The Implementation of Balanced Scorecard in a Malaysian Government Linked Company: An institutional perspective

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Abstract

The thesis examines why and how a Malaysian telecommunication company TM, adopted balance scorecard (BSC). The focus lies in the new institutional theory (NIS), particularly the institutional change model of Hopper and Major (European Accounting Review, 16(1), pp. 59-97, 2007), supplemented by theoretical triangulation involving economic, labour process and actor network theories to enrich observations and extend theory. An explanatory case study is used which employed semi structured interviews, document reviews, informal conversation and observations as method of data collection. Why TM adopted BSC lay in a complex, interrelated chain of institutions, including the government as the main shareholder, management consultants and competitor. BSC was seen as a symbol of improved competitiveness and efficiency but its diffusion and adoption involved mimetic, coercive and normative pressures. The initial reason of adopting BSC was mimetic as a way for TM to move forward after privatisation process. In addition, BSC was also seen as a tool for TM to better transformed itself in order to compete with new players in the telecommunication industry. It is also an act of gaining legitimacy as TM moved from government agency to a privatised entity. Hence, adopting new management accounting practice provides TM an acknowledgment as a private entity. Government transformation programme in 2004 acts as coercive pressure for TM to fully redesign the BSC and tie it to the reward system. Various actors were mobilized to translate and modify BSC to become a working practice in the company. This translation process continues even after the implementation of BSC as new actors join the organisation and existing actors left the organisation. TM executives adopted and used BSC whereas the operational employees showed resistance to the new system. Thus, two separate performance reward systems continue to be practiced in TM which one is based on BSC methodology while the other following the old performance measurement system.

Keywords: balanced scorecard, management accounting change, institutional perspectives, government-linked company,
Declaration

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<td>Actor network theory</td>
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<td>APMS</td>
<td>Accountability performance measurement system</td>
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<td>BSC</td>
<td>balanced scorecard</td>
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<td>BSR</td>
<td>Balanced scorecard resource team</td>
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<td>CA</td>
<td>Contractual agreement</td>
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<tr>
<td>CEO</td>
<td>Chief executive officer</td>
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<td>CFO</td>
<td>Chief financial officer</td>
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<td>COMPASS</td>
<td>Communicating and managing performance, accountability and strategy system</td>
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<td>EIS</td>
<td>Executive information system</td>
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<td>EPS</td>
<td>Earning per share</td>
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<td>EPU</td>
<td>Economic planning unit</td>
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<td>GLC</td>
<td>Government linked company</td>
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<td>GLCT</td>
<td>Government linked company transformation</td>
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<td>GLIC</td>
<td>Government linked investment companies</td>
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<td>GM</td>
<td>General Manager</td>
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<td>HSBB</td>
<td>High speed broadband service</td>
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<td>ISP</td>
<td>Internet service provider</td>
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<tr>
<td>KPI</td>
<td>Key performance indicator</td>
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<td>MAPS</td>
<td>Managing accountability and performance system</td>
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<td>Abbreviation</td>
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<tr>
<td>MCMC</td>
<td>Malaysia communications and multimedia communication</td>
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<td>MIS</td>
<td>Management information system</td>
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<td>NAfMA</td>
<td>National award for management accounting</td>
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<td>NDP</td>
<td>New development policy</td>
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<tr>
<td>NEP</td>
<td>New economy policy</td>
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<td>NIE</td>
<td>new institutional economy</td>
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<td>NIS</td>
<td>new institutional sociology</td>
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<td>NUTE</td>
<td>National union of telecommunication employees</td>
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<td>PCG</td>
<td>Putrajaya Committee on GLC high performance</td>
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<td>PPMO</td>
<td>Performance and program management office</td>
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<td>SFO</td>
<td>Strategy focused organisation</td>
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<td>STM</td>
<td>Syarikat Telekom Malaysia</td>
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<td>TD</td>
<td>Telecommunication department</td>
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<td>VSS</td>
<td>Voluntary separation service</td>
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CHAPTER 1: INTRODUCTION

This chapter introduces the background of the study and the research questions. The chapter begins with a brief background and motivation of the study in section 1.1. This is then followed by section 1.2 that outlines the research questions and research method. Next, section 1.3 briefly discusses the contributions of the research. Section 1.4 completes the chapter with an explanation on the structure of the thesis.

1.1 Background and motivation of the study

Performance measurement system is a very important management accounting tool that serves as a mechanism for organisation to control, monitor and evaluate its performance. Traditionally these measures consisted of financial accounting numbers such as profit figures, budget and standard variances. Non-financial measures or indicators from different functions of organisation were not included in the evaluation of organisations’ performance. However as the technology changes so is the way business being operated. Hence, the relevancy of using only financial measures to control and evaluate organisation’s performance was questioned by the academicians (Johnson and Kaplan, 1987). As a consequence, in order for organisation to accommodate these changes in the business environment, organisation needs to change its performance measurement system and consider other non-financial measures as important measures of performance.

One of the modern performance measurement system introduced in the 1990s is balanced scorecard (BSC). Kaplan and Norton (1992) introduced this four perspectives framework as a solution for organisation to better measure their performance. Lagging and leading indicators that comprise of both financial and non-financial measures are deemed to be important for major stakeholders such as the shareholders, customers and the employees, are integrated in the system. The BSC concept was later on redefined by its founder as the measures are linked to the company’s strategy and subsequently labelled as integrated performance measurement system.
This evolution of BSC continues in the year 2000s with the introduction of strategy map and alignment concept. Strategy map serves as communication tool for organisation to better map its strategy and link it to the measures. The map forms a visual translation of organisation’s strategy and it is considered to be more effective as a tool of communication as organisation able to clearly see how their action contributes to the attainment of organisation’s strategy.

Although BSC has been around in the business field for two decades, the concept of BSC is still not well defined and this has proven to be problematic as organisations claims to adopt BSC and yet various versions of BSC are practiced by organisations (e.g. Malmi, 2001; Speckbacher et al., 2000). Kaplan and Norton themselves acknowledged this confusion as they stated;

“Many managers believe they are using a BSC, when they supplement traditional financial measures with generic, non-financial measures about customers, processes, and employees. But the best BSC are more than ad hoc collections of financial and non-financial measures. A scorecard should contain outcome measures and the performance drivers of those outcomes, linked together in cause and effect relationships” (Kaplan and Norton, 1996, p. 53)

Hence, many attempts have been made by academicians to define and list the characteristics of the BSC (e.g. Speckbacher et al., 2003; Luft and Shields, 2003). It is indeed a valuable effort but remains problematic as BSC can be regarded as an open and evolving concept. As mentioned before, its founder Kaplan and Norton themselves continued to modify and redefined the BSC concept over the last 20 years (see Kaplan and Norton, 1996; 2000; 2004). This is further confirmed by empirical studies that has showed various ways of how BSC has been applied to organisations (e.g. Hoque and James, 2000; Malmi, 2001; Speckbacher et al., 2003).

The way BSC concept being applied to the organisation is very much dependable on the interpretation of the actors within the organisation itself. The
existence of various BSC application resulted in inconclusive evidence on the effectiveness of BSC usage. Some research showed financial benefits of using BSC (e.g. Hoque and James, 2000; Davis and Albright, 2004) while others recorded no significance difference between the firms that adopt BSC and the one that did not (e.g. Ittner et al. 2003). Thus, these findings in the current literature have raises significant and never ending questions regarding the nature of BSC as argued by Ahrens and Chapman (2006, p.11): “...we do want to know more about the nature of the BSC and the elements of organisational activity with which the BSC is supposed to interact.”

Empirical researches on the adoption and implementation of BSC in organisations provided another dimension of BSC. The implementation of BSC is often portrayed as problematic and time consuming (Butler et al., 1997). As a consequence, the BSC project often resulted in either successful (e.g. Chia and Hoon, 2000; Mooraj, 1999) as well as total failure that saw the project being abandoned halfway through during the implementation process (e.g. Andon et al., 2004). Similar like any other management accounting tool's implementation, the success and failure of BSC’s implementation is very much depends on various factors. Among others, BSC’s implementation project requires substantial human and financial resources (Van Gembergen et al., 2003). The various outcomes of BSC’s projects show that BSC implementation is indeed not a liner process but a complex one. In addition, implementing BSC in an organisation often resulted in changes in the organisation structure and system.

In Malaysia, the practice of BSC became popular since the one day seminar conducted by Kaplan and Norton in the country in the year 2003 which resulted in many organisations were either considering or attempting to implement the tool (Othman et al., 2006). Consultants play significant roles in the diffusion of management accounting practice such as ABC and BSC to other part of the western world via seminars and workshops promoting this new performance management tool (Jones and Dugdale, 2002). This is perhaps due to the fact that consultants are often regarded as possessing the knowledge and solutions for business and organisational problem. Hence, managers tend to look for
advice from the consultants to overcome their managerial problems that they are facing in the organisations. From the literature, consultants play a very important role in the diffusion of BSC in other countries (e.g. Braam et al, 2007) as a new strategic management tool appeal the business committee. The role of consultants to aggressively promote this idea and the success story of organisations that has implemented the tool. In addition organisations generally following the examples of successful organisations mimicking the trend of new technology.

Research on BSC is in abundance covering the adoption, implementation, consequences of adoption as well as critiques on BSC. However most of the studies on BSC were conducted in the western world. Furthermore, BSC studies that were conducted in Asian country are often confined to survey studies which investigating the rate of adoption. However, only few studies examined the practice of BSC in the Asian region (e.g. Wongkaew, W. (2007), Norhayati and Siti-Nabiha, 2009). Although there is an emerging research that attempts to examine the process of BSC’s implementation and its usage in its organisational context (e.g. Malina and Selto, 2001; Kasurinen, 2002, 2003; Hansen and Mauritesen, 2005), there is still a need for further intensive field research to examine how the BSC is developed and used in its organisational context over a period of time.

Andon et al. (2005, p.36) argued, “...we have limited understanding of the socio-political and organizational practices enabling the BSC to emerge and endure. Research is therefore needed in order to explore how the BSC constitutes new calculable spaces in organisational structures. Research grounded in social and critical theory is needed to supplement the existing body of knowledge about BSC”. Therefore studying BSC as being practiced in a company may provide further explanation on this issue.

In addition, a study investigating the BSC in a significantly different cultural setting and in a business context that is outside the western type of business environment may provide a different insight on BSC and change. National
culture affects the design and development of BSC on its approach towards financial performance (Mooraj, 1999). Countries in the western world also have different views on financial performance that see the US companies focusing more on the shareholder benefit while European countries apply stakeholder approach (Mooraj, 1999). The case company as one of the GLCs may have different approaches in designing its BSC due to government influence in its management control. Thus, the process of designing BSC and implementing BSC may show insights on how the company responds to different pressures from the government and the public while at the same time improving its bottom line.

1.2 Research questions and approach

The current study seeks to understand why and how a Malaysian government linked company (GLC) adopted the popular performance management accounting tool, BSC. Specifically, the study attempts to explain the ‘successful or unsuccessful’ adoption and institutionalisation process of BSC in a GLC in Malaysia. As mentioned before, the current study treated BSC as a boundary object whereby its real practice are subjected to the translation and enactment process by the users. Thus, BSC in practice may differ than what its founder Kaplan and Norton has intended it to be. The study explores the roles of BSC in an organisation and its significance for people within the organisation.

The research is conducted in a Malaysia setting in order to examine how global management ideas that are initiated in a western world are translated when they are placed in organisations in less developed country such as Malaysia. GLC is chosen as the focus of research for the study due to major reform by the Malaysian government in 2004 especially on GLCs’ performance management system. The case organisation is part of the GLCs that is directly influenced by this transformation reform by the government. This transformation move by the government has introduced changes to the company both in terms of its structure and management practices.
The current research has three main objectives. The first objective is to examine the implementation process of BSC in the organisation. The second objective is to examine changes in the organisation due to the adoption of BSC. The third objective is to examine the institutional forces and its impact on BSC practice. Specifically the study aims to understand how management accounting tool specifically BSC is shaped by the interplay between institution and market forces as well as the interplay between institution and intra-organisational forces. In addition the study also aims to explain the interaction and roles of various actors, human and non-human actors in translating and modifying BSC to become as it is in the case company.

The key research questions of the study are: Why and how a Malaysian GLC adopted, implemented and used BSC and how this new performance measurement system, BSC is institutionalised in the organisation. Specifically the study aims to answer several interrelated research questions as follows:

1. Why and for what purpose does TM implement BSC?
2. How does government’s policy affect the change in management accounting system in GLC?
3. How does BSC implemented in the GLC?
4. How and to what extend is BSC being cascaded to the organisation?
5. How do the consultants and other actors influence the usage of BSC in TM?
6. For what reasons BSC is used in the organisation?

As an attempt to answer these questions, the study adopts a qualitative approach. It is an explanatory in-depth case study that examines real management accounting practice at both company and divisional level. This explanatory case study employs unstructured and semi structured interviews,
document analysis and observation as methods of data collection to capture rich and relevant data from the organisation.

The analysis of the research is based upon Hopper and Major’s (2007) organisational change model. This institutional change model is an extension of Dillard et al (2004) dynamic organisational change model that is based on new institutional theory to explain the process of change from both macro and micro perspectives. New institutional sociology (NIS) perspective is applied to explain the institutional and environmental pressures that lead to changes in the organisation whereas old economic (OIE) perspective is valuable to explain the process of change within the company particularly at the divisional level. Actor network theory (ANT) on the other hand is applied to capture the dynamic relationship between the actors within the organisation in translating and modifying management accounting practice to suit the culture and context of the organisation. The concept of praxis and human embedded agency by Seo and Creed (2002) is applied in explaining the different institutionalisation experience by two hierarchically different employees that could lead towards BSC becomes institutionalised or decoupled from the organisation activity.

1.3 Contributions of the study

This research provides explanations on the institutionalisation process of BSC in an organisation. As such, this research contributes to the recent literature on management accounting change especially on the issue of legitimacy, embedded agency and loose coupling. The study provides an insight of on management accounting practice in a real context. The study also provides explanations on how different types of isomorphism could contribute towards the institutionalisation of management accounting practice in an organisation. In addition the study will also offer an insight on how the socio-political and organisational practices enabling the BSC to emerge and endure.

Another possible contribution of this research is on the evolution of BSC over a period of time. The study investigated BSC as being practiced in the case company since 1996 until 2008. In addition to that, the study examines
response towards BSC implementation at different hierarchical level of employees i.e. managerial and operational people. Different responses are expected as these two groups of employees react based on their own experience dealing with BSC.

As will be explained in the subsequent chapter, the aim of this research is to obtain theoretical generalisation. Thus, findings from the research will be compared to other empirical studies that investigate the institutionalisation of management accounting tool. Specifically the study provides additional insights on the issue of government policy and its impact on legitimacy and resistance of management accounting change. The findings of this research will also be compared to other empirical studies that examine the translation process of BSC in organisation.

This study also contributes to the growing literature on accounting innovation, fad and fashion (Ax and Bjornenak, 2005; Lapsley and Wright, 2004; Modell, 2009; Perera, et al, 2003). It also add to the literature characterised as “alternative management accounting research” (Baxter and Chua, 2003) whereby accounting is viewed in the broader social context within which it resides, both reflecting and influencing that context. In addition, the study also extend the literature on management accounting practice in less developed countries as research on management accounting system from this part of the world is still lacking (Hopper et al, 2009). Moreover, studying management accounting system such as BSC in a less developed country like Malaysia may unravel interesting issues due to different political and cultural settings (Hopper et al. 2009). The contributions of the thesis are elaborated further in chapter 9, the last chapter of the thesis.

1.4 Structure of the thesis

This section describes the structure of the thesis. Chapter 1 has introduced the background and scope of the research. The chapter also has briefly discussed some of the key research problems and issues that the study aims to explore in
the thesis. Thus, chapter 1 provides an overview of the research as well as describes the purpose and scope of the research.

Chapter 2 and 3 reviews the literature on the evolution of performance measurement systems with a specific focus on the development of the BSC as one of the most popular management accounting tool implemented in organisations all over the world. Chapter 2 will first summarise prior studies of BSC from normative or functionalist perspectives. Chapter 3 then continues the review of literature with the discussion on the issues and critics of BSC emerging from the non-functionalist perspective.

Chapter 4 explains the theoretical lens that is used in explaining the research problem. An institutional perspective is used to illuminate the BSC phenomenon in the case company. The study applies the theoretical framework of Hopper and Major (2007) which is informed by several related theories to explain the adoption and implementation of BSC in their study. Specifically the institutional perspective and the translation concept of Actor Network theory are applied to frame the analysis.

Chapter 5 describes the research methodology adopted for the study. This study adopts a qualitative methodology that allows the researcher to study the practice of BSC in its organisational setting and interpret the phenomenon in terms of the meanings people bring to it. Unstructured and semi-structured interview, informal conversations, document analyses and observations are used to gather data in the case company.

Chapters 6 to 8 present the body of empirical material gathered in the course of the study and its analysis. Chapter 6 provides the discussion on the institutional pressures at the macro level that have influenced the adoption of new performance management system. The chapter also introduces briefly the context of the study and the case organisation. Chapter 7 details out the process of implementing BSC at the micro level or organisational level whereas chapter 8 provides the discussion on the intra organisational and some issues arise from the BSC implementation in the organisation.
The thesis then ends with chapter 9 which provides a summary of the findings from the research and discusses contributions, limitations as well as opportunities for future research.
CHAPTER 2: NORMATIVE PERSPECTIVE OF BALANCED SCORECARD

2.1 Introduction

The previous chapter presented an overview of the current study. It introduced the research area and discussed the background of the research questions. This chapter reviews balanced scorecard from functional perspective whereas the following chapter, chapter 3 will provide discussion from a critical perspective of balance scorecard.

This chapter is structured as follows. Section 2.2 provides an overview of the performance measurement system’s evolution that led to the rise of BSC as one of the most popular contemporary tools adopted by organisations all over the world. Next, section 2.3 provides an overview of the BSC’s concept as proposed by its founders, Kaplan and Norton. Specifically the concept of BSC, its assumptions and dimensions of performance are discussed here. This is then followed by section 2.4 that discusses the usage of BSC’s adoption. Section 2.5 then continues with BSC and budgetary control. The chapter proceeds with Section 2.6 that discusses BSC and compensation plan. Section 2.7 then proceeds with BSC’s practice and its effect on judgement and decision making while section 2.8 looks at the advantages and strength of BSC. The chapter then conclude with section 2.9.

2.2 Evolution of performance measurement system

Performance measurement system has always been the focus of interest for both practitioners and researchers. The correct design and use of performance measurement in organisations are vital in ensuring organisation able to enhance their performance. Performance measurement is a key factor in ensuring the successful implementation of a company’s strategies and techniques in pursuit of its goals, and in ensuring the success of a business organisation in both the short term and the long term (Fitzgerald et al.,1991). Hence, organisations continue to search for appropriate measurement
framework in order to survive in the dynamic business environments in which they operate (Otley, 1994). This continuous effort by both the organisations and researchers has resulted in various new performance measurement systems being developed.

Traditionally, organisations’ performances were measured by accounting numbers such as profit, cost, budget and variances. The relevancy of this practice however was questioned in the late 1980s as the rapid changes in technology have directly affected the way business being operated. Academicians then started to question and criticise the traditional system as being short term focus and results were known too late for any improvement can be made.

The performance of both company and managers were evaluated solely based on financial numbers such as sales figure and profit attained for that particular year. This practice however has been widely criticised in the last two decades for being detrimental to the competitiveness of contemporary organisation. Among the criticism made are the traditional performance system encourages short-termism, lack strategic focus, fail to provide data on quality, responsiveness and flexibility, encourage local optimisation, encourage managers to minimise variances rather than to improve continually and fail to provide information on what customers want, and how competitors are performing (see Neely, 1999). In addition, the absolute reliance on financial numbers has made organisations neglect to see the long term effect of their action. The accounting numbers used to measure performance were lagging indicators which reported the outcomes of the business activities with no avenue for improvement. Therefore the data provided were considered not relevant in improving the current performance and the arrival of the report was often too late for managers to act upon it.

While profit-based measures continued to be prescribed and used for evaluating managerial and divisional performance, it has been argued that the dysfunctional impact of these measures on decision making could be reduced by combining profit-based measures with non-financial measures (Bromwich and Bhimani, 1989; Johson and Kaplan, 1987). Due to the limitation of
traditional performance measurement system, there was a call for companies to include non-financial measures in evaluating the company’s performance. Thus companies started to develop non-financial measures to be included as part of their performance measurement system. These non-financial measures however were loosely done and not properly presented in a systematic framework. The formulation of non-financial measures was more on ad hoc basis rather that properly developed.


Lynch and Cross’s performance hierarchy basically articulates an integrated performance measurement system based on hierarchical ranking of the organisation, from senior management level to the operational level. The financial and non-financial measures encompass market and cost considerations to support aspects of strategic importance. Another integrated performance measurement framework, Performance Prism of Neely and Adams (2001) categorises the measures based on five facets like a prism with stakeholder satisfaction and stakeholder contribution occupying the top and bottom facets respectively. The three remaining facets sitting in the middle are strategies, processes and capabilities.

Kaplan and Norton also enhanced the BSC concept to become an integrated performance framework and this can be seen from their later publication from the year 1996 onwards. The BSC concept that was introduced in 1992 was redesigned to link the four perspectives of measures to the company’s strategy. With this linkage, BSC has been recognised as a tool to explicitly link
performance measurement system to strategy and perhaps the most popular and widely implemented performance management system by organisations. Moreover, BSC was claimed to be the most influential or dominance concept of performance measurement (Murr and Sciuma, 2003). The detail of this integrated performance management system is discussed next.

2.3 The balanced scorecard (BSC)

The BSC concept is developed by Robert Kaplan, an accounting professor at Harvard University together with David Norton a consultant from Boston America and this was first mentioned by Johnson and Kaplan (1987) in their book Relevance Lost. The BSC idea was developed based on one year research project involving 12 companies in the US which were described as at the leading edge of performance measurement. As mentioned before, the first article on BSC was produced in 1992 in Harvard Business Review which introduced this concept to the business world. The BSC idea was later developed further with the publication of series of articles and books that help to popularise this new management tool (see Kaplan and Norton, 1992, 1994, 1996, 2000, 2004). Since then BSC becomes a very popular management accounting tool and this is evident with the number of companies adopting and implementing BSC worldwide. In the US for example, Silk (1998) suggests that approximately 60 per cent of the US Fortune 1000 companies have either implemented or have been experimenting with BSC. Meanwhile in the UK, from the article published in Management Services in 2001, 57% of the companies surveyed reported using BSC and 56% of the current non-users planned to adopt it in the following year (Anonymous, 2001). Similar situation is reported in other part of the Europe (see Kald and Nilsson, 2000; Malmi, 2001; Speckbacher et al., 2003; Ax and Bjornenak, 2005). This trend of adopting and implementing BSC also has spread to Asian region that saw increasing number of adoption in countries such as Thailand, India and Malaysia (Othman et al, 2006).

The main argument of BSC is that it is generally inappropriate to try to manage organisation using only financial measures of performance. The financial
measures need to be supplemented by other non-financial measures. Thus, according to BSC there are four dimensions or perspectives of measures that company should develop i.e. financial measures, customer, internal, and innovation and learning, to better manage and measures the company's performance. With this integration of financial and non-financial measures, BSC offers a balanced evaluation of performance.

According to Kaplan and Norton, there are two main assumptions that will determine how BSC can help organisations to better measure and improve its performance. The first assumption is that there is a causal link between non-financial and financial performance. Thus, improving customer satisfaction will lead to increase in sales and revenue. The second assumption is on its cause and effect relationship among the four perspectives. This cause and effect link means that effective organisational learning, internal processes and customer relations have a positive effect on financial performance. A simple example would be: better trained employees will reduce process cycle times and process defects. This in turn will lead to shorter customer lead times and improved on-time delivery as well as reduce defects. Customers will then respond with this higher satisfaction by being loyal to the company and increase their spending. The final outcome will be higher revenues for the company.

From a performance measurement system in 1992, BSC was later evolved to become an integrated performance measurement system that was linked to company’s strategy. BSC was first introduced to the business world as a new performance measurement system in the first article written by Kaplan and Norton back in 1992. As mentioned before, as a performance measurement system, BSC allows managers to look at the business from four different perspectives that consist of financial, customer, internal and innovation and learning perspectives. All these four perspectives according to Kaplan and Norton are perceived as important stakeholders that are common in any business organisation.
Later, in their 1996 publication, Kaplan and Norton reintroduced BSC as an integrated performance measurement system that is linked to company’s strategy. This new approach in BSC’s design i.e. linking the BSC to the strategy allows the managers not to rely on short term financial measures as the only indicators for the company’s performance (Kaplan and Norton, 1996). By adding four new management processes, the managers can link long term strategic objectives with short term actions. The four new management processes proposed by Kaplan and Norton are translating the vision, communicating and linking, business planning and feedback and learning. All these four processes are in a cycle. In addition, Kaplan and Norton (2000) further claim that the BSC is introduced to provide a new framework for describing value-creating strategies that link intangible and tangible assets. The BSC describes how intangible assets get mobilized and combined with intangible and tangible assets to create differentiating customer-value propositions and superior financial outcomes.

This new development of the BSC in the early 2000s also began to stress on the development of “strategy maps” which require a detailed causal understanding of the factors which a manager can control and their inter-relationships. Strategy map is described as a logical and comprehensive architecture for describing strategy. It specifies the critical elements and their linkages for an organisation’s strategy. It also acts as a common and understandable point of reference for all organisational units and employees. In short, strategy map is portrayed as a valuable tool for organisation in communicating its strategy. BSC concept was further evolved in 2004 where Kaplan and Norton focus on alignment of intangible assets and the strategy of the organisation. Intangible assets refer to human capital, information capital and organisational capital.

Hence, as shown above in a span of ten years, Kaplan and Norton have redefined the BSC concept. Beginning with just as a performance measurement tool, consisting of financial and non-financial measures, BSC later on was redefined into strategic management tool that linking the multidimensional
measures to company’s strategy, vision and mission. Kaplan (2009) later on argued that;

“After publication of the 1992 Harvard Business Review article, several companies quickly adopted the balanced scorecard, giving us deeper and broader insights into its power and potential. During the next 15 years, as it was adopted by thousands of private, public and non-profit enterprise around the world, we extended and broadened the concept into management tool for describing, communicating and implementing strategy” (p. 1253)

With this evolution of BSC, many researchers have attempted to define BSC. For example, Malmi (2001) suggests that for a performance measurement system to be termed as a BSC, a number of conditions should be fulfilled. First, the performance measurement system should contain financial and non-financial performance indicators. Second, the performance indicators should be derived from strategy and lastly, the system should contain perspectives of performance that are derived from the original four perspectives of the BSC framework. In addition, according to Malmi, cause and effect logic is not a prerequisite to be qualified as BSC. Integrating the four balanced perspectives is enough for organisation to claim as using BSC.

Speckbacher et al. (2003) propose a different approach in defining BSC. According to the authors BSC can be classified into three types. The first type is BSC as a specific multidimensional performance measurement framework that combines financial and strategically-oriented non-financial measures. The second type is known as Type 1 BSC, that is in addition to the multidimensional performance measurement framework also describes strategy by using cause and effect relationships. The third type of BSC comprises the previous two types and implements strategy by defining objectives, action plans, results and connecting incentives with BSC.

This different definition of BSC resulted in various version of BSC practiced by organisation. Empirical evidence also has shown that there are many versions of BSC being practiced by organisations. For example, Speckbacher et al. (2003) in their survey of large firms in German-speaking countries found that
out of 42 companies which claimed to adopt a BSC, only 21 firms employed a cause and effect relationships. Twelve firms out of the 21 firms that employed a cause and effect relationship linked their BSC to measures incentives. Another study by Ittner et al. (2003) in their study of American financial services firms, found that 76.9 per cent of the firms that claimed to use BSC placed little or no reliance on the cause and effect relationships.

### 2.4 Usage of Balanced Scorecard

There are a number of studies that investigated the usage of BSC. Malmi (2001) in his study of companies in Finland found there are two different types of BSC’s usage. Some companies used BSC as a management by objective system while others used it as an information system. As for the first type of usage, targets were used and rewards were given based on achieving the targets. The second type of usage was used as a tool for managers to improve their performance.

