CHAPTER ONE
INTRODUCTION

1.1   BACKGROUND

Kaplan and Norton (1992) introduced Balanced Scorecard in the U.S.A. in an article in the Harvard Business Review to bridge the traditional approach (financial aspect) and non-financial measures for organizational management as they recognized some weaknesses and vagueness in previous management strategies. Many organizations focused on the financial aspects only. However, the results of finances could only tell them the story in the past. For instance, the management sets a target of net profit of a 5% increase this year. They would know from the company performance whether the net profit could meet the goal of a 5% increase at the end of the year. The performance result would be too late for the management to review or adjust their strategy to cope with the situation if the net profit could not meet the target. This traditional management approach is not efficient enough for the company to compete with others in the current market.
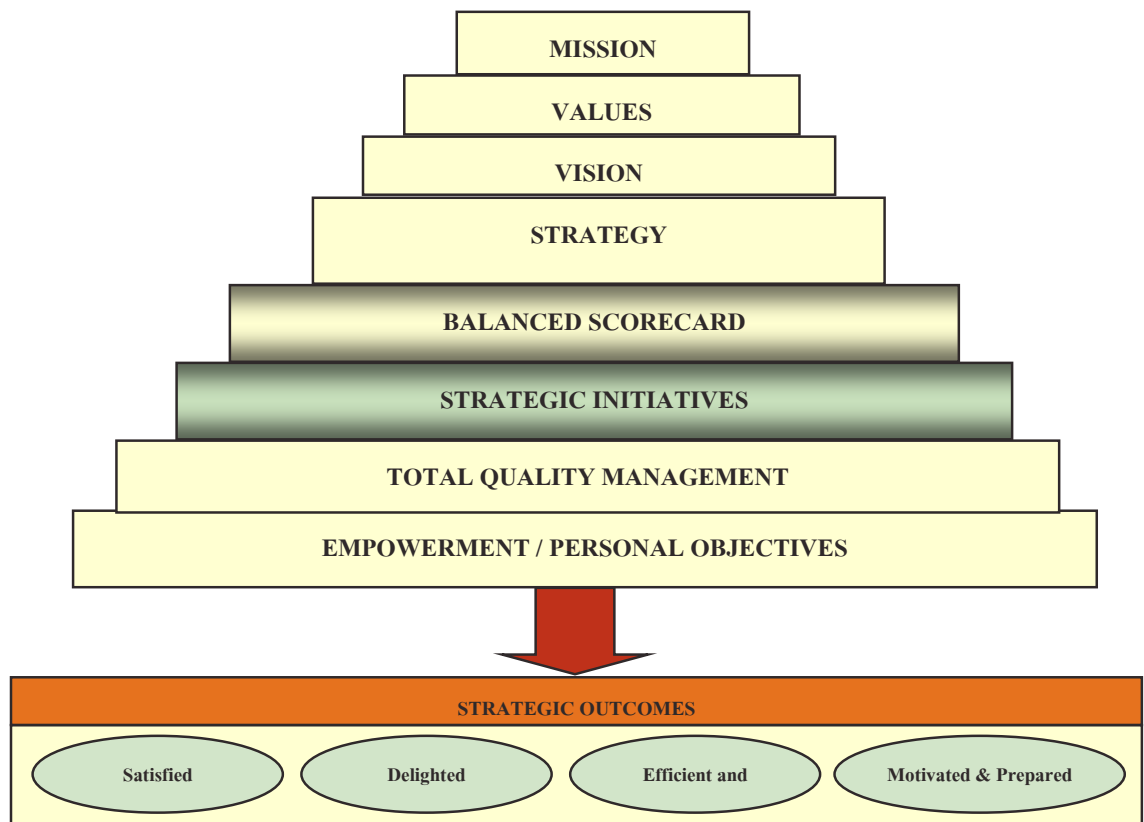
Figure 1. A Gap exists between mission – vision-strategy and employees' everyday actions.

