



# CHALLENGES IN IMPLEMENTATION OF BALANCED SCORECARD IN TELECOM INDUSTRY IN INDIA

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## ABSTRACT

Balanced scorecard a versatile and adaptable, performance measurement system is not easy to implement in any organization. Apart from the careful planning there are many pitfalls in implementation that may lead to the failure of the whole system. Indian telecom sector, specifically service providers, has been slow in adapting to this system. This paper is attempt to study the major challenges that are being faced in the implementation of BSC in Indian Telecom Industry and what are the factors which can help in overcome these challenges. The study conducted shows both organizational as well as design challenges which act as obstacle to successful implementation of the Balanced Scorecard. The study further goes to find solutions to surmount these challenges. Solutions being offered by the top management of the two telecom service providers are simple and effective.

Keywords: Balanced Scorecard, challenges of BSC, implementation of BSC, overcoming the challenges, Indian Telecom industry

### A. INTRODUCTION:

Balanced Scorecard is one the most versatile and adaptable performance measurement tool. It has, over the past 30 years evolved and transformed to assimilate itself into various organizations: be those public sector or private sector, manufacturing or service industry, for profits or non profit organization, Balanced Scorecard has become acclimatized. Organizations as varied as bicycle manufacturing unit in Taiwan and Royal Botanical Gardens Edinburg have implemented this performance management system.

### B. BALANCED SCORECARD AND ITS IMPEMEMENTATION:

Balanced scorecard emerged as a defining concept by Robert Kaplan and David Norton in 1992, as they propounded four perspectives for a total and comprehensive evaluation of performance of the organization. The Balanced Scorecard is a comprehensive performance management system developed by Dr. Robert Kaplan and Dr David Norton. It provides a framework for measuring company strategy and performance, which translates strategy into a set of tangible objectives. The Balanced Scorecard defines the key matrixes that should be examined and how to measure those. It examines the process of goal attainment and corrective

action for any goal deviation. In order to translate the company's strategy into a reality, the theory of Balanced Scorecard uses four perspectives of measurement:

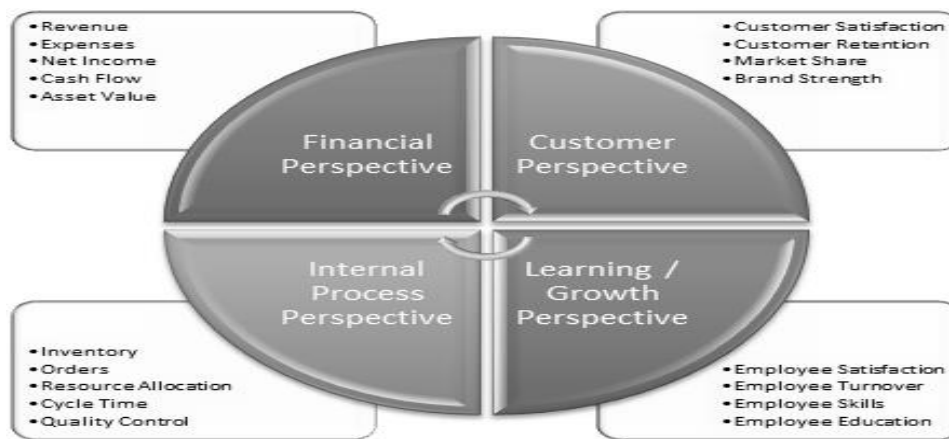


Figure-1  
FOUR PERSPECTIVES OF BALANCED SCORECARD

**(a) Financial Perspective** – Traditional financial measures such as cash flow, revenue, net operating income, costs, profit margins etc. While they warn against falling into the trap of only looking at financials, it was considered important to pay attention to the financial metrics.

Examples of Financial Performance measures are Revenue, Profit ratio, ROI, Operating Costs

**(b) Customer Perspective** – Focuses on the value that is delivered to the customer (product quality, service, cost) and the goals of these values (market share, customer retention, customer satisfaction, new customer acquisition, etc).

Examples of Customer Performance measures are Repeat purchases, Number of complaints, Average time to Process orders

**(c) Internal Process Perspective** - Measures the internal activities and processes involved in your value proposition (sum total of all the benefits offered to the customers). These activities are grouped into 4 categories: Operations Management, Customer Management, Innovation (new products/services), and Regulatory and Social (compliance with environmental standards, interactions with watchdog groups, etc).