Speckbacher et al. (2003) in a survey study of large firms in German-speaking countries, classify BSC into three types: (1) BSC as a specific multidimensional performance measurement framework that combines financial and strategically-oriented non-financial measures; (2) Type 1 BSC, which additionally describes strategy by using cause-and-effect relationships; and (3) Type 2 BSC, which also implements strategy by defining objectives, action plans, results and connecting incentives with BSC (p. 363). The survey of 42 large companies shows that only 21 firms employed cause-and-effect relationship and only 12 of the 21 companies linked their BSC measures to incentives. Similarly, Ittner, Larcker and Randall (2003) in their study of American financial services firms found that 76.9 percent of the firms that used BSC placed little or no reliance on the cause and effect relationship.

A recent survey study in Malaysia however shows support on the availability of cause and effect relationship. Ong et al. (2010) in their survey of 100 companies that adopted BSC suggested that there is a sequential dependency among the four BSC perspectives. The respondents of the survey also believe
that the cause and effect relationship of BSC will lead to improved business efficiency and profitability.

2.5 BSC and budgetary control

Kaplan and Norton (1996) argue for BSC to be placed at the centre of the corporate management system. In addition, the organisations also should incorporate a budgeting process to support BSC. This is due to the view of the authors that traditional budgeting creates barriers to strategic implementation. Moreover, Kaplan also claims that BSC emphasises the relationships between strategy and performance measures. Hence, companies can ensure that their budgets support their strategies by linking the budgeting process to support the BSC.

There is however little empirical research on the integration of BSC with budget. For example, Malmi (2001) finds that most of the companies in his study developed BSC independently from the budgeting process. BSC is used to complement the budgetary process with budgeting exercise remain the dominant and stable practice in organisation. Although the normative literature has suggested different ways to integrate the BSC with budgeting the impact of such exercise is not studied.

Besides integration with the budgetary control, Kaplan and Norton (1996) also argue for a connection between BSC and other management accounting practices such as human resource management and operations management systems. Otley (1999) even proposes for organisations to use BSC as an interactive control system.

Tuomela (2005) examines how organisation uses a strategic performance measurement system similar to the BSC interactively. The study however does not examine on how BSC is operated in relation to other management control system.
2.6 BSC and compensation plan

BSC as a performance management system is often connected to incentive and compensation plan. There are a number of empirical studies that have investigated on the impact of performance based incentives plans on performance (e.g. Banker et al., 1996, 2000, 2001; Ittner et al., 1997). Speckbacher et al. (2003) in their study found that 71 per cent of the companies that had adopted BSC tied their incentives either directly or indirectly to BSC measures.

Ittner et al. (2003) in a case study of a financial service firm found that managers allocated most weight to financial measures. This signifies the relative importance of financial measures to the non-financial measures in evaluating individual performance. The study also found that managers also incorporated factors outside of the scorecard and changed evaluation criteria from quarter to quarter. In addition, the managers also ignored other leading indicators in evaluating the performance.

Malmi (2001) finds that there are various way organisations link BSC to reward systems. From the total of 13 organisations studied that have bonuses programmes, four of them do not link BSC to the existing bonus programme while three organisations tie bonuses to some or all of the measures but to no other measures outside BSC. The remaining three organisations linked part of the bonus to achievement of BSC targets and part of the bonus to other measures. Tuomela (2005) on the other hand does not find any tight connections between the BSC and managerial bonuses in the organisations studied. Another study by Bedford et al. (2008) in Australia also indicates that linking compensation to non-financial measures does not add any value to the BSC’s being beneficial.

Smith (2002) investigated the potential for dysfunctional behaviour to emerge when financial and non-financial measures are used in the compensation plans. The findings of the study found that minimising gaming behaviour may involve assigning a negative weighting to customer satisfaction. This suggested that it
is not always appropriate to address performance using non-financial indicators in compensation contracts.

The studies mentioned above managed to provide some explanation on whether and how organisations tie their BSC to incentives. However, there are still a number of issues on BSC and reward system that has been left unexamined. Otley (1999) argued that little is understood with regard to how BSC can be linked to incentive system. He further stated that understanding how BSC can be linked to incentive system is crucial as reward structures "have the potential to destroy the impact of an otherwise well-designed scorecard" (p. 376). Thus, in order to understand on this issue and how linking BSC to reward system might impact behaviour and performance, it is important to examine it in the contexts in which BSC is operated.

2.7 BSC’s effect on judgement and decision making

BSC provides a holistic assessment of performance that allows managers to make better decision with the assumption that managers can make sense of the information presented to them. Too much information however may affect managers’ ability in interpreting and reconciling multiple measures in BSC (Andon et al., 2005). Hence, managers may be biased and not objective in making business decision. For example Banker et al. (2004) investigates the impact that explicit and detailed strategy information has on the use of strategically linked performance measures in conjunction with common and unique measures. An experiment method is used with 480 participants from MBA students. The experiment was a replication of Lipe and Salterio’s (2000). The results of the experiment show that evaluators rely more on common measures than unique measures. It confirms to the finding of Lipe and Salterio (2000). The finding also shows that the amount of strategy information available to the decision maker affects the task of performance evaluation. Managers who have detailed strategy information will rely more on strategically linked performance measures and less on non-linked measures than those with less knowledge on SBU strategy.
Wong-On-Wing et al. (2007) examine the role of rater’s selective attention in contributing to conflict between raters and ratees, in BSC evaluations. Specifically, the research investigates the extent to which performance evaluation using the BSC diverges between individuals who assume the role of top management and those who adopt the role of a store manager. The study also examines the degree to which the difference in BSC performance evaluation is reduced as a result of requiring participants to assess the significance of strategy effectiveness in influencing performance, prior to rating divisional performance. This study follows the study done by Lipe and Salterio (2000) and Banker et al. (2004). The results of the study show that individuals who assumed the role of top management rated divisional performance lower than those who assumed the role of the store managers. Thus, it implies that the unique features of BSC that strategically linked measures of the BSC, do not significantly reduce selective attention bias that presumably leads to conflict between top management and divisional managers.

Libby et al. (2004) proposed that the reasons for common measure bias in evaluating performance for BSC based measures is due to effort related and data-quality. To test on the effort related, they investigate the effect of imposing process accountability in reducing the common measures bias in evaluating performance based on BSC. For the data quality, they examine the effects of providing a third-party assurance report over the BSC measures. Process accountability is where the managers are required to justify their performance evaluation judgments. Experimental case study is used to test the hypotheses. The results show that the provision of an assurance report on the BSC and/or the requirement for process accountability increases the use of unique measures in performance evaluations.

### 2.8 Advantages and strength of BSC

Although BSC has become very popular, there is little empirical evidence to suggest that performance of organisations is improved with the use of BSC (Ittner and Larcker, 2001). Moreover, the findings from the limited research on BSC and organisations’ performance are inconclusive. For example, Hoque and
James (2000) in their survey-based contingency study of 66 Australian manufacturing companies, shows a positive relationship between the usage of BSC and perceived improved organisational performance, measured by ROI, sales margin, capacity utilisation, customer satisfaction and customer quality. Similar result was reported by Davis and Albright (2004) in their study of branches in an American bank using a quasi-experiment. Their finding shows that branches which have implemented BSC outperformed the branches that did not implemented it.

It is also has been suggested that the way how BSC is used does affect company’s performance. For example, Braam and Nijssen (2004) examine the usage of BSC and its effects on company’s performance shows that BSC’s usage which is aligned to company’s strategy positively influences overall company’s performance. The study surveyed 41 companies that used BSC, the result of the regression analysis shows that BSC usage which is aligned to company strategy positively influences overall company’s performance.

Ittner et, al. (2003) in the study of American financial services firms, however did not find a significant relationship between BSC usage and the economic performance of the organizations. The study also shows that while 20% of the respondents reporting using the BSC, over 75% of these firms reported not relying on business models that causally link performance drivers to performance outcomes. This suggests that the usage of BSC is varied among organisations.

In a more recent study by Geuser et, al. (2009) which examine the impact of BSC on company’s performance by using a survey of 76 business units from 24 organizations in Europe, the research attempts to answer to the question on ‘how much’ BSC improves company’s performance. Geuser et al. (2009) uses Foster and Swenson (1997)’s methodology to assess the impact on company's performance. The study shows that BSC has a positive impact on organisational performance. The positive impact is achieved in three ways. First BSC provides a better translation of the strategy into operational terms.
Secondly BSC forces strategy to become a continuous process and thirdly by using BSC, there is a greater alignment of the various process, services, competencies and units of an organization.

Malina and Selto (2001) suggest that BSC is an effective tool for organisation to communicate its strategy. In their study, managers show positive responses to BSC measures by reorganizing their resources and activities in order to improve their performance on the measures. Similar result was also reported by Papalexandrdis et al., (2004) in their study of BSC implementation in a Software company in Greece. Ye and Seal (2009) in their study of BSC in a financial organisation in UK found that BSC has helped the bank to articulate and implement its strategy. BSC had led to “greater clarity”, “greater structure” and “greater focus”.

Bedford et al. (2008) in their survey study in 92 Australian firms that were using BSC also found that deriving measures using cause and effect logic enhance perceived benefits and performance outcomes from the BSC. This reliance on cause and effect may help organisation to reduce and prioritise objectives.

Although empirical research on the benefits of adopting BSC is inconclusive and yielded mixed results, BSC continues to be adopted by company all over the world. This wide adoption of BSC signifies company’s commitment to improve its performance and change its method of doing things with the hope of getting more benefit economically or for legitimacy purpose. This development in management practice has brought issues surrounding the changes in management accounting and control literature. The management accounting change with particular interest on BSC is reviewed next.

2.9 Concluding remark

This chapter discusses the development of BSC and researches from the functionalist perspective. Whilst this strand of research provides information about the adoption rate and behavioural and implementation issues regarding BSC, the real practice of BSC remains a question. BSC in this strand of
research view BSC as a fixed object. If it is a fixed object then we should expect similar practice in the organisations adopting it. However, the findings from the previous study as discussed earlier suggest otherwise. BSC was used differently in the organisation. So what does BSC really means to the practitioners. Implementing BSC should not be seen as a simple method of installing a new system. Rather the struggle of BSC and should perhaps be examined further. The following chapter will review the empirical work on BSC from interpretive perspective and the academic critics on this popular management accounting tool.
3.1 Introduction

The previous chapter presented a review of normative literature on balanced scorecard. The review shows that BSC is indeed a very important and popular management accounting tool that is widely used by organisations across the world. The popularity of BSC which started from the developed countries has spread to the developing nation especially to the Asian region. While normative literature is widely reported on this, academicians continue to critics and debate on the novelty of this popular tool. The aim of this chapter is therefore to provide a review the critics of this popular management accounting tool and studies on BSC from the non-functionalist perspectives, with a particular interest on the diffusion, adoption and organisations change.

This chapter is organised in 6 sections. Section 3.2 highlights the similar features of BSC and Tableau de bord. Section 3.3 discusses the critics on the 'balanced' perspectives of BSC. This is then followed by section 3.4 that discusses the critics on the concept of cause and effect relationship of the BSC. Section 3.5 proceeds with review of management accounting change literature. Specifically the section reviews management accounting change from factor based and institutional perspective of BSC and its diffusion. Section 3.6 ends the chapter with a discussion on the implication of the current literature review to the research question.

3.2 BSC and Tableau de bord

The concept of integrating financial and non-financial measures introduced by Kaplan and Norton were not new and were criticised by many scholars on the ground of the novelty of the BSC concept. BSC is claimed to be not a new concept as a similar framework, Tableau de bord has been introduced and used in France since 1930s (Epstein and Manzoni, 1998; Bessire and Baker, 2005).
The Tableau de bord concept is similar to BSC as it also promotes the integration of financial and non-financial measures in a balanced framework. The development of Tableau de bord also requires translating the unit’s vision and mission into a set of objectives known and key success factors. Similar to BSC, the end result of this whole process is a series of quantitative key performance indicators (KPI). These quantifiable measures however are not grouped based on the four perspectives. In addition, the Tableau de bord also allows the framework to be cascaded down through the organisation for the purpose of alignment of the sub units within the organisation’s mission and strategy (Epstein, 1998). Hence with the similarity between the two concepts, the creation of BSC should not be considered as a new management accounting tool. Indeed the substance is the same but with different label attached to it.

3.3 Critics on the ‘balanced’ perspectives of BSC

As mentioned before, BSC offers a holistic and more balanced view of performance. The term ‘balance’ here refers to the concept of BSC which instead of focusing only the financial aspect of performance and the interest of only single stakeholder, BSC complements the measures with three other perspectives covering the interest of customers and employees. In addition, the term ‘balance’ also refers to BSC measures that cover both short and long term objectives of the organisation.

Kaplan and Norton (1996) claim that BSC reflects a ‘balance’ between internal and external measures, between driver and outcome measures and between objectively quantified outcome and subjectively judgmental driver measures. However this concept of ‘balance’ is still not clear. This can be seen from the empirical research that has shown that companies tend to emphasize a greater weight on financial indicators as compared to the other three perspectives of BSC. For example, in a survey conducted by Towers Perrin in 1996, of 60 companies that adopted BSC, it was found that these companies placed, on average, 56 percent of relative weight on financial indicators in their scorecard (Ittner and Larcker, 1998). Similarly, Ittner, Larcker and Meyer (2003) in their
study of financial services firm, find that financial performance became the primary determinant of bonus. Malina and Selto (2001) also argue that financial measures have received increasing weight over the years. The possible reason for this was due to the difficulties in measuring non-financial performance that lead to less attention given to non-financial indicators as compared to the financial measures.

Another disagreement with this ‘balance’ concept is on its perceived important stakeholders. Kaplan and Norton only consider the interest of three major stakeholders, i.e. shareholders, customers and employees as the important stakeholders which organisation should consider in evaluating its business performance. This is duly translated into the four perspectives of BSC. The interest of other stakeholders such as suppliers, public authorities and community are not considered (Norreklit, 2000; Brignall, 2002) and therefore not included in the evaluation of organisation’s performance. Thus, balance is in fact a subjective notion that based on which perspectives of performance that the organisations are looking at.

### 3.4 Critics on cause and effect relationship

The second important assumption of BSC lies on the causal relationship between dimensions of performance. Kaplan and Norton (1996) argue that “Every measure selected for a Balanced Scorecard should be an element of a chain of cause-and-effect relationships that communicate the meaning of the business unit’s strategy to the organisation.” A linear causal relationship exists among the four perspectives that indicate improvement in one dimension will lead to the improvement in another.

However, Norreklit (2000) argues that there is no causal relationship among the four perspectives of BSC. Cause and effect logic is a necessary element in a performance measurement system to be qualified as BSC. According to her; “[t]he cause and effect chain is central to the balanced scorecard. The chain distinguishes the model from other approaches.” (p.70). This view is shared by Hoque and James (2000, p.3) that argue “[t]he use of a BSC does not mean
just “using more measures”, it means putting a handful of strategically critical measures together in a single report, in a way that makes cause and effect relations transparent and keeps managers from sub optimizing by improving one measure at the expense of the others.

Study shows that organisations that implemented BSC were not sure of the cause and effect relationship. In addition there is no clear definition of what constitutes as BSC. Malmi (2001) also argues that causal chain logic is not necessary for the systems to be qualified as BSC. Norreklit (2000) on the other hand argues that the chain is an essential element of BSC and that what make it different from other integrated performance measure system. Thus, it is important for the company to be able to develop the four perspectives and linking them together. Study however shows that organizations that do implement BSC were not clear of the causal-effect relationship and end up with just ignoring it.

The methods in which BSC gained popularity is also questioned as according to Norreklit (2003), BSC gained its popularity due to its promotional rhetoric rather than its substance. BSC lack of substance as its assumption for example the cause and effect argument is flawed. Nevertheless, Kaplan and Norton continue to further develop and promote BSC to the organisations. The concept of BSC also is said to be too general (Butler et al, 1997) and the selection of the four basic dimensions and their interrelationships are said to be problematic (Laitinen, 1996).

All these concern regarding BSC are typical of other accounting innovations that create doubt and scepticism, and can also be the basis for management resistance and barriers to organizational change and implementation.

3.5 Management accounting change

Management accounting change has gained serious attention from management accounting scholars. This is evident from the increase number of
publication on the issues of management accounting change particularly since
the argument of Hopwood (1987) which suggested that very little is known of
the processes of accounting change. Since then, issues relating to
consequences of change were examined and various perspectives have been
used in investigating the issues. The issues of management accounting change
investigated by the scholars include antecedents, preconditions and reasons for
changes.

3.5.1 The factor-based approach to examine management accounting
change

In this stream of research, the focus of the analysis is on factors influencing
change and the change process. Researcher in this type of research tended to
focus their study on identifying factors that advance or hinder the change
process with an aim to develop general model of change. These factor based
studies are normally influenced by contingency arguments and investigating
various management accounting practices such as ABC (e.g. Andersen and
Young, 1999; Shields 1995; Krumwiede, 1998) and performance measurement
(e.g. Kasurinen, 2002; Vaivio, 1999, Hoque and James, 2000, Cavalluzzo and
Ittner, 2004). Availability of information systems, management commitment,
training and decision making authority are among the factors that are said to
influence the successfulness of implementing management accounting
innovation in organisations.

For example, Ittner and Larcker (1998) reported that a survey of BSC users by
Towers Perrin finds that the lack of highly developed information systems is a
major problem in 44% of scorecard implementation. This has resulted in BSC
implementation process either completely abandoned or partially used by the
organisations. Another investigation by Calluzzo and Ittner (2004) in their study
in the US government agency also found that technical issues with regards to
the performance measurement system influence the way how the performance
system is implemented and used.

As shown above, these factors based studies provide some explanation on the
general factors that may influence the change process. These type of studies
however, tend to remain largely a-historical, a-contextual and a-procesual. In addition this type of study also often considers the factors separately and hence neglected the interrelationship between the factors (Granlund, 2001). Moreover, studying factors of management accounting change has resulted in endless list of factors as there is no limit to the number of possible factors affecting management accounting change (Malmi, 1997). Thus, management accounting researchers turn to case study research in order to gain deeper understanding on the management accounting practices and innovation as being practiced in the organisations.

3.5.2 Management accounting change from institutional perspective

Research on management accounting change based on institutional perspectives investigates the institutional pressures or influence that lead to the changes in an organisation. This type of research emphasises on the influence of institutions and the institutional environment on management accounting change. There are two major streams of institutional theory used to investigate management accounting change, namely new institutional sociology (NIS) (Meyer and Rowan, 1977; DiMaggio and Powell, 1983, 1991), and old institutional economic (OIE) theory (Scapens, 1994; Burns and Scapens, 2000). Research based on NIS theory focuses on the influence of the external institutional environment on the change process. The argument of this kind of research is that organisations adopt new management accounting systems for reasons of legitimacy rather than for efficiency. Furthermore, according to NIS, the adoption of new management accounting tool is very much influenced by the institutional environment. Hopper and Major (2007) in their study of implementation of activity based costing (ABC) in a Portuguese Telecommunication show that the adoption of ABC lay in a complex and interrelated chain of institutions which include the European Union as the regulator and parent company. Another study by Tsamenyi et al. (2006) which investigate changes in the accounting and financial information system of a large Spanish electricity company also show that institutional environment interacts with market forces and intra-organizational power relations that resulted in changes in the accounting system.
3.5.3 Management accounting change with focus on BSC

Early literature on BSC case study research focuses on the implementation of BSC in either a business unit or the company itself (e.g. Ahn, H., 2001 and Papalexandris et al., 2004). The research often offers step by step implementation process and was very technical and stressing on the project either a successful implementation or a failure.

In comparison with the number of practitioner-oriented normative studies, relatively little academic research has critically examined the process of how the BSC concept has been implemented and has become what it is within an organizational setting. Kasurinen (2002), Qu (2006), Sandhu et al. (2008) and Wongkaew (2007) are among the few studies which offer an in-depth analysis of the BSC implementation process in an organisation setting.

Kasurinen (2002) analysed the case project based on the accounting change model of Cobb et al. (1995) that extended the model introduced by Innes and Mitchell (1990). In the original accounting change model of Innes and Mitchell (1990), they categorises the factors associated to change into three categories: motivators, facilitators and catalysts. Motivators influence changes in a general manner whereas catalysts can be directly associated with the change. Facilitators are necessary for the actual realization of the change but not sufficient to cause a change. Example of motivators includes competitive market and organizational structure. Catalysts include poor financial performance whereas accounting staff and computing resources are the examples of facilitators. Cobb et al.’ (1995) change model extend the model by identifying three more factors of change: barriers, leadership and momentum. Barriers refer to the factors that hindering, delaying or preventing change. Leadership relates to the role of the individual within the organization that facilitate and driving the process of change. Momentum refers to the expectation of continuing change that is needed to maintain the pace of change.
In addition to that, based on the data of the case study, Kasurinen (2002) further developed accounting change model of Cobb et al. (1995) by specifying the types of barrier that may hinder, delay or prevent the process of management accounting change in practice. This will facilitate in easier recognition of the barrier and helps to better explain the change. The three types of barriers are confusers, frustrators, and delayers. Examples of confusers derived from the case include the uncertainty about the project’s future role in the organization after the resignation of the leader of the project and inadequate education and sponsorship focus. It also stems from the different views of change. Frustrators refer to the activity or condition that suppresses the change attempt in the organization. These include the organizational culture and the existing reporting system. The third category of barrier, delayers, is related to the nature of the new technology adopted i.e. the BSC. It includes lack of clear cut strategies and inadequate information system. These two ‘technical’ barriers however are regarded as temporary by Kasurinen (2002).

Kasurinen’s (2002) study shows that the complicated nature of implementing BSC in an organization. The study however still focuses on the factors that influence change. It can be considered a-historical and a-contextual that perhaps failed to capture other factors. Moreover, the study assumes a linear implementation process where the organisation planned, designed and implemented BSC in that order. When the implementation encountered resistance or barriers then it is abandoned and the implementation of BSC is deemed not materialized.

Recently there are few researchers started to look at the implementation of BSC from a theoretical perspective (e.g. Qu, 2006; Wongkaew, 2006). Informed by actor network theory (ANT), these researchers examine the processes of the construction and reconfiguration of the BSC in situated settings. Specifically these studies investigate the active participation of users in reshaping its content and meaning giving during the process of implementation.
These stream of researches treated BSC as a boundary object. Its existence and interpretation depends heavily upon the organisation. In short, BSC means different things to different people. Hence, BSC is a product that emerges from the translation and interpretation attached to it by different actors both human and non-human. BSC is seen as a technology that its existence and its implementation need translation and interpretation to fit the organization. In other words, to be usable BSC, it needs customisation or localisation.

Qu (2006) examines the process of implementing a usable BSC in practice. Specifically the researcher aims to understand the practice of the BSC as its own construction and representation unfolds, rather than assuming a fixed object simply being adopted and implemented. Similarly, Wongkaew (2006) investigates the process of implementing BSC in an organisational setting in Thailand. A financial institution in Thailand is chosen as the case study. The research looks at how BSC has been introduced and constructed in an organizational context. The study supports the evidence from Preston et al. (1992) that management accounting and control systems are not fixed technologies which are well defined, planned, designed and implemented. Rather, BSC is defined as technology constructed by human and non human actors which are aligned in temporary assemblages. The case study shows that BSC is disseminated to the Thai business community through a network of support from consultants, business schools, academics, media and publishing companies. The company’s decision to adopt and implement BSC was influenced by external pressures and internal drives associated with economic interest. In addition the positive feelings about legitimacy the company can obtain from having adopted BSC also helped secure an initial support from top management. Training courses both internal and external courses offer some knowledge on specific version of the BSC to managers. As various groups of users continuing modifying the BSC to meet their own needs and interest, new versions of the BSC emerged. The study shows that the process of BSC translation in the organisation continues even after it has been implemented. This process will further transform BSC into something that it was not meant to be.
Wongkaew (2006) study however only focuses on the construction of BSC. The study however did not examine the usage of BSC. The institutionalisation of BSC was not investigated. Weather BSC has become routine activity in the organisation. The study shows that the translation process continues even after its implementation.

Another study, Sandhu et al. (2008) investigates the process of implementing BSC in an organisational setting. The study shows that translating the BSC to local settings involves not only a need to situate the generic attributes of the BSC’s design but also managing the multiple possibilities that arise from the network of actors (at individual, departmental, organizational and extra-organisational levels) who are connected to the overall implementation process. The main argument of the research is that individual actors in the network may translate the BSC in different ways depending on their possibilities for the BSC’s translation nourishes multiple constructions of its identity. The research argues that BSCs are different things to different people. The company studied is a security company in Singapore. The research question is: how do multiple possibilities arising from different actors’ hopes and aspirations for the BSC shape its translation? The non-human actors such as impact of terrorism, calls for increased professional standards, manpower shortages and the management information system at the company had both enabling and constraining effects on the possibilities for what the BSC might become. BSC is seen as a ‘messy’ object that in a way assist its implementation. Messy and vague constructions of a BSC enabled the formation of a network entertaining its introduction in the company. The findings show that different interpretation of BSC by different people in the organization.

Othman et al. (2006) in their study of BSC’s implementation in a wholly owned college of a Malaysian telecommunication company found that the BSC practice was resisted. In the study, similar to Siti-Nabiha and Scapens (2005), the employees did not feel accountable to the performance indicators included in the BSC. In addition, there was a lack of linkage between the performance
appraisal system and the BSC. Othman et al. (2006) further argued that Malaysian culture and leadership styles are in conflict with the human relation norms needed for a successful implementation of BSC. Kennedy (2002) further argued that Malaysian managers were prone to accept hierarchical culture that emphasise status differences and prefer a non-participative mode. Therefore, Malaysian organisations might have problems in implementing the BSC.

Hoque (2005) studied management accounting practice in Australian public sector. In the study it is found that Government policy brought changes to the organisation’s internal management control processes such as financial reporting, budgeting and performance appraisal. These changes are attributable to legitimacy sought from the government. In addition, senior managers such as chief executive and divisional heads played a major role in implementing new accounting technologies.

Kaperskaya (2008) compares the BSC implementation process in two Spanish city councils. The study analysed the intra organisational process of change. Informed by institutional theory, the study shows that BSC was implemented in the Spanish city council due to institutional pressures. In addition the study confirms the findings of Mizruchi and Fein (1999) that it is quite difficult to draw clear distinctions between the three mechanisms of isomorphism.

### 3.5.4 Diffusion of BSC

In addition to management accounting change literature on BSC, there is another group of studies that examine the diffusion of BSC. This type of research investigates how a western management accounting tool was diffused to other countries. For example, Qu (2004) examines the diffusion of BSC using actor network theory (ANT) particularly on the concept of translation. The study which explores how actors involved in the process of BSC construction and dissemination indicates that the process of BSC construction and dissemination involved many actors, human and non-human, who have their own interests and are surrounded by their own institutional networks.
Ax and Bjornenak (2005) examines the diffusion of BSC in Sweden and argues that BSC is bundled with other management idea in order to make the BSC more attractive to potential BSC adopters. The study also showed the variety of Swedish BSC packages being practiced to suit the local need. This suggests that BSC’s model by Kaplan and Norton is not a fixed or static object.

The empirical findings have shown that consultants play an important role in the diffusion of BSC to the organisations (Braam et al., 2007). Consultants put their own interpretation on the BSC concept and shared their experience in implementing BSC in other organisations. It is similar to advertising BSC. Thus, consultant is a valuable agent in the diffusion of western management accounting practice such as BSC to the other part of the world including Malaysia, the place where the study is conducted.

3.6 Implication of previous research and research questions

Most of the empirical findings on the implementation of BSC are within the western context and are large scale researches that adopt survey-based approach. This kind of research provides a broad view of how organisations use their BSC. In addition this type of research only provides a snapshot of what the respondents believe about how BSC is used in their organisation. In short it is based on the perceptions of the respondents. Thus more in-depth case study is perhaps needed to provide richer explanation on the actual usage of BSC and its development.

In addition, empirical findings relating to the effectiveness of BSC implementation is still limited especially in less developed countries. Similarly empirical evidence assessing the transferability and effectiveness of western management accounting practice such as BSC into Asian countries is also scarce. Hence, studying BSC in different cultural setting particularly outside the western type of business may offer a new perspective in the way BSC may be developed. The opportunity to study a ‘successful implementation’ of BSC in a less developing country setting perhaps may help us to better understand the complexity of BSC.
Majority of research on BSC treated the BSC as it is. BSC is an object that can simply be implemented within an organisation with little need of translation. From this functionalist perspective, BSC is treated as a fixed object which is defined, designed and implemented. Hence, the process of the implementation is seen as unproblematic that follows a logical sequential path from the point of initiation to the point of completion (Northcott and France, 2005). The fact that previous findings show that different practice of BSC is used may suggest that BSC should not be viewed as a fixed object. Therefore, more case study research from non-functionalist perspective should be conducted in order to get a more clear idea what BSC really is.