MISSION

VALUES

VISION

STRATEGY

GAP

TOTAL QUALITY MANAGEMENT
What we must improve

EMPOWERMENT / PERSONAL OBJECTIVES
What I need to do

Note. From Building Strategy Focused Organizations with the Balanced Scorecard (p. 6), by R. Kaplan and M. Bower, 2002. Retrieved July 29, 2008,

from http://www-ddc.moph.go.th/module/webadmin/download_module/pdf/

Kaplan_BSC

Figure 2. The Balanced Scorecard Links Vision and Strategy to Employees'
Everyday Actions

| MISSION |
| VALUES |
| VISION |
| STRATEGY |
| BALANCED SCORECARD |
| STRATEGIC INITIATIVES |
| TOTAL QUALITY MANAGEMENT |
| EMPOWERMENT / PERSONAL OBJECTIVES |

STRATEGIC OUTCOMES

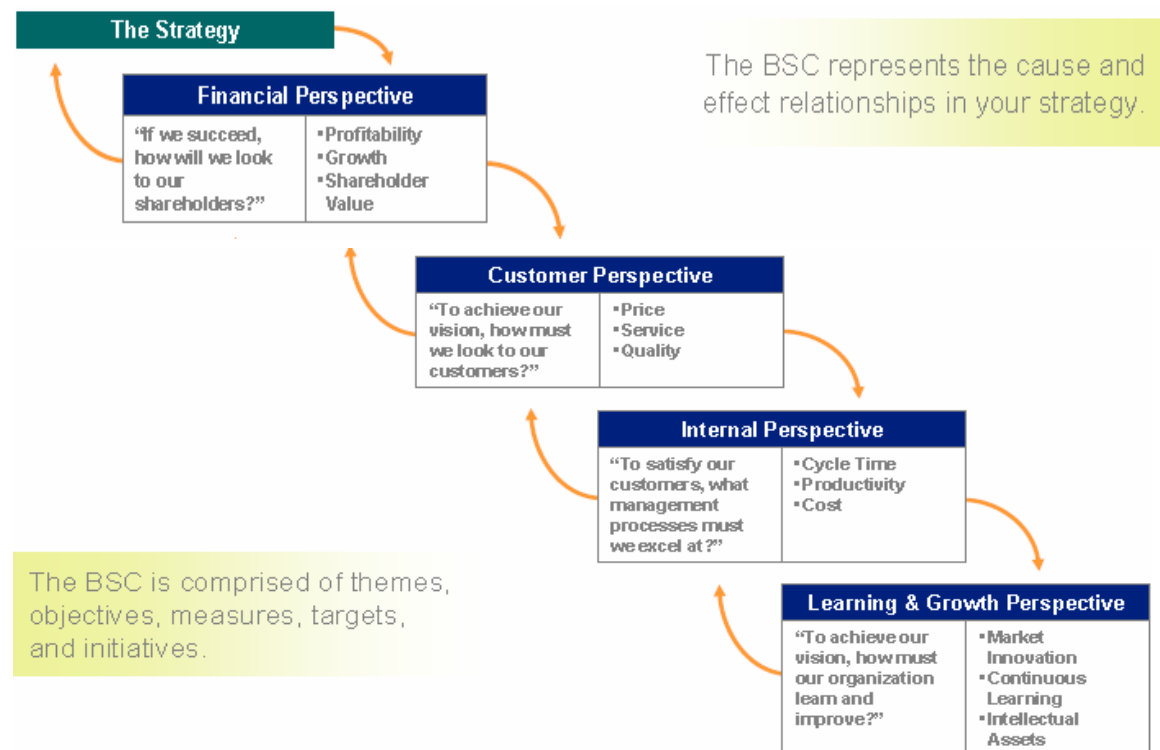| Satisfied | Delighted | Efficient and | Motivated & Prepared |

Note. From "Building Strategy Focused Organizations with the Balanced Scorecard,"
by Robert Kaplan and Marvin Bower, 2002, p. 7.

