

BALANCED SCORECARD ADOPTION AND CHALLENGES: EVIDENCE FROM MALAYSIA

Kiew Heong Angeline, Yap¹

Kia Boon, Goh¹

Saw Teng, Yap²

¹Faculty of Business, Economics & Accounting
HELP University, Malaysia

²Faculty of Applied Sciences and Computing,
Tunku Abdul Rahman University College, Malaysia

ABSTRACT

This study examined the adoption of the balanced scorecard by Malaysian companies and the obstacles they face during their adoption. Questionnaires were distributed to 278 sample companies for the data collection. The sample was divided into two groups for the analysis. The first group included the companies that adopted the balanced scorecard, and the second group included those that did not adopt the balanced scorecard. The scorecard adoption is related to listing status, turnover, organization age, and employee number of the companies. Organizations that have been operating for a longer period have considerable business expertise to adopt the balanced scorecard, whereas larger companies tend to maintain their performance measures for cost reduction and continuous improvement. Both groups agreed that performance evaluation was implemented for planning purposes. In terms of marketing strategy, the first group emphasized focusing strategy, whereas the second group focused on cost leadership strategy. This finding indicates that the members of the second group were looking inward.

Keywords: performance evaluation measures, balanced scorecard, Malaysian companies, implementation obstacles, implementation challenges

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INTRODUCTION

The balanced scorecard was introduced in 1992 by Kaplan and Norton, who realized that the traditional financial performance measurements used in the industrial era were slowly becoming outdated because of the shifting emphasis from tangible assets to a mix of both tangible and intangible assets. They argued that no individual could deliver a clear performance target, and thus decision makers are required to have a balanced representation of both financial and operational measures (Kaplan and Norton, 1992). The balanced scorecard pools four components to measure performance instead of using financial measures that only reflect decisions that are already implemented. These four components are customer perspective, financial perspective, internal business perspective, and innovation and learning perspective.

Since its inception, the balanced scorecard has gone through several changes in its implementation and design. Kaplan and Norton, as well as other academicians, helped shape the balanced scorecard into a well-rounded management instrument. The balanced scorecard was further developed because its original way of choosing the measures to be used was vague (Lawrie and Cobbald, 2004), and because this instrument was generally perceived as defective (Letza, 1996). Thus, Kaplan and Norton improved the balanced scorecard (Bible, Kerr and Zanini, 2006).

The development of balanced scorecard is divided into three generations (Lawrie and Cobbald, 2004). The first generation lasted from the inception of the scorecard to the release of an improved version by Kaplan and Norton. In the second generation, Kaplan and Norton attempted to address the defects in the implementation of the scorecard. In the third generation, the scorecards from the previous generation were further improved in terms of their functionality and strategic importance by giving them new characteristics. The core concepts behind the balanced scorecard remain unchanged.

Initiated by the Malaysian Administrative and Management Planning Unit (MAMPU) under the Prime Minister, the Malaysian government successfully implemented the balanced scorecard for public services in the late 1960s. MAMPU performed benchmarking activities with other private and public institutions at the initial implementation stage. The government

linked companies, such as TELEKOM and TENAGA, with other public agencies, such as Employee Provident Fund, Ministry of Defense branches, and Malaysian Public Services Department, to form organizations in charge of implementing the balanced scorecard. Key performance indicators were also used as performance evaluation measures to improve public services. These indicators help monitor the outcomes of strategies to show further performance improvements and to realize the vision and mission of organizations.

Many researchers have focused on performance evaluation in developed economies. However, only a few of them examined how Malaysian private organizations use the balanced scorecard. Some Malaysian organizations have not implemented the balanced scorecard because of their weak design and limited knowledge about the implementation process. Therefore, this study aims to examine the balanced scorecard adoption practices of Malaysian companies and the main obstacles faced by these organizations during the implementation process. To address the research gap, the study examines the usage of the balanced scorecard among Malaysian companies by comparing the performance of scorecard adopters with that of non-adopters.