In studying the process of implementing BSC, the BSC should therefore be treated as a boundary object. BSC can be seen a technology which is constructed by different actors. This is due to the fact that Kaplan and Norton, the inventors of BSC themselves redefined BSC from multidimensional performance measurement system to a strategic management system that helps to translate strategy into action. In addition previous research also shows that BSC means different things to different people.

The existing literature on BSC suggests that there is no definite understanding among the practitioners and the academics as to what BSC is. BSC means different things to different people. Therefore, more in depth case study on BSC as being practice may provide a better explanation on this. In addition, there is lack of theoretical informed study on BSC as being practiced. Only ANT has been used in limited number of study looking at the construction of BSC and its translation process to become a working technology.

In addition the impact of government interference as institutional pressure on the adoption and usage of BSC is still scarce in the current literature. The issue of government incentive is crucial in the study of management accounting practice in government linked organisation particularly in less developed nation as the use of political power and the culture is different that the developed
nation. Moreover, government’s influence in this part of the world is stronger due to its political and cultural ideology.

As previously mentioned literature on BSC is abundant and has been featured in many disciplines of study. However management accounting literature that specifically explores the process of BSC implementation in an organisation that is undergoing some process of transformation is still scarce. In addition, interpretive qualitative case study research that adopts a process, historical and contextual approach, especially in less developed country like Malaysia is still lacking. Studies that take into account the organisational settings and societal factors are important since accounting can become a means of transforming an organisation as well as being transformed by organisational and social factors. Thus this study intends to fill the gap by studying how BSC as a management accounting tool is adopted and translated before being used in the organisation. Next chapter proceeds with a discussion on theoretical framework that frames the research.
CHAPTER 4: THE THEORETICAL FRAMEWORK

4.1 Introduction

This chapter discusses the theoretical framework underpinning the study. As explained previously in chapter 2, the study of BSC has been predominantly atheoretical and based on questionable assumptions about human behaviour. Hence there is a need for BSC to be investigated through social accounting theories. This chapter presents the main features of the neo institutional sociology theory (NIS) that underpins the empirical investigation of the adoption and implementation of BSC by a Malaysian telecommunication company.

The chapter is structured as follows: first, the chapter discusses the research perspectives of the study. This is followed by an overview of institutional theory work. Next, three basic features of NIS are explained. The chapter then continues with a discussion of frameworks of institutional change. This is followed by an elaboration of the theoretical framework for this study and its justification. The chapter ends with a conclusion.

4.2 Philosophical assumptions

There is no objective type of research or value free investigation (Hopper and Powell, 1985). Every research is based on a set of predetermined assumptions. This implies that the way in which the researcher views the social world often influences the research questions and the conduct of an investigation. Positivist or functionalist researchers often views management accounting as a technical tool, and ignore the power struggles as well as rationalities in its adoption and usage (Baxter and Chua, 2003). Such a view implies that the adoption, implementation and the usage of an accounting tool is often a linear process, and not problematic. The research from an interpretive perspective on management accounting research views accounting beyond its technical ability. Accounting is perceived as socially constructed. Accounting, in practice, shapes and is shaped by organizations. Embracing an interpretive perspective also
means that social reality is viewed as a constantly shifting emergent property of individuals’ creation (Bryman, 2004). Any action in the organization is given meaning by the actors around it, and thus, must be studied within its wider social framework (Hopper and Powell, 1985). Thus, in order to understand the social world, the focus of the study should be on the meanings and perceptions of those who inhibit it. Therefore, based on the interpretive paradigm, the focus is more on how actors use accounting numbers as an ‘interpretive’ or ‘subjective’ art.

The study can be classified as an ‘interpretively grounded management accounting’ study which attempts to achieve an understanding of accounting practices through a study of ‘accounting in action, as forms of situated practice’ (Chua, 1988, pp. 72). The aim of the research is to understand the meaning that individuals construct concerning performance measurement systems, and also to understand the ‘reasons’ for ‘individuals’ behaviour within the organisation in terms of their interpretation of the world. This is different from the approach taken by ‘mainstream’ accounting research, which is grounded in the belief that theory is separate from observations, and empirical reality is objective and external to the subject (Chua, 1986). The interpretive perspective assumes that accounting practices are not natural phenomena and as such they can be changed or modified by those carrying them out (Ryan et al., 2002). Hence, the organization can be seen as being continuously constructed through the interaction and communication among relevant actors. These actors could be from within and outside organizational boundaries, and the organization is a product of organising which is temporary, but has solid effects (Czarniawska, 2004). Thus, the management accounting system can be seen as one of the elements in the organisation that individuals have continually constructed to accommodate diverse interests within organizations. The management accounting system is used by organisational participants to legitimise particular forms of activity (Chua, 1986) and as a source of power for particular groups within the organization (Scapens and Roberts, 1993).
An accounting tool is not viewed as a mere technical rational tool. The meaning and usage of the accounting tool, in this case the balanced score card, is shaped by the users of the accounting. This research also takes the position that accounting is not a “neutral” technical activity (Humprey and Scapens, 1996). Rather it is value laden, with meanings always been given to it by the actors in the organizations. Taking the case of budgeting, for example, this is viewed as an objective and neutral tool to manage and control the organisation. However, in reality the budgeting process is a lengthy and tedious process, often involving subjective and negotiating elements in order to maintain power and control of established hierarchies within the organisation’s environment (Covaleski and Dirsmith, 1988, p. 585). Hence, although the intention of accounting may be to reflect organisational reality, its use also shapes that organisational reality (Roberts and Scapens, 1985). Accounting is one way in which the social world changes organisations (Hoopwood, 1983).

Embracing an interpretive perspective also shapes the role of researcher in the investigation. The researcher is responsible for describing what is happening from the perspective of the participants. The researcher reports on what has been interpreted and presented to him. Therefore, the focus of the investigation is to explore the ways in which organisational participants interpret the ‘actual’ practice by relying largely on qualitative data collected from interviews, observations and documentation.

4.3 Institutional perspectives

Institutional theory dominates organisational analysis (e.g. Davis and Marquis, 2005, Dacin et al. 2002). The appeal of this theory is due to its emphasis on the primacy of culture, and highlights how social structures of resources and meanings are created and have important consequences (Lounsbury & Ventresca, 2002). Institutional perspectives of organisations provide a rich and complex view of organisations (Zucker 1987). In this theory, institutions are conceptualised as generative of interests, identities and appropriate practice models that take shape within a wider socio-cultural context. According to Scott (2005), institutional theory became highly popular in organisational study during
the mid-1970s, which he regarded as the beginning of institutional theory in the study of the organization.

Institutional theory is primarily concerned with how organisations interact with their institutional environment, as well as how organizational practices reflect social expectations (Dillard et al, 2004). Institutional theory is grounded on the belief that organisational success depends on factors other than technical efficiency, as propagated by the functionalist. It is suggested that institutions can still survive by observing formal structures. Meyer and Rowan (1977, p 352) make a claim that “…independent of their productive efficiency, organisations which exist in highly elaborated institutional environments and succeed in becoming isomorphic with these environments gain the legitimacy and resources needed to survive”. This argument has resulted in studying an institution from different perspectives. The general theme of the institutional perspective is that an organisation’s survival requires it to conform to social norms of acceptable behaviour as much as to achieve levels of production efficiency. Another assumption of institutional theory is that actors and their interests are themselves institutionally constructed.

Generally, institutional theory can be categorised into three branches: new institutional economics (NIE), old institutional economics (OIE) and new or neo institutional sociology (NIS). NIE and OIE originated from economics perspective while NIS is from a sociology paradigm. This research adopts the NIS perspective of institutional theory, and therefore the discussion of the literature in the following section will be mainly from the adopted perspective.

4.3.1 Institutionalization as an outcome

In studying an institution, it is important to differentiate between institutionalization as an outcome and institutionalization as a process that gives rise to those outcomes (Scott, 1987). These two perspectives of institutionalisation result in different emphases in terms of research and analysis. DiMaggio (1988) clarifies the difference of these two perspectives as follows:
“Institutionalization as an outcome places organizational structures and practices beyond the reach of interest and politics. By contrast, institutionalization as a process is profoundly political and reflects the relative power or organized interest and the actors who mobilize around them” (DiMaggio 1988: p 13)

In studying institutionalization as an outcome, the focus of study is on how institutions are aroused and maintained. Generally, there are three concepts that are central to the study of institutionalizations as an outcome. The first concept is that of legitimacy. The concept of legitimacy can be seen as a symbolic value to be displayed in a manner such that it is visible to outsiders.

“Organizational legitimacy refers to degree of cultural support for an organization”. (Meyer and Scott, 1983:201)

From an institutional perspective, legitimacy is a condition reflecting perceived consonance with relevant rules and laws, normative support or alignment with cultural cognitive framework. Hence, the adoption of any new practice or structure is, for legitimacy reasons, to be accepted in social society.

The second concept pertinent to institutional theory is isomorphism. The act of pursuing legitimacy has resulted in organisations conforming or become ‘isomorphic’, with institutionally accepted norms. Isomorphism is defined as a ‘constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions (DiMaggio & Powell, 1983, p.148). DiMaggio & Powell (1983) identify three types of institutional isomorphism: coercive, normative and mimetic. Coercive isomorphism occurs due to the formal and informal pressures exerted upon an organisation. Scott (1987:91) distinguishes two types of imposition under coercive isomorphism. The first is imposition by authority and the second type is imposition by coercive power. Often, changes imposed by authority meet with less resistance than those imposed by force (see Tolbert and Zucker, 1983). Structural changes associated with authority are expected to achieve higher levels of compliance and stability, as these changes are less superficial than changes imposed by
coercion. The second type of isomorphism is mimetic isomorphism, due to the uncertainty and imitation process. When organisations face uncertainty about organisational technologies and environmental expectations, organisations often imitate the internal structures and procedures adopted by other’s organisation, often perceived as successful organisation. They become receptive to new ideas and tools such as BSC, so as to follow the latest trend in the organisation. The third form of institutional isomorphism is that of normative isomorphism, which refers to the professional influence on organisations. Consultants are deemed to play an important role in the diffusion of management accounting practices. New management accounting innovation is often made popular by professionals in the field.

Decoupling or loose-coupling is another issue pertinent to studying institutionalisation as an outcome. It refers to the scenario where new adopted structure is detached from the actual operation of organization. It is suggested by institutional theorist that formal structures adopted by an organisation to gain legitimacy do not necessarily reflect the actual practice of the organisation (Meyer & Rowan, 1991). Hence the newly adopted structure or practice is merely ceremonial conformity and a possible outcome for legitimacy seeking behaviour.

The concepts of legitimacy, isomorphism and decoupling are relevant to the study of the diffusion of management accounting practices. Organisations are generally very receptive to embracing new accounting practices that increase their performance. A new accounting tool such as BSC has been well promoted by its founder and consultants as a new performance measurement system. Pressures from the competitive and institutional environment may result in an organisation adopting new practices and structure. At the organisational level, this new structure may become decoupled if the adoption of such structure is not deemed to be justified by the individual in the organisation. If individuals in the organisation do not really believe in such system, then the practice will become decoupled from its daily operation.
4.3.2 Institutionalization as a process

The early focus of studying institutionalization as an outcome has resulted in a number of criticisms. By focusing on the outcome of institutionalisation, institutional theorists have neglected institutional creation and the role of actors’ interests and power (Abernethy and Chua, 1996). Acceptance of new practices in the organization is seen as a simple process for organizations to attain legitimacy in the industry. The possibility of actors’ various interests and politics in the institution is not considered. In addition, the assumption that institutions as a passive and only abide or conform to pressures exalted on them as the only response is also subject to criticism. Oliver (1991) for example refutes the passive assumption of institutions, proposing five strategic responses that organization may take when confronted with environmental pressure. The basis of the argument is that institutions are made up of actors who pursue their own agenda. Therefore institutions may not always conform to external pressures. On the contrary, as suggested by Oliver (1991) organizations may follow five different strategic responses to institutional pressures: acquiescence, compromise, avoidance, defiance and manipulation. The choice of strategic response depends on five predictive factors: cause, constituents, content, control and context. In other words, organizations will respond based on why, what, how and where pressures are being exerted. In addition, the effect of the five predictive factors is dependent on the willingness and ability of organizations to conform to or resist societal pressure.

Early studies of institutions also place greater emphasis on examining institutions in a stable environment. This focus has resulted in the neglect of analysing organization changes (Greenwood and Hinings, 1996, DiMaggio and Powell, 1991) as noted by Greenwood & Hinings (1996: 1023):

“Institutional theory is not usually regarded as a theory of organizational change, but usually as an explanation of the similarity (isomorphism) and stability of organizational arrangements in a given population or field of organization".
By studying institutions in its stable environment NIS has neglected to investigate the reasons for organisations challenging, discarding or perhaps abandoning institutional procedures (Oliver, 1992). Thus, there is a need for NIS to extend its theory to encompass the issue of organisational change.

Another criticism of NIS is its lack of discussion on power and agency (DiMaggio and Powell, 1991, Covaleski and Dirsmith, 1995, Greenwood and Hinnings, 1996). The taken for granted assumption of NIS theory has treated institutions as an outcome. The politics and conflict, as well as the role of the actors in the organizations particularly at the micro level were not examined. In reality, the success of the institutionalisation process very much depends on the relative power of actors who support, oppose or strive to influence it (DiMaggio, 1988). Individual or groups in the organization or external to the organization provide support, or perhaps resistance to changes out of their own self interest. According to Clegg (1989), the influence of practice occurs, or at least exists at one level of the structures. Therefore, a significant component of institutionalisation is the ongoing product of the political efforts of actors to accomplish their ends (Dillard et al, 2004).

In addition to the issue mentioned above, the early focus of NIS investigation is on public sector agency and not for profit organizations such as hospitals, government agencies and schools. It is assumed that only in these types of institutions that institutional pressures affect the structures and practice. A lack of clear and measurable objectives has forced public and not for profit institutions to seek legitimacy through institutional isomorphism (DiMaggio and Powell, 1983). This is not the case for private or profit making organizations. These institutions are assumed to have clear and measurable goals that normally follow technical and efficiency pressures. Thus, the types of institutions are very unlikely to be subject to institutional pressures. However, later studies indicate that private firms are also subject to institutional pressures (Powell, 1991; Lee & Pennings, 2002). As NIS theory is extended to include the study of private firms, economic and market pressures that were neglected in the early study need to be considered.
The criticisms imposed on institutional theory have resulted in another stream of research that studies institutionalisation as a process. More recently, institutional theorists have attempted to advance institutional theories to account for the dynamics of institutional change. The new focus is on the creation of new institutional and deinstitutionalization of norms and values. Institutional theorist seek to take into account the role of group interest, power and the role of knowledgeable reflexive actions of human agents.

Berger & Luckman (1966) for example provides another perspective on institutionalisation as a process. This process of institutionalisation, according to them, involves three moments or phases: externalization, objectification and internalisation. In the externalisation phase, we as individuals take action as a result of events or pressures in our daily lives. Next, in the second phase, objectification, these actions are interpreted by the individuals collectively as part of their external objective reality. The last moment of institutionalisation, internalisation is the phase whereby the individual rationalises his actions with the reference to external social reality.

Barley & Tolbert (1997) have attempted to build a conceptual framework to study the process of institutionalization drawn from institutional theory and structuration theory. The proposed framework recognised the effect of various actors on institutions and implies that individuals create institutions via their routine behaviour. In their conceptual framework institutionalization is defined as “a continuous process whose operation can be observed only through time” (p 100). Four moments of institutionalization are identified: (i) encoding institutionalization principles in the script used in a/the specific setting; (ii) enacting scripts that encode institutional principles; (iii) replicating or revising the scripts; and (iv) objectifying and externalising patterned behaviours and interaction. According to the proposed framework, the possibility of change occurs at the third moment of institutionalization. Change is made possible due to contextual changes such as changes in technology, economics and cross cultural contacts.
Burns & Scapens (2000) developed further the Barley & Tolbert’s framework to institutionalised change in management accounting process. They adopt old institutional economics (OIE) perspectives, and the change framework focuses within the organization level. The organizational field level is not considered in the analysis. In their framework two separate aspects of Barley & Tolbert’s process of institutionalization are considered: (i) institutions that shape and constrain behaviour at a given point in time and (ii) actions that produce and reproduce (or potentially change) institutions over time. In their framework, the concept of scripts is changed to rules and routines. As the framework is informed by OIE, it does not consider the wider social, political and economic influences affecting organizational behaviour (Dillard et al, 2004). The model thus only offers a single level analysis i.e. institutionalization at the organizational level.

The institutional change model by Burns and Scapens ignores the influence of wider societal factors and actors in the process of institutionalization of new practices. Organizational practices are seen not to be related to the broader social and economic circumstances surrounding it. This assumption results in a partial explanation of an institutionalization process within an organisation. In reality, the existence and operation of organizations are supported by their social and economic environment. Thus, in order to provide a more complete explanation of institutionalization, both the macro and micro influence need to be considered.

Dillard et al (2004) extend the Burns & Scapens model proposing a more general institutional model of organizational change. Drawing on Weberian notions of capitalistic institutions and dynamics of structuration theory, they offer a framework for analysing institutional change at both macro and micro levels. The model acknowledges the fact that institutions are created and modified through the actions of the individual or group of individuals. The influences of these individuals are assumed to be hierarchical, and this is depicted as the three levels of socio-historical relationship. The first level is the economic and political level, within which the norms and values of a society are established.
This level acts as a foundation for the organisation field level institutions with governmental officers, regulators and legislators as the main primary agents.

The second level of the framework is the organizational field level, which consists of inter-organizational groups such as professional bodies and consultants. At this level, social, economic and political values are translated into field specific expectations. The actors at this field develop practices within the parameter of the economic and political level. The third level is the organizational level, in which organizations develop and implement new practices within the boundaries of the norms and values of the organization field. The model recognises the possibility of individuals’ influence in creating and modifying institutional norms and values. It also acknowledges the organizational field as part of a wider social system. Thus, motivations for innovations in practice may come from any three levels of the system. The model provides a framework for understanding how changes in accounting practice influence institutions.

Hopper & Major (2007) further revised Dillard institutional dynamic model to account in detail for the role of human and non human actors in the institutionalization process. It is suggested that, although Dillard’s model explains the dynamic of institutionalization process with its multi level analysis, the model however does not explain the detailed process involved in translating new management accounting practice into a working practice. The former model assumes taken for granted practice as working practice, whereas Activity Based Costing (ABC) in Hopper and Major’s study is regarded as a boundary object, subject to local interpretations to make it a working practice. In addition, Dillard’s model also adopts the innovator and late adopter category of diffusion. This assumption is revised by Hopper & Major. They extend the model by incorporating the concept of translation from actor network theory (ANT) and the dialectical analysis of labour process theory to capture the dynamic role praxis or agent and the process involved in translating ABC into a working technology at the division level. The detail of the Hopper and Major (2007) model is further elaborated in the following section.
4.4 Theoretical framework to study the implementation and usage of BSC.

As mentioned previously, the study applies Hopper and Major's (2007) framework as the theoretical framework for the analysis. The framework is chosen because it provides both macro and micro perspective on the institutionalisation process of management accounting practice in organisations. In addition, the framework also takes into account the roles of human and non-human actors in the translation and enactment of any new management accounting tool within the organisation. The model also provides an explanation as to the power struggle at the intra-organisational level in the process of institutionalisation. As mentioned before, the framework is an extension of Dillard et al. (2004) institutional dynamic model, which analyses the institutionalisation process by detailing the process of translation and enactment of new practices at the intra-organizational level, informed by actor network theory (ANT).

As an extension to Dillard model, Hopper and Major’s model (please refer to figure 1) maintains the prioritisation of the process of institutionalisation over outcomes. The model depicts the institutionalisation, transposition and deinstitutionalisation of practices (P) as continual and dynamic. In the model, the process of institutionalisation of (P) is repeatedly cascaded through three levels that involve actors’ power and interests; as well as historical, social and political factors. The first level of analysis, the economic and political level (PE) establishes general, widely taken for granted norms (CPE) disseminated to society and the organisational field level (OF). At the OF level, these widely taken for granted norms are translated into more tangible practices (POF) and legitimacy criteria(COF) which will later be evaluated at the intra-organisational level.

Integrating Seo & Creed (2002) dialectical analysis that is informed by labour process theory, the Hopper & Major framework captures the struggles within intra-organizational level. The label praxis in the framework denotes actors’ experience of contradiction during enactment that transforms their
consciousness. Four types of institutional contradictions are identified (i) legitimacy that undermines functional efficiency, (ii) adaptation that undermines adaptability (iii) intra-institutional conformity that creates inter-institutional incompatibilities and (iv) isomorphism that conflicts with divergent interest. These contradictions, however, do not automatically stimulate institutional change. Rather, they act as an indicator for actors as to how they should mobilise others strategically.
Figure 4.1: Hopper and Major (2007) institutional dynamics model
4.4.1 Overall economic & political level (PE)

Changes in the economy and market influence the adoption of new practices. Organisations that used to operate in a monopolistic market are forced to make changes when faced with competition. Often, the management needs to be quick in adapting to the new environment. New innovative practices can move laterally and upwards, and modify legitimate practices (P\textsubscript{OF}) and criteria (C\textsubscript{OF}). Changes in legitimate and accepted practices (P'\textsubscript{OF}) and criteria (C'\textsubscript{OF}) at the OF level normally reflect societal norms (C\textsubscript{PE}). They reinforce, revise or eliminate extant practices and criteria incrementally but occasionally, initiate revolutionary change. Shifts in power and ideology at the PE level may precipitate changes in P\textsubscript{OF} and C\textsubscript{OF} downwards.

4.4.2 Organizational field level (OF)

A management accounting practice such as BSC is deemed to be a boundary object. Therefore, in order for BSC to become a working technology, it requires translation and mediation, which is necessary to produce a multiple and stable version of BSC in action. This translation process occurs at the intra-organisational level, whereby the new practice (P\textsubscript{OF}) as an indeterminate practice is translated to working practice (P). The practice will only become a working technology with distinct criteria after the enactment process.

4.4.3 Intra-organizational level

Praxis denotes agency in terms of reflecting how actors’ experience of contradictions during enactment transform their consciousness. This concept of praxis is drawn from Seo and Creed’s (2002) proposal of using dialectical analysis to overcome the criticism imposed on NIS theory’s neglect of power, agency, intra-organizational factors and theory micro level theoretical foundations. This experience will then determine the type of response division chosen for the enactment of BSC. Based on Oliver (1991, p. 45), there are five possible strategic responses to institutional processes, ranging from active agency to highly passive. For simplicity purposes, the model compresses five possible responses into either resistance or institutionalisation.
4.4.4 Role of epistemic communities

The inclusion of epistemic communities in the model captures the supply side of the diffusion process. Consultants play a significant role here as one of the agencies that transmit new practices to organisations. As mentioned previously, BSC is a western concept, founded by Kaplan and Norton in early 1990s. This new performance measurement system has been embraced by practitioners and academicians alike. The popularity of BSC is diffused via seminars and workshops, held first by Kaplan’s consultant firm. Consultants are involved in the diffusion of management accounting practices at all level, beginning from the economic and political level up to the intra-organisational level. In the model, consultants are assumed to work together with the government and the market to promote new ideas and practices. BSC, as a working technology, needs to be translated and moulded to fit the particular organisation. The continuation of consultants' role at the organisational and intra-organisational level helps to promote new ideas by helping organisations to translate the boundary practice such as BSC, in order to become a working technology.

4.5 Concluding remarks

This chapter explains the chosen theoretical framework for the research. The Hopper and Major (2007) model is applied to explain the institutionalisation of BSC in the case company. Based on the theoretical triangulation of NIS, ANT and labour process theory, the framework extends Dillard et al.'s (2004) model. The framework is appropriate for the study as it provides a more holistic view of the process of institutionalisation of new management accounting practices, especially a boundary object such as BSC, within an organisational setting.

NIS seems to be the most appropriate perspective in explaining why TM adopted BSC. The theory provides a rich and complex view of organizations at a macro level with insights from cultural, normative and cognitive perspective. TM’s decision to adopt BSC as a new performance measurement practice involves a chain of influences and coercion from both its external and institutional environment such as the government agency, consultants, shareholders and the company’s top management.
The concept of translation from the ANT perspective manages to capture the various roles of actors that shape new practice in the organisation. BSC, as a working technology, requires translation to make it a working practice to fit the organization. Insights from ANT provide an analysis of this translation and the mobilisation process through various actors, both external and internal to TM. The active role of consultants in both the diffusion and designing BSC to TM is examined.

The possible contribution of the study to the framework is two-fold. First, the study will provide a support for the Hopper & Major model as a dynamic institutional change model. As mentioned before, the Hopper and Major’s framework is developed based on the study of ABC’s adoption in a Portuguese company. This new framework, however, has not been tested in other studies. This study, therefore, will test the model in a different context, and more specifically, in a government linked organisation where the government has direct control over the organisation via its shareholding. Although ABC and BSC are both new technologies in management accounting, their adoption story may be different. ABC is used as a management accounting tool in providing more accurate cost allocation. BSC on the other hand is promoted by its founder as a new performance measurement system to help organizations to improve their performance.

Secondly, the study will provide support as to the issue of power and agency in institutional theory. Specifically, the study examines the impact of government transformation program and the influence of the trade union in the institutionalisation process. Government initiative has a strong influence in the conduct of the case company as the case company is a government owned organisation. The trade union is also influential in the case company, insofar as it caters for the social and welfare needs of its members. The trade union often acts as a gate keeper for operational people or the shop floor. Often, any decision to adopt and implement new practices requires consent from this gate keeper. This is to ensure a successful implementation as well as minimizing tension and resistance to the practice. This trade union issue is, however, not considered in Hopper and Major’s study. Thus, the current study will provide
valuable input on this issue, as the trade union represents a form of united power of operational people on the shop floor. The next chapter outlines the research approach and procedures for this study.
CHAPTER 5: RESEARCH METHODOLOGY

5.1 Introduction

The preceding chapter outlines the theoretical perspective of this research. The aim of the research is to examine the implementation and explain the institutionalisation process of BSC within an organisation. This chapter clarifies and justifies the research methodology adopted in this study. As discussed in chapter 3, the research adopts institutional theory as the framework of analysis. As the study investigates BSC within an organisational setting, an in depth explanatory case study method is applied in the study. Section 4.2 explains the case study approach used in the research. This is then followed by section 4.3, which provides an elaboration of the research procedures used in the study. The detail of the field study work starts with gaining access to the case company until the process of analysing data is discussed in this section. The next section 4.4 deliberates on the credibility of the methodology used in the research. The chapter ends with a concluding remark in section 4.5.

5.2 Research methods

As mentioned in the previous chapter, the research adopts an interpretive perspective to accounting, which views accounting as socially constructed, and not merely as a technical tool. The focus of interpretive research is to explore the ways in which organisational participants interpret ‘actual’ practice. This is often done through qualitative inquiry, which obtains data from interviews, observations and the review of documents. The role of the researcher in this study is to describe what is happening from the perspective of the participants. The present research aims to understand the practice of the management accounting tool within its organisational setting. As such, an intensive case study method approach is most suited to this type of research. However, a case study approach is common in research, and can be used in different ways, depending on the epistemological stance of the researchers (Otley and Berry, 1994). A case study in this research is defined as an in-depth, field based
investigation of management accounting practice and performance management system within their natural setting, involving qualitative data collection and analysis.

