



UNIVERSITI PUTRA MALAYSIA

***BALANCED SCORECARD AS A PERFORMANCE MANAGEMENT
SYSTEM IN THE TRANSFORMATION INITIATIVE OF TWO
GOVERNMENT-LINKED COMPANIES IN MALAYSIA***

NOOR RAUDHIAH BINTI ABU BAKAR

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By

NOOR RAUDHIAH BINTI ABU BAKAR

**Thesis Submitted to the Graduate School of Management, Universiti
Putra Malaysia, in Fulfilment of the Requirements for the Degree of
Doctor Philosophy**

August 2017

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DEDICATION

My Great Parents:
Almarhum Abu Bakar bin Omar
Hajjah Rohani binti Haji Majid

My Great Parents in Law:
Almarhum Haji Yusof bin Muda
Hajjah Halimah binti Khatib Umar

My Beloved Husband:
Abdul Manan bin Yusof

My Beloved Children:
Fatimah Azra'
Zul Hadzil Adzim
Intisya Jamila
Ariib Yusufi
Asma'

My Beloved Sisters and Brothers, Sisters and Brothers in Law, and Nieces
and Nephews

My Dearest Relatives and Friends

My Dedicated Supervisors

All the People who give me inspirations, support, and encouragement.

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirements for the degree of Doctor of Philosophy

BALANCED SCORECARD AS A PERFORMANCE MANAGEMENT SYSTEM IN THE TRANSFORMATION INITIATIVE OF TWO GOVERNMENT-LINKED COMPANIES IN MALAYSIA

By

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August 2017

Chairman : Associate Professor Dr. Nor Aziah Abu Kasim

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Government-linked companies (GLCs) play an important role in the development of the Malaysian economy. To enhance performance in GLCs, Malaysian government introduced GLC Transformation program (GLCT). The first initiative in GLCT is intensifying performance management systems. Most of GLCs claims that they have been adopting Balanced Scorecard (BSC) as a performance management. This study aims to examine the implementation of BSC as a performance management system in two Malaysian GLCs during GLCT programme. The use of BSC as performance management system is by managing the employees performance and controlling employees behaviour different with performance measurement system that only measure the performance.

This study integrates Ferreira and Otley's (2009), and Hopper and Major's (2007) frameworks for holistic view of implementation of the BSC. The former was adopted to examine the function of BSC as a performance management system in the technical aspects whilst the latter was used to examine the institutionalisation of BSC in both companies. The Hopper and Major's (2007) frameworks were supplemented by theoretical triangulation involving economic, labour process and actor network theories to enrich the observations and to extend the theory. The underlying institutional theory serves to illuminate the use of BSC as a performance management system in the Malaysian GLCs, and the Hopper and Major's (2007) framework by combining both new institutional sociology (NIS) and old institutional economy (OIE).

This study employed a qualitative, interpretive case-study approach using semi-structured interviews, participant observations and analysis of organisational documents. The interviewees consisted of multi-level of employees across different departments in the two GLCs.

The study found that the two GLCs have a good written system of BSC. However, they faced three major issues in implementing the BSC system - (1) ineffectiveness of key performance indicator (KPI) implementation, and the ineffectiveness in the standard settings, accountability, different perception and understanding among the employees; (2) a disputed linkage between BSC and performance evaluations – the employees of both GLCs perceived that performance evaluation is unfair due to moderation practice and the bell curve system; and (3) failure of BSC in controlling the employees' behaviour. Based on these issues, the implementation of BSC in both GLCs was limited as a performance measurement only. Besides, the BSC system used in both companies did not satisfy the criteria of performance management in terms of standard settings, performance evaluations, and used and control.

This study also found that the BSC system implemented in both GLCs has influenced the employees' behaviour positively and negatively. The BSC system has favourably influenced the employees by encouraging them to become more organised and focused in their work. Nevertheless, the system has undesirably reduced the employees' motivation, exposed to judgemental bias, and increased interpersonal conflicts among the employees.

This study observed that both GLCs adopted the BSC within a complex, interrelated chain of institutions, including the Government, Khazanah Nasional Berhad (Government proxy) as the main shareholder, consultants, employees union and competitor. The adoption and implementation of BSC involve mimetic, coercive and normative pressures as the BSC is seen as a tool to improve competitiveness and efficiency.

The implementation of BSC depends on the commitment of all levels of employees including full support from the Chief Executive Officer (CEO) and the top management, full effort from the superiors, and acceptance and understanding from the operational level employees. The study revealed that the BSC was initiated as a rule for the employees to comply and was subsequently viewed as a routine mechanism for appraising the employees' performances. However, majority of the employees were dissatisfied with the current performance evaluation system.

