

CHALLENGES OF IMPLEMENTING BALANCED SCORECARD IN THE SUDANESE ISLAMIC BANKS

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Abstract: The origin of modern Islamic banks back dates to the 1960s in Egypt, where Mit Ghamr saving bank pioneered Sharia compliant financing replacing interest with Islamic formulas and mechanisms, then it subsequently spread to other Arab countries, including Sudan. Sudan's banking sector has indeed adopted Islamic banking principles in all its transactions, This happened over several stages due to political and religious factors that preceded the secession of South Sudan in 2011. After secession of south Sudan, all banking activities in the Sudan are conducted in accordance with Sharia law (Islamic law). Consistent with prior research on modern management accounting methods in Islamic banks, this study evaluates the implementation of Balance Score Card (BSC) in Sudanese banks, through identifying the challenges of implementing (BSC) from the a perspective of banks' employees. The researcher is likely to choose the descriptive research method because it helps to capture the current state of affairs, allowing the researcher to describe what exists and identify patterns or trends. In order to answer the research question, the selection of secondary data was biased on relevant, accessibility, and availability of systematically organized datasets suitable for the study, a questionnaire was designed and distributed to 10 branches for different banks working in Gadarif state located in Eastern Sudan, which were selected from about 35 branches for different banks working in the state, the selection was based on practical experience and the existence of relevant well-organized data for the study. Meanwhile, there are 10 employees were chosen randomly from any bank. Accordingly, 100 questionnaires were distributed to 100 employees, 93 valid questionnaires were retrieved for analysis. The study identifies 18 key challenges in implementation BSC in Islamic banks in Sudan. The highlighted challenges may include: Ineffective binding between the dimensions limits the cards' effectiveness in directing organizational behavior toward achieving the strategy, Excessive number of indicators lead to difficulty in analysis, Weak information systems lead to poor formulation of metrics' indicators, Employee resistance to change makes it difficult to implement the BSC, The difficulty of continuously evaluating the performance of non-financial indicators hinders the implementation of the BSC, The implementation of the BSC requires the exhaustion of additional financial resources, and Failure to link evaluation to rewards and motivation renders the BSC ineffective as a management tool. Finally the study suggested some recommendations such as: The banks can prioritize the challenges based on their impact and develop strategies to address them, this could involve allocating resources providing training and improving infrastructure to support BSC implementation. On the other hand, regulatory bodies can provide guidance and support to Sudanese Islamic banks to help them overcome the challenges and implement BSC effectively.

Keywords: Social Sciences, Balance Scorecards, BSC implementation, Challenges.

Field: Social Sciences

1. INTRODUCTION

The changing conditions and circumstances imposed by developments in knowledge and science, and the modernity of renewable technology increased the need for more accurate and comprehensive tools to evaluate the performance in banking sectors, because the efficiency of traditional tools used in evaluating banking performance are unable to face the challenges of modern methods. As Kuma (2015) argued "the traditional performance management appears to be inadequate in how to measure all-round performance to meet the banking needs of strategic development", also Jochem & Landgraf, (2010) stated: "Traditional performance measurement does not reflect performance in the new economy, in which non-financial measures appear more significant". This require banks' management to monitor and adapt to developments, to continuously improve their inputs and processes, and to achieve a competitive advantage and outperform peer banks. This makes bank's performance reflective of their ability to achieve results that align with established plans and objectives, utilizing the resources at their disposal optimally. Therefore the evaluation tool must be comprehensive for all activities and aspects of the bank and include a set of financial and non-financial measures and indicators. This is exactly what was introduced by Robert Kaplan and David Norton in early 1990s, called Balance Score Card (BSC) as a performance measurement framework that balances financial and non-financial metrics. This tool

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has own the attention of researchers and managers since it appear. Nowadays, the private and public sector organizations throughout the world exercise BSC as change and strategic management system. Improvement tool is growing among African organizations and in specific African countries for instance there seems to be a real need for Balance score card in; Egypt, South Africa, Kenya, Burkina Faso, Zimbabwe etc. (De Waal, 2007). This study tries to stand on the situation in the Sudan through identify the challenges of implementation the balanced score Card in banking sector. The Sudanese banking sector adopts Islamic banking in all its transactions, as it stated by Jamea & Fadalla (2025) "The Sudanese banking system consists of 37 banks adopt the Islamic banking system". Islamic banks originated in Egypt in the 1960s and spread to other countries like; Saudi Arabia, UAE, the Sudan, and Jordan (Roy, 1991). These banks operate without interest which distinguishing them from conventional banks (Nomran et al, 2018). Therefore, applying the BSC in Islamic banks can enhance efficiency in resource utilization, this consistent with Qushtom (2020), "it's possible that Islamic banks invest effective strategic planning tools enable them to use their resources in the best way". To the researcher, the studies on BSC have been extensive globally, but applications and research in developing or crisis affected countries like Sudan are scarce, hence this study contributed positively in felling the knowledge gap in the Sudan.

