



Research Paper

Adoption of Balanced Scorecard (BSC) in Palestinian Corporations.

***Akram Rahhal, (PhD) and Tariq Darabee, (MA,CMA)**
Accounting Department, Al-Quds University, Jerusalem.

*Corresponding Author E-mail: rahhal@admin.alquds.edu

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ABSTRACT

This paper examines the extent of Balanced Scorecard (BSC) adoption and implementation among Palestinian listed corporations as a performance evaluation tool, and explores whether Palestinian corporations realize the importance of non-financial measures of BSC in their performance evaluation process as well. For that, collected data through questionnaire directed to top level management of Palestinian Corporation including Chief Executive Officer (CEO), Chief Financial Officer (CFO), Internal Auditor and Controller has been analyzed using statistical software of SPSS. Our findings show only 30% of surveyed corporations have fully adoption of BSC, 42% of them have partially adoption while rest corporations have not been adopted BSC at all. Although the majority of Palestinians corporations realize the importance of BSC adoption in full, financial measurements are still considered the most important indicators in evaluation process of corporation's performance. In case of non-financial measurements, all surveyed corporations realize the importance of BSC customer perspective while importance of other perspectives has different views between corporations. Only Banking sector realize the importance of growth and learning perspective and has the priority in periodically performance evaluation process in order financial perspective. Finally, respondents of questionnaire who realize the importance of BSC implementation, indicate corporations readiness to bear cost and to recruit all needed human and non-human resources toward BSC fully adoption.

Keywords: Balanced Scorecard (BSC), Key Performance Indicators, Palestinian Listed Corporations.

INTRODUCTION

Measuring performance is at the heart of the organizational process, the global market and its rapid pace of change have increased the demand on measurement systems in modern corporations. According to Kaplan and Norton (1992) "What you measure is what you get". Organization measurement system strongly affects the behavior of management and employees; performance management provides a systematic link between organizational strategy, resources, and processes. It is a comprehensive management process framing the continuous improvement journey, by ensuring that everyone understands where the organization is and where it needs to go to meet stakeholder needs. SMA (1998) Traditional approaches to performance measurement which include financial accounting measures fail and give a misleading results and signals for continuous improvement and innovation. Traditional financial indicators worked well for industrial era, but now strategies had to change to information era, which means strategies had to change from managing tangible assets to those that leveraged the company intangible assets which measured by non-financial strategic measures rather than by their financial value such as customer relationships, innovative products and services, high-quality and responsive operating processes, skills and knowledge of the workforce, the information technology that supports the workforce and links the firm to its customers and suppliers, and the organizational climate that encourages innovation, problem solving, and improvement. Frigo (2012), Kaplan and Norton (1992), and Speckbacher et al.(2003) Consequently, Robert Kaplan and David Norton introduced the balanced scorecard (BSC) in a January-February 1992 Harvard Business Review article titled "The Balanced Scorecard: Measures that Drive Performance" Frigo (2012). BSC is an innovative multi-dimensional corporate performance scorecard; it provides a framework for selecting multiple key

performance indicators that supplement traditional financial measures with operating measures of customer satisfaction, internal business processes, and learning and growth activities. It is a step towards linking 'short-term operational controls' to the 'long-term vision and strategy' of the business by focusing on the strategy and vision. Anand et al. (2005) It therefore enabled company to track financial results while simultaneously monitoring progress in building the capabilities and acquiring intangible assets they would need for future growth, so that BSC wasn't a replacement of financial measures; it was their complement Kaplan and Norton (2007).

The primary objective of this study is to examine the extent of BSC usage among corporations listed on Palestine Exchange (PEX). However, it aims also to explore the awareness of Palestinian corporations for BSC importance in performance evaluation process and its adoption necessity. No doubt, this paper mainly linked to a previous works of Kaplan and Norton which was published in Harvard Business Review during the years of 1992, 1993, 1996, and 2001. In addition to, other related research works of Statement on Management Accounting (SMA) articles are published by Institute of Management Accountant (IMA), and Anand et al. (2005) were considered in preparation of literature review section. This effort will be the first one argues BSC implementation in Palestine; so it will be a starting point for further studies about adoption of BSC system in Palestinian business environment.

The next section identifies the aims and the contributions of this paper followed by a review of the extant literature. Section five describes the research methodology. Section six presents the results of statistical analysis, and finally, section seven summarizes the study conclusions and implications.

