

STATUS OF BALANCED SCORECARD IMPLEMENTATION IN INDIAN CORPORATE SECTOR

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ABSTRACT

One of the hall-marks of excellent organizations has been the successful application of performance measurement to gain insight into, and make judgments about the organization and the effectiveness and efficiency of its programs, processes and people. Balanced Scorecard is a comprehensive and integrated performance measurement tool which has been used extensively worldwide in diverse organisations since it was launched in early 1990s by Dr. Robert Kaplan and Dr. David Norton. In India, many organizations (both manufacturing and service) have also adopted the Balanced Scorecard tool as a strategic performance measurement tool and have shown impressive results to date. The present study assesses the status of Balanced Scorecard strategic implementation in selected Indian companies. For this purpose, the data collected from the published annual reports and management reports of the companies, different journals and periodicals have been used. The following are the experiences of some selected Indian companies with the Balanced Scorecard framework.

Keywords: *Balanced Scorecard (BSC), Strategic performance management.*

INTRODUCTION

Balanced Scorecard is the innovative and integrated performance management tool to improve organizational performance against strategic goals. Among the most renowned manufacturing companies in India that have adopted the Balanced Scorecard are: Tata group of companies, Godrej – GE Appliances Limited, Goodlass Nerolac Paints Limited, Philips Electronics, Larsen & Toubro Limited. Indian IT firms like Infosys Ltd., Infotech Enterprises Ltd. NIIT technologies Ltd., HCL Infosystems Ltd., Wipro Ltd., are also increasingly adopting the Balanced Scorecard tool. Balanced Scorecard is gaining popularity in public sector companies also like Bharat Electronics Ltd. (BHEL), Bharat Petroleum Corpn. Ltd., Mecon Ltd., NTPC Ltd., ONGC Corpn. Ltd., and Steel Authority of India Ltd.(SAIL) etc

OBJECTIVES OF THE STUDY

The specific objectives of the study are as follows:

1. To determine the extent of adoption of Balanced Scorecard by corporate India.
2. To assess the relevance of Balanced Scorecard for performance evaluation and strategy implementation of selected Indian companies.

EXPERIENCES OF SELECTED INDIAN COMPANIES

1. Essar Oil Limited

Essar Oil Ltd. is a large integrated oil and gas company spanning the entire value chain, from deep within the

earth all the way to the end-consumer. It is also one of the few private companies permitted to market petroleum products in India. The company attempted to differentiate itself with the help of quality and

brand image. It started the use of Balanced Scorecard in 2005 and took 2 years to establish this system throughout the organization. The following Table 1 shows the Balanced Scorecard of Essar Oil Limited.

Table 1: The BSC of Essar Oil Ltd.

Perspective	Strategic Objectives	Strategic Measures
Financial	F1- Profitable growth F2- Increase shareholders value F3- Return on Capital Employed	- New sources of revenues - Cash flow and net margin - Volume growth rate v/s Industry
Customer	C1- Increase customer satisfaction C2- Win-win relationship with dealers	- Consumer satisfaction survey - Dealer profit growth - Dealer satisfaction survey - Mystery shopper rating
Internal Business Process	I1- Understand consumer segment I2- Improve hardware performance I3- Improve inventory management I4- Improve environment health and safety I5- Industry cost leader	- Share of target segment - Quality index - Inventory levels and Run out rate - Environmental accidents - Safety incidents - Activity cost v/s competitors cost
Learning and Growth	L1- Organizational alignment L2- Core Competencies & skill L3- Access to technology and information	- Employee feedback and survey - Staff with personal BSC - Strategic job coverage ratio - Strategic system milestones

Source: www.essaroil.com

The Table 1 indicates that the company tried to create more customers driven strategy with the help of the Balanced Scorecard, which required shift in organization culture. The company defined its long term financial objective in terms of profitable growth, increase shareholders values, and return on capital employed. On the other hand, to measure the actualization of these objectives the firm has various measurement in terms of new sources of revenues, cash flow and net margin, and volume growth rate v/s industry.

