



Issue - 11, Vol.06, Jan-Jun 2016, pp. 35-39

CLEAR International Journal of Research in Management, and Science and Technology

RESEARCH ARTICLE

**EMPLOYEES' AWARENESS ABOUT BALANCED SCORECARD IN TATA
CONSULTANCY SERVICES LTD. CHENNAI**

Natarajan, P1. and *Vijayalakshmi, M2.

1Department of Commerce, Pondicherry University, Pondicherry.
2Department of Corporate Secretaryship, Saradha Gangadharan College, Pondicherry.

ABSTRACT

Article History:

Received 30th Mar., 2016
Received in revised form 14th Apl.
2016
Accepted 15.04.2016
Published on 28.04.2016

Keywords: Balanced Scorecard,
Strategic Linkage, Competency,
Internal Process.

Corresponding author:
magvij2001@gmail.com

Balanced Scorecard an emerging performance management tool is a multi-perspective performance measurement system. It is being used in a leading software company Tata Consultancy Services Ltd.(TCS) to find out its efficacy. The three perspectives of learning& growth, internal process, and customer relationship have been tested to know whether it contributes to strategic planning. The tool of analysis used is ANOVA. Eventually a conclusion is being drawn from the analysis.

Introduction

Balanced Scorecard is a performance management tool to assess the activity of both the tangible and intangible assets of an organization. It helps the management to move away from financially biased measurement to a more balanced approach that links the four perspectives of an organization, success: financial, customer, internal process and learning and growth. It has evolved from this multi-perspective performance measurement system to a complex strategy management and control system.

Significance of the Balanced Scorecard

The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. According to the Institute of Management Accountants (IMA), more than 50% of the large companies in the United States are using some form of balanced scorecard. This is the reflective power of the balanced scorecard. The balanced scorecard provides the required information

to all the levels of the organization through performance measures connected to specific areas. It communicates to the managers in clearly defined terms how well the business is meeting its strategies and goals. This paper clearly portrays the effectiveness of balanced scorecard in an organizational context viz-a-viz TCS. It helps to diagnose the organizational health in a holistic perspective. It paves the way for effective sustenance and organizational excellence. Hence, it is viewed as a Contemporary Organizational Performance Evaluation Metric widely used by companies. The IT major TCS is practicing Balanced Scorecard for the last ten years and so the researcher has chosen this unit.

Objectives of the Research Study

To find out the contribution of the three components of Balanced Scorecard viz, learning & growth, internal process and customer relationship individually and collectively towards Strategic Management Excellence in TCS

Components of Balanced Scorecard

The BSC is divided into four primary business and strategic areas upon which an organization must focus in order to gain a complex picture of how the enterprise is performing.

Financial perspectives: The objective of every organization is to deliver maximum value to stakeholders. Achieving financial results is a balance between investing for long-term growth (revenue growth) and cutting costs for superior short-term results (productivity). A healthy financial sign will be characterized by improved cost structure, asset utilization and expanded revenue opportunities.

Customer perspective: To survive and grow, an organization must be able to deliver quality goods and services resulting in customer satisfaction. The three major propositions are operational excellence, product leadership and customer intimacy. The measures indicated by customer perspective are customer service attributes and customer retention.

Internal Business Process perspective: These are the various internal processes by which products and

services are prepared and delivered to customer. Operations and customer management, innovation and regulatory & social concepts are indicators of internal process. The measures indicated by internal business perspective are production efficiency, innovation and quality control.

Learning and Growth perspective: These are the organizational intangible assets (people, technology, culture) that enable more added values to be created in the future. These intangible assets are divided into three categories; of human capital, information capital and organizational capital. The measures indicated by human capital are core competencies and training module. The measures indicated by information capital are internal communication and productivity elements. The measures indicated by organizational capital are leadership development and employee satisfaction.

Why Balanced Scorecard?

The balanced scorecard framework could be viewed as no more than a measurement system. It is used as a centerpiece of a complex system to manage strategy; the strategy-focused organization should follow five principles for aligning measurement and management systems.

1. Translate strategy into operational terms
2. Align the organization to the strategy
3. Motivate to make strategy everyone's job
4. Govern to make strategy a continual process
5. Mobilize change through executive leadership

Tata Consultancy Services Limited (TCS)

Tata Consultancy Services Limited (TCS) is one of the flagship companies of the Tata Group and India's largest and globally renowned industrial conglomerate. It is the global leader in IT services, digital & business solutions that partners with its clients to simplify, strengthen and transform their businesses. Tata Consultancy Services Limited is a global solution provider and has made significant impact in the global IT market through its unmatched and signature solutions. It is one of the largest Indian companies by market capitalization and is the largest India based IT Services Company according to 2013 measures. The vision values of TCS are Leading a

Change, Integrity, Respect for Individual, Excellence and Learning & Sharing. Its mission is to help customers achieve their business objectives by providing innovative, best- in class consulting, IT solutions and services. It also strives to make it a joy for all the stakeholders to work with them.

