

SERVICE ENTERPRISES' PERCEPTIONS ON PERFORMANCE MEASUREMENT

BY

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DECLARATION

I solemnly declare that the project paper “Service Enterprises’ Perceptions on Performance Measurement” is a product of my original research and has not been submitted, in part or in whole, to fulfill any other degree requirement of any other university. This work is unique and has not been plagiarized from any other source.

I, as the author, bear full responsibility for the content and writing of this project report.

Kuk Chhour

TO MY FATHER

All I wanted to do in life is to make you proud.

I recall vividly during those rainfalls when you took me to school, sitting behind you under your hooded dark blue poncho raincoat. I often stretched out one arm to feel the droplets of rain shower while guessing the exact locations just by staring at the ground. I wished those trips never come to an end, and yet your persistence and incremental hard-work have brought me up to this point, at the end of my graduate study.

This thesis is especially dedicated to you for being a steadfast pillar in our family, a caring husband, and most importantly, a great father.

In many ways I consider myself very fortunate to have you as a role model.

Thank you for being everything a son ever wanted.

Thank you for allowing me the freedom to choose to live the life as I see fit.

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I would like to express my gratitude and sincere appreciation to all the participants who contribute their expertise and experience into this study. I admit to enjoy every conversation with these interview participants, both online and face-to-face. Most importantly, I learned a great deal from their professionalism and kindness. This research paper was enriched by their insights.

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My two-year MSc program at Cam-Ed Business School was nothing but spectacular. This journey was made possible by the presences of so many wonderful individuals including my professors, classmates, LSC team, librarian team, counselor, advisor, and much more. Together you foster an incredible environment, a vibrant culture for learners to explore, to share, to lead, and to thrive.

Kuk Chhour

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ABSTRACT

Performance measure is the adoption, implementation, and monitoring of key performance indicators (KPIs) to meet the firm's aims, long-term goals, objectives, and/or mission statement. Numerous books, academic articles, research journals have been written about performance measurement, yet very few had focus specifically on service organizations in Cambodia. The purpose of this research is to examine the behavior of local service enterprise that use KPIs as part of their firms' performance measurement. Performance measurement models such as Balanced Scorecard, Performance Pyramid, and Building Block Model form the foundation of how KPIs are set up. This paper draws a comparison between academic literatures and real-life examples of how Cambodian service firms used KPI for enterprise development. Local firms either set up their KPIs in house or borrow KPIs from its headquarter and adjust them to reflex local contexts. These organizations all have issues with KPIs, citing that some KPIs were too hard to achieve, while others might produce negative behavior if employees excessively focus on them. Despite all these issues, only 12% of the research participants reported that KPIs adoption process was difficult to understand, and the majority of them were satisfied with their firm's performance measurement.

Keywords: performance measurement, key performance indicator(s), balanced scorecard, performance pyramid, building block model, Cambodian service enterprise.

CHAPTER ONE

Introduction

Many academics have studied performance measurement, both for-profit and non-profit organizations, in many industries across the globe. A set of concise performance measures could help a firm clarify its objectives, thereby better developing agreed-upon measures of activity and providing a greater understanding of the process (Goh, 2023).

At the heart of performance measurement is the correct identification of performance indicators. Many indicators cover short and long-term periods, such as a quarterly sales budget versus the target share price. Some indicators are financial, while others depict non-financial results, such as material price variance and customer satisfaction, respectively.

Key performance indicators (KPIs) are significant to the organization since they help compare performance across different organizations. These indicators include setting targets for the organization and its managers and promoting the organization's accountability to its stakeholders (Berry et al., 1995).

There is a distinction between performance indicators (PI) and KPIs, as the latter are fundamental to the organization's well-being (Parmenter, 2015). Performance indicators, although important, are thus not crucial to the business. In practice, however, companies often adopt too many PIs and assume they are KPIs, thereby trying to measure everything as much as possible (Parmenter, 2015). This is counterproductive, as senior management's time and effort could be focused elsewhere.

According to Berry et al. (1995), some managers may focus on the wrong KPIs the whole time (measure fixation) because there is no connection between the adopted KPIs and the firm's mission statement and/or Critical Success Factors (CSFs). For example, the manager may have focused on the wrong KPI, such as liquidity ratios, instead of Economic Value Added (EVA) and Customer Satisfaction (Berry et al., 1995).

The management team might also measure the firm's KPIs but often takes no action to monitor them over time. Many might wrongly believe it is a one-off exercise or not measure them at all. In other words, KPIs are just for political window dressing (Goh, 2023).

It has been demonstrated that KPIs can be implemented in many institutional organizations such as industry company sector, services, academics, hospitals, and government based on a literature review of 50 journals on performance management with the weight of KPIs for the years 2011-2020 (Setiawan & Purba, 2020).

In the context of an emerging economy like Cambodia, for the past two decades, since the political situation became stable, the country has recorded a very rapid economic growth rate (Mah, 2017). Cambodian local enterprises in both service and manufacturing industries have become increasingly competitive. However,

more is needed to know about how these firms, ranging from small to medium to large, adopt KPIs within their respective organizations. As such, this research intends to fill the gaps by understanding enterprises' perceptions of measuring their performance.

Objectives of the Study

The primary objectives of the study are as follows:

1. To assess the familiarity of Cambodian service enterprises with the KPIs and their adoption as a part of the firm's performance measurement.
2. To analyze the current practices of firms that adopted KPIs to measure their performance.
3. To identify essential elements that local firms neglect regarding the adoption, implementation, and monitoring of KPIs.
4. To examine the challenges local firms, face when adopting, implementing, and monitoring their firm's KPIs.
5. To suggest measures to strengthen the performance measurement of service enterprises in Cambodia.

Research Questions

This study seeks to answer the following questions:

1. What is the necessity of KPIs to measure the performance of service enterprises?
2. What are the KPIs commonly adopted by service enterprises?
3. What are the specific issues each firm is currently facing in adopting KPIs?
4. What are the firm's procedures for adopting each KPI to measure performance?
5. How often is each KPI being measured and reported to the senior management team?

Significance of the Study

Previous studies have shown that KPIs can change behavior in an organization and provide results in broad contexts, such as improving business results or driving improved operational performance. KPIs also help in implementing performance measurement on an ongoing basis. Thus, KPIs become a better way of managing the organization" (Setiawan & Purba, 2020).

