

# **BALANCED SCORECARD IMPLEMENTATION WITHIN A MALAYSIAN GOVERNMENT-LINKED COMPANY**

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## **Abstract**

This study attempts to gain insights on the implementation of Balanced Scorecard (BSC) within a Malaysian Government-linked Company (GLC) in line with the government-led GLC Transformation Programme (GLCTP). The GLCTP was introduced by the Malaysian Government to steer the GLCs in becoming regional and international players. The study employs a case study method involving semi-structured interviews, review of documentation and website information. Consistent with the literature, our findings revealed that the case firm indeed implements BSC that has been tailored to its own needs. In this paper, we also suggest that four key factors: top management commitment, information technology (IT), communication, and organisational culture are critically required for GLC firms to successfully implement the BSC.

**Keywords:** Government-linked Company (GLC), Balanced Scorecard (BSC), Top Management Commitment, Information Technology, Communication, and Organisational Culture.

## **Introduction**

During the last few decades the change in the global business landscape has witnessed the transformation of many government agencies into private organisations, known as the Government-linked Companies (GLCs). The GLCs represent state-run organisations that are expected to fulfil both the economic responsibilities of delivering performance and social responsibilities due to the nation. In Malaysia, the GLCs play an important role in shaping the economy as they form approximately 36% of the market capitalisation in 2009. As the major shareholder of these companies, the Malaysian government was keen to boost the performance of the GLCs so that they become regional or world players in their respective industry. Hence, in May 2004, the government introduced the Government-linked Companies Transformation Program (GLCTP) to steer the economy towards a new high ground underpinned by the performance of the GLCs. Following this transformation program, the Putrajaya Committee on GLCs High Performance (PCG) was set up to act as a catalyst in implementing this transformation. PCG has introduced many initiatives including the guideline that focuses on Key Performance Indicators that is commonly known as the Blue Book (PCG, 2005a).

To support the initiatives in the Blue Book, many Malaysian GLCs have started to adopt Management Accounting tools and techniques. Among the adopted tools are the financial statement and ratio analysis, budgetary control and budgeting, benchmarking, and Balanced Scorecard (BSC). Among these tools, the BSC appear to be one of the most extensively used framework for the purpose of achieving superior performance. The BSC model has received the most attention by practitioners and researchers partly due to its comprehensive approach and ability of the framework to incorporate both financial and non-financial measures. It provides a holistic performance measurement and management tool through four perspectives, viz, financial, customer, internal business process, and learning and growth. Historically, BSC is a management accounting technique used in the management control system and the performance measurement system (PMS) to fulfil the need of having integrated financial and non-financial measures. BSC is often viewed by many as a strategic performance management system implemented by organisations. In addition, BSC is regarded as a comprehensive PMS that promotes value creation to the management of an organisation (Crabtree and DeBusk, 2008).

The literature is replete with prior studies on BSC which mainly focuses on the relationship of BSC implementation with organisational performance (e.g. Crabtree & DeBusk, 2008; Davis and Albright, 2004). However, most of these studies were quantitative in nature and conducted within the western countries. From a local perspective, BSC studies within the GLCs tend to focus on the comparison of performance of GLCs and the non GLCs, as well as the performance of GLCs pre and post privatisation. For instance, Othman et al., (2006) in his case study findings highlighted the problems encountered by a Malaysian company in implementing the BSC which includes the peculiarity of the Malaysian culture, lack of communication and effective information system. Indeed, studies that examine the process involved in the BSC implementation particularly within the GLCs context is sparse (Norhayati and Siti Nabiha, 2009). Moreover, even though, the BSC reputation is significantly recognised, the implementation remains complex (Assiri, Zairi and Eid, 2006). Further, Assiri, Zairi and Eid (2006) in an exploratory worldwide study of BSC adopters call for a micro type of research, where exploratory studies need to be done to provide a better understanding of the various factors that could affect the BSC implementation. Given this scenario, the current study attempts to examine the BSC implementation process in a local GLC using a qualitative approach which provides an opportunity for the researcher to examine the process in its natural setting, thereby allowing for a better understanding of the process to be achieved.

Following this suggestion and owing to the little information available in the literature regarding BSC implementation in Malaysian GLCs, the current study aims to provide additional insights on the implementation of BSC in one of the largest GLC in Malaysia. The study aims to contribute knowledge in BSC literature in a GLC that is a unique setting in Malaysian business landscape. It also contributes important insights to the practice by providing a better understanding of the critical factors that facilitate BSC implementation to the GLCs, PCG and other companies who are contemplating to use the tool.

