



The Interdependent Relationship between Balanced Scorecard (BSC) and Strategic Planning: The Case of Saudi Telecommunication Company (STC)

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Abstract: The major objective of this paper is to recognize how the interdependent relationship between the Balanced Scorecard (BSC) and strategic planning process works in Saudi Telecommunication Company (STC). This study is exploratory as it gives a comprehensive overview on the telecommunication sector in Saudi Arabia and on a success story in the telecommunication industry in the Kingdom. The study indicates the role of executing the BSC as a wide-ranging performance evaluation system in formulating a strategic planning process which leads to involving the BSC in the strategic programs. In contrast, the study also investigates the vital role of strategic planning process in attaining BSC through describing the mission and vision of the company with the aim of setting the objectives that lead to deploying the key performance indicators (KPIs). This paper relies on the case study method that will be applied in the STC in Saudi Arabia in common with exploratory studies.

Keywords: Strategic planning, BSC, STC, Kingdom of Saudi Arabia.

Introduction

Management accounting plays a significant role in augmenting managers with valuable information to plan, scrutinize, examine and control their operations together with fulfilling the decision-making process efficiently and effectively (Young, 1999). Consequently, this has a great impact on the entire organization's profitability (Kaplan and Atkinson, 1998). To elaborate on the decision-making process, Mendoza and Bescos (2001) indicated that information should have various characteristics, which allow managers to better identify problems and clearly understand their causes, in order to consider all existing alternatives. These characteristics consist of respecting the deadline, providing sufficient details, reliability and comprehensiveness. So, managers should give a particular consideration to the precision of accounting information in order to synchronize different dimensions as explained by Wouters and Verdaasdonk (2002). They argued that most management decisions have consequences for different dimensions (e.g., number of

units produced, inventory levels, reliability of processes and service towards customers) that require obtaining helpful accounting information to translate these different dimensions into a common financial dimension. Additionally, based on the changes in the local and international business environment, most companies are trying to expand their perception to create ways by which they can accomplish competitive advantages simultaneously by improving the internal systems so as to monitor and control the companies' activities. Thus, a number of studies have discussed the significant role of strategic planning in executing a mixture of programs that can play a part in achieving the overall organization's mission and attaining its objectives (Hodgetts and Luthans 2003, Anthony and Govindarajan 1995, Brock and Barry 2003, Neigher 2003, houben et al 1999, Tanabe et al 2003, Kim et al 2003). According to Hodgetts and Luthans 2003, strategic planning is a process that is designed by the company to establish an organization's fundamental mission and objectives, as well as a plan of action to achieve these objectives. To



avoid confusion, Anthony and Govindarajan (1995) indicate an obvious distinction between strategy formulation (deciding new strategies) and strategic planning (implementing these strategies). A company that seeks to develop its performance measures should involve its strategic planning process to achieve this fundamental purpose.

Literature Review

A number of efforts in the theoretical and empirical aspects have been done regarding the BSC and strategic planning. As stated by Nørreklit (2003), BSC is one of the most contemporary innovations in management and strategic management accounting that help managers take their decisions. 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: the strategy for growth, profitability, and risk viewed from the perspective of the shareholder, (2) customer: the strategy for creating value and differentiation from the perspective of customer, (3) internal business processes: the strategic priorities for various business processes that create customer and shareholder satisfaction, and (4) learning and growth: the priorities to create a climate that supports organizational change, innovation 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 to help them achieve good returns and improve the profitability (e.g.: Craig and Moores 2005, Norreklit 2003, Crabtree and DeBusk 2008, Wong-On-Wing et al 2007, Lipe and Salterio 2002, Veen-Dirks 2009, Henri 2006, Skaerbaek and Tryggestad 2009, Wouters and Wilderom 2008, Wegmann 2008). Craig and Moores 2005 argued in the favor of BSC

