



# Adopting a contemporary performance management system

## A fast-growth small-to-medium enterprise (FGSME) in the UAE

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### Abstract

**Purpose** – The purpose of this qualitative research is to explore the characteristics and issues related to the transition of a UAE-based fast-growth small-to-medium enterprise (FGSMEs) from the traditional performance management system (PMS) to a modern PMS through a design of a potential balanced scorecard (BSC) and strategy map for the company.

**Design/methodology/approach** – The study was conducted in one of the FGSMEs that serves more than 16,000 farmers across the United Arab Emirates (UAE). A qualitative case study methodology was used in this study. The focus was on “how” questions and exploratory analysis of primary and secondary data supported by in-depth interviews with senior managers.

**Findings** – This research highlights the adoption of a new, more proactive performance management accounting – the BSC. It was found that the BSC initiatives already exist in the company but not clearly linked together and directed toward the effective implementation of BSC system. It was found that these initiatives were initiated by the interests of different work units but not properly integrated as one whole company system. Such initiatives if integrated together and aligned with the overall objectives and strategies of the company can facilitate the comprehensive adoption of the BSC system and maximize the possibility of achieving better measurement and management of organizational performance.

**Research limitations/implications** – The study was limited to the UAE and it focussed exclusively on a single fast-growing enterprise. The results presented may not suitable to be generalized or extended to other contexts.

**Practical implications** – Our study highlights the need for better understanding of the use of non-traditional-measurement mechanisms like the BSC, that may substitute for the roles of financial-based performance measurements and lead to superior performance to our case company. This study suggested that many of the roles played by traditional performance management can be substituted by, or supported by other mechanisms at the corporate level like the BSC system and the detailed design of a potential BSC and strategy map for the company will act as a guide to help in bringing the modern performance management techniques and tools into the other Eastern FGSMEs also.

**Originality/value** – The paper contributes to the literature by being one of the first to study contemporary PMS within a middle-eastern context.

**Keywords** United Arab Emirates, Balanced scorecard (BSC), Corporate performance management, Fast-growth small-to-medium enterprises (FGSMEs)

**Paper type** Research paper

### Introduction

Performance management systems (PMSs) have been recognized as a crucial element to improving business performance in organizations (Garengo *et al.*, 2005). Performance measurement systems are considered as a means to gain competitive advantages and continuously react and adapt to external changes. Tan and Smyrnis (2005a, b, 2006) argue that implementing appropriate PMSs ensures that actions are



aligned to strategies and objectives (Kennerley and Neely, 2003). To be effective a PMS should be dynamic and has to be modified in line with the changes in the organizational environment so that performance measures remain relevant (Lynch and Cross, 1991). This leads to the argument that a PMS needs to be examined at three different levels: the individual measures of performance; the performance measurement system as a whole; the relationship between the PMS and the environment within which it operates (Neely *et al.*, 2002). However, few organizations appear to have systematic processes in place for assessing and maintaining their PMS (Kennerley and Neely, 2002). The ability of keeping the PMS continuously updated is a challenge for every firm (Garengo *et al.*, 2007; Hudson *et al.*, 2001).

The researchers follow the assumption that different types of firms pursue diverse strategies on performance measurement and management depending on internal and external factors (Stokes, 2000). Research on this topic, so far, has concentrated primarily on large organizations (Zaman, 2003), and SMEs in general (Hudson *et al.*, 2001). In the literature review, it was found that there is a shortage of studies on performance measurement in the Middle East in general and in the United Arab Emirates (UAE) in particular. This study attempts to explore the characteristics and issues related to the traditional PMSs and the contemporary performance management initiatives. The study is conducted in one of the leading “product A” – manufacturer based in UAE, which qualifies to be termed as a fast-growth small-to-medium enterprise (FGSME). This organization recently adopted a new PMS and observations were made before and after the implementation to arrive at meaningful conclusions on the transition. Like any other organization, one of the necessary conditions for achieving high performance standards in fast-growth firms is being able to effectively measure and monitor a company’s performance (Cocca and Alberti, 2010).

This research makes contributions to the literature in two ways. First, it helps in providing insights in to the characteristics of contemporary PMSs and practices in the understudied middle-eastern context. Second, it explores qualitatively the features and issues related to the transition from a traditional PMS and to a contemporary PMS.

In the next section we present the literature review, and then this is followed by the research objectives, methodology, results and finally the research implications, limitations and future research agenda.

## Literature review

### *Organizational performance management through accounting – traditional view*

Talha *et al.* (2010) argued that conventional management accounting systems aimed to present impartial, objective and quantifiable financial information as yardsticks to measure organizational performance. This system is expected to reveal the details of costing, to allow pursuit of efficiency and help better control management and performance. New accounting management systems were evolved to respond to the performance measurement issues organizations faced over time and to help. One of addition to better measure organizational performance was activity-based costing (ABC) (Otley, 2001, 2003). ABC is one of the systems that have been identified as the answer to the changing needs of businesses (Marginson, 1999, 2002). ABC is, therefore, the general term to portray an alternative paradigm to traditional volume-based cost models (Talha *et al.*, 2010). It is claimed that it is an accounting approach that seeks mainly to understand causality and give decision makers the possibility to run costs at the origin, rather than a focus on product cost only (Hope and Fraser, 1997). While it is not likely that ABC offers a pertinent cost for all decisions and situations, but it frequently provides a closer estimation (Talha *et al.*, 2010).