The rest of this paper is divided into four sections. Section 2 reviews the literature on the balanced scorecard, Section 3 presents the methodology, Section 4 reports the findings and analysis, and Section 5 concludes the paper.

LITERATURE REVIEW

The balanced scorecard is a system that assists in strategy planning and management. This instrument is widely used among business, government, and non-profit organizations. These organizations may also use the balanced scorecard to clarify or identify their vision and mission and to achieve their goals. The balanced scorecard aims to improve internal and external communications, as well as manage company performance, by providing feedback on the performances of organizations in both of their internal and external business processes (Anthony and Govindarajan, 2003). Therefore, this tool helps the management team create more reasonable decisions.

Speckbacher, Bischof, and Pfeiffer (2003) analyzed the implementation of the balanced scorecard in German-speaking countries (German, Austria, and Switzerland) and developed three types of scorecards according to their concept and implementation. Only 26% of all firms in these countries adopted the balanced scorecard. Among these firms, 19% implemented the limited or incomplete scorecard and 7% implemented the fully developed scorecard. Moreover, about 5% of these firms used cause-and-effect relationships, and some of them linked incentives to the balanced scorecard. Around 8% of these firms used the balanced scorecard but eventually stopped using it because they felt that the scorecard could not benefit them outside of their existing system. A positive relationship was found between firm size and implementation, and larger firms were more likely to adopt the balanced scorecard. Around 17% of the firms considered that additional perspectives, such as supplier perspective, should be adopted.

Malmi (2001) studied the semi-structured interviews of 17 Finnish companies that adopted the balanced scorecard to determine why these companies adopted the scorecard and how they applied it. Given that some bonus programs were found in 13 of these companies, incentive was identified to have an important role in the balanced scorecard measures. Malmi also determined two ways of using the balanced scorecard, namely, as a set of management objectives and as an information system. The adopters did not clearly understand the linkage measures based on the cause-and-effect relationships. Therefore, the cause-and-effect relationships should be understood first before linking the measures.

Jusoh, Azhar, and Abu Hasan (2012) conducted a survey among the senior executives of several departments to measure their awareness of the balanced scorecard. Forty-one of the 44 respondents (93.2%) were unaware of the balanced scorecard. When asked whether their organizations adopted the balanced scorecard, only 7 of the 51 respondents (13.7%) indicated that their performance measurement resembled the balanced scorecard to a large extent, and 52.9% answered that their performance measurement was least likely to resemble the balanced scorecard. Only 9.8% of the respondents adopted the balanced scorecard as their performance measurement in their organizations, and 54.9% claimed that their organizations were still considering whether to adopt the balanced scorecard.

Abdul Majid and Mohd Som (2008) found that the balanced scorecard initiated a prevailing new etymology for organizational change. Jabatan Perkhidmatan Awam (JPA) suggested that the financial perspective of the organization should be directly linked to its internal business process in the strategy map. The financial perspective of JPA was above the learning and growth perspective. JPA argued that the financial control of an organization would be improved if the capabilities and organizational values of its workers were also improved. An improved financial control would enhance the internal business processes and help the organization achieve its goals and the expectations of its customers.

Kumpulan Wang Simpanan Nasional (KWSP) decided to reverse the direction of the casual model between the financial and the internal business perspectives (Abdul Majid and Mohd Som, 2008). According to KWSP, improvising the learning and growth perspective improves the operative ability of an organization and subsequently enhances its internal business processes. An enhancement in internal business processes will result in an improvised financial perspective. The strategy maps of JPA and KWSP are significantly different because JPA is a non-profit organization.

In the context of the Malaysian Telco Education and Training Center (MTETC), Othman, Abdullah, Che Senik, Ahmad Domil, and Hamzah (2004) argued that the balanced scorecard would collapse without support from managers and without the strategy map of the organization's plan. Based on balanced-scorecard-related documents, they found that MTETC had no strategy map of its plan, thus obscuring the cause-and-effect model of MTETC'S strategy. Although the mission of MTETC was clearly defined, the organization failed to describe how such mission could be achieved. They also found that the performance measurement would become complicated without a proper information system. In the case of MTETC, numerous units regularly serve one another, and the lack of a transfer pricing formula has resulted in misunderstanding the measuring performance.