and said that the BSC was developed because the exclusive reliance on financial measures in a management system is insufficient. They also indicated that making a clear distinction between lead indicators and lag indicators will lead to a respectable understanding of the BSC. Financial measures are lag indicators (such as ROI, customer retention costs, revenue per employee ...etc.), and lead indicators include a number of measures which are related to the financial and non-financial aspect (i.e., revenue mix, new product development and customer satisfaction). In a recent study, BSC introduced by Kaplan and Norton (1992) addressed many of the concerns raised by Hopwood (1972) (as mentioned in Wong-On-Wing et al 2007). It is a multi-dimensional performance measurement system that includes financial, outcome and short-term as well non-financial, driver and long-term measures (Wong-On-Wing et al 2007). Their study mentioned that a key feature of the BSC is its emphasis on the linking between measures and the company's strategy. It also can be expected to decrease the possibility of disagreement and conflict between raters (supervisors) and ratees (subordinates) by supporting a more general approach to performance evaluation. Wegmann (2008) pointed out that BSC groups together several financial and non-financial indicators describe the company's strategy (leading indicators) and its performances (lagging indicators). They further stated that currently about one American company out of two uses the BSC for measuring their performance. A European inquiry shows that 41% of the European companies' questions use a BSC (i.e., 35% in France).

A number of previous studies have explained the central meaning of strategic planning and its relationships with numerous perspectives in different organizations (nonprofit organizations, family firms, supermarket sector...etc.)

(Anthony and Govindarajan 1996, Tanabe et al 2003, Dodangh et al 2010, Ronchetti 2006, Craig and Moores 2005, Kim et al 2003). 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 (Anthony and Govindarajan, 1996). Houben et al (1999) argue that strategic management includes three basic elements, namely: the formulation of a strategy, the implementation of a strategy and the control and evaluation of the strategy. The second element is concerned with strategic planning, as most skilled managers spend their valuable time thinking about the future. The result may be an informal understanding of the future direction the company is going to take, or it may be a formal statement of plans. The formal statement of plans is called a strategic plan; the process of adjusting this statement is called strategic planning.

However, Anthony and Govindarajan (1995) confirm that a strategic plan provides the framework within which the operating budget is developed. A vital advantage of preparing a strategic plan is that it can help the operating budget work effectively. Also, strategic planning ensures an orderly, continuing process of consideration and commitment to certain strategic alternatives. Furthermore, the last two decades have witnessed the expansion of numerous management philosophies, which affect the company's operations and its overall profitability. These philosophies include Total Quality Management (TQM), Just in Time (JIT) and Business Process Reengineering (BPR). As pointed out by Ronchetti (2006), strategic planning presents a unique challenge to most organizations today, whether they are private, public, or nonprofit firms. 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.

STC: a general synopsis

Al-aklabi and Al.Allak (2011), pointed out that since we are living in globalization of economy and the contemporary age of information, the telecommunication industry has

become the fastest growing and most profitable form of business. Therefore, it is a fact that the telecommunications have become an instinctive part of every activity of today's consumers which offer noteworthy opportunities in consort with challenges to telecommunication companies. Saudi Telecom Company is a leading provider of telecommunication services in the Middle East and North Africa. The company provides landline, mobile and internet services. STC primarily operates in Saudi Arabia where it is headquartered in Riyadh.

STC was incorporated in 1998, following the Council of Ministers' Decree No. 213 dated 23/12/1428 H, approving of the establishment of a Saudi Stock Company under the name of "Saudi Telecom Company". The company recorded revenues of SAR 51,786.8 million (\$13,830.7 million) during the financial year ended December 2010 (FY2010), an increase of 2% over 2009. The operating profit of the company was SAR 10,978.3 million (\$2,932 million) in FY2010, a decrease of 14.3% over 2009. Its net profit was SAR 9,436.3 million (\$2,520.2 million) in FY2010, a decrease of 13.1% over 2009 (STC website, Aug 2011). On the other hand, according to STC website, STC is the largest integrated telecom company in Saudi Arabia; it commands high market share and high margins in its Saudi operations. Thus, STC has made acquisitions in several potential high growth markets. This will ensure net subscriber additions over the next few years.

