

# BALANCED SCORE CARD IN TELECOM SECTORS IN INDIA

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**Abstract:** The substantial growth of telecom sector in India has raised a fundamental question on the future business and operation model of the Telecom sector. Future depends on the present performance. In telecom sector, the performance evaluation has been done mainly through the financial perspective which indicates the financial strengths, weaknesses, opportunities and threats. But financial performance measurement systems have been criticized because of their excessive focus on financial figures or functional level performance, ignoring an organizations long term success. Newline The present study analyzes the Indian telecom sectors performance from four perspectives. The research study is descriptive as well as exploratory in nature. The research focuses on to analyze the selected constructs for each perspective that is customer, internal business process and learning and growth perspective. This study also explores the financial position of the telecom sector. The results of customer objective have been achieved by surveying 1000 customers in NCR of six telecom service providers through a close ended questionnaire. The effectiveness of the internal business processes for voice and data services have been found out by collecting the data from 300 junior level telecom employees who are involved in delivering data and voice services in NCR. The exploration of the learning and growth practices for employees undertaken by telecom service providers in India has been done by collecting data from 60 middle level employees. In the research study, Confirmatory factor analysis is used to test the convergent and discriminant validity of the scale. ANOVA Post hoc test and Kruskal Wallis test has been applied to get the desired results from learning and growth perspective. Panel data analysis has been applied to get the desired results for financial perspective.

## Introduction:

The balanced scorecard (BSC) is a strategic planning and management system that organizations use to:

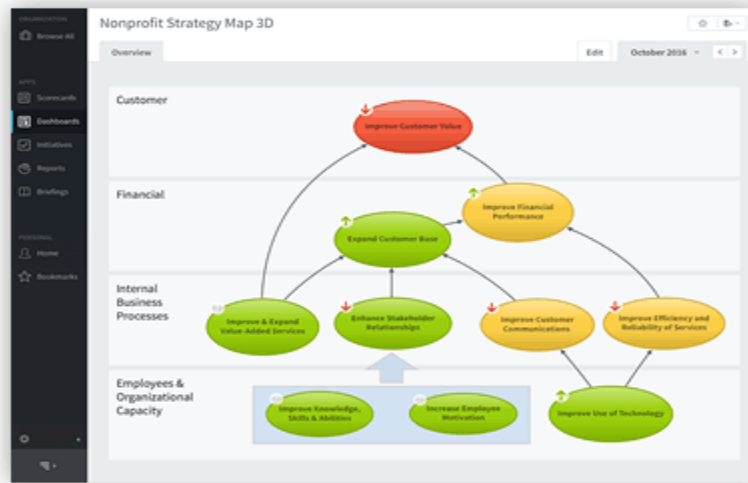
- Communicate what they are trying to accomplish
- Align the day-to-day work that everyone is doing with strategy
- Prioritize projects, products, and services
- Measure and monitor progress towards strategic targets

The system connects the dots between big picture strategy elements such as mission (our purpose), vision (what we aspire for), core values (what we believe in), strategic focus areas (themes, results and/or goals) and the more operational elements such as objectives (continuous improvement activities), measures (or key performance indicators, or KPIs, which track strategic performance), targets (our desired level of performance), and initiatives (projects that help you reach your targets).

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Who Uses the Balanced Scorecard (BSC)?



BSCs are used extensively in business and industry, government, and nonprofit organizations worldwide. Gartner Group suggests that over 50% of large US firms have adopted the BSC. More than half of major companies in the US, Europe, and Asia are using the BSC, with use growing in those areas as well as in the Middle East and Africa. A recent global study by Bain & Co listed balanced scorecard fifth on its top ten most widely used management tools around the world, a list that includes closely-related strategic planning at number one. BSC has also been selected by the editors of Harvard Business Review as one of the most influential business ideas of the past 75 years.

### BSC Terminology: Perspectives

The BSC suggests that we view the organization from four perspectives, and to develop objectives, measures (KPIs), targets, and initiatives (actions) relative to each of these points of view:

- **Financial:** often renamed Stewardship or other more appropriate name in the public sector, this perspective views organizational financial performance and the use of financial resources
- **Customer/Stakeholder:** this perspective views organizational performance from the point of view the customer or other key stakeholders that the organization is designed to serve
- **Internal Process:** views organizational performance through the lenses of the quality and efficiency related to our product or services or other key business processes
- **Organizational Capacity (originally called Learning and Growth):** views organizational performance through the lenses of human capital, infrastructure, technology, culture and other capacities that are key to breakthrough performance

### BSC Terminology: Strategic Objectives



Strategic Objectives are the continuous improvement activities that we must do to implement strategy. The break down the more abstract concepts like mission and vision into actionable steps. Actions that your organization take should be helping you

achieve your strategic objectives. Examples might include: Increase Revenue, Improve the Customer or Stakeholder Experience, or Improve the Cost-Effectiveness of Our Programs.