Activity-based management (ABM) is another example of an accounting management system (Talha *et al.*, 2010). ABM employs thorough economic analysis of significant business activities to advance strategic and operational decisions (Brander and Atkinson, 2001). ABM boosts the correctness of cost data by more accurately connecting overhead and other indirect costs to products or customer segments (Marginson, 2002; Talha *et al.*, 2010). Studies show that traditional accounting systems allocate indirect costs using bases such as direct labor hours, machine hours or material dollars (Talha *et al.*, 2010); however, ABM calculates overhead and other indirect costs by activity that can then be linked to products or consumers (Marginson, 2002).

In this new world order successful strategy implementation becomes ever more important. Simultaneously, new performance measurement frameworks are evolving to fill the gap between operational budgeting and strategic planning (Atkinson, 2006). An important factor to successful strategy implementation is the impact of an organization's existing management controls (Langfield Smith, 1997) and particularly its budgeting systems (Otley, 2001; Marginson, 1999, 2002). Atkinson (2006) and Denton and White (2000) argued that, although budgeting systems are powerful tools for communication, they have limited use in the implementation of strategies as they are dominated by monetary-based measures. Although it is increasingly suggested that budgets suffer from being bureaucratic and protracted, and that they focus on cost minimization rather than value maximization (Brander and Atkinson, 2001). These systems still represent the main integrative control mechanism in many, if not most, business organizations (Otley, 2001). The new multidimensional performance measures have replaced the more traditional financial-orientated metrics with non-financial measures that more effectively focus on the new managerial imperatives (Kettunen and Kantola, 2005; Atkinson, 2006). Management accountants will have to make important changes to the way they operate within organizations in the next millennium (Brander and Atkinson, 2001).

In addition, Hofstede's cultural dimension of power distance theory contributes to more successful management accounting and control systems (Talha *et al.*, 2010). Its most important impact is seen in the case of budget formulation (Atkinson, 2006). Talha *et al.* (2010) argued that budgets that are normally used for the prerequisites of organizational goals are frequently unsuccessfully managed. Talha *et al.* (2010) also argued that management accounting practices failed to adapt rapidly to the needs of the new changing environment and enterprises. The dynamics of today's business environment have provided a fruitful atmosphere for and focus on the new role of management accounting systems (Kettunen and Kantola, 2005). By considering the UAE large power distance, this problem could really decrease through the customization of the budgetary system that should be dynamic and be associated with contemporary management accounting concepts such as the balanced scorecard (BSC).

#### *Organizational performance management through BSC: contemporary view*

Modern PMSs make use of a combination of financial and non-financial performance indicators that managers use to measure and evaluate the performance of themselves as individuals or their units or their subordinates (Tuomela, 2005). Academic research on firm performance measurement is derived from a wide spectrum of disciplines, including accounting, economics, human resource management, marketing, operations management, psychology, strategic management and sociology (Marr and Schiuma, 2003). Firm performance measures are defined as metrics employed to quantify the efficiency

and/or effectiveness of actions (Tangen, 2003), but remain an issue for debate in business research (Fahy *et al.*, 2000). A diverse range of measures used constitutes an additional source of methodological heterogeneity (González-Benito and González-Benito, 2005). The challenges related to designing and implementing the performance measurement system was highlighted by Mettanan (2005).

Performance measurement should aim to integrate organizational activities across various managerial levels and functions (McNair *et al.*, 1989). The need for integration is supported by Hronec, who defines a performance measurement system as a tool for balancing multiple measures (cost, quality and time) across multiple levels (organization, processes and people) (Hronec, 1993). Edson (1988) and Talley (1991) highlighted the need for performance measurement systems to focus attention on continuous improvement. Green *et al.* (1991) suggested that performance measurement systems should target value-added activities of the company. Kaplan (1991) argued that an effective PMS provides on-time and accurate feedback on the efficiency and effectiveness of organizational performance. Research has demonstrated that conspicuous links exist between a firm's approach to strategic planning and its business performance in small as well as in large organizations (Lyles *et al.*, 1993; Jennings and Beaver, 1997; Juul Andersen, 2000; Ernst & Young, 2000; Carpinetti *et al.*, 2008).

Pun and White (2005) argued that a PMS must be linked to an achievement strategy which can take a variety of forms: greater focus on stakeholder value, pleasing stakeholders, motivating people and improving and innovating services and products. Edson (1988) and Talley (1991) highlighted the need for performance measurement systems to focus attention on continuous improvement. Green *et al.* (1991) suggested that performance measurement systems should concentrate on the value-added activities of the company. The term "management control systems" means the use of a number of techniques in organizations to observe and evaluate employee performance against certain management targets. Therefore, conventional management control systems focus on getting better operational efficiency. But as operational efficiency is no longer adequate to create sustainable competitive advantage, management control systems must be expanded to managerial practices that cultivate employee cooperation and creativeness in the discovery and development of new business opportunities (Armash *et al.*, 2010).

Realizing the fact that financial measures alone were insufficient for organizational performance measurement, it is necessary that other metrics such as competence, knowledge and customer focus are added (Kaplan and Norton, 1992). In stressing strategy alignment and performance measures, a balance between finance, customers, innovation and learning and internal business perspectives was advocated to ensure long-term survival and growth of organizations (Kaplan and Norton, 2005). Researchers tried to quantify performance solely in financial terms (Vorhies and Morgan, 2005), however, many developments are hard to quantify directly in monetary value (Ghalayini *et al.*, 1997). It was identified that large firms inclined to favor financial priorities (Stone and Banks, 1997). However, customer-based measures are gaining popularity because of an enthusiasm for customer-led quality improvements, which ultimately lead to company profits (Stone and Banks, 1997). In the case of employees, surveys reflecting their perceptions of culture can form the basis for decision making and will help to analyze the state of employee welfare and feelings (Stone, 1996).

