



## ***Problems of Management Accounting Implementation: The Case of Balanced Scorecard Implementation within Jordanian Commercial Banks***

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### **Abstract**

*This study aimed to find the status of Balanced Scorecard implementation in Jordanian Commercial Banks and the most barriers and problems of BSC implementation in these banks. The results indicated that the Jordanian banks used a set of financial and non-financial performance measures which are similar and consistent with the Balanced Scorecard dimensions. The fully implementation rate was 30.7% of the Jordanian Commercial Banks. The results from the semi-structured interviews shows that the barriers and problems of BSC implementation in these banks are social issues such as lack of Top management support and organizational culture, technical issues such as data gathering and automation, political issues such as resistance from employees, a lack of software packages, and employees turnover. Conceptual issues also mentioned by the interviewed banks as a problem to the implantation of BSC such as the misunderstandings about the relationship between the organizational strategy and the BSC scorecard, and BSC is a “general model” which may be not easy to fit any bank.*

### **Key words**

Balanced Scorecard, problems, Implementation, Jordanian banks

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### **1. Introduction**

After a huge change in businesses environment such as internationalization and globalization competition became a very important issue for most of the companies around the world. This important change pushes many companies for using new management accounting innovation such as JIT, ABC, and BSC. Many advantages for using these new management innovation but its implementation around the world is still low (Faudziah and Rababah 2011; Fadzil and Rababah, 2011, 2012; Upton, 2012; Rababah and Hasan, 2012; Alsawalqa *et al.*, 2011; Rabab'ah, 2013; Hasan, 2017 and Rababah, 2017).

Balanced scorecard introduced at the beginning by Kaplan and Norton in 1992 to overcome of the shortfalls of the old financial-based performance indicators. The BSC combines the traditional performance measures that depend on financial performance with operational measures and non-financial measure. The BSC performance measures contain four categories namely financial, customer-related, internal business processes, and learning and growth (Upton, 2012). the reasons for shifting to BSC because BSC use financial non financial performance measures, financial measure is not enough to measure the performance because any management can manipulate with numbers to reach short-term results while forsaking long-term performance.

The balanced scorecard is a tool to show the balance between short and long-term objectives in the organization, between financial and non-financial measures, between indicators that are lagging and leading and finally, between perspectives of external and internal performance (Kaplan and Norton, 1996).

BSC implementation is very beneficial in measuring the company's performance but the implementation rate of this innovation is still low (Al Sawalqa *et al.*, 2011; Rabab'ah, 2014; Rababah and Bataineh, 2016 and Ondieki, 2017). The majority of businesses applying the BSC think that it is only work for a short period. In actuality, less than 20% of organizations applying the BSC have recognized computable performance enhancement (Williams, 2004; Rababah, 2015). In this regard Madsen and Stenheim (2014) said: *"Although many BSC success stories have been cited in the practitioner-oriented literature and in the business media, researchers have shown that the implementation of BSC can be a complicated process. There are many pitfalls and dysfunctional consequences associated with the implementation and use of the BSC."*

Previous studies (such as; Wenisch, 2004; Rabab'ah, 2014; Madsen and Stenheim, 2014 and Rababah 2015) paid attention to know the factors that influence to the implementation of BSC. Wenisch (2004) conducted a qualitative study to explore the factors which influence to the implementation of BSC during the top-down implementation process, he found that motivators would have an impact on the first adoption decision not on the process whereas facilitator such as IT and catalyst factors that can be directly associated with change process; for instance, fashion perspective. Rababah (2015) found that cultural factors such as Innovation and Attention to Detail play a significant role in determining the success or failure of BSC implementations.

Previous studies show a lack of studies tried to know the problems or the reasons of non-implementation of BSC (Tayler 2010). Some studies such as Rabab'ah (2014) conducted a research in Jordanian companies to know the implementation rate and the factors which influence to the implementation of BSC. he found that the reasons for implementing BSC system in Jordanian companies all Abrahamson four perspectives which are Fad, Fashion, Efficiency choice and Forced decision. He found also that changing the business environment, Top management support and information technology is the mainly important factor to influence BSC implementation. He mentioned some problems encountered the implementation these are "high cost of installing and maintaining the system followed by the lack of information to implement BSC, Resistance from employees, a lack of software packages supporting the BSC, and there were misunderstandings about the relationship between the espoused organizational strategy and the BSC scorecard."