## RESEARCH METHODOLOGY

This chapter focuses on the description of the research objectives, research design and methods used in the study. This chapter also includes sampling frame, sampling methods, data types, methods of data collection and instruments of data collection etc. This chapter details out the research methodology for the present study. It explains the research objectives and a suitable methodology to achieve those objectives. The objectives of this study were to evaluate the performance of Major Indian Telecom Service Providers using Balanced Scorecard. This involved an exhaustive study of four perspectives of BSC i.e. customer perspective, internal business process, learning and growth perspective and financial aspect. Second were the identification and exploration of constructs and its related variables (statements) to be used to evaluate customer, internal business and learning growth perspective. Third, the validity of the various statements included in the constructs was checked through CFA. In addition, the financial data has been analyzed through panel descriptive analysis, trend analysis and panel growth analysis.

### Objectives of the study

The main objective of the research study is “Performance Evaluation of Major Indian Telecom Service Providers using Balanced Scorecard: A study in NCR”. In addition to the main objective of the research study, the research study attempts to identify various sub-objectives of the study stated as follows: The broad objectives of the study can be achieved with the help of following:

- To study the perception of consumer’s towards the voice and data services.
- To find out the effectiveness of the internal business processes for voice and data services.
- To explore the learning and growth practices for employees undertaken by telecom service providers in India.

### Research Design

A research design is a detailed plan of the execution of an investigation in a systematic way. It is a plan which guides the steps and procedures in order to collect related data and information for analysis. A research design includes the process of data is to be collected, the instruments to be used for data collection etc. The research study is descriptive as well as exploratory in nature. The research focuses on to analyze the selected constructs for each perspective i.e. customer, internal business process and learning and growth perspective. This study explores the financial position of the telecom sector. The research study analyzes the service provider’s performance from four perspectives.

### Sampling Frame

Sampling frame in a research study can be defined as a list of elements from which a sample may be drawn. The sampling frame defines the population, sample considered in the research study. The sampling frame of the study is explained below: Population: The population of the study includes every individual who uses telecom data and voice services for the first questionnaire. For the second questionnaire Network Operations center (NOC) employees of telecom sector are taken into account. For the third questionnaire, middle-level managers of telecom sector are included in the study.

### Types of data and data collection

The Secondary data of the financial position for the six telecom service providers are collected from Prowess Center of Monitoring Indian Economy database for the research study. The data is cross-sectional in nature.

### Data analysis and interpretation

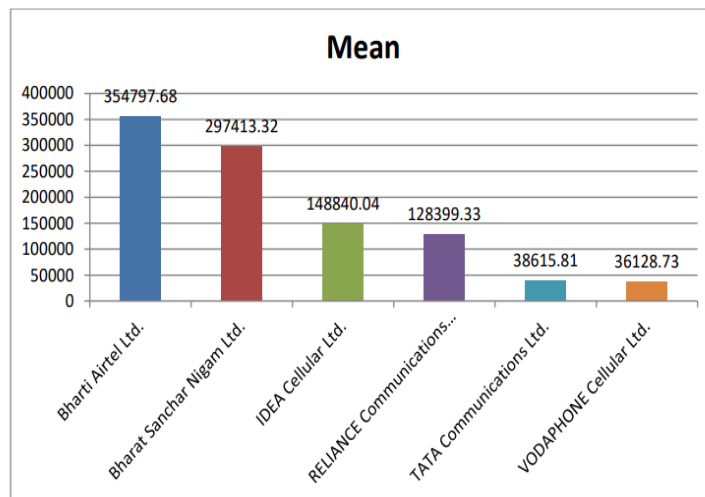
#### Financial Variable 1: Sales Revenue (Millions) performance of Indian Telecom Companies

This research study examines sales revenue as a performance measure of telecom companies in India. Sales revenue of telecom companies plays a significant role in analyzing the performance of the companies. The analyst provides more weight to the sales revenue of the companies in analyzing the performance of the companies. The ability of sales revenue to contribute for accounting earnings as a measure of firm performance seems to be an important function of firm performance. Sales revenue is more frequently understood by a financial analyst as compared to accounting profits. Sales revenue as a performance measure in telecom sector depends on the subscription of the customers for the telecom services. Sales revenue is the major source of business profits in telecom sector hence is considered in the study to analyze the financial performance of the telecom companies in India. In the research study, the annual data of all the major telecom companies are collected for the period of 2006 to 2015. The descriptive statistics are estimated for all the companies which include the average mean score, standard deviation, minimum and maximum value. The results of the descriptive statistics of the sales revenue of the selected telecom companies are shown below in table 1.1.

