The Influence of Contingent Reasons on the Employ of Manifold Performance Measures in the Banking Industry: The Case of Libya.

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Abstract:

The purpose of this work is to explore the utilize of financial and non financial performance measures in the Libyan banking sector and to assess the influence of contingent factors on the use of financial and non financial performance measures from a contingency perspective. Thus, the research identifies the reality of performance measures taken from the performance measurement literature, and explores the effect of four selected contingent factors namely organizational structure, level of competition, size of bank, and business strategy of banks on the employ of performance measures. Based on a scale survey in a sample of 43 respondents from diverse banks in Libya, the research develops hypotheses concerning, its objectives, and uses descriptive analysis to assess the underlying impact of using financial and non financial performance measures. The impact of selected factors on the use of performance measures was also assessed by means of bivariate correlation statistics.

The research results have revealed that most of the Libyan banks are still relying heavily on financial measures even if they tend to place strong emphasis on customers and quality dimensions of non financial measures. Moreover, The research has also found that all four contingent factors have varied positive impact on the use of performance measures in the Libyan banks.

Key words: *Performance measures; Performance measurement systems; Libyan banking sector; Contingency theory.*

Introduction:

The management accounting literature was emphasized the importance of management accounting functions and how they play an important role in the financial success of the organisation, and as a source which provides appropriate information about internal activities (Drury, 2014). Therefore, firms are focused on the use of management accounting information to help managers make basic decisions in order to achieve their organisational objectives. The performance measureement system is one of the most important functions of management accounting, as it is operated to evaluate, control and improve processes through comparing the performance of different organisational levels (Drury, 2014). So, it is important for both managers (to track and measure performance for their subunits), and for employees at lower levels (to understand the financial impact of their operating decisions) (Anthony and Govindarajan 2011). Consequently, in order to be aware of the performance measurement systems, it is essential to understand that performance measurements are used at each organisational level. This paper therefore focuses namely on financial and non financial performance measures.

A Brief Literature Review and Development of Hypothesis:

The literature considers the use of financial measures on performance measurement for evaluation purposes, but the limitations of financial measuresin addition to the recent changes in business environment that faced organisations such as technological advances, and increased competition, this leads management accounting specialists to criticise reliance only on financial measures of performance measurement. Micheli and Mari, 2014; Atkinson et al, 2009; Neely, 2009; Ingrida Balabonienė, Giedrė Večerskienė (2014) and more others concluded that business environment that faced organisations such as technological advances, and increased competition, this leads management accounting specialists to criticise reliance only on financial measures of performance measur-

ement. As a result, the literature recommended that organisations ought to use non financial measures beside financial measures to provide managers with adequate information about their overall organization performance (Kaplan and Norton, 2006; and Banker et al, 2000). In addition, Otley, 1980, Ittner and Larcker, 2003aargued that the business environment around an organisation should influence the form of management accounting practices including performance measurement. Similarly, Otley (2009) concluded that performance measurement systems used in one company may not be suitable for another company facing different circumstances. Therefore, the following parts of this paper will be concerned briefly with the relevant previous literature of both the theoretical arguments and the empirical studies regarding the use of financial and non financial measures for performance measurements and the contingent factors that may influence the use of performance measures:

Financial Measures:

Ittner and Larcker, 2003b argue that financial performance measures were used in order to provide financial information to the managers and other users, also to evaluate efficiency and effectiveness, the more popular financial measures used for example are: return on investent; return on assets; return on capital employed; and earnings per share. Although the use of financial performance measures is important in performance measurement, they have some limitations. Kaplan and Norton, (2006) and Neely, (2009) concluded that there is agreement about the limitations of financial measures for instance, they are too financially oriented, internal looking, historical and focusing on inputs not outputs, and are short term oriented. Kaplan and Atkinson, (1998) indicated that the limitations of financial measures should be expanded to include the valuation of the company's intangible and intellectual assets such as; high quality products, motivated and skilled employees, responsive and predictable processes, and satisfied and loyal customers in

order to reflect the assets and capabilities that are critical for success in today's competitive environment, these types of measures can be categorized as non-financial performance measures. Furthermore, Kaplan and Norton (2006) concluded that measurement using only financial measures may damage an organisation's capacities, and a mixture of financial and non-financial measures are better suited for evaluating performance.