Madsen and Stenheim (2014) conducted a qualitative study within Scandinavian BSC users companies to know the problems of BSC implementation, they found four problem areas related to the implementation of the BSC, these problems are firstly, conceptual issues which mean understanding the more complex part of the BSC idea, like how to adjust and adapt the standard BSC model to fit the organization. Second, technical issues are linked to technical infrastructure, software and too much focus on measurement. Third, social issues are related to inappropriateness between the BSC and the organizational culture, lack of contribution by the employees, and lack of loyalty from the top management. Finally, political issues are associated with underestimation of time and resources necessary to apply the concept, lack of a concept champion, difficulties in keeping continuity during bad times, and different types of organizational resistance to the concept.

The purpose of this paper is to introduce empirical evidence about what BSC users perceive to be the key problems associated with BSC implementation and help managers to avoid the implementation problems in the future. The paper adds to the literature on BSC implementation issues (Kasurinen, 2002; Rabab'ah, 2014; Madsen and Stenheim, 2014). Earlier studies such as Al Sawalqa *et al.* (2011), recommended that future studies should try to explore the problems encountering the BSC implementation. This study focused on Jordanian Commercial Banks sector because Jordanian banks face a sharp competition coming from foreign banks in Jordan, added to that a significant changes witnessed by the banking business in recent years, these changes are also attributed to have led to management accounting practices changes in Jordan. Earlier studies focused only on the implementation of BSC in western developed countries. This study contributes to the further development of knowledge in management accounting and provides a basis for further research in Jordan (Rabab'ah, 2014). This paper used a qualitative method to collect the data from the consultants and managers involved in BSC implementation projects in Jordanian Banks to know what is the current state of BSC implementation and the most barriers and problems which face this implementation.

## 2. Literature Review

### 2.1. Balanced Scorecard

The Balanced Scorecard was the result of studies and the efforts of scientists in the field of management and business with the development of modern managerial thought and the concept of quality and knowledge management.

Balanced Scorecard: Is a strategic planning tool to help organizations assess their activities, performance and strategies, and takes into account the balance between financial results and growth, the balance between the short and long term, and the balance between tactics and strategy. It is also possible to say that Balanced Scorecard is not only a measurement system but an administrative system that links objectives, metrics and target levels, which describes the strategy of origin and helps it to provide management with feedback on its internal processes and external products. This model was developed in 1996 by Kaplan and Norton.

Balanced Scorecard Axes :Balanced Scorecard is based on four main axes, measuring the overall performance of the organization as follows:

*Financial:* Contains financial objectives, such as return on investment, profitability, cash flow, economic value added and cost of products.

*Customers:* Related to the quality of customer service, market share, and customer satisfaction; such as fulfilling their desires by offering new products and services and responding to customer needs.

*Internal business process:* It is concerned with the development of internal processes, such as the development of administrative systems and cooperation between different departments. And maintain the global performance of the organization, such as innovations in new processes in product design and development.

*Learning and growth:* Determines the capacities in which the organization must grow to achieve high-level internal processes for customers and shareholders.

Earlier studies mentioned many benefits to the implementation of BSC for instances Ashton (1998) the BSC can be used as:

- To translate the data in the company into a strategy to be followed by employees to reach the best results and achieve long term success
- A tool for linking business, team and individual objectives and rewards to strategic goals.
- A way to understand the drivers of business success.
- An identifier of “cause-and-effect” relationships across operations.
- A dynamic communication and a feedback tool.

Although there is no prove that BSC users is better performance than non-user a recent study by Hussain, Aledwan, and Zreقات (2017) found a significant differences in the use of every performance measurement and the financial performance.

### 2.2. Barriers and Problems of BSC Implementation

Although there is a lack of studies related to the problems of BSC in banks, earlier studies mention some barriers and problems for the implementation of BSC for example Ismail (2007) conducted a study within Egyptian Companies and he found that insufficiency of information systems and lack of information about BSC implementation, lack of management enthusiastic towards non-financial measures, significant costs for the acquisition and maintenance of performance evaluation systems, ambiguous company strategies and insufficient software packages to support BSC. In this regard a study by Thompson and Mathys' (2008) shows four main barriers to BSC implementation. The first one is the lack of understanding of the organizational processes; second, ignorance about the requirement of items which fit BSC; third, lack of organizational understanding of the need for suitable metrics; and finally, misunderstandings about the espoused organizational strategy-BSC scorecard relationship. A study by Rabab'ah (2014) in Jordan, he mentioned some problems met the implementation of BSC such as “high cost of installing and maintaining the system followed by the lack of information to carry out BSC, resistance from employees, a lack of software packages supporting the BSC, and there were misunderstandings about the relationship between the espoused organizational strategy and the BSC scorecard”.