2. CONCEPTUAL FRAME WORK OF BALANCE SCORE CARD

Kaplan and Norton (1996, 2001) pioneered the BSC a multidimensional framework designed to integrate financial and non-financial performance metrics. The BSC was initially developed as a measurement tool and later incorporated into strategic management system that enhances communication and organizational alignment. In 1996 Kapan and Norton worked to align the BSC with the company's strategy by introducing for interdependent perspectives for translating strategic objectives into actionable target. This process included:

- A. Clarify vision and strategy.
- B. Communicate strategic objectives across department.
- C. Link strategy to operational planning and targets, and
- D. Facilitate continues feedback and learning.

By 2001 they expanded the BSC role through five core principles to embed strategy into organizational culture:

- Implementing the strategy into tangible actions.
- Aligning all business units with strategic objectives.
- Empowering employees to implement the strategy daily.
- Treating strategy as a dynamic and iterative process.
- Driving transformation through leadership.

Through these advancement the BSC has gone beyond its original purpose as a performance system and has become a strategic tool that transforms long-term goals into interconnection metrics that guide implementation and goals achievement.

Following the studies in this field, Woretaw and Ayalew (2021), emphasize that the BSC serves as a critical management tool for aligning organizational missions, goals, and strategies across business units and functional areas within a unified performance measurement framework. This framework categorizes metrics into four perspectives, each one evaluating a specific dimension of organizational success:

- Financial perspective: evaluates the organization's effectiveness in meeting shareholder expectations and generating economic value.
- Customer perspective: evaluates customers' perceptions of the company's products, services, and market position.
- Internal process perspective: measures the efficiency and effectiveness of core operational process critical to delivering value.
- Innovational & learning perspective: tracks the organization's capacity for growth, adaptation, and continuous improvement and development.

By integrating these perspectives the BSC provides a holistic view of performance, ensuring strategic objectives are measurable and actionable. (Woretaw & Ayalew, 2021)

Additionally, numerous studies have explored the implementation of BSC in various organizations. For example, a study by Ittner et al. (2003) found that BSC implementation was associated with improved financial performance in US companies. Other research has also examined the impact of BSC on organizational performance, a study by Crabtree and DeBusk (2008) found that BSC implementation improved organizational performance and employee engagement in a US hospital.

Despite its advantages, implementing BSC presents significant hurdles Woretaw & Ayalew (2021)

identified key barriers in Ethiopian public sector organizations including:

- Weak top- management commitment.
- Misconceptions about the BSC purpose, prioritizing measurement over strategic alignment.
- Premature cascading of objective.

Further studies highlight other challenges; Neely et al. (2007), emphasized the need for cultural transformation to support BSC integration, also, Bourne et al. (2000) noted the resource intensive nature of implementation requiring substantial time and organizational investment.

These findings collectively underscore the dual nature of the BSC, while its drives performance, its success depends on contextual adaptability strategic alignment.

3. RESEARCH METHODOLOGY

The researcher is likely to choose the descriptive research method because it helps to capture the current state of affairs, allowing the researcher to describe what exists and identify patterns or trends. In order to answer the research question, the selection of secondary data was based on relevance, accessibility, and the availability of systematically organized datasets suitable for the study. and primary data collect through questionnaire distributed to 10 branches for different banks working in Gadarif state located in Eastern Sudan, which were selected from about 35 branches for different banks working in the state, the choice was guided by experience and the availability of relevant, structured data, providing strong foundation for the study. On the other hand there are 10 employees were selected randomly from any bank. Accordingly, 100 questionnaires were distributed to 100 employees, 93 questionnaires returned and ready to analyze.