Examples of Internal Process performance measures are Reduced waste, Reduced unit costs, Increased productivity

**(d) Learning and Growth Perspective** – Measures the infrastructure and intangible assets necessary to complete company processes. The infrastructure is divided into three categories: employee competency, technology, and corporate culture.

Examples of Growth and Learning performance measures are Employee turnover, Number of strategic skills learned

Balanced scorecard is a management system for breakthrough improvements in all four areas and it complements traditional financial measuring systems. Its major focus is on strategic vision and helps in maintaining balance between external and internal processes of the organisation. It can act as focal point for organisations implementing process reengineering, total quality and employee improvement through communicating priorities. It functions by identifying the critical success factors or measures of each perspective, also called core outcomes. These measures are based further on the measurable performance drivers. There is clear chain of cause and effect linking the drivers to the outcomes and strategies of the organisation.

This system apart from being comprehensive has the added feature of linking strategy to the goals. Its strategy map sets it apart from all other existing performance management systems. For example the Performance Pyramid starts with the identification of corporate vision and the goals but it fails to determine the key performance indicators for achievement of the same. Similarly Performance Prism focuses on stakeholders satisfaction through five perspectives but does not follow it up by providing the methodology to measure the performance linked with these perspectives. Other systems are narrow in approach and their focus is mainly on achievement of quantifiable goals.

### C. REVIEW OF LITERATURE:

The concept made its first appearance in **1992** in the January February issue of Harvard Business Review, under the article titled '**The Balanced Scorecard: Measures That Drive Performance**' by **Robert Kaplan and David Norton**<sup>1</sup>. The basic idea mooted at that time was that BSC is based on four perspectives namely customer perspective, internal business process, innovation and learning; and financial perspective. In **1993**, the authors published the article 'Putting the Balanced Scorecard to Work' in which the authors distinguished the traditional financial parameters-based bottoms up methods from Strategy and Vision based Balanced Scorecard.

However, in the article Linking the balanced scorecard to Strategy (**1996**)<sup>2</sup>, Kaplan and Norton brought in the concept of core outcomes and performance measures which were interlinked. Further the emphasis was placed on cause and effect and the chain linking a series of objectives and measures, that are consistent and mutually reinforcing.

In the year **2001**, a path breaking article by Kaplan and Norton<sup>3</sup>, changed the whole concept of BSC from a performance measurement tool to strategic management tool. The new premise discussed the role of nonfinancial measures in more permanent manner and changing face of technology was incorporated in the BSC approach. This followed the valuation and measurement of intangibles. This all was interlinked and transformed into a cohesive whole through strategy maps.

**Chan et. al (2012)**<sup>4</sup> provide insight into the measurement of industry performance using BSC. According to them BSC was basically designed to study business performance but with changes overtime, it has been modified to use for industry as a whole. They also discuss the change from four perspectives to creation of strategy maps and use of cause and effect relationships. They further added the concept of the strategic thrusts, critical success factors and recommendations of the master plan which were reviewed against the four perspectives of the BSC.

**Kommche (2017)**<sup>5</sup> in case study of Ethio Telecom highlights the practices and challenges of BSC in the organization. Using a sample of 371 employees from different sections and of different qualifications, he concluded that IT support was inadequate to successfully implement BSC. Performance appraisal and rewarding system also were considered negatively affected by BSC.

**Ronchetti (2006)**<sup>6</sup> amended the original model of BSC for making it more adaptable to non profit organizations by introducing six action steps for BSC implementation. He integrated this model with purpose driven church model and focused more on information and communication rather than hierarchy.

**Chung et. al (2016)**<sup>7</sup> developed a model for BSC for Taiwanese bicycle industry for sustainable management. In this study the sacrosanct four perspectives were expanded to add one more perspective – Sustainable Development, and a total of 21 performance indicators were used.

<sup>1</sup> Kaplan, R. S., & Norton, D. P. (1992). The Balanced Scorecard: Measures That Drive Performance . *Harvard Business Review*, (January-February), 71-79. Retrieved August 8, 2017, from <https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance>

<sup>2</sup> Kaplan, R. S., & Norton, D. P. (1996). Linking the Balanced Scorecard to Strategy. *California Management Review*, 39(1), 53-79. doi:10.2307/41165876 .