The balanced scorecard system is used for designing and measuring human capital key performance indicators. It gives fast but comprehensive view of business and helps to determining whether the current performance meets the expectations. It moreover helps the management to get a real-time insight on the performance of their workforce. As it is quite evident that this organization gives due importance to human values, it is imperative that at this point Balanced Scorecard serves an ideal management tool and provides an indication to the company for improvement.

Methodology

It is an empirical research based upon both primary and secondary data. Case study method has been adopted and the case chosen for study being TCS. Sample of 200 respondents were selected by way of convenience sampling by distributing interview schedule to different levels of the employees of TCS. The employees were ensured of the prudence concerning the study. The 5 point likert scale was used to measure their opinion in the value range 1 to 5 for „strongly disagree“ to „strongly agree“ (2, 3 & 4 for disagree, neutral and agree in between). A total of 121 constructs were contained in the interview schedule which was structured as Learning & Growth – 59, Internal Process – 39 and Customer Relationship – 29. The structural part of the model involves the demographic indicator variables of age, residence, qualification, designation, income and service. The collected data were analyzed by reliability analysis to find out the internal consistency of the items in the measurement scale. After confirming the internal consistency of items, the method of two-way ANOVA was used to find out the possible differences between the demographic variables and the components of the Balanced Scorecard.

Hypothesis:

H01: There is no significant difference between Learning & Growth component of BSC and demographic variables.

H02: There is no significant difference between Internal Process component of BSC and demographic variables

H03: There is no significant difference between Customer Relationship component of BSC and demographic variables.

The following was the analysis made.

From the above (Table 1) table it is quite evident that the “p” values of age for know-how information (0.02), residence for know-how information (0.01) and culture & team work(0.02), qualification for know-how information(0.05), designation for skill & talents(0.05), know-how information(0.01), income for know-how information(0.02) and infrastructure (0.05) are significant at 5% level. This means the learning & growth perspective measures in organization particularly training module, operational measures and the employee satisfaction are executed well in the organization. Therefore, the null hypothesis H01 that there is no difference between Learning & Growth and demographic variables is rejected.

The above table (Table 2) reveals that the “p” values of residence for all the sub-factors (0.0), qualification for software development(0.04), database(0.05), risk management(0.08), designation for environment & social responsibility(0.01), income for all the sub-factors and of service for all the sub-factors are significant at the respective levels. This proves that the operational, innovation and risk management measures practiced in the organization is adequate for management excellence. Hence there is significant difference between internal process and demographic variables and hence H02 is rejected.

Table 1. ANOVA for The Influence of the Demographic Variables on the Sub-Factors of Learning & Growth component of BSC

| Sub-Factors | Age | | Residence | | Qualification | | Designation | | Income | | Service | |
|--|------|-------|-----------|-------|---------------|-------|-------------|-------|--------|-------|---------|------|
| | F | P | FP | P | FP | P | FP | P | FP | P | FP | P |
| Skill & Talents | 0.37 | 0.69 | 0.64 | 0.53 | 0.20 | 0.82 | 3.08 | 0.05* | 0.29 | 0.75 | 0.29 | 0.75 |
| Know-how Information Database | 3.97 | 0.02* | 5.46 | 0.01* | 3.61 | 0.05* | 6.36 | 0.01* | 3.90 | 0.02* | 0.68 | 0.51 |
| Infrastructure | 0.32 | 0.73 | 2.34 | 0.10 | 0.49 | 0.62 | 0.45 | 0.64 | 1.36 | 0.26 | 1.28 | 0.28 |
| Culture & Team Work Leadership & Alignment | 0.47 | 0.63 | 0.43 | 0.65 | 2.10 | 0.13 | 0.33 | 0.72 | 2.99 | 0.05* | 0.05 | 0.95 |
| | 1.51 | 0.22 | 4.04 | 0.02* | 0.12 | 0.89 | 0.98 | 0.38 | 1.39 | 0.25 | 0.34 | 0.71 |
| | 0.67 | 0.51 | 1.82 | 0.17 | 1.28 | 0.28 | 0.27 | 0.76 | 0.92 | 0.40 | 0.38 | 0.68 |