STUDY OBJECTIVES

The aim of the study is to shed light on the extent of BSC adoption and implementation among Palestinian listed corporations as a performance evaluation tool. Besides, the paper aims to achieve the following specific objectives:

(a) Providing a descriptive analysis of BSC implementation among Palestinian corporations, (b) Exploring whether Palestinian corporations realize the importance of non-financial measures and (c) Examining the adequacy of financial and human capacity to implement BSC among Palestinian corporations.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The Evolution of Balanced Scorecard

Kaplan and Norton introduced the balanced scorecard in a January-February (1992) in Harvard Business Review article titled "The Balanced Scorecard: Measures that Drive Performance" and in (1996) they published book called The Balanced Scorecard. The BSC was originally introduced to improve corporate performance measurement by balancing lagging metrics of financial performance with nonfinancial metrics that drive future performance. During the last 20 years, Kaplan and Norton have helped create a new body of knowledge for strategy execution that's now being used throughout the business, nonprofit, and public sectors Frigo (2012).

Kaplan and Norton (1992) defined the "balanced scorecard" as a set of measures that gives top managers a fast but comprehensive view of the business. The BSC includes financial that tell the results of action already taken and it complements the financial measures with operational measures on customer satisfaction, internal process, and the organization's innovation and improvement activities, operational measures that are the drivers of the future financial performance. On the other hand, Kaplan and Norton (1993) stated that scorecard's measures are grounded in an organization's strategic objectives and competitive demands. In addition to, requiring managers to select a limited number of critical indicators within each of the four perspectives by translating companies vision and strategy into multiple perspective; Financial, Customer, Internal business process, and Learning and growth. Moreover, Kaplan and Norton (1996) support BSC to be used as strategic management system by introducing four new management processes that separately and in combination contribute to linking long-term strategic objectives with short-term actions; First, new process: translating the vision-help managers build a consensus around the organization's vision and strategy. Second, communicating and linking- lets managers communicate their strategy up and down the organization and link it to departmental and individual objectives. Third, business planning enables companies to integrate their business and financial plans. Fourth, feedback and learning- gives companies the capacity for what we call strategic learning. Finally, Kaplan and Norton are the cornerstones of BSC evolution.

Balanced Scorecard Perspectives (Financial and non-financial measures)

BSC framework makes a linkage between non financial indicators (operational measures) and financial measures. In an interview with Professor Kaplan by Mark L. Frigo that published in strategic finance magazine on October, 2012 he stated "We introduced the balanced scorecard because we believed that exclusive reliance on financial measures couldn't drive sustainable value creation. Financial measures are lag indicators that report on the outcomes from past

actions. Exclusive reliance on financial indicators encouraged behavior that sacrificed long-term value creation for short-term performance”.

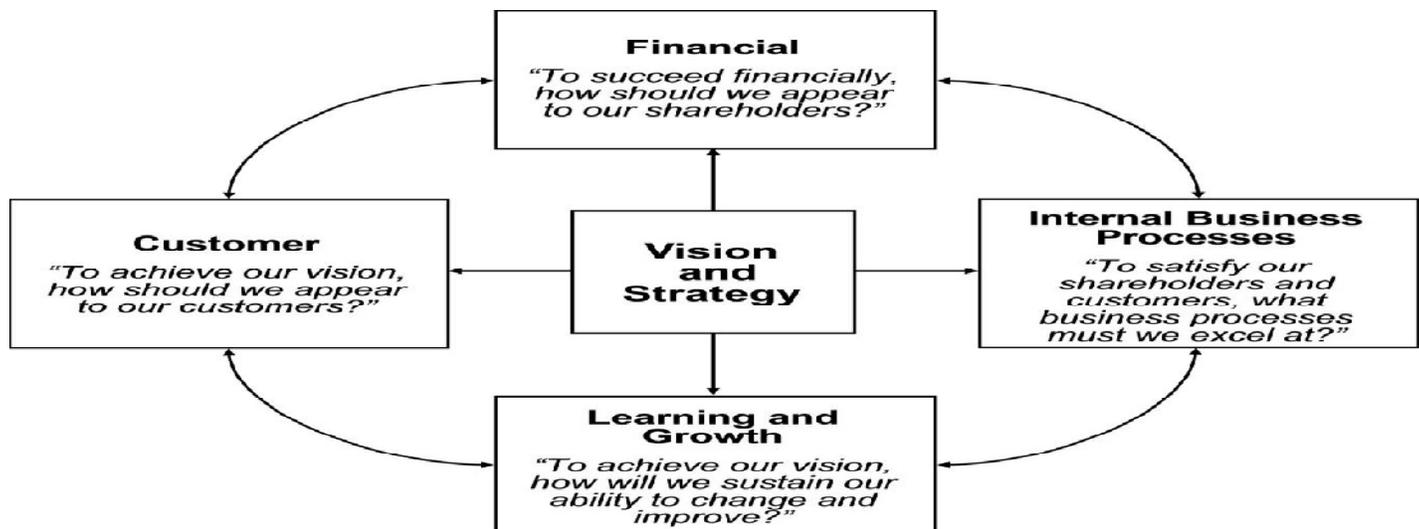
Kaplan and Norton (1996) identify this relationship by cause and effect relationship. As a result organizational strategy and vision can be translated into a set of cause and effect relationships about and how it can be achieved. In another study which has done by Anagnostopoulos and Elmasides (2010) to translate the strategy of a Greek manufacturing company into objectives and measures that can be clearly communicated to all units and employees, they found that the strategy map provides a powerful tool for visualizing the strategy as a chain of cause-and-effect relationships among strategic objectives, the objective chains start with financial objectives and then link down to objectives of customer perspective and then 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 Balanced Scorecard. The results of Anagnostopoulos and Elmasides (2010) are consistence with Kaplan and Norton (1996) that identify BSC model contains both outcome measures (lag indicators) and performance drivers (lead indicators) where financial measures are lagging indicator whereas the rest three non-financial measures are leading indicators. For instance, if the increased quality is a lag indicator, employees' skills is a lead one. The indicators of learning and growth perspective are the drivers for the indicators of the Internal Business processes. The measures of internal business processes are in turn the drivers for the indicators of the customer perspective. Finally, the latter indicators are the drivers for financial results. Kaplan and Norton, (1996) further add that each perspective should contain up to five objectives and quantifiable indicators and the indicators can be linked into causal chains horizontally within each perspective and vertically between them. Kaplan and Norton (1992), and Kaplan and Norton (1996) explained the four BSC perspectives as a following:

