

THE INSTITUTIONALISATION PROCESS OF THE PERFORMANCE MANAGEMENT SYSTEM IN A MALAYSIAN GOVERNMENT-LINKED COMPANY

Noor Raudhiah Abu Bakar

Department of Accounting,
Faculty of Management & Muamalah,
International Islamic University College Selangor, Malaysia
raudhiah@kuis.edu.my

Nor Aziah Abu Kasim

Faculty of Economics and Management,
Universiti Putra Malaysia, Selangor, Malaysia
noraziah@econ.upm.edu.my

Mazlina Mustapha

Faculty of Economics and Management,
Universiti Putra Malaysia, Selangor, Malaysia
mazlina@econ.upm.edu.my

Rozita Amiruddin

School of Accounting
Faculty of Economics and Management
Universiti Kebangsaan Malaysia, Bangi, Malaysia
rozita@ukm.edu.my

ABSTRACT

The objective of this paper is to explain the institutionalisation process of the performance management system (PMS) in a Malaysian government-linked company (GLC) which is TMC. The study specifically looks at the changes brought by the GLC transformation programme introduced by the Malaysian government. A qualitative case-study approach is applied using semi-structured interviews, participant observations and analysis of documents. The institutionalisation of implementation PMS is driven by the NIS and OIE perspective. From 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 main shareholder, which is the government itself. From NIS perspectives, the three isomorphic which are coercive, mimetic and normative exist in institutionalisation of PMS practice in TMC. The PMS practice is rules and become routines in TMC. Loose coupling also exist because of employees' resistance and influenced the system. In the case of TMC, GLCT requires changes in managerial habits and routines. Loose coupling is the result of the complex and dynamic process of accounting change.

Keywords: *Performance Management, GLCs, Performance Measurement, NIS, OIE*

1. Introduction

Malaysia is now at its crucial time of attaining Vision 2020, which is, to become a developed country by 2020. The vision calls for the nation to achieve a self-sufficient industrialised nation by the year 2020, encompasses all aspects of life, from economic prosperity, social well-being, world class education, political stability, as well as psychological balance (PCG¹, 2011). The Malaysian Government posits that Government-linked companies (hereafter, GLCs) can play a crucial role in developing the economy as well as achieve the goal of industrialising the nation by 2020. GLCs constitute a significant part of Malaysia's economic structure as they employed an estimated 5% of the national workforce and accounted for approximately 36% of the total market capitalisation at Bursa Malaysia and 13% of domestic investment GDP (PCG, 2011). The roles of GLCs are numerous which include being providers of strategic utilities and services, executors of industrial policy and development, and builders of international linkages through foreign ventures and investments in new growth sectors (PCG, 2011).

As GLCs contribute significantly to Malaysian economy, the performance of GLCs is a major concern by Malaysian government. The report by Azman (2004) shows the underperformance of GLCs in terms of operations and profitability over the last fifteen years, and hence the government find ways to improve their performance of GLCs. The Malaysian government initiated the GLCT programme to enhance the performance of GLCs and to become high performance for 20 major GLCs (G20). One of the major factors of the underperformance in GLCs that have been identified is not having proper performance management. So that the first phase of GLCT is to intensify performance management. There is lack study on implementation of performance management system in Malaysian GLCs in order to intensify performance management (Zin, Sulaiman, Ramli, & Nawawi, 2013).

Even though majority of the G20 is using BSC, there is lack study on implementation of BSC in Malaysian GLCs in order to intensify performance management (Zin, Sulaiman, Ramli, & Nawawi, 2013). Although there is many research in implementing BSC, but focus on BSC as a performance management tool is limited. Previous studies on implementation of BSC focused on performance measurement but not performance management (e.g. Dutta, Lawson, & Marcinko, 2013; Zin et al., 2013). In Malaysia, the use of BSC in the organisations also proven to be under-exploited because they do not have strategy map and cause and effect (Othman, 2007). One of the reasons why BSC continues to be used merely as a performance measurement tool is because of its inefficient application (Ding & Beaulieu, 2011). The objective of this study is to explain the institutionalisation of performance management system in a government-linked company in Malaysia.

¹ Putrajaya Committee on GLC High Performance (PCG) was set up in January 2005 to follow through and catalyse the GLC Transformation Program (PCG, 2005). Its principal mandate 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.

2. Institutional Theory

The implementation process of BSC will be interpreted through the lens of institutional theory. Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse.