The firm began to segmenting its customers to determine who would be attracted by premium brands of gasoline. The objectives are two ways- in terms of customer- increase customer satisfaction and in terms of dealers- win-win relationship with dealers. A measurement program was set up to monitor performance on these criteria through the

eyes of the customer i.e. customer satisfaction survey and mystery shopper. The similar effort was put in the place to monitor dealer's satisfaction i.e. dealer profit growth and dealer's satisfaction survey.

The objectives of the internal business process are categorized into five objectives with its own measures namely; understand customer growth measured by share of target segment, operational efficiency by improving hardware performance, improving inventory management measured by quality index and inventory levels and run out rate, improving environmental health and safety measured by safety incidents and environmental incidents, industry cost leader measured by activity cost of the company v/s industry cost.

The firm has concentrated first on the alignment of its workforce, making sure that employees understood the strategy which is

measured by employee feedback and survey and were personally aligned with it which is measured by personal scorecards. The second important objective is core competencies and skills which are measured in terms of strategic job coverage ratio. And the third objective is the access to technology and information which is measured by strategic system milestones.

Essar oil Ltd. has summarized its BSC with 4 perspectives, 13 objectives and 17 measures. It has translated strategy into simply cause and effect relationships and scorecard became an effective way to communicate a strategy to an organization so that it can be understood and acted upon. They prepared targets, initiatives and budget for the same. The ideal implementation of the Balanced Scorecard requires very systematic and organized reporting. Essar Oil limited has organized quarterly reporting system. The firm is very optimistic for the use and benefits of the tool. Due to the benefits of the tool the company has decided to continue with the Balanced Scorecard in future.

2. Tata Motors (CVBU) Limited

The Commercial Vehicles Business Unit (CVBU) of Tata Motors is a part of Tata Group, India's foremost business conglomerate. It is India's only fully integrated automobile manufacturer which manufactures a wide variety of vehicles ranging from trucks, buses, to utility vehicles and even cars.

The company began deployment of Balanced Scorecard in 2000, in support of efforts to reverse several years of poor financial performance. The focus was on achieving a turnaround and then progressing to sustainable growth and profitability through being the lowest-cost producer. The implementation of the Balanced Scorecard has enabled greater focus on different elements of operational performance. Defining, cascading and communicating strategies across the organization have brought about transparency and alignment across all levels. The scorecard incorporates SQDCM (Safety, Quality, Deliver, Cost and Morale) and VMCDR (Volume Market Share, Customer Satisfaction, Dealer Satisfaction and Receivables). One significant feature has been the allocation of a weighting system to the

different perspectives of the Balanced Scorecard in order to project and define the importance of each element. As a result of the effective implementation of the Balanced Scorecard, the CVBU Tata Motors became the first Indian company to be inducted into the Balanced Scorecard Collaborative's prestigious Hall of Fame in 2003, in recognition of its exemplary success with the model. It has also been inducted in the exclusive club of organizations and corporate houses recognized by the prestigious Balanced Scorecard Collaborative, Inc for achieving excellence in overall company performance. The coveted Steuben crystal 'Rising Star' trophy was also presented to the company at the Balanced Scorecard Asia Pacific Summit held at Gold Coast, Queensland Australia.

The company has adopted the Tata Business Excellence Model (TBEM) to ingrain innovation across all business processes. This model is based on the Malcolm Baldrige National Quality Award for business excellence. The Balanced Scorecard is a very important part of the CVBU Tata Motors Strategic Planning process in TBEM as explained below.

STRATEGIC PLANNING AT CVBU TATA MOTORS

Think

- Environmental Scanning
- Visioning
- Strategic Challenges
- Selling Strategic Direction

Develop

- Strategic Analysis
- Strategic Focus/ Objectives
- Target Setting/ Resource Allocation

Deploy

- Balanced Scorecard Deployment

Review

- Evaluation and Improvement

The following Table 2 discloses the Balanced Scorecard in Tata Motors.

Table 2: The BSC in (CVBU) Tata Motors Ltd.