Non -Financial Measures:

Several studies (Kaveh Asiaei Ruzita Jusoh, 2017; Fitzgerald et al, 2011; Kaplan and Norton, 2006; Banker et al, 2000) have provided an empirical evidence on the positive impact of non-financial performance measures on the organisations' financial performance in the long-term, this for the reason that, non-financial performance measures provide managers with timely information about the causes and drivers of success and can be used to design integrated evaluation systems. Fisher (2005) states that there are three main reasons for the appearance of non-financial performance measures:

The limitations of traditional financial performance measures, competitive pressures, and the growth of other initiatives. In addition, Neely (1999) presented several reasons for this performance measures revolution, including increasing competition, changing organisational roles, changing external demands and the power of information technology. Furthermore, it has been argued that this has led to the recognition that financial performance measures do not present a clear picture of organisational performance (Bourne and Neely, 2002). Most studies of non-financial performance measures are related to manufacturing with very few studies including services firms (Kald and Nilsson, 2000). Several studies (Fitzgerald et al, 2011; Kaplan and Norton, 2001; Hussain, et al 2012; Lorenzo, 2008) have highlighted the need to use multidimensional performance measures in the service sector such as the banking sector. Berry et al (1993) discussed performance evaluateon in UK bank lending decisions, they

argue that although manufacturing companies tend to emphasise the importance of non-financial performance measures, bankers are concerned with more financial performance measures.

Ostinelli and Toscano (1994) examine the use of non financial measures namely customer satisfaction and improvement in quality management as an operational tool of control in three Italian banks, finding showed that the performance measurement system was able to integrate both financial and non-financial measures to evaluate performance. Hussain et al (2002a), Balfaqih etal (2016) argued that research on the role of management accounting practices in non-financial performance measures in financial institutions (including banks) in three countries Finland, Sweden and Japan, found out that that contextual factors for example economic, normative, coercive factors have affected the role and the use of non-financial performance measures in the financial sector in three different countries. In addition, Al-Eniziet al (2006) examined the use of non-financial performance measures in the Gulf Cooperation Council Countries in four service companies (one of them was a bank),they suggested that non-financial performance measures have a positive impact on long-term profitability. Hussain and Hoque (2002a) examined what factors affected the design and use of non-financial performance measurement systems in Japanese banks, their results appeared that several institutional features were influential in the banks' implementation of a particular performance measurement system including the central bank's regulatory control, bank size, and competition.

Hussain and Hoque (2002b) assessed the role of management accounting in non-financial performance among Japanese financial institutions-banks, they concluded that management accounting has played a key role in measuring performance in different banks in Japan, but its role in non-financial performance measures has been slight significant than its role in financial performance measures. The findings concluded that non financial performance measures are needed and the contextual fact-

ors affected the use of non-financial performance measurement in the sample studied. Elshkuri (2007) explored the use of non financial performance measurement in Libyan commercial banking sector with four case studies and the effect of environmental factors on the use of non financial performance measurement. The results argued that some motives were reasons for using non financial performance measurement in Libyan commercial banking sector, such as limitation of financial measures, competitive environment, demanding customer, nature of banking industry, issues of management and Old regulations from Central Bank of Libya.

The above suggests that there are relatively few empirical studies which directly examine the use of financial and non financial measures for performance measurement purposes in the banking industry in developing countries, but not in Libya. In addition, the conclusions from related previous studies provide two main arguments regarding the use of financial and non financial measures. The first argument points out that the use of financial measures is more common and standardized than non financial measures across the organization's sub-units as financial outcomes are the primary performance objectives. The second argument concludes that non financial measures have use beside financial measures in performance measurement systems, because non financial measures are better measures to driving future financial performance, and they reflect the value of long term aspects. Since the 1990s, the balanced use of financial and non financial measures for performance measurement have been strongly recommended by scholars and professionals (e.g. Kaplan and Norton 2006).