Othman (2006) discussed the development of a causal model for the implementation of the balanced scorecard in Malaysia. The balanced scorecard adopters that did not develop a causal model could achieve their goals using the scorecard, but they also faced more difficulties in implementing the scorecard than those that developed a causal model. In other words, the absence of a causal model could affect the development

of non-financial measures and strategies, as well as the implementation of the balanced scorecard, that would lead to an unlinked performance. Ong, Teh, Lau, and Wong (2010) studied the adoption and implementation of the balanced scorecard in Malaysia with the perception that firms positively respond to the performance measures of the scorecard. They considered that business improvements are based on cause-and-effect relationships. Ayoup, Omar, and Rahman (2012) examined the perceptions of middle managers on the issues in implementing the balanced scorecard. They found that these managers were committed to implementing this scorecard but did not have a clear understanding of the implementation process because they had no guidelines for each process. However, they considered that the implementation of the scorecard could positively affect their performance.

Jusoh (2008) studied 120 responses to analyze the usage of multiple performance measures of Malaysian manufacturers. Although many Malaysian firms are still focused on financial measures, non-financial measures have an important role in improving the performance of these firms. These non-financial measures include internal business processes, innovation, and learning measures. The use of multiple performance measures can also positively affect firm performance. Jusoh and Parnell (2008) claimed that many Malaysian firms place greater emphasis on financial measures rather than on non-financial measures, even though non-financial measures, such as customer satisfaction, loyalty, employee satisfaction, and training, are crucial to these firms.

Jusoh, Rudyanto, and Abu Hassan (2011) studied the adoption of performance measurement in the Malaysian public sector and found that organizations aligned their performance measurement design with their organizational strategies by focusing on two aspects, namely, strategic alignment and balanced characteristics. However, they observed a lack of balanced indicators, such as social and environmental outcomes. Firms must consider these indicators and link them to a causal relationship.

The above studies show that Malaysian firms have adopted the balanced scorecard and have implemented financial, non-financial, and multiple measures at the same time. Malaysian firms have mostly adopted financial measures but have gradually begun to adopt multiple measures (Ong, Teh, Lau and Wong, 2010). Yap, Lee, Said, and Yap (2013) observed a poor adoption rate of the balanced scorecard in Malaysia (32.2%). However,

this adoption rate is higher than that in Portugal (31.3%) (Quesado, Guzman, and Rodrigues, 2013).

Some issues in implementing and using the balanced scorecard have also been identified. These issues include the lack of awareness of the process and benefits of the balanced scorecard, the lack of support from top management, and the lack of knowledge and resources (Yap, Lee, Said, and Yap, 2013). Given that the scorecard adopters did not clearly understand the linkage measures according to cause-and-effect relationships, they should be educated about such relationships before linking the measures (Malmi, 2001). The lack of awareness about the benefits, process, and linkage could impede the implementation of the balanced scorecard. For example, some adopters that adopted the balanced scorecard eventually abandoned this tool because they considered that its benefits could not be extended outside of their existing system (Speckbacher, Bischof and Pfeiffer, 2003).

METHODOLOGY

Valid questionnaires were collected from 278 respondents. The questionnaire was divided into three parts. Part A pertained to the purposes of the performance evaluation measures and the level of performance evaluation. Part B was modelled after the balanced scorecard perspectives developed by Drury (2012). For each indicator measure under the four perspectives, a five-point Likert scale was used to assess the adoption, with 0 = never, 1 = rarely, 2 = sometimes, 3 = often, and 4 = very often. The last question for Part B asked the respondents to indicate whether their companies would consider using the balanced scorecard in the future. Part C asked the respondents to tick the main obstacles they faced during their use or implementation of the balanced scorecard. Part D determined the demographic profile of the surveyed organizations. The sample companies were asked to participate by sending them a cover letter that explained the objectives of the study.