The paradigm of corporate performance management processes has shifted over time from focussing on financial strategies and performance indicators to recognizing other areas of business directly or indirectly related to the accomplishment of financial targets in a causality relationship. To begin with book keeping of financial information

represented the profits, revenues, costs, budgeting processes and financial statements which the organizations used to look at to evaluate their performance. This appeared to become futile with the rapid changes in the business environment, new technologies and customers' demands as being ineffective to respond to such changes when it comes to adjusting the strategies according to the new circumstances. Therefore, how successful an organization is was not restricted to how much it makes in profit but also what customers think about it, how effective and efficient its internal operations and how much willingness it has to develop its human capital and eventually all these things can influence its profitability (Armesh *et al.*, 2010).

One the most important tools used to control and measure the performance of organization is the BSC that was first introduced by Kaplan and Norton (1992), as a model for implementing strategy (Otley, 2008). The BSC approach of Kaplan and Norton addresses four perspectives of performance measurement and management (shown in Figure 1 below), namely financial, customer, internal business processes and learning and growth (earlier innovation and learning). The financial perspective deals with those factors through which an organization can create sustainable growth in shareholder value, while the customer perspective defines the value proposition for targeted customer segments. The internal business process perspective aims to measure areas of internal excellence required to deliver customer satisfaction and the learning and growth is intended to measure a company's capacity to innovate, continuously improve and learn (Sureshchandar and Leisten, 2005). When applying the BSC it is evident that measuring is not just reporting past events, but also planning for the future with the help of meaningful metrics (Kettunen and Kantola, 2005; Gumbus and Lussier, 2006). In this case, the budgeting and internal processes must be aligned with all the desired objectives (Denton and White, 2000). Achievements of objectives in the different perspectives

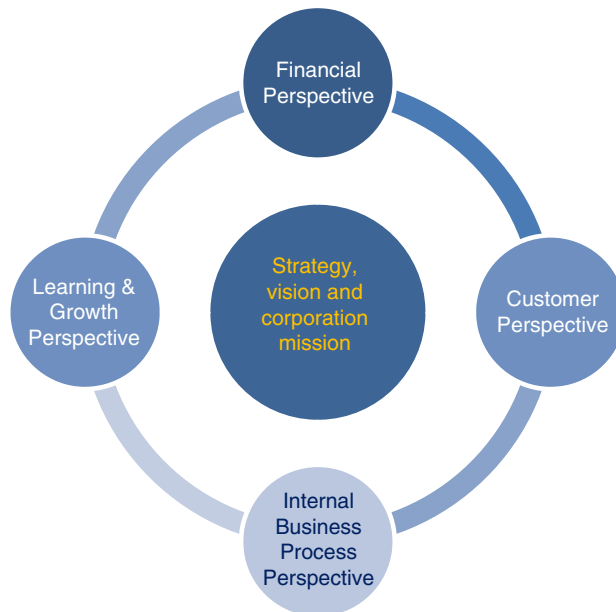


Figure 1.  
The balanced scorecard

Source: Adopted from Kaplan and Norton (1996a)

are measured and evaluated in the reporting phase (Kettunen and Kantola, 2005; Niven, 2003). In addition, the linkages between the objectives and other dynamic features of the strategy are explicitly taken into account.

BSC is used by more than 50 percent of Fortune 500 companies as a tool to measure their performances (Gumbus, 2005; Marr and Schiuma, 2003). However, BSC is not suitable for all companies as there are many performance indicators, making it difficult for managers to handle (De Waal, 2005). Proponents of the BSC emphasized the importance of linking performance measures to strategy and hypothesizing a testable causal chain of performance, in part to ensure that important indirect results follow the more direct successes (Kaplan and Norton, 2001). Empirical evidence suggests that firms often do not explicitly state causal chains (Ittner and Larcker, 2003; Malina and Selto, 2004). However, most of the research in to the BSC have focussed solely on managerial use of the scorecard for performance evaluations. Advocates have begun to address issues that arise while implementing the BSC, including the issues such as the participants who should be involved in the selection of scorecard measures (Frigo and Krumwiede, 2000; Niven, 2002; Kaplan and Norton, 2006). Kaplan and Norton (1996a) argued that the development of scorecard should be a joint effort of unit managers and upper management, and cited evidence of heavy involvement in initiative and metrics selection on the part of unit managers. But Malina and Selto (2001) suggested that some firms impose scorecards on units without seeking input from those affected unit representatives. Lipe and Salterio (2000) pointed out that scorecard-related judgments could be influenced by evaluator involvement in the implementation process.