Institutions are defined by Ostrom (1990) as the set of working rules that are used to determine who is eligible to make decisions in some arena, what actions are allowed or constrained, what aggregation rules will be used, what procedures must be followed, what information must or must not be provided, and what payoffs will be assigned to individuals' dependent on their actions. Jepperson (1991), however, defines institutions more broadly to be any social pattern characterized by standard sequences of interactions. The definitional focus tends to reflect the social science discipline.

The institutional theory refers to both New Institutional Sociology (NIS) (DiMaggio & Powell, 1983) and the Old Institutional Economics (OIE) (Burns & Scapens, 2000). NIS offers an explanation for the institutionalisation of new accounting innovations, such as performance management, that may be rational from a social perspective rather than from an economic perspective. Drawing insights from NIS, this study addressed the issues of institutions, legitimacy, isomorphism and loose coupling.

Legitimacy is one of the main components of NIS. Legitimacy is an assertion about bureaucratisation, which rests on the assumption of norms of rationality (Thompson, 1967). Organisations desire legitimacy in order 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 main shareholder, which is the government itself.

The implementation of BSC as a performance management system in GLCs is due to isomorphism. DiMaggio and Powell (1983) introduced three types of isomorphism; coercive, mimetic or normative, to describe the process through which organisations tend to resemble others in the same field. The isomorphism promotes homogeneity among organisations within the same institutional environment. Such isomorphic forces exist in the institutional environment within which the GLCs exist. Coercive pressures include formal and informal pressures exerted on organisations. Mimetic pressures correspond to the need of organisations to model themselves on other enterprises, while normative pressures are related to professionalization.

Another important concept in NIS is loose coupling. Loose coupling is a term that refers to a situation where the organisational members separate their organisational activities from the formal structures. In other words, the formal rules and procedures are not being followed in daily activities. Instead, the organisational members adopt somewhat informal rules to suit the need of the business activities.

Study by James (2009) highlight the influences of new institutional sociology (NIS) theory in examines the impact of national competition policy on the design and implementation of a balanced scorecard (BSC) in one of Australian GLC. James (2009) highlights the importance of the deliberation of both rational analytical approaches and legitimacy as a fundamental accompaniment to isomorphism in the continuing development of accounting systems in the GLC.

Norhayati and Siti-Nabiha (2009) study the process of changes in performance management using Laughlin framework in order to evaluate the use of BSC as performance management mechanism. Their study focuses more on the process of management change through institutional theory. The study shows that the intention to institutionalise a new practice may not materialise if there are not enough forces to support the change. The adoption of BSC as a new performance management practice may be due to isomorphic pressures to mimic other organisations in the same environmental field leading to ceremonial adoption of the practice.

The implementation process of BSC is also interpreted through the lens of OIE because NIS has been critiqued for favouring the external perspective and for not giving attention to the processes that arise inside organisations (Dambrin, Lambert, & Sponem, 2007). OIE overcomes this criticism by introducing the concept of institution. Institutions are self-maintaining established social rules and practices which are taken for granted in everyday organisational actions (Hodgson, 2006; Burns & Scapens, 2000). This study examined the internal rules, regulations, routines and institutions with regard to the way BSC is implemented.

In summary, the institutional theory is chosen as the main theoretical lens to examine institutionalisation process of the performance management system in an organisation. The institutional theory can give reason on why the organisation is adopting BSC as their performance management and influences the use of BSC in their organisation. On the other hand, Ferreira and Otley's (2009) framework can be used to explain and analyse implementation process of performance management system by the company therefore pertaining to the holistic view.

3. Methodology and Data

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

This article chose one government-linked company (GLC) which include as G20. G20 are the chosen main GLCs by the government that compulsory to undergo the GLCT programme as its case studies. The G20 is importance of GLCs in Malaysian economy. 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 also have social and national obligation that differentiate them from private and public sector companies, NGO and GLCs in other countries.

This study chose the one case organisation which is GLC controlled by Khazanah Nasional Berhad (KNB) because KNB have the largest number of subsidiary among other GLIC. The Malaysian GLCs that have been chosen by this study also have the following characteristics: (1) it is a market leader for its products and services, and (2) it is a regional player or at least has business operating within the region.

The TMC journey began when it was incorporated in 1991 and then become as a public listed company in the Main Market of Bursa Malaysia Securities Berhad since 1999. TMC is inspired to be a world-class utilities business with a mission to provide worldclass services, to manage cost-effective network and services, and to exceed the expectations of customers, shareholders and other stakeholders.