It could be argued therefore that if financial measures are still fundamental for performance measurement in the Libyan banking sector context, therefore this paper sets the first hypothesis as follow:

H.1 *The Libyan banks tend to use financial measures rather than nonfinancial measures more frequently.*

Contingency Theory Framework:

Otley, (1980) asserts that the main hypothesis of contingency theory is that, there is no comm. only relevant accounting system for all organisations within different locations and the selection of suitable systems depend on the conditions surrounding organisations. Chenhall (2003) argues that the main stream of contingency studies is to address the contingent nature of management accounting practices, and to be concerned with how management accounting practices might be affected by a selection of contingent variables. The main purpose for adopting the contingency theory framework in the current paper is for the following reasons: Firstly, the contingency theory may provide possible explanations for different uses of management accounting practices including performance measures (Otley, 1980). Secondly, contingency framework supplies the best analytical bottom for the effect of contingent factors on information systems (Jones, 1985). Finally, contingency framework is an empirical framework, which allows this study to develop relevant hypotheses, and to enable statistically analyse them, which depends upon the selected factors (Xiao et al, 1996).

Factors Influencing Performance Measures:

Since the 1980s, there are many studies that focus on different aspects of management accounting practices especially in performance measurement such as their relationship with contextual factors (e.g. increasing competition, technological development, environmental uncertainty…etc). These different aspects of the literature will discuss in more detail.

The Influence of Organizational Structure:

Laitinen (2006) and Lorenzo (2008) concluded that the organisational structure is one of the most important factors which affect management accounting practices. Top management may make some modifications in their organisational structure to become more effective and efficient, in order to gain a bigger market share and the survival of

the firm (Hoque, 2005). Bititci et al (2002) contended that organisational structure should be interdependent throughout the life cycle of management accounting practices like performance measurement, successful implementation of these practices will lead to a more participative and consultative management style and may result in significant performance improvements. However, Cobb et al (1995) argue that a change in organisational structure has an indirect effect on management accounting practices because a change in organisation structure is followed by a change in priorities, which may affect management accounting practices. Organisational structure (centralization /decentralization) is considered an important variable influencing the design of management accounting systems. In addition, the issue of authority and power distribution are crucial to an understanding of the control processes within an organization (Waterhouse and Tjessen 1978).

Gordon and Miller (2003) pointed out that the administerative task becomes more complex, sub-tasks and responsibilities must be delegated to lower levels of management to ease the burden of decision making. Thus increased environmental dynamism, heterogeneity and hostility must often be accompanied by decentralization of power and responsibilities. They add that under these conditions, the accounting information systems may have to become more sensitive and sophisticated for example increasing requirement for formal controls to replace informal controls and producing more explicit reports on the performance of organizational sub-units (i.e. the accounting system itself must become decentralized). Hence the second hypothesis is:

H.2 *The Libyan banks that are more decentralized tend to use non financial measures*.

The Influence of Level of Competition:

There is empirical evidence showing the desire for appropriate management accounting practices in business organisations to meet growing competetion (Johnson and Kaplan, 1987; Laitinen, 2006). Cooper and

Ezzamel (2004) and O'Connor et al (2008) argued that motivateon for change, in every aspect of organisations and their management accounting practices such as the costing system and performance measurement system, are the new competetive environment. In addition, Hoque (2005) and Abdl-Maksoud (2008) concluded that competition is one of the important reasons that organisations employ specific practices such as non-financial performance measures. Regarding the effect of competition on performance measurement systems, a number of studies stated that conventional performance measures are inappropriate given today's complex competitive environment, consequently, much attention has been given to the need for multiple performance measures (Neely et al, 2001; Hussain, 2005; O'Connor et al, 2008). Thus, there has been much concern about the need for multidimensional performance measures (Kaplan and Norton, 1996; Neely et al., 2001; Hussain and Gunasekaran, 2002). In view of the severe competition faced by the Libyan banks, the effect of competition is selected for investigation and the paper therefore sets the following hypothesis:

H3. The Libyan banks that are facing competition tend to use financial and non financial measures for performance measurement.