Based on the contributions of earlier studies, this study moves the field forward to focusing on Cambodian service enterprises and their perceptions toward the KPIs, such as their adoption, the process of implementing them, and how firms monitor their KPIs. Also, this study aims to explore if there is any significant difference between small and medium-sized enterprises in KPIs adoption. The study will also

highlight whether Cambodian service enterprises in different industries like hospitality and education will have different perceptions toward implementing KPIs.

Layout of the Study

The study of service enterprises' perception on performance measurement in Cambodia consists of five chapters.

Chapter One: Introduction—The first chapter includes a problem statement, research questions, objectives of the study, significance of the study, and layout of the study.

Chapter Two: Literature Review- This chapter reviews both conceptual and empirical literature in performance measurement. Critical success factor and three performance measurement models are examined before the chapter summary.

Chapter Three: Research Methodology—This chapter includes information about sample design, data collection methods, and techniques, including the data analysis process.

Chapter Four: Empirical Findings—The fourth chapter addresses the issues raised in this study through primary and secondary data analysis.

Chapter Five: Conclusion and Recommendations—This chapter summarizes the study's main findings, draw conclusion, and provide recommendations.

CHAPTER TWO

Literature Review

This chapter underlines the necessity to have performance measurement within the organization. It examines the connection between key performance indicators and critical success factors. In addition, the chapter looks into the importance of different performance measurement models such as balanced scorecard and building block model.

The Need for Performance Measurement Within the Organization

Prominent characteristic of modern society could be described as very fast social, economic and technological development. In order to stay relevant many firms are seeking new ways to deliver their products and/or services while others are focused on continuous improvement (Midor et al., 2020).

Performance measurement systems have grown in use and popularity over the last twenty years. Organizations adopted performance measurement systems for a variety of reasons, but mainly to achieve control over the organization in ways that traditional accounting systems do not permit (Kellen, 2003). A review of the literature shows that traditional performance measurement systems (based on financial measures) have failed to identify and integrate all those factors that are critical in contributing to business excellence (Chytas et al., 2011).

As a result, certain indicators other than financial indicators must be used to monitor new ways of doing business or continuous improvement. Often, organization will adopt KPIs as a control tool to check whether the assumed goal is being achieved. These performance measurement tools enable tracking the progress or drop in performance for a given objective (Midor et al., 2020). In broad contexts, KPIs can be used to change behavior in an organization and provide results such as improving business results or driving improved operational performance (Setiawan & Purba, 2020).

Critical Success Factor Versus Key Performance Indicator

According to Parmenter (2015), “KPIs should measure that link daily activities to the organization’s critical success factors (CSFs), thus supporting an alignment of effort within the organization in the intended direction.” CSFs, on the other hand, can be defined as operational issues or aspects that need to be accomplished day-in/day-out by the staff in the organization. In other words, CSFs are about what the staff inside the organization can do and should do every day (Parmenter, 2015). Alternatively, Johnson, et al. (2008) defined CSF as “those product features that are particularly valued by a group of customers and, therefore, where the organization must excel to outperform competition.”

KPIs and CSFs are not the same and yet they complement each other (See figure 1). In combination they provide a very powerful performance management tool for the organization.

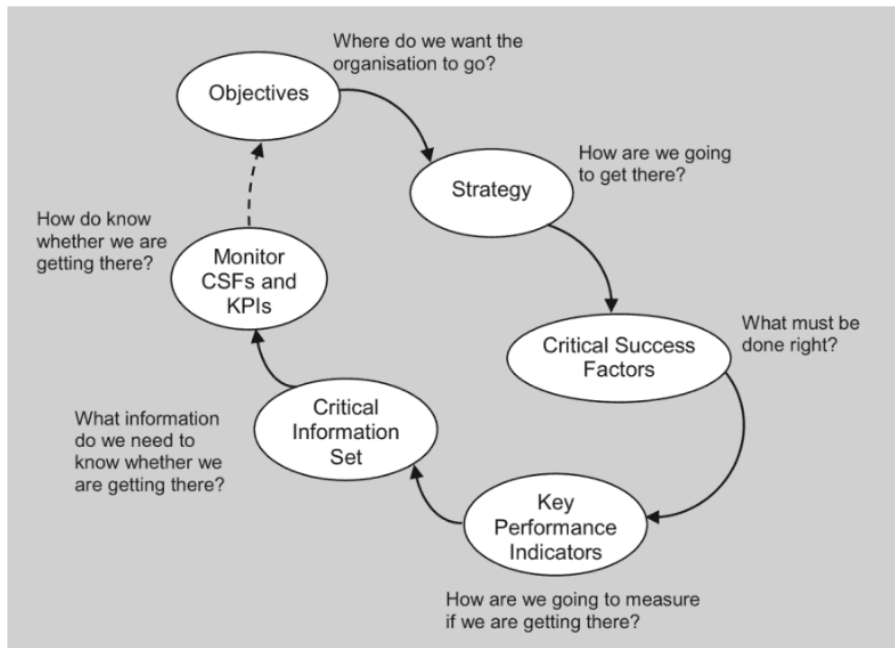


Figure 1: Critical Success Factor Methodology Framework from CRITICAL SUCCESS FACTORS FOR ESTABLISHING AND APPLYING KPIS. Key Performance Indicators: The Complete Guide to KPIs for Business Success, 299, (Innovator, 2024).

The identification of CSFs permits the organization to focus its efforts on building its capabilities to meet the defined CSFs. On the other hand, the defined KPIs provide the measures to determine whether the organization is achieving its defined CSFs (Innovator, 2024).