## **Research Objectives**

The primary aim of this paper is to study the implementation of BSC within a selected GLC firm in Malaysia. Specifically, this study seeks to address the following research objectives:

1. To explore the nature of BSC implementation within a Malaysian GLC.
2. To investigate the critical success factors in the implementation of BSC within a Malaysian GLC.

## **Review of Literature**

### *Performance Measurement Systems*

According to the information retrieved from [businessdictionary.com](http://businessdictionary.com), performance is defined as the “accomplishment of a given task measured against pre-set standards of accuracy, completeness, cost, and speed. System is defined as a particular way of doing something (Hornby, 2000). Lohman, Fortuin and Wouters (2004) define Performance Measurement as “an activity that managers perform in order to reach predefined goals that are derived from the company’s strategic objectives”. Effective measurement and monitoring of organisation’s performance is an essential element to achieve improved performance. Verbeeten and Boons (2009) added that PMS facilitate communication of firms’ strategic priorities, organisation wide. Thus, PMS can be regarded as a means to gain competitive advantages and continuously react and adapt to external changes (Cocca & Alberti, 2010). Chenhall (2005) define PMS as a management and control system, which yields information that can be shared among internal and external users (Henri, 2004) through the integration of financial and nonfinancial measures that would reflect value creation activities in an organisation, hence leading to better performance (Grafton, Lillis and Widener, 2010). The past decade has seen many organizations using Performance Measurement Systems (PMS) as part of the management tool to improve and sustain performance. Poister (2003) and Fleming, Chow and Chen (2009) add that PMS, which is used for strategy implementation, could potentially enhance a company’s

performance. The uses of measures in PMSs assist managers to understand, monitor and manage organisation (Chenhall, 2005; Hall, 2008).

The importance of performance measurement systems include (1) identifying strategies in terms of highest potential of organisation's objective achievement, (2) aligning management process with the chosen strategic objectives, (3) assisting managers in translating strategy to improve targets, (4) communicating expectations to employees, and (5) providing feedback for improvement (Chenhall, 2005; Ittner & Larcker, 2003).

However, the traditional PMS fail to measure indication of value creation, poor consideration of asset creation and growth, lack of measurement of innovation, learning and change as well as concentrating much on short term rather than long term goals. As such, the traditional performance measurement concept may not be relevant to the modern organisations leading to a transformation of the concept (Folan & Browne, 2005). The lack of standard definition of PMS prompted (Franco-Santos et al., 2007) to conduct citation analysis of the meaning of PMS. They grouped PMS into five categories as selection and design of measures, collection and manipulation of data information management, performance evaluation and rewards, and system review.

The implementation of PMS has switched from the focusing on the financial indicators to the inclusion of non-financial indicators which are said to be more comprehensive. Among the popular PMS incorporating both financial and non-financial measures in evaluating performance are the Integrated Performance Measurement System (Bititci, Carrie and McDevitt, 1997) and the Balanced Scorecard (BSC) by Kaplan and Norton (1992). However, BSC has taken the leading role in terms of popularity and usage among the academics and practitioners. The common assertion is that BSC is claimed to be the most comprehensive PM tool enabling organization to identify the vision mission, strategic objectives, and targets.

### *Balanced Scorecard (BSC)*

There has been a general claim that BSC is the most popular tool used by academics and practitioners due to its holistic approach. BSC was initially introduced by Kaplan and Norton (1992) to overcome the incompleteness

of traditional measures which focuses on lagging indicators, especially financial indicators such as Return on Equity (ROE) and Return on Investment (ROI). BSC has progressed from being a measurement tool to a management tool, and currently is an icon of strategic performance management tool (Brudan, 2010).

### ***The four perspectives***

BSC proposes four different perspectives in the co-ordination of the entire organization's activities in present and future situations (Kaplan and Norton, 1992; Parmenter, 2010).

1. Learning and growth perspective identifies the excellence competencies (e.g.: human capital, information capital, organizational capital) that an organization must possess in order to enjoy value creation.
2. Internal perspective focuses on the organization's internal operations, allowing managers to assess their business efficiency.
3. Customers' perspective identifies customers' leading indicators such as customer satisfaction and brand recognition in order to ensure strong customer loyalty.
4. Financial perspective, which complements the other perspectives, evaluates the organization's profitability using tools such as the ROI and the EVA.