The Influence Organization's Size:

In response to such economic pressures, management accounting practices become adaptive to their environment with various degrees of responsiveness, but the characteristics of the company (e.g. size and type) are a key determinant to the degree of possible change and adaptation to the economic pressures (Granlund and Lukka, 1998; and Hussain and Gunasekaran, 2002). As for the impact of size of organisation performance measurement systems, several previous studies (Chenhall, 2003; Ezzamel, 1990) suggest that top management in big firms will implement a multiplicity of performance measures relative to small firms to motivate managers of different responsibility centers .For example, Chenhall (2003) indicates that size indeed

affects the design of performance measurement systems: larger organizations use more sophisticated performance evaluation systems and tend to introduce non-financial measures. In addition, organisational size might influence the shape of control systems used which tends to be more sophisticated within bigger firms than smaller (Libby and Waterhouse, 1996; Speckbacher et al, 2003). In considering the impact of size of bank on the use of financial and non financial performance measures in the banking sector, this study argues that the size of service of a bank might impact accordingly on the use of financial and non financial measures in the Libyan banking sector. Previous research has indicated that size indeed affects the design of performance measurement systems: big organizations use more sophisticated performance evaluation systems (Chenhall 2003) and tend to introduce non-financial measures (Hoque& James 2000). This results in the following hypothesis:

H.4 *Organisation's size is positively associated with the use of financial and non financial performance measures.*

The Influence of Oriented Business Strategy:

Otley, (1980); Chenhall (2003) andJuson et al, (2008) state that performance measurement systems should be designed to work with business strategy of the organisation, namely the choice of performance measurement systems is dependent on business strategy. In addition, the nature of performance measurement systems are different according to the type of selected business strategy, for example the aim of using non financial performance measures is to achieve long-term competetive advantage, and these practices depend on the managerial strategies and goals (Hussain, 2004; Lorenzo, 2008). Stede, et al (2006) study the relationship between business strategy and the use of non-financial performance measures by Belgian and US managers, they found out that there is a positive relationship between business strategy and the extent of using non-financial performance measures.

However, Langfield Smith, (1997) and Verbeeten and

Boons, (2008) maintains that the influence of business strategy on performance measurement system is not clear and the relationship between them is limited. Even the type of adopted strategy should influence the use of performance measures. Miles and Snow (1978) described patterns of behaviour used by organisations in adjusting to their environments identifying four strategic types of organization (prospectors, defenders, analyzers and reactors.(1) They confirmed that each type has its own unique strategy to its chosen market, and each has a particular configuration of technology, structure, and process that is consistent with its market strategy. Therefore the last hypothesis is:

H.5 *The type of strategy oriented tends to influence the use of financial/non financial measures more frequently.*

Libyan Banking Environment:

The banking sector is one of the most important in Libyan Economy and at the same time one of the most sensitive, structural constituents of the economy of any country. Historical sources show that the first banks in Libya were established at the end of the Ottoman period at the beginning of the 19th century. Since that time until the middle of the 20thcentury the commercial banks were branches of foreign banks such as Barclays Bank (Al-Arbah, 1985).

The Libyan banking sector now consists of the Central Bank of Libya, specialised banks (Libyan Arab Foreign Bank, Agricultural Bank, Saving and Investment Bank and Development Bank) and commercial banks. The commercial banks are organisations that have an economic and social role. The Libyan commercial banks consist of public commercial banks [State commercial banks (SCBs) and private commercial banks (Central Bank of Libya, 2001). They have a significant role in the growth of the Libyan economy.

The period (1972-1992) was dominated by the five public commercial banks. On 13 Nove--mber 1969 a decree was issued to nationalise foreign banks to become Libyan joint stock companies with Libyan nationals owning more than 51% and the majority of their board of directors being Libyans inclu-

ding the chairman. In December 1970 Law No (153) nationalised foreign shares in the commercial banks, specified the contribution of Libyans in the banks, reorganised banks and increased the contribution of the Central Bank of Libya to 51% in banks where it was less than that. In order to keep up with the latest developments in both the national and international environment, legislation was enacted in the 1990s to encourage the private sector to participate in owning and managing commercial banks (Masoud and Al-Shrif, 2002).

