions and Consolidation when eligible.

##### **Business orientation**

*Market:* Continue to maintain and expand the existing domestic market and develop it into an international market.

##### *Product:*

- Continue to promote wholesale, retail, and associated products on a modern technology platform.
- Gradually develop investment banking products, insurance services, and other financial and non-financial services.
- Customers:

Develop a diverse, rich, and solid customer network.

- Wholesale customers: focus on customer groups: (1) Corporations, large economic organizations, (2) small and medium-sized enterprises, (3) State management agencies.

##### **Retail customers:**

Credit: focuses on customer groups: (1) individual customers using banking services, (2) Middle-class customers, intellectuals, and customers who are government officials, (3) Family.

Mobilizing capital, cards, payments: serving mass customers.  
*Marketing and sales: Professionalize marketing and sales activities; policy development, management, and sales support; Branches are direct marketing and sales units.*

#### 3.2. Strategic map for the Joint Stock Commercial Bank for Foreign Trade of Vietnam

The strategic goals of the Joint Stock Commercial Bank for Foreign Trade of Vietnam are classified according to 4 aspects of the Balanced Scorecard (Table 1). Specifically: the Financial aspect has 6 goals in order from F1 to F6, the Customer aspect has 3 goals in order from C1 to C3, the Internal Process aspect has 6 goals in order from I1 to I6 and finally the Training and Development Dimension has 7 objectives in order from L1 to L7.

**Table 1. Objectives according to the four dimensions of the Balanced Scorecard**

Balanced Scorecard dimensions	Targets
<b>Finance</b>	F1: Increase profits
	F2: Increase revenue from services
	F3: Increase import-export payment turnover
	F4: Increase mobilized capital
	F5: Increase loan balance
	F6: Control the bad debt ratio at the prescribed level
<b>Customer</b>	C1: Maintain traditional customers
	C2: Developing new customers
	C3: Improve customer satisfaction
<b>Internal process</b>	I1: Improve service quality
	I2: Reduce time to provide products and services
	I3: Reduce risk
	I4: Understand customer segments
	I5: Product package development
	I6: Increasing utility for traditional products
<b>Training and</b>	<b>Human</b>
	L1: Improve management skills for leaders



<b>Developing</b>	L2: Improve professional skills for employees	<b>Organization</b>	L6: Promoting the cultural identity of the Joint Stock Commercial Bank for Foreign Trade of Vietnam
	L3: Improve professional ethics		L7: Developing social programs
<b>Information</b>	L4: Improve the working environment for employees		
	L5: Effectively exploit information technology systems		

(Source: Prepared by authors, 2023)

Those strategies and goals will be translated into the Balanced Scorecard structure, based on four perspectives: Finance, Customers, Internal Processes, and Training - Development. This shift will form the strategic goal map for the Joint Stock Commercial Bank for Foreign Trade of Vietnam (shown in Figure 1 below).