Using a combination of leading and lagging indicators, BSC has the advantage of giving a complete snapshot of a firm's performance. BSC was introduced to counter the weaknesses found in the traditional measures in ensuring effective monitoring, communicating, and driving performance (Kaplan and Norton, 2001) and to properly assess organizational performance. The popularity of Kaplan and Norton's BSC soared shortly after its introduction. It is frequently cited in relation to performance measurement (Neely, 2005). BSC has now become a prolific subject for research, consulting practice and theory. By integrating a set of measures derived from the company's strategy, BSC allows top management to have a comprehensive view of the firm. BSC is further said to facilitate effective communication of the mission and objectives of the organization by giving a clear and a holistic picture of the company's progress (Liang and Wang, 2010).

Studies have documented that there are many factors influencing the adoption of management accounting practices including the BSC. Examples of such factors are competition, strategy, and size (Ittner and Larcker, 2001; Chenhall, 2003; Chenhall and Langfield-Smith, 2007; Duh, Xiao and Chow, 2009). Among the influential factors in the adoption are the firm's environmental and organizational attributes. These have been found to impact the adoption of innovation in organizations (Chenhall, 2003; Ittner and Larcker, 2001).

According to Sandhu, Baxter, and Emsley (2008), the adoption of BSC by the securities industry in Singapore was due mainly to political/government influence. Corporate beliefs and organizational culture also impacted the adoption of BSC. It is interesting to note that while Baird (2007) thinks that organizational culture has no impact on the adoption, Sandhu, Baxter, and Emsley (2008) on the other hand, are of the opinion that these factors do influence the practices. This view is supported by Daniel, Myers and Dixon (2008) in the study on the decision to adopt new management idea or tool by the UK organisations. It was found that top management significant influence affected the adoption decision. To achieve this, senior managers need to emphasise the importance of performance management through agenda management and verbal and written communication (Broad, Goddard and Alberti, 2007).

### *Empirical Research on Malaysian GLCs*

A review of the literature revealed that studies on Malaysian GLCs are still limited. Table 1 provides a brief overview of key studies on Malaysian GLCs.

Table 1: Overview of Studies on Malaysian GLCs

No.	Authors	Topic/scope	Theories/ theoretical Background	Empirical evidence	Findings
1.	Sun and Tong (2002)	Relationship between privatisation of government-owned company and operating and financial performance	None	Secondary data from KLSE of 24 GLCs before and after privatization	Total profit improved as a result of privatisation
2.	Nik Ahmad (2008)	Exploratory study on the pre and post-performance of the G-20 (the twenty largest GLCs)  Covers eleven-year-period from 1996 to 2006	Longitudinal study on measuring performance by profitability, output and productivity.	Secondary sources of the Bloomberg Interactive database as well as the Bursa Malaysia (Malaysian Stock Exchange) and corporatein-formation.com websites.	No real evidence that GLCs are necessarily performing better or worse than their non-GLC competitors
3.	Lau and Tong (2008)	Assesses the impact of government ownership on firm value in the context of the Malaysian	None	Secondary data on 15 GLCs over six years (2000 to 2005)	Reveal a significant positive relationship between the degree of government ownership and firm value.

4.	Norhayati and Siti Nabiha (2009)	<p>Explanatory study of the changes in GLC due to transformation programme introduced by the government.</p> <p>How accounting is used as a tool for transforming organizational culture and how accountants perform as change agents.</p>	<p>Institutional theory and Laughlin's (1991) framework is also used to enhance the understanding of the level of change</p>	<p>Case study in one GLC</p>	<p>New change of Performance Management System remains as ceremonial.</p>
5.	Entebang, Harrison, and Cyril de Run (2010)	<p>Study the extent to which GLCs have pursued and engaged in CE activities corporate entrepreneurship</p>	<p>Based on the review of literature on corporate entrepreneurship</p>	<p>The face-to-face interview survey using Likert scale ranging from 7 (very high) to 1 (very low)</p>	<p>GLCs concentrate on incremental aspect of CE activities</p>
6.	Ab Razak, Ahmad and Joher (2011)	<p>Examine the impact of an alternative ownership/control structure of corporate governance on firm performance.</p>	<p>Tobin's Q</p>	<p>210 firms listed in Main Board (1995- 2005).</p>	<p>Non-GLCs performance is better GLCs in term of corporate governance</p>