DATA ANALYSIS

A total of 297 questionnaires were initially obtained, among which 19 were excluded from the analysis because of incomplete answers. The final

number of samples (278) was sufficient for the analysis. Cronbach’s was used to check the reliability of the questionnaires. A total of 68 variables were tested and showed a reliability coefficient of 0.97, which is higher than the 0.7 threshold. Thus, our data had a high internal consistency.

Respondents’ Characteristics

Table 1 shows that 39.2% of the respondents serve as financial managers or owners in their organizations, 91% of the participating companies are from the private sector, 88.8% of the companies are not listed, 49.6% of the companies are from the trade and service industries, and 46.4% of the companies have a centralized computer information system. These findings are consistent with those of Malmi (2001), who argued that the balanced scorecard data must be collected manually or from information systems.

Table 1: Demographic Profile of the Companies

Job Position	Frequency	Types of Industry	Frequency
Financial manager/owner	109 (39.2%)	Consumer	51 (18.3%)
Financial controller	36 (12.9%)	Construction/IPS	28 (10.1%)
Senior management accountant	17 (6.1%)	Trading and Services	138 (49.6%)
Senior accountant	18 (6.5%)	Plantations/Mining	5 (1.8%)
Accountant	98 (35.3%)	Industrial	38 (13.7%)
		Finance	18 (6.5%)
Type of Ownership		Company Data Processing Systems	
Private sector	253 (91%)	Manual system	51 (18.3%)
Public sector	2 (0.7%)	Centralized computer information system	129 (46.4%)
Multinationals	23 (8.3%)		
Organization’s Age		Departmental computer information system based on separate files	47 (16.9%)
Less than 5 years	29 (10.4%)		
5 years to 20 years	145 (52.2%)	Departmental computer information system based on a database	51 (18.3%)
21 years to 35 years	64 (23%)		
36 years to 50 years	27 (9.7%)		
More than 50 years	13 (4.7%)		

Annual Turnover (In Malaysian Ringgit)	Frequency	Number of Employees	Frequency
Less than 250,000	35 (12.6%)	Less than 5	39 (14%)
250,001 to 10,000,000	113 (40.6%)	5 to 49	129 (46.4%)
10,000,001 to 25,000,000	25 (9%)	50 to 149	43 (15.5%)
25,000,001 to 40,000,000	16 (5.8%)	150 to 249	16 (5.8%)
40,000,001 to 55,000,000	14 (5%)	250 to 499	21 (7.6%)
55,000,001 to 70,000,000	10 (3.6%)	500 to 749	3 (1.1%)
70,000,001 to 85,000,000	8 (2.9%)	750 to 999	6 (2.2%)
85,000,001 to 100,000,000	6 (2.2%)	1,000 to 1,249	3 (1.1%)
More than 100,000,000	51 (18.3%)	More than 1,250	18 (6.5%)

Around 52.2% of the participating companies have been in operation from 5 years to 20 years, 40.6% have an annual turnover of between RM 250,000 and RM 10,000,000, and 46.4% have 5 to 49 employees.

Balanced Scorecard Adoption and Respondents' Characteristics

The first objective of this study is to examine the adoption of the balanced scorecard by Malaysian companies. Table 2 shows that the listing status, turnover, age, and employee number of organizations are significantly related to their balanced scorecard adoption. The organizations that have been operating longer have considerable business expertise to adopt the balanced scorecard (Ismail, 2007). Contingency theory suggests that larger companies tend to have more focused and sophisticated performance measure systems (Merchant, 1981). Table 2 reports that both annual turnover and employee number are significantly related to balanced scorecard adoption, as larger companies tend to maintain their performance measures for cost reduction and continuous improvement (Ismail, 2007). This finding complements that of Speckbacher, Bischof, and Pfeiffer (2003). Hoque and James (2000) found that the usage of the balanced scorecard is positively related to company size. Coe and Letza (2014) showed that the balanced scorecard is gaining popularity in all types of organizations, as modern organizations are eager to adapt to and keep up with the changes in their business environments.