<sup>3</sup> Kaplan, R. S., & Norton, D. P. (2001). Transforming the balanced scorecard from performance measurement to strategic management. *Accounting Horizons*, 15(1), 87-104. Retrieved August 8, 2017, from <http://coin.wne.uw.edu.pl/pmodzelewski/Transforming%20the%20balanced%20scorecard%20Part%201.pdf>

<sup>4</sup> Chan, T. K., & Hiap, P. T. (2012). A Balanced Scorecard Approach to Measuring Industry Performance . *Journal of Construction in Developing Countries*, 1, 23-41. Retrieved October 8, 2017, from [http://web.usm.my/jcdc/vol17\\_s1\\_2012/Art%202\\_jcdc17-s1.pdf](http://web.usm.my/jcdc/vol17_s1_2012/Art%202_jcdc17-s1.pdf)

<sup>5</sup> Kommche, D. (2017). *PRACTICE AND CHALLENGES OF BALANCED SCORECARD IMPLEMENTATION IN ETHIO TELECOM* (Master's thesis, Indira Gandhi National Open University, 2017) (pp. 1-70). New Delhi: IGNOU. Retrieved August 10, 2017, from <http://repository.smuc.edu.et/bitstream/123456789/2994/1/DANIEL%20KOMMCHE.pdf>

<sup>6</sup> Ronchetti, J. L. (2006). An Integrated Balanced Scorecard Strategic Planning Model for Nonprofit Organizations . *Journal of Practical Consulting*, 1(1), 25-35. Retrieved October 8, 2017, from [http://www.tphlink.com/uploads/1/1/4/0/11401949/guide\\_to\\_implementing\\_the\\_bsc.pdf](http://www.tphlink.com/uploads/1/1/4/0/11401949/guide_to_implementing_the_bsc.pdf)

<sup>7</sup> Chung, C., Chao, L., Chen, C., & Lou, S. (2016). A Balanced Scorecard of Sustainable Management in the Taiwanese Bicycle Industry: Development of Performance Indicators and Importance Analysis. *Sustainability*, 8(6), 518-539. doi:10.3390/su8060518

**Isoraite (2008)**<sup>8</sup> in her paper ‘the Balance Scorecard Method: From Theory to Practice’ initiates with the origin of BSC and moves on to the comparison between Public sector and private sector w.r.t BSC and then strategy mapping. However, the focus of the paper is on implementation aspects and author emphasises the need for strategy mapping involving intangible assets evaluation and differentiation of the organization from its competitors. The paper provides six step guide to implementation of BSC.

**Eifert et al (2022)**<sup>9</sup> in their paper for MDPI, study the challenges associated with implementation of sustainable Balanced Scorecard. They have outlined the conceptual challenges and integration of sustainability dimension into the traditional model through cause and effect, identifying suitable KPIs etc as the major issues.

**Nigussie (2019)**<sup>10</sup> in his paper mentions the major challenges faced during implementation of Balanced Scorecard in Municipal Service delivery in Ethiopia. It concluded that lack of conducive environment by the senior management, failure to build a close relationship with customers, and lacuna in organizational culture e.g. missing recognition and reward; were some of the challenges faced by the implementors.

**Woretaw et al (2021)**<sup>11</sup> specifically studies the challenges in the implementation of the Balanced Scorecard in public sector. Their major findings were that there was lack of commitment for the top management, lack of regular training and missing supervision were the cause of concern

**Gitinejad et al (2014)**<sup>12</sup> studied the challenges of BSC implementation for performance measurement. The sample included 24 department heads of telecom organizations of Iran. Their results indicated that 100 % respondents agreed that the performance appraisal included financial measures, and also that benefits will outweigh the costs if BSC was implemented. In the challenges the respondents indicated that there was lack of information, time consuming and need for more skills.

**Devadoss et al (2021)**<sup>13</sup> while studying the Ethiopian Financial sector concluded that the barriers to the implementation of BSC could be sub divided into- Vision Barriers, People barriers, Resource barriers and Management barriers. Change resistance, Lack of knowledge, too much time taken in implementation, lack of adequate training, lack of proper communication, poor setting of performance measures and targets of employees were some of the challenges identified by this study.