7.	Yen, Chun, Abidin and Noordin (2007)	Investigates the prevalence of earnings management between government linked companies (GLCs) and Chinese family linked companies (CFLCs).		Twenty five companies from each ownership structure were collected, for the years 2004 to 2005	GLCs have a tendency to manage their earnings upwards while CFLCs tend to adjust their earnings downwards
8.	Othman, Abdullah, Senik, Domil and Hamzah, 2006	Examine problems of BSC implementation	No theory used Based on BSC implementation discussed by Kaplan (1996), Dinesh and Palmer (1999), and Van Tessel (1995)	Case study of BSC in training center 9 interviews	BSC implementation was not as successful hence the author highlighted the inhibitor of BSC implementation.

As shown in Table 1 most studies on Malaysian GLCs used quantitative method, except for Norhayati and Siti-Nabiha (2009). Their study adopted a case study method to examine the implementation of PMS in a utility GLC from the perspective of Institutional and Organisational Change Theory (Laughlin's 1991).

### *GLC Transformation Programme (GLCTP)*

In its effort to get the private sector to drive the economy, the Malaysian government felt that the GLCs' performance should be strengthened. Hence a GLC transformation programme (GLCTP), spearheaded by YAB Tun Abdullah Hj. Ahmad Badawi, the former Prime Minister of Malaysia was launched in May 2004. Consisting of four phases, it is to be implemented from 2004 till 2015. To ensure a successful transformation, there is an urgent need to examine why the GLCs had underperformed in terms of operations and profitability over the last fifteen years, and thence find ways to improve their performances.

Adopting a holistic approach, the GLCTP aimed to increase not only the shareholders' value, but also to benefit all key stakeholders, namely customers, labour force, suppliers, and Bumiputera uplifts. In addition, the programme focused on these specific areas: national development foundation, performance, governance, shareholder value and stakeholder management (PCG, 2005b).

The Putrajaya Committee on GLC High Performance (PCG) was formed to facilitate the transformation of the GLCs. As a result of the committee's effort, guidelines were drawn up in what popularly referred to as the "Blue Book", otherwise known as "Implementation of Performance Linked Compensation (PLC) in Government Linked companies (GLCs)". Essentially, the Transformational Programme stipulates that GLCs must have Key Performance Indicators (KPIs) along with the Performance Measurement. The PCG also set up internal transformational teams to boost productivity by improving the organization processes, non-core unprofitable business and assets divesture. GLCs are required to have Headline KPIs (forward looking company targets) and Economic Profit. With such measures in place, GLCs are expected to inculcate a performance –based culture that would lead to improved performance.

Given that RM353 billion (36%) of the market capitalization of the Malaysian stock market being dominated by GLCs (PCG, 2011) there is no doubt that GLCs play a significant vital role in the economic development in Malaysia. Nevertheless, GLCs do not operate in a vacuum; they are expected to achieve excellent performance, and at the same time preserve the interests of various stakeholders such as the government and the public. Indeed, it is felt that many GLCs can do much better if they undergo a transformation. The PCG has issued guidelines in various colour-coded books. Examples of the books are the Red Book on Procurement, Green Book on the Board of Directors, and Blue Book on performance measurement. These books give details of what are expected of the GLCs in terms of board effectiveness, social obligations, procurement, capital structure, talent pool, high performance culture, non-core assets management and customer service.

### *The GLC Blue Book*

The Blue Book was introduced in 2004 to boost GLCs Value Creation. It contains guidelines to advise the GLCs on what, and how to intensify performance management. The responsibility of fully implementing the guideline lies with the CEO and the Board. The book underlines six critical areas of focus:

1. Establishing performance indicators and setting targets linked to strategy.
2. Establishing KPIs and setting targets for senior management.
3. Reviewing business performance.
4. Reviewing individual performance of senior management.
5. Establishing appropriate compensation framework for senior management.
6. Clarifying eligibility for intensified performance management.

In order to transform itself successfully, it is crucial that there is integration of all its divisions and business units. The Blue Book also emphasises on the cascading of performance indicators to the lowest level of the organization. These balanced and holistic indicators must clearly link targets and performance ratings, including report headline performance indicators such as the economic profit. The approved set of targets must be achievable and yet allow room for change. To ensure greater success, it is very important to monitor the company's performance by conducting reviews on the performance of the company, its various divisions, business units and departments.