The Financial perspective: Kaplan and Norton (1992) defined the financial perspective by the following question: How do we look at shareholders? This perspective describes the tangible outcomes of the strategy in traditional financial terms. The financial objectives represent the long-term aims of the organization, and are the outcomes of other non-financial factors. Speckbacher et al., (2003) Hoque and James (2000) Khan & Halabi (2009). Generally, financial perspective includes profitability measures such as operating income, return on capital employed, sales growth, generation of cash flow and economic value added. Hoque and James (2000). Financial criteria are important parts of BSC, especially in non- state organizations. The criteria of this view tell us that the successful operation of the goals that have been determined in three other views, will lead to what results and achievement at the end.

The Customer perspective: Kaplan and Norton (1992) determine this perspective by this question: How should we appear to our customers? The Customer perspective defines the value proposition used to generate sales and loyalty from targeted customers. The customer perspective requires managers to identify what customers in targeted segments want and consequently choose the value parameters an organization should deliver to customers. Khan & Halabi (2009) this perspective also encompasses measures such as customer satisfaction, new customer retention, new customer acquisition, customer response time, market share, and customer profitability. Hoque and James (2000).

The Internal Business Process perspective: Kaplan and Norton (1992) determine this perspective by this question: What must we excel at? This perspective identifies the processes that create and deliver to the customer a value proposition. These processes should ensure that the firm's products and services are meeting customer needs, and is considered the most critical for the success of an organization. Some key performance indicators are process improvement and cooperation with suppliers. Khan & Halabi (2009) Kaplan and Norton (1996), also the key measures of this perspective include product design, product development, post sales services, and manufacturing efficiency. Hoque and James (2000).

The Learning and Growth perspective: Kaplan and Norton (1992) defined this perspective by the following question: Can we continue to improve and create value? It emphasizes innovation, creativity, competence and capability, and refers to the intangible assets that are important for strategy Hoque and James (2000). The objectives of this perspective are to identify the jobs (human capital); the systems (information capital), and the kind of organizational climate (organization capital) required to support the internal processes. Learning and Growth also focuses on people and their attitude, knowledge, development and ability to learn and improve. Khan & Halabi (2009) this perspective also includes the organizational procedures to manage the business and adapt to change.



Source: Kaplan and Norton (1992).

Balanced Scorecard Benefits.

There are several benefits of BSC; the primary benefit of this performance evaluation tool is stated in Kaplan and Norton (1992) that the BSC allows managers to look at the business from four important perspectives. Moreover, it provides answers to four basic questions: How do customers see us? What must we excel? Can we continue to improve and create value? How do we look to shareholders? In the same article Kaplan and Norton (1992) stated that BSC minimizes information overload by limiting the number of measures to only four perspectives, namely, customer, financial, internal business, and learning and growth. On other hand, BSC also safeguards from sub-optimization in the decision-making process by forcing the managers to consider the four perspectives of business performance to have a complete picture.