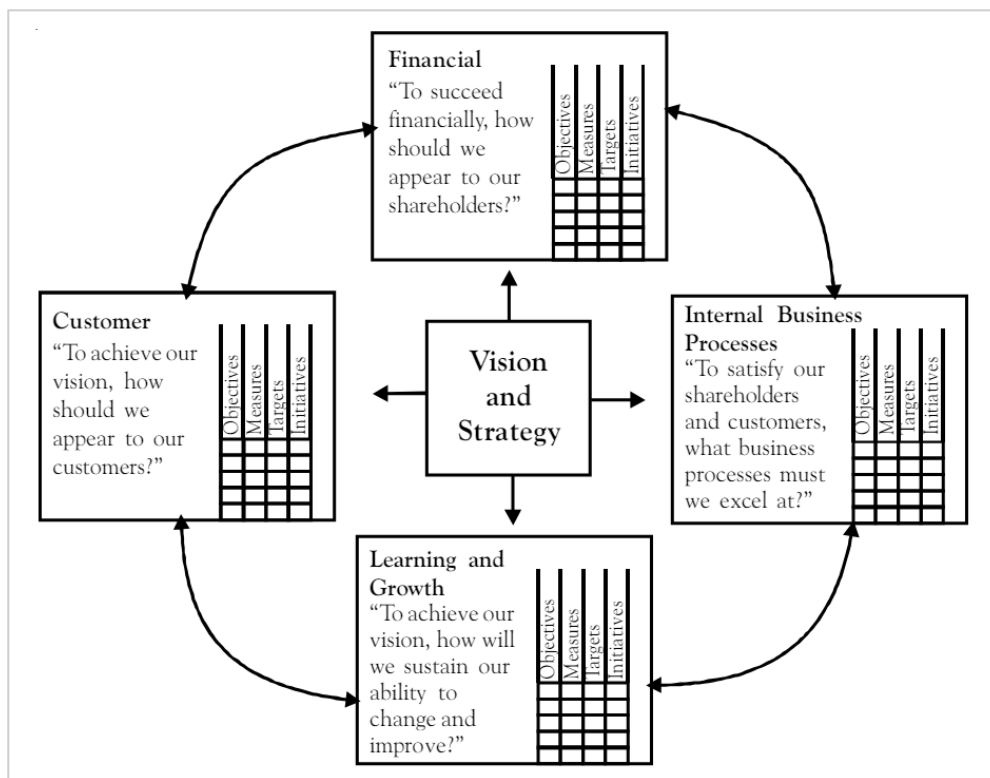
CSFs are the basis for organizational success and what is needed, i.e. action for the success to happen. However, KPIs are the consequences of the action taken. Hence, KPIs indicates what is being done and not what should be done (CSFs) (Innovator, 2024).

Key Performance Indicator and the Balanced Scorecard

CSFs might be obvious for some service organizations. In the aviation industry, for example, a budget airline company might use operation efficiency, cost efficiency, and customer satisfaction as its CSFs. Only when CSFs have been properly identified that the organization will have to associate certain KPIs to CSFs. In the case of budget airline, a company might use aircraft's punctuality in term of take-off and landing as a KPI measure of operation efficiency and customer satisfaction.

For other organization, however, arriving at the correct CSFs might not be a straight forward task. Hence, companies might use certain performance measurement models to come up with appropriate KPIs. Some of these models might include performance pyramid by Lynch and Cross, Fitzgerald and Moon's Building Block Model, etc. (Goh, 2023). The most popular of the performance measurement framework has been the balanced scorecard abbreviated as BSC (See figure 2). It has now become a strategic change management and performance management process (Gawankar et al., 2015).

Figure 2: Organizational Perspective in Balance Scorecard from Implementing balance scorecard for performance measurement. *ICFAI Journal of Business Strategy*, 6(1), 7-16. (Sharma, 2009).