According to TresVista (financial services, 2011), STC has owned investments in heavily populated countries such as India and Indonesia. The overall demand for telecom services is developing among increasing competition. Besides, penetrating new markets will result in an increase in opportunities for diversification (for example: new markets such as India and Indonesia). As said by same source mentioned above, the new and continuous technologies developed in this sector are leading to diversification of product portfolio and are creating more revenue generation opportunities by leveraging the current infrastructure. So, to cope with such opportunities and challenges, STC adopted an crucial program aiming to transform its business from government

system to the recognized commercial business standards. STC has developed clear strategies focusing on internal re-organization, re-skilling and redevelopment of its staff, enhancement of its internal processes and studying its customers' needs and their requirements while continuing carrying out its national and social duties and responsibilities. In addition, STC is the leading national provider of telecommunication services in the Kingdom of Saudi Arabia. The company is incessantly working to fulfill and satisfy the market requirements, keeping pace with emerging technologies in the telecommunications sector and satisfying its customers' needs (www.stc.gov.sa). Since the Saudi government has made enormous efforts to transform its systems to the international standards, it needs to set strategic plans with the purpose of achieving its future goals and objectives.

Research Methodology

Research methodology makes up one of the most fundamental parts in any research project as it is a structure for data analysis



Figure 1. Research Cycle (RC)

Research Philosophy

Research philosophy refers to the way that we think about the progress of knowledge. Two views about the research process dominate the literature: positivism and phenomenology. They are dissimilar views about the manner in which knowledge is developed and both have an important role to play in business and management research (Saunders et al, 2000). This research explores the interdependent 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 that lead to a statistical investigation, which assumes the role of an objective analysis about data that have been collected through questionnaires and interviews in Saudi business environment (positivism perspective).

that facilitates interpreting and analyzing such data in the practical sections of the research. This reminds us of a favorite quote in Alice's Adventures in Wonderland. This is part of Alice's conversation with the Cheshire Cat. In this Alice asks the Cat (Saunders et al 2000, p.12):

'Would you tell me, please, which way I ought to walk from here?'

'That depends a good deal on where you want to get to,' said the Cat.

'I don't much care where,' said Alice.

'Then it doesn't matter which way you walk,' said the Cat.

Consequently, the following section is concerned with understanding the way that we think about the development of knowledge, determining an apparent research approach, identifying a comprehensible research strategy, clarifying data collection methods and finally explaining how to analyze such data. To do this logically, figure 1 explains these sequential stages through RC.

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. This might be achieved in the course of discovering behaviors, skills, attitudes and values of the management accounting staff. Nevertheless, the dominant philosophy is related to the positivism perspective.

Research Approach

The research project involves the use of theory. This theory may or may not be made explicit in the design of the research; the extent



to which we are clear about the theory at the beginning of the research raises an important question relating to the design of the research project. This is whether the research should use the deductive approach or the inductive approach (Gill and Johnson; 1991, Saunders et al; 2000). This research project is designed to find out the interdependent relationship between BSC and the strategic planning process by gathering quantitative and qualitative data about these two basic variables and other control variables that have an influence on this relationship. These control variables include; organizational, technological and environmental variables. The conceptual model has been developed to indicate the connection between basic variables and control variables to facilitate replication.

Research Strategy

The research strategy will be a general plan of how we will go about answering the research questions we have set. It will specify the sources from which we intend to collect data and consider the constraints that we will inevitably have (e.g. access to data, time, location and money, ethical issues). Several studies have discussed a number of strategies that can be used to allow the researcher to answer research questions and carry out his/her objectives

(Hussey and Hussey 1997, Saunders et al 2000, Ryan et al 2002, Gill and Johnson 1991). These strategies include: experiment, survey, case study, grounded theory, ethnography, action research, cross-sectional and longitudinal studies, and exploratory, descriptive and explanatory studies. This research will depend on the case study method that will be applied in the STC in Saudi Arabia.

Data Collection Methods

As the title suggests, data collection methods are used in this part of the research, which is concerned with collecting data (Hussey and Hussey, 1997). Whatever the research question (s) and objectives are, we need to collect data to answer them. However, for many research questions and objectives it will be impossible to collect or to analyze all the data available owing to restrictions of time, money and often access to the required data (Sharp and Howard 1996, Saunders et al 2000). Several methods can be used to gather data including interviews, secondary data, observation, sampling, critical incident technique, diaries, focus groups and protocol analysis. The first three methods will be used to collect data. Figure 2 depicts the basic research model.