Considering the above findings, this study recommends that an improvement for the performance evaluation is crucial. This can be accomplished by ensuring a comprehensive, fair and mutually acceptable performance evaluation in order to increase the employees' acceptance. Besides, the superiors should play an important role in controlling the actions of the subordinates and ensuring fair performance appraisals of their subordinates. Next, the superiors need to understand the nature of work assigned to their subordinates, prevent dysfunctional behaviour, provide conducive work environment, and help the employees improve their work performances.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Doktor Falsafah

**KAD SKOR SEIMBANG SEBAGAI SISTEM PENGURUSAN PRESTASI
DALAM INISIATIF TRANSFORMASI DUA SYARIKAT BERKAITAN
KERAJAAN DI MALAYSIA**

Oleh

**Noor Raudhiah binti Abu Bakar
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Syarikat berkaitan kerajaan (GLC) memainkan peranan penting dalam pembangunan ekonomi Malaysia. Untuk meningkatkan prestasi dalam GLC, kerajaan Malaysia memperkenalkan program Transformasi GLC (GLCT). Inisiatif pertama dalam GLCT adalah memperkukuhkan sistem pengurusan prestasi. Kebanyakan GLC mendakwa bahawa mereka telah menggunakan Kad Skor Seimbang (BSC) sebagai pengurusan prestasi. Kajian ini bertujuan untuk mengkaji penggunaan BSC sebagai sistem pengurusan prestasi di dua GLC di Malaysia semasa program GLCT. Penggunaan BSC sebagai sistem pengurusan prestasi adalah dengan mengurus prestasi pekerja dan mengawal tingkah laku pekerja yang berbeza dengan sistem pengukuran prestasi yang hanya mengukur prestasi.

Kajian ini menggabungkan rangka kerja Ferreira dan Otley (2009), dan Hopper dan Major (2007) untuk pandangan holistik penggunaan BSC. Rangka kerja pertama digunakan untuk mengkaji fungsi BSC sebagai sistem pengurusan prestasi dari aspek teknikal manakala yang kedua digunakan untuk mengkaji perlembagaan BSC di kedua-dua syarikat. Rangka kerja Hopper dan Major (2007) terdiri dari triangulasi teori yang melibatkan teori ekonomi, teori buruh dan teori rangkaian pelaku untuk memperkaya pemerhatian dan melanjutkan teori. Teori institusi adalah teori asas dalam menjelaskan penggunaan BSC sebagai sistem pengurusan prestasi di GLC Malaysia dan rangka kerja Hopper dan Major (2007) yang menggabungkan kedua-dua teori institusi sosiologi baru (NIS) dan teori institusi ekonomi lama (OIE). Kajian ini menggunakan pendekatan kualitatif dan kaedah interpretasi kes kajian menggunakan temu bual separa berstruktur, pemerhatian peserta kajian dan analisis dokumen. Para peserta yang ditemuduga terdiri daripada pelbagai peringkat kakitangan dari pelbagai jabatan di dua GLC.

Kajian mendapati bahawa kedua-dua GLC mempunyai sistem bertulis BSC yang baik. Namun kedua-dua GLC menghadapi tiga isu utama dalam pelaksanaan BSC: (1) pelaksanaan kunci penunjuk prestasi (KPI) yang tidak berkesan kerana sasaran yang longgar dalam penetapan piawaian, masalah akauntabiliti dan persepsi dan kefahaman yang berbeza di kalangan pekerja. (2) Hubungan antara BSC dan prestasi penilaian kerana pekerja dari kedua-dua GLC menyatakan bahawa penilaian prestasi tidak adil kerana sistem "Bell Curve". (3) BSC tidak mengawal tingkah laku pekerja juga kerana penyelia juga perlu memainkan peranan dalam kawalan. Berdasarkan tiga isu di atas, pelaksanaan BSC dalam kedua-dua GLC adalah terhad hanya sebagai pengukuran prestasi. Sistem BSC digunakan dalam kedua-dua syarikat tidak memenuhi kesemua kriteria pengurusan prestasi iaitu penetapan standard, penilaian prestasi dan kawalan.

Kajian ini juga mendapati bahawa sistem BSC yang dilaksanakan di kedua-dua GLC telah mempengaruhi tingkah laku pekerja secara positif dan negatif. BSC telah memengaruhi pekerja dengan menggalakkan mereka untuk menjadi lebih teratur dan terfokus dalam kerja mereka. Walau bagaimanapun, BSC ini juga boleh mengurangkan motivasi pekerja, terdedah kepada berat sebelah penghakiman, dan peningkatan konflik antara pekerja.

