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Performance Measurement and Balanced Scorecard Implementation: Case evidence of a Government-linked Company

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Abstract

The Balanced Scorecard (BSC), an iconic strategic performance management tool, is well received by many organisations worldwide; however some Malaysian organisations have not really implemented it. The present study was carried out to examine the use of the BSC to achieve desired transformation, the role of management accountants and the critical factors for the successful implementation of the BSC model in a selected Malaysian government-linked company (GLC). An in-depth case study method was adopted and data was collected from multiple sources of evidence which enabled the corroboration of facts. The findings revealed that management accountants played crucial and multiple roles in BSC's implementation and will advance knowledge to successfully implement a management accounting innovation within the local context.

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1. Introduction

Changes in the global business landscape in recent decades have led to the dismantling of government agencies in Malaysia and their transformation into private organizations referred to as Government-linked Companies (GLCs). As the major share-holder of the GLCs, the government is keen to ensure that these

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companies improve their performance to emerge as competitive global players. Hence, it is important to select an appropriate and effective performance tool not only to evaluate performance, but also to help management assess strategic plans and minimize planning errors. Without a proper tool the GLCs continue to be non- performers and consequences jeopardize the Malaysian 2020 vision. It is the objectives of this study to investigate the factors that are needed in any BSC implementation. The study is able to summarize these factors and the management accountants' role in ensuring the success of the implementation. These findings should provide as a guide to the other GLCs in their BSC implementation.

1.1 Problem statement

GLCs are the backbone in the nation's economic growth as evident by the 49 per cent market capitalization in *Bursa Malaysia* and the employment of approximately 5 per cent of national workforce. As GLCs the companies are expected to deliver the performance as required by the Government. To ensure a successful transformation, there was urgent need to examine why the GLCs had underperformed in terms of operations and profitability over the last fifteen years, and hence find ways to improve their performance (PCG, 2005a). A review of the Blue Book suggests GLCs to adopt "A corporate scorecard" to monitor and track performance indicators at all levels of the organisation so as to facilitate the company in identifying any deviation from its set course, and take early action. However, the study on BSC implementation by these organisations remains scant (Razak *et al.*, 2011; Harry *et al.*, 2010; Alwi and Khalid., 2009). Furthermore, the existing literatures on the study on Malaysian GLCs centred on the comparison of financial performance between GLC and non GLC and the profitability of GLC before and after the GLCTP. Previous research concluded that BSC improves company performance; however, there is lack of study on the insight of BSC implementation within GLCs.

1.2 Objectives

The main objective of this study is to investigate the critical factors that contributed to the successful implementation of the BSC by a Malaysian GLC. This objective is supported by the following sub-objectives:

1. To study the implementation of the BSC within the GLC.
2. To examine the role of management accountants in the implementation of the BSC in the local context.

2. Literature Review

2.1 The Balanced Scorecard

Using an in-depth case study approach, this research examines the use of the Balanced Scorecard (BSC) to achieve the desired transformation, the role of management accountants and the critical factors for the successful implementation of the BSC model in a selected Malaysian GLC. The Balanced Scorecard developed by (Kaplan and Norton, 1992; 1996; 2001) was the GLS's choice of measurement tool as it uses a comprehensive approach and a framework that incorporates both financial and non-financial measures.

The BSC comprises four perspectives, namely finance, customer relations, internal business process and lastly, learning and growth. The financial perspective plays a dual role of defining the financial performance of an organisation with the implementation and execution of the company's strategic plans, as well as evaluating the organization's profitability using tools such as the ROI (Return on Investment) and the EVA (Economic Value Added). The customer perspective is a leading indicator that helps the organisation evaluates customer satisfaction with its brand or services. This is necessary to ensure strong customer loyalty, besides attracting new customers. The internal business process focuses on the internal operations of the

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