Table 2: Association between Balanced Scorecard Adoption and Company Background

	Pearson Chi-Square	Df	p-Value
Listed/non-listed	10.69	1	0.001**
Type of industry	2.804	5	0.730
Annual turnover	46.482	8	0.000**
Organization’s age	14.094	4	0.007**
Number of employees	35.287	8	0.000**
Company data processing systems	15.792	3	0.001**

**Significant at 1%

Table 3 shows that 56.5% of the companies “never” (42.8%) or “rarely” adopt (13.7%) the balanced scorecard, 19.4% use the balanced scorecard “sometimes”, 15.8% use the balanced scorecard “often,” and only 8.3% adopt the balanced scorecard “very often.”

Table 3: Adoption of the Balanced Scorecard

	Frequency	%
Never	119	42.8
Rarely	38	13.7
Sometimes	54	19.4
Often	44	15.8
Very often	23	8.3
Total	278	100

Purpose of the Balanced Scorecard Adoption

The sample was divided into two groups. The first group comprised 121 companies that used the balanced scorecard “very often” and was classified under the Adopt BSC group. The second group comprised 157 companies that “never” or “rarely” used the balanced scorecard and was classified under the Non-Adopt BSC group. Although these firms claimed

that they “never” or “rarely” used the balanced scorecard, they could use some components of these scorecards either knowingly or unknowingly and either partially or wholly to customize the measures according to their needs (Jusoh, 2008).

Table 4: Purposes of the Balanced Scorecard

	Adopt BSC Group		Non-Adopt BSC Group	
	Mean	Std. Deviation	Mean	Std. Deviation
Planning	1.78	0.418	1.73	0.447
Controlling	1.72	0.451	1.68	0.467
Decision-making	1.69	0.466	1.53	0.501

Table 4 shows the purposes of the balanced scorecard for the participating companies. Both groups nearly have the same mean. Planning has the highest mean in both groups; this finding indicates that planning is the most important purpose. By contrast, decision-making has the lowest mean in both groups; this finding indicates that decision making is the least important purpose.

Table 5: Adoption of the Marketing Strategy

	Adopt BSC Group		Non-Adopt BSC Group	
	Mean	Std. Deviation	Mean	Std. Deviation
Cost leadership strategy	1.44	0.498	1.59	0.494
Differentiation strategy	1.45	0.500	1.32	0.467
Focusing strategy	1.53	0.501	1.32	0.467

Table 5 shows the marketing strategies adopted by the participating companies. Both groups have different marketing strategy perceptions. Conversely, Ismail (2007) identified the differentiation strategy as the top strategy adopted by Egyptian companies.

The focusing strategy is the most adopted strategy by Malaysian companies that adopt the balanced scorecard. The companies that do not

adopt the balanced scorecard heavily focus on cost leadership and have a low mean for both differentiation and focusing strategies. In other words, the non-adopters are internally focused, whereas the adopters are externally focused (Ismail, 2007).

Table 6: Levels of Performance Evaluation

	Adopt BSC Group		Non-Adopt BSC Group	
	Mean	Std. Deviation	Mean	Std. Deviation
Company Level	1.73	0.447	1.63	0.484
Divisional Level	1.37	0.485	1.26	0.441
Activity Level	1.36	0.481	1.27	0.447

Table 6 presents the performance evaluation levels of both groups. Both groups have the same mean ranking, with the majority of the companies conducting performance evaluation at the “company level.” This result supports the argument of Kaplan and Norton (1996), who suggested that scorecards should be primarily used at the business unit level because the implementation of competitive strategies at this level is crucial. This result is also consistent with that of Malmi (2001) and Speckbacher, Bischof, and Pfeiffer (2003).