From 1993 the banking sector witnessed important developents. Law No (1) 1993 [adjusted by Law No (1) 2005] allowed private banks to be established as well as permitting foreign banks to open branches, agencies or representative offices. The private banks established following this Law are Bank of Commerce and Development, Aman Bank for Commerce and Investment, Al-Ijmaa Al-Arab Bank, Al-Wafa Bank, Representative office of Jordanian Housing Bank and 48 small private banks (Luxford, 2005 and Central Bank of Libya, 2004) and they compete with the State banks and they have become very effective competitors. To observe international standards, the CBL has issued regulations for the commercial banks, such as the decisions of the Basle Committee concerning the suitability of capital to be in line with international developments and innovations and in order to reach a banking standard to compete in the international banking world.

Research Method and Survey Instrument:

Date has been collected through a questionnaire instrument accompanied with an introducetory letter clarifying the purposes and objectives of the entire project. The sample consists of 43 respondents from Libyan banking sector including commercial banks in north east of Libya.(2) Managers were directly contacted in order to select a list of banks prepared to cooperate. The survey was conducted by sending a questionnaire during the second half of 2017. After three follow ups by phone calls made to non-respondents to

increase survey response rate, 65 questionnaires (43 usable) were sent back. The final response rate of about 64% represents an acceptable target when the questionnaire involves top and middle management (senior managers and branch managers in Libyan banks in north east.(3) The questionnaire was developed and refined as follows: nearly all items in the performance measures and contingent factors were adapted from previously published works. A preliminary draft of the questionnaire was discussed with staff team and some research students at Omar Almukhtar university and Benghazi university to assess the content validity prior to pilot testing; and a pilot test was conducted with a group of two branches, whose inputs were used to improve the clarity, comprehensiveness and relevance of the survey instrument.

Specifically the questionnaire was structured in two parts. In the first part organizations were asked to indicate on a five point Likert scale -from 1 (not at all important/used), through 3 (moderately), up to5 (extensively) - the extent to which they used a set of performance measures coming from academic/practitioner management accounting literature (White 1996; Kaplan & Norton 2006,2000; Gosselin 2005). The second part listed some contingency factors.

Sample features:

Data was analysed using the SPSS package v23.0. The reliability of the questionnaire was also verified. Internal consistency was established using Cronbach's Alpha it was equal to (0.820). The first empirical evidence of the survey is shown displayed through the use of descriptive statistics. Table (1) gives an account about some information including date of establishing, type of business, ownership, the total of assets, and type of business strategy. Table (2), (3), and (4) describe the distribution of respondents by the evaluation of the importance to bank success and the extent of current used of performance measures.

Their adoption does not seem to be related to the organisation (bank) size as confirmed by Hoque& James (2000) for the

balanced Scorecard (BSC) case. To test this empirically an Independent samples t-test was undertaken. It fails to detect any significant difference between Large and smaller (table 5). Organisational structure (table 5) is a construct measured by four items on a five point Likert scale (1 low; 3 moderate; 5 high). It explains the degree of authority/delegation in the organization.Table (6) reports that the level of competition among Libyan banks is of moderate intensity and it is original more from private banks.

Findings and Hypotheses Testing:

To test H1, the financial and non financial performance measures are ranked according to the mean of the extent to which respondents from Libyan banks are ranking them as important to success of long term and are using them in aforementioned practices. Table (7) incorporates tables (3,4, and 5) and accounts for the overall diverse measurements, the last column highlights this indicator whish calculates by average standardised rating of importance and using for each category (financial and non financial measures). This indicator shows that if the level of overall diverse measurements is up to 3 that means banks use diverse sets of performance measures at a high level, however if the rate is less than if means if is not a high level of use for diverse sets of perfo-rmance measures. From the table, it could be noted clearly that Libyan banks are still relying on financial performance measures.

The highest rate of overall diverse measurement colum is financial measures which ranked by mean (3.530) and other the non financial measures are ranked less than the level of absenteeism (ranked +3). Therefore H1 is confirmed.

Contingency Factors and Perf-ormance Measures:

A factor analysis is undertaken in order to classify the measures into categories and to find out the underlying themes among the 8 items. Principal Component Analysis (table 8) reveals two interpretable factors with Eigen values greater than 1 that account for 64% of the variance.

The two factors are labelled as follow: Competition (4 items); Decentralised (4 items).