The permission to conduct research from the TMC was obtained in 2014. The TMC were contacted by sending a letter to the management asking for permission to conduct the research in their company. After a week, these organisations were contacted by telephone to get the approval and set the duration of research in their organisation.

This study is using snowball sampling. A snowball sample, also called a referral sample, is one where the initial respondents typically are chosen randomly. Then, this study used the initial respondents to help identify the other respondents in the target population. This process is continued until the saturation of the data is achieved.

The rationale for applying a case-study approach is to be able to capture rich and holistic material which can be used as comparison to previous studies (Sharma, Lawrence, & Lowe, 2010). The study was performed during the period June 2013 until June 2015. In total, 16 interviews and observations of place work were carried out. The observations meant during their timework. The interviews were semi-structural, lasting about one hour each. Both men (2) and women (14) were interviewed. In total, eleven officers at non-executive level, three executive/assistant manager level and two managers were interviewed. All interviewees have been presented with no names to ensure research participant anonymity. Table 1 in Appendix A is a list of interviewees, their positions, attached department, job description and their involvement in BSC.

4 The Institutionalisation of Implementation BSC

The system used in TMC for performance management can be summaries in Table 1 below:

Table 1

Year	Performance Measurement Used	Reason for changing
1998	Key Result Area	Difficult to measure
2004	High Performance Management	Competency Gap
2009	Balanced Scorecard	Using Paperless
2014	E-Balanced Scorecard	More effective than others.

The first performance measurement adopted by TMC in 1998 after TMC being privatise is Key Result Area (KRA). Key Result Area identified out of the day to day routine activities, primary job objectives or major goals of TMC. KRA is based on outcomes or expectations of a job position. However, KRA is difficult to implement because of the difficulty to measure the KRA.

In 2004, TMC change their system to High Performance Management (HPM). High Performance Management is cutting edge, employing contemporary, validated knowledge. It is a participant-centered interactive course. It engages participants in self-assessing their key competencies and management styles. TMC is using external consultant in implementing HPM. HPM always relates to calculate the competency gap among employees and the calculation always not balance with the performance.

The adoption of BSC in TMC starts with the GLCT program and problems in performance measurement used at that time which was HPM. The BSC have been identified as a solution for TMC problems in transforming the organisation. It is also in line to follow the requirement by the Malaysian government.

4.1 Impact of GLCT Program

GLCT program require the control of TMC as a top 20 GLC to be control by Government-linked Investment companies (GLiC). Similar with MMG, TMC also control by Khazanah Berhad as the GLiC which is a major shareholder of TMC and acts as government proxy.

As a major shareholder, Khazanah Berhad influences the top management decision and become part of the top management and BOD of TMC. TMC also has to make a report to Khazanah every month. Khazanah Berhad also emphasizes on the use of blue-book and other GLCT in TMC in order to transforming TMC into high performing organisation. Khazanah also proposed TMC to use an external consultant in implementing BSC effectively and execute other transforming program.

Khazanah also is the secretariat to the PCG and manages the roll-out and implementation of the GLCT Programme via its Transformation Management Office (TMO). It's a requirement for TMC follows the principal mandate and guidelines in transforming TMC into higher performing entities.

TMO also has to ensure codification and dissemination of learning/best practices from pilots and initiatives across GLCs and GLiCs. The TMO will report on its progress to the PCG every quarter. TMO controls the progress of GLCT programmes and all the G20 including TMC. TMO provides guidance through books. TMC follows all the books and requirement based on the books as the new CEO of TMC also encourage the usage of the GLCT books.

TMC follow the detailed stock-take of the implementation of the Blue Book version 2 which was completed in July 2006 by integrating BSC in TMC. The stock take revealed that although many GLCs have already incorporated some form of performance management scheme in their business, there is a wide variation in implementation and, in fact, there is still significant room for further intensifying performance management across all GLCs.

4.2 New CEO

Similar with other top 20 GLCs, TMC also received a new CEO as part of GLCT program. This new CEO was one of the leaders that Khazanah has personally chosen and recruited to transform the GLCs. This new CEO was given the task to transform TMC to become high performance company using BSC as the tool. Thus, the appointment of this new CEO marked the first attempt to fully implement BSC throughout the organisation. With the new CEO, TMC started with HPM as a performance measurement. Through the process of transformation program, the problems in using of HPM have been identified and the CEO agrees to change to BSC or Corporate Scorecard. He also believes that BSC is the best tool in transforming TMC into high performing organisation. The process of change to fully BSC system is step by step by using the change management team from change management department.