Table 7: Application of the Performance Evaluation Measures

	Adopt BSC Group		Non-Adopt BSC Group		p-Value
	Mean	Std. Deviation	Mean	Std. Deviation	
Cash flow	3.06	1.082	2.96	0.986	0.203
Employee attitudes	2.95	0.835	2.55	1.162	0.011*
Budget variance analysis	2.91	0.931	2.02	1.19	0.000**
Team performance	2.87	1.11	2.17	1.378	0.000**

Return on investment	2.84	1.072	2.04	1.245	0.000**
Customer satisfaction surveys	2.81	1.019	2.32	1.306	0.003**
Controllable profit	2.75	1.011	2.4	1.049	0.004**
On-going supplier evaluations	2.46	1.025	2.2	1.192	0.086
Divisional profit	2.43	1.315	1.81	1.34	0.000**
Production process	2.41	1.321	1.86	1.474	0.002**
Market share	2.26	1.216	1.16	1.135	0.000**
Economic value added	2.25	1.075	1.52	1.333	0.000**
Non-financial/qualitative measures	2.23	1.086	1.73	1.211	0.000**
Residual income	2.17	1.106	1.82	1.206	0.025*

*Significant at 5%

**Significant at 1%

Table 7 shows the financial and non-financial performance evaluation measures of both groups. The p-values for return on investment, customer satisfaction surveys, market share, and economic value added are significant for both groups. This finding complements that of Anad, Sahay, and Saha (2005), who also ranked these measures as the most important for Indian companies. This result is also consistent with that of other Malaysian researchers who showed that return on investment (Jusoh and Parnell, 2008) and customer satisfaction (Mohamad, Ahmed, Yogarah, Arifudin, and Annavarjula, 2002; Jusoh and Parnell, 2008) are significant measures for Malaysian firms. Non-financial measures, such as employee attitudes, team performance, customer satisfaction, production process, and non-financial qualitative measures, are significant for both groups. This finding indicates that non-financial measures are also important to these companies. All measures have significant p-values of less than 0.05, except for “cash flow analysis” and “ongoing supplier evaluation” (0.203 and 0.086, respectively). Therefore, both groups show no significant difference in their usage of these two measures.

Table 8: Balanced Scorecard Measures

Top Three Measures from All Perspectives	Mean	Std. Deviation
Financial Perspective Measures		
Sales growth % for targeted segments	2.9	1.099
% of revenues from new customers/markets	2.83	1.062
Return on investment	2.75	1.09
Customer Perspective Measures		
% on time deliveries	2.92	1.046
Price relative to competitors	2.81	1.067
Customer survey satisfaction ratings	2.61	0.925
Internal Business Perspective Measures		
Innovation: % of sales from new products	2.6	1.115
Innovation: % of sales from new markets	2.55	1.087
Unit cost trends	2.4	1.235
Learning and growth perspective measures		
Sales revenue per employee	2.41	1.263
Employee satisfaction survey ratings	2.34	1.144
% of employees who achieve personal goals	2.31	1.204

Table 8 summarizes the indicators used under the balanced scorecard framework. “Financial” and “customer” measures are more widely used than “internal business” and “learning and growth” measures. Therefore, these measures are not equally focused on all four perspectives. These findings are consistent with those of Anad, Sahay, and Saha (2005), who identified financial perspective and customer perspective as the two most important perspectives for Indian companies. Return on investment and % on time deliveries have higher means, consistent with the findings of Jusoh (2008) and Jusoh and Parnell (2008), who identified return on investment as a significant measure for Malaysian firms. These firms rely on return on investment in evaluating efficiency because they engage in innovative activities that require larger investments to remain competitive (Jusoh and Parnell, 2008).

Malaysian firms tend to focus on the manufacturing and sale of technology-intensive products because of the increased global competition and the rapid changes in technology. As shown in Table 8, “Innovation: % of sales from new products” and “Innovation: % of sales from new markets” are on top of the internal business perspective measures. This result suggests that Malaysian companies are increasingly placing more emphasis on innovation and research and development activities. By contrast, Jusoh (2008) reported that innovation measures were given a low ranking by Malaysian manufacturing firms.