Perspective	Strategic Objectives	Strategic Measures
Financial	F1- Increase ROCE F2- Maximize asset utilization F3- Become industry cost leader	- Sale through dealers - Increase customer base - Return on equity - Asset turnover
Customer	C1- Customer delight C2- Increase end customer satisfaction C3- Excel in CRM C4- Offer value added services	- Customer satisfaction Index - Warranty cost - Customer returns - Repeat orders
Internal Business Process	I1- Quality excellence I2- Maximize productivity I3- Improve service Quality, cost effectiveness and timeliness	- Operational profitability - Delivery process capability - Service outlets –company operated - No. of repeat complaints
Learning and Growth	L1-Build competency	- No. of ideas. experiences, best practices shared
Employees	E1- Employee retention E2- Employee training E3- Employee empowerment E4- Employee loyalty	- Training days per employee - Employee suggestions - Total rate of employee turnover
Environmental	En1- Conserving the environment En2- Environmental management	- Energy conservation - Water conservation activities - Waste management - Greenhouse gas emissions
Social responsibility	S1- Enhancing employability S2- Imparting education S3- Promoting health care	- Initiatives on maternal and child health - Nutrition support - Scholarships - Infrastructure support

Source: www.tatamotors.com

The biggest challenge that the top management in Tata Motors had to face in implementing the Balanced Scorecard was the stiff resistance to change the prevailing organization culture. The task was also massive because it had to be implemented across all the Tata Motors plants and offices in the country. To meet this challenge, the first point that the group emphasized amongst employees was emphasis on team work and pressure for performance to meet the competition that was outside the company and not within the company. Broad objectives of the company

were broken into smaller goals and targets were set to achieve those goals in a phased manner timed out to keep the employees focused. Steering committees were formed at every level from the top management to factory level and work groups were formed comprising functional heads and some other key officers such as the regional managers in sales and marketing to drill the BSC into its systems and processes right to the ground level. Once the CVBU strategy map was agreed upon, a concerted program was conducted to provide detailed explanations to all

functions and departments of the benefits of the scorecard and its importance to CVBU. At each level, each department has its own Balanced Scorecard, highlighting the progress on the key performance indicators that are reviewed monthly on the Balanced Scorecard perspectives.

A simple traffic light system is adopted that traces the progress at every level in the BSC for the KPIs (Key Performance Indicators). The colour red denotes below target. yellow means that the target is duly met and green means that the target has been surpassed. To drive the BSC process, 200 internal and external assessors are mobilized to mentor people in need to improve areas. 300 employees are activated at various levels driven by champions across the organization to deploy ten quality initiatives. Incentives and rewards at department and individual level have been instituted to motivate and cultivate a performance-centric HR culture in the company. The decision-making is driven downward and delegated. A system of variable pays and fast-track opportunity for young and talented employees to grow faster has also been put in place. For a company to become truly customer-centric it has to first become employee-centric and Tata Motors has moved even one step further and achieved employee engagement instead of employee satisfaction. To maintain momentum, CVBU pays close attention to the continuous communication to all employees of the scorecard approach and benefits. Each year Ravi Kant, Executive Director, CVBU, Tata Motors, initiates the process of sharing the company's vision, mission, future directions and strategies at a town hall meeting with all employees. He repeats the communication session personally at all locations in the company to ensure that all employees have a strong, consistent, understanding of the business units longer-term and shorter-term goals. Moreover, the scorecard core team conducts scorecard cascading workshops at each division/function, to communicate the CVBU Strategy Map, Balanced Scorecard and initiatives. Other communications systems include internal publications, intranet websites, presentations made by senior leaders, and so on. According to Ravi Kant,

there are three critical success factors in implementing the Balanced Scorecard.

- The active and visible support of senior management
- A strong review process
- A knowledgeable team to drive and support scorecard deployment.

The benefits from deploying the scorecard in Tata Motors have been impressive. CVBU achieved a significant turnaround in its overall performance. For example, in just two years, its \$108.62 million loss turned into a \$107 million profit –due in large part to execution of the cost-cutting component of the division's new strategy and revenues have grown 40% in the last two years (to at least double that of its nearest competitor). For fiscal year ended March 2005, CVBU reported a 25% increase in sales in its domestic market of 25% against industry growth of 22%. It became one of the top six medium and heavy Commercial Vehicle manufacturers in the world and manufactures over 130 models of vehicles and automotive products. It is now leading the future of Indian Automobile industry. The company thus gives an example of how the implementation of Balanced Scorecard can bring a substantial improvement in performance and productivity.