Under the CEO of TMC stewardship, TMC underpinned the implementation of the six strategic pillars that transformed the TMC in line with GLCT program. These include

the review of the organisational structure, inculcating the culture of high performance, effective stakeholder management, staff wellbeing and engagement, corporate governance and adapting to industry changes. The implementation of BSC also influences by an external consultant hired by TMC.

4.3 Consultant

An external consultant with change management team/ transformation teams in TMC helps TMC in producing strategized and aimed at implementing a 3 phase CIP plan to initiate the 'Step Change' improvements and enable long term so called sustainable transformation.

Khazanah also act as a consultant to the top 20 GLCs especially the 7 GLCs including TMC. Khazanah highlight the usage of the blue book as a first initiative of GLCT program in intensifying performance management in 2004 and others GLCT books in transforming TMC to high performing organisation.

4.4 The Change Management Team

The change management team from change management department in TMC is department that responsible to make sure the transformation of TMC successful done. The transformation and implementation of BSC is introduced in TMC by four phases. The phase is targeting based on level of employees. The first phase, the transformation is introducing to top management which include CEO and BOD. Then, second phase they target on head of division and senior manager. Third phase targeting manager and executive level and the last phase is on operational level/non-executive level.

4.5 Non-Executive Union

TMC has unions just like some of the other GLCs. Relationships between management and unions are often seen as something difficult to manage. The CEO of TMC (2003-2014) highlights his philosophy that unions should be seen by management as partners and not adversaries. He added that his truly believe that employees are TMC greater assets, and then surely those representing these employees must be treated with proper decorum.

Non-executive union is most significant union in TMC. The non-executive level is important because this level consists of the majority of total employees (89%) in TMC. Although, in TMC, there already existed a good relationship between management and unions, the CEO wants to ensure that there was genuine cooperation and mutual support between management and unions. The CEO instituted a format where he met the Union Exco every month for the unions to raise any issue affecting the employees. He also wanted to ensure that the unions would have opportunity to raise any issue early at the meeting so that the issue can be resolved amicably. This to eliminate any excuse on the part of the unions that issue could not be raised with management due to lack of accessibility. The union eventually become familiar with this approach and responded positively. The CEO maintains the relationship by giving priority to employees' welfare and tries to fulfil their requirement. This is to increase the commitment, togetherness and belonging in TMC.

The institutionalisation of implementation BSC also relies on acceptance of non-executive level as they consist of majority of the employees in TMC. The meetings went very well between management and union and many issues were raised and resolved, not always the way the unions wanted but at least there was an avenue to understand and

deliberate on the issues. Indeed, the unions become involved in many TMC's activities. The CEO found that the change in dealing with the unions was fundamental to the success of the transformation in TMC.

The implementation process in TMC may not only be due to external pressure to change but it may also be from internal management which aspires to achieve good performances. This study also studies the OIE influences on the adoption and implementation of BSC in TMC. The implementation of BSC in TMC include linked to planning and strategies, the KPI implementation, linked with performance evaluation and bonus.

4.6 Linked to Planning and Strategies

As stated before, the vision of TMC is to become world-class business and TMC is inspired to be a world-class business with a mission to provide world class services, to manage cost-effective network and services, and to exceed the expectations of customers, shareholders and other stakeholders. With the vision and mission of TMC, all the interviewees agree that BSC used is very linked to the vision and mission. The vision and mission of TMC always being highlight by top management to employees by using pop-up in computer, e-mail, workshop and meeting, and work planner.

The used of BSC in TMC is also linked with strategies and plans. The business plan of TMC is change every 4 or 5 years. However, TMO department is linked and control the strategies and plans with BSC. The other departments just follow the instruction from TMO department. TMO will communicate the strategies based on hierarchy through meeting, session and e-mail.

One of interviewee stated that BSC or KPI every year will be communicating on the third month based on last year performance and budget. The KPI then cascade from top management to the lower level step-by step follow the level of organisation. Some of the KPI are shared with the superior.

The implementation of BSC in TMC is aligns and cascades based on the organisational structure and organisational hierarchy. Based on CEO of TMC (2003-2014), the organisational structure of TMC was only change twice. The first was in 2004 where senior employees were positioned into their respective areas of expertise, knowledge and competency (PCG, 2015b). The CEO had found that some senior employees were not in the positions they were best suited for.