BSC proponents often focus on managerial “buy-in,” suggesting that involvement in measure selection by those affected by the scorecard will increase the impact of the scorecard (Cokins, 2005). It is also advocated that the scorecard is not only for performance evaluation, but is also a tool for developing and evaluating strategy (Kaplan and Norton, 2000a, b, 2001; Niven, 2002; Buytendijk *et al.*, 2004; Kaplan and Norton, 2004a, b, 2006). In conjunction with scorecard proponents’ shift in emphasis from balance to strategy, research on the BSC has begun to look at its use in strategy development (Malina and Selto, 2001; Ittner *et al.*, 2003a; Ittner and Larcker, 2003; Campbell *et al.*, 2008). In order to link BSC to the business strategy, it is necessary to understand the two basic rules in strategy development and execution, they are, first, comprehend the management cycle that aligns strategy and day-to-day operations, and second, identify what tools are to be applied at each stage of the cycle (Anagnostopoulos and Elmasides, 2010; Kaplan and Norton, 2008b). The strategy map provides a powerful tool for visualizing the strategy as a chain of cause-and-effect relationships among strategic objectives (Kaplan and Norton, 1996a). Categorized into strategic themes, the objective chains start with financial objectives and then link down to objectives of customer perspective. The chain linkage continues with objectives of internal business process and eventuates in learning and growth perspective. Once the strategy map is developed, it is linked to the BSC. With the help of BSC performance metrics (measures) and targets are determined for each strategic objective. BSC also assists to identify the proper initiatives in order to achieve the strategic objectives. Based on the six-stage management system described by Kaplan and Norton (2008), the present study explores the business strategy of Company A (the name of the company investigated is omitted in order to preserve anonymity) and its alignment with the BSC concepts and system.

While it is considered vital to integrate strategic and budgetary controls (Otley, 2001, 2003, 2008), significant concerns have been expressed regarding perceived problems in achieving congruence between the BSC and other organizational control

and budgeting systems (Ahn, 2001). Interestingly in this regard, Kaplan and Atkinson (1998) and Hope and Fraser (1997) noted that many companies have separate procedures and departments for dealing with strategic planning and resource allocation/budgeting. They claimed that when properly carried out the process of creating a BSC should force companies to integrate their strategic planning and budgeting processes – even to the extent that it can completely replace traditional control systems (Brander and Atkinson, 2001).

### **The research objectives**

The present study is an attempt to explore qualitatively the characteristics and issues related to the transition of an organization from the traditional PMS to a modern PMS. In addition, the study also aims at analyzing the new PMS to see how the new system fits in to the BSC system framework. The objectives discussed in this paper are part of a larger goal of a broader study that is aimed at exploring and analyzing various organizational performance measurement and management practices in the Middle East. The larger study is expected to provide meaningful insights on the various performance measurement and management systems in the Eastern context and shed lights on building foundations for future research on the specific characteristics, issues and challenges related to the PMSs and practices in the eastern context. The research objectives for the current stage of the study are summarized below:

- (1) to explore the characteristics and challenges related to the transition of a FGSMEs from the traditional PMS to a modern PMS;
- (2) to examine characteristics of a new PMS under the various perspectives of the BSC such as financial perspective, customer perspective, internal processes perspective, and learning and growth perspective; and
- (3) to examine the link between the characteristics of FGSME and performance management approaches and systems through a design of a potential BSC and strategy map for the company.

### **Methodology**

#### *The case: Company A and its product A*

The study was conducted in Company A, one of the FGSMEs known as gazelles that serves more than 16,000 feeding units across the UAE. The company is specialized in producing “product A” which reflects the culture and the heritage of the UAE. The company has increased its sales greatly in the last three years. To achieve these increases, the company has worked extensively upon its globalized operations.

The company has also been working on improving the quality of manufacturing to keep abreast of new brands through the introduction of screening and re-designing the production processes and quality. The end users are considered the backbone of the development of the palm industry in the country and the main axis to improve the quality of “product A.” Thus, supporting the farmer by meeting their needs is one of the most important priorities that Company A has made it the subject of its interests. A new policy of supporting the feeding units has been applied recently and the percentage of feeding units who have benefited from this policy has increased sharply. The company offers many educational seminars and workshops as well as published leaflets and educational brochures to help imputes and raw materials improving the quality of manufacturing to keep abreast of new brands through the introduction of

screening and re-designing the production processes and quality. The optimal use of “product A” has been achieved by taking the advantages of latest international quality standards and minimizing waste. UAE nationals hold more than 50 percent of the jobs in the company, and the company adopts training programs for its citizens.

Company A adopted various initiatives to improving and to contributing positively to the employees’ and to the raw materials suppliers’ lives as well as to the UAE’s social development on solid economic foundations, through production innovation. As a result, it strives to reach the highest international standards in this vital sector. It has worked on establishing a brand image for itself. In order to do so, the company has realized the importance of a modern and attractive packaging system. The company has indulged in research and development around the world in countries such as Japan, the UK as well as the Netherlands. The company increased and doubled its productivity and improved its quality recently.

Company A is a for-profit organization and growth in profits and sales revenues are major goals for the company to cover its expenditures such as local and international expansion costs and administrative expenses. Therefore, financial objectives and achievements related to profitability account for a large portion of how the performance of the company is assessed. Until recently, the company has been evaluating its overall performance by the traditional tools of corporate PMS which are the achievement of financial objectives and profitability measurements of profit volume, revenues growth and cash flow as well as budgeting process to control spending and cut possible expenses. As part of its continuous improvement initiatives in various internal and external operations of the company, during the last quarter of 2011, the company adopted a new performance measurement and management system.

#### *Data collection, process and analysis*

The present study is qualitative and exploratory in nature. Since the study uses a single case study approach for data collection in which data collection is limited to one company alone, it therefore, employs a qualitative paradigm. This approach would be suitable in situations where knowledge is shallow, fragmentary, incomplete or even non-existent, in that they can make an important contribution for further research on the same topic and in the same context, or in any other similar context (Ghuri and Gronhaug, 2002). This is specifically beneficial when a researcher needs to explore his understanding of a situation or a problem, samples are usually small, and sampling is guided by theoretical rather than probabilistic considerations (Huberman and Miles, 1994; Robson, 2002). This study is part of a larger study with wider scope that aims to explore and examine the performance measurement and management practices in the middle-eastern FGSME companies.