BSC is a strategy execution tool that translates a company's vision into four key
dimensional indicators; the financial performance, customer satisfaction, internal
process improvement, and organizational learning. From Ziegenfuss study in 2000
(as cited in Rousseau, 2004, p.40) stated that each perspective has its objectives, key
performance indicators to measure the objectives, target values for those measures,
and initiatives as an action plan to be initiated to meet the goal, which are linked by a
cause and effect relationship and aligned on one page called a "Strategy Map." The

outcome which is generated by BSC pinpoints the barriers limiting performance within the organization, so the organization can eliminate irrelevant information and align the strategy and desired actions.
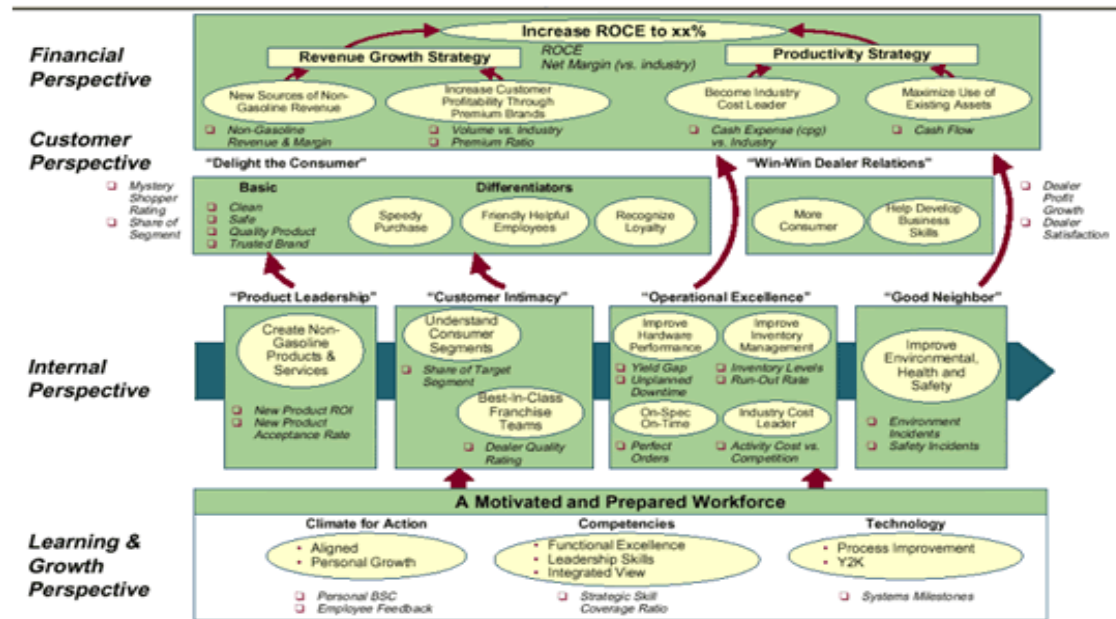
Figure 3. The BSC Represents the Cause and Effect Relationships

Note. From "Building Strategy Focused Organizations with the Balanced Scorecard," by Robert Kaplan and Marvin Bower, 2002, p. 9.

Figure 4. The Complete Balanced Scorecard Strategy Map, 2002

Note. From "Building Strategy Focused Organizations with the Balanced Scorecard," by Robert Kaplan and Marvin Bower, 2002, p. 10.

According to Malmi's study in 2001 (as cited in Akkermans and Oorschot, 2004, p. 3), the logic of the BSC was appealing to many companies in Finland even though the BSC concept originated from the U.S.A. The success of the scorecard can be explained by good timing and marketing. Managers were clearly frustrated with traditional measurement systems at the time when the BSC was first published in the Harvard Business Review.

Johnson (2008) studied Norway-based Statoil, the world's second-largest operator of offshore oil and gas fields, and found that this company had implemented BSC successfully. The strategy management process included target setting, strategic planning, evaluation and reward. To help employees understand the management process, the company published "The Statoil Book," a booklet the explained the company's values and processes.

On the other hand, Dr Pasu Decharin, who is an Associate Professor of Faculty of Commerce and Accountancy at Chulalongkorn University and expert in Balanced Scorecard Implementation, argues that there are some dark sides to BSC measurements, such as politics and gaming and people's fear of measurement. Some companies use BSC as punishment. For instance, if the managers cannot perform to meet the targets on the companies' strategy map, they will have their bonuses cut. Therefore, the top management levels should implement this tool carefully. They should make clear to all employees that BSC is selected to develop the organization not to punish any employee. Furthermore, the top executives have to fully support the process of BSC implementation i.e. set up a clear vision, provide some budget, and follow up the progress (พสุ เดชะรินทร์, 2550).