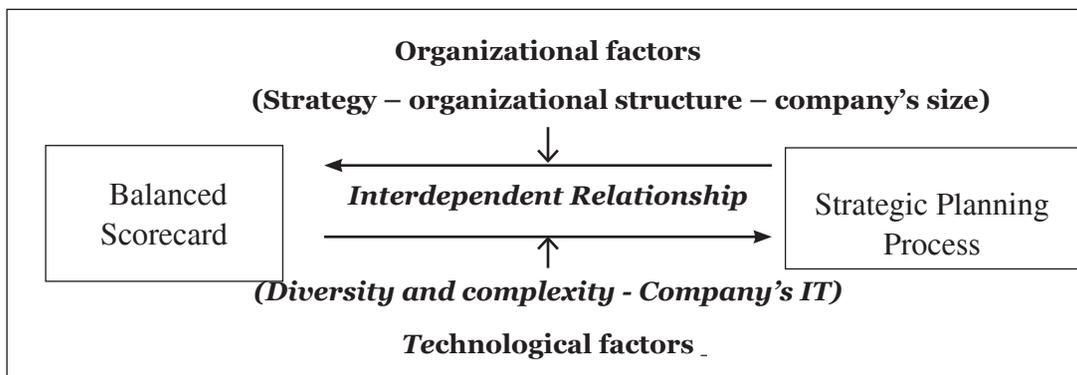


Figure 2. The Basic Research Model

Introducing STC and its relation with BSC

Vision statement

Craig and Moores (2005), pointed out that (according to Collins and Porras 1996) a well-conceived vision statement consists of core ideology (i.e., the enduring character

of the organization – a consistent identity that transcends product or market life cycles, technological break-through, management fads, and individual leaders) and envisioned future (which is made up of a 10-30 year audacious goal plus vivid descriptions of what it will take to achieve that goal. Additionally, Ronchetti (2006) stated that the vision statement is a word



picture of what the project intends to become 5, 10, or 15 years in the future. Based on that, STC has developed its vision statement (which addressed its core ideology and envisioned future) as follows.

“Becoming the most successful telecommunication company in the middle East and North Africa”

Mission statement

In trying to make a clear distinction between vision and mission, Ronchetti (2006) stated that “While mission statements are often abstract, the vision statement should contain as concrete a picture of the desired end state as possible in order to provide a basis for development strategies” (page 29). According to Craig and Moores (2005), the literature suggests that a mission statement allows the firm to articulate a strong vision for the organization and to communicate it to its growing workforce and stakeholders. Furthermore, Rarick and Vitton (1995) (as mentioned in Craig and Moores, 2005), stated that having a mission statement significantly increases shareholder equity. Pearce and David (1987) (as mentioned in Craig and Moores, 2005) pointed out that corporate philosophy, self-concept, and public image should be included in the mission statements. STC has established its mission as follows.

“As leaders in a world of constant change, we strive to exceed our customers’ expectations so that, together, we reach new horizons” STC website.

Based on the previous mission, we can recognize that this mission is extremely related to the application of the BSC (customer oriented is one of the four BSC perspectives). So, adopting BSC in performance evaluation helps STC formulate and accomplish the long-term programs which lead to running its mission.

BSC in STC: adoption toward strategic planning

In the subsequent sub-sections an effort will be made to discuss the four perspectives

of the BSC, i.e., financial perspective, customer perspective, internal processes perspective, Innovation and learning perspective and their role in strategic planning in STC.

Financial perspective

As stated by Ronchetti (2006), 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. Furthermore, Craig and Moores (2005) have pointed out that economic growth strategies are usually approached from a revenue growth or productivity perspective. Revenue growth involves either increasing revenue from new markets, new products, and new customers; or increasing sales to existing customers.

STC depends on numerous financial measures such as net profit, sales growth, and sales revenues. In practice, STC has numerous financial measures for evaluating the company’s performance, according to TresVista (Financial Services, 2010), total revenue grew 7% from SAR 47.5 billion in 2008 to SAR 50.8 in 2009 due to customer acquisitions in their international operations. The company’s net income in the year 2009 fell marginally by 1.6% due to falling domestic market share to competitors and falling international call rates. In 2010, revenues marginally increased 1.2% from SAR 24.8 billion in 2009 to SAR 25.1 billion in 2010. Finally, according to the same source mentioned above, the company is looking at other revenue models like fixed line and wireless broadband connectivity to maintain the otherwise falling ARPU (Average Revenue Per Unit) levels in the face of rising competition. STC is planning to concentrate on value added services in the wireless sector in order to drive and maintain the ARPU rates and subscriber base. STC involves the financial perspective in its BSC to help in strategic planning as illustrated by Figure 3.