In addition to being one of the eastern companies that represent a real example of FGSMEs, what attracted the researchers to choose this company is that it recently adopted a contemporary performance measurement and management system. Tape recorded semi-structured interviews spanning two to three hours for each respondent that involved a list of open-ended questions were used to collect the data. The data collection was done between mid-2011 and mid-2012. More specifically, fourteen senior managers were interviewed twice over a six-month period for longitudinal purposes. The first phase of the interviews represents the stage where traditional performance measurement and management systems and practices are in place; whereas the second stage of the interview represents a period in which the newly



adopted PMSs and practices were implemented. The targeted participants were not decided a priori. The number of interviews was dictated by the progression of data collection that lead to a total of 14 senior managers interviewed in the company. As a result, researchers jointly collected, coded and analyzed each interview, then decided which participants to interview next, in order to ensure relevancy of the participants involved.

The interpretation of the interview transcripts is based on multiple readings of each transcript in order to include a holistic picture of the managers' stories, followed by a section-by-section reading of major ideas throughout each transcript. Each transcript was dealt with as part of a larger whole, consisted of multiple transcripts. Each of the 14 managers is considered as a one separate unit of data (Burns, 2000; Patton, 2002). Interpretations of such individual units are constantly compared and contrasted to each other in order to arrive at the big picture. Continuous modification of concepts and themes were linked to precise keywords and lines within transcripts. Themes, categories and interpretations were incorporated into frameworks by analyzing the responses from the respondents, each respondent was thoroughly analyzed first on its own, to understand the perspective from each respondent before making comparisons and drawing conclusions (Huberman and Miles, 1994; Yin, 1994).

## Results

### *BSC initiatives at Company A*

It is recognized (Basu, 2004, 2008) that the comprehensive approach of a well-designed PMS is underpinned by three fundamental criteria leading to the success of a PMS including the BSC. These are rigor in purpose, rigor in measurement; and rigor in application (Basu *et al.*, 2009). The information illustrated in the first stage of data collection portrayed the existence of a typical traditional PMS at Company A. However, the data collected in the later stage indicated the anticipation in the adoption of the new system that represented the features of a modern performance measurement and management system. These initiatives were initiated because of the interest of different work units but never as a part of a one whole company system. Hence, the new system seems more acceptable to some than others. Such initiatives if integrated together and aligned with the overall objectives and strategies of the company can facilitate the change to the BSC system and maximize the possibility of achieving better measurement and management of organizational performance. However, it is very important to mention here that the company is quite young i.e. almost six years old so it would be that much inclined to invest heavily in such initiatives. As organizations evolve through four stages of the life cycle, changes take place in structure, control systems, innovation and goals (Daft, 2007). Company A is in the collectivity stage. Growth is rapid, and employees are excited and committed to the organization's mission. The structure is still mostly informal, although some procedures are emerging (Daft, 2007). Continued growth is a major goal for this company. The initiatives are discussed under the four perspectives of BSC as below.

### *Financial perspective*

The BSC financial perspective addresses how organizations perform financially using traditional outcome measures such as ROE, cash flow, profit, ROI and project and customer profitability (Kaplan and Norton, 2000a, b, 2005). The financial objective for the company for the year 2012 is to increase profits by 15 percent compared to 2011. To achieve this objective, the company is pursuing two strategies which are as follows.

*Revenue growth.* Geographical expansion through export sales is one way by which Company A is trying to reach new customers. Another way is by creating new products that might attract new customers. This is emphasized by the following quotations “Company A’s HR Manager & Call Center Specialist.”

[...] The Company is planning to open a café in a shopping mall during the next few months so it will get access to new customers and with new products that will be included in the café menu (HR Manager). In addition, the call center of the company is focusing on contacting existing customers and trying to sell them palm seedlings. So, it is also maximizing its revenue from its existing customers [...] (call center manager).

*Productivity.* Reducing the company administrative costs and expenses related to marketing of products through gifts and samples is one of the company initiatives this year. Examples of these ideas to reduce the costs of operations are seen in the quotations of the human resource manager and the human resource officer:

[...] Hiring temporary staff for the call centers and the receiving centers besides contacting labors for the manufacturing department during the “product A” season is a way Company A is trying to reduce its costs. In addition, contracting with some transportation companies besides rental of refrigerated warehouses to handle the workload during the season is another source for improving the company cost structure (HR Manager). To make better utilization of Company A imputes and raw materials, there are two main initiatives done there which are making animals food produced from farm agricultural waste and “product A” not suitable for human consumption and sell it for animals raising feeding units. Also, cutting palm seedlings from the main trees and selling them for agricultural farmer are other ways for getting the best out of the Company A imputes and raw materials [...] (HR officer).

#### *Customers perspective*

According to the BSC, customer perspectives address traditional marketing issues such as market share, customer satisfaction and service quality ratings, customer loyalty and customer perceived value (Kaplan and Norton, 2000a, b, 2005).