The second time that the organisation structure of TMC was reviewed in 2009 to establish four management/leadership pillars, namely- Operation, Finance, Commercial and Planning. The position of COO and CFO were also created, followed by attendant changes to provide higher responsibility to senior management.

The management communicate the BSC by conduct a meeting in unit and division. There are also have sharing session between employees. For example, some of the employees is sent for training and when they come back, they have to share the knowledge and experienced with other employees in special session.

For the decision making, some level can make their own decision and it also based on job scoop. From non-executive level, they stated that they do not have a right to make a decision making but they can give their opinion and suggestion to their manager.

4.7 KPI Implementation

The key performance measures are generated from TMO department which is linked to the strategy of TMC and translated to the KPI. The interviewees have been asked the most important key performance measure in MMG. The answers are varied include business growth, financial, internal business proses, and training. Most of the interviewees also agreed that all the important aspects of the key performance measures in TMC are measured and translated to the KPI.

The CEO of TMC relates the KPIs established should relate to accountability. He stated that there are very often mismatch between responsibility, authority and accountability (RAA). Therefore, the concept of RAA was introduced. This means that if one employee is given the responsibility (R) for a particular job function, he must then be given the appropriate authority (A) to perform his responsibilities. Then if such responsibility is not carried out correctly, the employee concerned can be held accountable (A) because he had given the due authority to perform his functions. When RAA in place and KPIs set, the reward become easier to implement.

Often, when something goes wrong, it is difficult to find the employee accountable if the line of authority is not clear. There are cases of an employee being held accountable when he did not have the proper authority for the job, and the employee who gave the authority was not responsible for the job. This incidents and confusion arise as a result of lack of clarity. The KPIs established should clearly indicate the line of accountability.

However, response from non-executive in operating department stated that KPI do not measure the work loading especially when take over other employees' job. Sometimes KPI not achieved because of other employees do not do their job properly and affect other employees KPI. This shows that eventhough KPIs is in line with RAA, there is some case and situation should be considered when other employees have to take over other employees' job. Their superior or head of department should aware and controls the issues arise in their area of responsibility.

Most of the interviewees stated that the KPI need an effort to achieve it. In process of setting the KPI, the target must be based on past year performance. Non-executive from operating department stated that sometimes the KPI setting is very hard to achieved but she has to find the way to achieve it. In addition, another non-executive from same department stated that there are mix of KPI, some a difficult to achieve and some are easy. They also can't easily change the target setting especially when it came from top management.

One of the interviewee also argue that target of KPI based on past year performance and being increase about 5-10%. She added that the KPI target should be challenging to increase the performance. Employees also have to keep all the evidence that related to the work done and achievement. The evidence is important for evaluation of KPI at the end of the year and for the promoting purpose.

4.8 Linked with Performance Evaluation and Bonus

All the interviewees agreed that performance evaluation is linked to the achievement of KPI. There are two elements of performance evaluation for TMC employees. One is KPI and other one is competency. The rate of performance evaluation for non-executive level are 60% for KPI and 40% for competency and for level executive and above are 50% for KPI and 50% for competency. Competency evaluation is based on individual behaviour, customer rates, work commitment and competency. The assessors are given the

competency dictionary and the settings have been set for the purpose of performance evaluation.

There are 5 stages of rating performance A, B, C, D and E. After being evaluated by assessor, the TMC employees can argue and justify based on work evidence. The employees also have to justify if they do not achieve the individual KPI.

As stated by the CEO, to reflect this change in performance and accountability, the reward system was accordingly enhanced. From a standard one month's pay, it was gradually increased with a minimum of one and half months with a maximum of four months and subsequently to a maximum of six months. Initially there was resistance by the employees to receiving differing levels of bonuses but after a lot of explanation, encouragement and gradually introducing the bell curve, firsts at company level and then at department level, the employees become more receptive.

The top management in TMC started used bell curve system in 2 years. Actually, majority of interviewees are not satisfied and they think that the bell curve system is unfair for them. Non-executive from operating department stated that small differences in assessment scores will give big impact to performance rating. Sometimes the different of 0.1% will put employees in the lower rating of performance. The motivation of employees also reduces when they get lower rate of performance and it also affect her/his career prospect and bonus.

This showed that there are two different statements from different views in same issue which bell curve system. The CEO argues that the employees are accepting the changes but in real, they still resist the bell curve system.

Non-executive from operating department argues that there are some department were unfair in term of segregation of duties. She also stated that not necessarily that good performance evaluation is good employees. Usually clever flatterers will get good performance evaluation.