Table 3: Financial perspective including STC, the role in strategic planning



Table 3. Financial perspective including STC, the role in strategic planning EBITDA: Earnings Before Interest, Tax, Depreciation, and Amortization.

Objectives	Measures	Role in strategic planning
<ul style="list-style-type: none"> To secure the financial security for the STC portfolio. To ensure the growth of profits. 	<ul style="list-style-type: none"> Net income Gross profit EBITDA Sales revenues ARPU 	<p>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.</p>

Customer perspective

The second perspective in BSC a customer perspective, as mentioned by Ronchetti (2006), this perspective makes up another view of internal operations that has a cause-and-effect relationship with the financial perspective and addresses how the organization must appear to customers in order to carry out the organization's mission. In addition, several studies have examined the customer perspective as an important item involved in BSC (Crabtree and DeBusk 2008, Wegmann 2008, Norreklit 2003, Lipe and Salterio 2002, Craig and Moores 2005), as mentioned in Craig and Moores (2005) which is according to Kaplan and Norton (1992), 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 (Al-aklbi and Al-Allak 2001). In addition, the same

study pointed out that to sustain the company's success going FORWARD. The company should define its future strategic priorities as a long term plan composed of seven dimensions referred to as FORWARD strategy. In addition, STC is always trying to satisfy its customers, so STC is strongly leveraging its wireless network to attract customers, offering them a single handset for mobile, fixed, and data services, with a single contract and billing system to cover them all (TresVista Financial Services, 2010). On the other hand, to attract new customers, STC is witnessing favorable demographics with investments in heavily populated countries such as India and Indonesia. Entering new markets and attracting new customers from countries like India and Indonesia accomplishes some objectives; these objective include (for example); (1). An increase in opportunities for diversification, and (2). The growth is expected to be driven by relatively underpenetrated markets such as India and Indonesia. STC involves the customer perspective in its BSC in order to help in strategic planning as illustrated by Table 4.

Table 4. Customer perspective including STC, the role in strategic planning

Note: STC portfolio includes: Mobile, Landline, Data, and Internet Services.

Objectives	Measures	Role in strategic planning
<p>To increase the satisfaction for the existing customers and attract new customers particularly in countries like India and Indonesia</p>	<ul style="list-style-type: none"> Market survey in Saudi Arabia and other countries. Market share especially in the new market outside Saudi Arabia. Customer satisfaction rating. Return by customers as % of sales from STC portfolio. 	<p>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.</p>



Internal processes perspective

Internal processes, make up the impact of product and service quality and help identify which internal business processes must operate with excellence in order to satisfy customers. Internal process metrics are then developed, which communicate the level of product quality through the monitoring of in-process metrics as well as measuring productivity associated with the number of units produced or services provided (Ronchetti, 2006). In addition, Dodangeh et al (2011) pointed out that the internal processes may include on time delivery, product development, product's quality, and

continuous improvement. Craig and Moores (2005) stated that the internal process aims to develop new products and services, penetrate new markets and customer segments. Also, improving internal processes will accomplish operational excellence by improving supply-chain management, internal processes, asset utilization, and resource-capacity management. 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 Table 5.

Table 5. internal process perspective including STC, the role in strategic planning

Objectives	Measures	Role in strategic planning
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

Innovation and learning perspective

This perspective is very vital for all businesses in order to cope with the local and international changes in the environment. It 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 launched the fastest broadband internet service in the region with speeds up to 100 Mbps, STC

approaches CISCO Tech (Cisco is a company that offers high end routers, switches, and other networking tools, and Cisco is the backbone of the internet. without Cisco, the internet is pretty much useless.) for hosting services in Saudi Arabia, STC has expanded the emergence of Mobile Virtual Network Operators (MVNO's) in any of its markets can create the potential for several new competitors (Virgin Mobile has recently entered India), and finally STC announced that it would consider issuing new debt to fund their growth targets. STC involves the innovation and learning perspective in its BSC in order to help in strategic planning as illustrated by Figure 6.

Table 6: innovation and learning perspective including STC, the role in strategic planning.