To test the remaining four hypotheses a bivariate correlateon is undertaken among the 4 factors two of them coming from the Principal Component Analysis (PCA) (competition, and decentralization), type of business strategy (Miles & Snow's organization strategies namely defender, prospector, and analyzer) and size of organisation (total of assets). Table (8) shows all the results of this analysis. Kendall's tau (t) association coefficients help to determine whether there are some associations among four factors. These estimates are accompanyied by p-values from statistical significance tests. Decentralization is positively correlated with quality, financial, employee, and customer measures respectively, but less correlated with community measures. These results sustain the idea that organisations that are more decentralized tend to use more non financial measures. Hence **H.2** is confirmed.

The level of competition is positively correlated with financial and non financial performance measures (even if these values are not statistically significant). So **H.3** (The Libyan banks that are facing competition tend to use financial and non financial measures for performance measurement) is not confirmed.

With regard to the size of organisation, size of bank is positively correlated with non financial performance measures while it is so with financial performance measures but it is not significant. Thus, **H.4** (Size is positively associated with the use of financial and non financial performance measures) is accepted.

Prospectors are positively correlated with all performance measures while defender is negative correlated with non financial performance measures (even if this value is statistically significant). Furthermore analyzer is positively correlated with non financial performance measures but this is not case with financial measures. Overall these results appear coherent with Miles and Snow's theory given that prospector is positively correlated

with use of non financial performance measures while, at the opposite, defenders are negatively correlated. Therefore, **H:5** (The type of strategy oriented tends to affect the use of financial / non financial measures more frequently) is confirmed.

Discussions:

These findings are consistent with Miles and Snow's (1978) strategic type of organizations theory given that prospector organizations "value being first-in" in new products and market areas even if not all of these efforts prove to be highly profitable. These organizations respond rapidly to early signals concerning areas of opportunity, and these responses often lead to a new round of competitive actions"(Snow and Hrebiniack, 1980). Hence they should rely more on non financial measures than Defenders.

At the opposite end, these discussion will try to protect their domain by offering higher quality, superior service, lower prices and so forth. Often they are "not at the forefront of developments in their industry and tend to ignore industry changes that have no direct influence on current areas of operation and concentrate instead on doing the best job possible in a limited area" (Snow and Hrebiniack, 1980). Defenders tend to place stronger emphasis on customer-related measures. In fact the Kendall coefficient between Customers is greater than prospectors even if both are not significant. The level of competition is positively weak associated with financial and non financial performance measures but it is not signifycant. That does not confirm the hypothesis that when banks are in a turbulent/ unstable environment they tend to rely mostly on financial related measures (Gosselin 2005). BSC is positively associated with size of banks. That represents a further confirmation of H2. Banks implementing BSC are using more non financial performance measures.

Conclusions:

Contingency theory have influenced much of the empirical work in the management accounting field emphasizing especially both environment and

strategy role. These latter represent complex problems for companies together with other contingency facets such as dimension, technology, organization design and management accounting systems.

This exploratory study has been designed to test some specific contingency relationships between competition, decentralization, strategic of type organization, innovative management accounting technique (BSC) with the adoption of performance measures. Literature on management accounting has investigated the relationships from a contingency view (Jones, 1985; Chenhall& Morris, 1986) - as, for instance, between business strategy and management control systems (Otley 1980) given that management accountting systems can be identified as an organizational variable whose consistency (structure, shape, characteristics and composition) will depend on a series of circumstances that firms will be forced to face during their existence.

Although Skinner (1969) concludes that the relationship between operations and corporate strategy is not easily understood. the focus only recently has shifted towards empirical research on performance measurement systems tending to suggest that firms may use types of measures which fit with their strategy (Gosselin 2005), environmental uncertainty (Hoque 2005), advanced management techniques and advanced technologies (Maksoud et al. 2005) in accordance with contingency theory on management accounting.

The main purpose of this paper was to collect some empirical evidence on the level of a set of performance measurements implemented in Libyan banks. Despite literature suggesting firms should increase the adoption of non financial measures in their performance measurement systems, the results of this research confirm that financial measures are still much more used by managers and controllers.

A further purpose was to report how most banks have adopted versions of non financial measurement frameworks

but have failed to align cause and effect relationships with firm strategy. The implications might be the manipulation of performance measures by managers in order to raise earnings and bonuses. Hence, it appears that non financial measures are just as, if not more, susceptible to manipulation than financial accounting measures.