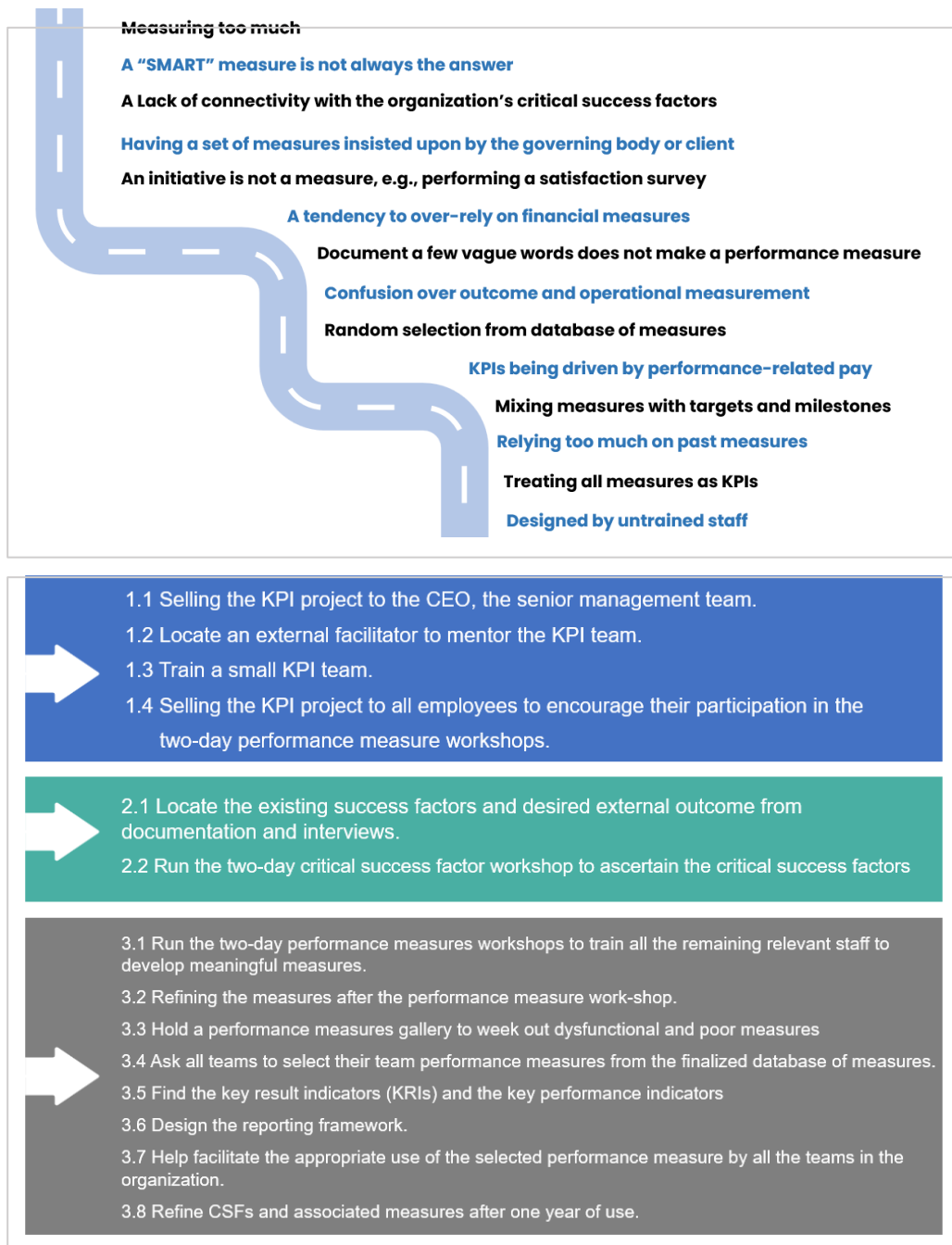


The balanced scorecard (BSC) is a performance measurement and strategic planning methodology that turns a group of chosen KPIs into a mosaic of organizational performance health (Harvey & Sotardi, 2018). The approach arose in response to conventional, financially focused performance measurement, which often was found to hinder, rather than facilitate, organizational growth and success (Harvey & Sotardi, 2018). By "using financial and nonfinancial measures, the BSC appraises four dimensions of performance: customers, financial (or shareholders), learning and growth, and internal aspects" (Hoque & James, 2000).

The balanced scorecard merges financial KPIs—largely lag indicators—with KPIs that represent lead indicators (customers, learning and growth, internal aspects) of organizational health (Harvey & Sotardi, 2018).

Although the BSC methodology was a breakthrough in helping organization to have more holistic and balanced view on strategy it gave birth to a number of problems, such as the lead-lag debate, cascading organizational measures into myriad meaningless departmental measures, and too simplistic strategy mapping (Parmenter, D. 2015). Parmenter (2015) further adds that organizations could get their measures radically wrong according to the following common reasons:

As a result, designing and refining measures need a systematic and well-thought-through process to ensure that the measures will promote the desired action. Parmenter (2015) set out an overview of the Winning KPI Methodology as follows:



Not all service organizations have to follow such a detailed step-to-step procedures when adopting KPIs. The above example is more suited for large organizations that has the time and resources to build their own KPIs. As for small to medium size companies, it usually starts with the top management team (CEO or Chairman) feels the need to have KPIs for performance measurement within their organization.

The Building Block Model

The Building Block Model (BBM) by Fitzgerald and Moon (1996) is particular suited to service industries (Goh, 2023). Fitzgerald and Moon divide performance measurement into three areas namely:

1 Standards

2 Rewards

3 Dimensions where leading factors include Quality, Resource utilization, Flexibility, and Innovation.

Lagging factors include Profit and Competitiveness (See figure 3).

Focus on the examination and improvement of the leading factors (also known as determinants) should lead to improvement of the Lagging factors (also known as the results).



Figure 3: The Building Block Model from Performance measurement in service industries: making it work. (Fitzgerald, L., & Moon, P. 1996).

In general, there are several difficulties associated with performance measurement efforts. These difficulties are more vivid in-service operational environments. Healthcare and public services are cases in point (Gomes et al., 2008). These stockholders have different and, sometimes, conflicting agendas and performance expectations (Wisniewski & Olafsson, 2004).

A significant portion of articles dealing with performance measurement in service appeared in few journals, let alone service organizations that use MBB for their performance measurement. Perhaps this signifies the limited coverage of this important research area in favor of manufacturing studies (Yasin & Gomes, 2010). As customers of most service organizations are becoming more sophisticated, service organizations are finding it necessary to broaden their criteria regarding effective organizational performance (Yasin & Gomes, 2010).

In Cambodia, small to medium size enterprises (SMEs) declared the bedrock of economic prosperity in Cambodia, contribute substantially to the national GDP with a valuable figure of close to 14.2 billion US dollars, sustaining thousands of job recruitments by the World Bank in 2021 (Hong & Ruangchoengchum, n.a). performance measurement is considered an important management tool through which entrepreneurs can evaluate the business performance outcome in connection with securing enhancements in profitability (Hong & Ruangchoengchum, n.a). Among these SMEs there are both manufacturing and service organizations. However, very little research has been conducted to study performance measure of these services enterprises. This might be due to the nature of performance measurement, namely KPIs, is a sensitive topic concerning for-profit organizations in Cambodia. This could present obstacles when seeking cooperations from those firms to participate in research. In addition, in 2023 less than 10 companies were publicly listed in Cambodia stock exchange (2023). Many local firms are considered traditional-family-own businesses and these organizations, thus, might not be familiar with performance measurement and KPIs.

Chapter Summary

Key performance indicator(s) allows firms to measures their critical success factors, objectives and long-term goals. The most popular performance measurement model to create a good set of KPI(s) is the balanced scorecard. The performance pyramid model is especially suited for the service industry. Even though there were numerous studies on the topic of performance measurement, yet very little was known about the behavior of Cambodian service enterprises regarding this subject matter. One possible explanation might be the fact that KPI(s) is a sensitive issue among local Cambodia service firms. Moreover, traditional-family own enterprise might not be familiar of with performance measurement.

CHAPTER THREE

Research Methodology

This research uses both quantitative and qualitative designs. In quantitative design, there is descriptive statistics (percentage) for which data was collected through simple descriptive survey questionnaires. The questionnaire consists of 7 questions and is divided into three sections (See appendix)

Section 1: Question 1 and 2 used for demographic data collection purpose

Section 2: Question 3 used for filter out companies for further research interview

Section 3: Question 4 to 7 used for enhancing qualitative data analysis

In qualitative design there are 6 discursive questions all of which are open ended questions (See appendix). Each question seeks to find answer for the 5 research objectives. The answer to these questions will form the basic structure of the data analysis part of this research paper.

Population, Sample, and Data Collection Method

The study on performance measurement of Cambodian service enterprises is primarily qualitative research. To collect primary data, questionnaire surveys were distributed to 17 participants. This survey was aim to gather each firm's primary data, for example, the number of employees so that the size of each firm can be determined. For simplicity, these enterprises were classified into four different categories (See figure 4). A micro-organization consists of 1 to 9 employees whereas a small firm will have between 10 to 49 employees and so on. It is evident that medium-size enterprises, those with 50 to 249 employees, represent a significant 35% of the survey.