This research adopts an explanatory case study method, as such a method allows an in-depth understanding of the ways in which BSC are used on a day to day basis. In addition, this type of study provides a rich description of the present situation, as well as historical aspects such as the administrative and organisational context. This type of inquiry also allows for interesting processual issues to emerge (Dent, 1991; Dawson, 1997)

5.2.1 The case study approach

There are a number of conditions that are required in order for a case study to be a suitable method for a research. According to Yin (2003), the conditions in which a case study seems to be suitable as a research strategy are when: (1) researchers attempt to answer ‘how’ and ‘why’ questions; (2) researchers focus on contemporary events; and (3) researchers do not have control over behavioural events. Hartley (2006) argues that a case study is suitable to answer research questions that require a detailed understanding of social or organisational processes due to the rich data collected in context. Moreover, a case study allows the researcher to study the relationship between day to day social action and the dimensions of social structure (Scapens, 1990). This is necessary, as the interactions between organisational and institutional contexts are not necessarily simple or linear, but they are inextricably linked (Morgan and Smircich, 1980). The organisation, as one form of institution, is seen as an organised and established procedure that reflects a set of standardised interaction sequences (Jepperson, 1991). In other words, the institution is the end result or product of the specific actions of the individual. Therefore, in order to understand what is happening in the organisation, it may be better to study the elements that make up the organisation, which include the routines or norms, the accounting system and the individual. Moreover, an interpretive case study will be able to provide an in-depth understanding of the social nature of accounting practices (Scapens, 1990).
The study is designed to be an in depth, single case instead of multiple cases, as the purpose of the study is to understand management accounting practice in a single setting. In addition, due to time limitation and the difficulty of gaining access, multiple cases were not considered. Although it is conducted within a single organisation, the analysis involves multiple levels and unit of analysis. In the study, the main unit of analysis is the BSC implementation process of the case organisation at its organisational level. The research investigates the construction and translation of the BSC in the organisation. In addition, the study also looks at the economic and societal level, to understand the external influence towards the adoption, translation and transformation of BSC in the case company. This analysis, which covers both the macro and micro aspects of organisation, will be able to provide a deeper understanding of BSC in practice.

One of the strengths of case study research is that it allows the researcher to deal with a variety source of evidence, such as interviews, documents, artefacts and observation (Yin, 2009). In addition, the use of data triangulation allows the researcher to provide a more credible and convincing analysis of the case. As such, the researcher applies data triangulation to the case study.

5.2.2 Interviewing

Interviews serve as the most common data collection method in qualitative study (Ritchie and Lewis, 2009). The strength of using interviews as a data collection method in case study research is that it focuses on the case study topics, and insightful as it provides perceived causal inferences and explanation (Yin, 2009). In addition interviews also provide shortcuts to prior history, and help the researcher to identity other relevant sources of evidence (Yin, 2009). The use of unstructured questions during the in depth interviews allows the researcher to obtain vital information pertaining to the topic discussed.

Interviews were conducted face to face. The participants were selected upon discussion with the general manager in charge. Interview session began with a brief introduction to the researcher and the research topic. Interview consent
letter and participant information sheet were shown to the respondents at the beginning of the interviews. In addition the respondents were assured of the confidentiality of the information given. The interviews were conducted informally, except with the higher level management, where a formal setting seemed to be more appropriate. The interviews lasted between 30 minutes to 90 minutes. All the interviews were conducted at the respondents’ work station except for one that was conducted in the canteen, as requested by the respondent. Interviews were conducted in dual language English and Malay language, the national language of Malaysia. Most of the interviews were conducted in English, as the respondents were of executive or managerial level, with a degree as their basic qualification. The Malay language was used if the respondents needed some further clarification on the issues discussed.

In addition, the study also employed phone interviews in the later stage of the research. This was due to the unavailability of the respondents during the fieldwork period. Thus, a phone interview was made via Skype and duly recorded using call graph software.

5.2.3 Review of documents

Annual reports, newspaper articles and internal documents such as the company’s internal magazines and BSC documents were obtained and perused during the data collection period. The examination of these archival records was necessary to serve as collaboration evidence in the investigation and also to be used in the interviews session. Yin (2009) states that the strength of this type of data collection is on the exact contents of the documents reviewed, such as exact names, references and details of events. In addition, archival records also offering broad coverage of events and a long span of time. Moreover archival records are unobtrusive, in the sense that it is not created as a result of the case study. Data obtained in archival records can also be easily reviewed whenever needed.
5.2.4 Informal conversation and observation

In addition to the interviews as the main data collection method, informal conversation was also conducted with employees, especially in the PPMO division. These informal conversations often concerned the performance measurement and BSC practice within the organisation. As the researcher was stationed at the PPMO division during main field work, the researcher was able to observe the working environment and the conduct of the TM's employees. In addition, observation was also conducted whilst the researcher was moving around the building between divisions to attend interviews at different levels. Observation, as a method of data collection had the benefit of capturing the reality of practice in real time (Yin, 2009). Both informal conversation and observation helped the researcher to form corroborative evidence as well as help to formulate queries for further interviews.

5.3 Research procedures

This section explains the research procedures taken in the study. Data collection stage began by selecting a case company and obtaining access to the company. The next step was to conduct a preliminary investigation by visiting the case company and conducting pilot interviews. The main data collection was then conducted with more refined semi-structured questions. The research procedures ended with data analysis that provides a descriptive and explanation accounts of the BSC implementation process in the case organisation.

5.3.1 The early stage of the fieldwork exploratory and case selection

Several letters were sent to a number of GLCs asking for permission to conduct a case study in the company. The initial interest of the researcher was in studying any new management accounting tool in its organisational setting. After several attempts the researcher did not receive any positive feedback. Hence, another approach to get access was used via personal favour of friends. It should be noted here that a possible reason for difficulty in gaining access for conducting research may be attributable to the Malaysian culture and environment. Organisations in Malaysia are still not open to research, and
therefore gaining access via friends’ contact is more likely to yield a better result than formally sending letters to the companies.

5.3.2 Negotiating access in the case organization

Access to the company was gained through a friend who contacted the chief financial officer (CFO) of the case company. An email was sent to the CFO explaining the purpose of the research and requesting access to the company. The CEO then granted permission for the request, and subsequently appointed an individual in the company as a contact person. The communication afterwards was undertaken through email, by sending a research proposal explaining the intended research. The contact person, a general manager in the case company, highlighted the fact that the company is using BSC as a performance measurement tool and in 2007 the company received the National Award for Management Accounting (NAfMA)\(^1\) for its successful implementation of BSC. Hence, the company was deemed to be suitable for a study that aimed to study the real practice of new management accounting.

5.3.3 Data collection in the main case organization

Data collection was conducted in the case company in two phases. The first phase covered the preliminary investigation from October to December 2008 and the main investigation was conducted from July to September 2009. During the preliminary investigation, issues discussed in the interviews sessions concerned BSC development in the case company. Identification of individual involved in the BSC process was also done at this stage. In the later stage of the investigation, the issues discussed during the interviews involved the process of implementing BSC and its actual usage in the headquarters, as well as in the sub division.

5.3.3.1 Preliminary investigation

During the preliminary stage of the investigation the researcher attempted to obtain trust from the individual involved and to establish presence in the

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\(^1\) NAfMA award is organised by the Malaysian Institute of Accountants (MIA) and CIMA (The Chartered Institute of Management Accountants) Malaysia Division. The award is given to recognise best practice in management accounting by companies in Malaysia that leads to value creation and excellent business performance.
company. It was important for the interviewees to be more transparent and comfortable in disclosing the information needed. In addition, personally knowing the key people in charge was a tremendous help for the later stage of data collection, especially in long distance relationship. Key individuals who were directly involved with BSC were identified accordingly.

The researcher also obtained historical and background information of the case company. This was done by acquiring past annual reports of the company, as well as the company’s in-house magazines. In addition research papers on the company were also reviewed. The researcher also engaged in informal discussion with the staff of the company to better understand the company’s current position.

Five formal interviews were conducted with the senior management and middle level managers directly associated with the BSC. The interviewees comprised one general manager, one assistant general manager and three managers. The participants were involved in the early development, monitoring and managing the BSC operation in the case company. Two more interviews were conducted with the senior management of an investment holding company of the Malaysian government. Two external consultants who were involved in the development of the government linked transformation manual were also interviewed.

The researcher also participated in an internal training workshop organised by the BSC team of the company. The two day workshop was aimed to train the BSC resource team from various sub division in cascading the company’s KPIs. The workshop was facilitated by an external consultant who used to work with the Palladium Consultant owned by Kaplan, one of the founders of BSC. The workshop provided hands-on procedures to better cascade the KPIs. Knowledge obtained from the workshop helped to smooth the cascading of BSC at divisional level. The workshop also served as a platform for managers to share their BSC experience and seek clarification from the consultant. The consultant had been involved with the company’s training previously, and this generated friendly environment in the session.
During this preliminary visit, notes were taken systematically. All the interviews except one were tape-recorded and duly transcribed verbatim by the researcher. The workshop was not tape recorded, but any issues highlighted during the workshop were noted.

After the preliminary investigation in the case company, data gathered were analysed. The finding from the preliminary study suggested that the BSC was implemented in the case company back in 1996. The motivation for the adoption of the BSC at that time was due to the changing environment in the telecommunication industry that resulted in competition for the case company. The case company was the sole provider of telecommunication services in Malaysia. After the privatisation and liberalisation of the telecommunication sector in the 1980s and 1990s, the case company for the first time faced competition from other new players in the sector. There was a specific division that was responsible for developing and managing BSC in the case company. There was also a network of people involved in monitoring the BSC at all subdivisions of the case company. External consultant was directly involved in the early development of BSC in the company. A government agency was also involved in shaping and changing the usage of BSC within the organisation. From this preliminary finding, the interview questions were refined. Further information was needed and potential interviewees were identified, and another visit to the case company began in July 2009.

5.3.3.2 Main investigation

The main investigation in the case company was conducted from July to October 2009, and covered a four month period. In addition, the researcher also conducted five interviews within a period of two weeks in March 2010 to clarify some issues regarding the findings. During this period of investigation, a total of 33 semi structured interviews were conducted. All the interviews except one were tape recorded. The interviews lasted between forty five and ninety minutes.

The case company is a large organisation. From the discussion with the general manager responsible for BSC, the researcher decided to concentrate on one of
the division. The chosen division was suggested by the general manager, as it was the main division of the case company, and generated the largest revenue. In addition the Vice President of PPMO division also requested the researcher to focus on the study in that division. However, the plan was slightly changed due to a restructuring exercise that took place just before the main data collection period. The company underwent a demerging exercise in 2008, and the last phase of this exercise was finalised in 2009. The planned restructuring exercise has resulted in major changes in the organization structure and movement of employees. The selected division became bigger with the absorption of one subsidiary to become part of the case company. The division’s name also changed to reflect the new structure. This restructuring activity slightly affected the plan for the interviews, as the researcher needed to be familiar with the new structure and identify potential employees to be interviewed. The interviews were selected based on the new organisational structure. Some of the people who were interviewed were introduced by the interviewees. Interview sessions were arranged via email and telephone during the field work. Some of the participants interviewed during the preliminary stage were revisited, and some even changed position due to the restructuring exercise.

During the investigation the researcher was stationed in a program and performance office (PPMO) of the company headquarters. PPMO is headed by a Vice President and assisted by two general managers. There are two main units in PPMO. Each unit is headed by a general manager. The first unit Performance Unit is responsible for monitoring and reporting the company’s performance. The other unit called Program Unit is responsible for managing program and initiatives that improve company’s performance. These two units work together to improve the company’s overall performance. Managing and implementing BSC falls under the function of the Performance Unit of the PPMO. As agreed during pilot investigation period, the researcher was given a workplace and access to the chosen division. The division studied was given a workplace and access to the chosen division. The division studied was located in the same building at different floor. Thus, the researcher had the opportunity to walk around the building to observe the environment within the workplace.
Interviews during this stage focused primarily on the detailed process of developing and implementing BSC. The semi-structured interviews also concerned the daily usage of BSC at the corporate and operational level. The researcher interviewed employees from managerial level and above. In addition, the researcher utilised actor network methodology in choosing employees to be interviewed. Accordingly, the researcher traced back the actors involved in the design and development of BSC within the organisation. Users of BSC were also interviewed.

In addition to the interviews, two separate meetings were also observed. The first meeting was conducted by the PPMO of the case company to provide a briefing on the cascading of scorecards for the year 2010. The meeting was attended by the employees responsible for managing BSC at all divisions. The second meeting was a unit meeting of KPIs. Notes were taken during the meetings, and the exact words spoken were noted down as far as possible.

During this period, further internal documents were obtained and analysed. The documents included annual reports, current year BSC, maps, KPIs and a current performance report. Newspaper and magazine articles pertaining to the case company’s performance were also collected and reviewed.

5.3.4 Data analysis

Data analysis in qualitative research is a continuous and iterative process (Ritchie et al. 2003). The data analysis in this study is guided by the analytic hierarchy of Spencer et al. (2003) which comprises three stages and a number of processes. The first one requires the data and the second stage involves making sense of the evidence through descriptive analysis, finally producing an explanatory account of the phenomena studied. This iterative process throughout the analysis allows the researcher to gain an overview and making sense of the data.

Prior to analysing the data, the interviews transcripts were personally transcribed by the researcher. This process took place after the field work. All
the interviews except two were recorded. The interviews were conducted in English language with a mixture of Malay phrases, the native language of interviewees and the researcher. The interviews were transcribed verbatim by the researcher to allow the researcher to relate back to the field work. Although some of the interviews were not immediately transcribed, notes were taken during the interviews to allow the researcher for further questions. In addition to reading the interviews transcript, the researcher also listened to the raw data from time to time, to detect and to recall the scenario of the interviews session. This was important for the researcher to familiarise themselves with the data.

5.3.4.1 Transcribing interviews

Before data analysis could take place, the interviews were transcribed by the researcher. Being personally involved in the transcription process allowed the researcher to be familiar with the data, providing an initial, although unstructured, analysis of the data. In addition listening to interviews also allowed the researcher to relate back to the original setting of the interviews, remembering faces and associating it with the circumstances of the interviews. Indeed, the researcher began to play back the recording during the field work, so as to gain a sense of the issues that needed to be followed up.

5.3.4.2 Data management

Managing the data in a qualitative study is very important, as the ‘raw’ data comes in various forms that most commonly consist of verbatim transcripts of interviews or discussion. In addition to the interviews and field notes, the data collected for the study also consist of internal and external documents pertaining to the case company. With the variety and vast raw data obtained, it is important to manage it well before further analysis is made.

Data was first arranged according to the organisational level i.e. corporate and divisional level. The initial coding process involved setting up the initial themes derived from the research questions, based on BSC, KPIs, performance measures, performance evaluation, performance reward, change, competition, government pressure, privatisation, implementation, resistance, and many
others. The process of coding and categorisation was conducted manually, with the help of Microsoft word and excel. The initial coding was refined, added and discarded as the data analysis progressed and patterns emerged.

A temporal bracketing strategy was also applied for a better analysis on the change pattern of BSC usage in the organisation. This procedure was conducted by decomposing the BSC usage into four phases of BSC usage, based on different CEOs. This temporal bracketing analysis has been allowed as management accounting studied has evolved. Hence, the elements that trigger the change in the usage and form of BSC may be identified from this analysis. Decomposing the practice of BSC based on different period of CEO has provided a better understanding of the different practice of BSC and the institutional factors that lead to variation.

5.3.4.3 Descriptive and explanatory accounts

In the analysis process, the researcher follows the suggestion by Yin (2009) in order to achieve high quality analysis. Amongst others, Yin (2009) suggests that the researcher should show that she has attended to all the evidence and addressed the most significant aspect of the case study. These should be done using prior knowledge obtained from the case study. Hence, re-reading the transcripts and going back and forward of the data help the researcher in making sense of the data, while trying to find an explanation of the phenomena studied.

Writing rich description and thick explanation is the next iterative step of qualitative analysis. Rich description of the case study allows the researcher to be immersed in the data and help to link the main key incidents with theory. The next step is to provide explanatory accounts. This is conducted by finding linkages between the phenomena. Explanatory accounts provide a deeper understanding of the phenomena. As stated by Ahrens and Chapman (2006):

"...doing qualitative field study is not simply empirical but a profoundly theoretical activity. (...) with qualitative methodology goes on
acknowledgement that the field is itself not just part of empirical world but it is shaped by the theoretical interest of the researcher” (p.820)

5.4 Credibility of the research

In any qualitative research, the credibility of the research is often questioned by others. The standard of qualitative research is often measured differently as compared to quantitative research. A different set of criteria is used to measure the credibility of qualitative research. The credibility of qualitative research is often obtained through two components, namely validity and reliability as well as generalisability.

5.4.1 Validity research and reliability for field-based qualitative

Validity and reliability of research is an important element in evaluating the credibility of the research. Various scholars have identified different types of validity and reliability. One of the concept or definition often cited by researchers who conduct case study research is that of Yin (2009), who specifies three types of validity and one type of reliability. According to Yin (2009) construct validity refers to establishing correct operational measures for the concepts being studied, whilst internal validity refers to establishing a causal relationship, whereby certain conditions are shown to lead to other conditions as distinguished from spurious relationships. External validity refers to establishing the domain to which a study’s findings can be generalized. Reliability refers to demonstrating the fact that the operations of a study, such as the data collections procedures can be repeated, with the same results.

External validity of the research is achieved with triangulation of sources. The researcher compared data from different methods of data collection that include interviews, observation and documented accounts. Hence, confirmation of the findings is enhanced, to provide a credible account of the phenomena studied. In addition, research validity is enhanced through validation from the respondent of the study. The researcher has the opportunity to seek confirmation of the meaning and interpretation from the general manager. This is made possible due to the open door policy that the General Manager
practices in the company. Hence the researcher fully utilises the opportunity to seek further clarification and to confirm their own interpretation.

5.4.2 Generalisability

The generalisability of the research is another important criteria that determines the credibility of the research. The term refers to the ability of the results and the finding of such research to be replicated in other setting. A case study, particularly a single case study, has often been criticised for its inability to generalise beyond the specific case. It is often argued that the depth and insight of case research is gained at the expense of loss in generality. However, the research is not intended to be generalised to other organisations. The main research objective is to understand the BSC as practiced by organisations. Every organisation is different with regard to the structure and the individual make of the organisation. Hence it is too simplistic to assume that the every organisation will experience the same process of implementation of new management accounting tools. The study, however, aims at theory generalisation. The findings of the study may provide evidence of the suitability of the chosen framework to be applied in different settings. In addition, the findings will provide a deeper understanding of BSC practice in a real organisation.

5.5 Concluding remark

This chapter has provided an explanation of the research methodology adopted for the study. Following an interpretive perspective, a single case study method was chosen to examine the actual practice of BSC in the case company. Semi structure interviews, informal conversation, document analysis and observations were also used to obtain data for the researcher to comprehend the phenomena studied. Following data collection, the researcher then documented and analysed the data based on the interpretation of the participants of the research. A descriptive account was constructed, based on the pattern and theme identified. An explanatory account was then developed based on the theoretical concepts and the relevant literature. The discussion of the outcomes of the investigation is provided in the following three chapters.
CHAPTER 6: EXPLAINING BSC’S ADOPTION: MACRO ECONOMIC AND POLITICAL PRESSURES

6.1 Introduction

The previous chapter has explained the proposed theoretical framework adopted to frame the explanation of the research. The aim of this chapter is thus, to explain the adoption story of BSC at the macro economic and political level. Drawing from new institutional sociology (NIS), the chapter will explain how changes in institutional environment somehow force the case organisation to change and adopt new performance management system, BSC. The pressures exerted by these institutional environments also resulted in the evolution of BSC in the case organisation. The three types of isomorphism or pressures, coercive, normative and mimetic, occurred at different period of the BSC practice and hence the explanation of these changes will be accordance to the different periods of adoption.

The chapter is organised into 7 sections. Section 6.2 first will briefly introduce the context of the company and it is then followed by the background of the company in section 6.3. Next, the chapter proceeds with an overview of the telecommunication industry in Malaysia. These first three sections will provide the context of the study. The chapter then continues with the explanation of BSC’s adoption at the macro economic and political level in section 6.4. The institutional environment governing the case company is discussed in section 6.5 while section 6.6 will explain various institutional pressures and the impact on BSC’s evolution in the case company. Section 6.7 concludes the chapter by summarising the macro political and economic level of the institutionalisation story at the case organisation.

6.2 Overview of Malaysia and its economy

Malaysia is located in the south-east Asia, and comprises of two parts, Peninsular Malaysia (or west) and East Malaysia. The Peninsular, which covers
131,198 squares kilometre, is bordered with Thailand on the North and Singapore on the south. Meanwhile, East Malaysia is situated in the island of Borneo, across the South China Sea, with a land mass of 198,160 squares kilometre.

The Malaysian economy has experienced a number of transformations after obtaining its independence from the British in 1957. In the early years after independence, the Malaysian economy was largely based on commodities, specifically rubber, tin and palm oil. Indeed, Malaysia was among the world’s largest exporters of such commodities. However, in the 1970s, with the introduction of the New Economy Policy (NEP), the Malaysian economy gradually shifted to manufacturing and until now, it remains to become the main contributor to the Malaysian economy. This economy policy was pursued by the Malaysian government for over 20 years, and was aimed at redistributing wealth among the major ethnic groups in Malaysia that are of Malay, Chinese and Indian origin. More specifically, the NEP can be seen as a mechanism to improve the ‘Bumiputra’ economy, mainly of the Malay origin.

1980s can be regarded as the beginning of the privatization era in Malaysia. The announcement to adopt privatization policy was officially made by the Malaysian Prime Minister during 1983. The policy was adopted due to the Asian financial crisis at that time, which resulted in the rising of public sector budget deficits and poor performance of some agencies (Salleh, 1991). Hence, privatization was seen as a mechanism for the government to relieve itself from administrative and financial burdens (Lee, 2002). In addition, the privatization policy also aimed to promote competition, as well as the economic growth of the nation (Economic Planning Unit (EPU), 1985). This privatization policy was also expected to contribute towards meeting the objectives of NEP, as adopted earlier. This final objective, however, is deemed unique to the Malaysia scenario (Abdul Rahman, 1993).

In the 1990s, the agenda of economic reform was continued by the replacement of NEP with the New Development Policy (NDP). The purpose of this 30 years agenda was to transform Malaysia into a developed country by the year 2020.
The two policies mentioned above, to some degree, have shaped the Malaysian economy today. One of the government organisation affected from this reform policy is the case organisation, Telekom Malaysia (TM).

6.3 The case organisation: Telekom Malaysia Berhad (TM)

TM is the largest integrated communications solutions provider in Malaysia and one of Asia’s leading communications companies with market capitalisation of RM11 billion and employee force of 24,744 people (TM annual report 2009). TM is the major player in the Malaysian telecommunication industry, providing telecommunication and related services under the license issued by the Ministry of Energy, Water and Communication in Malaysia. At the global market, TM can be regarded as an emerging leader in Asian communications with operations and interest in the Asian region as well as globally. TM products include the provision of communication services and solutions for fixed line, data, internet and multimedia.

TM is a well-known brand in Malaysia, as well as in the Asian telecommunication industry. This is evidenced with the number of awards received by TM over the years. In 2009 for instance, TM received a total of 22 awards that includes ‘The Brand Laureate Conglomerate Award 2008-2009’. The award is given as a symbol to recognise TM as stable and successful brand. This particular award is a highly regarded branding award in the Asia-Pacific (Datamonitor, 2010). The award marks TM presence in the Asia-Pacific region. This tremendous success is cherished by the employees and the government as TM has grown and totally reformed as compared to from where it first started.

TM was originated in 1946 under the name of Malayan Telecommunications Department. The department at that time was given the specific task of regulating and providing telecommunication services in the Peninsular of Malaysia. In the year 1950, the Telecommunications act was passed, spelling out the powers of the department. Among others, the act empowered the Department to be the sole installer and supplier of the telecommunications
network. On 16th September 1963, Sabah and Sarawak joined Malaya to form Malaysia. This new birth of Malaysia led to the merger of the telecommunications Department of Sabah and Sarawak with the Malayan Telecommunications Department, forming the Telecommunications Department of Malaysia (TD). Hence, all telecommunication matters became a federal responsibility under the portfolio of the Minister of Works, Telecommunications and Posts.

TM is partially owned by the government. The Malaysian government owns 58.64% of TM’s 3.57 billion shares via its investment arm, Khazanah Nasional Berhad (which owns 41.78%) and the remaining of TM shares via other Government Link Investment Companies (TM annual report 2009). Thus TM is directly controlled by Khazanah. With this ownership, the Malaysian Government has control in the appointment of board members, as well as senior top management.

6.4 Overview of Telecommunication industry in Malaysia

The development of Malaysian telecommunications started during the British era, in 1874 in the state of Perak. At that time, telephone services were required to enable the British in monitoring political and social developments in its colonized nation. Since then, telecommunication services spread to other parts of Malaya.

1908 saw the creation of the Postal and Telecommunication Department, incorporating both postal and telegraph services. These two functions were then separated during the short occupational of Japan in the 1940s and continued as such, up until the return of British to Malaya after the end of the Second World War. The telecommunication department name was changed to Malayan Telecommunication department (TD), with the specific mission of regulating and providing services to the Malay Peninsula. The state of Sabah and Sarawak joined Malaya to form Malaysia in September 1963. As mention before, with this formation, the telecommunication and postal service become
the responsibility of Ministry of work, telecommunication and post at the federal level.

After gaining independence in 1957, the newly formed Malaysian government embarked on the task of managing and developing the economy. The development of this new economy required new investment in the infrastructure. Telecommunications was one of the important sectors that needed to be developed further.

The privatization era brought about further changes in the telecommunication industry in Malaysia, whereby the government decided to liberalize the industry in 1983. This move by government was due to the external competitive and technological development pressure. Malaysia at that time was facing competition from other Asian countries to attract foreign investment. Hence, investing in new technology and opening up the market to foreign telecommunication companies were seen as common strategies adopted by most Asian countries at that time. Following this strategy, Malaysia opted to privatize the telecommunication department and open up the market to multiple providers.

This process of liberalization of the industry began by allowing other players to operate in the mobile and payphone section of the industry. CELCOM was granted a license to operate a second mobile phone, while Uniphone was granted the license to operate the payphones. By the year 1995 there were 7 mobile phone companies offering mobile services. Not to be left behind, TD at that time became Telekom Malaysia Berhad (TM), partnering with another company to offer mobile services.

Later on, the Asian financial crisis of 1997 prompted the government to enact new legislation in the Malaysian telecommunication industry. The Communications and Multimedia Commission Act 1998 and the Malaysian Communications and Multimedia Commission were introduced to promote and better regulate the industry. The government also encouraged the merger of mobile phone providers. As a result of this restructuring and merger exercise,
three main service providers of mobile services emerged from seven previous companies. TM acquired Celcom and Time.dotcom to emerge as the largest telecommunication provider for both sectors, fixed and mobile services. The merger, however, was later separated when in 2008 as part of its strategic move, TM demerged from Celcom to focus on other services, particularly the new high speed broadband service (HSBB). This was part of a government initiative to develop the nation telecommunication industry. TM was awarded the contract by the government to develop this new service.

Privatization policy and later on the liberalization of the telecommunication sector in the 1980s have marked an era of regulatory reform and competition in the Malaysian telecommunication industry. There were two factors that intensified competition in the particular market. The first was the issuing of a license. The private sector managed to convince the government that they were able to remedy the shortage of terminal equipment. Hence, the government began to issue a license for the supply of terminal equipment such as telephones and teleprinters in 1983. This was then followed by opening up the market for value added networks in 1984 and radio paging and mobile cellular markets in 1985 and 1988 respectively. Meanwhile, the liberalization of internet service providers (ISP) happened in 1996. This rapid change in technology also prompted the government to open up the market to other players.

The telecommunication industry is indeed a lucrative business. In 2009 alone, the telecommunication sector contributed RM35.5 billion revenue. Mobile services recorded RM26 billion, while the fixed line yielded RM9.5 billion. The further decline of the fixed line sector was due to the substitute changes to the mobile services. The penetration rate of mobile services has exceeded the 100 percent mark (MSCM Performance report 2009). The broadband penetration rate increased to 31.7 percent or 2.6 million subscribers as compared to 21.1 percent in 2008. The government is currently developing a high speed broadband technology with TM. This new development in the industry will lead to achieving the nation’s aspirations of becoming a developed nation by 2020.
6.5 Institutional Environment governing TM

Explaining the change in performance management system requires us to examine the institutional environment surrounding the organisation. One important assumption under the NIS is that organisations are embedded within larger inter-organisational networks and cultural systems (Yazdifar et al., 2008), known as institutional environment. These institutional environments as defined by Scott & Meyer, 1999 refer to ‘those characterised by the elaboration of rules and requirements to which individual organisations must conform if they are to receive support and legitimacy’ (p.123).