After interviewing Ajarn Ratana Klankaew who is an Independent Lecturer and Organization Development Consultant at the Training Division of Technology Promotion Association (personal communication [telephone conversation], August 15, 2008), the investigator noted that BSC has been known and studied for implementation in Thailand since 1992. The informant has a lot of experience about BSC implementation in various companies since 2002. She points out that the significant problem which many firms encounter is a lack of baseline data. They do not have a data collection system to organize the data systematically, so they cannot set up their target points. Some companies know what a Key Performance Indicator (KPI) is and have some KPIs to measure their performances. However, the KPIs are not linked with each other. After getting measurement results, they could not use the results to improve their companies because of a lack of specific goals.

Furthermore, the person who plays a vital role driving the implementation successfully is the top management e. g. Chief Executive Officer (CEO) or Managing Director (MD). CEO or MD who has to fully support and follow up the progress from initial set up to the end of the project. According to the informant, the top executive has to clearly communicate with the employees and ensure that the employees have a clear understanding of what BSC is and the implementation is to measure development not for punishment. Otherwise, the employees will reject implementing

BSC in their organizations. The informant also observes that the managers and employees will believe and follow the advice given by an outside consultant. They will pay more attention to the outsider than insiders and comply with the consultant's direction.

Referring to the informant's comments, that BSC can result in improving the action plan or changing some KPI's after being implemented one year. After the first year, the management team can review the action plan as well as KPI to measure the employees' performance suitably. Moreover, the management team can view the gap between the actual position and target point. There is no right/wrong or best/worst for KPI. The KPI depends upon each company's goal. The informant perceives that the managers or executives who try to implement BSC in their organizations do not give up or suspend this project. On the other hand, they have been reviewing and improving the process to implement the BSC project.

According to Dr. Jarin Arsasongtham, who is a teacher of the Faculty of Business Administration at Bangkok University, BSC has been implemented in Kasikornbank organization since 2001. The management team has used BSC to translate the organization's strategies to operational plans in order to leverage the organization's competitive edge and compete victoriously with the others in the money market. After implementation, Kasikornbank could manage their costs effectively. The management team cut non-performing staff and reduced the employees from 15,000 to 10,369. The employees could generate gross revenue approximately 4.12 million baht per head or a net profit of 0.45 million baht per head. The management team realizes how important innovation and management system development is (จรินทร์ อาสาทรงธรรม, 2546).

In today's corporate environment and severe competition, all enterprises have to adjust themselves and find out the strategies to sustain their competitive edges in the market. Agility Thailand is one of these organizations which has to adjust its strategy to survive under a tight situation. This company is a Logistics Service Provider with its head office located in Dubai, United Arab Emirates (U.A.E.) led by

Mr. Tarek Sultan who is Chairman and Managing Director. The family of Agility consists of four main companies: PWC Logistics is a global provider of end-to-end supply chain solutions through its network of warehousing facilities, transportation and freight management services, Trans-Link is the regional leader in Events & Exhibition logistics in Asia, Transoceanic is a leader in the Project Cargo logistics field, and GeoLogistics is in global freight forwarding.

Agility Thailand was previously known as GeoLogistics Co., Ltd., established in April, 1989. Agility Thailand is one of the 450 branches located in 100 countries worldwide. The organization contains six departments: Accounting and Finance, Sales and Marketing, Air Freight, Sea Freight, Operation, and Human Resources and IT. The company provides Total Logistics Solution which consists of Freight Management, Warehousing, Transport, and Specialized Logistics. In the past, the organization was managed by focusing on financial aspects only. The net profit and percentage of return to shareholder had to be increased to at least 10% each year. The non-financial aspect was not considered for improvement like developing the operational processes or leveraging staff competency in order to compete with others. The main department that had to take responsibility driving the organization meeting its goals was Sales and Marketing supported by the Operation Department. The Sales director and representatives put their effort to increasing the income and fulfilling the company's goals by concentrating on financial figures only. However, the result did not match the target as expected.