Kajian ini mendapati kedua-dua GLC mengguna pakai BSC dalam rangkaian institusi yang saling berkaitan, termasuk Kerajaan, Khazanah Nasional Berhad (proksi Kerajaan) sebagai pemegang saham utama, perunding, kesatuan pekerja dan pesaing. Penggunaan dan pelaksanaan BSC melibatkan tekanan mimetik, paksaan dan normatif memandangkan BSC dilihat sebagai alat untuk meningkatkan daya saing dan kecekapan.

Penggunaan BSC bergantung pada komitmen semua peringkat pekerja termasuk sokongan penuh dari Ketua Pengarah Eksekutif (CEO) dan pengurusan atasan, usaha penuh dari pegawai atasan, dan penerimaan dan pemahaman dari pekerja peringkat operasional. Kajian mendedahkan bahawa BSC telah bermula sebagai peraturan untuk pekerja patuh dan kemudiannya dilihat sebagai rutin dalam menilai prestasi pekerja. Walau bagaimanapun, majoriti pekerja tidak berpuas hati dengan sistem penilaian prestasi semasa.

Penemuan di atas mengesyorkan bahawa penambahbaikan dalam penilaian prestasi adalah penting. Ini dapat dicapai dengan memastikan penilaian prestasi yang komprehensif, adil dan saling diterima untuk meningkatkan penerimaan pekerja. Selain itu, atasan juga perlu memainkan peranan penting dalam mengawal tindakan orang bawahan dan memastikan penilaian prestasi adil. Seterusnya, pihak atasan perlu memahami kerja yang diberikan kepada pekerja bawahan, mencegah tingkah laku yang tidak baik menyediakan persekitaran kerja yang kondusif, dan membantu pekerja meningkatkan prestasi kerja mereka.

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I certify that a Thesis Examination Committee has met on 7 August 2017 to conduct the final examination of Noor Raudhiah binti Abu Bakar on her thesis entitled “Balanced Scorecard as a Performance Management System in the Transformation Initiative of Two Government-Linked Companies in Malaysia” in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Degree of Doctor Philosophy in Accounting.

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LIST OF ABBREVIATIONS

ANT	Actor Network Theory
APMS	Accountability Performance Measurement System
BBIA	Blue Book Implementation Assessment
BNRC	Board Nomination and Remuneration Committee
BOD	Board of Director
BSC	Balanced Scorecard
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CIP	Continuous Improvement Programme
COMPASS	Communicating Performance Accountability System
CDRC	Corporate Debt Restructuring Committee
EEI	Employee Engagement Index
EIS	Executive Information System
EPS	Earnings Per Share
ETP	Economic Transformation Programme
G20	20 main GLCs
GDP	Gross Domestic Product
CEO	Chief Executive Officer
GLCs	Government-linked Companies
GLCT	Government-Linked Companies Transformation Programme
GLiCs	Government-Linked Investment Companies
GTP	Government Transformation Programme
HPM	High Performance Management
JWT	PCG Joint Working Team
Khazanah	Khazanah Nasional Berhad
KPI/s	Key Performance Indicator/s
KWSP	Employees Provident Fund
LTAT	Armed Forces Fund Board
LTH	Lembaga Tabung Haji
MAPS	Management Appraisal and Performance System
MCCG	Malaysian Code on Corporate Governance
MIS	Management Information System

MOF	Ministry of Finance
MOF Inc.	Ministry of Finance Incorporated
NEAC	National Economic Advisory Council
NEM	New Economic Model
NEU	Non-executive Union
NGO	Non-governmental Organisation
NIE	New Institutional Economics
NIS	New Institutional Sociology
OF	Organisational Field Level
OIE	Old Institutional Economics
OIS	Old Institutional Sociology
PAR	Performance Achievement Review
PCG	Putrajaya Committee on GLC High Performance
PE	Political and Economic Level
PLC	Performance-Linked Compensation
PMS	Performance Management System
PMU	Programme Monitoring Unit
PNB	Permodalan Nasional Berhad
ROA	Return on Asset
ROE	Return on Equity
ROI	Return on Investment
SIP	Special Improvement Programme
TTP	TMC Transformation Programme
TMO	Transformation Management Office
VSS	Voluntary separation scheme

CHAPTER 1

INTRODUCTION

1.1 Introduction

The first chapter encompasses the background of the study and presents the research problem. Then, the chapter elaborates the research questions and the objectives of the study, as well as discusses the theoretical and empirical contributions. The chapter also includes an outline of other chapters in the thesis and concludes with a summary.