Anand et al. (2005) stated that the BSC can also serve as the focal point for the organization's efforts, defining and communicating priorities to managers, employees, investors, even customers. The BSC is now used as the language, the benchmark against which all new projects and businesses are evaluated." Kaplan and Norton (1993) In consistence with these results Salehi and Ghorbani (2011) argue that BSC can allow the managers to know the vacuum of work as good as it can be transferring this strategy to the total company system, this is accomplished by translating vision and strategy into objectives and measures, providing a framework to communicate this vision and strategy to employees, and thereby channeling the energies, the abilities, and the specific knowledge of people throughout the organization towards achieving long-term goals. Lipe and Salterio (2000) also concluded that the use of the BSC should improve managerial decision making by aligning performance measures with the goals and strategies of the firm and the firm's business units.

Application of BSC as performance evaluation tool

The BSC model has received worldwide acceptance since this model has successfully been applied across a diverse range of private and public sectors in the different countries. However several researches studies were performed to measure the extent of BSC implementation in many countries.

Anand et al. (2005) in their nationwide questionnaire-based survey of 53 Indian companies to capture the issues in the design and applications of the performance BSC and identify the extent of the usage of the BSC by corporate India by exploring whether the Indian firms use all the four perspectives, namely, customer, financial, internal business, and learning and growth in their performance scorecard using descriptive statistics they found that the respondent firms want to balance profit, growth, and control through their present performance measurement and control systems and the BSC user firms plan to balance performance expectations of different stakeholders and the present adoption rate of 45.28 per cent. In studying the BSC multiple perspectives; the financial perspective emerges as the most important (87.5%), followed by customers' perspective (66.6%), shareholders' perspective (62.5%), internal business perspective (54.2%), and learning and growth perspective (54.2%).

In another survey of Speckbacher et al. (2003) it provides systematic research-based evidence on the usage of the BSC concept in German speaking countries namely, Austria, Switzerland, and Germany, Moreover it develops three primary types of BSC usage reflecting the successive phases in the evolution of the BSC concept and of its implementation in practice. Based on descriptive statistics of 174 German speaking companies, this study showed that only a minority of

firms (26%) use BSC, and most of these appear to use only a limited or incomplete version. On other hand, almost all of the companies questioned use the three proposed perspectives; Financial, Customer, and Internal Business Process and It was astonishing to note that fewer than two-thirds of the companies use the perspective Learning and Growth. This result of BSC perspectives is consistent with Anand et al. (2005) which means that the most important perspective is financial followed by customer, internal process and the learning and growth is the last one.

In another research was conducted in the same field by Yongvanich and Guthrie (2009) this paper is provide a descriptive analysis of BSC usage among companies on the Thai stock exchange; and assess the performance effects of this BSC use. It also assesses relationships between different types of BSC usage and performance variables. They found around 33 per cent of companies that had implemented the BSC did not employ cause-and-effect relationships. On other hand, the study found no significant association between types of BSC usage and company size. There were no significant differences in satisfaction and perceived benefits gained from using different types of BSC. Also, the extent of BSC use is not significantly different between different types of BSC usage. Further, the extent and manner of BSC use are not significantly associated with all performance variables. These results are consistent with Speckbacher et al. (2003) that showed insignificant difference in the usage of BSC across industries. On other hand, these results contradict with Hoque and James (2000) that found a positive association between company's size and BSC.

Many research studies examine the application of BSC in term of the association and relationship between perspectives. Khan et al. (2010) which states that improvements relating to customers, learning and growth and internal processes improve the financial performance of an organization, this study focused on leading manufacturing and service companies based in Bangladesh. The results showed that the BSC perspectives are positively correlated with each other at a statistically significant level and in a sequential way. Results also evidence that the companies that have improved their Return on Equity (ROE) and Return on Assets (ROA) had increased their efforts towards characteristics that involve the learning and growth perspective and the relationship between customer perspective factors and internal business process factors seems to be stronger than the relationship between learning and growth factors and internal business process. Further, the relation between customers and learning and growth exhibit limited statistical significant relationships. It also found supportive evidence that the companies that have improved their financial indicators have increased their efforts towards business activities more than the companies that have not. On other hand, it has shown that Bangladesh companies which implement and improve their nonfinancial perspectives ultimately benefit from increased financial performance. This then provides managers with greater motivation to adopt various learning and growth factors, internal business process factors and customer factors.