Company A has three types of customers and there are different approaches and focusses while dealing with these customers. However, increasing customer satisfaction and specific value addition regardless of the categories in which they belong are the ultimate goals for the company. Customer descriptions and different company focusses related to customers can be observed from the quotes below of Company A’s call center specialist and logistics specialist:

[...] Feeding units: Company A serves around 16,000 feeding units in the UAE through receiving their harvested “product A” and arranges the payments guaranteed for them from the government based on the “product A” quantity, quality and type. Maintaining a close relation with feeding units is a key element to increase their satisfaction. In order to be close to such a large customers base, the company created its own call center under the External Relations and Coordination department. For the priority feeding units who are the owners of high production capacity imputes and raw materials, the call center provides special and extra services such as flexible times for delivering their production. Reports made for their imputes and raw materials include forecasts of how many boxes they might need to deliver their production next year based on previous year’s production delivery figures [...] (call center manager).

[...] as for the distributors: internal and external agencies and individuals with whom Company A signed contracts to distribute its’ products represent another type of customers for the company. With the new date products entering to some new markets, results of such

initiatives are uncertain and can't be estimated. Therefore, smooth operations in providing the required production quantity, high level of reliability related to the orders' standards and conditions as well as fast delivery are the main features Company A is trying to provide for its distributors [...] (logistics manager).

[...] talking about individual buyers and showrooms customers, there are more than four showrooms for Company A distributed across Abu Dhabi, Dubai and Al Ain city where it sells variety of products for individual buyers. Quality, attractive packaging, suitable prices and wide selection of "product A" products are the focus of the company when it comes to this type of customers [...] (call center manager).

Company A is customer-centric, regularly collects feedback from clients and responds timely and seriously to their requests and complaints. The company has been practicing, since its inception, a strong commitment to be highly customer-centric as a main strategy. The company pays high attention to retaining customers by timely developing new products which continue to satisfy current customers and meet their changing preferences.

#### *Internal processes perspective*

Internal business performance indicators include traditional operational metrics such as tender success rate, data rejection percentages, time per customer (Kaplan and Norton, 2000a, b, 2005), on-time delivery, the number of new products launched and product defects (Zaman, 2003). As for Company A, the mark of the quality of logistics services is the extent to which the products are supplied reliably and on time. To ensure that these criteria are met, the company facilitates a systematic operational infrastructure. This is emphasized greatly by the Company A's logistics specialist and HR officer:

[...] Speed and dependability do matter. However, quality can be affected by any problems that may arise with regard to the different tasks for the logistics section of the supply chain department that range from posting, collection, sorting, transportation, warehousing or delivery. The company is seeking faster delivery of "product A" from receiving center to the factories. Which means receiving phase during the season with less complaint is the goal for this year. This requires logistics operations, receiving center arrangements in advance [...] (logistics manager and HR officer).

From an operational perspective, in order to manage operations of the receiving centers during the peak season besides any logistics tasks, outsourcing the transportation is the key factor, as argued by HR manager and logistics manager. In addition complete schedule for feeding units' dealings are arranged with the call center which is responsible for all receiving and payments schedules and advanced communication to imputes and raw materials (logistics manager). More specifically, Company A call center provides feeding units with variety of services that include: advance booking for delivery; monthly SMS reminders to the feeding units on what should be done for the palm trees during the specific month so that quality of "product A" can be ensured; informing feeding units about the status of their payments; promoting awareness among the feeding units on new techniques related to palm trees, organic "product A" and related topics and dealing with customer complaints and suggestions.

#### *Learning and growth perspective*

According to Kaplan and Norton (2000a, b), innovation, learning and growth perspectives involve improving employee satisfaction and commitment, and developing employee

technical skills and level of involvement in innovations. A review of the related literature reveals a strong emphasis on employees in fast-growth enterprises like the case of Company A (Nicholls-Nixon, 2005; Jaffar *et al.*, 2007; Tan, 2007; Mbaga *et al.*, 2011). Therefore, it is not surprising that Company A facilitates employee involvement as part of their performance measurement system.

Apart from promoting and increasing employee awareness and knowledge in food safety procedures, the company has set goals such as a specific percentage of employees who would pass food safety exam conducted by Abu Dhabi Food Control Authority. In order to measure and help facilitate achieving this goal, HR professionals studies on the reasons for failure in the specified exam, identify the difficulties employees face in dealing with the exam and make remedial measures to improve the pass rate. This is highlighted by the two quotations below from chairman of the board of directors and HR officer, respectively:

[...] Company A has chosen globalization to be target of all aspirations and hopes, which has been reflected upon the activities of the various sections of the company. For the first time in the world, a new electronic system for receiving “product A” based on common international standards and specifications in Arabic “product A” as well as standards of the Emirates Authority for Standardization and Metrology has been developed to be applied in a uniform and remarkably similar to developed receiving centers which has been equipped with the latest technology in addition to the qualified staff [...].

[...] Interestingly, it appeared that trainings done prior to the exam are all done on different languages such as Arabic, English or Urdu that large groups of labors do not understand. Internal arrangements are done currently having some of the labors who know other Asian languages that translate and communicate the training content to their colleagues and that lead to an increase in the passing percentage. In addition, the call center of Company A arranged last year a forum with other call center staff from different local companies such as Etisalat (One of the major telecommunications company in UAE) to share knowledge, best practices and discuss issues they face and how can it be resolved [...].

[...] This can raise the awareness of Company A call center staff on what similar sections at other companies do and get closer look on what key success factors they should be developing on their section (call center manager).

#### *Company A's BSC and strategy map*

According to the prior discussions of BSC initiatives that are already implemented and from the interviews conducted with employees from Company A on what would be a main objective for the departments of sections related to the perspectives of the BSC, Table I and Figure 2 show a potential BSC and strategy map for the company.