Then GeoLogistics head office in U.S.A. decided to accept a deal with PWC in April 2005. The company name was officially changed to "Agility" in December, 2006. Although the organizational chart which is managed by the top executives remains unchanged, the management pattern gradually changed. In May 2007, the chairman imposed a strategic destination (vision) as "A new logistics leader meeting the challenges of global trade by 2010." He selected Balanced Scorecard or BSC and instructed all branches through the Managing Directors to implement it. BSC is fixed as a 3-year project (2008-2010) and each branch has to submit an updated report to the regional office (Agility in Hong Kong is a regional office for the Asia Region)

periodically. Then the regional office will gather all the information and submit it to the chairman accordingly.

The top executives of Agility Thailand had a serious meeting to discuss the new project and formed work teams which were classified by function: the Leadership Team sets up the company's goals and makes strategic BSC decisions, the Core Team creates the Strategy Map and develops implementation plans, and the Measurement Team records data sources and monitors the strategic indicators. They held a meeting with all senior employees to introduce the new project: Balanced Scorecard and found volunteers who were willing to be the members of these teams. After that, these three teams attended BSC training courses both in theory and a workshop. After training, they seemed to understand what BSC was and knew that all work teams had to work together to mobilize the change driving the company to meet the strategic destination.

The Leadership Team has set up the company's goal since 2007. Early this year, the Core Team started to create the Strategy Map, define key performance indicators (KPI) for each objective on four perspectives (financial, customer, internal process, and learning & growth), and find out what initiatives or action plans should be done to fill the gap between the actual performance and the targets for each objective. Nevertheless, presently BSC still has not been able to implement them completely. The top management levels never received any negative comment about this project, but sometimes they received no feedback from the work teams pertaining to their KPI and initiatives for this project. Therefore, the investigator would like to look at the employees' reaction as to whether they will accept or not accept the BSC. Then the results of this study will be submitted to one of the Deputy Managing Directors who is the BSC Project leader and HR Director. The results will be treated as baseline data to find out a suitable strategy to encourage the employees to have a clear perception and no objections to complying with BSC Implementation.

1.2   STATEMENT OF THE PROBLEM

This study aims to answer the following questions:

1.2.1   What factors do employees perceive as obstacles to complying with Balanced Scorecard?

1.2.2   What is the perception of employees about Balanced Scorecard?

1.2.3   What strategies do top executives use to enable the employees to comply with the Balanced Scorecard?

1.3   OBJECTIVES OF THE STUDY

This research has the following objectives:

1.3.1   Main Objective

To examine factors that may have influence employees' reactions to Balanced Scorecard.

1.3.2   Sub-objectives

1. To describe characteristics of employees who have positive or negative opinions about Balanced Scorecard

2. To describe the understanding of superiors and subordinates about Balanced Scorecard; and

3. To find out the strategies that the top executives should use to enable the employees to comply with Balanced Scorecard.

1.4   DEFINITION OF TERMS / VARIABLES AND DEFINITIONS

The definition of the terms of this study is as follows:

Table 1. Variables, Conceptual & Operational Definition and Indicator of This Study

Variables	Conceptual definition	Operational definition	Indicator
Age	The period of time someone has been alive	Someone between the ages of 21 and over 51	Someone between the ages of 21 and over 51 in organization (Agility Thailand)
Benefit	The advantageous results from doing something	The returns that an employee in one company receives in terms of promotion in position, in education, medical care, bonus, rewards and holidays during terms of employment.	Extra money, extra bonus, and promotion to higher level
Characteristics	An individual attribute to do or learn something and make he/she recognizable	Quality of an employee that satisfies or dissatisfies work colleagues or superiors in the organization.	Senior employee satisfies his/her supervisor because she/he opens mind to listen to some new ideas and comply
Communication	The various methods of sending information between people and places.	Means of interaction among employees in one organization either by vertical or horizontal approach or internet communication.	Face-to-face discussion, internal meeting, broadcast announcement, and memo via e-mail
Education	The process of teaching or learning in a school or	Number of years a person who studied	The degree of knowledge that a person