This brief paper gives an initial account of the application of performance measures in Libyan banks explaining their use in non financial measures setting. Overall the results of the research project confirm that Libyan bank managers are still relying on financial performance measures even if less so when non financial is applied. Financial accounting data is useful, but probably more so if they are integrated with non financial performance measures. Specifically these findings confirm a positive trend from managers dealing with non financial to avoid an unbalanced focus on relating incentives to quantifiable financial statement measures (i.e. ROI, ROS, EBITDA and Gross Margin). Indeed using only incentives which are tied to short-term performance measures can lead managers to focus heavily on short-term gains (Kaplan & Norton 1996) rather than focus on drivers more suitable for long term firm value (Eccles, 1991).

Limitations of the Study:

The aim of this research is to provide a better understanding of what performance measures are used by banks managers. Specifically this paper upgrades the existing theory, establishes relationships between contingencies factors and performance measures with contingency theory and shows some results that it would be not interesting to develop further. However, this paper has some limitations to bear in mind. First of all, the sample comes from the Libyan banks without considering other perspectives (e.g., manufacturing, other services). Furthermore the paper does not consider how these contingency relationships may impact on the organisational performance and what combinations of performance measures can lead to improve financial results and organizational behaviour with more regular use.

Notes:

1. Prospectors are mainly entrepreneurial, innovation and new opportunities orientated.
Defenders defend the existing market, target a narrow market segment (may be a niche market), use a variety of means to defend the existing market.
Analyzers are a hybrid of prospector and defender types. Reactors react to change

2. The reasons for selected the commercial banks in North East region of Libya were : security bottom in Libya that make collect date across Libya is very danger, and the same rules, procedures and systems are exercised in all Libyan banks which make ability to generalization results of this study.

3. Libyan Banks in North East area are commercial and specialized banks in cities of Benghazi ,Elbyda, Almarj and Tubeq.

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Appendices:

Table (1) Description of banks covered by the classification of survey

Classification Of banks by year of establishing business typology:				
Number (%)	**Before 1980** 27 (62.7)	**Between 1981-1990** 0 (0)	**Between 1991-2006** 16 (37.3)	**After 2006** 0 (0)
Classification of banks according to type of business:				
Number (%)			**Commercial** 26 (60.4)	**Specialized** 17 (39.6)
Classification of banks by ownership typology :				
Number (%)	**State-owned (public bank)***** 35 (81.4)		**Private**	
			PAPP* 5 (11.6)	**PSE**** 3 (6.7)
Classification of banks by total of assets typology:				
Number (%)		**Less than 100** 11 (25.5)	**100-500** 27 (62.8)	**Above 500** 5 (11.6)
Classification of banks by type of strategy typology:				
Number (%)		**Prospector**	**Analyzer**	**Defender**
		10(25.6)	18(41.9)	12(27.9)
State-owned public bank***= (the state owns more than 50% of their shares), **PAPP*=** private after process of privatisation (before that they were public), **PSE**=** private since establishing				

Table (2) The importance of performance measures to bank success

	Mean	**Std. D**	**Comparisons of survey results by Typologies:**			
			Ownership		**Business**	
			S-O	**P**	**C**	**SP**
Financial	3.706	0.774	3.600	3.814	3.686	3.765
Customer	2.985	0.837	2.857	3.116	3.020	2.882
Employee	2.324	0.742	2.257	2.388	2.412	2.059
Quality	3.206	0.907	3.171	3.234	3.196	3.235
Community	2.250	0.655	2.286	2.217	2.255	2.235
UNL un listed banks, **L** Listed banks, **S-O** public banks, **P** private banks, **C** commercial banks, and **SP** specialized banks						

Table (3) The use of performance measures for managerial performance evaluation

	Mean	Std. D	Comparisons of survey results by Typologies:			
			Ownership		Business	
			S-O	P	C	SP
Financial	**3.809**	0.851	3.600	4.031	3.902	3.529
Customer	**2.721**	0.844	2.429	3.028	2.902	2.177
Employee	**2.103**	0.694	1.743	2.487	2.294	1.529
Quality	**2.765**	1.223	1.829	3.756	3.137	1.647
Community	**1.838**	0.765	1.514	2.184	2.020	1.294