The rewards in TMC really linked to the performance evaluation and also involved bell curve system. The rewards are bonus and yearly increment based on the rating given by top management. The rating range is A, B, C, D and E. If employees get E, they showed that they did not do a good job will not get any bonus for that year. C is average and A is the best. In addition to the bonus and yearly increment, performance evaluation also linked to the outstanding employee awards for every two years. This award is given to the best performer of employees and nominated by their superior. The performance evaluation also linked to the career prospect which is the employees can get promoted. However, the promoting is based on vacancy of the posting.

The information flows in TMC is clear. Information transmitted through meeting, e-mail, town hall and video conference. Most of the information flows in TMC is top down but the employees can raise any problem to business support. All the interviewees agreed that the information regarding to performance evaluation is clear.

The process of information regarding their performance evaluation is started from the KPI setting, and then evaluation based on their KPI achievement and work competency. The evaluation of the employees is a face to face, the superior will give mark to their subordinates and their subordinates will agree or argue with evidence if they have any issues. Then the subordinates will sign the evaluation form.

Majority of interviewees' response that they do not agree on the use of bell curve system because there are a lot of problems when the system is used and some of the employees become victims of the system. They argue that although there is no big

difference in terms of performance evaluation mark but the rewards received is very different. Interviewees also argue that the system used before bell curve system is better. The system used before are based on marks.

4.9 Used and Control

All of interviewees agreed that BSC and the use of KPI make they work more organised and focus. However, they have different opinion when it comes to controlling purposes. Assistant manager and manager of performance management department argue that BSC can control employees' behaviour. Different with non-executive from operating department which stated:

BSC do not control employee's behavior. It depends actually on individual of employees. If they stubborn, the system is not affect them at all. Bonus really push employees in do better job. However, the motivation is decrease when received small amount of bonus even though we have done what should be done.

Another non-executive from same department argue that one of the element in performance evaluation is competency level which include employees behaviour such as discipline and work commitment. However, it depends on individual attitude.

Majority of the interviewees especially employees from operating department feel that bell curve system used by TMC is unfair. They also suggest that the top management should change the system. Based on their opinion, the flatterers always get the good result in performance evaluation. They added that the performance evaluation always linked to the political games at work. Employees tend to manipulate the system to get rewards.

Senior manager from operating department stated that the system starts with rules to be follow and required understanding from the employees but after they understand the system, the system become routine and the employees tends to manipulate and taken for granted. Non-executive from same department suggests that the assessors should be aware regarding to political games, their evaluation should more objectives and avoid any bias and favouritism. Assistant manager from performance management stated that TMC are in process of changing all manual and form into online system to reduce cost and paper wasting. They plan to use online system start at the end of 2014. To date they are using e-BSC which more effective and linked throughout the items in the system.

5 Conclusion on Institutionalisation of Implementation BSC

The finding shows that TMC uses BSC as a performance management system but it has a flaw when it relates to the KPI implementation, performance evaluation and bonus. The KPI implementations became ineffective because accountability in KPI setting. The different perception and understanding among employees also contribute to the ineffective KPI implementation. The performance evaluation and bonus given seem unfair because of the favouritism, subjective performance evaluation and the bell curve system.

The adoption and changes in the implementation of BSC in TMC can be explained by institutional theory, which draws on both NIS (DiMaggio and Powell, 1983) and OIE (Burns & Scapens, 2000). NIS offers an explanation for the institutionalisation of new accounting innovations, for this study as performance management which is BSC, that may be rational from a social perspective rather than from an economic perspective.

The implementation of BSC in TMC is influenced by the institutional factors which are government intervention, CEO, top management, consultant, non-executive union, and employees. The adoption and implementation of BSC in TMC are driven by institutional pressure based on NIS and OIE.

In TMC, the institutionalisation shapes the implementation of BSC becomes norms in the organisation. Legitimacy is one of the main components of NIS and TMC need to be legitimated by their constituencies and stakeholders which are government. This legitimacy can be achieved in TMC by trying to conform to the government expectations in intensifying the performance management by using BSC. TMC adopt BSC due to GLCT program that run by government as an effort to transform GLCs to high performance organisations.

The adoption of BSC in TMC is due to coercive pressures because of the transformation of GLCs (GLCT). In undergoing the transformation process, TMC should immediately act and transform their management system in accordance with the government to improve its performance. TMC also involved with mimetic pressures as the GLCT program provide example from other successful companies which using BSC. The pressure is not only from government but from various parties including consultants, publics and customers.