#### *Implementing BSC – challenges and recommendations*

The challenges Company A faced while implementing the new system are assessed, evaluated and some recommendations are made accordingly. The interviews conducted with the managers on their experience and learning with new system implementation revealed the following common themes. These may be interpreted as issues or challenges faced or recommendations for similar adoptions.

*Translating the strategy into operational terms.* One of the key areas addressed by the company while implementing the new system includes redefining the strategy by ensuring its expression into operational terms. For an organization to successfully implement the BSC system or any similar system to manage and measure its overall

Perspective	Objective	Measures	Targets	Initiatives
Financial	Increase revenues	Sales revenue	15% compared to last fiscal year	New markets New products
Customers	Feeding units' satisfaction over the receiving services and payments	Feeding units' complaints Speed of solving feeding units' issues	90% compared to last fiscal year	Call center services and survey
Internal operations	Fast delivery of "the product A" from the collecting units and centers to the factories	"Product A" readiness time for collection at the receiving centers and time of delivery at the factories	Maximum number of days to deliver the "product A" is 3 days	Contracting with transportation companies to provide more trucks for delivering the "Product A" to the factories
Learning and growth	Improve labors food safety knowledge	Rate of labors passing food safety exam	80% compound annually according to the plan with Abu Dhabi Food Control Authority	Arrange training session on different languages as to labors' nationalities

**Table I.**  
Company a balance scorecard

performance, it should have some pillars for being strategy focussed (Norton, 2001). The Company needs to translate the strategy into operational terms on a way that all strategies related to all areas of the business should be clearly identified and maybe even documented (Kaplan and Norton, 2000a, b, 2005). The availability of strategy focussed organization pillars and how strong they are can play an important role justifying either the failure or success on implementing the BSC system. At Company A, it was opined that the strategies are more aligned in certain departments and not uniformly spread in every work units. In addition, there is a need for better documentation in certain departments since some operations are done based on oral instructions but not based on actually strategy plan or approved written documents (HR managers of Company A). Therefore, it was recommended to clearly define the company's strategies for all the department, communicate them, and document them so that higher alignment and consistency with the organizational strategy could be facilitated in the advanced stages of strategic mapping and the corresponding linking with the BSC, as argued and discussed by (Wu and Hung, 2007, 2008; Sushil, 2008).

*Aligning the strategy with the organization.* The Company has two factories and has two management offices and seven "product A" receiving centers in various locations. Some of these facilities are connected with an ERP software program facilitating a limited use of the software capability such as sharing of the inventory and production information in addition to sales orders (call center manager; R&D manager). Qi *et al.* (2009) and Zaman (2003) argued that the harmony and cohesive cooperation between all facilities can result in more effective and efficient operations; therefore, it is highly recommended that better integration of all functions and locations is achieved. In addition, initiatives such as regular meetings, intranet newsletters and employees regular visits may be facilitated.

*Making the strategy everyone's everyday job.* Employees are the ones contributing to the achievement of the strategies and organizational objectives through their daily work and unless they understand the strategies and get involved in implementing the