## Research Method

This study employs a case study approach since case study has the distinctive strength when a ‘how’ or ‘why’ question is being asked about a contemporary set of events, over which the investigator has little or no control” (Yin, 2009, p. 13). This study employs multiple sources of evidence to allow corroboration and augmentation of evidence (Yin, 2009) leading to accurate and more convincing case study findings (Aliza, 2010). The main sources of evidence for this study comprise of semi-structured interviews with the relevant personnel involved with the BSC implementation in a GLC that manage transportation infrastructure locally and overseas. Additionally, cross-checking of the information is done against the company documents, websites information, and company annual reports. The semi-structured interviews consisted of open-ended questions based on the interview protocol as suggested by related literature on PMS, BSC and GLCs. The interviews covered context and practices, and the critical success factors that influenced the implementation of BSC within the case firm. Participants included accountants, middle managers as well as top managers. 14 key personnel from different divisions and hierarchical levels, and who were also actively involved with the BSC adoption in the company participated in a series of semi-structured interviews conducted at the company’s premise. The data was recorded and the process was facilitated by interview protocols. Table 2, shows the list of interviewees involved in the case study.

Table 2: List of Interviewees

Period of interviews	No. of interviews	Interviewee's Position	Total inter-view hours	Average interview hours
November 2010 - May 2011	5	General Managers	21.15	7.15
	7	Senior Managers		10
	2	Senior Executives		4

The GLC selected for this study has been running a successful business locally and internationally. This company was chosen because it provided a good illustration of the key issues that affected the implementation of BSC. Other rationales for the selection of the case company are as follows. Firstly, the case company is one of the highly profitable GLCs, which operates a transportation infrastructure in Malaysia. Secondly, the company had won the Malaysian NAFMA (National Award for Management Accounting) 2009 and 2011 award due to their extensive use of Management Accounting Tools including the BSC. The case company had already implemented BSC for a number of years. Thirdly, the company was easily accessed by researchers in the past.

Despite the weaknesses in terms of statistical generalizations, this case study proffered opportunities for in-depth observation and an analysis of the PMS, particularly the BSC.

This study does not intend to examine the relationship between BSC implementation and organisational performance. However, the current study focused on the implementation process and the critical success factors which may influence the BSC implementation.

## **Findings**

### *Background of the Case Company*

The case company referred to hereafter as Geomotion2 is a Malaysian Government-linked Company (GLC), with Khazanah Nasional as the major shareholder. It has a market capitalisation of RM 51.27 billion. Geomotion was previously a public service entity involved in the transportation infrastructure. It is now one of the world's largest private transportation infrastructure operators, as well as the retailers of duty free and non-dutiable goods, agriculture, and horticulture and hotel management and is listed on the Main Board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange).

### *The BSC Implementation*

It is generally agreed that PMS improves the decision-making processes of an organisation as decisions and strategies are made only after the data collected are processed and analysed to give a succinct overview of the company (Gimbert, Bisbe and Mendoza, 2010).

Prior to the adoption of the BSC, the company implemented some general performance indicators (KPIs). The KPIs covered broad-ranging areas which employees or heads of department were expected to improve. However, the implementation of the previous general KPIs was considered problematic as the guidelines were not adequately specific and the measures were not precise.

Besides, the dissatisfaction and confusion regarding the old PMS, and the “backward looking” financial measures, Geomotion decided to change and consequently adopted a PMS which was considered to be more comprehensive, and which integrated the aspects of nonfinancial measures. Hence a new measurement system, namely the BSC was adopted in place of general KPIs to evaluate and improve performance. The BSC was a customized version of the generic BSC as developed by Kaplan and Norton (1996). BSC is widely recognised as being more specific and clear as a performance measurement instrument.

Examination on the BSC related document within the case firm shows that the BSC was chosen among other PMS models due to its ability to monitor and assess current performance of the case company. The company believed that BSC help them to focus on areas that need rectification. In line with the literature, the company agreed that the BSC implementation has significantly guided them in making better decision. In support of this, an interviewee commented:

*“In my opinion, to stay profitable and improve our performance, we need a comprehensive management system, as it helps us to focus.”*

At the beginning of each year, Geomotion embarked on the first stage of its KPIs and BSC efforts. These were based on the Strategic Objectives

and targets which had been set. The KPIs included both financial and nonfinancial measures. Examples of financial KPIs were the requirement to achieve a targeted Return on Equity (ROE), Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), while Employee Training Hours and Employee Engagement Index were nonfinancial KPIs.