The pressure from government are including control by Khazanah Berhad (GLiC and parent company of MMG) and TMO (responsible to control TMC relates to GLCT programme). This coercive pressure may cause TMC to implement the BSC in line with the Blue-Book in intensify its performance management. The normative pressure in TMC is relating to consultant. TMC also used consultant services in implementing BSC which recommended by Khazanah Berhad. Starts with HPM system then they choose to change to BSC also based on suggestion by the external consultant. They also use consultant in evaluating the implementation of BSC in TMC. This implementation process in TMC also may not only be due to external pressures to change but it may also be from internal organisation which aspires to achieve good performances. This study also looks at the OIE influences on the adoption and implementation of BSC because OIE concerns the internal process of changes and views the BSC activities as routines in organisation.

From OIE aspect, the main factors which influence the implementation of BSC in MMG are the CEO, superior and employees' behaviour. The institutional environment inside MMG includes rules, routines, work culture and work politics. Various actors were mobilised to translate and modifying BSC to become as a practice in the company.

As the CEO and top management set the new rules in transformation program, the employees have to follow. After several years implementing BSC, the system becomes routine among employees. They know how the systems works and some of them are taken for granted.

BSC is a system implement in TMC as formal rules to be followed. Instead, the employees adopt informal rules to suit the need of the business activities. The implementation BSC in TMC was suffering from the accountability, the bell-curve issue, the favouritism issue and the subjectivity in the performance measurement.

The use of KPI in TMC started as rules to be complying by employees. The use of KPI becomes a routine and work culture among the employees. The implementation of BSC that linked reward to performance also increases political games among employees. The rules in MMG are being used by some employees to achieve their targets by

manipulating the systems. In addition, many employees in TMC are not satisfied with the bell curve system. This resulted in decreased motivation of their work.

In summary, the adoption and implementation of BSC in TMC is institutionalised by the coercive, mimetic, and normative isomorphic and rules and routines. The implementation of BSC in TMC was suffering from the accountability, the bell-curve system, the favouritism issue and the subjectivity in the performance measurement. The main actor in institutionalising the adoption of BSC is the government through its organisation which are Khazanah Berhad (parent company of TMC) and TMO. TMC adopts BSC in order to conform and get legitimacy from the government as their status as GLCs.

This study extended the institutional theory by integrating behavioural aspects. The use of BSC as performance management system in the organisation shows that the system improves performance of employees and organisations. The system become more systematic and easy to use by employees. However, there are also negative side of the implementation. Some of employees taken system for granted by manipulate the system and their superior in order to get reward. The organisation should control employees behaviour by added more control and do rotation job. The contributions of the study are extended institutional theory including behavioural factors that influencing the effectiveness of the system, added literature on BSC implementation as performance management system in GLCs, and give additional evidence on implementing effective BSC.

The limitation of this study is generalisability. Dissimilar organisations will not be able to gain knowledge from the study. However, the possibility of transferability and replication may exist for selected organisations. The same strategies that increase the internal validity of the study also increase external validity.

References

- Andon, P., Baxter, J., & Chua, W. F. (2007). Accounting change as relational drifting: A field study of experiments with performance measurement. *Management Accounting Research*, 18(2), 273–308. <http://doi.org/10.1016/j.mar.2006.06.007>
- Burns, J., & Scapens, R. W. (2000). Conceptualizing management accounting change: an institutional framework. *Management Accounting Research*, 11(1), 3–25. <http://doi.org/10.1006/mare.1999.0119>
- Dambrin, C., Lambert, C., & Sponem, S. (2007). Control and change: analysing the process of institutionalisation. *Management Accounting Research*, 18, 172–208.
- Dawson, P. (1997). In at the deep end: Conducting processual research on organisational change. *Scandinavian Journal of Management*, 13(4), 389–405. [http://doi.org/10.1016/S0956-5221\(97\)00025-0](http://doi.org/10.1016/S0956-5221(97)00025-0)
- Dent, J. F. (1991). Accounting and organizational cultures: A field study of the emergence of a new organizational reality. *Accounting, Organizations and Society*, 16(8), 705–732. [http://doi.org/10.1016/0361-3682\(91\)90021-6](http://doi.org/10.1016/0361-3682(91)90021-6)
- DiMaggio, P. J., & Powell, W. . (1983). The iron cage revisited: institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, April, 147–160.