3.1. METHODS AND DATA ANALYSIS

To analyze the collected data the SPSS statistical package has been used. The researcher validated the result by examining evidence from the source to determine the accuracy of the findings. To ensure the validity of the questionnaire, content validity was established. This involved expert reviews and pre-testing to confirm that the items accurately measured the intended constructs. The statistical analysis of the study sample' answer was conducted the following methods:

A. Cronbach' alpha coefficient to test the validity and reliability of the questionnaire questions used in dada collection.

B. Frequencies and percentages to describe the study members and determine the percentage of their responses to the questionnaire statements.

C. Arithmetic mean ranking of the study member' responses to the questionnaire statements according to the degree of agreement.

The reliability of the questionnaire questions was tested using Cronbach's Alpha coefficient. The scale is considered good and appropriate if its value exceeds 60%. In this study the Cronbach's alpha coefficient for the questionnaire statements is (0.80), which is greater than (0.60). This indicate the questionnaire's high internal consistency ensure the reliability of the responses, enabling us to trust the data for achieving study objective and analyzing results.

The validity coefficient of the questionnaire items used to collect data was determined by calculating the square root of the reliability coefficient. In this study the degree of validity of the questionnaire is (0.89), which is a very large value, which means that the questionnaire is valid in measuring what it was designed.

The following table describes the appropriate weight to the importance of each questionnaire statement, the details are as below:

Table (1): Weight and weighted mean of the study scale

The scale	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Weight	1	2	3	4	5
Weighted mean	1 - 1.79	1.80 - 2.59	2.60 - 3.39	3.40 - 4.19	4.20 - 5

Source: Abdelfattah (2008), Introduction to descriptive and inferential statistic, using SPSS

The figures in table (1) demonstrate that the length of the period used is the result of dividing (5/4), i.e. (0.80). The length of the period was calculated on the basis that the numbers: 3, 2, 1 were separated by two spaces.

4. EMPIRICAL STUDY

This section examines the views and attitudes of the employees in the Sudanese' Islamic banks, regarding their opinions on the challenges of implementing the balance score cards in the Islamic banking in the Sudan, the following table suggested 18 challenges to be considered in the implementation of BSC in the Sudanese Islamic banks

[Table (2): Challenges of implementing BSC in the Sudanese Islamic banks

Challenges	Mean	SD	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
			F	%	F	%	F	%	F	%	F	%
			Financial metrics are sufficient to evaluate performance.	4.03	0.90	27	29	54	58.1	0	0	12
Difficulty in formulating the bank's strategic objectives.	3.41	1.27	24	25.8	30	32.3	0	0	39	41.9	0	0
Difficulty in setting metrics for the bank's strategic objectives	3.77	1.16	30	32.3	36	38.7	3	3.2	24	25.8	0	0
Difficulty in allocating financial resources to monitor non-financial objectives.	3.83	1.05	30	32.3	33	35.5	15	16.1	15	16.1	0	0
Classification of operational metrics for qualitative data may reduce bank profits.	3.96	1.06	33	35.5	42	45.2	0	0	18	19.4	0	0
Overemphasis on financial objectives marginalizes non-financial objectives.	3.77	1.16	30	32.3	36	38.7	3	3.2	24	25.8	0	0
The difficulty of continuously evaluating the performance of non-financial indicators hinders the implementation of the BSC.	4.19	0.96	42	45.5	39	41.9	0	0	12	12.9	0	0
Failure to link evaluation to rewards and motivation renders the BSC ineffective as a management tool.	4.00	0.67	18	19.4	60	64.5	12	12.9	3	3.2	0	0
Ineffective binding between the dimensions limit the cards effectiveness in directing organizational behavior toward achieving the strategy.	4.51	0.80	63	67.7	18	19.4	9	9.7	3	3.2	0	0
Excessive number of indicators lead to difficulty in analysis	4.41	0.61	45	48.4	42	45.2	6	6.5	0	0	0	0
Lack of leadership support hinders the implementation of BSC.	4.12	0.79	36	38.7	33	35.5	24	25.8	0	0	0	0
Weak information systems lead to poor formulation of metrics' indicators	4.41	0.83	54	58.1	30	32.3	3	3.2	6	6.5	0	0
The novelty of the BSC concept hinders its implementation.	3.80	0.93	24	25.8	36	38.7	24	25.8	9	9.7	0	0
BSC implementation requires costly process engineering procedures.	3.64	1.12	24	25.8	36	38.7	9	9.7	24	25.8	0	0
Employee experience with financial metrics does not motivate the measurement of non-financial objectives.	3.93	1.08	24	25.8	57	61.3	3	3.2	9	9.7	0	0
The implementation of BSC requires the exhaustion of financial resources.	4.06	1.11	42	45.2	30	32.3	9	9.7	9	9.7	3	3.2
Difficulty in determining dimension weights hinders BSC implementation.	3.90	0.73	15	16.1	60	64.5	12	12.9	6	6.5	0	0
Employee resistance to change makes it difficult to implement the BSC.	4.29	0.81	45	48.4	33	35.5	12	12.9	3	3.2	0	0