- - significant at 5% level

Table 2. ANOVA for The Influence of the Demographic Variables on the Sub-Factors of Internal Process component of BSC

| Sub-Factors | Age | | Residence | | Qualification | | Designation | | Income | | Service | |
|--------------------------|------|------|-----------|-------|---------------|--------|-------------|--------|--------|-------|---------|-------|
| | F | P | F | P | FP | P | F | P | F | P | F | P |
| Software Development | 0.11 | 0.89 | 5.71 | 0.00* | 3.33 | 0.04* | 1.47 | 0.23 | 4.16 | 0.02* | 7.89 | 0.00* |
| Distribution | 0.18 | 0.83 | 5.66 | 0.00* | 3.09 | 0.05* | 1.75 | 0.18 | 4.70 | 0.01* | 7.54 | 0.00* |
| Risk Management | 0.12 | 0.88 | 5.95 | 0.00* | 2.52 | 0.08** | 1.86 | 0.16 | 4.69 | 0.02* | 6.72 | 0.00* |
| Innovations | 0.09 | 0.91 | 5.50 | 0.00* | 1.41 | 0.25 | 1.55 | 0.22 | 4.28 | 0.02* | 5.59 | 0.00* |
| Environment Social Resp. | 0.01 | 0.99 | 4.52 | 0.00* | 0.99 | 0.38 | 2.29 | 0.10** | 4.34 | 0.01* | 5.21 | 0.01* |
| Safety & Health | 0.00 | 0.99 | 4.69 | 0.00* | 0.77 | 0.47 | 1.74 | 0.18 | 4.64 | 0.01* | 4.66 | 0.01* |

- *- significant at 1% level, ** - significant at 5% level, *** - significant at 10% level

Table 3. ANOVA for The Influence of the Demographic Variables on the Sub-Factors of Customer Relationship component of BSC

| Sub-Factors | Age | | Residence | | Qualification | | Designation | | Income | | Service | |
|------------------------------|------|------|-----------|-------|---------------|------|-------------|------|-----------|-------|---------|-------|
| | F | P | FP | | FP | | FP | | FP | | FP | |
| Customer Focus | 0.07 | 0.93 | 5.250.00* | | 2.080.13 | | 1.770.17 | | 4.670.01* | | 6.1 | 0.00* |
| Customer Organization | 0.06 | 0.94 | 5.1 | 0.00* | 1.82 | 0.17 | 1.81 | 0.17 | 4.65 | 0.01* | 6.3 | 0.00* |
| Customer Technology Customer | 0.05 | 0.95 | 5.42 | 0.00* | 1.57 | 0.21 | 1.81 | 0.17 | 4.57 | 0.01* | 6.0 | 0.00* |
| Loyalty | 0.04 | 0.96 | 5.44 | 0.00* | 1.41 | 0.25 | 1.84 | 0.16 | 4.58 | 0.01* | 5.8 | 0.00* |
| | | | | | | | | | | | 7 | |

*- significant at 1% levels

Table: 3 brings out the fact that the “p” values of residence for all the sub-factor, of income for all sub-factors and of service for all the sub-factors are significant at 1% level. This shows that the organization charts an appropriate plan to draw and retain the customers. Hence the customer perspective measures of customer satisfaction and retention are well pronounced in this organization. Therefore, the null hypothesis H03 that there is no significant difference between customer relationship and demographic variables is rejected.

Findings and Conclusion

From the above analysis it is evident that the three components of balanced scorecard (Learning & Growth, Internal Process and Customer Relationship) have a significant difference with the demographic variables. This confirms that the employees in TCS have an adequate perception to the components and acknowledge the merits. As the learning & growth perspective exhibits the potentiality of employees regarding internal communication, training module, leadership capability and team management this tool will aid the management in equipping the employees with the required competencies to meet the objectives of the organization. This will eventually evolve better procedures, plans and policies for and effective operational efficiency thereby enhancing customer service and relationship. So the tool of Balanced Scorecard seems to be a part of the DNA of the organization to ensure the continuous development of its professionals. This key performance measurement and management tool focuses on client management,

nature of business, learning and competency development which is critical to the success of the organization. Moreover, this is a key metric in the personal goals of individual employees and is measured as a part of the annual appraisals. This would make the entire system very responsive and agile. This strategy, coupled with flawless execution in linking competency development to individual growth, has led to a sustainable program to ensure the overall development of the organization.

References

- The trainer’s balanced scorecard by Ajay M. Pangarkar and Teresa Kirkwood
- Kerlinger, F.N (1986) Foundations of Behavioural Research, 3rd edition, Holt Richard and Winson Inc., University of organ
- Lawrie.G and Cobbold.I (2004), “Third generation balanced scorecard evolution of an effective strategic control tool”, International Journal of Productivity and Performance Management, Vol.53, No.7, pp 611-23.
- Malmi.T (2001) “Balanced Scorecard in Finnish Companies”, Management Accounting Research, Vol.12, No.2, pp207-20.
- Mooraj. S. Oyon.D and Hostettler.D (1999), “The Balanced Scorecard is a necessary good or an unnecessary evil”, European Management Journal, Vol.17 No.5, pp 481-91.
- Cobbold.I Lawrie, G and Issa, K(2004), “Designing a strategic management system using third-generation balanced scorecard, A case study”, International Journal of Productivity and Performance Management, Vol.53, No.7, pp 624-33.