Based on the company's vision and mission, Geomotion set the core strategy by focusing on the revenue-generating initiatives and the enhancement of the company's operational and financial competencies. These strategies were then linked to the company's strategic objectives, which were aimed at targets to achieve to ensure their success. These strategic objectives are usually set at the beginning of the year as a guide to developing the KPIs. The strategic objectives of Geomotion highlighted the optimal use of resources, company expansion, continuous improvement and increasing employee's job satisfaction. Geomotion believed that its BSC framework gave the company a new direction and helped it achieve the targeted goals. Such optimism as was reflected in the case company is supported by Bolívar et al., (2010) who have found that BSC can prevent a company from being derailed from its target. Once KPIs have been set and defined, they will subsequently be translated into the BSC. As KPIs represent a set of measures highlighting the vital aspects of organisational performance for the current and future success of the organisation (Parmenter, 2010), they allow the assessment of objectives achievement (Ferreira and Otley, 2009).

These KPIs were delegated to the designated employees in the company. The senior management team was responsible for the implementation of the company's strategic plan, which would be reviewed by the Managing Director, subjected to approval by the Board of Directors before it was allowed to cascade down to the division and department levels.

Following the prescribed BSC framework, Geomotion's BSC was also categorized into four perspectives, and its scores were subsequently reported to the management, employees, external parties and the public. The BSC is used by all levels of management, starting with the Managing Director who owned the BSC; this was followed by the other first level managers, and subsequently down to the head of units and departments. Apart from having specific KPIs for each individual department/unit, Geomotion also

had some common KPIs that had to be achieved, such as the number of training hours to be fulfilled in a year.

BSC-related rewards are based on the company's annual bonus which hinges on the company's budget and profitability. The rewards accorded are based on the KPIs achieved. With regard to this company, the company had established a PMS with all the related KPIs to be achieved by the employees. As in BSC where the employee is appraised based on the achieved KPIs, Geomotion also assessed the employee based on behavioural competency namely Employee Competency, which includes leadership talent and peer review assessment. Besides that, Geomotion had also incorporated the human element especially with regard to the awarding of bonuses.

### *Discussion on the Flow of the Balanced BSC*

#### ***Learning and growth***

In the BSC implementation, Geomotion learning and growth perspective focused on developing highly competent personnel through training, and also sending its staff to attend courses in their related fields. Such steps were aimed at ensuring that employees were knowledgeable and aware of the new developments in their respective fields so that they could become more efficient. Through nurturing and developing capabilities of the personnel, Geomotion's had established a knowledge management culture within the firm.

#### ***Internal business process***

Geomotion focused on having an efficient process management especially through its Continuous Improvement Process (CIM) initiatives. At the same time it strove to have strong financial discipline, practising a win-win stakeholder relationship without compromising its social obligations. Furthermore, it also endeavoured to increase the market share by expanding locally and internationally. At the same time with the guidelines from the many coloured books of the Government-linked Companies Transformation Programme (GLCTP), it strove to transform the company from an airport operator to a World Class Airport Business.

### **Customer**

For this perspective, the company focused on exceeding customer satisfaction through medium such as the Airport Service Quality Survey Award. This survey is conducted by the case firm on a yearly basis of which the respondents consist of airline operators who use the services offered by the company. Geomotion believed that by doing so, the company would enjoy a good image and strong customer base, and in the long run, would translate into better financial performance.

### **Financial**

For the financial perspective, having taken into consideration the implementation of learning and growth, internal business process and customer perspectives, the company aimed to improve its profitability and cash flow, effective portfolio management and most importantly to achieve its headline KPIs (ROE, EBITDA) as announced to Bursa Malaysia.

### *Critical Success Factors of BSC Implementation*

Many researches have tried to establish the critical success factors in implementing BSC. Case evidence in Geomotion indicates that four critical factors are found to be the critical success factors in the successful implementation of BSC. These factors which consist of (1) top management commitment, (2) communication, (3) information technology, and (4) organisational culture are discussed in the subsequent section.

### **Top management commitment**

The importance of top management commitment is recognized as one of the variables of NAFMA' Best Practice Framework (Suzana, Normah, & Ibrahim Kamal, 2006). From the review of the company's BSC flow chart, it was found that the senior management is responsible to review and monitor the progress and issues of BSC implementation.