- Ding, S., & Beaulieu, P. (2011). The Role of Financial Incentives in Balanced Scorecard-Based Performance Evaluations: Correcting Mood Congruency Biases. *Journal of Accounting Research*, 49(No. 5 December 2011), 25.
- Dutta, S. K., Lawson, R. a., & Marcinko, D. J. (2013). Alignment of performance measurement to sustainability objectives: A variance-based framework. *Journal of Accounting and Public Policy*. <http://doi.org/10.1016/j.jaccpubpol.2013.08.008>
- Hodgson, G. M. (2006). What are institutions? *Journal of Economic Issues*, 40(1), 1–25.
- James, W. (2009). Rationality, institutionalism and accounting change. Understanding a performance management system within an Australian public sector entity. *Journal of Accounting & Organizational Change*, 5(No. 3), 362–389.
- Mansor, N., Bahari, A., & Justine, J. (2008). A Strategy-Based Key Performance Indicators and Firm's Performance: The Experience of Government-Linked Companies in Malaysia. *International Journal of Knowledge, Culture and Change Management*, 8(2), 93–104.
- Norhayati, M. A., & Siti-Nabiha, A. K. (2009). A case study of the performance management system in a Malaysian government linked company. *Journal of Accounting & Organizational Change*, 5(No. 2), 243–276.
- Northcott, D., & Smith, J. (2011). Managing performance at the top: a balanced scorecard for boards of directors. *Journal of Accounting & Organizational Change*, 7(1), 33–56. <http://doi.org/10.1108/183259111111125531>
- Othman, R. (2007). Effect and Effectiveness of the Balance Scorecard: Malaysian Evidence. *The Journal of The Malaysian Institute of Management, Malaysian Management Review*, 42(1), 55–72.
- PCG. (2005). *Blue Book: Intensifying Performance Management. Blue Book Version 2*.
- PCG. (2011). *GLC Transformation Programme Progress Review 2011*.
- Sharma, U., Lawrence, S., & Lowe, A. (2010). Institutional contradiction and management control innovation: A field study of total quality management practices in a privatized telecommunication company. *Management Accounting Research*, 21, 14.
- Stringer, C. (2007). Empirical performance management research: observations from AOS and MAR. *Qualitative Research in Accounting & Management*, 4(No. 2), 92–114.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20, 571–610.
- Sundin, H., Granlund, M., & Brown, D. A. (2010). Balancing Multiple Competing Objectives with a Balanced Scorecard. *European Accounting Review*, 19(2), 203–246.
- Thompson, J. D. (1967). *Organizations in Action: Social Science Bases of Administrative Theory*. New York: McGraw-Hill Book Company.
- Yap, P. C. P., & Ferreira, A. (2011). The Complex and Multifaceted World of Performance Management in NGOs: A Case Study. In *2011 AFAANZ Conference* (p. 37). Darwin, Australia.
- Zin, N., Sulaiman, S., Ramli, A., & Nawawi, A. (2013). Performance Measurement and Balanced Scorecard Implementation: Case evidence of a Government-linked Company. *Procedia Economics and Finance*, 7(Icebr), 197–204. [http://doi.org/10.1016/S2212-5671\(13\)00235-9](http://doi.org/10.1016/S2212-5671(13)00235-9)

Appendix

Table 2: List of Interviewees

Interviewee	Position	Department	Job description and involvement in BSC
1	Executive	Performance Management	Assist the assistant manager in alignment and cascading the KPI
2	Assistant Manager	Performance Management	Assist issues regarding KPI between strategy and human resources
3	Manager	Performance Management	Talent management and performance management. Control and monitor KPI and competency senior manager and below
4	Non- Executive	Billing	Billing
5	Non- Executive	Contact Management	Managing contract management
6	Non- Executive	Contact Management	Prepare documents for contract management
7	Non- Executive	Contact Management	Managing contract management
8	Non- Executive	Contact Management	Assist executive for contract management
9	Non- Executive	Contact Management	Managing contract management
10	Non- Executive	Document Control Centre	Document control for Sirim Audit and ISO Documentation. Audit Sirim dan ISO-dokumentasi
11	Non- Executive	Library Management	Documentation
12	Executive	Library Management	Documentation and set the KPI and evaluate the performance for the non-executive
13	Non- Executive	Contact Management	Prepare documents for contract management
14	Non- Executive	Public Relation	Assist public relation and customer service
15	Non- Executive	Contract Management	Assist executive for contract management.
16	Manager	Operation Management	Manage staff in operation department