3. Godrej-GE Appliances Limited

Godrej-GE Appliances Ltd., Mumbai based consumer appliances manufacturing company has undertaken many management initiatives for quality and cost savings which include six sigma, cost takeout and target Ten etc. To integrate all the management initiatives under one umbrella, it adopted the Balanced Scorecard framework. Renaissance Word-wide is the implementing partner for the Balanced Scorecard (BSC) at Godrej-GE Appliances Ltd. Starting with the company's strategy and vision in 1998, Godrej-GE Appliances interviewed, a cross-section of people including internal and external customers to arrive at a 'linkage diagram' or 'Strategy Mapping', the crux of the BSC process. Followed by people interviews, a detailed workshop in which the senior management helped to ratify the different linkages of the diagram or strategy map i.e. linked objectives, measures, targets and

initiatives. Godrej-GE then began to zero in on measurements and management initiatives. The two exercises that ran parallel to each other helped the company arrive at a 31-item measurement template (from sales to growth targets) and a template for management initiatives. This exercise helped the company to prioritize 20 initiatives from the series of on-going management initiatives.

The measurement template helped the company to set measurable long-term and short-term targets and was rolled out across the company in October 2000.

The BSC framework at Godrej-GE Appliances has reaped mixed results; both positive and negative. On the positive front, all the supply chain initiatives tied to the Balanced Scorecard on supplier management have added to the bottom line, with a gross impact of over Rs.9 crore in savings. Secondly, close to 72 per cent of the suppliers are below the 1,000 parts per million defects (4.5 Sigma) benchmark. Thirdly, the process has resulted in a strong upstream supply chain and an improved vendor base backbone. The costs taken out and value engineering process has contributed to over Rs. 5 crores. And ultimately the company has reported a profit of Rs. 21 crores in 2000 against Rs. 3 crores in the year 1998. However, on the negative front, Godrej-GE Appliances Ltd. has run into problems like

inaccurate assumptions on account of a change in the strategic context and the second-level drivers in the organization could not be educated due to the short time. Moreover, the company fell short of the targeted bottom line to the tune of about Rs. 21 crores.

As observed by the management of the company, overall, the Balanced Scorecard process has yielded certain 'powerful' lessons. These are:

- All internal management initiatives have to be aligned to key statistical objectives,
- Companies have to hit upon the right strategy, and all actions have to be measurement driven,
- The Balanced Scorecard works on a foundation of robust processes and practices.

4. Larsen & Toubro Engineering Limited

Larsen & Toubro Ltd. (L&T) is India's largest engineering and construction conglomerate with additional interests in electricals, electronics and IT. The performance monitoring methodology at L&T-EBG consists of an optimal blend of 'Balanced Scorecard'. The firm has implemented the Balanced Scorecard in 2003 and took almost 1 year to implement the tool at all levels of the organization. The Table 3 discloses the Balanced Scorecard in L&T engineering Ltd.

Table 3: The BSC in L&T Engineering Ltd.

Perspective	Strategic objectives	Strategic Measures
Financial	F1- Maximize value at least cost F2- Maximize productivity	- Cost to spend ratio - Ratios of productivity - Rate of saving during purchasing and processing
Customer	C1- Market understanding C2- Quality C3- Service	- % revenue from the projects less than 2 years old - Quality standards as defined by the customer - Rate of defective product - Responsive service
Internal Business Process	I1- Low-cost service I2- Project development I3- Acquire excellence	- Competitive pricing index - No. of new projects developed during the year - Assessment of internal quality

	I4- Accurate, timely and effective data collection	system - Assessment of management information system
Learning and Growth	L1- Leader in technology L2- Excellent project	- Rate of obsolescence and use of new technology - Project evaluation

Source: www.larserandtoubro.com

L & T Engineering Ltd. has designed the BSC with 11 objectives and 13 measures. As shown in the above Table 3, the financial perspective contains the objectives with focuses on cost control and productivity. The objectives are maximizing value at least cost and maximize productivity. The company has used various measures namely cost to spend ratio, ratios of productivity and rate of saving during purchasing and processing to achieve the cost control targets.