Historically TM came from a mere government department and transformed to a corporation. The transformation however does not exclude government from having a say on the organisation. This government control over TM is exercised via Khazanah Nasional (Khazanah) as the major shareholder of TM. Khazanah a major investment company of the government was empowered as the Government’s strategic investor in new industries and markets. The objective of the agency is to promote economic growth and make strategic investments on behalf of the Government, which will contribute towards nation building. In addition, Khazanah is also the key agency mandated by the Malaysian Government to drive shareholder value creation, efficiency gains and enhance corporate governance in GLCs. In short, Khazanah plays a very important role in moulding GLCs to provide better return to the government and the nation. Khazanah is also the appointed secretariat in the GLC transformation committee. Among its major role is to facilitate the process of implementing the transformation manual as well as monitoring its practice among the selected top 20 GLCs.

The second important institutional environment that influences the change in TM and shapes its practice is the public. Being the sole government telecommunication provider for the nation, TM’s performance and behaviour are always under the scrutiny of the public. Any dissatisfaction from the public will be voiced out in the media. Hence, as the nation main telecommunication service provider, TM needs to show a good image and performance to the
public. TM’s customers at large are the public. Hence, if there is no complaint received from customers means no complaint from the public. No complaint will indicate that TM has performed well. Thus, the perceptions of TM from the public to a certain extent, shapes TM’s norms, beliefs and traditions. The government and the public set the ‘rules of the game’ (North, 1990) in the institutional environment that both enable and constraint the organisational routines.

6.6 Institutional pressures and evolution of BSC in TM

Institutional theory suggests that the adoption of practices such as the new performance measurement system, BSC is often determined by culture, norms and cognitive factors (Scott, 1992, 2001; Baxter and Chua, 2003). Explaining why TM adopted BSC unravelled a complex set of pressures involving consultants, government and public opinion. Coercive isomorphism appeared both in the early period of BSC adoption as well as the second period of adoption after government intervention. The presence of mimetic isomorphism was also felt at the early period while normative isomorphism occurred at the later year of the adoption. The appearance of these three isomorphisms can be located along the evolution period of BSC in TM. The effect of these macro political and economic pressures in the BSC’s adoption can be better explained by looking at the two periods or episodes of BSC adoption.

6.6.1 The early period 1996: Privatisation and learning from the private organisation

As mentioned before, TM was transformed from a government agency to a corporate entity in the late 1980s and later on, privatised in the early 1990s. This transformation of TM and the liberalisation of the telecommunication industry in Malaysia have somehow forced TM to rethink its business direction. TM’s management acknowledged the urgent need to reformulate its business strategies to respond to these changes. Being the first government agency to be privatised added more pressure to TM to show some positive changes from its former governmental image. The general public still perceive TM as a
government agency, due to the way it conducts its daily operation. Thus, as part of the changes, TM needed to project itself as a better organisation and at par with other privatised companies. In addition, the internal working culture in TM needed some changes. This has prompted the CEO at that time to find a better performance measurement system for TM. Thus, in late 1995 the quest for a better performance measurement system for TM began.

Privatization policy adopted by the government at that time became the turning point for TM to change. The privatization programme in Malaysia mirrored the privatization of the Thatcher government in the UK (Abdul Rahman, 1993) with slight modifications. Privatization in Malaysia has resulted in the transfer of the government investment and responsibility for providing goods and services to the private sector. However, the government only relinquished a certain percentage of its shares in order to maintain control over the company. In addition the Malaysian government also held a special share that provided the right for the government to vote especially on matters of national interest. This special right also allowed the government to select and appoint the board members. Hence, it can be said that Malaysia has only adopted partial privatization, with the government still holding some control over the privatized entity. In addition, most privatized agencies in Malaysia were from the monopoly market, especially utility services such as power and electricity, and telecommunications. Therefore, there may be a need for the government to maintain some control over these important services for the nation.

In the beginning of the privatization era, a total of 32 projects were privatized, with 22 of them being government agencies (Abdul Rahman, 1993). These government agencies were privatized through a variety of methods. Agencies were privatized through the divestiture of ownership by the sale of shares to the public, and others by way of private placement, leasing, management contracts and corporatization. The case company, TM was privatized through corporatization.

The privatization adopted by the Malaysian government is a three stage processes as stated in the 1991 Privatisation Master plan. The first stage is that
of commercialisation, where the user charges and the commercial accounting and performance are introduced for the first time. The second stage is corporatization, in which the government body became state owned corporation. At this stage all assets and liabilities from the government department are transferred to a government-owned company, formed under the Companies Act 1965. The third stage, divestiture stage is where the ownership of the government-owned company will change from the public to the private sector either by public floatation, private sale, and management buy-out or employee share ownership. The number of years that each privatized entity has taken to go through the process differs from one to another, with the majority becoming a state owned enterprise, and ultimately leading to the birth of a new group of organizations labelled government-linked companies (GLC).

6.6.2 Privatization of TM and its impact

Being the biggest government department, TD was selected to be the first government department to go through the privatization process. The privatization of TD was achieved by transferring the operational responsibilities of TD to new entity Syarikat Telekom Malaysia Berhad (STM) on 1 January 1987. This was made possible with the enactment of Telecommunication Act 1985, allowing STM to take over the provision of telecommunication services from TD. The regulatory function however, remained with TD, a government agency.

At an early stage in the privatization process, there was no private infusion of capital into the newly formed company. Hence, privatization here was merely a case of transferring the responsibility from the Malaysian government to the private entity. STM therefore remained subject to Federal Government influence and regulation. In addition, STM still had a monopoly over the public switched telephone network, particularly domestic and international telephone and telex.

On 7th November 1990, the government sold twenty five percent of STM’s equity to the public via a public listing exercise. STM’s shares were listed on the
Main Board of Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange) and the company's name now became Telekom Malaysia (TM). The Federal Government offered 470.5 million shares at RM5.00 per share in the listing exercise. This had the effect of making it both the largest privatisation and the largest flotation ever in Malaysia.

DiMaggio and Powell (1983) argue that isomorphism can cause organisations to look alike. Coercive pressure stemming from privatization policy adopted by the government has forced TM to change both its structure and accounting system. The first change was in terms of the ownership and organisation structure. TM was transformed from a government department to government-wholly owned company, and finally a government linked company (GLC) with the government as the major shareholder. As a government agency, TD was headed by a director general that report to the ministry. However, as a privatized company, TM now is headed by a CEO that is responsible for reporting to the board of directors. The government maintain its control over TM by having a representative on the board members. The second change is concerned the accounting system used. During the privatization era and as part of Malaysia’s development strategy, the government took a loan from the word bank. This was used to develop the telecommunication infrastructure. Subsequently, the loan from the World Bank has led TM to comply in its accounting practice with GAAP. In addition, TM also had to be more open in its disclosure of accounting information. TM has, indeed, allowed its financial account to be audited by the external auditor. Previously as a government department, TM’s financial report was only audited by the general auditor from the treasury.

As a new privatised organisation, TM was pressured to imitate others successful organisations’ practice. This is part of its attempt to legitimate itself as part of private organisation. The change from operational to financial discourse of accountability is notable (Dent, 1991, Ezzamel et al, 2007, Ogden 1995; 1997) and brought pressure for performance management accounting system change in TM. Profit has now become a major concern, as TM needs to
provide a return to its shareholders. Being the nation’s sole supplier of telecommunication services also means that TM has social responsibility, particularly regarding the nation’s interest. This is a dilemma for TM that may sometimes force them to make an unprofitable move.

As a result of the pressure to improve efficiency and to make profit, the import of contemporary management accounting tools from private sector organisation has been a common trend within privatised organisations (Broadbent and Guthrie, 1992; Hood, 1995; Hopwood, 1990; Lapsley, 1993; 1999; Mir and Rahaman, 2007). According to institutional theory, this activity is known as mimetic isomorphism that is a process that took place when an organization attempts to imitate a more successful referent organization, a process that is often due to the uncertainty and lack of guidance in its environment. Reflecting on the history of the adoption of BSC in TM, an interviewee argued

“We were presented with Exxon’s success story….and we liked it. We were just following the trend…." (GM strategy unit)

The quote above suggests that the early adoption of BSC has been largely influenced by trend to mimic the practice of other successful companies such as Exxon.

As Hopper and Major’s (2007) framework suggested, privatisation policy added capital market pressures for TM to change its management accounting system. TM’s structure was changed to mimic the structure of privatised entity such as the appointment of CEO to replace director general post. In addition, TM also mimic others successful organisation to look for new accountability framework in order to improve its performance. In addition to that, competition from other mobile operators also added the pressure for TM to adopt new performance measurement system. The acquisition of CELCOM, a mobile telecommunication company exposed TM towards competition in the mobile market of the telecommunication industry.
6.6.3 Transformation period: 2004

The GLC transformation program (GLCT) was launched in May 2004 by the new elected Malaysian 5th Prime Minister. The Prime Minister at that time expressed his concerned on the performance of GLCs, especially after the Asian financial crisis in 1997-1998.

“As I searched for a way forward, I was struck by two points. The first was the disproportionate impact GLCs had on the Malaysian economy despite their role as providers of mission-critical services, cornerstones of strategic sectors, and key capital market constituents. The second was that GLCs were consistently underperforming the broader Malaysian market both financially and operationally, for over 15 years. In my view, this historical trend of underperformance was unacceptable when viewed against the backdrop of a fast-paced and ever-changing global economy.”
- Dato Seri Abdullah Ahmad Badawi, 5th Prime Minister of Malaysia (14 May 2004)

The fact that the GLCT was the Prime Minister’s initiative made the program a national priority. This transformation program can also be seen as a continuation effort by the Malaysian government, so as to realize the nation’s inspiration of becoming a developed country by the year 2020. This 10 years program among others, aims to enhance the GLCs economic performance and accelerate the country’s social and economic development.

In order to realise this mission, a special committee, Putrajaya Committee on GLC High Performance (PCG) was established in January 2005. The committee was responsible in implementing and monitoring the transformation program. The committee was chaired by the Second Finance Minister, with participation from the heads of the GLICs and representatives from the Ministry of Finance Incorporation, as well as the Prime Minister’s Office. Khazanah Nasional Berhad, one of the GLICs has been appointed as the secretariat and external consultants was also involved as part of the joint working team to ensure the success of the implementation. The committee held meetings
quarterly and reported on the progress of the transformation program to the Prime Minister.

Government-linked companies (GLCs) are defined as companies that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake. This direct controlling stake provides the government with ability not just in the form of percentage ownership but also to appoint board directors members and senior management, as well as make major decisions concerning contract awards, strategy, restructuring and financing, acquisitions and divestment. The controlling power of the Malaysian Government over GLCs is executed directly or indirectly via the Federal Government-Linked Investment Companies (GLICs).

GLCs in Malaysia have evolved in three ways. Some GLCs are formed from branches of Government departments to incorporate entities during the privatisation era in the late 1980s and early 1990. There are others that became GLCs after being acquired by the Malaysian Government in the aftermath of the Asian financial crisis in the late 1990s. The other group of GLCs emerged as start-up government-owned entities. These GLCs are controls directly through the GLICs or by other federal government linked agencies. To date, there are a total of 30 listed GLCs in Malaysia.

6.6.3.1 Underperformance of GLC and transformation

GLCs play a significant role in the development of the Malaysian economy (Azman, 2004). This can be seen by the GLCs’ involvement in various important industries of the nation. GLCs act as the main service providers to the nation in key strategic utilities and services including electricity, telecommunications, postal services, airlines, airport, public transport, water and sewerage, banking and financial services. The significance of GLCs to the Malaysian economy is indicated in their market capitalization relative to the Kuala Lumpur Composite Index (KLCI) of 55%, even though GLCs represents

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2 There are five GLICs in Malaysia: (1) Khazanah Nasional Berhad (2) Permodalan Nasional Berhad (3) Employee Provident Fund (4) Lembaga Tabung Haji and (5) Lembaga Tabung Angkatan Tentera.
only 23% of companies forming the KLCI. In addition, GLCs employ a total of 3% of the nation’s workforce (PCG 2009).

GLCs are only known as being of a big size, and yet they suffer from the problem of weak internal control and lack of strategic direction (Norhayati and Siti Nabiha 2009). These have resulted in poorer returns on capital and shareholder value, high gearing ratio, lower productivity and an inefficient performance measurement system (Azman, 2004). Hence, it can be said that the privatization’s objective of improving the efficiency and service delivery of the privatized government agency seems not to be working.

Besides the business performance of GLC as a whole, the government was also concerned regarding the way GLCs had evaluated and rewarded their employees (Abdullah 2004). GLCs seem to inherit their legacy system from government agencies by giving standard bonuses for employees. The reward system was not based on performance, and there was a weak linkage between employee performance and the reward scheme. Furthermore, job promotion was based on seniority, rather than performance. Hence those with longer service years were more likely to be considered for promotion, as compared to those who with better performance track. In short, qualification became a secondary attribute in job promotion.

Hence to address this performance and efficiency issue, the Malaysian government decided to revamp the Malaysian GLCs by introducing the GLC Transformation Program. The implementation of the program aims to transform GLCs to become high performance companies. This in turn will provide a positive impact on the economy of Malaysia.

“Thus, any considerable improvement in the efficiency and performance of GLCs would bring about massive benefits, not only to the stock exchange, but also to the income, consumption and wealth of the nation”.

- 5th Malaysian Prime Minister
The launch of this program saw a number of changes in the management of GLC. Among the significant changes is the introduction of the key performance indicators (KPI), board composition initiatives, revamp of Khazanah Nasional Bhd as well as changes in the senior management of a number of GLC’s. This was in line with one of the key principles of this transformation program, namely enhancing the performance of the GLCs.

The landscape was changed in 2004 with the entrance of new actors in GLCs administration and Khazanah. The appointment of a new prime minister with new agenda of improving GLCs performance has led to the launching of a government transformation program in the year 2004. It is important to note that although Malaysia is a democratic country but the prime minister is chosen from the winning party in the election and approved by the King. The new 5th prime minister of Malaysia at that time had a new idea to reform the Malaysian economy. One of the reform agenda of the government at that time was transforming the GLCs. This action can also be seen as a government response towards the Asian financial crisis in late 1999 whereby the government believed that GLC needs to perform better.

“Essentially this means systematically instilling a high performance culture within GLCs by making people in the companies more accountable for and more rewarded by company performance.” (Vice President Transformation Office)

The man who works tirelessly behind the scene to push the idea of a GLC revamp was Second Finance Minister at that time. Prior to this, the Second Finance Minister had already been involved in a number of corporate restructuring exercises as special adviser to the Prime Minister from the year of 2001, most notably the restructuring of Malaysian Airline System (MAS) and the Malaysian Resources Corp Bhd Group (MRCB). Interestingly the second finance minister was also the one who came up with the idea of getting able and professional ‘bumiputeras’ (i.e. of Malay race) to take over the management of failed GLCs.
GLC transformation agenda began with the transformation of Khazanah Nasional Berhad, the investment arm of Malaysian government as has been mentioned before in the chapter. Khazanah was restructured and received a new managing director. The appointment of the new managing director was made by the Prime Minister and director was given the mandate to lead this transformation agenda. It is interesting to mention that the managing director was a former member of a team of consultants that were involved with MAS restructuring exercise. The government was impressed with the success of MAS restructuring exercise to hire the same external consultant to assist them developing the transformation programme.

A set of transformation manual was launched on 29th July 2005. The manual acts as a policy guideline to help GLCs transform themselves into high performing organizations. The manual is the result of research and 100 in-depth interviews conducted with GLIC CEOS, GLC chairman, CEOs and board members, as well as an extensive analysis based on Malaysia’s own programs and similar ‘best practice’ experience from other countries. The manual provides detailed guidelines as to the GLC transformation programme.

From the policy guidelines, the committee identified 10 initiatives for development, launched and implemented across all GLC’s for the rest of 2005 and 2006. These initiatives have been set out based on their importance as levers for change, their large potential impact on value, and the unique ability of the Putrajaya Committee to drive change in these areas. The 10 initiatives cover all aspects of management from enhancing board effectiveness to enhancing operational efficiency and effectiveness were launched in phases. The colourful books are aimed to help GLC by providing detailed guidelines and a case study for implementing the program.

6.6.3.2 The blue book- Intensifying the performance management system of the GLCs

Among the initiatives that were introduced, the blue book is in on intensifying performance management practices. The blue book was launched in 2005 with the objective of helping GLCs to have in place a world-class performance
management system within 10 to 15 years. The book contains six categories of guidelines and supporting materials to ensure GLCs’ success in achieving the targeted objective of being a world class performance management system.

The blue book was introduced as part of GLICs’ effort to ensure that all GLCs have a clear strategic direction and improve their performance. Therefore, the essence of the blue book is to develop a performance management system that is linked to corporate strategy. This in turn resulted in the introduction of corporate KPIs and division or business unit performance indicators. In addition, the KPIs created must be derived from the strategy and balanced or holistic to address financial performance objectives, as well as the overall performance of the organization. It may be that by taking the balanced scorecard as an example, the blue book also highlights the importance of having three other dimensions to complement the financial perspectives, such as operating, customer and internal business process perspectives. The blue book, which is the result of consultation and research on developing world class performance system, acts as the main ready reference for all the targeted GLCs.

The transformation program is specifically targeted at the G-20 group. This G-20 group comprises of the 19³ giant GLCs carefully selected by the PCG. One of the G-20 directly affected by this transformation program is Telekom Malaysia Berhad, TM. To ensure that the national agenda of reformed is successful, a new CEO from private organisation with accounting background was appointed as TM’s CEO. The act of taking outsiders particularly from the privatised company is a common observation for privatised organisation (Anderson and Ogden, 1999; Ogden, 1997).

This new transformation program embarked by the government brought pressures for TM to change among others, its performance management system. This form of coercive isomorphism has forced the company to revisit the existing BSC and redesign it towards the requirement set by the

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³The number of GLCs in the G-20 changes due to merger and demerger of GLCs. As at 28 February 2009 there are 19 GLCs nevertheless the name of the group remains as G-20.
government. Among others, BSC was used as the methodology for performance evaluation and the KPIs were tied to the reward system. These changes will be elaborated further in chapter 8.

6.6.3.3 **External consultants and transformation program**

Consultants are very much involved in the design of transformation programme. They are considered as the expert in the area, thus their expertise is often sought by the government in helping the government to improve the GLCs performance. Khazanah, the investment holding company of Malaysian Government used the service of both international and national consultants’ expertise to help Khazanah in developing the transformation program. As being aptly said by the vice president of the transformation office;

“What does ministry of finance knows about BSC, KPI setting. What does Khazanah knows. Khazanah is an investment holding company. What do we know about KPIs? That's why we hire consultants. In fact there are lots of consultants from Towers Perrin and McKinsey also play a big role. Even local firms like Ethos consulting also involved”. (VP Transformation Office of Khazanah).

Khazanah’s continuous reliance on external consultants suggests that it perceived consultants as a source of external legitimacy. With the endorsement from the consultants, it will increase the acceptability of the GLC’s transformation programme by the GLCs concerned. In addition, consultants are also known agent for management accounting diffusion (Lapsley and Oldfield, 2001; Jones and Dugdale, 2002; Christensen, 2005; Humphrey, 2005). In TM, the diffusion of BSC was also spread by professional seminars organised by these external consultants. To appear legitimate TM also employed the same external consultant used by Khazanah for the transformation programme.

6.7 **Discussion and concluding remarks**

The process of BSC’s institutionalization in the case company begins at the economic and political level, outside the organization. It is a result of both institutional as well as market isomorphism. The later exist due to the former. TM was forced to change due to the economy policy change embraced by the
government at that time. In the early years of BSC adoption, privatization policy that can be regarded as one form of coercive isomorphism, has somehow force TM to change its organizational structure and its management accounting practice. The change was inevitable as the status of the company transformed from government organization to a privatized organization.

Besides the change in structure, TM was also forced to change its accounting procedures and system. This is necessary act for the company to gain legitimacy as a private organization. Imitating successful organization seems to be the easiest way in managing the new environment.

Policy change in the form or privatization and later on transformation of GLCs at the national level changes the structure in TM. In addition, TM also bringing increased competition to TM. Liberalization of the Malaysian telecommunication industry also brought pressure for management accounting system change in TM. This form of competitive isomorphism requires TM to become more efficient in its operation for TM to protect its market share. TM used to be the monopoly in providing telecommunication service to the nation. With the issuance of new licenses to a number of both local and international players to the field has exposed TM to competition. The company needs to change its operation procedures to remain competitive locally and globally.

The launched of transformation programme in the second period of adoption, can be seen as another coercive pressure for TM to change its performance measurement system. In order to gain legitimacy, TM needs to follow the changes as stipulated by the government. In addition, the presence of the new CEO with accounting background can be seen as normative pressure for TM to change. The experience of a specialised education, and the involvement in professional networks, influence how professional personnel undertake their activities within an organisation. Hence the newly appointed CEO of accounting background added the pressure for TM to change its performance measurement system. DiMaggio and Powell (1991) have suggested that the state and professions are important in shaping how rationalized procedures such as BSC spread among organisations. This second wave of pressure can
be considered more serious as it become part of government agenda and closely monitored by the Khazanah.

The appointment of the new CEO and the involvement of consultants termed as epistemic communities in the model serve as normative pressure for TM to adopt and implement BSC. The CEO exerts his power from within the organisation with the support from Khazanah to adopt BSC. The consultants as another influential actor influence the process of institutionalisation of BSC at the economic and political level with the creation of GLC transformation manual.

To sum up, the privatisation policy and the liberalisation policy adopted by the government of Malaysia at that time serves as institutional pressures for TM to change its institutional structure and management accounting system. This is further emphasised with the competition pressures resulted from the liberalisation of telecommunication industry. As TM was new to privatisation, competition pressure has forced TM to change its structure and system. Although the impact of competition in the early period of adoption was small nevertheless the top management of TM saw the need to plan strategically preparing itself for the competition to come. Transformation programme launched later in 2004 added another coercive pressure for TM to really change its performance management system. Subsequently, the appointment of new CEO who had vast working experience from private sector organisation encouraged the diffusion of financial discourse of accountability (Ezzamel et al, 2007) within TM.

These external pressures were consistent with TM’s management desire and need to change its management accounting system in order to be more competitive in the new liberated and competitive environment. The next chapter will explain further the management accounting change specifically BSC journey at the organisation level. It involves discussion on the design, implementation, and the power of agency at different periods in making BSC work or operable in the organisation (Briers and Chua, 2001).
CHAPTER 7: EXPLAINING INSTITUTIONALISATION OF BSC AT THE ORGANISATIONAL LEVEL

7.1 Introduction

The previous chapter provides macro level analysis as how a performance management accounting tool, BSC was introduced to the organisation. Privatisation policy couple with the liberalization of Malaysian telecommunication industry in the 1990s have brought pressures on TM to change. The need to change was further reinforced with the national transformation agenda embarked by the Malaysian government in 2004. This chapter continues the story of BSC adoption at the organisational field level. Specifically the chapter aims to elucidate how the changes in the macro political and economic level affected the structure and practice of the case organisation in the two episodes of BSC’s implementation; post privatisation and GLC’s transformation era.

This chapter is organised in 7 sections. First, section 7.2 explains the first episode of BSC’s adoption in the post privatisation era. Specifically the section discusses how BSC was brought and developed in TM. Section 7.3 continues with the explanation of implementation process of BSC. Next section 7.4 explains the second episodes of BSC’s adoption in the post transformation era. The section basically will discuss further changes in TM due to the change in government’s initiative. Next, section 7.5 continues with an elaboration of consultant’s role in the diffusion of BSC at the organisational level. The chapter ends with a theoretical discussion and concluding remark in section 7.6.

7.2 First episode of BSC’s adoption: post privatisation era.

This process of BSC’s institutionalisation can be traced back to two different periods of adoption: initial period of adoption 1996 and GLC’s transformation
period 2004. Different type of pressures were involved that led to change in TM’s structure as well as operation of the organisation.

This initial period referring to the change that TM has to undergo due to the change of its status from government to corporation entity. Environment change as a result of liberalisation has forced TM to reorganise its structure as well as on the way they conduct business. Following private’s norm, a CEO was duly appointed and the post of director general was abolished. The newly appointed CEO at that time served as the agent of change as he tried to promote new performance culture in the organisation.

The privatisation policy and the liberalisation policy adopted by the government of Malaysia at that time serves as institutional pressures for TM to change its institutional structure and system. This was further emphasised with the competition pressures resulted from the liberalisation of telecommunication industry. As TM was new to privatisation, competition pressure has forced TM to change its structure and system. Although the impact of competition at that time was small, nevertheless TM saw the need to plan strategically in order to prepare itself for future competition.

As mentioned before, in addition to the privatisation policy, the government was also at the same time embarked on liberalisation of telecommunication industry. This in turn has opened up competition for TM. Initially TM managed to maintain its monopoly power in the telecommunication services industry. However rapid technology changes in the industry that sees the booming of mobile services has somewhat persuaded the top management to embark on a new segment, mobile and data services. Hence as part of the company’s strategic move, TM acquired a mobile service company, CELCOM. This strategic move by TM has further exposed the organisation towards increasing competition in the mobile market. With this new added competition, the top management felt that TM needed to implement some changes in their company for them to compete in the market as stated by the general manager of the strategy unit:
“Due to the competition and change of strategy, we see that we need to improve our performance. We have to be at par or better than our competitors. In order to do the operations, whatever that we have planned must be supported by the operation. So the BSC is the tool to minimize the gap from operation to the strategy."

Thus, the BSC was perceived as the tool suitable to help the company to formulate its strategy and reduce the gap between strategy function at the top management level and the operational level as argued by the general manager:

“With the competition we need a more structured way of planning and aligning the operations with the strategy. The need to actually have the line of sight from operation to the corporate direction” (GM Strategy Unit)

As per the argument by institutional theorist, in order to appear legitimate, organisations adopt the change imposed to them. TM tended to imitate the practice promoted by fashion setters or used by successful organisation.

7.2.1 Searching for new accountability and performance framework

At an earlier stage, BSC was easily embraced by TM, due to the support from the CEO at that time. To improve the performance measurement system, the CEO was looking for an accountability framework. He wrote an article in the company’s internal publication called ‘Arah Kewangan’ (Financial direction). The corporate strategy unit was given the task of searching for an accountability tool and BSC seems to fit the needs of the company.

The role of CEO in promoting BSC is notable to organisational members. As narrated by the following interviewee

“At that time...he drives this thing (KPI). He is quite IT savvy. He is quite responsive to IT’s proposal. In fact at that time when PC (personal computer) era is still new not like now, he used the BSC system during meeting.” (Assistant General Manager, IT division).

The IT people saw BSC as a new technology and thus offered their support to CEO. They became allies to the CEO in making the BSC works in this organisation. As mentioned by the above interviewee, the CEO referred to BSC during meeting and was very responsive to any suggestion from organisational
members in order to improve the BSC’s practices. The introduction of COMPASS and MAPS which will be discussed further in later sections are another evidence of support from IT department in the development process of BSC.

The initial development of BSC in TM began by opening up tender for external consultants to propose an accountability framework that TM was searching for. In November 1995, a request for a proposal was made, and one month after that, an evaluation of the proposal was duly conducted. Upon the approval from the Board of Directors in 1996, the contract was then finalised, and an Accountability Performance Measurement System (APMS) was launched. Arthur Anderson, an external consultant, was engaged to assist TM in designing its new performance measurement system. The APMS study or project took three months, beginning in May and ending in August 1996. The study resulted in a list of key performance measures that would be used to better measure TM’s performance.

The measures that were developed at that time however, were scattered and did not carry any label. In the middle of the project, the management came across the Balanced Scorecard (BSC) via seminars and conferences that they attended. The concepts appealed to them and the top management at that time was very committed in its decision to adopt BSC. This was evidenced by the creation of a special task force, consisting of TM employees and external consultants. In addition, the top management also established a special unit responsible for monitoring the practice of BSC in TM.

According to Zucker (1987), the process of institutionalisation of the system in organisations involves the creation of new structures, processes and roles that later become routinized, formalised and embedded in the organisational fabric and highly resistant to change. Thus, as part of the process, few changes were incorporated in TM. New units and functions were established. The establishment of these unit act as important agents for BSC to be institutionalised in the organisation.
7.2.2 Formation of BSC task force

One of the earlier effort made by the CEO was to form BSC task force. A committee was set up, consisting of people mainly from the corporate strategy, human capital and information technology division. The committee consisted of a steering committee and a working committee. The steering committee was responsible for setting directions, resolving issues and making final decisions on the project, while the working committee was responsible for carrying out the detailed work. There were four sub groups in the working committee, headed by the general manager of the corporate strategy division. The four sub groups were the BSC development team, the COMPASS online development team, the business plan linkages support team and the compensation linkages support team.

