

# GOVERNMENT TRANSFORMATION Programme

**Balanced Scorecard as  
Performance Management System  
in Two Government-Linked Companies**

Noor Raudiah Abu Bakar  
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Rozita Amiruddin



This book reveals the complexity in transforming public sector organisations such as the two case GLCs called Suria and Mentari. GLCTP aimed to enhance performance of GLCs through the use of private sector management accounting technique, which is Balanced Scorecard. GLCs faced a combination of challenges which include the working culture dominated by public service culture and prevailing political and bureaucratic values. Besides the organisational work culture, other challenges covered aspects of leadership, corporate governance, management structure and knowledge workers. These challenges contributed to explain the uneven performance of the GLCs and why they posed a financial burden to the government.

This book incorporates both internal and external pressures for change. Although BSC has improved the employees' work focus due to the implementation of KPIs, its use for appraisal and reward has brought about unintended consequences in terms of dysfunctional behavior. The use of bell curve to reward employees created dissatisfaction as it forced the distribution of performance rating into a bell-shaped curve. As a result, the appraisal would not reflect the actual performance of the employees. A combination of human and non-human factors – Government, Khazanah, Consultants, CEO, Employees – affect how BSC was implemented. For both case companies, the use of BSC has been restricted due to the problems with perceived unfair reward system.



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## Preface

This book is motivated by the ongoing debate on poor performance of public sector organisations and its related reform initiatives by the government of Malaysia. It is part of an attempt to understand the process of implementing a private management accounting technique; the Balanced Scorecard in a public sector context from those directly involved in enacting the process of reform. Interpretive case studies of two government-linked companies were employed to explain the process of management accounting change and the consequences arising from change.

There is complexity in the process of implementing a new accounting technique such as the Balanced Scorecard within public sector organisations. There are possibilities for simultaneous change and stability, compliance and resistance, intended and unintended consequences of change. In this book, change is not merely addressed by the adoption of a new technique, but by its impact on the employees' behaviour and the inclusion of contextual factors from within the two organisations and from its external environment.

We expect readers of this book to appreciate that the process of accounting change has challenges and that the use of Balanced Scorecard by two GLCs is not simply about technical design as it has influence on the behaviour of the employees. Unintended consequences of change were inevitable when some employees resort to engage in dysfunctional behaviour as a result of the use of BSC for appraisal and reward. We hope this book benefits the readers in terms of understanding the context of accounting change and the process of reform through Government Linked Companies Transformation Programme within two organisations.

This book is not possible without the support from our own institutions — Kolej Universiti Islam, Universiti Putra Malaysia, Putra Business School, Universiti Kebangsaan Malaysia and those who participated in

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