Khan and Halabi (2009) connect Learning and Growth under Knowledge Management approach with BSC in Multinational organizations, and establish the fact that the success of knowledge management can be measured by BSC. Besides, the paper identifies the extent of use of BSC in the Multinational organizations operating in Bangladesh and provides a general view of employees about the importance of employee learning and growth. Data were then analyzed with the help of bi-variate and multi-variate techniques of statistics. Empirical results of this study suggest that learning and growing organization is one in which knowledge management activities are deployed and expanded with a view to leverage the creativity of all the people in the organization. Moreover, the result also evidenced that BSC, as a strategic performance measurement tool helps in strategic management by linking some strategically significant, relevant, and interrelated measures or indicators with organizational emphasis on knowledge and learning initiatives. There are a consistency in the results of Khan et al. (2010) and Khan and Halabi (2009) but the latter focuses on knowledge management to be measured by BSC. But both of them studied BSC in term of the connection between perspectives by focusing on learning and growth perspective.

The study of Islam et al. (2005) investigates the relationship between a company's customer related performance and its learning and growth capabilities. Using 400 questionnaires were distributed to managers in four Taiwanese banks that had applied the BSC perspective to their customer service operations. Multiple hierarchical regressions were used to analyze the data. Results showed that when an organization establishes and raises levels of company learning and growth capabilities by using human resources capability, IT-service capability, and marketing knowledge service. This study focused only on customer and learning and growth perspectives.

Most of the literature on BSC focuses on developed countries such as U.S, European countries, and developed Asian countries like India, Bangladesh, Taiwan, and Iran e.g. Speckbacher et al. (2003), Anand et al. (2005), and Islam et al.(2005). The following literatures examine the extent of BSC adoption in Jordan because Jordanian business and economic environment are close to Palestinian environment.

Al-Matarneh (2011) examines the ability of Jordanian industrial companies to implement the BSC, also this research studied the realization of the importance of operational measurements (non-financial) to assess the overall performance by Jordanian industrial companies. Moreover it measured the ability of Jordanian industrial companies to bear the costs of BSC implementation and the availability of the necessary human resources to implement the (BSC) in Jordanian industrial companies. Using the statistical descriptive style analysis technique, it was found that there is recognition by the Jordanian industrial companies of the importance of the implementing the (BSC) in assessing the overall performance, the Jordanian industrial companies are realize the importance of using the operational measurements

(non-financial) for assessing the overall performance, the Jordanian industrial companies can afford the cost of application the (BSC), and the Jordanian industrial companies have the necessary human resources to implement the (BSC).

In another study conducted by Sawalqa et al, (2011) that analyses the state of implementation of the balanced scorecard (BSC) among Jordanian industrial companies. The study found that 59 Jordanian industrial companies used the BSC with a usage rate of 35.1% of the surveyed companies. Moreover, the results of the study indicated that the use of the BSC is spread across both the medium and the large companies in Jordan and the BSC companies did use different perspectives in their BSC although with more focus on the original four perspectives. In particular, results show that all the BSC users used the financial perspective. These results are consistent with previous work of Al-Matarneh (2011), Khan et al. (2010) and Anand et al. (2005).

In another study also conducted in Jordan. Al-Zwyalif (2012) identifying the Jordanian Private Universities awareness' of the importance of the implementation of the balanced scorecard (BSC) in performance evaluation, as well as at determining the ability of those universities to implement the BSC through discussing the availability of the essential elements for this implementation. The result of the study showed that the Jordanian Private Universities are aware of the importance of the implementing the BSC in performance evaluation. The study also showed the availability of financial resources and essential staff in the Jordanian Private Universities, which represents the basic requirements for the implementation of the BSC. According to the prior researches which conducted in Jordan we can find; a great awareness and recognition of BSC among Jordanian companies, realization of the operational or non-financial measures, and companies can afford both human and financial resources to implement the BSC.

A Summary of Literatures Review

The BSC was developed by professors Robert Kaplan and David Norton in 1990s by publishing several articles in Harvard Business Review in the years 1992 and 1993. Moreover, in 1996 they published book called The Balanced Scorecard to be the starting point of BSC evolution. BSC works to make balance between financial lagging indicators with operation non-financial leading indicator by translating company's vision into multiple perspectives of financial, customer, internal business process, and learning and growth perspectives. It is useful for both strategic and operational purposes. To implement it successfully, it must enjoy widespread support from the company. On the one hand, many companies in different countries had started to develop BSC as a performance evaluation tool, and there are a great awareness and attention of this technique in different countries around the world. Moreover, many companies have sufficient human and financial resources to implement BSC. To achieve the objectives of this study the following hypotheses were developed based on literatures review

H1: Palestinian corporations realize the importance of BSC in their performance evaluation process.

