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| رقم البحث بالقائمة/ نوعه | 1/ individual |
| عنوان البحث | Balanced Scorecard (BSC) and Strategic Planning:  “A Reciprocal Relationship" The Case of Saudi Telecommunication Company (STC). |
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**Abstract**

**(1) Introduction**

Management accounting plays a fundamental role in supplementing managers with useful information to plan, examine, scrutinize and control their operations along with carrying out the decision-making process efficiently and effectively (Young, 1999). Accordingly, this has a tremendous impact on the entire organization’s profitability (Kaplan and Atkinson, 1998). To elaborate on the decision-making process, Mendoza and Bescos (2001) pointed out that information should have numerous characteristics, which allow managers to better identify problems and clearly understand their causes, in order to consider all existing alternatives. In addition, based on the changes in the local and global business environment, most companies are trying to expand their perception to generate ways by which they can carry out competitive advantages simultaneously by improving the internal systems so as to monitor and control the companies' activities.

**Background and Literature Review (2)**

A quite number of attempts can be seen in the literature discussed the theoretical and empirical aspects of BSC and strategic planning. Crabtree and DeBusk (2008) referred to the core meaning of BSC as they mention that BSC includes key measures relating organizational performance and planned targets, they also mentioned the four perspectives of BSC discussed by Kaplan and Norton (2001): (1) financial: (2) customer (3) internal business processes and (4) learning and growth In addition, if the companies adopt such a new management accounting tool that derived from the company's strategy, they can be helpful in formulating an entire picture of the strategic planning process. Furthermore, there are several contemporary studies showed the shortage of financial performance measures and the advantages of adopting BSC as a substitution that can support companies in developing and formulating strategic planning with the purpose of helping them in achieving good returns and improving the profitability. A number of previous studies have explained the central meaning of strategic planning and its relationships with numerous perspectives in different organizations Strategic planning is the process of deciding the programs that the organization will undertake and the approximate amount of resources that will be allocated to each program over several next years. Dealing with strategic planning imposes several questions: Is planning a science or is it an art? Should an organization attempt to do strategic planning internally or should the organization depend on external expert? Does strategic planning consort with certainty or uncertainty? These are difficult questions to answer, while any strategic planning effort is extremely related to uncertainty, much of the uncertainty associated with strategic planning can be addressed by following the structure offered by the BSC model.

**(3) Methodology and Data**

This current research explores the reciprocal relationship between BSC and the strategic planning process. There will be an emphasis on formulating a model between the two variables, influenced by a number of factors (*positivism perspective*). Additionally, the research tries to obtain sufficient information through formal and informal interviews concerning the obstacles that might face the managers and hinder them from providing useful and reliable information for the strategic planning process, together with their lack of ability to cope with the sophisticated tools of management accounting techniques such as Activity-Based techniques and Balanced Scorecard. This might be achieved in the course of discovering behaviors, skills, attitudes and values of the management accounting staff and a number of managers at different levels (*phenomenology)*. Hence, the phenomenology is the dominant philosophy of this study. This research will depend on the case study method that will be applied in the STC in Kingdom of Saudi Arabia alongside depending on the exploratory studies. To accurately fulfill this relationship, a number of factors should be taken into consideration (*and should not be ignored*) to draw up a comprehensive overview of how the basic relationship of the study can be worked. These factors have a great influence on such relationship; factors include organizational factors (such as the company’s strategy, organizational structure) and technological factors (such as firm’s information technology).

Figure 1 illustrates the basic conceptual model of the research.

*Organizational factors*

*Reciprocal Relationship*

*Technological factors*

## *Strategic Planning*

## *Process*

***Balanced Scorecard***

***(BSC)***

**(3) BSC in STC: adoption towards strategic planning**

***3.1 Financial perspective***

Financial perspective defines strategic objectives and financial performance measures that provide evidence of whether or not the company’s financial strategy is yielding increased profitability and decreased costs. STC depends on a number of financial measures such as net profit, sales growth, and sales revenues. STC involves the financial perspective in its BSC in order to help in strategic planning as shown in Figure 2.

**Figure 2**: Financial perspective including STC, the role in strategic planning

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| Objectives | Measures | Role in strategic planning |
| * To secure the financial security for the STC portfolio. * To ensure the growth of profits. | * Net income * EBITDA * Sales revenues * ARPU | The company’s growth and profitability should be included in formulating the enduring programs that aim to transform its operations from government system to commercial business standards in the international markets. |

**3.2 Customer Perspective**

This perspective identifies the intended outcomes from delivering a differentiated value proposition, for example, market share in customer segments and customer profitability. STC has conducted intensive market study and research for the improvement of business strategies in giving full satisfaction to its existing clients and target markets.STC involves the customer perspective in its BSC in order to help in strategic planning as shown in Figure 3.