The first sub group, BSC development team was made up of 12 staff from various functions in TM and were given the task of developing the scorecard and formulate the KPIs for TM. COMPASS development team consisted of staff mainly from information technology department (IT) and was made responsible for designing new information system to support BSC in TM. The other two support groups were given the task of assisting the main group to link BSC to the business plan function and TM’s compensation system. Together, these four sub groups were the main forces in carrying out detailed work and developing the framework further for TM. Other roles played by this group were to monitor and communicate the results to the management committee. Monthly progress reports were prepared and submitted to the board.

7.2.3 Changing the information system to COMPASS and MAPS

TM was proud on its various systems in placed to help its daily operations. Before BSC was adopted, TM was using the Management Information System (MIS) and Executive Information System (EIS). These systems however only focused on financial measures alone, and catered for short term objectives. With the adoption of BSC, the existing system needed to change as well. Hence, a new system was developed to support the use of BSC. The new system, named COMPASS, provides balanced measures between financial and
non-financial. It also caters for long term views. In addition, the system also provides lag and leading indicators to help TM better visualize their action. This new system is also deemed suitable for competing in the information age.

COMPASS stands for a communicating performance accountability system. As the name suggests, the function of this online system is to track and monitor business performance and senior management individual performance. The system is internally developed reflecting TM’s commitment towards BSC. The design of COMPASS mirrors the BSC framework with strategy map and then follows with scorecards and KPIs. This system allows the top senior management to monitor their performance on regular basis.

The second system, MAPS stands for managing accountability and performance system. This online system is used to track and monitor executive performance. The MAPS system is used in the contracting exercise at the beginning of the year, tracking of performance in the middle of the year and evaluating performance at the end of the year. In contrast to COMPASS, non-executives are made responsible for choosing the KPIs and for keying in their KPIs target into MAPS, as well as seeking approval from their immediate superiors.

The COMPASS system, on the other hand, is administered by the administrators in the respective division. These administrative staff will key in the data, whereas the senior managers only monitor the information whenever it is needed. Often, the senior managers do not bother to click on COMPASS, as the monthly report on their performance is provided by the PPMO office. Hence, the COMPASS system is not fully utilized by the senior management. In fact, some senior managers are not really aware of the system.

“... I just look at the report provided to me on a monthly basis. You can see the colours used for you to take the necessary action. My staff will key in the data in to the COMPASS.” (GM Sales division)

Although the system was not really used by the senior managers in monitoring their division performance, the availability of such a system in TM became a
support for BSC to work in the organisation. COMPASS was one of many important changes that supported the implementation and usage of BSC in TM. MAPS on the other hand was widely used by the managers in the organisation and embedded in their daily operation. This is evidenced with the routine practice by the executives to complete their performance target and performance evaluation exercise via the system.

7.2.4 The early process of designing and developing BSC at TM

Figure 7.1 depicts the process of developing and implementing BSC at TM. Initially a total of 28 scorecards were developed. As mentioned before, the BSC task force team was given the task of designing and implementing BSC, together with an external consultant. The development of these 28 scorecards was a very tedious process, with a series of meetings with the scorecard owners. KPIs targets were set by taking into consideration historical performance, trend analysis, external benchmarks, industry benchmarks as well as strategy articulation map. TM opted for four basic perspectives of BSC as proposed by Kaplan and Norton with a slight modification in the customer perspective as stated by one of the interviewee;

‘Since Kaplan is the BSC ‘guru’, we just follow the 4 perspectives. We think 4 perspectives are enough to measure our performance (General manager, strategy unit).

As TM was a large organization, the balanced scorecard resource (BSR) team decided that the customer perspectives should be segregated further into internal and external customers, to better reflect the types of customers often dealt with, in TM.
As depicted in figure 7.1, the development of BSC in TM begins with a clear understanding of the company's vision, mission, strategic direction, business plan and job description and functions. This was done by the BSC team. In addition to this, the team also conducted interviews to better understand the nature of their operational activities. The research team from the external consultant accessed the internal and external knowledge-base to determine benchmarked KPIs. These two teams were then jointly discussed and brainstormed for more potential KPIs to be considered.

Once the possible KPIs were identified, scorecard development sessions were held with the scorecard owners and their direct report. The aim of this session was to discuss and later, to select the best KPIs. This was undertaken on a negotiation basis during the session. The participants were given the freedom to add and change the KPIs proposed by the team. The BSC team also made suggestions for changes to ensure balance and proper linkages to other scorecards. This was deemed important in ensuring that only quality KPIs were considered. Upon agreement, the KPIs were assigned to the owner selected from the participants to work on the details of the agreed KPIs.
Several meetings were held between the BSC team and the scorecard owner to define the details of each KPI chosen in the first session. Selected KPIs were also validated and tested, based on seven characteristics: controllable, simple, actionable, credible, measurable, linked to objectives and integrated. In addition to this, the selected KPIs needed to cover the four perspectives of the BSC. TM also put a limit to the number of KPIs to 8-12, to ensure manageability. Further session was conducted to finalize the KPIs and targets for each scorecard owner. At this session, the BSC team jointly worked with the scorecard owners and their direct reports to review the details of the KPIs and to finalize them.

At the end of 1998, more than 180 scorecards were developed at various levels throughout the company. These scorecards were developed based on TM’s vision and other strategic thrusts. TM’s internal management accounting system, COMPASS’s features were furthered enhanced to include monitoring performance, linking to business plan and reward system. The KPIs were reviewed and revised accordingly. In this third phase of implementation, BSC was implemented at business head and business controllers’ level. BSC was fully implemented to TM senior managers in 1998.

7.3 The implementation process of BSC

Implementing BSC in TM was done in stages. It was a top down approach, whereby BSC was first developed at the group and company level. It was then followed by individual BSCs for general managers and above. The final level of implementation was at the manager level. BSC’s implementation did not continue to the operational level and this will be further discussed in the following chapter, chapter 8.

7.3.1 Phase to phase implementation

As mentioned above, the implementation of BSC at TM was conducted in stages, and treated as a top down approach. The adoption of BSC was seen as directive from the top management. In the first phase, 28 scorecards were implemented at the organizational level. This was then followed by the second
phase implementation, applying the BSC to tier 2 and 3 of the organization structure. Another 18 scorecards were developed in this phase. In the third quarter of the 1997, the third phase of implementation was done for tier 4 of TelCo division. BSC was fully implemented to the whole organization by the end of 1998.

Implementing BSC at that time meant having scorecards and KPIs for the employees. The establishment of KPIs acted as guidance for employees to do their work. Rewards and bonuses were not dependable on achieving the targeted KPIs. Although the initial intention of BSC’s adoption was ultimately to link it to rewards, this was only materialised later in early 2000 and strengthened in the post transformation era, which will be discussed further in the section 7.4 of this chapter.

At the early stage of its implementation, BSC was not well received by the senior management. They were reluctant in adopting this new management accounting tool. This is perhaps due to the fact that at the beginning, BSC concept was relatively new to the Malaysian industry. As mentioned earlier, TM was a pioneer in adopting such a system in Malaysia. In addition, most of the senior management did not want to change. They were comfortable with the old way of doing business, and perhaps they did not see any problem with the old system, that utilized only financial measures to evaluate company’s performance. Nevertheless, some of the senior managers did cooperate in determining the scorecard and KPIs. These senior managers became part of BSC’s allies.

7.3.2 The role of COMPASS and MAPS and the diffusion of BSC

In addition to the support from the task force team and the consultants, adopting BSC also required major changes in the company’s information system. The existing information system, Management Information System (MIS) and Executive Information System (EIS) focused on financial measures and catered for short term objectives. Thus, the system was claimed to be
suitable only for competing in industrial age. On the other hand the new system Accountability and Performance Measurement System (APMS) provided balanced measures between financial and non-financial elements. APMS also was designed to cater for long term views. In addition, the system also deemed to be suitable for competing in information age. The system however lacked the lag and lead indicators that BSC can offered. Thus, the APMS system was abandoned and a new information system named COMPASS was developed in TM based on the BSC concept.

The new COMPASS system uses BSC framework to translate and communicate TM’s vision and strategy and measuring the performance from the four perspectives: shareholders, customer, operational and organisational learning. Thus, it was claimed to be a useful tool in managing strategy implementation and measuring change and improvement. It is a new system to manage business performance and action plans. This new system also link business plan, compensation program and other strategic initiatives to strategy. It also serves as a new platform to promote accountability and total quality control.

The new system, COMPASS received good response from the CEO at that time and was frequently used by the CEO in meetings as stated by one of the former member of the BSC task force;

“Those days, the CEO just clicks on the COMPASS during the meeting and all the information that is needed will be displayed. COMPASS serves as a data base for the CEO to look for any information. For example if he wants to see the report for one state, he just clicked it and then the information will be there for him to see. It likes everything is done with one touch.”

Although the system was implemented but COMPASS did not fully utilised by others in the company. The existence of COMPASS in TM was not well known by others in the company. Nevertheless, BSC was fully implemented in the company by end of 1999 with the creation of 180 scorecards and various KPIs.
The BSC task force was upgraded to become a BSC unit under the wing of Strategy Unit with direct report to the Chief Financial Officer. The unit continued to develop and enhance BSC practiced and developed COMPASS further.

In this first episode of BSC adoption, competition and normative pressure from the consultant have somehow forced TM to change its system. The existing way of conducting business was no longer relevant as TM undergone structural change from government agency to a private entity. BSC as a new performance measurement tool was seen as the ideal solution to inculcate performance culture in the company as well as to drive TM to be more competitive in the new liberalized telecommunication industry. Besides the institutional pressures, BSC was also adopted due to its efficiency grounds. The top management was attracted to the notion of balanced performance measurement system and the link to strategy. This first wave of implementing BSC in the organisation however was not warmly welcome by others in the organisation and hence the new BSC system was only implemented at the corporate and senior level management.

7.4 Second episode of BSC’s institutionalisation: post GLC transformation period

The government re-emphasised the need for higher performance culture among the top 20 GLCs. This was materialised with the launching of GLC transformation programme in 2004. The direct impact of this new development was that BSC practice was further strengthened and enhanced. The change in political environment continues to shape the organisational level activities. In this episode we saw the agency or various agent of change. As mentioned in the previous chapter, Khazanah was given the mandate to transform the performance of the top 20 GLCs, including TM. The relevant GLCs needed to embraced the transformation programme that requires among others implementing KPIs and announcing headline KPIs. BSC was seen as an important tool for TM to reorganize its structure to suit the national agenda.
One important assumption in institutional theory is that the external and internal constituents have certain power in shaping the organisational structure of an organisation (Brignall & Modell, 2000). Hence, further changes in the organisational structure and practice at TM were expected as the company was required to conform to the GLC’s transformation programme. The key to this conformity was with the arrival of a new CEO.

7.4.1 The political appointment of new CEO

As part of transformation agenda, TM received a new CEO with accounting background and vast experienced from private organisation. The new appointment of the CEO brought good response from the market that saw TM’s share price improved from its lowest of RM8.45 in May to RM12.70 on Nov 18. The new appointed CEO also announced a five-pronged strategy to be executed within his three years contract. The strategies were to grow cash flow and increase asset utilisation; capitalise on sustainable growth in the cellular market; focus on data and value added services; develop a customer and service-driven culture and expand prudently abroad. The challenge for the new CEO was to change the image of TM from a government-owned incumbent to a customer-centric and market-savvy player. The shift at that time was to make customers top priority for TM and transform the performance culture in the company.

“I remembered the CEO even asked the security guard to jot down the name of employees who lingered at the canteen area during working hour. Everybody is on their toes.” (Manager of Retail Division)

Another manager stated:

“The previous CEO (referring to the CEO during transformation program) is all about performance. Before his time, it is in place but it’s not like derived from BSC. It is more on KPI and does not derived from BSC. In his time, all the KPIs came out from BSC”.

Another manager argued that the changes in TM were perhaps due to the background of the CEO who is an accountant. Naturally accountant is known to be about numbers.
“The CEO is an accountant and he is result oriented and he just wants to see the figures only”. (Assistant General Manager)

The newly appointed CEO again became another champion for BSC and used it to further change the performance culture in the organisation.

“BSC has been used by numerous successful organisations around the world, as a transformational and strategy management tool to drive and achieve breakthrough and significant results for these organisations. As one of the early adopters of BSC in the region and in Malaysia, TM is very well positioned to leverage on what we have already put in place and used since we embarked on BSC in 1997. I personally believe that BSC can help TM to improve its strategy focus and performance if properly implemented and enforced to drive the right behaviours”. (Chief Executive Officer of TM)

The quotes above emphasised the strong belief that the new CEO has with BSC. With this new belief, BSC was able to be carried out further transformation and reorganise the organisation in accordance with the government agenda.

7.4.2 Establishment of new unit: Program and performance management office

In the early years of BSC’s adoption, the responsibility for developing and implementing the new tool rested with the strategy and technology unit, under the corporate strategy division. However, in the middle of 2008, as TM underwent a restructuring exercise, the management of BSC was transferred into a new division called the Programme and Performance Management Office (PPMO). This new division was formed by combining two existing unit of TM that were responsible for performance. PPMO is headed by a vice president, reporting directly to the CEO. There are two units in PPMO, a programme unit and performance unit. The programme unit is responsible for developing new initiatives and programme to further improve the company’s performance, whereas the performance unit is in charge of monitoring the company’s performance. Basically, the performance unit is responsible for ensuring that the company’s strategies are translated and cascaded to the whole organization. The function of performance unit includes establishing a strategy map, cascading the BSC and KPIs to the lower level, as well as reporting the
results on frequent basis. The performance unit, however, is only responsible for monitoring the performance of tier 1 level, which is a direct report to the CEO. The unit is also responsible for the consolidation of monthly reports from all divisions. The implementation of BSC at the divisional level is the responsibility of the balanced scorecard resource team (BSR).

The establishment of the BSR team, at each division, is another initiative of PPMO in order to help them to successfully use BSC at the divisional level. The team was officially appointed by the top management to help the corporate strategy and technology division in implementing BSC throughout the company. The members of the team mainly consisted of employees from the business strategy and development unit of each division. The BSR team was first trained on BSC, especially in the cascading and alignment process. Then, they worked within their division to develop their own strategy map and scorecard. A series of training and workshops were conducted as part of the implementation process.

The performance unit of PPMO is the key driver that continuously pushes towards the implementation and usage of BSC at TM. Although the unit consists of only seven staff, they are very committed to ensuring successful implementation of BSC in the company. This has been duly acknowledged by the one of the external consultants involved in BSC’s training at the company:

“Much of the success of balanced scorecard can be attributed to the key team in place in corporate strategy and planning who have been unfailing advocates to the approach over the years.” (External consultant)

The general manager and the assistant general manager of the performance unit are strong supporters of BSC. In fact, the assistant general manager is one of the staff that was sent to US to receive direct training in use of the BSC from Kaplan and Norton. He is very passionate when discussing BSC. In addition, the performance unit is very approachable in terms of providing guidance to the company.
7.5 Epistemic communities: the role of consultants in developing and maintaining the practice

Based on Hopper and Major (2007) institutional model, consultants are important agent in the diffusion of management accounting practice. Accordingly, consultants played a major role in the introduction of BSC in TM. At an early stage of adoption in late 1996, it was the consultant who introduced BSC to TM. As mentioned before, as a newly privatised organisation, TM was looking for new direction for its business. The possibility of competition from other telecommunication companies in Malaysia has prompted TM to have a second look at their business direction. In order for the company to formulate its new direction, the top management needs to find out where it stands. Hence, a new performance measurement system is needed for this. An external consultant was hired to help TM in formulating a new performance measurement system. The task was given to Arthur Andersen consultancy agency, and the project was named Accountability Performance Measurement System (APMS). The APMS project resulted in a list of key performance indicators that were established based on benchmarking, best practice and in-house measurement. The KPIs generated in the study, however, were not grouped according to the four perspectives of the BSC.

During the study, BSC was introduced to the company and a representative of TM was sent to one of Kaplan and Norton’s seminars on BSC in US. The purpose of the visit was to find out more about BSC from its direct sources. Convinced with the new idea, three more employees were sent to attend the BSC seminar in the US as TM embarked upon its quest to implement BSC successfully. These employees were made part of the team to design and implement BSC in TM.

“In the seminar, they told us about the success story of companies that have used BSC. Actually, MR X (assistant general manager) was sent first to US. He is the one who first suggested BSC to the strategy unit. Later, I and two other members of BSC team were sent to US to be directly trained by Kaplan.” (General Manager)
In addition to attending seminars held by Kaplan and Norton, occasionally the consultants were also invited to conduct in-house seminar on BSC at TM. TM maintained a close relationship with Kaplan and Norton and its consultancy agency, the Palladium group incorporation, to show their commitment towards BSC. E-learning material on BSC for TM employees was also prepared by Kaplan and Norton’s consultancy agency. Books on BSC written by Kaplan and Norton are displayed in the general manager’s room, together with the pictures taken with the two authors.

Consultants continued to play a major role in ensuring the institutionalisation of BSC at the GLC transformation era. Their expertise was constantly sought and this can be seen from their involvement in the trainings and workshops held by TM. Interestingly the consultants hired by TM are normally from Kaplan and Norton Consultancy agency or former employee of the agency. In addition to that, consultant was also engaged in the BSC health check conducted occasionally to evaluate the practice of BSC in TM.

“We are still in contact with Palladium. But we are also open to other consultants as well... in fact consultants other than Palladium Direct are the people from Palladium but they have moved out of the company.”

The positive relationship that TM has maintained with Palladium helps TM to ensure that the company is updated with new development of BSC’s practice. This also shows that TM closely follows BSC by Kaplan and Norton, instead of by any other version.

The involvement of consultant in the development process of BSC is in line with the practice observed in other studies. The consultants were regarded as ‘third hand’ to the management in the production and selling of accounting innovation (Lapsley and Oldfield, 2001; Jones and Dugdale, 2002; Christensen, 2005; Humphrey, 2005) and promoting the use of accounting practices (for example Malmi, 1999; Humphrey, 1994; Briers and Chua, 2001; Christensen, 2005). In the case of TM we have seen that consultant plays significant role in creating faith to BSC. Therefore, they are an important ally in the fabrication of BSC
practice as well as linking the global idea of BSC with the specificity of local context.

7.5.1 Maintaining the new routine: BSC health-check

TM is committed in ensuring the success of its BSC’s implementation and usage. This is manifested in its continuous effort to evaluate and improve the extent of BSC usage in the company. The evaluation process is called a BSC health-check program, conducted on a periodic basis. The objective of this procedure was to review the current usage of BSC in TM and to improve its usage as well as to determine its effectiveness as a tool to support the strategic management process. Another objective of the BSC health-check was to develop recommendations aimed at closing the gaps identified in the usage of BSC methodology.

Again external consultant was hired to provide this evaluation. The evaluation was based on the principles of a Strategy-Focused Organisation (SFO) by Kaplan and Norton, the ultimate aim of any organisation adopting BSC. The five principles of SFO are: 1) mobilise change through executive leadership 2) translate the strategy to operational terms 3) align the organisation to the strategy 4) make strategy everyone’s job and 5) make strategy a continual process. Findings from the health-check are based on a rating scale of 1-5 ranging from strongly disagree to strongly agree. The evaluation of BSC’s practice was also based on BSC Hall of Fame companies, which refer to organisations which have been selected by Kaplan and Norton due to the significant success that has been derived through the usage of BSC, which has been clearly documented, validated and publicised. It is the aim of TM to be awarded as one of BSC Hall of Fame Companies. The findings from the BSC health-check help TM to improve its process and usage of BSC.

This post transformation episode of BSC’s implementation was marked by the government’s move in re-emphasising the need for a higher performance culture among the GLCs, including TM. Coercive pressure and normative isomorphism seemed stronger in this era with the Khazanah new mandate and
the appointment of new CEO. TM in this period was led by a professional accountant, emphasising the role of accountants as powerful agent in bringing new performance culture to the company. In addition, the financial KPIs were stressed and became important during this transformation period. Mimetic isomorphism was also present during the era as top management continued to redesign the BSC’s practice to imitate other successful organisation.

7.6 Discussion and concluding remarks

This chapter applied Hopper and Major (2007) framework at the organisational level to continue the story of institutionalisation process of BSC in TM. Coercive and normative pressures at the macro level of the organisation triggered structural and organisational change in TM. Khazanah as a source of coercive pressure appointed a new CEO and imposed on GLCs to implement headline KPIs and improve their performance system based on the blue book part of transformation manual.

The idea of BSC’s adoption was brought into TM as a result from the pressures exerted at the macro political and economic level. Privatisation policy embarked by the Malaysian government in the 1990s has forced TM to reorganise its organisation’s structure as well as its operation. This was a necessary move as TM faced competition due to more players were allowed to enter the industry. In addition, TM also needed to think about strategy. Prior to the privatisation, strategy was not even in the picture as TM was a government agency and being the only supplier of telecommunication service in Malaysia. The change in status and the impact of competition somehow made the top management to think of new ideas or tools in reorganising and restructuring the company.

According to Zucker (1987), the institutionalisation process of a new system in an organisation involves the creation of new structures, processes and roles that later on become routinized, formalised and embedded in the organisational fabric and are highly resistant to change. With the privatisation, new structures were created and actors’ interaction established new routines specifically on the
performance measurement activities. In addition, a CEO position was created to replace the old government structure.

The findings from this current study shows that the agenda of new performance management and measurement is not simply an organisational and managerial one but a macro political one cascading down from the national political agenda. From the story of the BSC’s implementation in TM described above, although performance measurement system was implemented in the privatisation period, the real implementation and institutionalisation of BSC only materialised in 2004 with the launched of transformation programme at the national level. Khazanah as a representative of the Malaysian government launched GLC transformation program that requires all the top 20 GLCs to implement KPIs and announce the headlines KPIs to the public. Thus it indicates that the adoption of new performance measurement tool is a political process and not just a function of managerial choice (Ansari et. al, 2010). The top management of TM, the case company was not given much choice but to follow the directive from Khazanah, to change its performance measurement tool and revamp its BSC practice.

Following the above argument, BSC in this case, was given a new role as to provide an ‘authoritative’, epistemic and legitimating tool to implement and reorganise this political agenda. And as such a powerful tool it had the power to reorganise the organisation along this emerging political regime of performance based macro management or economic enterprise. In other words, adoption of BSC was relatively successful in the case company because it provided a ‘micro organisational tool’ of realising this macro political agenda. The so called ‘success’ of BSC in this case organisation due to the macro political support that the company has that include the political appointment of new CEO and other actors that are active supporters of BSC.

Similar to study by Hopper and Major (2007) on ABC’s implementation, consultants in TM also act as a boundary spanners in diffusing and translating BSC within and across level. Consultants were involved at the macro political
level with their involvement in the formulation of the GLC transformation manual. Their roles continued at the organisational level by providing advice and training on BSC. The roles and this continuous support from consultant made BSC to remain relevant and survive in the case organisation.

The institutionalisation story of BSC’s practice continues in the next chapter with the discussion on the cascading of BSC practice to two level of employees; managerial and operational. Following the third level analysis of Hopper and Major (2007) framework on the concept of contradiction and praxis, the next chapter will explain how and why institutionally embedded agents responded differently towards the new implemented performance management system, BSC. Next chapter will also elaborate on the role of actors in translating and mobilizing BSC’s practice in the company.
CHAPTER 8: INSTITUTIONALISATION OF BSC: CASCADING THE BSC AND TRADE UNION RESISTANCE

8.1 Introduction

The previous two chapters have discussed the process of institutionalisation of BSC at the macro political and organisational level. BSC came to the organisation as a result of various institutional environment interaction and influence. Coercive, mimetic and normative isomorphisms have brought pressures for TM to change its performance management system by adopting BSC. At the organisational level, BSC was seen as a mechanism for TM to reorganise itself as per the transformation manual. The presence of a new CEO helped the government in ensuring BSC and performance culture was properly in place at the organisation. This was then followed by the implementation of BSC at the managerial and operational level.

This chapter proceeds with the story of BSC practice at the intra-organisational level. According to Hopper and Major’s (2007) framework, various human and non-human actors are involved in translating and mobilising BSC concept before it becomes operable in the organisation. Different community in the organisation will respond differently towards the new management accounting tool implemented in the case company. Actors will behave differently and not necessarily in unitary. The concept of institutional contradictions and praxis are used in explaining when, how and why institutionally embedded agents might come to question and subsequently attempt to change their and other’s taken for granted ways of beliefs. Institutional change is an outcome of these dynamic interactions between institutional contradictions and human praxis. Hence, the chapter aims to explain the different responses towards BSC practice at TM’s different hierarchal employees.

Besides categorising employees according to functions and division, TM also classified its employees based on their entrance level qualification. Managerial level or commonly called executives in the case organisation refers to the
employees with a minimum of a degree qualification. The other type of employees is non-executives or the operational level employees with diploma or certificate level of entry. The executives function at all divisions whereas the non-executives normally comprises of administrative staff such as clerks and technical people. As per Hopper and Major (2007) framework, executives and non-executives are labelled as human praxis that shown different responses towards the new change introduced in the case company. Their own personal experience and self-interest will influence the reaction towards new performance management system in the organisation.

This chapter is organised into 7 sections. Section 8.2 first will explain the BSC’s experience at the managerial level. This is followed by section 8.3 that describe the current practice of BSC at TM. Section 8.4 explains the process of translating BSC and mobilizing the human and non-human agencies to make BSC operable in TM as various faces of BSC were formed as a result of these dynamic interactions of human agency and translation process. Section 8.5 then explains the non-executives experience of BSC. The chapter proceeds with the discussion on the existence of two separate performance management system in section 8.6. Section 8.7 concludes the chapter with theoretical discussion and concluding remark.

8.2 Implementing BSC at the managerial level

BSC was first introduced at the managerial level as KPIs exercise back in the year 2000. The KPIs at that time was developed based on the old performance measurement system and act as a guide for the managers in performing their task. The KPIs were initially not tied to the reward and bonus system. Hence, KPIs generated were in silo basis, meaning that it was not cascaded from the top management scorecard. Later on as further changes happened due to Khazanah’s transformation program, the KPIs were redeveloped using BSC as the methodology and tied to reward system.

The next section describes the current practice of BSC at the managerial level, post transformation program.
8.3 BSC as practiced at the managerial level

TM defined BSC as a strategic management tool, not merely as a performance management tool (TM Beyond Blue, p. 11). This was to reflect TM’s own evolution of using BSC, from performance measurement tool to strategic measurement tool. TM has a rigorous process of BSC in place. Figure 8.1 shows the current BSC process flow at TM.

The initial step in the practice of BSC in TM begins with a clear understanding of the vision and mission of the organisation. The group finance is made responsible for communicating TM’s group strategic direction, strategic Map, Scorecard and top down targets to other division and corporate centre. BSC in TM is developed using a well-defined best practice approach. TM business strategic direction is developed after conducting an assessment of TM’s foundation. The foundation includes core beliefs, market opportunities, competition, financial position, short and long term goals and an understanding of customer satisfaction.

There are three types of KPIs formulated and used in TM: 1) shared KPI, 2) common KPI, and 3) functional KPI. Shared KPI is defined as a set of measures and targets that are cascaded to the lower tier in line with job function, which enables direct contribution or influence such as group revenue, return on equity and EBITDA margin. Common KPI refers to a set of measures and targets that are cascaded down to lower tiers as long as the KPI can be measured by an independent body. Example of this common KPI includes customer satisfaction index (CSI), employee engagement index (EEI) and internal customer satisfaction index (ISCI). The other type of KPI functions related KPI is defined as a set of measures and targets related and specific to individual jobs, supporting the strategic objectives of any four perspectives of KPI such as cycle time reduction and project completion. The guidelines of good KPIs are provided in the Beyond Blue business performance management policy and guidelines. All executives are required to have 8 to 12 KPIs that cover the four perspectives of the BSC. The KPIs should be based on outcomes, rather than activities. The KPIs need to be tested and validated before being adopted.
Some of the criteria for the KPI are linked to objectives, measurable, controllable, simple, actionable, credible, integrated and balanced.