H2: Palestinian corporations realize the importance of non-financial measures.

H3: Palestinian corporations acquiring adequate human and financial capacity to adopt BSC.

RESEARCH METHOD

This study involves collection of both primary and secondary source of information to meet the research objectives and to test the research hypothesis. Primary data to measure the application of BSC and the realization of non financial measures of Palestinian listed corporations were collected using a structured questionnaire, this questionnaire contains both non-financial and financial measures and we ask respondents to specify the degree of usage of these measures and indicators in their performance evaluation process.

The questionnaire was sent to 60 respondents from the top management of Palestinian listed corporation from different sectors; Industrial, Banking and Financial Services, Investment, Insurance, and Services Sectors. The companies were selected randomly based on sample companies name and other information maintained by Palestine Exchange (PEX).

The questionnaire was directed at managers from the top level management include Chief Executive Officer (CEO), Chief Financial Officer (CFO), Internal Auditor and Controller, because it was assumed top level management possess more comprehensive knowledge in relation to organizational management control system, business strategy, and performance practices. The survey questionnaire contains three sections; First section included general questions related to sector in which a sample company works and personal questions related to respondents. Second section contains measures and indicator of BSC perspectives (Customer, Internal Business Process, Learning and Growth, and Financial Perspectives) these statement based on prior research of Kaplan and Norton (1992), Khan et al. (2010) and Anand et al. (2005). Five-Likert scale has been used in these questions ranged from (1) strongly disagree to (5) strongly agree, it is argued that the greater respondents agreed with those statement, the more the organization was using the BSC. The extent of BSC use represents the average response to these statements. The last section contains questions related to human and financial consideration to adopt BSC. The descriptive and analytical statistical techniques were applied in the analysis using the mean, standard deviation, percentage, frequency and one sample t-test was applied to

test the study hypotheses. Within one month (42) completed questionnaires were received, representing a response rate 70%. The Cronbach's Alpha test was used to assess the reliability of measures. The result ($\alpha=0.897$), indicates that all variables are effectively measured. Sekaran (2005) Table (1) shows the detailed description of the study sample:

Table 1: Industry Composition of Sample

Sector	Sample Size	Sample Percentage (%)
Industrial	8	19%
Banking and Financial Services	8	19%
Investment	7	16.7%
Services	10	23.8%
Insurance	9	21.4%
Total	42	100%

Table 1 show that 19% of sample from Industrial sector, also 19% from Banking and Financial Services, 16.7% from Investment sector, 23.8% from Services sector, and 21.4% from Insurance sector. Secondary data sources were obtained through prior researches related to BSC implementation and company's annual reports which published at the end of year.

RESULTS ANALYSIS AND DISCUSSION

Based in literature review of BSC and its application in several countries around the world, the statistical descriptive analysis technique and one sample t-test technique were used to test hypotheses and to answer the research questions.

Descriptive statistics of Balanced Scorecard Perspectives

The descriptive statistics (Arithmetic Mean and Standard Deviations) of the BSC perspectives; financial perspective and other non financial perspectives (Customer, Internal Business Process, and Learning and Growth) that were included in questionnaire are presented in table (2). Table (2) shows the mean value and standard deviation of each of financial and non financial BSC measures and indicators.

Table 2: Descriptive Statistics of BSC Perspectives.

Non-Financial Perspectives (Customer, Internal Business Process, Learning and Growth)		
Customer Perspective	Mean	SD
Customer satisfaction in term of quality	4.38	0.539
On time delivery of goods or services	4.28	0.673
Customer satisfaction on after sale services	4.26	0.627
Market share relative to competitors	3.95	0.763
Meeting customers' expectations	4.00	0.796
Responsiveness to customer complaints	4.02	0.949
New customer's acquisition as a percentage of total customers.	4.00	0.826
Retention Rate (Percentage of customers kept to total customers)	4.13	0.951
Overall Mean and SD of Customer Perspective	4.12	0.489
Internal Business Process		
High quality machines and equipments	4.07	0.808
Number of skilled employees to total employees	3.95	0.986
Decrease unit cost or cost of providing services	3.83	1.057
Time necessary to produce product or provide service	4.07	0.837
Overall Mean and SD of Internal Business Process Perspective	3.98	0.668
Learning and Growth Perspective		
Decreasing in employee turnover ratio	3.95	0.854
Employee empowerment	3.92	0.894
Employee satisfaction	3.80	1.064
Employee training in different areas	3.80	1.194
Increasing in trained and skilled employees	4.04	0.696
Increasing in employees suggestions and ideas	4.00	0.826
Increasing in quality of employees	3.85	0.899
Usage of technology	3.95	1.080
Overall Mean and SD of Learning and Growth Perspective	3.92	0.637
B. Financial Perspective		
Return on Investment (ROI)	4.31	0.715
Economic Value Added (EVA)	4.02	0.748
Current Ratio	4.00	0.698
Net Profit Margin	4.45	0.592
Cash Ratio	4.09	0.849
Debt to Equity Ratio	4.24	0.820
Days in Sales receivables	3.85	0.977
Overall Mean and Standard Deviation of Financial Perspective	4.15	0.408