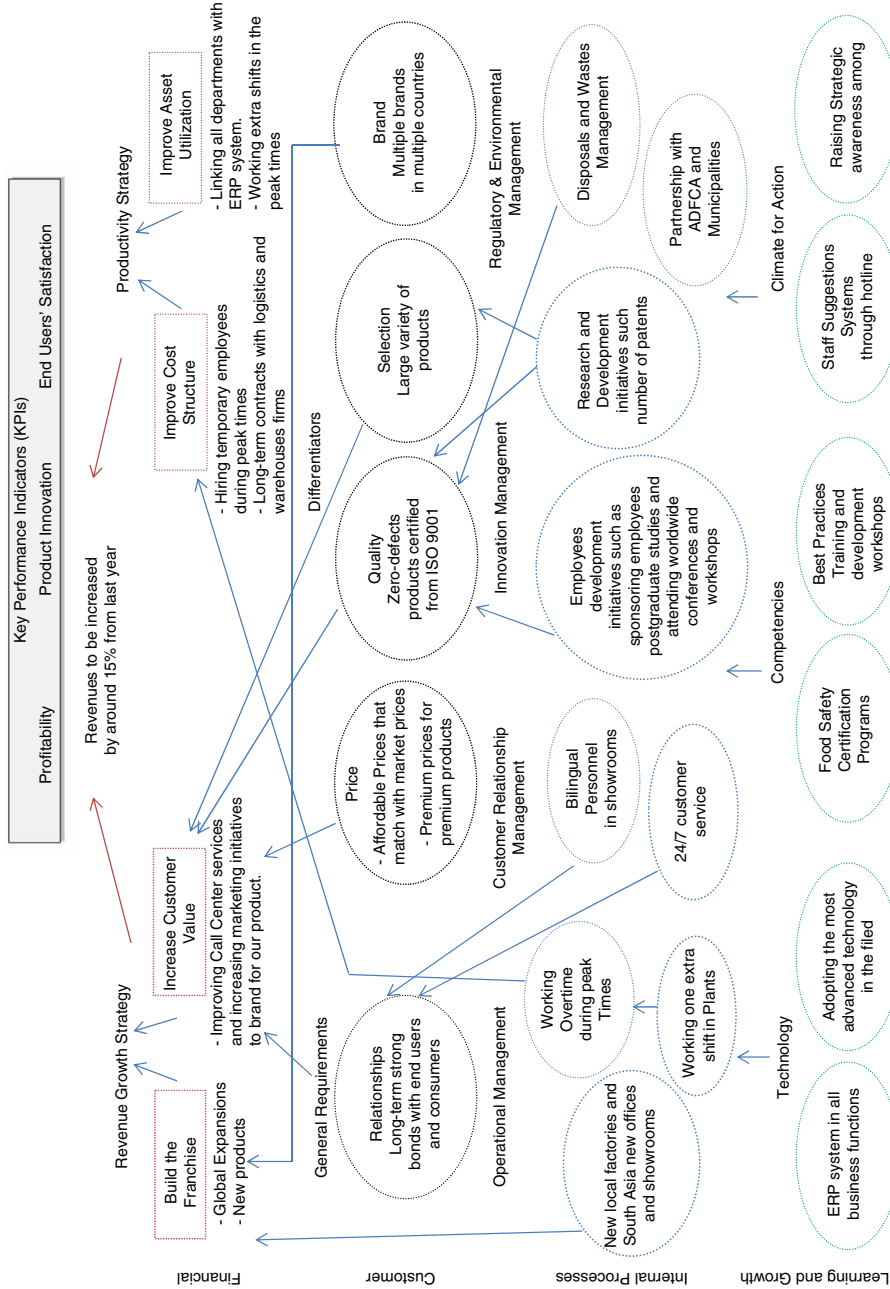


Figure 2. Company A strategy map

BSC basis it would be most likely to fail (logistics manager of Company A). At Company A, strategies are shared among the management team who might not really communicate those to the employees in their respective departments. Employees do their daily work without any proper understanding about the linkage between his individual performance with that of achievement of the organizational goals (call center manager; HR manager). Therefore, the company needs to improve involvement of employees by making them aware that how their everyday efforts at job serve as great inputs for the achievement of the whole company's strategy (HR officer). This can be done through arranging open meeting between the management and the employees where they can ask about the company current directions, goals and what should be achieved. Lectures, training and educational programs on BSC initiatives can be arranged for employees to make them familiarize with the relevance of the BSC and what role they should play on implementing it successfully, as emphasized by various researchers (Basu, 2004, 2008; Basu *et al.*, 2009; Kaplan and Norton, 2000a, b, 2005).

*Making the strategy a continual process.* In order to maintain the effective facilitation of BSC, a continuous focus on the company strategy is a must (Kaplan and Norton, 2000a, b, 2005). Call center manager and R&D manager of company A emphasized the need and significance of the reviewing process. After formulating a comprehensive set of strategies, Company A should review those strategies every two years to ensure their currency by updating with the new changes in the internal and external business environments (HR manager). Qi *et al.* (2009) argued that adjusting strategies to fit with different business situations and adapting new strategies in achieving a company's objectives should be a continuous process.

*Mobilizing the strategy through a leadership style.* Kaplan and Norton, (1996b, 2000a, b, 2005) argue the critical role that leaders occupy when introducing any organizational change like BSC. Transformational leadership is considered as critical to not only the introduction of the BSC but also its implementation and maintenance (Tan, 2007; Behery, 2008). Unfortunately, the company has faced quite an unstable internal environment with changes in the management that affected the implementation of the new PMS (R&D manager; HR manager). As for the case at hand, it is highly recommended that the company's top management facilitate the BSC implementation through creating awareness about the importance of the BSC, linking between performance and reward and finally sustaining the culture of learning organization (Sushil, 2008)

### **Research implications, limitations and future research agenda**

The study highlights the need for better understanding of the use of non-traditional-measurement mechanisms; that may substitute for financial-based performance measurements and lead to superior performance management to our case company. It appears to be essential to identify the circumstances under which organizational performance measurement systems allow a previously established basis of trust between an organization and its managers to facilitate better performance measurement and management for organizations. It was found from the study that the new system was more acceptable to some than others. The work in the new system was mainly seen among those who are better aware of the system. This indicates the need for ensuring proper education and awareness about the system before the actual implementation stage. Such initiatives are expected to facilitate most benefits of the system by the alignment of subsystems performance measurement with that of the

overall company objectives and strategies. The study also indicates the power of various measures of outcomes used in the BSC system in addressing various productivity and growth issues such as reducing the cost structure, improving the internal processes, improved service quality ratings, revenue and market growth. However, the study was limited to the UAE and due to its previously noted exploratory intent the aim was to focus on a single example of the fast-growing enterprises. This is largely attributed to the relatively recent diffusion of the BSC among the organizations in the UAE. Sobotka and Platts (2010) argue that contingency theory shows that there is no single best approach to managing people and organizations. Instead, the “best way” is always dependent on the type of operating environment. Hence if the outcomes evidenced in this study are to be considered valid in other situations, various aspects of the environment factors may have to be recognized and carefully considered. A principal limitation of this study concerns non-testing of inter-rater reliability of codes and categories derived from transcript material. Finally, this research should be viewed as a preliminary exploratory investigation geared to building inputs for the next stages of the larger study in which the authors aim to explore the performance measurement and management systems and practices in the Middle East and bridge the gap between the east and western literature on contemporary systems of performance management. The next stage of the study would examine the BSC adoption experience among Emirate ISO 9000 certified companies. This study will establish performance measurement indicators and a performance relationship model for these companies, specifically addressing the effects of BSC adoption; the rudiments included in BSC program; the concerns and problems associated with the BSC adoption. In addition, the future research agenda will scrutinize whether the development of a causal model of the strategy makes a difference in the effectiveness and the outcomes of the BSC program.

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