	college, or the knowledge that you get from this	in a school or college or university	got from an institution: -Vocational Certificate -High Vocational Certificate -Bachelor Degree -Master Degree or higher
Employee	Someone who is paid to work for someone else	A person employed temporarily or permanently in an organization.	Deputy Managing Director, Manager, and Supervisor in Agility Thailand
Experience	The process of getting knowledge or skill which is obtained from doing, seeing or feeling things	A period of time that an employee works in an organization.	1 year, 3 years, 10 years, and over 20 years in Agility Thailand
Expectation	Strong hope or belief that something will happen	Rewards and/or awards that an employee in an organization is hoped to gain once working for the organization.	20% pay raise this year or 6 months bonus
Obstacle	Something that blocks you so that movement, going forward or action are prevented or made more difficult	Difficulties an employee may have faced during the employment period and that impede their progress.	For example, a person who is lack of English knowledge cannot communicate with overseas colleagues. He think that English is an obstacle for his correspondence
Perception	An awareness of thing through the physical senses, especially sight	The way an employee looks at the organization in terms of work and	In terms of degree of understanding and acceptance which will be

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		rewards.	measured by a 5-point Likert Scales: Strongly agree, Agree, Neutral, Disagree and Strongly disagree
Reaction	A feeling or an action that is a direct result of something else	Responses of an employee to the regulation or rules of an organization.	Acceptance or Aversion or Neutrality to a new strategic tool
Strategy	A detailed plan for achieving success in situations such as war, politics, business, industry or sport, or the skill of planning for such situations	An action to accomplish a specific goal	Incentive Program e.g. bonus, reward and promotion to encourage the employees' attention

Independent Variable

The independent variable of this study will be the educational backgrounds of employees, benefit expectations, and perceptions.

Dependent Variable

The dependent variable of this study will be the employee reaction to Balanced Scorecard.

Figure 5. Conceptual Framework of Reaction of Employees to Balanced Scorecard A Case Study at Agility Thailand

Independent Variable

-Educational background of employees

-Benefit expectation

-Perception

Dependent Variable
Employee reaction to Balanced Scorecard
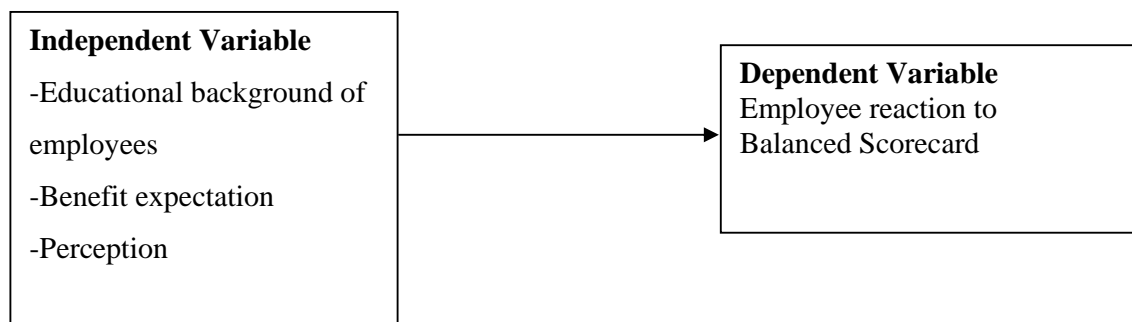
1.5   SCOPE OF THE STUDY

The subjects in this study will be employees at Agility Thailand because BSC implementation is related to all people throughout this organization. The sample size is 160 respondents out of 320 employees.

1.6   SIGNIFICANCE OF THE STUDY

This study of Reaction of Employees to Balanced Scorecard is significant in several respects.

1.6.1 The results of this study will reflect employee reaction to BSC, identify the characteristics of the employees who think about BSC positively or negatively, and describe the understanding of BSC between superiors and subordinates.

1.6.2   Furthermore, the management team and/or Human Resources Director can use the results as baseline data leading to the strategies and initiative plans to encourage the employees to collaborate with each other to drive the company in implementing BSC successfully.

1.7   ORGANIZATION OF THE STUDY

The study of Reaction of Employees to Balanced Scorecard in this paper is divided into five chapters.

Chapter One consists of the introduction and background of the study. Chapter Two is related to a literature review. Chapter Three includes the methodology, subjects, materials, procedures, design, data collection, and data analysis. Chapter Four comprises the analysis and interpretation of Results. Lastly, Chapter Five will present conclusions, a discussion, and recommendations for further research.

The questionnaire used for data collection is presented in the appendix.