Table (4) The use of performance measures to identify problems

	Mean	Std. D	Comparisons of survey results by Typologies:			
			Ownership		Business	
			S-O	P	C	SP
Financial	**3.074**	0.997	2.486	3.691	3.314	2.353
Customer	**2.265**	0.803	1.771	2.789	2.451	1.706
Employee	**1.794**	0.612	1.571	2.026	1.902	1.471
Quality	**2.515**	0.985	1.743	3.325	2.824	1.588
Community	**1.662**	0.563	1.600	1.728	1.686	1.588

Table (5) The organizational structure

Degree of decentralisation in the bank	The level of use			Mean	Std. D	Comparisons of survey results by Typologies:			
						Ownership		Business	
	1 / 2	3	4/5			S-O	P	C	SP
Delegation of Authority.	70.6	26.5	2.9	2.118	0.763	1.657	2.608	2.314	1.529
Feedback to employees.	76.5	23.5	0	1.897	0.756	1.371	2.454	2.098	1.294
Formalization and job description.	47.1	35.3	17.6	2.588	1.011	2.000	3.221	2.824	1.882
Level of decision making taken at the top level of management	1.5	51.5	47.1	3.603	0.756	3.657	3.550	3.706	3.294

Table (6) The market competition and the origin of competition

	Level of intensity of competition			Mean	Std. D	Comparisons of survey results by Typologies:			
						Ownership		Business	
	1	2/3	4/5			S-O	P	C	SP
Competition on prices.	17.6	78	4.4	2.236	0.794	2.200	2.272	2.353	1.882
Competition on Quality & variety of service.	29.4	69.1	1.5	1.985	0.782	1.943	2.033	1.980	2.000
Competition on gaining bigger market share.	47.1	53	0.0	1.588	0.604	1.457	1.721	1.667	1.353
Competition relating to customers.	22.1	69.1	8.8	2.206	0.890	1.771	2.662	2.392	1.647

Origin of competition	**Public banks**	**Private banks**	**Foreign banks**
Number (%)	22 (51.2)	21 (48.8)	

1= negligible intensity, **2 /3** low intensity and moderately intense, **4/5**=highly intense, and extremely intense.

Table (7) The extent of use of performance measurements

		The extent of importance and use of performance measurements			Overall diverse measurements
		Importance of Performance measures	Use for managerial evaluation	Used for identify problems	
Financial		3.706	3.809	3.074	**3.530**
Non Financial	**Customer**	2.985	2.721	2.265	**2.657**
	Employee	2.324	2.103	1.794	**2.074**
	Quality	3.206	2.765	2.515	**2.829**
	Community	2.250	1.838	1.662	**1.917**
1 = rarely used; 3 = moderately used; 5 = frequently used. 1 = not at all important; 3 = moderately important; 5= very important.					

Table (8) Factor analysis Rotated Factor Matrix for 8 items

	Components	
	Competition	**Decentralised**
Competition on prices.	0.5778	
Competition on Quality & variety of service.	0,6464	
Competition on gaining bigger market share.	0,8329	
Competition relating to customers.	0,8651	
Delegation of Authority.		0,6326
Feedback to employees.		0,7431
Formalization and job description.		0,5878
Level of decision making taken at the top level of management.		0,5491
Eigenvalues	4.231	4.148
% of variance	10.07	9.875
Cumulative %	10.07	19.95

Table (9) Correlation Matrix Tau (t) Kendall association measure

	Size of bank	Competition	Decentralized	Analyser	Defender	Prospector
Financial	0.079	0.065	.334(**)	0.138	.211(*)	.298(**)
Customer	.192(*)	0.122	.282(**)	.358(**)	-.314(**)	.376(**)
Employee	.432(**)	0.001	.330(**)	.454(**)	-.495(**)	.478(**)
Quality	.578(**)	0.032	.370(**)	.498(**)	-.651(**)	.719(**)
Community	.407(**)	0.133	.210(*)	.403(**)	.406(**)	.335(**)

* Correlation is significant at the 0, 05 level (two - tailed).

** Correlation is significant at the 0, 01 level (two - tailed).