#### D. RESEARCH DESIGN:

To undertake this research study, both primary and secondary data was used. Primary data was collected from the senior management of two Indian Telecom companies namely, Bharti Airtel and Bharat Sanchar Nigam Limited. A sample size of 30 was chosen. Data was collected from 15 persons, including CMD, Directors and General Managers. Response rate was 50%. Sampling techniques used were Convenience and Purposive. The data collection technique was a mix of structured questions and informal interviews. Both qualitative and quantitative tools were used for data analysis.

#### E. RESEARCH FINDINGS:

**(a) Identifying the Challenges:** The challenges identified for implementation of BSC in the telecom organizations were categorized in two types:

**Organizational:** lack of employee awareness and knowledge, training and development costs involved, poor work culture, lack of trained supervisors, poor infrastructure, lack of strategic thinking, lack of management initiative and involvement, and resistance to change.

**Design and Implementation:** time involved in implementation, Identifying suitable Key performance indicators, cause and effect relationships, High cost of implementation, constant monitoring, Dynamic environment and changing strategy, long term BSC team needed for implementation and complicated system.

<sup>8</sup> Isoraite, M. (2008). The Balanced Scorecard: From Theory to Practice. *Intellectual Economics*, No.1(3), 18–28.

<sup>9</sup> Eifert, A., & Julmi, C. (2022, November 10). *Challenges and how to overcome them in the formulation and implementation process of a Sustainability Balanced Scorecard (SBSC)*. MDPI. Retrieved November 15, 2022, from <https://www.mdpi.com/2071-1050/14/22/14816>

<sup>10</sup> Nigussie, T. (2019). The practices and challenges of balanced scorecard implementation in municipality service delivery in Injibara Town Awi Zone, Ethiopia. *European Journal of Business and Management*, 11(4), 56–61. <https://doi.org/10.7176/ejbm/11-4-07>

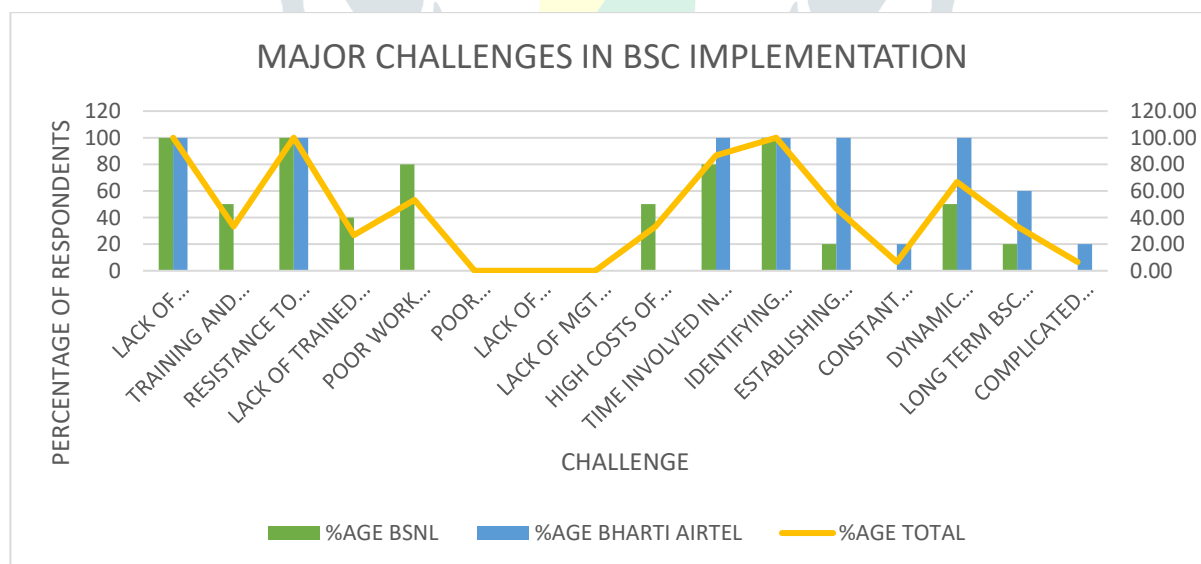
<sup>11</sup> Woretaw, A., & Ayalew, A. (2021). Challenges and prospects of Balanced Scorecard implementation (evidence from bench-Maji Zone; south-west ethiopia). *Journal of Economics and Sustainable Development*, 12(13), 1–4. <https://doi.org/10.7176/jesd/12-13-01>