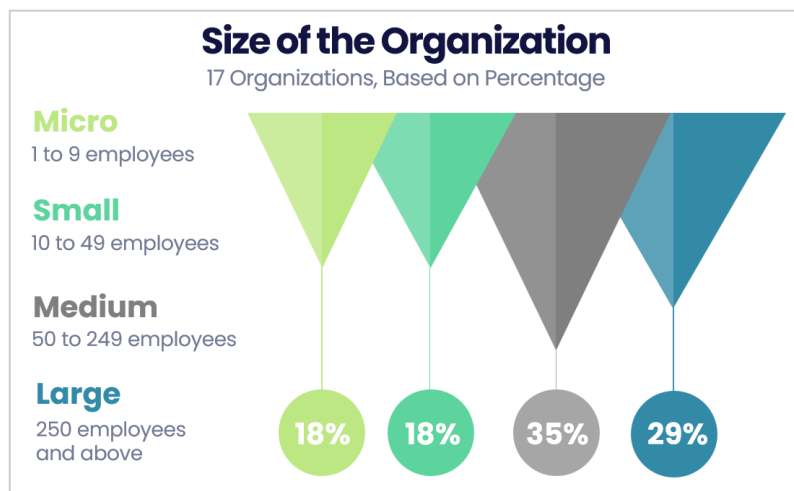


Figure 4: The 4 sizes of service enterprise in Cambodia

Enterprises in education, banking, hospital, accounting and auditing, logistic, real estate, insurance, financial services, and others are included in the study (See figure 5). Finance and accounting firms represent 24% among 17 service enterprises in this survey. As for banking and logistic firms, they constitute 18% and 12%, respectively. The others 24% include real estate company, local conglomerate, General Department of Taxation (GDT), etc.



Figure 5: Different industry sectors among service enterprises in Cambodia in survey

In addition to the demographic section of the questionnaire, this survey also screens out potential candidates for further interview by asking participants if they were familiar with the term Key Performance Indicator (KPI), and their perception on performance measurement as a tool for enterprise development (See figure 6).

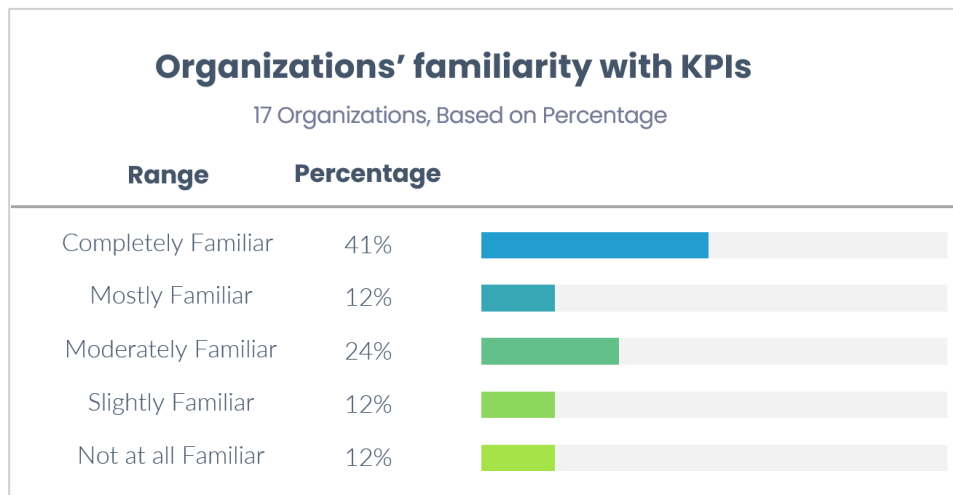


Figure 6: KPIs familiarity among service enterprises in Cambodia

Those who are slightly familiar (12%), and not at all familiar (12%) were not suited for further interview purpose. The remaining 76% (13 individuals) were potential candidates for a follow up interview. Out of these 13 candidates, 6 were not convenient to proceed to the next step (See figure 7).

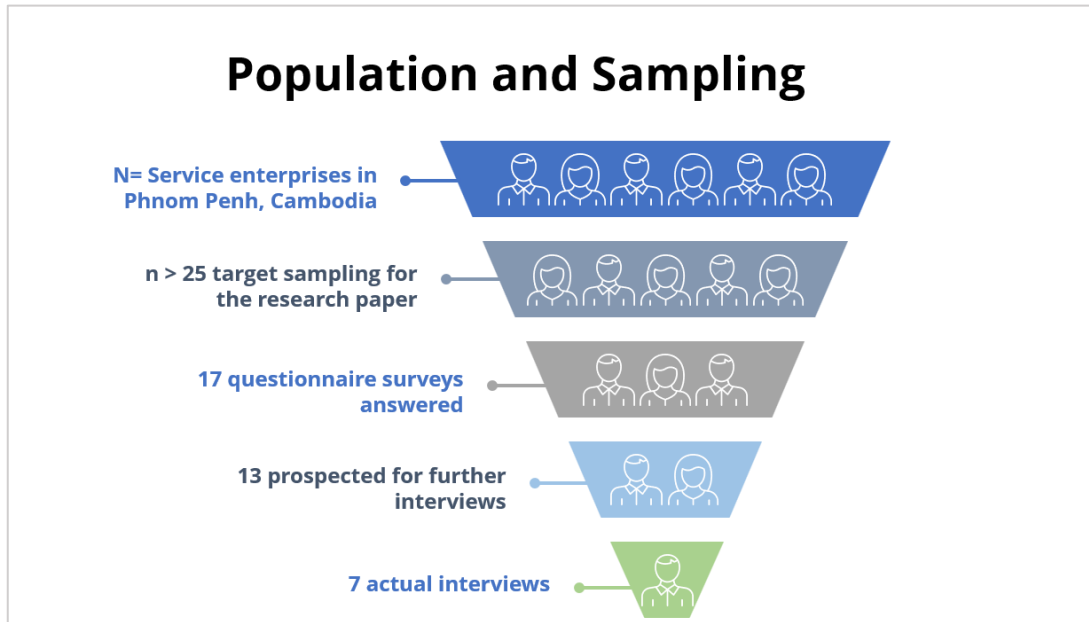


Figure 7: Population and sampling in a nutshell

Time Frame

For confidentiality purpose, only some of these interviews had been allowed to be recorded for future references. All participants' identities remain anonymous. There was a total of seven interviews, spanning a little over two-month period, from April 17, 2024 to June 22, 2024.