Source: Prepared by the researcher (2025)

Table (2) and the descriptive analysis reveals strong agreement among respondents regarding all challenges of implementing BSC in Islamic banks in the Sudan. This is clear from the Mean values (ranked between 3.41- 4.51) and the standard deviation (ranked between 0.61 - 1.27), also from the agreement percentage frequencies (78.3%) and the general trend of the average answers was to agree with the questionnaire statements, with an arithmetic mean of 3.76 and a standard deviation of 0.443.

The highest Means (4.51), (4.41), (4.41) and (4.29) are given to the challenges: Ineffective binding between the dimensions limits the cards' effectiveness in directing organizational behavior toward achieving the strategy, Excessive number of indicators leads to difficulty in analysis, Weak information systems lead to poor formulation of metrics' indicators, and Employee resistance to change makes it difficult to implement the BSC, respectively. The lower Means (3.41) and (3.64), comparing to other challenges was given to the challenges difficulty in formulating the bank's strategic objectives, and the implementation of the BSC is linked to the process engineering procedures that require high costs, because some respondents give disagree answer to these variables comparing to other variables. Other variables were also accepted by the respondents.

The consequences of highest Means are very important because without effective binding between the dimensions, the organization may struggle to achieve its strategic goals, also resources may be misallocated as different dimensions may prioritize competing objectives. On the other hand, too many indicators can lead to analysis paralysis and making it challenging to identify key trends, and prioritize actions, which can lead to inefficient use of resources and poor decision making. Also, weak information systems can significantly impact the development of effective metrics indicators in several ways such as; in complete or inconsistent data lead to poorly formulation metrics, which hinder the development of meaningful metrics, weak information systems may not provide the necessary tools or capabilities for effective data analysis. Moreover, employee's resistance to change can hinder the implementing of BSC, because of familiarity with current performance measurement system making it hard to adopt to new approaches in addition to the concerns about the extra effort required to implement and maintain the BSC.

5. CONCLUSION AND RECOMMENDATIONS

The study reveals a significant consensus among respondents that all the challenges listed have considerable impact on the absence of implementing of Balance Scorecard (BSC) in Sudanese Islamic Banks. This consensus suggests that the respondents who are likely stakeholders in the banking industry, share common understanding of the obstacles hindering the adoption of BSC in these banks. This finding have several implications for Sudanese Islamic Banks, regulatory bodies, and policymakers. The banks can prioritize the challenges based on their impact and develop strategies to address them, this could involve; develop a clear strategy map that illustrates the relationships between dimensions, use metrics that capture the interdependencies between dimensions, regularly review and adjust the BSC framework to ensure effective binding between dimensions, also, limits the number of indicators to the most critical ones, regularly review and refine indicators to ensure they remain relevant. Moreover, Islamic bank need to implement modern reliable and scalable information systems, establish data governance policies, procedures and standards. Additionally, to overcome employees' resistance, Islamic banks need; a clear communication about BSC purpose, benefits and implementation process, provide comprehensive training and ongoing support to build confidence, engage employees in the implementation process, demonstrate strong leadership support and commitment to the BSC initiative, and proactively address employees concerns, providing reassurance and solutions.

On the other hand, regulatory bodies can provide guidance and support to Sudanese Islamic banks to help them overcome the challenges and implement BSC effectively. This involve; define clear objectives that align with their mission, vision, and overall business strategy, this include identifying key performance indicators that comply with Shariah principles and regulatory requirements. Also, regulatory bodies can providing training, resources, and incentives to encourage adoption in this sector and other economic sectors in the country. Investigating the effects of BSC implantation on Sudanese Islamic banks' performance could be a valuable area of future research.

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