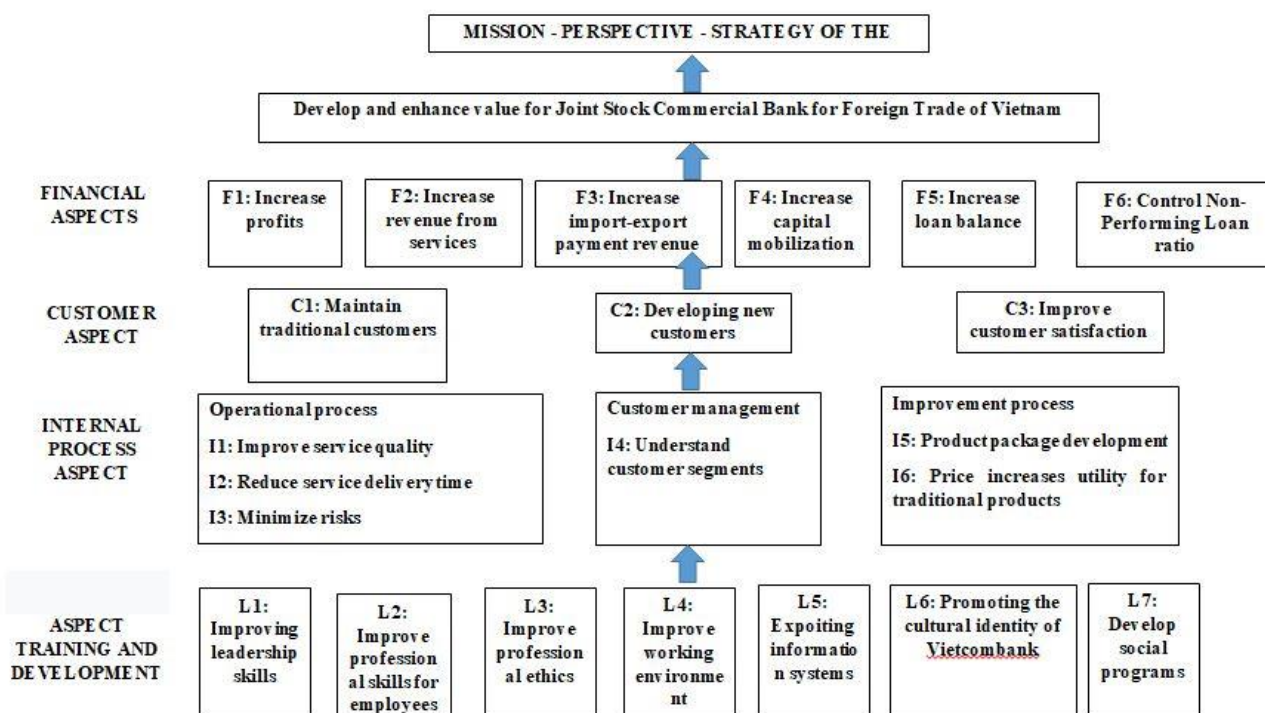


Figure 1. Strategy map for Joint Stock Commercial Bank for Foreign Trade of Vietnam

(Source: Prepared by authors, 2023)

### 3.3. Develop core measurement indicators (Key Performance Indicators – KPIs)

After establishing the strategic goal map for the Joint Stock Commercial Bank for Foreign Trade of Vietnam, the next step is to develop core measurement criteria for each strategic goal. Measurement criteria are built based on strategic goals combined with research on the current situation at the Bank. Based on the strategic goals in Figure 1, conduct interviews with the Board of Directors and combine them with past measurement data to find core measurement indicators (KPIs) for strategic goals. After having the KPIs, to quantify them accurately, the author filtered them according to the standards listed in Table 2 below.:

Table 2. Core measurement index selection criteria

Selection criteria	Measurement index 1	Measurement index 2	Measurement index 3	Measurement index n
Link to strategy				
Accessibility				
Quantifiers				
Intelligibility				

Decorative

Appropriate

(Source: Prepared by authors, 2023)

Not all of these measurement criteria are measured at the same time for measuring it is different in terms of criteria. The measurement frequency is determined at four intervals, which are: monthly, quarterly, yearly, and other measurements. The determination of the measurement frequency is through the nature of the measurement criteria and the measurement will be performed at the end of each period, the measurement results will be compared with the purpose of each measurement criterion. Each strategic goal will be measured on different criteria. After screening, the author selected 27 core measurement indicators for the bank, shown in Table 3:

**Table 3. Core measurement indicators for Joint Stock Commercial Bank for Foreign Trade of Vietnam**

BALANCED SCORECARD DIMENSIONS	STRATEGIC OBJECTIVES	MEASURE	RESULT	MEASUREMENT FREQUENCY	
Financial aspect	F1: Increase profits	% Increase in profits	Increase 12%/year	Month	
	F2: Increase revenue from banking services	% Increase in revenue from banking services	Increase 25%/year	Quarter	
	F3: Increase import-export payment turnover	% Increase payment sales	Increase 18%/year	Month	
	F4: Increase mobilized capital	% Increase in capital mobilization	Increase 25%/year	Month	
	F5: Increase loan balance	% Increase in the loan balance	Increase 15%/year	Month	
	F6: Control bad debt ratio	Maximum Non-Performing Loan ratio	Maximum 1%/year	Month	
Customer aspect	C1: Maintain traditional customers	The proportion of traditional customers still have relationships	91%	Quarter	
	C2: Developing new customers	The number of new customers increased	27,000 customers	Quarter	
	C3: Improve customer satisfaction	% Customers are satisfied	90%	Quarter	
Internal Process Dimension	Executive management process	I1: Improve service quality	Maximum percentage of errors when providing services	Quarter	Quarter
		I2: Reduce time to provide products and services	Ensure the average time to provide products and services according to business process regulations	Quarter	Quarter
		I3: Reduce risk	Maximum percentage of risks related to operations	By department	Quarter
	Customer management process	I4: Understand customer segments	Categorize customers by group. Number of care programs for each customer segment.	100% 30/year	Quarter
		I5: Product package development	Product package number provided	05/year	Year
		I6: Increasing convenience for traditional products	Number of added utilities	03/year	Year



The aspect of training and development	Human	L1: Improve management skills for leaders	Percentage of leaders studying abroad	7%/number of managers	Year
			Percentage of leaders studying domestically	25%/number of managers	
		L2: Improve professional skills for employees	Percentage of employees receiving new professional training	95 %	Year
			Number of training and education programs	15	
	Information	L3: Improve professional ethics	Number of violations related to professional ethics	0	Month
		L4: Improve the working environment for employees	Employee satisfaction	95%	Year
		L5: Effectively exploit modern information technology systems	The computer ratio is modernly upgraded and connected to the network.	100%	Quarter
	Organization		Percentage of employees who can exploit the information system.	100%	
		L6: Promoting the cultural identity of the Joint Stock Commercial Bank for Foreign Trade of Vietnam	Emulation movements are carried out.	08	Year Quarter
			Percentage of employees who successfully implement the Customer Service Standards and Cultural Manual of Joint Stock Commercial Bank for Foreign Trade of Vietnam	90 %	
	L7: Develop social activity programs	Number of social and charitable programs participating and organizing	10	Year	