The firm has designed the customer perspective with 3 basic objectives. The first is market understanding which can be measured by percentage of the revenues from the project which are less than 2 years old, so that the firm can get idea about the profitability of the project with market understanding. The other objective is quality which is very basic goal, and it can be measured by quality standards as defined by the customer and rate of defective product in the total lot. The last objective is service and the measurement tool is responsive service.

The motives under internal-business-process are; to provide low-cost service, project development, to acquire excellence and accurate, timely and effective data collection. The measures include competitive pricing index, No. of new projects developed during the year, assessment of internal quality system and assessment of management information system.

The last perspective contains various objectives with their own measures. The first objective is to be leader in technology which can be measured by rate of obsolescence and use of new technology. The second objective is excellent project which can be measured by their project evaluation process.

5. Philips Electronics Limited

Philips Electronics is a large, multinational company with several divisions and vast product diversity. The company has implemented the Balanced Scorecard to streamline its complex processes and structure, to align company views and to educate employees on what drives the business. The management of Philips uses the scorecard as a guide at quarterly business reviews worldwide to promote organizational learning and continuous improvement. Philips followed a top-down policy in building the scorecard. It started from the Board in Europe down to all divisions and companies the world over.

Through the Balanced Scorecard, the company aimed at aligning its vision at all levels, making the employees aware of the company strategy and vision, educating them about the drivers of business success. It communicates the role and relationship of the driver of success with vision and strategy. Philips created the following four critical success factors (CSFs) underlying value creation.

- Competence – knowledge, technology, leadership and teamwork
- Processes – drivers for performance
- Customers – value proposition
- Financial – value, growth and productivity

The company first determined the top-level scorecard criteria which were used to drive the scorecard criteria at the lower levels of the organization. The focus was on value creation by converting the relationship between customer satisfaction and product sales into CSFs. The customer and financial CSFs were first determined and then followed by process CSFs. Competence CSFs are the drivers of other CSFs. The management team established a measurement system that links the short- term

actions with long-term strategy. This enables employees to see the link between their day-to-day activities and the company's strategic objectives. The

Table 4 shows Balanced Scorecard in Philips Electronics.

Table 4: The Balanced Scorecard of Philips Electronics Ltd.

Financial	Processes	Customers	Competence
• Economic profit - realized	• Percentage reduction in process cycle time	• Rank in customer survey	• Leadership competence
• Income from operations	• Number of engineering changes	• Repeat order rate	• Percentage of patent protected turnover
• Working capital	• Capacity utilization	• Complaints	• Training days per employee
• Operational cash flows	• Process capability	• Brand index	• Quality improvement team participation
• Inventory turns			

Source: Gumbus Andra and Lyons Bridget (2002).

The company's Balanced Scorecard is used to set up operational goals and targets for divisions world-wide and linking them with business strategy through CSFs and measurement matrix. Targets are based on the current performance gap and are set for the current year plus two and four years in the future. The factors that drive targeting include market size, customer base, brand equity, innovation capability, and world-class performance. Philips also implements individual employee scorecard. Thus, it has a three-tier Balanced Scorecard:

- strategic review card
- operation review card
- individual employee review card.

Moreover, Philips uses three criteria for metrics linking to the entire company:

- **Inclusion:** The lower-level CSFs must address the top-level CSFs to achieve top-level metric goal.
- **Continuity:** CSFs must be connected at all levels and lower-level measurements should not have longer cycle times than the higher-level measurements.
- **Robustness:** Meeting lower-level CSF goals must assure that higher-level CSF goals will be met or surpassed.

The Balanced Scorecard is not a secret document at Philips; it is shared with the employees. The company uses traffic-light reporting to indicate the achievement of the target. Green means that the target has been met, yellow means in-line performance, and red implies under-performance. A metric in the red can be quickly fixed by drawing on the experiences of those who have faced similar problems.

In Philips' experience of implementing the Balanced Scorecard, all units faced six common key indicators; profitable revenue growth; customer delight; employee satisfaction and drive to operational excellence; organizational development and information technology support. Philips has realized significant benefits after use of the Balanced Scorecard. Employees make use of the scorecard to improve organization performance and results. Similarly, the management uses the scorecard for effective communication of organization strategy to employees throughout the organization.