Based to Madsen and Stenheim (2014), they said that "there are four problems associated with the implementation of the Balanced Scorecard these problems summarized in the next table.

*Table 1. Four categories of problems associated with BSC implementation*

Issue type	Problem	Explanation
<b>Conceptual issues</b>	Contextualization	The BSC is a "general model" which may be difficult to customize to fit the organization
	Causal relationships	Organizations struggle with understanding and testing causal relationships
	Strategy maps	Organizations have problems with data gathering and automation, or become too focused on the technical aspects of the concept
<b>Technical issues</b>	Technical issues	Organizations have problems with data gathering and automation, or become too focused on the technical aspects of the concept
<b>Social issues</b>	Organizational culture	The BSC may be incompatible with the organizational culture, e.g. lack of acceptance of measurement
	Participation	Organizational members remain passive and delay or block the implementation process
	Commitment	Lack of commitment from central actors in the organization, such as the top management group or the BSC project group
<b>Political issues</b>	Time and resources	The implementation of the BSC consumes a lot of time and resources
	Concept champion	The organization lacks a person that is spearheading the BSC project
	Continuity	The continuity of the BSC project is threatened by turnover
	Resistance	Organizational members resist the implementation of the BSC

**Source:** Madsen and Stenheim (2014)

Previous studies shows a lack of studies related to the main problems which encountered during balanced scorecard implementation in banks sector so, we will try to investigate in this issues in the current study.

### **2.3. Jordanian Commercial Banks**

Based on the Central Bank of Jordan, the number of banks in Jordan is twenty-five banks, including fifteen Jordanian banks, two of them are Islamic banks and the remaining are commercial banks, in addition to ten foreign banks one of them are Islamic bank . The following table shows the List of banks in Jordan.

*Table 2. List of banks in Jordan*

List of Banks in Jordan	Commercial Banks	Islamic Banks
<b>Jordanian Banks</b>	Arab Bank ABC Bank (Jordan) Bank of Jordan Cairo Amman Bank Capital Bank Jordan Commercial Bank Jordan Kuwait Bank Jordan Ahli Bank The Housing Bank for Trade and Finance Arab Jordan Investment Bank Invest Bank Société Générale Bank al Etihad	Jordan Islamic Bank Jordan Dubai Islamic Bank

List of Banks in Jordan	Commercial Banks	Islamic Banks
Foreign Banks in Jordan	European Bank for Reconstruction and Development Standard Chartered Egyptian Arab Lank Bank HSBC Citibank Rafidain Bank National Bank of Kuwait BLOM Bank Bank Audi National Bank of Abu Dhabi	Al-Rajhi Bank

In the current study we will conduct our study on the Jordanian commercial banks because the Islāmic banks follow a specific culture in their operations and privacy performance measures, as well as an exception of the foreign banks in Jordan because the major central management are located outside Jordan.

### 3. Methodology of research

Mixed method was used in the current study, 13 surveys were distributed within the Jordanian commercial banks licensed in the Central Bank to know the implementation status in Jordanian banks. The distribution was within main branch or any branch for each bank. This process took place from 8th January to 1st February 2018. All questionnaires filled by the financial managers in each bank. A hand delivery were made to increase the response rate. This is followed by semi-structured interviews conducted with financial managers/assistant financial managers of banks in Jordan. This study analyzes the data collected from interviews with representatives of five banks that have now implemented BSC approach to find the barriers and problems of BSC implementation. The data analysis depended on both within company and cross company analysis. This method used by many previous studies in management accounting filed such as Ahmad and Rbaba (2014).

#### 3.1. Data analysis

The findings in this study enhance the body of knowledge in this area of research. The study combined questionnaire and interviews methods to investigate the BSC implementation in Jordanian Commercial Banks.