<sup>12</sup> Gitinejad, B., & Keramati, M. A. (2014). A survey on existing challenges of BSC implementation for performance measurement. *Management Science Letters*, 4(4), 733–738. <https://doi.org/10.5267/j.msl.2014.2.016>

<sup>13</sup> Devadoss, S., Elifneh, Y. W., & Derjee, S. (2021). Balanced Score Card Implementation, Success Factors and Challenges in Ethiopian Financial Sector: the case of Ethiopian Insurance Corporation and Commercial Bank of Ethiopia. *IOSR Journal of Business and Management*, 23(3), 46–55

S. NO.	MAJOR CHALLENGES IN BSC IMPLEMENTATION	BSNL	%AGE BSNL	BHARTI AIRTEL	%AGE BHARTI AIRTEL	TOTAL	%AGE TOTAL
1	LACK OF EMPLOYEE AWARENESS AND KNOWLEDGE	10	100	5	100	15	100.00
2	TRAINING AND DEVELOPMENT TIME AND COSTS INVOLVED	5	50	0	0	5	33.33
3	RESISTANCE TO CHANGE	10	100	5	100	15	100.00
4	LACK OF TRAINED SUPERVISORS	4	40	0	0	4	26.67
5	POOR WORK CULTURE	8	80	0	0	8	53.33
6	POOR INFRASTRUCTURE	0	0	0	0	0	0.00
7	LACK OF STARTEGIC THINKING	0	0	0	0	0	0.00
8	LACK OF MGT INITIATIVE AND INVOLVEMENT	0	0	0	0	0	0.00
9	HIGH COSTS OF IMPLEMENTATION	5	50	0	0	5	33.33
10	TIME INVOLVED IN IMPLEMENTATION	8	80	5	100	13	86.67
11	IDENTIFYING SUITABLE KPIs	10	100	5	100	15	100.00
12	ESTABLISHING CAUSAL LINKS BETWEEN STARTEGIC GOALS AND KPIs	2	20	5	100	7	46.67
13	CONSTANT MONITORING	0	0	1	20	1	6.67
14	DYNAMIC ENVIRONMENT AND CHANGING STRATEGY	5	50	5	100	10	66.67
15	LONG TERM BSC TEAM NEEDED FOR IMPLEMENTATION	2	20	3	60	5	33.33
16	COMPLICATED SYSTEM	0	0	1	20	1	6.67

**Table-1**  
**MAJOR CHALLENGES IN BSC IMPLEMENTATION**



**Figure-2**

The analysis of data indicated that the major challenges that are being faced by these telecom organizations are Lack of employee awareness and knowledge, resistance to change and identifying suitable KPIs. All the respondents agreed that these are the major challenges. Time involved in implementation, dynamic environment and changing strategy; and poor work culture are the other challenges considered important by more than 50% of respondents. Thus both organizational challenges as well as design and implementation challenges play significant role in implementation of BSC.

While challenge of establishing causal links between strategic goals and KPIs was considered important by all the Bharti airtel respondents, this found favour by only 20% of BSNL respondents. 50% of the BSNL respondents considered Training and development time and costs involved; and High costs of implementation, as significant challenges. This may be attributed to the fact that BSNL has been in the red for past several years and is cash strapped organization. Thus finding additional funds to undertake a long drawn strategy may be difficult. Another point of divergence was 60% of Bharti airtel respondents stating Long term BSC team needed for implementation, as the major challenge, which was point of concern for only 20% of BSNL respondents. This indicated Bharti Airtel's hesitance in assigning manpower for long term to a single project which may lead to increase in costs.

(b) **Overcoming the Challenges Identified:** Communication, training programs and conducive work environments were the solutions accepted by 100% of the respondents to overcome the challenges in BSC implementation. Dedicated BSC team and Existence of clear mission and strategy were also stated to be important towards this goal by more than 50% respondents. For BSNL respondents, Top management commitment and support was another important factor in successful implementation of BSC. It is clear that the employees communication, training and healthy work environment are the top priority in order to implemmt Balanced Score card in the organization.