The results show a high mean value of both financial and non financial measures, all mean values above 3.5. The overall mean value of customer perspective 4.12 with SD 0.489, internal business process 3.98 with SD 0.668, learning and growth 3.92 with SD 0.637, and financial perspective had a highest mean value 4.15 with SD 0.408, which means that the respondent from different companies believe and realize the importance of BSC financial and non financial measures in their performance evaluation process but financial measures still the dominant in their importance over non financial measures.

Hypotheses Testing

In order to test the research hypotheses H1 and H2 that related to Palestinian companies realization of BSC and non-financial measures in their performance evaluation process, one sample t-tests were used to analyze information, and the results are summarized in table 3.

Table 3: Results of statistical analysis.

Perspectives	Mean	SD	t-value	Sig. Level
Financial	4.15	0.408	18.084	0.000
Customer	4.12	0.489	15.031	0.000
Internal Business Process	3.98	0.668	9.527	0.000
Learning and Growth	3.92	0.637	9.344	0.000

Table 3 provides supportive evidence that the Palestinian companies realize the importance of non-financial measures which included in customer, internal business process, and learning and growth perspectives. This table illustrates that the value of calculated (t) for customer perspectives measures 15.031, for internal business process perspectives measures 9.527, and for learning and growth perspective measures 9.344 all of these measures have a significant level (0.000) which is less than ($\alpha=0.05$). Based on these results Hypotheses H1 and H2 are accepted which means that Palestinian corporations realize the importance of BSC and non-financial measures in their performance evaluation process.

The third hypothesis deals with company's human and financial capabilities to apply BSC, one sample t-test is used to test the hypothesis and the results are summarized in table 4.

Table 4: Descriptive statistics and t-value of human and financial consideration of BSC application

Statements	Mean	SD	t-value	Sig. Level
The employees have an adequate experience in the field of performance measurement systems.	4.172	0.848	7.445	0.000
Company have a job title called Management Accountant	3.896	1.113	4.338	0.000
Employees engaged in the performance measurement had recent academic degrees.	3.689	1.072	3.463	0.002
There is adequate financial capacity in the company to shift to (BSC) system.	4.00	0.707	7.616	0.000
Company can provide training courses to its employees from all levels involved in using the (BSC) system	4.034	0.823	6.769	0.000
The benefits expected from the use of the (BSC) system exceeds the costs of the application	3.965	0.905	5.741	0.000
The company can afford to attract the expertise that can apply the balanced (BSC).	3.724	0.840	4.638	0.000
The company is willing to bear the cost of buying licenses to use the (BSC) system.	3.965	0.778	6.680	0.000

As indicated in table 4, companies have the necessary human resources and able to bear the cost of application the BSC because mean values are high more than 3.5 with high t-value calculated, which means that company's employees have an adequate experience in the field of performance measurement systems. Moreover companies have an adequate financial capacity in the company to shift to BSC system, and realize that the benefits expected from the use of the BSC system exceeds the costs of the application and ready to attract the expertise and bear the cost of buying licenses to use the BSC system. Since the t-values calculated are high with significant level less than ($\alpha=0.05$) for all paragraphs, this hypothesis is accepted. Palestinian companies can afford financial and human resources to adopt and develop BSC.

Key Performance Indicators under BSC Perspectives

According to the statistical analysis above, this section will discuss the main Key Performance Indicators (KPI) within BSC are used by Palestinian listed companies.

Customers' Perspective: Table 2 and 5 indicate that the customer satisfaction in term of quality is the most important KPI, followed by customer satisfaction on after sale services, on time delivery of goods or services, meeting customer's expectation, market share, and finally a retention rate of current customers.

Internal Business Process: Table 2 and 5 find a high quality of machines and equipments is the most important over other KPIs, followed by Time necessary to produce product or provide service, Number of skilled employees to total employees, and unit cost of providing services.

Learning and Growth Perspective: Increasing in trained and skilled employees is the most important KPI, followed by Increasing in employee's suggestions and ideas, employee turnover ratio, Employee empowerment, increasing in quality of employees, Usage of technology, and Employee satisfaction.