1.2 Background of the Study

Malaysia has reached a crucial time in the country's effort of attaining Vision 2020, which is to become a developed country by 2020. Vision 2020 is the government's vision that was introduced by the fourth Prime Minister of Malaysia, Tun Mahathir Mohamad. The vision is aimed at turning Malaysia into an industrialised and developed country by 2020, which covers not only the economy but also social welfare, political stability, world-class education, and social justice (PCG¹, 2011). The Malaysian government posits that government-linked companies (GLCs) can play an important role in developing the economy to achieve the goal of industrialising the nation by 2020. GLCs constitute an important part of Malaysia's economic structure as they represented about thirty-six per cent (36%) of the total market capitalisation on Bursa Malaysia, thirteen per cent (13%) of domestic investment, and hired an estimated five per cent (5%) of the employees in Malaysia (PCG, 2011). The roles of GLCs are numerous, which include being providers of strategic utilities and services, executors of industrial policy and development, and creators of international linkages through foreign ventures and investments in new growth sectors (PCG, 2011).

The two original purposes of GLCs were first, to be market leaders and second, to become regional players (PCG, 2015a). Nevertheless, these aspirations were not satisfactorily achieved by the GLCs as expected by the

¹Putrajaya Committee on GLC High Performance (hereafter, PCG) was formed in January 2005 to guide, control, and catalyse the GLC Transformation Programme (PCG, 2005a). Its principal objective is to design and implement comprehensive national policies and guidelines to transform GLCs into high performing entities and establish the institutional framework to program-manage and subsequently to oversee the execution of these policies and guidelines.

government (NEAC², 2010). The performance of GLCs continued to be a major concern due to the significant link between Malaysia's overall economic success and GLCs' performance (PCG, 2011; Azman, 2004). The performance of GLCs is a critical determining factor for increasing the confidence of foreign and local investors and the decision on private investments because the GLCs are the larger channels routing foreign sector investments into Malaysian equities (NEAC, 2010). Due to the importance of GLCs to the Malaysian economy, the Malaysian government had formulated various strategies to improve their performance.

After the first three strategies that include privatisation, renationalisation, and restructuring of GLCs, many GLCs continued to underperform on operational and financial metrics (Azman, 2004). Nor-Aziah and Scapens (2007) stated that the accounting reforms during privatisation in an organisation had no real effect on financial performance but met with resistance from employees. GLCs were also known as big sized organisations that had the problems of weak internal control and lacking in strategic direction (Norhayati & Siti-Nabiha, 2009). Poor performance and excessive debts were identified as prime reasons leading to unsuccessful restructuring of GLCs (NEAC, 2010).

Other reasons included lack of strategic direction, internal control problem, low returns on investment, and low productivity (Azman, 2004). They also had a problem with their reward and performance evaluation system (Abdullah, 2004; NEAC, 2010; Nor Mohamed, 2004).

The inefficiency issue of GLCs was related to the existence of multiple conflicting objectives with uncertain priorities, the impact of which was the complexity of performance evaluation and accountability (NEAC, 2010). The GLCs not only have to generate profits, but they also have to support government plans. These overlapping and conflicting objectives may result in ineffective decision-making (Norhayati & Siti-Nabiha, 2009).

To enhance the performance of GLCs and overcome their operational and financial problems, the government-Linked Companies Transformation Programme (GLCT) was introduced in 2004. The GLCT concentrated on the 20 main GLCs known as the G20³. The objective of the GLCT was to generate change in GLCs to transform them into high-performance organisations (PCG, 2008). The GLCT had four phases, and currently, the GLCs have "graduated" from the GLCT programme.

²NEAC stands for New Economic Advisory Council. This article is one of many articles prepared by Group A of the NEAC. These articles were prepared under the guidance of Tan Sri Andrew Sheng. The article was checked and reviewed by the NEAC and its recommendations were summarised into NEM Concluding Part Report.

³ The G20 are the main GLCs that were chosen by the Government to undergo the compulsory GLCT programme.

To overcome the performance issues in the GLCs, the first incentive implemented under the GLCT was "intensifying performance management". Within this incentive, the GLCs' "Blue Book" was introduced to provide more comprehensive guidelines on the implementation of performance management in GLCs (PCG, 2005a).

While the Blue Book is a useful guide, it requires tools such as the Balanced Scorecard (BSC) to complement its performance management. According to Zin and Sulaiman (2011), the BSC would be the most appropriate system to support the GLC Blue Book because the BSC matches and compliments the guidelines of the GLC Blue Book with its holistic approach. The BSC includes a financial performance measure that has to be sustained by other non-financial measures such as learning and growth, customers, and internal business process. Although the GLC Blue Book was customised for the use of GLCs, the BSC is more flexible than the GLC Blue Book. The GLC Blue Book focused on improving performance management, which is not the main focus of the BSC.