6. Suzlon Energy Limited

Suzlon Energy Ltd. is the world's 5th leading and India's and Asia's leading manufacturer of technologically advanced, high-performance and cost-efficient wind turbines, to meet the diverse needs of customers all around the world. The company started

implementation of the BSC in the year 2002, for scientific performance measurement as well as to involve employee in the process of performance measurement in real terms. The company is using the

tool at all levels of the organization. The following Table 5 depicts the scorecard developed by the company with the use of all four perspectives.

Table 5: The BSC of Suzlon Energy Ltd.

Perspective	Strategic Objectives	Strategic Measures
Financial	F1- Survival F2- Succeed F3- Prosperity	- Cash flow - Quarterly operating income - Increased market share and return on equity
Customer	C1- Delighted clients C2- Build life-long relationship with customers	- Corporate client's satisfaction survey - Customer's need survey - Rapport of officers with the customer
Internal Business Process	I1- Global standard of quality and technology I2- Exceed the quality, safety and environmental standards of the industry I3- Increase efficiency and reliability of our wind turbines	- Quality standards - Safety standards - Environmental standards - Development of new various wind turbine manufacturing plants
Learning and Growth	L1- Technology leader in the wind industry L2- Build partnerships with all stakeholders L3-Serve humankind with sustainable wind power on a commercial scale	- Time to develop next generation - Survey of various stakeholders - Development of more effective wind turbine, resin infusion moulding (RIM), rotor blades

Source: www.suzlonenergy.com

The above Table 5 indicates that company has universally recognized three long term financial objectives namely survive, succeed and prosper. The company has few measurement tools by which achievement towards these objectives can be measured. These measures are Cash flow, quarterly operating income and increased market share and return on equity. Clients - ranging from individuals, corporations, and industries looking to secure power supply and power cost; to utilities, at the other end of the spectrum – have selected Suzlon as their partner to harness the power of the wind. The objectives under customer perspective are to delight the clients and to maintain life time relationship with the customers. The firm has also selected two measures namely, corporate client's satisfaction survey, customer's need survey, rapport of officers with the customer.

The vision of the company is product innovation with environmental health and safety. So it has designed its objectives for the internal business process in terms of its vision which are global standard of quality and technology, exceed the quality, safety and environmental standards of the industry and increase efficiency and reliability of their wind turbines. While the measurement tools are quality standards, environmental standards, safety standards and development of new various wind turbine manufacturing plants.

The ultimate aim under learning and growth perspective is divided into three objectives with three measures namely, - technology leader in the wind industry (time to develop next generation), build partnerships with all stakeholders (survey of stakeholders), Serve humankind with sustainable

wind power on a commercial scale (development rate of more effective wind turbine, resin infusion moulding, rotor blades). The firm has developed 10 objectives with 14 measures to achieve desired results with the use of the BSC. The firm has also experienced various benefits of the use of the BSC and is determined to continue the use of the BSC in future for successful implementation of strategy.

7. Goodlass Nerolac Paints Limited

It is a leading paint company in India. It adopted the concept of Balanced Scorecard for deploying its business strategy and managing enterprise performance. Cedar Consulting (a global management consulting and enterprise solutions Company) assisted the Goodlass Nerolac in building and implementing the BSC framework. The BSC is broadly based on 25 objectives which the company wants to achieve. The very purpose of implementing the Balanced Scorecard in the company is to define market and customer segment priorities, short-term and long-term revenue drivers, cost management issues and the alignment of enterprise performance with individual performance.

Some of the observations made by H.M. Bharuka, Managing Director Goodlass Nerolac are:

“As we accelerate our business growth, we need a performance management system which aligns the entire organization and allows us to measure the delivery of our strategy. The Balanced Scorecard, deployed by Cedar will help us in reviewing our performance against targets appropriately. We have adopted the Balanced Scorecard to operationalise our

long-term strategy and also allow us to measure our business performance clearly and give us a way to review business regularly.”

The BSC framework has helped Goodlass Nerolac to define financial, customer, process and organizational priorities and align its resources appropriately in the delivery of its strategy. It is communicated across the organization and has become a business review and enterprise performance management framework. As a result of implementation of this strategic management tool, the company has significantly increased its business profitability.