Data Collection and Data Analysis

At the heart of this qualitative research were the interviews conducted with an audit partner, a language school principal, an assistant to chairman in a real estate firm, a finance manager in a logistic subsidiary, a senior internal auditor in a bank, a senior financial analyst in a local conglomerate, and a supply chain manager. A structured interviews based on 6 discussive questions were conducted face-to-face at the firm's premises, local cafes, or via online platforms such as Zoom and Google Meet. This research on performance measurement might touch on firms' sensitive and first-hand data. For the purpose of confidentiality, all the interview scripts including names of the participants, names of the organizations are not made available to the public.

The secondary data sources on KPIs methodology textbooks, advanced performance management textbook, academic peer-reviewed articles on performance measurements among others were examined and were used as benchmark to understand the overall ecosystem of Cambodian service enterprises.

CHAPTER FOUR

Empirical Findings

The Necessity to Have KPIs to Measure Performance Within the Organization

Key performance indicators are financial and non-financial indicators that organizations use in order to estimate and fortify how successful they are, aiming previously established long term objectives, organization's vision and mission (Velimirović et al., 2011). Similarly, more and more service organizations in Cambodia are adopting KPIs for their firms' performance measure. Based on a survey conducted among 17 service organizations in Phnom Penh, 71% of the respondents perceived KPIs as very useful tools for enterprise development. It should be noticed that not all the participants were familiar with the concept of KPIs. For this reason, 18% chose Not Applicable during the survey (See figure 8).

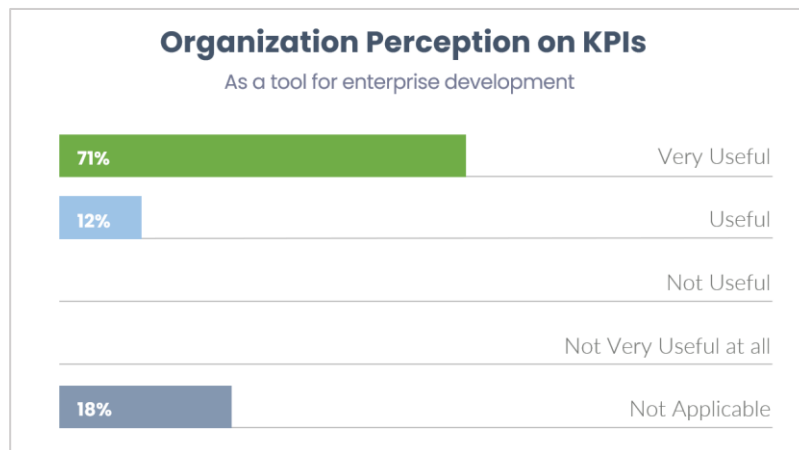


Figure 8: Perception on KPIs as a tool among service enterprises in Cambodia

KPIs play significant roles in performance measurement. A “KPI that is Specific, Measurable, Achievable, Relevant and Time-bound (SMART) enable organization to gauge the achievement of their strategies, goals and relevant action plans,” said Participant 1 who works as an assistant to Chairman in a real estate firm in Phnom Penh. In addition, another interview with an audit partner revealed that having KPIs is a necessity in order to achieve his firm's objectives which include meeting client expectation, developing people (training and development), and brand building for his firm's long-term survival.

Participant 6, a senior financial analyst in a local conglomerate, added that “we need to have KPIs in every step of management to measure performance. We need KPIs to allocate our resources to carry out marketing projects, sale promotion, wedding promotion, etc.” This indicates that KPIs are vital for many service organizations in Cambodia.

Examples of KPIs Typically Adopted by Cambodian Service Enterprises

As mentioned earlier in the literature review, the Building Block Model (BBM) of performance measurement is particularly suited for service enterprises. However, refer to all the interviews with Cambodia service enterprises, none of which had mentioned the adoption of BBM for their organizations. On the other hand, most of the participants did refer to the Balanced Scorecard (BSC), although indirectly, when they were asked to provide example of the KPIs their firm use to measure performance. Kaplan and Norton (1992) devised the BSC as a way to improve the range and linkage of performance measures. By range it means a wide variety of KPIs covering long term (LT), short term (ST), financial performance indicator (FPI), and non-financial performance indicator (NFPI). The BSC add to the traditional financial focus by seeking to monitor the internal business in products and methods and to provide an external focus aiming at ensuring customer satisfaction (Goh, 2023).

When asked to give an example of KPIs being used, participant 7 who is a logistic manager responded that his firm uses Inventory turnover rate (Internal business process), Value added percentage (Internal business process), and earnings before interest and tax (EBIT) (Financial).

Participant 2, a language school principal shared that “we use financial and the bottom line as KPIs. The number of new students is also being measured, so does the retention rate of those students.”

For a consulting and audit firm, on the other hand, it uses learning and development qualitative assessment, measured by the number of hours learning new tasks online, as a KPI for entry level employees. For senior management level, the firm’s brand image building is vital and thus included in the KPIs. It is measured by the number of workshops, seminars, networking events that a senior management level employee attends, as guest speaker, or as firm’s representative; this is to show case his or her firm’s brand image and to improve its reputation. Revenue indicators and Compliance (result of inspection and review), among others, are also included in their KPIs (Participant 3).

As for a firm with multi subsidiaries, Participant 6 elaborated that her firm monitors

- Cost to revenue percentage for other divisions (Financial)
- General Ledger (GL) for each spending category so not to exceed certain threshold (Financial)
- Number of new initiatives undertaken every year (Innovation and Learning)
- As for digital platform, the KPIs will be related to performance based on views, likes, comments (Customer perspective).

In brief, interview participants did not straight forwardly mention BSC used as a framework for their firms KPIs. However, their responds implied the four components of BSC model.

KPIs Adoption Process Among Cambodia Service Enterprises

Appropriate selection of indicators that will be used for measuring is of a greatest importance (Velimirović, et al., 2011). Throughout the interviews KPIs adoptions among service enterprises in Cambodia can be categorized into two approaches.