To improve the performance of organisations and its members, including that of GLCs, the design of the performance management system (PMS) and the way it is implemented become the main concern. Performance management is related to issues in the management control system in the accounting discipline. The prime objective of performance management is to manage and control the organisation (Otley, 1999). Hence, the usage of the BSC in GLCs should be beyond performance measurement and extends to performance management because performance measurement only measures but does not manage performance. This study focuses on understanding the process of implementing the BSC as a performance management technique in two selected GLCs.

These two selected GLCs are among the G20, which had undergone the GLCT programme and have been using the BSC for more than three years. These two GLCs are owned and controlled by the most prominent government-linked Investment Company (GLiC), which is Khazanah Nasional Berhad (Khazanah). The two GLCs also argued that they use the BSC as the PMS in their companies.

Performance management, defined as the formal and informal systems, processes, mechanisms and networks, is used by organisations for carrying the key objectives and goals elicited by the management. Performance management assists the strategic process and on-going management through planning, measurement, analysis, control, rewarding, broadly managing performance, and for assisting and facilitating organisational learning and change (Ferreira & Otley, 2009).

Studies on PMS offer more broad and significant contributions for organisations as compared to performance measurement. Performance

management arises from the evolution and the flaw of performance measurement and not improvisation (Neely, Gregory, & Platts, 2005; Neely, 2005).

Performance management gave prominence to the measures that link to strategy, an aspect that is overlooked by performance measurement. The emphasis on performance management rather than performance measurement is imperative for several reasons such as to control employee behaviour, support the decision-making, provide the utility in driving action, and strengthening organisational objectives (Assema, 2011; De Waal, 2010; Abu-Suleiman, 2006; Armstrong, 2006; Speckbacher, Bischof, & Pfeiffe, 2003). With the significant benefits of performance management, this research expects that the BSC should be used as a performance management tool rather than for performance measurement in order to improve the performance of GLCs.

Previous studies have indicated the BSC as a popular and persistently used performance management tool (Lesáková & Dubcová, 2016; Sharma & Gadenne, 2011; Juhmani, 2007; Speckbacher et al., 2003). Evidence shows that the BSC was ranked as the fifth most recurring tool used by companies around the world with a usage rate of 73% and users' satisfaction score of 4.2 out of 5 (Rigby & Bilodeau, 2013). In Malaysia, the BSC is one of the main tools used by organisations and is widely adopted among Malaysian companies (Ayedh, 2007). Based on annual reports for 2013, of the 16 GLCs⁴ from the G20, 15 of them were using the BSC.

Although the BSC is widely used, its effectiveness is still being probed due to the mixed empirical results as a consequence of its implementation. The successful implementation of the BSC in organisations was proven by Chen, Hou, and Chang (2012), Jazayeri and Scapens (2008), and Fernandes, Raja and Whalley (2006) in small and medium enterprises. However, a study by Bhagwat and Sharma (2007) and Ahn (2001) revealed that the BSC is difficult to implement by employees because of the key performance indicator, measurement, and cause and effect relationship. In addition, the implementation of BSCs has cultural barriers especially for non-western countries (Zeng & Luo, 2013). Atkinson (2006) estimated that 70% of BSC implementations failed owing to the difficulty in execution. This study aims to understand the implementation of the BSC as a performance management tool in Malaysian GLCs. The study contributes towards improving the implementation of the BSC in the two case organisations.

Previous studies had acknowledged the importance of employee cooperation and commitment in ensuring the success of BSC implementation. Othman, Domil, Senik, Abdullah, and Hamzah (2006) highlighted the case where the

⁴ The G20 it currently consists of only 16 listed GLCs following mergers, demergers, divestments and other corporate exercises.

introduction of the BSC in an organisation in Malaysia was resisted. As a result, the implementation was not successful. A study by Othman et al. (2006) showed that employees are a vital factor in ensuring successful implementation. Previous studies have shown that employees are of crucial importance in achieving effective performance management because employees are a strategic asset and the greatest investment (Cravens & Oliver, 2006; Press, 2010). Moreover, the delivery of all organisational goals and missions also depends on employees (Mansor, Chakraborty, Yin, & Mahitapoglu, 2012). In implementing the BSC, the organisation must obtain full commitment from employees to ensure that the BSC is functional as an effective performance management tool.