**Table 6. innovation and learning perspective including STC, the role in strategic planning
The role of strategic planning in adopting BSC**

Objectives	Measures	Role in strategic planning
<ul style="list-style-type: none"> To acquire new techniques in STC operations. To learn our employees. To become the leader in telecommunication sector in Saudi. 	<ul style="list-style-type: none"> 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? 	<p>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.</p>

Based on various formal and informal interviews, STC is focusing on increasing the present and potential profits while assessing the company's performance that enables the company's managers to set strategic plans which are aiming on the programs that can be evaluated from financial view. As stated by Gonvindarajan (1995), the strategic planning process is the process of deciding the programs that the company will undertake and the financial resources that should be assigned to each program. As mentioned by CIVICUS (World Alliance for Citizen Participation), strategic

planning is the overall planning that facilitates the good management of a process, it takes the company outside the day-to-day activities and provides the big picture of what we are doing and where we are going. It gives us clarity about what we actually want to achieve and how to go about achieving it. 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.

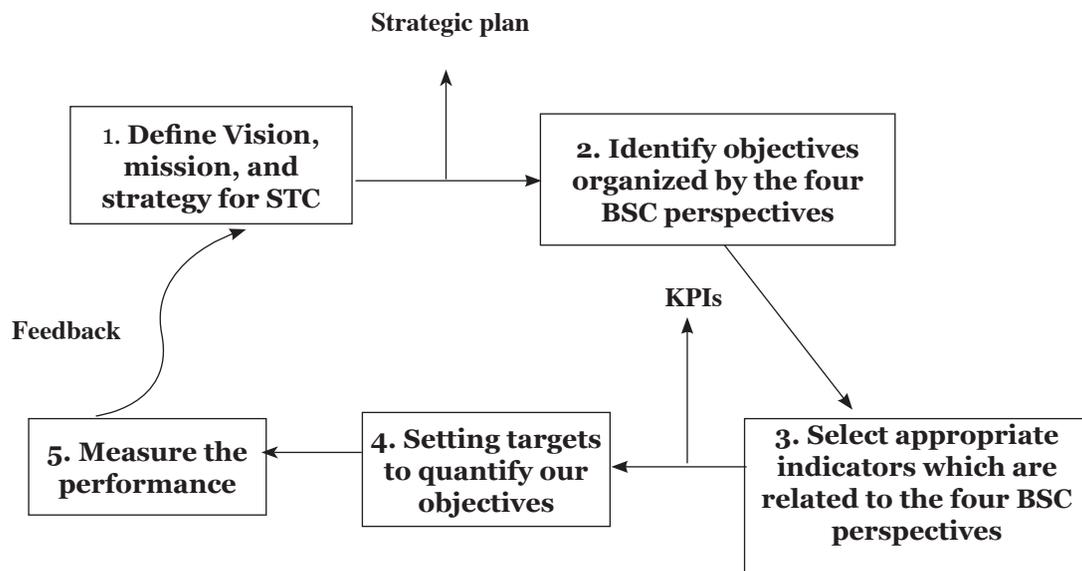


Figure 7. Strategic plan for adopting BSC



1. Define the mission and vision for STC based on implementing SOWT analysis in order to know what strengths of STC (the biggest telecom company in Saudi, the high quality of rendered services in Saudi, the cheapest calls to abroad), opportunities (new developments in mobile and landline services, expand in new markets like India and Indonesia, increasing the degree of automation of operations in all STC branches), weaknesses (lack of measurement of service quality, lack of customer satisfaction from STC services), and threats (increase of competitors like Mobily and Zain). Conducting SWOT analysis helps STC articulate the strategic plan.

2. Identify objectives: these objectives should be organized by BSC perspectives (financial, customer, internal processes, innovation and learning). STC managers should set several objectives that are extremely related to improving the learning and innovation which leads to enhancing the internal processes of the company which in turn will be reflected to customer satisfaction. All these objectives serve the ultimate objective of the company which is increasing the profits.