The first process is considered to be in-house where organizations came up with KPIs on their own. As one interview participant, who works in banking sector put it:

“The top management team sets up the KPIs. Then there is a group meeting in each department to discuss if they are achievable. If we agree to the proposed KPIs then we will try to achieve them. If we believe the KPIs are too difficult to attain, then our comments will be taken for consideration. These KPIs might or might not be adjusted after the consideration” (Participant 5).

In another case, “All KPIs are set up in-house. For KPIs related to initiative idea, individual (supervisor level and up) including me will propose KPIs to our manager. He then has meetings with us to discuss our proposed KPIs. If agreed upon, then these KPIs will be proposed to management team for approval. Some other KPIs are standard from year to year with internal modification when necessary. We used to copy the best practice and apply them within our organization, but it didn’t work” (Participant 6).

In both cases, KPIs adoption within the organizations took place after a discussion meeting between top management and their employees. It could be noticed, in the first example, the bank uses a top-down approach with regard to setting its KPIs whereas in the second example, conglomerate uses a bottom-up approach by giving employees, to a certain extent, some freedom to suggest appropriate KPIs for performance measurement.

In either case, none of the interview participant recall any intensive two-day performance measures workshops to train all the relevant staff to develop meaningful measures as suggested by Parmenter’s work on Key performance indicators: Developing, implementing, and using winning KPIs (Parmenter, 2015).

A different KPIs adoption process by service enterprises in Cambodia could be described as borrowing and adjusting. Not all organizations, especially small to medium size enterprises, have the resources and capacity to develop meaningful measures. Many adopts KPIs from industry best practice by making necessary adjustment. This is exactly the case with a subsidiary audit firm in Cambodia. When asked how his firm adopts KPIs, the audit partner answered by stating that: “We are taking KPIs measures from the regional office, for example from Singapore, and then modify to local context use such as revenue target” (Participant 3). Another interview participant responded that:

“We take KPIs from our global head-quarter (HQ) which is in Taiwan. Our Taiwanese team will come to Cambodia and work with local staffs. They teach us the procedure. They learn about our working environment, our working process with the ministry. For any update with regard to the system: the HQ team will come and train us” (Participant 4).

In summary, KPIs adoption process varies from one organization to another. Few academic articles wrote about KPIs adoption process. Only performance measures books lay out the detailed step-by-step methodology on how should firms come up with their winning KPIs. In reality, service enterprises in Cambodia are still far away from adopting and applying those ideal procedures.

Specific Issues When Adopting KPIs

Not every service organization, regardless how big they are, will use KPIs to measure performance. In a survey conducted with a medical doctor who works full time in a public hospital in Phnom Penh reveals that he never heard about the term KPI, nor is there any form of measurement at his working place. Not implementing any KPIs in such a large organization might be problematic both in the short term and long term. Even if there is KPIs in place, organizations will often find themselves facing relentless issues such as “The requirement from the headquarter is too standard, and our local branch couldn’t follow. As a result, we cannot achieve certain KPIs,” said one interview participant (Participant 4). In addition, “There are some arguments between the marketing and finance department. We use zero base budgeting and they request incremental budget” (Participant 6). In the case of a logistic company, “some KPIs are easy to be tracked, but they are hard to be improved,” said the supply chain manager (Participant 7).

Despite all these shortfalls, only 12% of the survey participants believed that their firm’s KPIs adoption process was moderately difficult to understand whereas the majority believe that the process is easy to understand. (See figure 9).

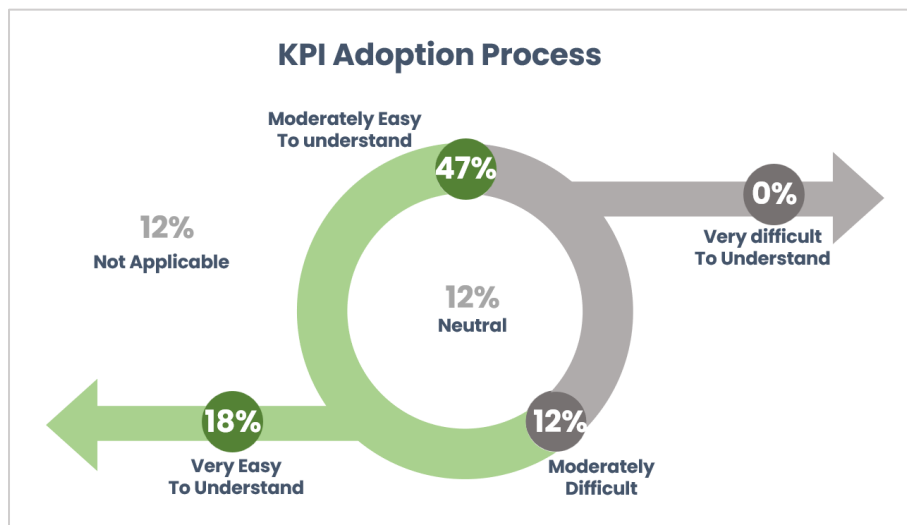


Figure 9: Perception on KPIs adoption process among service enterprises in Cambodia

With this in mind, an interview participant pointed out that certain “KPIs could produce side effect when employee excessively focus on them”. For example, “a Finance Manager can be very restrictive to budget approval to protect his KPI without taking any consideration how this restriction can obstruct operational progress” (Participant 1).

According to Goh (2023), unethical “managers may also manipulate results, especially if rewards are linked to performance. This can be achieved by changing the timing of capital purchase, building up inventories and speeding up or delaying payments and receipts.”

All in all, KPIs could be helpful to organization performance measurement, but “performance measures are like the moon: they have a dark side, promoting an unintended action that leads to inferior performance (Parmenter, D. 2015).

Reporting and Ongoing Refinement of KPIs

How often should KPIs be measured and reported to top management team within the organization? According to Parmenter (2015), “At least half of the KPIs should be reported each day (electronically) at 9 am or as in the case of British Airway, constantly updated 24 hours a day, seven days a week.” One could envision a necessity of an airline company to update its KPIs round the clock. Other industry sectors only require a monthly update on KPIs. For instance, one interview participant mentioned that in her organization KPIs for marketing and sales department were required to update monthly (Participant 6).