Amaratunga and Baldry (2002) accentuated the fact that the use of the BSC will not guarantee success without employees' participation. They argued that the strength of the BSC lies in the members of the organisation. While many studies had examined the problems relating to employees in using the BSC from issues such as poor communication (Bhagwat & Sharma, 2007), difficulty of adoption (Ahn, 2001), as well as lack of understanding, commitment, and support from top management (Chavan, 2009), not many studies have addressed the implication and satisfaction of using the BSC by employees at different levels of the organisation (Chen & Jones, 2009). This study acknowledges the importance of employees and analyses the experiences of employees from different levels in the organisation on the implementation of the BSC, as well as the impact of the BSC on employees' behaviour.

1.3 Problem Statement

As GLCs make significant contribution to the Malaysian economy, the performance of GLCs remains a concern. The report by Azman (2004) showed the underperformance of GLCs in terms of profitability and operations since the privatisation initiative in 1987, and hence the government had found ways to improve the GLCs' performance. The Malaysian government initiated the GLCT programme to improve the performance of GLCs in general and to achieve high performance for the 20 major GLCs (G20). One of the major factors of GLCs' underperformance that has been identified is the lack of proper performance management and hence, the first phase of the GLCT involved intensifying performance management.

Although 15 out of 16 G20 claimed that they used the BSC as tool for performance management, no study has been carried out to prove their claims (Zin, Sulaiman, Ramli, & Nawawi, 2013). It is important to ensure that these GLCs understand what it takes to transform the BSC from being a performance measurement tool to a PMS. In this regard, this research intends to examine whether the BSC is implemented as a PMS in the two selected GLCs, which are MMG and TMC (fictitious names).

The use of the BSC as a PMS should go beyond technical requirements. More importantly, this study evaluates the roles of employees' behaviour, commitment, and responsibility to use the BSC to achieve organisational objectives. In practice, the influence of behavioural factors among employees is one of the main difficulties faced by many organisations in implementing the BSC as a PMS (De Waal, 2006). Simons (2000) added that organisations should not ignore human behaviour in implementing an effective PMS. Behavioural factors are important for the effective use of a PMS (Malina & Selto, 2001; Lipe & Salterio, 2000), but the influence of behavioural factors on the use of PMS has been ignored in the literature (De Waal, 2006, 2010). Although employees are the main contributing factor to efficient BSC implementation (Amaratunga & Baldry, 2002; Cravens & Oliver, 2006; Othman et al., 2006; Press, 2010), there is a lack of evidence on how the BSC has affected their behaviour towards performance. This study also intends to understand how the use of the BSC affects employees' behaviour and performance.

1.4 Objectives of the Study

The general objective of this study is to examine why and how the BSC was adopted, implemented, and used in two government-linked companies (GLCs) in Malaysia. This study also intends to explore the effects of the BSC on employees' behaviour and performance during the process of implementing the BSC. This study also aims to investigate the institutionalisation of the BSC in two Malaysian GLCs during the GLCT initiative. The specific objectives of the study are as follow:

1. To understand the implementation process of the BSC in the two GLCs selected for the case study.
2. To examine whether the BSC is used as a performance management system (PMS) or for performance measurement.
3. To examine how the use of the BSC affects employees' behaviour and in turn, affects organisational performance.
4. To examine how the BSC is shaped by the interplay between institutions, market forces, intra-organisational power relationships, and the mobilising of various actors in the two GLCs.

1.5 Research Questions

The main research question for the study is how the GLCs had implemented the BSC, whether they have extended the use of the BSC to performance

management in order to influence and control employees' behaviour and in turn, improve organisational performance, and how the BSC is shaped by the interplay between institutions, market forces, intra-organisational power relationships, and the mobilising of various actors resulting from the institutionalisation of the BSC in the two GLCs.

More specifically, this study seeks to address the following questions:

1. How and why did the two GLCs implement the BSC?
2. Did they use the BSC as a performance management system or only for performance measurement? Why?
3. How did the use of the BSC by the two GLCs affect employees' behaviour and in turn, have an impact on organisational performance?
4. How was the BSC shaped by the interplay between institutions, market forces, intra-organisational power relationships, and the mobilising of various actors in the organisation?

1.6 Research Method and Theory

This study employed qualitative research method, using the interpretive case study technique, to understand the implementation of the BSC as performance management system. The interpretive case study method is useful for achieving an in-depth understanding of how performance management systems are used on a daily basis (Norhayati & Siti-Nabiha, 2009). This type of study will offer a rich description of the current situation as well as the historical aspects such as the organisational and administrative context. In addition, the interpretive case study method allows interesting evolutionary issues to emerge from the research findings (Dawson, 1997; Dent, 1991).

The study selected two government-linked companies (GLCs) from the G20. The G20 was the main GLCs that were selected by the government to undergo the compulsory GLCT programme. The problems faced by Malaysian GLCs and their financial performance have always been a major concern to the government. Malaysian GLCs are unique in structure and operations because of their ownership. They have a direct link to the government via shareholding and at the same time shoulder national and social responsibilities that differentiate them from private and public sector companies, non-government organisations (NGOs), and GLCs in other countries.