Financial Perspective: Net profit margin is the most important financial KPI, the other financial KPI are return on investment (ROI), debt to equity ratio, current ratio, economic value added (EVA), cash ratio, and days in sale receivables.

Extent of non financial measures awareness in different sectors

The sample size of research is 42 participants from 21 companies from different sectors; the following table represents the mean value of the extent of non financial measures awareness.

Table 5: The awareness of BSC perspectives in different sectors.

Sector	Number of Companies	Customer Perspective	Internal Business	Learning & Growth	Average for non financial Measures	Financial Perspective
Industrial	3	4.3438	4.2917	4.2188	4.284767	4.4375
Banking	6	4.3438	3.875	4.4062	4.208333	3.8594
Investment	2	3.9464	3.8333	3.5536	3.777767	3.9107
Service	7	4.0625	3.34333	3.5625	3.65611	3.725
Insurance	3	3.9722	3.3519	3.9028	3.7423	3.9722

Based on table 5; there are a reasonable awareness of BSC non financial perspectives in comparison with financial perspective, the most realization and interest of non financial measures in industrial sectors and banking sector and also in banking sector non financial measures dominant over financial perspective specially customer and learning and growth. In conjunction with previous analysis of the awareness of BSC perspective the following table represents in percentage the stages of BSC implementation.

Table 6: Stages of implementing BSC.

Stages in implementation	Percentage
Fully Applied BSC and completely realize the importance of non financial measures	30%
Partially Applied BSC and Moderately realize the importance of nonfinancial measures	42%
Not Apply BSC and somewhat realize the importance of nonfinancial measures	17%
Neither apply BSC nor have a realization of non financial measures.	11%

According to analysis we found that approximately 30% of the corporations indicate that their company fully apply BSC and completely realize the importance of non financial measures, 42% the them indicate partially implementation of BSC and moderately realization to the importance of nonfinancial measures, 17% of corporations indicate that their companies do not apply BSC but they somewhat aware of non financial measures, finally 11% of participants stated that their company neither apply BSC nor have a realization of non financial measures.

CONCLUSION

The study examined the Palestinian listed corporation's implementation of BSC and their awareness of its importance for performance evaluation process, the necessary of integrating non-financial with financial measures to evaluate the performance of corporation as well. In addition to, it explored the Palestinian corporation's financial and human capabilities to adopt BSC. Our findings show that majority of Palestinian corporations use BSC in their evaluation process either fully or partially. In spite of realizing the importance of BSC implementation in full, financial measurements

are still dominate the concentration of corporations in their evaluations of operation and management performance. These results are consistent with previous work of Anand et al. (2005) and Speckbacher et al. (2003). Palestinian listed corporations have an experience in the field of performance evaluation system and ready to offer financial and human resources to adopt BSC, they realize expected benefits from adoption BSC system and ready to attract the expertise and bear the cost of buying licenses to use the BSC system as well. These results confirm with other findings of previous work of Al Sawalqa et al. (2011), Al- Matarneh (2011), and Al-Najjar (2012). This study measures company's awareness of BSC by examining each BSC perspective's components of measures and indicators. In customer perspective most of companies focus on customer satisfaction as a non-financial indicator of performance, in internal business process, a high quality of machines and equipments is the most important measures of performance, in learning and growth skilled employee measure is the most important measure. Finally, in financial perspective net profit margin is the dominant and most important over other financial measures. This result is consistent with previous work of Anand et al. (2005).

However, the results of this study have a number of implications, this study one of the first studies that deals with management accounting practices of developing country like Palestine. It indicates that Palestinian companies ready to shift from industrial era (tangible) to information era (intangibles) which means adopting strategies had to change from managing tangible assets to managing intangible assets which measured by non-financial strategic measures rather than by their financial value such as customer relationships, innovative products and services, high-quality and responsive operating processes, skills and knowledge of the workforce, the information technology that supports the workforce and links the firm to its customers and suppliers, and the organizational climate that encourages innovation, problem solving and improvement.

Adopting BSC focus on strengthen non-financial measures which is called leading indicators that include Customer, Internal business process, and Learning and growth perspectives to achieve high financial performance which is called lagging indicators. However, if a company wants to enhance its financial performance (Financial Perspective) they must create and deliver products and services that are valued by customer to improve customer satisfaction (Customer Perspective) and to enhance customer satisfaction company should provide goods and services with highest quality and reasonable cost (Internal Business Process Perspective) and to produce high quality of goods and services it is necessary to have skilled employees and advanced technology (Learning and Growth Perspective).

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