Top management commitment is vital to Geomotion's efforts in the BSC implementation. The top management's commitment to adopt and incorporate new techniques and management tools will facilitate the initialization of the scheme and its subsequent implementation. In the case of Geomotion, the top management is of the view that it needs to give full support and commitment to the BSC implementation since they are

entrusted to be the caretaker of nation's treasures and public funds should be safeguarded. For example, during the development of KPIs, the Managing Director (MD) had instructed that all the GMs must be part of the review committee of the BSC process and framework. The impact of the MD's commitment to improving performance as well as its integration in the Transformation programme is reflected in his issuance of new directives. Further, in terms of socializing the corporate score cards to the organisation wide, the top management has always given priority to the Transformation Management Office (TMO) over other things whether to hold a meeting or discussion regarding the BSC. As echoed by one of the informants:

*“Any matter related to the BSC is always given priority. And in terms of introducing new changes like, for example, the PMS, the MD is always present at the cascading sessions. He also participates throughout the session.”*

A study by Duh, Xiao and Chow (2009) concurs with this findings of the study that effective top management support played a vital role in the successful implementation of PMS in a Chinese company. Aliza (2010) in her study found that the implementation of a Management Accounting tool was strongly supported by the top management, evidently through proactive roles and encouragement of knowledge building. The MD has effortlessly strives to improve business process by using various continuous improvement tools. Thus, having an efficient, supportive and dynamic top management also helped Geomotion in the BSC implementation since they are able to clearly communicate the BSC mandate to firm-wide.

### **Information Technology (IT)**

Geomotion believed that the flow of information was essential in the BSC implementation. Hence, the company built a common IT infrastructure with automated and standardized structures and systems throughout the organisation. Information technology has helped create an informed environment among the employees. Information is delivered mostly through the intranet (Lotus Notes) or the company's portal. The portal is utilized for the sharing of information, making announcements and also for giving encouragement and motivation to employees. The MD also interacts with the employees through the portal. For example, he would email news related to the company which has been highlighted in the print media to

the staff. The frequent interactions between the MD and the employees make the employees feel that the MD is visible. Geomotion also set up the own portal which is managed by the corporate communications department. The portal is an in-house product, and the company is proud to have established the portal for the use of its employees. The interactive portal allows employees to be in the know of what is happening, i.e. they are kept informed or updated regarding current events in the company. As one of the managers in the Transformation Office mentioned:

*“Whenever an employee opens his laptop and clicks on Internet Explorer, that portal will first pop up... he can read the current news happenings in the company. I would say it is really an interactive website”.*

The portal was developed in 2010 as part of the knowledge management system to park information in K-office. K-office which is embedded in the employees' email allows frequent interaction among the staff; hence the sense of togetherness and belonging has developed and offers a unique understanding of BSC importance among the employees. The information technology infrastructure helped to speed up communication, resulting in faster progress and implementation of BSC. Effective communication is believed to be crucial to successfully implement BSC in the company.

Geomotion believed that communication via other modes and face-to-face also played a very crucial role in increasing the employees' understanding of the significance of the Corporate Scorecard, and thence the importance of achieving the KPIs embedded in it. This belief is shared by Worley and Doolen (2006) and Ryan et.al (2008). According to these researchers, effective communication helps to make organisational change a reality. Ensuring each employee understands the importance of BSC, the HR Senior Manager of Geomotion says that effective information is crucial for the company's success especially when it involves the introduction of “new” initiative.

### **Communication**

The need to have a clear communication between the top management and the employees is substantial (Assiri, Zairi and Eid, 2006; Niven, 2002; Rahman and Hassan, 2011). Channels of communication play a role in the

implementation of BSC, so that everybody will have the common terms of understanding of the company's vision. Case evidence suggests that initially the company faced difficulties in communicating the BSC ideas to their employees. However, this was countered by the effective formulation of the company's communication plan involving the use of information technology to disseminate timely information. It was revealed from the case company's communication plan that communication plan varies from having programmes such as the awareness sessions, HR bulletins (quarterly publication) and HR for you (monthly publication). Besides, the company organises trainings, workshops, and seminars to make sure that all the employees are well versed with the company's BSC. This shows that the mass media communication has a significant role in the BSC implementation.