The implementation process of the BSC was interpreted through the lens of institutional theory. The institutional theory refers to both Old Institutional Economics (OIE) (Burns & Scapens, 2000) and New Institutional Sociology (NIS) (DiMaggio & Powell, 1983). The study used the Hopper and Major (2007) framework to examine the institutionalisation of the BSC in both companies, and the framework was supplemented by theoretical triangulation involving the actor network, economic, power, labour process, and theories to enrich observations and extend the theory. The Hopper and Major (2007) framework combines both the NIS and the OIE. The NIS offers an explanation for the institutionalisation of new management accounting innovations, such as a PMS that may be rational from social perspective rather than from economic perspective. Drawing insights from the NIS, this study addressed the concepts of legitimacy, isomorphism, and loose coupling.

Legitimacy is one of the main components of the NIS and can be defined as an assertion about bureaucratisation, which rests on the assumption of norms of rationality (Thompson, 1967). Organisations desire legitimacy to ensure continued survival (Suchman, 1995). Legitimacy for the GLCs is seen as being similar to other GLCs in terms of managing performance as well as adhering to the rules set by the government, which is the main shareholder.

Based on the NIS, the implementation of the BSC in GLCs is due to isomorphism. DiMaggio and Powell (1983) introduced three types of isomorphism, namely coercive, mimetic, or normative, to describe the process through which organisations tend to be similar to others in the same field. Isomorphism promotes similarity among organisations within the same institutional environment. Such isomorphic forces exist in the institutional environment within which the GLCs exist. Coercive isomorphism includes formal and informal pressures exerted on organisations. Mimetic isomorphism corresponds to the need of organisations to model themselves on other enterprises, while normative isomorphism is related to professionalisation.

Another important concept in the NIS is loose coupling. Loose-coupling or decoupling is another issue pertinent to the study of institutionalisation as an outcome. Loose coupling is a term that refers to a situation where the employees separate their working activities from the formal structures (John & Rowan, 2012). In a loose coupling situation, the formal procedures and rules are not followed by the employees in business activities, but the employees adopt informal rules to suit the need of business activities in the organisation.

The implementation process of the BSC is also interpreted through the lens of the OIE because the NIS has been criticised for emphasising the external perspective and not giving attention to the processes that arise inside organisations (Dambrin, Lambert, & Sponem, 2007). The OIE overcomes the

weakness of the NIS by examining the internal perspective and introducing the concept of institution. Institutions are self-maintaining established social rules and practices that are taken for granted in everyday organisational actions (Hodgson, 2006; Burns & Scapens, 2000). This study examined institutions, regulations, internal rules and routines and the way the BSC is implemented.

There are limited studies on holistic views, which include all aspects of performance management from the perspective of accounting (Stringer, 2007). Therefore, this study aims at examining the holistic view of performance management using the framework by Ferreira and Otley (2009) because the framework covers all important aspects in examining performance management. In addition, Yap and Ferreira (2011) provided evidence that the Ferreira and Otley's (2009) framework is a viable and suitable tool for examining performance management in organisations and suggested that it may be used meaningfully by future researchers.

In summary, the Hopper and Major (2007) framework and institutional theory are chosen as the main theoretical lens to examine the institutionalisation process of the PMS in the two case organisations. The Hopper and Major (2007) framework and institutional theory can provide reasons for why the two organisations adopted the BSC as their performance management tool and the influences from the use of the BSC in their organisations. On the other hand, Ferreira and Otley's (2009) framework can be used to explain the implementation process of the BSC as a performance management system within the company.

1.7 Theoretical and Practical Contribution

In terms of theoretical contribution, this study contributes towards an extension of the understanding of organisations, which is based on the integration of the Ferreira and Otley (2009) framework, Hopper and Major (2007) framework, and institutional theories (NIS and OIE).

Ferreira and Otley's framework consists of twelve items that provide a holistic view of performance management, especially from the structural aspect. Using Ferreira and Otley's framework, this study contributes towards the understanding of how the BSC was implemented as a PMS and to provide a holistic view, which includes all aspects in performance management especially structural and behavioural aspects in implementing a better control system for managing performance.

The Hopper and Major (2007) framework provides insights into how different types of isomorphism, power, resistance, rules, regulation, and routines based on the NIS and the OIE could contribute towards the institutionalisation of the BSC in an organisation. By using the Hopper and

Major (2007) framework, the study explains the institutionalisation of the BSC in both companies and the framework supplemented by the theoretical triangulation involving economic, labour process, and actor network theories to enrich observations and extend the theory.