Upon establishing the annual KPI, the next stage is the implementation process. This process is accomplished by firstly setting up ‘stretch’ targets from the business plan. The business plan will include a detailed budget for the next financial year, as well as company’s strategies to achieve the target. Second is planning and executing KPIs. This is followed by monitoring the KPIs and taking action plans. Performance rating is established for reward systems, and the next stage is to establish linkages to other management processes, and to establish linkages to ABC, TCS initiatives and other strategic initiatives. Business plans are monitored, as well as TCS initiatives and others through COMPASS. The last step in the implementation phase is to review and communicate results. This includes reviewing the strategic feedback system. Results are communicated to the entire company, and the vision, strategy and BSCs are reviewed and refined.
Figure 8.1: TM BSC process flow (Source: TM Internal document)
<table>
<thead>
<tr>
<th>STRATEGIC OBJECTIVES</th>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
</tr>
<tr>
<td>Increase shareholder value</td>
<td>• Group revenue (RM)</td>
</tr>
<tr>
<td></td>
<td>• Group EBITDA margin (%)</td>
</tr>
<tr>
<td></td>
<td>• Group PATAMI (RM)</td>
</tr>
<tr>
<td></td>
<td>• Group ROE (%)</td>
</tr>
<tr>
<td>Mitigate Fixed decline</td>
<td>• Malaysian business revenue</td>
</tr>
<tr>
<td>Increase domestic cellular business</td>
<td>• Celcom revenue</td>
</tr>
<tr>
<td>Grow international business</td>
<td>• TMI revenue (RM)</td>
</tr>
<tr>
<td>Grow revenue of retained ventures business</td>
<td>• TMV External revenue (RM)</td>
</tr>
<tr>
<td>Manage OPEX efficiency</td>
<td>• OPEX efficiency</td>
</tr>
<tr>
<td>Manage Assets effectively</td>
<td>• ROA</td>
</tr>
<tr>
<td><strong>CUSTOMER</strong></td>
<td></td>
</tr>
<tr>
<td>Customer centric solution</td>
<td>• CSI</td>
</tr>
<tr>
<td>Reliable services</td>
<td>• TM Group CSI</td>
</tr>
<tr>
<td>Convenience</td>
<td>• Compliance achievement to TM group customer service charter (%)</td>
</tr>
<tr>
<td>Win-win partnership</td>
<td>• CSR Transparency Index</td>
</tr>
<tr>
<td>Good corporate citizen</td>
<td>• CSR Media Value Index (RM)</td>
</tr>
<tr>
<td></td>
<td>• Return on Sport Sponsorship Investment</td>
</tr>
<tr>
<td><strong>INTERNAL BUSINESS PROCESS</strong></td>
<td></td>
</tr>
<tr>
<td>Turn around fixed</td>
<td>• Revenue decline in fixed services</td>
</tr>
<tr>
<td></td>
<td>• No. Of broadband subscribers</td>
</tr>
<tr>
<td>Turn around CELCOM</td>
<td>• ARPU – Cellular</td>
</tr>
<tr>
<td></td>
<td>• Growth in cellular market revenue share</td>
</tr>
<tr>
<td>Strategic Regional Expansion</td>
<td>• Revenue market share</td>
</tr>
<tr>
<td>Maximise group synergies</td>
<td>• Inter OPCOs bundling revenue</td>
</tr>
<tr>
<td></td>
<td>• Incremental sales</td>
</tr>
<tr>
<td></td>
<td>• Increase in traffic/revenue from CELCOM &amp; TM international companies</td>
</tr>
<tr>
<td></td>
<td>• Procurement cost saving</td>
</tr>
<tr>
<td>Improve critical business processes, quality &amp; services</td>
<td>• Service fulfilment within 48 hours (%)</td>
</tr>
<tr>
<td></td>
<td>• CELCOM network quality performance (%)</td>
</tr>
<tr>
<td></td>
<td>• GSM network availability (%)</td>
</tr>
<tr>
<td></td>
<td>• Mean time to restore (hours)</td>
</tr>
<tr>
<td></td>
<td>• Drop calls (%)</td>
</tr>
<tr>
<td>Build TM brand value</td>
<td>• TM group brand value increase (%)</td>
</tr>
<tr>
<td>Rationalised ventures business</td>
<td>• Completed rationalization of non-core companies (%)</td>
</tr>
<tr>
<td>Improve cost and capital efficiency</td>
<td>• Group ROCE (%)</td>
</tr>
<tr>
<td>Ensure support, compliance &amp; influence regulatory &amp; national policy</td>
<td>Compliance achievement (%)</td>
</tr>
<tr>
<td>Perform corporate social responsibility</td>
<td>CSR spending ratio (%)</td>
</tr>
<tr>
<td>Organisational learning and growth</td>
<td>Human capital &amp; leadership/talent development</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Intensify performance driven culture</td>
<td>Operational efficiency</td>
</tr>
<tr>
<td>Manpower optimisation &amp; productivity</td>
<td>Employee satisfaction index</td>
</tr>
</tbody>
</table>

Table 8.1: TM Scorecard for 2007

*Source: TM internal document*

### 8.3.1 BSC’s cascading and alignment

Once the strategy map and group BSC is ready, the next step is to cascade the BSC to the working level i.e. the other employees. The cascading and alignment processes are important in ensuring that all employees are working towards the same vision and mission. Cascading refers to the process of further translating the strategic objectives, measures and initiatives at the corporate level to the lower levels throughout the organisation. It is a process of aligning the entire organisation to the common strategy, regardless of the company’s organisation structure. Ideally, this process allows the employees to participate in the setting up of meaningful objectives and measures within their own territory, in line with what is set at a higher level. Cascading is essential, as the process encourages a sense of belonging and fosters the spirit of involvement and teamwork. TM’s beyond blue book provides a detailed guideline of this cascading and alignment process, so as to ensure that the process really leads to corporate alignment.

The cascading structure in TM is based on the organisational hierarchy that is termed as “tier”. The top most tiers refer to the TM group and the group CEO, while Tier 1 refers to all the heads of division reporting directly to group CEO. Tier 2 refers to all the units and heads reporting directly to Tier 1, and tier 3 onwards refers to the subsequent direct reports to the higher tier. Figure 8.2 shows the organisation structure and reporting tier in TM.
Figure 8.2: TM organisation structure (Source: TM annual report 2009)
The cascading process at TM starts from the group CEO down to its subordinates, according to the hierarchy of the company. The strategy map is the basis for the development of the BSC of the divisions. The BSC of the division is then cascaded down and reflected in the individual members in the division. The individual scorecard is developed for all senior managers in TM, for the purposes of individual performance management. This process is driven by the human resource group, with the assistance of the PPMO.

KPI cascading is part of the BSC cascading process. Once the scorecard has been cascaded down to the individual owner, this is then followed by KPI cascading. The KPI cascading process involves identifying and determining the KPIs for lower levels. Figure 8.3 depicts the example of KPI cascading to identify supporting KPIs for earning per share measure (EPS). The final result of this exercise is as shown in table 8.2.

![Figure 8.3: KPI Cascading: identifying supporting measures](Source:TM internal document)
<table>
<thead>
<tr>
<th>PERSPECTIVE</th>
<th>GCEO</th>
<th>TIER 1 (Reporting to GCEO)</th>
<th>TIER 2 (Reporting to Tier 1)</th>
<th>TIER 3 (Reporting to Tier 2)</th>
<th>TIER 4 (Reporting to Tier 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
<td>GROUP REVENUE (RM)</td>
<td>OPCO REVENUE (RM)</td>
<td>DIVISION REVENUE (RM)</td>
<td>UNIT REVENUE (RM)</td>
<td>INDIVIDUAL ACCOUNTS REVENUE (RM)</td>
</tr>
<tr>
<td></td>
<td>OPEX EFFICIENCY</td>
<td>OPCO OPEX – ACTUAL VS BUDGET (%)</td>
<td>DIVISIONAL OPEX – ACTUAL VS BUDGET (%)</td>
<td>UNIT OPEX – ACTUAL VS BUDGET (%)</td>
<td>UNIT OPEX – ACTUAL VS BUDGET (%)</td>
</tr>
<tr>
<td></td>
<td>OPEX REVENUE (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CUSTOMER</strong></td>
<td>CSI</td>
<td>ICSI % OF SLA</td>
<td>ICSI% OF SLA</td>
<td>ICSI% OF SLA</td>
<td>ICSI % OF SLA</td>
</tr>
<tr>
<td></td>
<td>CSR Index (GCC, GHR &amp; GRP MKTG)</td>
<td>CSR SPENDING RATIO</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td><strong>INTERNAL BUSINESS PROCESS</strong></td>
<td>REVENUE MARKET SHARE (%)</td>
<td>FUNCTIONAL KPI</td>
<td>FUNCTIONAL KPI</td>
<td>FUNCTIONAL KPI</td>
<td>FUNCTIONAL KPI</td>
</tr>
<tr>
<td></td>
<td>NO OF INTER OPCO BUNDLING (UNIT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% SERVICE FULFILLMENT WITHIN 48 HOURS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ORGANIZATION LEARNING AND GROWTH</strong></td>
<td>% ACHIEVEMENT TOWARDS DESIRED TM COMPENTENCY LEVEL (CI)</td>
<td>OPCO COMPETENCY INDEX (%)</td>
<td>40 HRS TRAINING ON FUNCTIONAL COMPETENCY % SMARTORANGE REQUIREMENT</td>
<td>40 HRS TRAINING ON FUNCTIONAL COMPETENCY % SMARTORANGE REQUIREMENT</td>
<td>40 HRS TRAINING ON FUNCTIONAL COMPETENCY % SMARTORANGE REQUIREMENT</td>
</tr>
<tr>
<td></td>
<td>% OF EXECUTIVE PERFORMS ABOVE TARGET (%)</td>
<td>OPCO COMPLIANCE TO PERFORMANCE CURVE (%)</td>
<td>% OF DEPLOYMENT OF BSC</td>
<td>% OF DEPLOYMENT OF BSC</td>
<td>% OF DEPLOYMENT OF BSC</td>
</tr>
<tr>
<td></td>
<td>GROUP EEI</td>
<td>DIVISIONAL EEI</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8.2: Sample of KPI Cascading across tiers  
(Source: TM internal document)
BSC alignment activity is deemed necessary for TM in creating synergies throughout the organisation, especially between different divisions, operational and support groups. TM adopts two types of alignment: vertical and horizontal. The vertical alignment of BSC at TM follows the five principles of strategy-focused organisation (SFO) of Kaplan and Norton, as explained in chapter 2. Horizontal alignment, on the other hand, refers to the alignment of KPIs with the strategic objectives and alignment of the initiatives. The alignment matrix is used to ensure that this process is done properly. The responsibility for this alignment at the group level falls under the PPMO, whereas group senior managers are responsible for the alignment at the divisional level. Often, to ensure accuracy, PPMO is also involved in the alignment process at the divisional level, through consultations and attending divisional meetings.

8.3.2 BSC reporting and performance review

The last step in the BSC process flow in TM is to report and review the company's performance. TM has a rigorous process of monitoring business performance, whereby the Board and executive committee review performance against all corporate KPIs every month. Business performance reports are produced on a monthly, quarterly, half yearly and yearly basis. Business performance report represents the major content of BSC. The report is presented with three colour codes and rating scales. The green colour or 3 rating is for meeting the target, yellow or 2 rating for partially meeting the target and red colour or 1 rating for failure to meeting the target. The report is compiled by the PPMO office and sent to the company secretary to be tabled at the monthly board meeting. The format of the report closely follows the BSC methodology, with the presentation of the strategy map to provide a snapshot of the company's performance. This is then followed by the four perspectives of performance. Financial performance is normally reviewed first, and compared to three other perspectives. There is one assistant general manager in the PPMO unit who is in charge of compiling and preparing the monthly report. The assistant general manager is also responsible for providing a critical analysis of the monthly results. The report is normally submitted to the group executive committee prior to the board meeting date.
There are several reporting standards used by TM to report its performance. The first is a strategy map performance template that depicts the snapshot of performance throughout the year to the date for the performance in each and every strategic objective. The second template measures the performance analysis template that depicts the snapshot of measures performance to date. The report basically provides useful information on the historical trend of the measures. The third template is the key issues demanding template that contains issues that requires management attention at a corporate level. This ensures that the issues reported are strategic in nature. The next is the BSC perspective report template, which shows the actual performance of each perspective, as compared to the business plan target and its status. The report also depicts the root cause of non-achievability of targets, persons responsible for the measures and timeline for the initiatives proposed to rectify the non-achieved targets. All of the reports are consolidated and prepared by the reporting unit at the PPMO.

Individual performance review is conducted on yearly basis. There are two online systems in place for this evaluation. COMPASS is used to monitor and track the performance of general managers and above, while MAPS is used to monitor executives’ performance. As mentioned before, all general managers and above are on a contract basis that is renewable every three years. They also have an individual scorecard that depicts the target that they have to meet in that year. Other executives have a set of 8 to 12 KPIs. Ideally, contracting is done at the beginning of the year. This is then followed by a monitoring exercise in the middle of the year, to ensure that targets are met. Targets are adjusted if it seems that they will not be realized. At the end of the year, actual results are compared to the target, and performance is evaluated based on this.

In addition to meeting KPIs, employees are also evaluated by their behavioural elements that contribute a total of 20 per cent of their performance marks. The behavioural elements are evaluated based on peers’ and immediate superiors’ reviews. A number of reviewers are nominated to evaluate the behavioural performance of the employees. This evaluation is, again, done through MAPS.
and the employees often know their appointed internal reviewers. Thus, manipulation of result is not impossible. Annual increment and bonus for the executives are based on their performance.

Although the rewards are based on performance, the allocation of bonuses at TM is not really a straightforward procedure. Meeting the KPI target does not necessarily translate into a strong performance ranking. This is due to the moderation exercise at the final stage of performance evaluation or often known as force ranking. The individual performance result will be nominalised to achieve bell graph. Thus, if there are quite a number of high performers, a committee will decide on who deserves the big bonus. The head of division will nominate the employees and submit the names to HR for the reward. Thus, although having KPIs for performance evaluation seems like an objective method, in the end, a subjective element is still applied as well. This situation, however, usually exists when there are limited funds available for bonuses.

8.4 Translating, mobilising BSC and different faces of BSC

The functions of BSC kept on changing from the post privatisation period until post GLC transformation era. The interaction among the various actors at the organisational level affected how BSC was perceived and practiced along the period of its adoption. As per Hopper and Major (2007) framework, human actors and non-human actors formed their own network and the translation activities of the BSC concept.

8.4.1 BSC as performance measurement system

BSC was first adopted in TM as a performance measurement system. This is in line with the BSC concept when it was first proposed by its founder (see Kaplan and Norton, 1992, 1994). Hence BSC was translated in the organisation as set of KPIs to better measure its performance based on the four proposed perspectives. These KPIs however were on a stand-alone basis. The employees also had their own KPIs that were developed on their own. At that time, the general idea was simply to have KPIs, and these KPIs were not linked to the company’s strategy and mission. Thus everybody did their work without
knowing the impact of their actions on the company. The KPIs were thus developed for the sake of having KPIs.

“KPI back then was just for work. Meaning that we should be clear what we want to do...very quantitative and objective. What do we want to achieve in our work. There was no alignment at that time. You create your own KPIs for your work.” (Manager Retail)

BSC at that time was seen just a mere reporting tool to give an indication about TM’s performance and compare it to other players in the industry. The major concern at that time was just looking for a better way to measure and report performance as TM’s status changed from government agency to privatised entity.

8.4.2 BSC as a strategic management system

The initial usage of BSC as a balance performance measurement system was later on enhanced to link the KPIs to TM strategy. This enhancement of BSC usage was partly due to the evolution of BSC’s concept at that time and also due to the change of strategy that TM took in late 1990s. The change of strategy that TM took was to embark on a new service, mobile telecommunication service which started to enter the Asian region after the liberalisation of the industry. TM as the major telecommunication company in Malaysia did not want to be left behind by this new advancement of technology as argued by the General Manager of Strategy Unit;

“Before this we do not have competition...we do not have Maxis or DIGI. When the strategy change we anticipate fixed line will go down...it is a trend. We have to accept it. So we bought CELCOM as a strategic action where we think that will be the future revenue generation. So when we bought CELCOM, there is where the competition comes in. With the competition we need a more structured way of planning and aligning the operations with the strategy. The need to actually have the line of sight from operation to the corporate direction.”

She further stated that;

“Due to competition, we see that we need to improve our performance. We have to be at par or better than our competitions. In order to do that whatever that we have planned must be supported by the operation. So
the gap between operation and the plan is there. So BSC is the tool to minimize the gap from operation to the strategy.”

Thus, BSC was another method for TM to reorganize the company’s operation. Before this, BSC was seen as a tool for the company to measure their performance in a balance way. In 2004 however, the function of BSC was enhanced further to be used as a methodology in the strategic planning process. This move is parallel to the Khazanah mandate of transforming the organisation into a high performing organisation in Asian.

This big move to use BSC as a methodology in the strategic planning process was possible as BSC unit was under the strategy division. Hence, both business planning and BSC functions were under the same reporting structure that it the CFO. In addition, it was also possible as the general manager at that time was a strong believer of BSC and she became a BSC champion, pushing the top management to rely on BSC as the tool in the strategic planning activity.

The BSC usage at this time was considered at the peak where it acted as a driver for TM to move further. BSC methodology was used in the strategic planning tool of TM and this was made possible due to the influential actors that support the new tool. This however did not last long as BSC was later on disconnected from planning activity.

In 2004, there was a change in BSC usage in TM. Previously, TM was operating in a monopoly market, whereby TM was the main supplier of communication technology in Malaysia. As technology changed, TM ventured into new markets by acquiring a mobile telecommunication company. With this strategic move, TM now faces competition from other players in the market. In addition to this, other companies were beginning to offer the same services as TM does. Hence, the company feels that they have to do something to face this new challenge and improve the company’s performance. Thus, the corporate strategy unit proposed that the board of management enhance the usage of BSC as a methodology in translating the company’s strategy into action. The board favoured this idea, and this was further strengthened by Khazanah
Nasional’s move requiring all GLC in Malaysia to implement KPIs in their organization. As a representative of Khazanah also sits on the board of management, the proposal was easily accepted by TM.

8.4.3 Disconnecting BSC from planning activity

After four years of fully utilised BSC as a strategic planning tool, BSC was disconnected from the strategic planning activity. This moved was following another reorganisation exercise in TM in 2008. A massive reorganisation exercise resulted in the demerger of its mobile and international business. This signifies the changing focus of TM to become a domestic champion. With this de-merger exercise TM concentrated on becoming the champion for voice and internet services. They were focusing on high broad band service development.

In April 2008 a new CEO was appointed in TM. The new CEO was TM’s former vice president group strategy and technology and chief executive officer of Malaysia Business. The new appointed CEO came from engineering background. During his time BSC’s usage was eventually altered. New CEO comes in and again BSC usage is reduced to just for reporting yearly performance and to cascade the KPIs to the lower level of reporting. It is interesting to note that this new CEO was once the VP of corporate strategy and technology that is responsible to develop and implement BSC in TM. BSC is still part of the system but its usage is different as argued by one of the executives in PPMO;

"Nowadays the strategy and BSC do not really linked. Once the strategy has been decided then they tell us and we put it in the scorecard. The strategy was done in silo". (Assistant General Manager PPMO)

The separation between business plan and BSC was due to the reorganisation of BSC function from the strategy and development unit to a new division, PPMO. This new division was established to further improve the company’s performance. However, BSC function was now being reduced to just monitoring and reporting the monthly performance and were not involved in the formulation of company’s strategy. One of the PPMO employees expressed his dissatisfaction over this new change;
“Our unit is now performance unit. It used to be strategy management...how do you execute your strategy. Business Plan comes first, then we come out with strategy map. We used to be involved in strategy management. Now we are just monitoring company’s performance...performance management”. (Assistant general manager)

Another manager also shared her disappointment of the new development:

“Our unit used to be important. We were involved in both the business plan and balanced scorecard. If other division wants something ... any figure or to clarify something they will call us. Now we are no longer involved in the business plan. Our job now is just to supply information for PPMO for the monthly report. It’s just to feed the relevant information as requested by PPMO. PPMO will compiled the report and send it for the group leadership meeting.” (Manager)

The reporting format was also changed in early 2010. Before the changes, the monthly reports were done according to the strategy map and the four perspectives of the BSC. Users of the report will often see the four colours like the traffic light used as indications for the status of initiatives that TM has been doing. The new report now does not follow the same format but using the ‘waterfall’ format as suggested by McKinsey, a new consultant hired by TM on regular basis. McKinsey was also the consultant hired by Khazanah in developing the GLC transformation manual. In addition, the formulation of business plan also no longer followed BSC’s methodology like previously done and often conducted separately. BSC seemed to function as a cascading and alignment tool of company’s strategy.

“You can see now that we do not really emphasise it (referring to BSC). The thing is there...yes we do have scorecard. We use it for business performance. When we present to the group leadership team, we can see. In fact now scorecard is placed at the last page of the report. Last time, in strategy map we can see the colour red, green or yellow or whatever. Now that page is placed at the back like a supplement side. This all happen when the new CEO comes in.” (Assistant General Manager).

The issues of cascading and separation from business planning process signify decoupling of BSC from its original purpose of adopting it. This occurred due to the changes of influential actors within the organisation. The appointment of another new CEO has resulted in changes of consultant hired for TM. This
arrival of new consultant with their own agenda has indirectly reduced BSC from the planning activity to a mere reporting tool as stated by one of the interviewee;

“The scorecard at the end of the day is just reporting...as a business driver. In TM personally, I just need the business plan. Business plan comes first. Scorecard gives you the signal. It will raise the red flag. It is a basis for the management to give you the indication when to raise the alarm bell”. (GM strategy development).

The quote above indicate that the BSC’s function as part of strategic planning process no longer important and more influential actors within the organisation managed to mobilise it and reduce its function to a reporting tool. This is further supported by one of BSC’s allies;

“BSC is there but for reporting purpose. If people ask do we use BSC? Yes we use it...for reporting purpose. It’s just that the comprehensiveness is not 100%. We use it maybe 80%, so we have to really look into it.” (AGM PPMO)

“You can see now we do not emphasis on BSC. The thing is there...yes we have it...we do the scorecard. We use it for business performance. When we present to the top management meeting we can see. In fact, now the scorecard is placed at the back (meeting document). Previously from the strategy map we can see red, green, yellow and other colour indicator. Now that kind or report is put at the back with this new CEO. We were told that McKinsey wants it this way. Previously our consultant is Kaplan and Norton, but when McKinsey came in, everything changes.” (GM PPMO)

“For me it is simple. It does not matter how you want to present it so long as the essence of BSC is there (referring to the new format of reporting). I’m happy with that. We have to compromise with them. If they want this format of report, we just follow but as far as we concern, the spirit of BSC is still there.” (GM Strategy development)

This BSC supporter however was very optimistic towards the future of BSC in the organisation as he commented below;

“BSC has been in TM since 2004 or 2005. And now with our new CEO we still continue (with BSC) and being GLC under Khazanah, as long as Khazanah is a strong believer of the scorecard, I don’t think Khazanah, because they have strong representative, will allow GLCs to do away
with scorecard. But I think even without Khazanah it is still good because the board is believer of scorecard. Because…. the measures are all there recorded.” (CFO)

8.4.4 Linking BSC to the reward system

In the first episode of BSC’s implementation, TM intended to link rewards to performance. This move however was not supported by the human resource division. As the human resource manager stated:

“The main issue at that time was if we want to align BSC to reward system how do we formulate the reward? It’s difficult to change the mind set as people are used to the budget…it took us quite sometimes and we change gradually by trial and error”.

Another major concern voiced out by the human resource was regarding the existing system in the company that did not provide support for such change to happen.

“One thing is that system at that time did not support. And one thing is that to make everyone understand…to change people’s mind set and to get people think about performance. We invested in lot of training to make sure people tuned to performance mind set. Imagine 30,000 employees…how long will it take?” (General Manager Human Resource)

In the early years of introducing BSC in TM even the human resource did not like the idea of linking performance to reward. In the beginning of BSC’s implementation in TM, the company has already created an online system to link the BSC to the rewards. However the human resource at that time was not too keen to adopt such system as argued by one of the BSC working team:

“...at that time we have created a system to link the KPIs to performance reward and presented it to the group human resource at that time. He did not say yes and not even no. But HR did not use the system. If you ask me I think they were afraid to lose part of their work if they accept the system.” (Former member of BSC task force)

The evaluation of performance at that time is still based on old system whereby the employees are evaluated based on a set of criteria which are very subjective in nature. The criteria evaluated the quality and quantity of their work rather than a specific job function. In addition to that, their social contributions
were also considered in the determination of the reward. Hence the KPIs that were generated at that time were used for their daily work and did not give impact to their performance.

“In the old system....I could not see how reward is tied to performance. As far as I know it was based on individual performance but actually recommended by the bosses. In fact now...although we have all these KPIs, when you want to reward somebody it is supposed to be recommended by the bosses.” (Assistant general manager)

In the old system, reputation with the boss was deemed to be important as they have a final say in the giving out reward.

“Although we do look at whether the person has achieved the target or not...at the end of the day we have a lot of achievers, ultimately the bosses is the gatekeeper. Let say we have the same mark...so we will look at the effort and other things like attendance, medical leave and others. It is very holistic view not only from one angle”. (Assistant general manager)

The practice of not linking KPIs to rewards has created dysfunctional behaviour among the employees. Achieving KPIs was not translated into good performance. Hence KPIs at that time was not deemed to be important as the employees used them as guideline for their work. It was more like defining their scope of works. In addition, there is no clear penalty imposed for not achieving the target as one of the assistant manager said;

“There is no correlation between performance reward and consequences. Thus you play safe by doing what you have always been doing without really understand why that particular activity is being done.”

With the transformation program in place, following the recommendation by Khazanah reward is linked to performance. In addition the senior management is put under 3 years contract renewable upon achieving their scorecard. General Managers and above became BSC owner that require them to share the responsibility of achieving divisional performance target.
Online MAPS was reintroduced to the executive’s level. This new revised system was generated from BSC whereby the KPIs are cascaded from the division BSC. Executives are required to log in the system and choose the relevant KPIs in the system based on their division. Approval from their immediate superior is needed and form as a contract for evaluation of performance later at the end of the financial year.

Performance contract was introduced as part of the transformation programme. This new change in performance management system can be seen as part of the government’s move to establish performance culture in TM. For the first time, senior management were made accountable for their actions by agreeing to a 3 year contracts. As part of the steps to ensure the alignment of employee’s action and goals towards company’s strategy, KPIs were tied towards the reward system. The process of developing KPIs now is both a top down and bottom up approach. The KPIs need to be discussed and agreed between the lower manager and his or her immediate superior. Once agreed, they have to key it in to the system and the contract is finalized. The employees are responsible for monitoring their own performance and targets. In the middle of the year, the target set at the beginning of the year could be modified with the consent of the immediate superior. The employees’ performance is then based on the new target set. Meeting KPIs target contributed 80 per cent towards the employee’s overall performance. To ensure that employees do not become KPIs oriented, another 20 per cent of overall performance is based on behavioural item terms as 360 degree feedback. Day to day interaction among employees is judged by people who deal directly with a particular employee. These include immediate superiors and subordinates from other divisions. Ironically, the employee knows who are they supposed to evaluate, and who will evaluate them at the beginning of the year. Thus, manipulating the result is not impossible.

In choosing the KPIs, discussion and negotiation are often needed as mutual agreement between the executives and immediate superior is crucial to ensure fairness in the evaluation of performance. At the higher level, the senior management level, the process was properly conducted during meeting with the
top management. This was deemed important as the senior management were on contract basis. This practice often involved bargaining and negotiating as everyone needed to protect their own interest. Often it consumed more time than allocated that resulted in the delay of contracting process.

8.5 Implementing BSC to the non-executives

The blue book of the GLC transformation manual spelt out the recommendation of having performance linked to rewards for the operational level as well. This practice is deemed necessary to create alignment of objectives from top to bottom level of the company. TM however struggled to implement such system to its operational people. A series of negotiation were made to obtain buy in from the employees but the process seemed to be futile. Hence the cascading of BSC and KPIs in TM ceased at the executive or managerial level.

Explaining why TM was not successful in cascading the new performance system to its non-executives level requires a look at the history of trade union in the organisation. Trade union is an important institutional factor that influences the practice of organisation. As per the framework, trade union which is representing the operational level employees is one of the important praxis that was embedded in the institution.