Additionally, the interpersonal communication channel is also important. Communication regarding the Corporate Scorecard's implementation was conveyed by the head of unit/department through departmental meetings and discussions. Communication is essential to reach out to employees. To maintain contact with the large number of employees, Geomotion held various programmes such as visiting other airports operated by the company, giving talks, opening up booths either at the headquarters office or the subsidiaries'/ branch offices. These were done to ensure that other subsidiaries in the company understand and will work towards the achievement of the KPIs set by the parent company.

Hence making everybody understand the importance of BSC implementation was essential, especially when they knew the benefits they would gain if they worked collectively to achieve the perspectives embedded in the company's BSC, such as bonus and salary increment. The company believed that effective communication enabled employees to understand the need to perform effectively by working as a team. It also ensured that their employees were supportive of the management's initiatives. Through frequent interactions, their employees accepted the changes brought in by the management of the case company.

Geomotion believed that communication via other modes and face-to-face also played a very crucial role in increasing the employees' understanding of the significance of the BSC, and thence the importance of achieving the KPIs embedded in it.

### **Change of organisational culture**

Being a public service entity then, the work culture of the company was more of a silo culture. However, it was felt that for an organisation to survive and perform well there had to be a free flow of information among the employees. Nevertheless, even though the company still had a few employees who were initially entrenched in the old culture of the previous entity, it managed to transform their work culture into high performance with the injection of new and fresh blood from the corporate sector, bringing with them the commercially driven culture. This group of people eventually embraced the culture of change, as they had come to understand that it is important for everybody to change the work culture so as to achieve the national agenda. For example, according to the Senior Manager of Human Resource:

*“Initially, the senior staff would indirectly show their resistance towards the extra work, but slowly they learn to adapt, especially when they see the junior are okay with it... now they can adapt to the culture.”*

Another factor that had contributed to the change of culture was the exchange of staff between different transportation infrastructures. The staff from a transportation infrastructure in South Korea participated in the programme which was under the company’s learning and growth perspective. The company also sent its employees to other transportation infrastructure organisation like South Korea for exchange programme to allow the employees to learn and adopt the efficient work culture of the Koreans. The company also introduced Knowledge Sharing Session (KSS) as part of the change culture. Another important milestone that facilitated the change of culture was the change of the company’s vision and mission through the establishment of Cross Functional Team<sup>3</sup> (CFT) comprising personnel from different divisions who had to work interdependently. The CFT was formed as part of the Transformation initiatives whereby the first thing the company did through this team was changing the vision of the company from focusing on airport services to airport business. This change brought along the change of culture of performance which will subsequently translate into organisational performance.

Since the company had aimed to be the regional leader in the airport industry its employees need to change their mind set. The finding from the current study contradicted with the finding discovered by Norhayati and Siti Nabiha (2009) about the dominant public service culture present in the Malaysian GLC.

## **Conclusion**

This case study indicates several significant findings. First, the evidence from Geomotion showed that the company had implemented PMS throughout the organisation. Nevertheless, the type of PMS used has changed from general KPIs to a more focused set of KPIs that follows the BSC perspectives but was tailored to its unique settings as a GLC.

These findings are consistent with the recommendations by PMS researchers who advocate the use of a mixture of financial and non-financial measures in PMS. Hence Geomotion could be considered a role model for other GLCs for having successfully implemented the BSC to enhance performance.

Parallel with the findings of Daniel, Myers and Dixon (2008) and Assiri, Zairi and Eid (2006), the evidence gathered thus far, concludes that top management commitment is the most influential factor that facilitates the BSC implementation.

However, these findings should be carefully considered, given the need to have a more robust empirical investigation in confirming these findings in a bigger population. First, the case study was only done on a single GLC; therefore the findings are not conclusive in representing GLCs. Thus, future research should increase the number of companies as case companies, hence enabling richer findings. Future research could also investigate other factors that might influence the success of BSC implementation.

### **Note:**

1. National Award for Management Accounting (NAfMA) was designed to encourage organizations in Malaysia to adopt modern management accounting approaches where it is believed they can improve the

quality of managerial decision-making (Suzana, Normah, Ibrahim Kamal, 2006)

2. The name of this case company is withheld to maintain confidentiality.
3. Cross Functional Team (CFT) comprises of a group of people, identified by the HR and the respective division, whereby they are given the target and the CFTs members has to identify the initiative and ways how to achieve the targets.

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