Furthermore, this study gives explanations on how the loose coupling situation emerges during the process of institutionalisation and the issue of legitimacy, combined with employees' behaviour.

This study also offers explanations on how institutions, rules, regulation, and different types of isomorphism could contribute towards the institutionalisation of the BSC practices in an organisation.

As such, this study contributes to the theory and practice of management accounting research particularly understanding management accounting practice in a real context.

For the practical contribution, first, this study offers an opportunity for understanding the complexity and consequences of the implementation of the BSC in GLCs after the transformation programme.

Second, the results of this study present a wider and clearer picture of how two Malaysian GLCs practice their performance management to build and sustain competitive advantage in the industry and how their method may differ from the western style of management. The government has provided books, consultancy, and the services of the government linked-investment companies (GLiC) to help these two organisations to intensify their PMS. However, the two GLCs have encountered the same problem, which is employee dissatisfaction with the performance evaluation system. The insights from the findings may help the government to identify the problem encountered and offer solutions for future transformation programmes.

Third, this study provides a comparative case study of these two Malaysian GLCs and gives additional evidence of similarities and differences in the implementation of the BSC in their organisations. This study, which addresses the implementation of accounting practices, such as the BSC, is anticipated to provide insights into how management accounting tools are accepted, resisted, or even modified by these two GLCs. Furthermore, the findings of this comparative case study add to the collection of case study materials for comparison with other cases in a similar context or industry.

Fourth, this study describes the impact of the implementation of the BSC on employees at various levels. By understanding the impact, the results of this study provide insight into how employees respond to the implementation of the BSC. Furthermore, this study provides evidence on how the

implementation of the BSC could have unintended consequences on the GLCs' performance.

1.8 Scope and Limitations of the Study

The scope of the study covers the use of a management accounting tool, which is the BSC to measure and manage the performance of government linked-companies (GLCs). Two GLCs in Malaysia were selected as case studies for research purpose. These two GLCs are among the G20, which were the chosen major GLCs made compulsory by the government to undergo the GLCT programme. These organisations have used the BSC for more than three years in their organisations. This study used employees of the selected companies from various levels as respondents because they are involved in and influence the BSC in the organisations.

The use of a case study methodology for the study limits its generalisation to situations or organisations dissimilar from the case studied (Gomm, Hammersley, & Foster, 2000). While the findings may not be fully generalisable outside the GLC organisations, the description of the concepts and systems used in the study has potential for future research on management accounting.

The case study method is known for having some limitations on its part, including the lack of scientific rigour, research bias, over-identification with particular occupations or work settings, and the inability to consider all possible influences on the researcher of the case (Luck, Jackson, & Usher, 2006; Greenwood & Lowenthal, 2005). Therefore, this study has taken into consideration the possible biases identified through the analytical process and the writing process.

1.9 Organisation of thesis

This thesis is organised into seven chapters. The first chapter includes the introduction and the background of the study, problem statement, research questions and the objectives of the study, and the contributions and the scope of the study.

The second chapter gives an overview of the research environment, which is the Malaysian GLCs' environment that includes the introduction of the Malaysian GLCs, their performance, the GLCT programme, and the GLC Blue Book.

The third chapter presents the related literature on performance measurement, performance management, the BSC, and the institutional

theory. This chapter also encompasses the research and theoretical framework.

The fourth chapter explains the methodology, data collection, sample site and respondent, as well as the validity and the analysis of the data of the study. The fifth chapter elaborates the analysis of the implementation of the BSC as a PMS in the two case organisations.

The sixth chapter elaborates the institutionalisation of the BSC in the case organisations based on Hopper and Major (2007) framework. The last chapter presents the conclusion of the thesis that includes limitations, future research, and contributions of the study.

1.10 Summary

The chapter provides the background of the study including the importance of GLCs in Malaysia, performance management, and the evolution of the BSC. The BSC system is one of the PMSs currently being used by many companies. This chapter explains the problem statement, research objectives, and questions of the study.

The objectives of this study are to understand the implementation process of the BSC in two government linked-companies, to examine the extent of use of the BSC as a PMS, to examine how the use of the BSC affects employees' behaviour and in turn, affects organisational performance, and to examine how the BSC is shaped by the interplay between institutions, market forces, intra-organisational power relationships, and the mobilising of various actors in the two GLCs.

This chapter also elaborates on the research method, contributions, scope, and limitation of the study. This study employed a qualitative research method, using the interpretive case study technique. This study selected two Malaysian government-linked companies (GLCs) for the case study. The next chapter will present the context of the study, which is the Malaysian GLCs.

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