The presence of trade union in TM was strong during the privatisation era in the late 1997. The member of this trade union consists of non-executives employee with a maximum qualification of diploma certificate. TM trade union is called National Union of Telekom (NUTE). Currently NUTE has a total membership of more than 10,000 people. It used to have about 22,000 members at one time. However the number has decreased due to the voluntary separation scheme (VSS) that TM launched in 2004 as well as due to scheduled mandatory retirement of the employees. In addition, the membership number is also shrinking over the time due to the nature of industry itself that saw rapid technology changes that resulted in less number of manpower to handle equipment. Another factor of decreasing number of membership is due to the voluntary nature of membership instead of compulsory. Non executives are
given the option of applying for the membership that comes with certain benefits such as legal support in the case of illegal dismissal and other social benefits. However, any agreement made between the union and management will affect both members and non-members.

The presence of trade union in TM can be considered strong. The fact that the union, NUTE has its own building signified an important presence in TM. The elected president of NUTE is a full time employee and receives allowance for holding the post and does full time union work. Thus the president is relieved from his duty at TM and concentrates on union related activities. On the other hand, the other 13 members of the committee only work as part time union work while at the same time handle their official duties.

In the beginning of the implementation process BSC was rejected by the union. To be specific the union rejected the idea of linking reward to performance. A series of negotiation took place in the year of 2004 and 2005 but with no success. Decision making in NUTE rests with the committee members. These members are selected via election process held on term basis. Similar like any other organisation, politics are often involved in this process.

Choosing trade union leader is a political consideration. Top management wants the leader to be friendly person that often agreeable with the top management decision. The employees on the other hand want to select leader who is committed in taking care of their welfare and protect them from any injustice act executed by the top management. It is interesting to note that the union in TM has somehow diminishes in terms of power over the year.

The previous leader of NUTE was seen as coming from opposition party and perceived as very vocal in voicing out his disagreement. During his term, holding protest or demonstration in order to protect the interest of the union members was common. Picketing often held in front of the head office. This was seen as the common method applied by union in voicing out their resentment or disagreement with the top management. Thus, the union leader at that time was perceived as not friendly to new changes. Top management’s
suggestion to link reward to the performance was rejected. The top management was not able to negotiate with the union on the matter hence BSC was not cascaded to the operational people. Accepting BSC also means acceptance of tying reward to the bonus. It means that the operational people also accept the change to performance reward. The buy in process was unsuccessful as stated by the current union leader;

“...maybe at that time we are not confident with the system. We are actually not against the system but we are scared of the implementation.” (Union leader)

The union leader also shared his experience going through the BSC training.

“I went through the talk on BSC. I think it is too high level. It is very difficult for operational people like us to comprehend it. Maybe the language used also a barrier. Not all of have a good command in English language.”(Union leader)

The quote above gave an indication that BSC concept is only meant for the manager people.

This scenario however changes in the year 2008 with the elected new president. This new union leader was seen as someone from the management camp. There was still resentment from the other employees towards the decision from the union to accept the reward system. This can be observed from the negative comment posted in the blog on this matter. The new union leader acknowledged this and thus attempted to make the employees understand the matters through road show to all over the country holding meeting with the union members.

“We now conducted a series of discussion session with our members all over the country on this matter. It is crucial to make them understand the benefit of and the necessity of accepting performance linked reward.”

Performance linked reward was accepted by the union in Sabah, one of the state division of TM. Acceptance of such system by the operational employees in Sabah was attributable to the friendly nature of the union leader of the state. The BSC team worked closely with the trade union in Sabah to develop KPIs for
the operational employees. When questioned about the reason for the adoption, the union leader of the state commented:

“..the idea is good. If we perform we will get another 5% bonus on top of our contractual bonus. We get extra by just achieving the target that we set up in the beginning of the year. If you do not perform you will only get the contractual bonus. So it’s a win-win situation. Nothing to lose. I do not know why the Peninsular people (referring to the main union) did not accept such system.”

The general manager of PPMO also commented:

“It is just a trial period. The most important thing is that we want to inculcate performance culture among the operational people. Sabah union leader was very friendly that he wants to try it out and he is very passionate and gave full cooperation to implement the system. Normally we will fly there and have meeting with them to generate the appropriate measures for the employees. It is a bit tricky for the operational people as their jobs are very functional. So we need input from them to come out with the relevant KPIs.”

All this effort or move by the PPMO is part of winning the consent from the operational employees. This is important step for BSC to be cascaded down to the lower level employees and ultimately having a common performance measurement system.

“We are trying to do for the non-executives as well...whichever is friendly because the management of non-executives is not the same as management of executives level. You cannot simply do it (implement new changes) because they have collateral agreement on how their bonus is calculated and etc. “(General Manager Strategy Unit)

Trade union is another institutional praxis that influences the institutionalisation process of BSC. As per Hopper and Major (2007) framework, the community will response to change based on their past encounter or experience.

8.6 Co-existence of old and new performance management system

The institutional contradiction stem from misaligned interest between the top management and the operational employees has led to the co-existence of two performance evaluation systems being practiced in TM. The executives or the
manager and senior management performance system follows MAPS online system which is based on BSC methodology. The operational employees on the other hand remained with the old performance system which is inherited from the governmental era of TM that uses key result area (KRA) and involves subjective elements.

For these non-executives, their performance system is separated from BSC methodology. Their performances are also evaluated based on KPIs but the KPIs are self-generated. This means that the KPIs are not formulated from the BSC; rather they are just a set of measurements agreed upon between the employees and their immediate superiors. These KPIs are often very specific to their day to day operational activities. As with the executives’ performance evaluation, behavioural evaluation is another component of performance evaluation for non-executives. This will include their involvement in social and community services.

In addition, rewards for non-executives are subjected to contractual agreement with the top management. This contractual agreement (CA) is renewable every three years. The terms in CA are often negotiated with the top management to cater for the welfare of the non-executives. This is done through the union, NUTE. Due to the CA between top management and NUTE, a standard bonus is given to the non-executives. They also received a standard yearly increment. The annual performance evaluation for this group of employees is therefore used for job promotion only.

In 2004 as part of the transformation program, it was recommended that the BSC and KPIs be cascaded to the operational level i.e. the non-executives and to tie their reward to their performances. This policy, however, was not implemented in TM due to rejection from NUTE. In order to implement any new policy for non-executives, the top management need to consult and come to an agreement with NUTE. Several negotiations with NUTE were conducted but the top management were unsuccessful in convincing NUTE to accept the change. One union in the state of Sabah however, agreed to implement this new
performance measurement system in 2008. NUTE in the peninsular branch only agreed to accept this new performance measurement system in late 2009, and a new CA was drafted in early 2010. This change of heart is attributable to the NUTE new leadership that viewed this change as a good move for non-executives. The formulation of KPIs, however, is separated from the executives. This means that non-executives KPIs are not drawn from the company’s BSC. The KPIs are self-formulated by the non-executives with the agreement from the immediate supervisors. In contrast to the old system, these KPIs are now available online, and will be monitored through the system. Hence, the supervisor will be able to track the performance of the non-executives. This, in turn, will improve both the efficiency and productivity of non-executives.

The existence of these two separate performance reward systems in TM has somehow created a conflict between the managers and operational people. A general manager voiced her disappointment of such system.

“I wonder how they (referring to the operational people) are being rated. The high level is standardised KPIs and it goes into COMPASS. But the lower level tier can put their own KPIs.” (General Manager).

The quote above signalling a need for the operational employees to develop their KPIs based on BSC. The cascading of BSC should then be applied to the whole organisation.

8.8 Discussion and concluding remarks

In summary, the new performance management accounting system, BSC was institutionalised at the managerial level as it became part of routine activity and taken for granted system. Although the usage of BSC kept on changing over the period of its adoption, BSC continued to work or operable due to the strong support that it received from the macro political level as well as the micro processes within the organisation itself. The new performance system however was rejected by the operational level as it contradicted with their interest. The concept of linking bonus with performance was not well received by the trade union.
Several factors contributed towards the ‘successful’ institutionalisation of BSC at the managers’ level. Linking performance evaluation, rewards system to BSC added the acceptance level of managers towards BSC. Strong support from the top management remains to be one of the contributing factors towards the institutionalisation of BSC at the managerial level.

BSC was not institutionalised at the operational level due to the institutional contradiction that was stem from political struggle among the trade union leaders who have divergent interest and asymmetric power. The contradictive response received by these two level of employees in TM is not a surprise as Oliver (1991) suggested that organisations and their leaders, might not simply respond to institutional demands with passive compliance but could employ a range of ‘strategic’ responses-reactions that included acquiesce, compromise, avoidance, defiance and manipulation. The union leader in Peninsular showed his defiance by rejecting the new system whereas the leader in other part of Malaysia, Sabah chose to compromise with the new system. It is very interesting phenomena that perhaps can be attributed to different culture setting between the Peninsular and the state of Sabah. The size of the trade union also could be a contributed factor to this difference response as Sabah just one state whereas the union in the peninsular covering operational employees from 13 states.

The resistance by the union and later on rejection of the new performance measurement system can also be attributable to the nature of BSC itself. BSC has been presented as a managerial tool to manage the organisation. It is not really an operational tool that the operational people can relate to. The findings from the case study suggest that the BSC’s jargon seemed to be a little bit complicated for the operational employees to comprehend and thus contributed to the resistance.

Drawing from Burns et al. (2003) definition of successful change, the management accounting change in TM can be considered as successful for the
executive level but not for the non-executive or the operational people. As per Burns et al. (2003), successful change refers to those new system that was introduced into the organisation and was institutionalised, that is become taken for granted by the majority of the actors in the organisation. Unsuccessful change on the other hand, refers to the one that was introduced but not institutionalised. In TM, BSC and KPIs became a taken for granted activity for the executives and part of their routine way of performance evaluation activity while the non-executives did not embraced the new system of performance management and become decoupled from their routine activity. As a result of this interaction, TM continues to practice two separate performance evaluation systems.

The findings also agreed to the notion that BSC is a boundary object. The practice of BSC is not static or fixed. Contrary to the functionalist view of BSC being a static management tool, BSC’s practice is shaped by the actors surrounding the practice itself. Kaplan and Norton (1996, p.224) argue that "managers should use their balanced scorecard to implement an integrated strategies and budgeting process". In their view, budgeting including long term capital budget strategic initiative and annual discretionary expenses should be diverted at achieving targets for objectives and measures on the BSC. In TM, BSC was used as performance reporting tool, to cascade company’s strategies to the rest of the employees. BSC was never used as part of the budgeting process. This is due to the actors interpret BSC as such, although it claimed to follow closely the evolution of BSC by Kaplan and Norton.

The changing usage of BSC in TM was due to the change in the actors that came to TM. As argued by Latour (1987), the fate of technology does not lie in the hands of its innovator or in the technology itself. Rather its survival depends largely on those who came after. Thus, BSC practice albeit different usage over the years was able to stay in TM due to the new actors that came to the organisation carrying the same strong belief of the BSC.
Moreover, actors who came later in the chain of association “may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it (Latour, 1986 p.267). Thus, transformation of the BSC which make the BSC in practice different from what Kaplan and Norton propose should be expected. Disconnection of the BSC from the strategic formulation and budgeting process was as a result of the attempt of actors to make the BSC worth in their local conditions. The variety of interactive processes at work between actors within organizational fields as they engage in interpretation, sense-making, translation, and negotiation activities (Edelman, 1992; Dobbin et al., 1993, Weick 1995). As a result from this activities, BSC continue to evolve in the organisation.

Burns et al. (2003) suggested that for a successful implementation of management accounting change requires organisation to have powerful support for the new system, communication throughout the company, and involvement at all levels. In addition it is also important for change implementation to be backed up by extensive training, as well as adequate resources for the implementation process.

In the case of TM, the first set of management accounting changes had all the above elements. The management accounting changes had powerful support from the top management team and Khazanah. The new systems were communicated throughout the organisations and involved all departments of TM, including the operational levels. The changes were also backed up by a comprehensive training programme with adequate amounts of material resources. Therefore, BSC was successfully implemented and institutionalised at the corporate and managerial level.
CHAPTER 9: CONCLUSION

9.1 Overview of the research

The current study has investigated the process of BSC’s institutionalisation in a government linked (GLC) organisation in Malaysia. TM, the case organisation is one of the top 20 GLCs in Malaysia that has undergone a number of structural changes due to the changes in Malaysian government policy from the era of privatisation in the 1990s to the transformation era in the year 2004. Drawing from institutional perspectives specifically, the institutional framework model of Hopper and Major (2007), the research explained the process of BSC’s institutionalisation in TM. The evolution of BSC’s practice in TM was narrated based on the two important periods of change.

The first episode of BSC’s adoption occurred in the 1990s (ibid) as the government of Malaysia embarked on privatisation policy. Change at the macro political level provided pressure for TM to change. TM was privatised and the organisation structure changed accordingly to mirror the privatised entity. In addition to the privatisation policy, the government also liberalized the telecommunication industry and this in turn has exposed TM to market competition albeit TM still maintained its position as the main supplier of telecommunication services in Malaysia. Coercive and mimetic isomorphisms were present during this period of adoption. For TM to obtain legitimacy as part of privatised entity, it needed to adopt new management system. Mimicking other successful organisation seemed to be the common approach for newly privatised entity.

The privatisation policy that was introduced earlier did not progress well as many privatised entity were still lacking a commercial culture (Abdul Rahman, 1993; Nor-Aziah & Scapens, 2007). GLCs including TM, were often criticised for not being competitive that lead to unimpressive returns. The Asian financial crisis in the late 1990s couple with public criticism have led to the launched of
transformation programme in the year of 2004. This GLC transformation program triggered the second episode of BSC’s adoption. Khazanah, the investment holding company of the Malaysian government was responsible to implement and monitor the performance of the top 20 GLCs. Coercive isomorphism in the form of Khazanah’s pressure led to further changes in the organisational structure of TM. New CEO outside the organisation was appointed to lead TM towards transformed organisation particularly in improving its performance. BSC was redesigned and used as a tool to reorganise the organisation. New units and divisions were created to ensure the success of the programme. The transformation manual, blue book was developed as the main reference for GLCs to follow as part of implementing the programme. Performance culture was emphasised with the linking of BSC to reward system and the introduction of performance contract to senior top management.

At the intra-organisational level, managers and operational employees responded differently towards BSC. Managers accepted BSC and the practice was embedded to their routine and become taken for granted activities. In other words, BSC was institutionalised at the managerial level. The operational employees on the hand supported by powerful trade union, rejected the new performance management system. The idea of linking rewards to performance was not well received and thus BSC was decoupled from the current system. This two opposing responses led to the co-existence of two performance evaluation systems in the organisation. Middle level and senior managers were evaluated based on KPIs derived from BSC whereas the operational employees were evaluated using the old system.

The epistemic communities, the consultants were involved during both episodes of BSC’s implementation process. In the first episode, consultant as part of normative pressure proposed BSC to TM as a performance measurement tool. As a newly privatised organisation, TM relied on external consultants to provide them the much needed advice and pointer towards operating as a privatised entity. In the second episode of BSC’s implementation, consultants were also involved in the development of GLC’s transformation manual. Impressed with
the consultant’s work in one of the GLC has prompted Khazanah to employ the same consultant in developing the transformation manual. External consultants were highly regarded as the experts and possess the knowledge.

This study has provided an evolution of BSC in TM and its current process of using BSC in its daily operation. BSC, as a western ideology, was initially introduced in TM as a tool to improve its performance measurement and to transform the company to a high performance organisation. TM can be regarded as a pioneer in adopting BSC for its technical appeal, as well as imitating other organisations outside Malaysia that had used BSC. Adopting BSC at an early stage did not go well with other senior management. The strategy unit was not very successful in convincing others to embrace BSC as the performance tool. A directive from Khazanah, as a major shareholder of TM however, managed to turn around the scenario. This has resulted in a full-fledged implementation of BSC throughout the whole organization.

Currently following the trend, TM regards BSC as a strategic management tool to guide the company to become a regional champion in the telecommunications industry. TM has the inspiration to become a strategy-focused organisation (SFO) and to be part of the BSC Hall of Fame. The adoption of BSC in TM was at first not wholeheartedly accepted by employees. The initial resistance of top management, however, changed with the implementation of GLC’s transformation program in year 2004.

The noble idea of implementing BSC is part of TM’s aspiration to inculcate performance culture among its employees. This is accomplished by linking the BSC to the TM compensation system. Rewards in terms of annual increment and bonus are based on achieving the targeted KPIs agreed upon at the beginning of the year. The setting up of KPIs that are based on the company’s BSC in a way help TM to ensure that all employees are working towards achieving TM’s strategic objectives.
TM is committed in its decision to adopt and implement BSC. This is evident with the huge task force involved and the strong relationship with external consultants at the beginning of the BSC project as well as during maintaining period. The establishment of a specific unit to manage and monitor BSC at the corporate level ensures that the BSC is really practice in TM. The development of two online systems, COMPASS and MAPS shows that TM’s BSC practice is in place and up to date. In addition the online system helps employees to keep track of their performances on regular basis.

Cascading BSC to the lower level in the organization is a challenge for TM. Although TM has established a unit to monitor the practice of the company’s BSC, this unit is only responsible for monitoring the tier 1 cascading process. The cascading practice of middle managers within the division is at the head’s discretion. Currently BSC is only cascaded to the executive level. The second challenge for the management is to win over the union’s trust to implement BSC for non-executives. Currently the management team is unable to convince the union to accept the system after a series of negotiations. Obtaining the support from the union is crucial for TM in its quest to become a strategy focused organisation.

The implementation of BSC in the case company perhaps can be regarded as a successful one. From the moment when it was first introduced in 1996 until today TM has managed to somehow develop a BSC system embedded in the organisational. BSC concept is not an alien concept in the organisation. Tying the BSC system with individual performance measurement system helps BSC to become a constant system in the organisation. It has become a taken for granted concept although its application may not be identical to what Kaplan and Norton has intended it to be. Nevertheless, the system is there, and become part and parcel of the organisation’s routine operation. BSC system however remains as a mere reporting system.

In summary, the findings shows that BSC came to TM as a result of various institutional pressures, especially those coercive pressures exerted by the
Malaysian government via macro political agenda i.e. privatization and transformation policy. As a consequence of this, TM responded to the pressures to gain legitimacy by implementing BSC.

### 9.2 Theoretical and Practical Contributions

The study presents an interpretive and systematic investigation and analysis of the development and implementation of a performance management system, BSC. The study offers insights into the process of how global management innovation like BSC is diffused, implemented and practiced in an organisational setting. Thus, the current research provides both theoretical and managerial implication.

The research contributes to the growing literature that provides insights into how management innovations evolve in organization-specific contexts. Multi-level dynamics analysis of management accounting change in an organisational setting able to illuminate how the real practice are shaped by extra-organizational dynamics. Thus, the research contributes to the use of Hopper and Major (2007) framework in explaining the process of institutionalisation management accounting practice. The study also extends the theory by adding a trade union as one of the praxis at the intra organisational level. In Hopper and Major’s study, the praxis used was functional in nature across the organisation whereas the current study investigated the change process at two hierarchical levels of employees; manager and operational employees. Due to institutional contradiction, these two levels of employees react differently according to their experience with the system in place. The trade union leader lobbied for not using BSC as part of their performance measurement system and thus showed resistance to the change. Positive response was received by the managers as they embraced the change and BSC was institutionalised and became part of their routine performance evaluation activities.

The study offers an insight on how BSC as a performance management system able to be maintained in the organisation. Unlike most findings on implementation of management accounting tool that reported abandoned of
new system due to failure or rejection. The findings of this study shows how BSC, as a new management accounting system was given second chance of implementation. It was not discarded although the acceptance level of the system was low when it was first introduced. Rather the system gained more acceptances with the government influence. Greater acceptance at the second time of implementation is also attributable to the new actors that came to the company. They also believe in the system. The continuous support from the consultant also made BSC’s presence remains in the organisation although lurking from behind.

The findings from the current research also suggest that the translation process does not stop after the management accounting tool has been implemented. Rather the translation process continues as evident in the case organisation that saw the process of change did not even stop even after the BSC has been implemented and used in the organisation. This continuous translation of BSC has managed to transform the practice into something that it was not originally predicted to be. BSC in this case company was initially adopted as performance measurement system and later on transformed to become strategic management system. Its usage continued to change again over the years to become a strategic communication and performance measurement tool. These different outcomes of BSC usage were the result of actors’ mobilization for support and influence in the organisation.

The finding of the study shows that BSC’s adoption was not attributable to a single isomorphism but several in a complex chain. Both the case company and the consultant exhibited mimetic isomorphism following the general practice of successful organisation. Coercive isomorphism was also present that provide greater pressure for company to change especially when the pressure originated from the government.

The study offers an explanation on implementing new accounting practices by analysing both macro and micro processes. It adds to the growing empirical research that study organisational change process at both macro and micro
level analysis. Studies on accounting change such as Soin et al. (2002), Siti-Nabiha and Scapens (2005) and Nor-Aziah and Scapens (2007) focused on the organisational level of analysis. Other studies such as Euske and Ricaboni (1999), Collier (2001) and Modell (2001) focused at the organizational level.

The current study also provides further support on the criticism of NIS which is market and legitimacy pressures proved not to be dichotomous but intertwined in nature. In the case company, institutionalisation of BSC is due to competition as well as company’s effort to seek legitimacy of becoming a privatised entity.

The study contributes to the empirical literature on BSC’s implementation by offering an insight on how BSC’s practice has evolved in a single organisation. Prior study on BSC only shows either BSC has been either successfully implemented or apparently neglected by the organisation (Malmi, 2001, Sepckbacher, 2003). BSC in this finding survived since it was first introduce back in 1996. Although, new human agents come to the organisation and old actors left the company, BSC remained an integral part of the company’s routine performance evaluation. The changes of actors and organisation’s structure managed to influence the change in BSC’s practice, but BSC remained in TM albeit different usage over the evolution.

The current study also provides an insight on how complex, socially embedded interplay between the actors involved in the adoption decisions. Khazanah, CEOs, senior managers, the BSR team and PPMO office have their own agenda to pursue BSC. Khazanah saw BSC as a tool to reorganise TM whereas the CEO and the top management of TM perceived BSC as an important communication and alignment tool for cascading strategic mission and vision of the organisation.

The finding of the research also contributed towards further understanding of the real BSC as practiced. The findings support the argument that the BSC’s concept is malleable and indeed a working technology. BSC can be moulded to fit the local need and its real practice does not usually follow what its founder
wanted it to be. In the case company, BSC is just a reporting tool that could not be cascaded down towards the operational employees.

Finally, the study provides evidence that implementation of a new management accounting tool is not a simple and linear process of adopt and implement. Rather it shows indeed the process is a complex one involving interaction between the human and non-human actors in translating and mobilizing a network that make it work or operable system.

**9.3 Limitations and suggestions for future research**

The finding of the research is subjected to a few limitations. Being a qualitative study of a single company, the findings may not be applicable to other GLC in Malaysia. The study only provides explanation on the institutionalisation process of BSC in one GLC, taking into consideration its unique historical, context and culture. Other GLCs may have their own explanation on the BSC implementation process. Although the GLCs may face the same macro pressures such as the privatisation and government transformation program, the response towards those pressures may be different due to its unique intra organisational elements. Nevertheless, applying the same institutional framework would provide a good comparison study to examine the different institutionalisation stories of the GLCs.

Moreover the purpose of the research is to provide an understanding on the institutionalisation process of BSC rather than provide any generalisation. Therefore, the findings of the company are valid in the context of the organisation alone. BSC as a popular management tool in the case company is seen as flexible or malleable that its meanings may connote different meaning among the users in the organisation.

Secondly the researcher was not present during the initial design process of BSC in the company. Hence the process of designing and developing BSC was presented based on what has been expressed by the designing team. The findings perhaps will be more accurate with direct observation during the
process. However this problem is minimized with the data triangulation method employed which allows the researcher to support the data gathered from interview sessions with corroborative evidence from the annual report and relevant internal documents.

Future research should perhaps conduct a comparison study on the implementation of the BSC in different settings. This exercise may provide a better explanation on the management accounting tool implementation process. This is important for further understanding of this popular concept. Comparison study of implementation process of BSC between government linked organisation will provide insight on how organisations response to similar pressure.

In addition future research should also perhaps study how BSC practice complement other quality framework such as Total Quality Management as both concept dealing with improving company’s performance. It would be interesting to see how these two concepts interact between each other.

In relation to the existing performance measurement literature in general, the research has provided a rich empirical description on how the idea to adopt BSC was initiated, translated into practice and eventually institutionalised. Thus, the research offers a better understanding on BSC phenomena with its time line analysis. The study shows how BSC a management accounting tool continues to be translated, altered and modified by the actors who have their own agenda. How management accounting tool is used as a tool to control the behaviour of the organisations.
References


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## Appendix 1: List of interviews

<table>
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<tr>
<th>Interviewee</th>
<th>Division/Department</th>
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<td>Group Chief Financial Officer</td>
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<td>Strategy Management Group Finance</td>
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<tr>
<td>General Manager</td>
<td>Business Planning and Reporting Group Finance</td>
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<td>Enterprise Sales</td>
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<tr>
<td>General Manager</td>
<td>Enterprise Human Capital</td>
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<tr>
<td>General Manager</td>
<td>Enterprise Business Strategy and Development</td>
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<td>Assistant General Manager</td>
<td>Connectivity/GSP services Enterprise Hosting and Managed Services</td>
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<tr>
<td>Manager</td>
<td>Performance and Rewards Management Group Human Capital</td>
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<tr>
<td>Manager</td>
<td>Group strategy and technology Strategy Management</td>
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<td>Manager</td>
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<td>State</td>
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Appendix 2: Interview guide

Interview guide for the senior and middle management on BSC

A: Background information
1. What is your position and responsibility
2. How long have you been working in TM
3. What make you work in TM? What is so special about TM as compared to other company?

Semi structured interview: “Why, how and by whom BSC is introduced, developed, implemented and used in TM?”

Interviewee: GM/AGM/M

1. In your own words, what is balanced scorecard? What does BSC mean to you?
2. What do you think the objective of the BSC is?
3. What are the …measures, which you report really measuring?
4. What are the measures that are filled out by the company really measuring?
5. Do you come out with new measures due to BSC?
6. Do the measures help you in any way? How?
7. Are there any benefits from the BSC itself? (Follow up: apart from the individual measures?)
8. Do you have any (other) recommendations for improving the balanced scorecard?
9. How do you evaluate the performance of your subordinates?
10. How is your performance being evaluated by your superior?
11. How do you collect data for BSC? Any software used?
12. Can you relate your work to the company’s objective?
13. What do you think of the cascading process of BSC in TM?
14. What had changed after the introduction of BSC? (Process, system etc.)
15. How does performance of the staff evaluated now with BSC?
16. What was the challenge in implementing BSC?
17. Who were involved in designing BSC?
18. How often do you receive report on the performance of your unit? What do you do about it?

**Interview guide for the union leader**

**A: Background/fact question**
1. How long have you been working in TM?
2. When is NUTE (National Union of Telecommunication Employee) established?
3. What is the total number of union member?
4. How is the decision making process in NUTE? Who is involved?
5. How was the non-executives such as you rewarded in TM?

**B: General contribution/influence of union**
1. What are NUTE functions in TM?
2. How strong is NUTE influence in TM’s policy making?
3. Were the union involved in formulating the non-executives KPIs?

**C: Implementation of BSC in 2004 and 2011.**
1. What do you think about performance based rewards before?
2. What make the union accept performance based rewards now?
3. What are other factors that influence the change?
4. What are other changes that the non-executives have to make due to the new performance based rewards?
5. What are the general feelings of the employees particularly the non-executive about the performance based rewards?

**D: Opinion on the performance measurement system**
1. What is your opinion on the performance measurement system in TM?
2. Is there any problem with the non-executive performance system?
3. What is your opinion on the performance culture in TM?
4. In your opinion what is a good performance measurement system?
5. In your opinion is there any issue between top management and union regarding performance measurement system?

**Interview guide for Khazanah (representing government)**

1. What is government transformation program?
2. When and why this programmed is introduced?
3. Why Khazanah wants to change GLC?
4. What’s wrong with the GLCs performance?
5. How do you ensure the GLCs following the guideline?
6. How do you monitor GLCs performance?
7. How do you come out with the 10 coloured book? Is there any involvement from the consultant?
8. What do you hope to achieve from this programmed?
9. What are the responses from the GLCs?
10. What will happen with the programmed with the new appointment of our prime minister?
11. What is so special about BSC? Why other performance tool not being considered.