Other KPIs pertaining to innovation and learning are particularly suited for employees’ performance appraisal, such as the number of hours learning new material, the number of initiatives found to automate repetitive tasks. These KPIs are often measured every six months and “the annual evaluation is most important, for bonus purpose, for salary raise, and for promotion” (Participant 4).

Service enterprises in Cambodia appeared to appreciate the use of KPIs for performance measure. In the survey conducted, for those who were familiar with KPIs, 53% reported that they were “satisfied” with their organizations’ performance measurement while 29% reported “very satisfied” (See figure 10).



Figure 10: Performance measurement satisfaction level among service enterprise in Cambodia

Notwithstanding such a high rate of satisfaction, these enterprises are still far from being complacent and they continue to tackle on-going issues that take place inside their organizations. As one interview participant suggested that “KPIs should not be too complicated.” They should be easy to understand, and companies should not set the bar too high (Participant 3). Most importantly, “It is essential to make sure that KPIs are set with linkage to company direction as a whole, not merely be served at departmental level” (Participant 1).

Chapter Summary

There is a plethora of books and articles written about KPIs. Too much had been said about what should be the characteristic of winning KPIs and the important steps in which a firm must undertake to achieve them. Many performance measurement models were proposed alongside the KPIs, sometimes daunting and counterproductive.

CHAPTER FIVE

Conclusion and Recommendations

Performance measurement is crucial for modern enterprises around the globe. Emerging economy such as Cambodia also recognize the importance of performance measurement. In order to stay relevant in such a competitive landscape, more and more service enterprises in the country started to adopt KPIs as measurement tools. This final chapter summarizes key research findings, limitations and scope for future research, and recommendations.

Summary of Main Findings

Base on a number of interviews with senior management staffs across various service industry sectors, one could infer that these service firms arrived that their KPIs with the BSC model. Most of the KPIs example given by these interview participants include financial aspect, customer aspect, learning and growth aspect, etc. Some firms internally developed their own KPIs while others, those that operate in Cambodia as local subsidiaries, adopted the KPIs from their parent's companies, although with certain adjustment to reflect local context. Regardless of the size of each enterprise, not all of them were familiar with performance measurement matrix, for example, public hospital in Phnom Penh.

There is a disparity between academic texts and real-life situation in term of how often should KPIs be measured and reported. While the former suggested at least half of the KPIs should be measured daily, the latter found out that KPIs were often measured and reported every three or six months, and the annual evaluation is the most important. What is more, the average number of KPIs from one organization to another were hugely disproportionate, thus making comparison arbitrary.

In spite of having an ongoing issue after the adoption of KPIs, around 65% of the survey participants revealed that the adoption process was easy to understand. Most importantly, an overwhelming 82% were satisfied with their organization's performance measurement. There is no doubt that KPIs could help firms achieve their long-term goals and objectives. However, excessive focus on certain KPIs could lead to managerial dysfunctional behaviors. So, in order to mitigate these uncertainties, organizations should: "Nurture a long-term view/perspective among staff," such that long-term growth is prioritized over quarterly profit. Most importantly, firms should "try to hold down the number of performance measures and better focus on the key events which are likely to result in customer satisfaction. Too many performance measures may simply dissipate effort and possibly lead to conflicting action" (Goh, 2023).

Limitations and Scope for Future Research

The research of performance measurement, in particular, key performance indicator(s), is a sensitive topic. Not many firms were willing to partake in this study despite many attempts to explain that names of both the

company and interviewee would remain anonymous, and that no confidential data about each firm's performance would be collected. Another challenge was pertaining to the topic of performance measurement itself; not all research participants were familiar with the subject matter. Some of them wanted to help, however, as they have very limited comprehension regarding the topic, it would be inappropriate to include certain participants into the interviews.

In light of this research, more participations are needed to form a better overall picture on performance measurement among Cambodian service enterprises. Similarly, research topic and research questions have to be carefully worded as to avoid any confusion among study participants. Hence, future research could fill in this gap by:

- Increasing the sample size for each service enterprise, or
- Including more governmental organizations into the study, so as to have a balance perspective between public and private sector, or
- Focusing on one industry sector in particular, for example, education, or
- Choosing manufacturing industry.

Recommendations

There is no single definition to depict performance measurement. However, any definition which lack KPIs is deemed invalid since KPIs are the foundation of performance measurement. In summary, a good set of KPIs within an organization should exhibit the following four characteristics:

- They should measure the company's mission statement, long-term goals, and objectives.
- They should address the company's specific problems on an ongoing basis.
- They should be well presented in a summarized format including financial performance indicators, non-financial performance indicators, short-term indicators, long-term indicator, internal indicators and external indicators.
- They should help management planning for decision making (Goh, 2023).

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Appendix

Master of Science Research Project on

‘Service Enterprises’ Perception on Performance Measurement in Cambodia’



Research Questionnaire

1. What is the approximate size of your organization?

Micro (1-9 employee(s))	Small (10-49 employees)	Medium (50-249 employees)	Large (250 employee and above)

2. In what service sector does your organization belong to?

Financial & accounting	Telecom	Venture capital firms	Hotel	Education
Hospital & Healthcare	Banking	Insurance, Consulting & audit	Transportation	Others (please specify)

3. Are you familiar with the term Key Performance Indicator (KPI)?

Not at all familiar	Slightly familiar	Moderately familiar	Considerably familiar	Completely familiar

4. Approximately how many Key Performance Indicators (KPIs) does your organization currently measure?

_____ KPI(s)

5. To what extent are you satisfied with your organization's performance measurement?

Very Dissatisfied	Dissatisfied	Neither dissatisfied or satisfied	Satisfied	Very Satisfied	Not applicable

6. How do you perceive performance measurement as a tool for enterprise development?

Not very useful at all	Not useful	Useful	Very useful	Not applicable

7. How would you describe the process of adopting the KPI for the organization?

Very difficult to understand	Moderately difficult	Neither easy or difficult	Moderately easy	Very easy to understand	Not applicable

Discursive Questions

1. What is the necessity of KPIs to measure the performance of service enterprises?
2. Can you please give some examples of the KPIs that your organization is currently using?
3. What are the firm's procedures for adopting each KPI to measure performance?
4. What are the specific issues when your firm adopts a KPI?
5. How often is each KPI being measured and reported to the senior management team?
6. Is there anything you might wish to add with regard to performance measurement, and in particular, KPIs?