3. Select appropriate indicators (KPIs): selecting good and reliable performance indicators is very vital in order to evaluate the progress of the company. Once STC has analyzed its vision, mission, and defined its goals and objectives, it needs a way to measure progress to those goals. Key Performance Indicators (KPIs) are those measurements. In addition, it is also significant to set same definition of KPIs from year to year. For example if STC uses "Increase Sales" as a KPI , it needs to address considerations like whether to measure by how many mobile lines and landlines are sold or by Saudi Rials (SR) amount achieved from such sales. Finally, KPIs must be quantifiable (measurable), for example in the customer perspective, market share should be set in percentage but customer satisfaction cannot be considered one of the KPIs unless it is converted to numbers through piloting survey. STC should set quantifiable KPIs in the four perspectives of BSC.

4. Setting targets to quantify our objectives: STC should split its objectives that it has defined in the four perspectives in BSC and ask finally

have we got a balanced situation. It means that when setting the objectives, STC managers make balance while distributing the company's objectives over the four perspectives of BSC, for example; after setting strategic objectives, we find the distribution as follows; financial perspective 9 objectives, customer perspective 3 objectives, learning and innovation 1 objective, and internal process perspective 1 objective. We can say that this distribution is unbalanced. As a final point, the company can measure the performance and support managers with the feedback information.

Control variables: The impact on the basic relationship

Organizational factors

The basic idea of the study which explained the reciprocal relationship between BSC and strategic planning in STC cannot be worked alone without taking the adjacent environment into account that has huge influence on the success or failure of the research idea. Gosselin (1997) pointed out the different strategic types in the organizations: prospectors, defenders, analyzers, and reactors, the fundamental distinction among these types is very vital when formulating the relationship between BSC and strategic planning in STC. "STC's new strategy – LEAD – was developed to focus collective energy and efforts in capturing the emerging opportunities while managing overall challenges over the coming years" (www.stc.gov.sa). Created from that, STC should analyze different strategies with the aim of framing a proper strategy – that is synchronized with its organizational structure - which helps in involving BSC in the STC's strategic planning.

Alternatively, firms need to understand precisely the organizational structures to facilitate the accomplishment of organizational objectives (Hill 2003, Rees and Porter 2001), organizational structure means three things: (1) the formal division of the organization into subunits, (2) the location of decision making responsibilities within the structure, and (3) the establishment of integrating mechanism. So, a well-designed organizational structure facilitates implementing strategic



planning programs throughout an unremitting synchronization among the hierarchical levels that conveys the general firm's strategy to all employees. Furthermore, the reciprocal relationship between BSC and strategic planning in the firm depends somewhat on the firm's size and the number of internal operating functions that need to be involved in the BSC structure.

Technological factors

Furthermore, O'Regan and Ghobadian (2003, p.1) lightened the crucial impact of new technologies on accomplishing the organization's goals as they point out that "the degree and complexity of change in the current economic environment is driving firms to seek new ways of conducting business to create wealth. But change need not be detrimental – it can also be opportunities that firms should seek to exploit". STC is going to adopt new and international technologies in its wireless services, DSL services, international acquisitions, and landline services, so STC should take the innovative technologies in the environment into consideration with the purpose of helping the managers to set a clear image of the performance evaluation system and how this evaluation system can be involved in the strategic planning process. Alternatively, adopting a strategic plan is desirable in a relatively large and complex firm that has diverse operations and transactions (like STC). Since strategic planning is raising new programs (such as carrying out BSC) along with developing ongoing programs, it requests adequate data regarding the level of complexity in order to establish appropriate programs and to allocate sufficient financial and non-financial resources for each program.

Conclusions

This study indicated the significant role of the up-to-date management accounting techniques in providing useful, valuable, and appropriate information with the purpose of assisting the organizations in making short-term and long-term decisions. The purpose of this study is considered one of such imperative role which indicated the reciprocal relationship between BSC and strategic planning applied

in one of the most important success in the telecommunications sector in Saudi Arabia. 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. In addition, the current study provided useful information about STC which is considered the leading telecom company in Saudi, the study indicated also numerous financial indicators which evaluate the performance in the company and the need for a comprehensive performance evaluation system instead of depending on only a unique perspective.

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 is the role of each perspective in strategic planning – this is considered the first side of the reciprocal relationship-. This technique of analysis provided a comprehensive view for how to involve the BSC in the STC's strategic planning which will help the company in evaluating the performance from different perspectives. Lastly, 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. Afterward, 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 effect on applying BSC?

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