#### 3.2. Quantitative Data Analysis

Based on the results of the questionnaire survey, Jordanian banks are classified about the implementation of BSC as follows:

Table 3. Number of Banks in each category of BSC implementation

Name of the Stage	Number of the Banks
Fully Implementers	4
Partially Implementers	9
Non- Implementers	0

Based on the above results the BSC fully implementation rate in the Jordanian banks is 30.7 % measured according to the number of fully implementers banks within Jordanian commercial banks.

#### 3.3. Qualitative Data Analysis

This section describes within-company analysis and Cross-company Analysis for partially and fully implementers banks. It provides a summary of background information which gives overall problems of each bank. Then it provides an outline of a cross-company analysis. It includes all barriers and problems identified by the banks managers.

The fifth banks interviewed faced problems regarding the implementation of BSC. In all Banks, there is strong evidence that the conceptual issues, technical issues, social issues and political issues which introduced by Madsen and Stenheim (2014) are associated with BSC implementation within the Jordanian banks. Most of the respondents from the participating banks (five banks out of five) said that Social issues such as lack Top management support are the mainly important barriers to influence BSC implementation. (Three banks out of five) said that Social issues such as organizational culture and lack of acceptance of measurement are significant barriers to the implementation of BSC. This finding is consistent with the more general finding implying that almost all successful innovations require top management support. Hence, top management should concentrate on resources, goals and strategies in BSC implementation and they must obvious their promise to BSC by using the information it provides as the basis for decision-making. The companies agreed also that Technical issues such as data gathering and automation was the mainly significant barriers to the implementation of BSC. Through BSC implementation process, the organization could be faced with problems related to Political issues such as Resistance from employees, a lack of software packages supporting the BSC, and employees' turnover. Four banks out of five said that Resistance from employees is an important problem during the implementation of BSC. This followed by three banks out of five said that a lack of software packages and employees' turnover is a problems influencing to the implementation of BSC in Jordanian Banks. Conceptual issues also mentioned by the interviewed banks as a problem to the implantation of BSC such as the misunderstandings about the relationship between the organizational strategy and the BSC scorecard. Three banks out of five said that BSC is a "general model" which may be not easy to fit any bank.

#### **4. Conclusions**

This paper used mixed method from questionnaires and semi-structured interviews to know the BSC implementation status, and to find out the barriers and problems of BSC implementation. The data analysis shows that multiple types of problems influence to the implementation of BSC in Jordanian bank. Social issues mentioned as the most important problem faced the banks before and during the implementation of BSC especially lack Top management support. This result is consistent with Rabab'ah (2014) who found that Top management support is the mainly important factor to influence BSC implementation in Jordanian companies. Organizational culture is a significant barrier to the implementation of BSC mentioned in Jordanian Commercial Banks because some of Jordanian employees have different measurement to the bank performance then there is a lack of acceptance of BSC measurement. This result is consistent with Rababah (2015) who said that Cultural factors play an important role in determining the success or failure of BSC implementations. Technical issues such as data gathering and automation were the mainly important barriers to the implementation of BSC. This result is consistent with Madsen and Stenheim (2014) who found the same result. Through BSC implementation process, the organization could be faced with problems related to Political issues such as resistance from employees, a lack of software packages supporting the BSC, and employees' turnover. This result was consistent with earlier studies such as Madsen and Stenheim (2014) and Rabab'ah (2014). Conceptual issues also mentioned by the interviewed banks as a problem to the implantation of BSC such as the misunderstandings about the relationship between the organizational strategy and the BSC scorecard. In addition, BSC is a "general model" which may be not easy to fit any bank.

#### **5. Recommendations and Suggestions for Future Research**

Balance Scorecard is more beneficial measurement than traditional financial measurement but its implementation rate is still low because many barriers and problems facing the implementation. However, the main implementation barriers are still unclear. In this paper, I found some barriers and problems facing the implementation of BSC in Jordanian Commercial Banks, these problems were lack Top management support, organizational culture, data gathering and automation resistance from employees, a lack of software packages, and employee's turnover.

The number of Banks in each stage of BSC implementation is small. This presented difficulties in conducting meaningful statistical tests. In other words, the results of the current study may have turned out in a different way if the number of banks in each stage was higher. The current study is focused only on

Jordanian Commercial Banks; this study limitation may adversely affect the findings generalizability. Therefore, a more expanded research ground is called for in future research for the gaining a wide information about other banks about BSC implementation problems (within Jordan and in other countries). I recommended that future studies should conduct a deeply studies using a case study method with user's banks, to know the most important problems that really facing the banks during the implementation.

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