8. Tata Chemicals Limited

Tata Chemicals Ltd. is a part of Tata Group, India's foremost business conglomerate. It is India's leading manufacturer and marketer of inorganic chemicals and fertilizers. Tata Chemicals is also a pioneer and market leader in the branded, iodized salt segment. Being sensitive to the needs and concerns of its key employees is the culture of Tata Chemicals. The process of engagement with each of them is proactive and systematic.

Tata Chemicals has initiated the implementation of the Balanced Scorecard in 2001 to add value in performance measurement system of the company. It took almost 2 years to start the tool at full fledged level through out the organization, i.e from top level to the shop floor level. The following Table 6 discloses the Balanced Scorecard of Tata Chemicals Ltd.

Table 6: The BSC of Tata Chemicals Ltd.

Perspective	Strategic objectives	Strategic Measures
Financial	F1- Reduce cost to world class levels F2- Achieving highest level of EVA F3- Improve shareholders value	- Expense ratio (energy, transportation, working capital, input cost) - EVA v/s industry - Rate of saving during production – marketing - Return on equity
Customer	C1- Create value added partnership with customer C2- Improve quality & customer satisfaction with “value for money”	- Customer feedback - Quality index - Rate of defective product - Provision of new offerings

	C3- Build relationship at multiple level	
Internal Business Process	I1- Build expertise in technologies I2- Develop value added solution (new market) I3- Improve understanding of market I4- Retention of customer I5- Product customization	- Competitive pricing index - No. of new projects developed during the year - Assessment of internal quality system - Assessment of management information system
Learning and Growth	L1- Reskill workforce L2- Strengthening team L3- Develop information assets L4- Internationalization of business	- Decisions by empowered teams - Employee Survey - Rate of development of customer and performance data base - Export operation and establishment of overseas units

Source: www.tatachemicals.com

The chemical giant has designed the BSC with 15 objectives and 17 measures. The objective under the financial perspective are to reduce cost to world class levels, to achieve highest level of EVA and to improve shareholders value. While it contains various measures namely expense ratio (energy, transportation, working capital, input cost), EVA v/s industry, rate of saving during production – marketing, and return on equity.

The customer perspective of the BSC contains various objectives with their own measures. The first objective is to create value added partnership with customer which can be measured by customer feedback. The second objective is improving quality & customer satisfaction with “value for money” which can be measured by quality index and rate of defective products. The internal-business-process perspective is designed with four objectives namely; to build expertise in technologies, to develop value added solution (new market) , to improve understanding of market, retention of customer, and product customization. The list of measures contains five measures namely; competitive pricing index, no. of new projects developed during the year, assessment of internal quality system and assessment of management information system.

The learning and growth perspective contains various objectives and their specified measures. The first objective is reskilled employee which can be measured by the no. of decisions taken by the teams

and employee survey. Rate of development of customer and performance data base will measure achievement of the motive of development of information assets and the last objective is internationalization of business which can be measured by export operation and establishment of overseas units.

The scorecard in Tata Chemicals Ltd. help align individual goals with divisional ones, which in turn aligns with corporate goals and objectives. The compensation structure is linked to performance to encourage people. For the successful implementation of the Balanced Scorecard, the firm has established a system of quarterly reporting schedule, where the expected performance is compared with the actual and balancing act has been done regularly by way of feedback. The company has received a number of benefits due to use of this scientific performance measurement system, but at the same time few hurdles have also been faced by the management. Still company wants to continue the use of the Balanced Scorecard in future.

9. Infosys Technologies Limited

Infosys Technologies is one of the world’s top IT companies which also implemented the concept of Balanced Scorecard. According to Girish Vaidya, Head, banking business unit, Infosys Technologies, “It is extremely important to migrate towards a culture of measurement where all decisions are data-driven.

Only then can one manage what one measure and at the same time one can ensure that every individual in the organization is aligned in the same direction and is in sync with what we are trying to achieve... BSC helps the organization to track its initiatives and also measures the impact it has on the organization's growth and profitability. It will also enable our organization to move towards a data-based decision-making culture ... We do not want to be seen as a functional-focused organization focusing only on financial targets. It is, therefore, imperative that a holistic approach towards implementing strategy be adopted since in an organization every function is important and no role is less significant than other."