(Source: Prepared by authors, 2023)

**Table 4. Balanced scorecard for Joint Stock Commercial Bank for Foreign Trade of Vietnam**

BALANCED SCORECARD SYSTEM				ACTION PLAN	
BALANCED SCORECARD DIMENSIONS	STRATEGIC OBJECTIVES	MEASURE	RESULT	MEASUREMENT FREQUENCY	IMPLEMENTATION PROGRAM
Financial aspect	F1: Increase profits	% Increase in profits	Increase 12%/year	Month	
	F2: Increase revenue from banking services	% Increase in revenue from banking services	Increase 25%/year	Precious	Participate in a conference on retail banking services
	F3: Increase import-export payment turnover	% Increase payment sales	Increase 18%/year	Month	Participate in conferences on import and export payments
	F4: Increase mobilized capital	% Increase in capital mobilization	Increase 25%/year	Month	Workshop on capital mobilization
	F5: Increase loan balance	% Increase in the loan	Increase 15%/year	Month	Participate in training on credit work



	F6: Control bad debt ratio	balance Maximum bad debt ratio	Maximum 1%/year	Month	Participate in the Problem Debt Conference	
	C1: Maintain traditional customers	The proportion of traditional customers still have relationships	91%	Quarter	Regular customer care program Complete customer information system Customer Conference	
	C2: Developing new customers	The number of new customers increased	27,000 customers	Quarter	Program to attract new customers Regular advertising program	
	C3: Improve customer satisfaction	% Customers are satisfied	90%	Quarter	Customer satisfaction survey program Introducing new products and utilities Regular customer care program	
<b>Internal Process Dimension</b>	<b>Executive management process</b>	I1: Improve service quality	By department	By department	Quarter	Upgrade information system Training and professional development Training professional skills for employees
		I2: Reduce time to provide products and services	By department	By department	Quarter	Review the process of providing products and services
		I3: Reduce risk	By department	By department	Quarter	Training and professional development
	<b>Customer management process</b>	I4: Understand customer segments	100% 30/year	100% 04/year	Quarter	Complete the customer information management system Regular customer care program
		<b>Improvement process</b>	I5: Product package development	05/year	02/year	Year
	I6: Increasing convenience for traditional products		03/year	03/year	Year	Upgrade information technology system
<b>The aspect of training and development</b>	<b>Human</b>	L1: Improve management skills for leaders	7%/number of managers	6%/number of managers	Year	Develop skills training programs for leaders
		L2: Improve professional skills for employees	95 % 15	90 % 05	Year	Training professional skills for employees. Training new employees

<b>Information</b>	L3: Improve professional ethics	0	0	Year	HRM Improve business processes
	L4: Improve the working environment for employees	95%	90 %	Year	Office repair and renovation. Employee benefits
	L5: Effectively exploit modern information technology systems	100% 100%	100% 100%	Quarter	Upgrade information technology system
<b>Organization</b>	L6: Promoting the cultural identity of the Joint Stock Commercial Bank for Foreign Trade of Vietnam	08 90 %	04 90 %	Year Quarter	Evaluate outstanding employees quarterly. Targeted communication.
	L7: Develop social activity programs	10	6	Year	Social activity program

(Source: Prepared by authors, 2023)

These core measurement indicators have a cause-and-effect relationship with each other and are linked to strategic goals, through the following **Table 4**. Based on the functions and tasks of each Department or Branch, the Board of Directors will select the most appropriate Department or branch for implementing the program. Many departments and branches can be linked in one program to achieve the highest overall efficiency.

#### 4. CONCLUSION

In an organization, the Balanced Scorecard is both a measurement system, a strategic management system, and an information exchange tool. With outstanding advantages compared to previous performance measures based on financial indicators, the Balanced Scorecard deserves to be considered one of the excellent management ideas of the 20th century that is being used by many organizations. applied in the world and Vietnam. By researching the fundamental steps for building and applying a balanced scorecard system at the Joint Stock Commercial Bank for Foreign Trade. The article has built a strategic goal map for the Joint Stock Commercial Bank for Foreign Trade of Vietnam. This map provides an overview of the bank's operational structure in the integration of strategic goals according to the four dimensions of the

Balanced Scorecard. The article has also built a list of measurement criteria to help the Joint Stock Commercial Bank for Foreign Trade of Vietnam achieve its business plan goals through implementation programs and allocated funds for each program.

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