S.NO.	OVERCOMING THE CHALLENGES IDENTIFIED	BSNL	%AGE BSNL	BHARTI AIRTEL	%AGE BHARTI AIRTEL	TOTAL	%AGE TOTAL
1	COMMUNICATION	10	100	5	100	15	100.00
2	TRAINING PROGRAMS	10	100	5	100	15	100.00
3	LEARNING AND INNOVATION	3	30	1	20	4	26.67
4	PERFORMANCE EVALUATION OF MANAGEMENT	1	10	0	0	1	6.67
5	TOP MANAGEMENT SUPPORT AND COMMITMENT	6	60	1	20	7	46.67
6	DEDICATED BSC TEAM	7	70	4	80	11	73.33
7	EXISTENCE OF CLEAR MISSION AND STRATEGY	6	60	2	40	8	53.33
8	REWARD AND MOTIVATION TO EMPLOYEES	3	30	2	40	5	33.33
9	CONDUCTIVE WORK ENVIRONMENT	2	20	5	100	7	46.67
10	PARTICIPATION OF EMPLOYEES AT THE STRATEGIC PLANS PREPARATION	2	20	0	0	2	13.33

Table-2  
OVERCOMING THE CHALLENGES IDENTIFIED

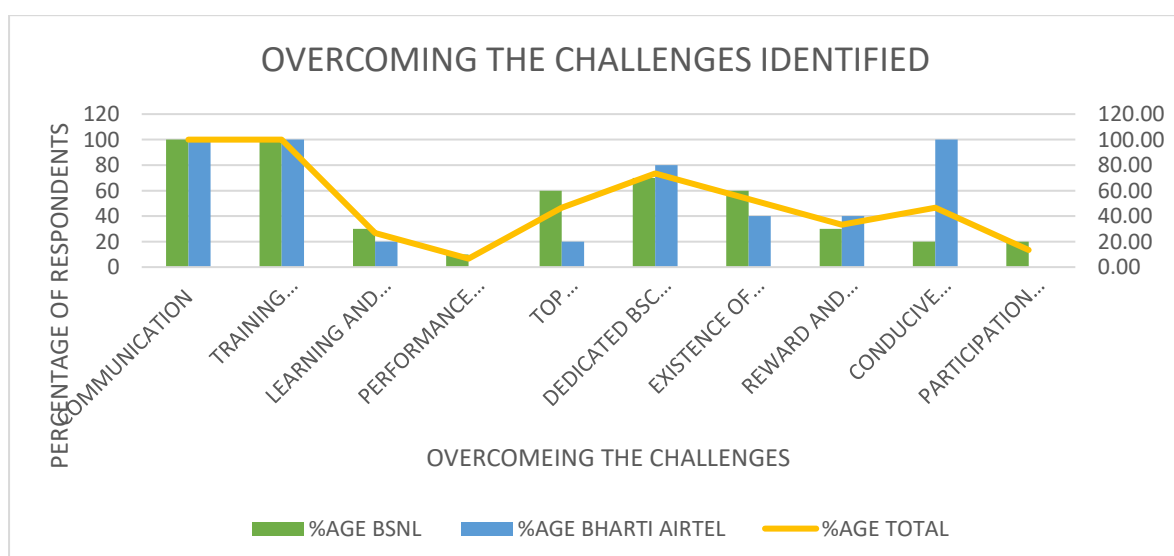


Figure-3

## F. CONCLUSION:

Balanced Scorecard implementation is not only a long-drawn process but also a continuous process. As the internal and external environment changes the parameters defining the organizational BSC may also transform. Planning aspect takes a long time and is again continuous process. But it is the implementation of the system which recounts the success or failure. Thus, it is very much expected that the organizations are apprehensive of implementing such a massive and cumbersome project which may need to be updated frequently. The major apprehensions as to the challenges of the implementation are Lack of employee awareness and knowledge, resistance to change and identifying suitable KPIs. The approach to overcome these challenges goes through Communication, training programs and conducive work environment. These factors are all related to taking employees at all levels in confidence, motivating them and preparing them for the transformations which are being implemented.

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