Table 1.1: Panel Descriptive Analysis of Sales Revenue (millions) for Telecom companies.

Company	Mean	Standard Deviation	Minimum	Maximum
Bharti Airtel Ltd.	354797.68	139323.693	112314.7 (2006)	554964 (2015)
Bharat Sanchar Nigam Ltd.	297413.32	43772.889	257512.7 (2013)	377538.9 (2006)
IDEA Cellular Ltd.	148840.04	96779.810	20070.7 (2006)	312671.3 (2015)
RELIANCE Communications Ltd.	128399.330	15134.0524	97670.5 (2006)	150895.8 (2009)
TATA Communications Ltd.	38615.81	4312.628	32180.4 (2010)	44161.2 (2013)
VODAFONE Cellular Ltd.	36128.73	25658.211	3988.1 (2007)	73287 (2015)

The results of descriptive statistics of sales revenue of the telecom companies as shown in table 1.1 indicates that the average sales revenue of Bharti Airtel ltd is highest followed by the BSNL and IDEA CELLULAR LTD cellular. The least average sales revenue is found in case of Vodafone Cellular Ltd. And Tata Communications Ltd Communications. In Indian telecom sector Bharti Airtel ltd is the market leader from last 10 years in India. It is also found that the company had the maximum sales revenue in the year 2015. After that the new companies came in the sector and the sales revenue of the company also grows. IDEA and Vodafone Cellular Ltd. is found to have the highest sales revenue in 2015 as these companies improves their performance with time and have increased sales revenue in 2015. The graph of average sales revenue of all the companies is shown in fig 1.1 shown below:



### Trend Analysis

The telecom services in India have grown in last decade. It is assumed that the telecom services have positive trends in the past. In the research study, the long-term trend in the sales revenue of the selected telecom companies is calculated. In the selected period of 10 years (2006-2015) the sales revenue of the telecom companies changes as per their business performance. However, in the long run, it is expected that the sales revenue of companies should increase. In the study, the long-term trend analysis of selected firms with respect to their sales revenue is calculated with the help of regression model shown below

$$SalesRevenue = \alpha + \beta * Time + \epsilon t$$

Where the beta (slope coefficient) represent the long-term trend behavior of sales revenue for the selected telecom companies. The slope coefficient in the regression model can be interpreted as the rate of change of sales revenue of the firm on an average in one year. The t-statistic and the p-value of the slope coefficient in the regression model test the null-hypothesis that there exists no significant long-term trend in behavior of sales revenue of the selected telecom companies or, there is no impact of time on the sales revenue of the firm. If the p-value of t-statistic in the regression model is found to be less than 5 percent level of significance then null hypothesis of no significant trend can be rejected.

### FINDINGS CONCLUSION AND SUGGESTIONS

This chapter explains the findings and conclusions of the research study. This chapter also includes the suggestions made by the researcher on the basis of findings and conclusions. The research study commences with four objectives. The findings and conclusions of the four objectives are summarized below.

In case of customer satisfaction, it is found that most of the telecom customers responded on agreement side against the various statements representing their satisfaction level. It is also concluded that customers are satisfied with the signal coverage provided by their telecom providers. This is due to the reason that each telecom service provider wants to strengthen their reputation through strong signal coverage and also hunt for the same. The customers are also satisfied while dealing with their service providers.

This is due to the trained executives in the company who are proficient in dealing with the customers. These executives are trained to handle the customer's queries and know how to handle the customer's complaints. Customers also found to be satisfied with the charges charged by service provided. Customers are found to be least satisfied with the offers and promotion provided by telecom service provider.

### Conclusion

Lot of work has been done in India related with the Performance evaluation of telecom companies since independence but very little literature is available on the use of four perspectives i.e. BSC in the performance evaluation of telecom sector. So this study is an attempt in this direction. The present study contributes significantly to find out the important factors for the well-being of a telecom company for the long run. The results obtained in this study have important implications for both managers and the companies as a whole those who are investing a huge sum of money in the business and want to have the competitive edge over competitors.

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