**Figure 3**: Customer perspective including STC, the role in strategic planning

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| --- | --- | --- |
| Objectives | Measures | Role in strategic planning |
| To increase the satisfaction for the existing customers and attract new customers particularly in countries like India and Indonesia | * Market survey in Saudi Arabia and other countries. * Market share especially in the new market outside Saudi Arabia. * Customer satisfaction rating. | Diversification program is one of the most significant programs that should be included in the STC’s strategic planning process. The objective is putting the diversified telecommunications services and overall operations in conformity to what its customers expect and to synergize with market competition. |

**3.3 Internal Processes Perspective**

The internal processes may include on time delivery, product development, product’s quality, and continuous improvement. . In STC, the company is trying to improve its internal processes in order to advance its internal system which leads to customer satisfaction and increasing profits. STC involves the internal process perspective in its BSC in order to help in strategic planning as illustrated by Figure 4.

**Figure 4**: internal process perspective including STC, the role in strategic planning

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| Objectives | Measures | Role in strategic planning |
| * To advance our business processes. * To encourage all STC staff to be involved with the internal running of the business. * To encourage all STC involvement in the decision-making process. | * The employees’ ability to work in a team work. * Establish STC council. * Average major service name (from the portfolio mentioned in the note above). * Time consumed for rendering the different mobile and landline services to customers. | Upgrading and advancing the internal processes in STC (like all businesses) can play a part in articulating the strategic plans which will put into consideration how incessantly augment the internal processes. This will result in increasing profitability which is considered the ultimate and significant goal of the firm. |

**3.4 Innovation and Learning Perspective**

This perspective enables the other three perspectives defines what type of staff and automation the organization must have in order to achieve the mission, support the internal processes, and satisfy the customers. STC has made huge efforts toward innovation for developing instantly its operations as explained by (TresVista, Financial Services, 2010). These efforts include that STC and Mobily announced the completion of the technical interconnect link of their two networks which would benefit the subscribers, this link covers 90% of the populated areas in the country. STC involves the innovation and learning perspective in its BSC in order to help in strategic planning as illustrated by Figure 5.

**Figure 5**: innovation and learning perspective including STC, the role in strategic planning

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| *Objectives* | *Measures* | *Role in strategic planning* |
| * To acquire new techniques in STC operations. * To learn our employees. * To become the leader in telecommunication sector in Saudi. | * Hours of STC employee training locally and abroad. * Employee suggestions. * How many high degrees to our employees taken in our activity. * How many new ideas applied regarding mobile and landline services? | Discovering the gap between the current employees’ skills and the potential skills help design the strategic plans with an entire picture with respect to what are required capabilities that should be acquired in the future. |

**4. The role of strategic planning in adopting BSC**

In this section I am trying to develop a strategic plan for STC focusing on the “performance evaluation” because the core objective of this research is how to involve BSC - as a comprehensive performance evaluation system - in the strategic plan for STC. Figure 6 shows such plan.

**Figure 6**: Strategic plan for adopting BSC

*Strategic plan*

1. Define Vision, mission, and strategy for STC

2. Identify objectives organized by the four BSC perspectives

*KPIs*

3. Select appropriate indicators which are related to the four BSC perspectives

*Feedback*

5. Measure the performance

4. Setting targets to quantify our objectives

**5. Conclusions and Recommendations.**

The study addressed an appropriate background theoretically and practically of the BSC and the strategic planning in order to finalize such overview with a conceptual framework between the basic two variables of the study. The study introduced the BSC and how it will be involved in the STC strategic plan starting from expressing the company’s vision and mission as a foundation for building the BSC from its four perspectives in STC. For each perspective, the study organized it from three points of view: what are the objectives of each one, how to measure it, and what the role of each perspective in strategic planning – this is considered the first side of the reciprocal relationship.

The study introduced the second side of the reciprocal relationship which indicated the role of strategic planning in adopting BSC starting from a clear definition of the vision and mission, and identifying the objectives organized by the four BSC perspectives. Subsequently, selecting the proper indicators for STC that assist in setting targets to quantify STC’s objectives with the aim of measuring the performance and collecting feedback information for enhancement. The researcher recommends for more applications in the possibility of applying BSC in different sectors private and public not only in Saudi Arabia but also in other countries so as to know: Does the nature of environment have influence on applying BSC?