The benefits derived by Infosys Technologies of implementing a Balanced Scorecard framework are as follows:

- Facilitates communication across the entire organization and enhances the understanding of vision, mission and strategy,
- Ties the vision, mission and strategy to the goals and objectives of individuals and departments concerned,
- Facilitates a clear understanding for the reasons and helps identify initiatives to achieve the relevant performance, if an objective is not attained,
- Acts as an effective basis for resource allocation with focus on both managing current performance as well as long-term value.

10. Tata Steel Limited

Tata Steel (popularly known as Tisco) is Asia's first and India's largest integrated private sector company. It has been ranked among the top four world class steel companies by World Steel Dynamics (WSD) for the past four years. It was the first Tata company to win the JRD Quality Value Award under the Tata Business Excellence Model.

The company achieved business excellence and the status of the lowest cost producer through several strategic initiatives over a period of time. The major initiatives for quality and cost savings included value engineering followed by Quality Circles (QC), ISO 9000, Benchmarking, ISO 14000, QS 9000, Six Sigma and the Balanced Scorecard.

The Balanced Scorecard fitted very well into Tata Steel's business excellence strategy. The company found the Balanced Scorecard a good tool to translate strategies into measurable goals (metrics) and communicate metrics and strategic actions to the lower levels of the organization. Irani (earlier Tata Steel's MD) states: "The company uses the Balanced Scorecard—a performance management and strategy deployment methodology—to break down strategy into its component elements and track performance from the top to the bottom." The company extended the Balanced Scorecard's review process to monitor the performance of individual employee, divisions, and organization in the KM initiatives as well.

The Balanced Scorecard in Tata Steel has acted as a component of the quality improvement strategy and performance tracking. The company adopted five key strategic goals and several key enterprise processes as shown in the Table 7.

Table 7: Key Strategic Goals and Key Processes in Tata Steel Company

Strategic Goals
<ul style="list-style-type: none"> • Create wealth • Create a culture of continuous learning and change • Achieve a world class status in services and products • Reach the position of most cost competitive steel producer • Establish industry leadership
12 Key Enterprise Processes

- Leadership
- Strategic planning and risk management
- Market development
- Investment management
- Human resources
- Improvement and change management
- Order generation
- Operation and fulfillment
- Supply management
- Research and development
- Information management
- Social responsibility and corporate services

Source: <http://www.tatasteel.com/technologyupdate/TataSearch/2002/1-6.pdf>

The strategic initiatives of quality improvement taken by Tata Steel paid-off well. The company was able to reduce its workforce, achieve ISO 9001 certification of all its departments, involve all employees in QC and increase the number of QCs over years, significantly improve the ratio of professionals in the total workforce, reduce consumption of raw materials used in steel making, reduce consumption of refractories, and increase the quantity of saleable steel. In terms of non-financial variables, the reduction in the number of workers, increase in QCs, and increase in professionals led to significant improvement in productivity. These non-financial variables also caused reduction in costs and increase in the production of saleable steel. Thus, the Balanced Scorecard approach has been very successful in Tata Steel company.

CONCLUSION

In India, many of the big business houses, like Tata, Philips, Infosys, have implemented the Balanced Scorecard very successfully and others have begun to wake up to the idea. Many corporate firms are taking initiatives to use the Balanced Scorecard in their organizations. There are so many consulting firms which are providing expert services for the implementation of the BSC in any organization. As a result of implementation of this tool, the companies have received tremendous development in terms of human resource as well as productivity. Most of the selected companies want to continue the use of the

BSC. It shows that in India, there are 'exciting opportunities' for promoting the concept and practice of the Balanced Scorecard to enable the companies to align their operations totally to their business strategy. However, the successful implementation of Balanced Scorecard does not require over-enthusiasm, it actually depends on whether or not the companies know why they are opting for Balanced Scorecard and whether they are willing to do what it takes to support the scorecard. It is high time to make aware the Indian companies to clearly understand and deploy the scorecard as a part of their strategic planning process for improved performance to survive in this era of cut throat competition.

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