A total of 81 (51.6%) participating companies consider the adoption of the balanced scorecard in the future, similar to the findings of Ilias, Razak, and Yasoa (2010). Therefore, the number of companies that adopt the balanced scorecard is expected to increase in the future.

Obstacles in the Implementation of the Balanced Scorecard

The second objective of this study is to investigate the obstacles faced by Malaysian companies in their adoption of the balanced scorecard. As shown in Table 9, the main obstacle for both groups is “lack of technological support, including training and staffing”, followed by “lack of information or knowledge”. These results are consistent with those of Anad, Sahay, and Saha (2005), Othman (2006), and Ismail (2007). Othman (2006) ranked “development of internal expertise on the balanced scorecard” as the main obstacle in the adoption of the balanced scorecard but reported a lower mean score for “the development of a strategy model is more a guess work than a systematic process”. Interestingly, a lower mean score was also obtained for “ambiguity within strategies” for both groups of companies.

Table 9: Obstacles in the Implementation of the Balanced Scorecard

	Adopt BSC Group		Non-Adopt BSC Group		p-Value
	Mean	Std. Deviation	Mean	Std. Deviation	
Lack of technological support, including training and staffing	1.54	0.501	1.63	0.484	0.117
Lack of information	1.42	0.496	1.54	0.5	0.048*
High cost	1.18	0.387	1.39	0.49	0.000**
Reorganization of existing practices and policies	1.36	0.481	1.29	0.457	0.270
Lack of commitment from top management	1.34	0.475	1.25	0.433	0.099
Ambiguity within strategies	1.26	0.443	1.23	0.422	0.500

*Significant at 5%.

**Significant at 1%.

The companies in the Adopt BSC group do not consider “high cost” as their main obstacle (with the lowest mean of 1.18). By contrast, the companies in the other group consider “high cost” as their third main obstacle, consistent with the findings of Ismail (2007).

Both groups face the same obstacles, except for “cost of adoption” and “lack of information” (0.000 and 0.048, respectively). In other words, some companies are reluctant to adopt the balanced scorecard because of the high adoption cost and the lack of information (Othman, 2006; Ismail, 2007).

CONCLUSION

This study examined the adoption of the balanced scorecard by Malaysian companies and the obstacles that challenge such adoption. Data were collected from 278 sample companies across all sectors. The sample was divided into two groups for the analysis. The first group included companies that adopted the balanced scorecard, and the second group included those that did not adopt the balanced scorecard. The scorecard adoption level was significantly related to the listing status, turnover, age, and employee number of the organizations. This finding indicates that the organizations

that have been operating for a long time have considerable business expertise to adopt the balanced scorecard and that larger companies tend to maintain performance measures for cost reduction and continuous improvement. Both groups agreed that performance evaluation is implemented for planning purposes. In terms of marketing strategy, the first group focused on the focusing strategy, and the second group focused on the cost leadership strategy. Thus, the companies in the latter group were inward looking. Both groups adopted performance evaluation measures at the company/business level, and cash flow analysis was their top performance evaluation measure. The average usage (mean) of performance evaluation measures for the first group was higher than that for the second group. This result indicates that the firms in the second group placed less emphasis on performance evaluation measures than the first group. As reflected in the mean values of the four perspectives, the companies in the first group did not equally focus on all perspectives as they mostly focused on the financial and customer perspectives. Half of the companies in the second group expressed their intention to adopt the balanced scorecard in the future. These companies were primarily hindered by the lack of technological support, including training and staffing. The other obstacles obtained a relatively low mean. This finding indicates that the firms in the second group could have other reasons for refusing to adopt the balanced scorecard. These findings can help both management practitioners and academicians understand the adoption of the balanced scorecard and solve the challenges faced by the sample companies.

The balanced scorecard is expected to have greater acceptance as a strategic management and performance measurement tool in the future. Given the limited scope of this study, future research should address the role of the Malaysian corporate culture in the successful implementation of the balanced scorecard as well as the relationship between the adoption of the balanced scorecard and the financial performance of the adopting firm.

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