

**The Problems Faced by the Organisation in Implementation of Balance Scorecard and their Impact for the Future Sustainability- A Study with Special Focus On IT/ITES Employees at Coimbatore**

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**1.0 Abstract:**

The economic effect of the technologically inclined services sector in India accounting for 40per cent of the country's GDP and 30per cent of export earnings as of 2006, while employing only 25per cent of its workforce. The share of IT (mainly software) in total exports increased from 1 percent in 2001 to 18 percent in 2001. IT-enabled services such as back office operations, remote maintenance, accounting, public call centers, medical transcription, insurance claims, and other bulk processing are rapidly expanding. Indian companies such as HCL, TCS, Wipro and Infosys may yet become household names around the world. The present study analyses the Problems faced by the organisation in implementation of Balance Scorecard and their impact for the future sustainability of the organisation.

**1.1 Introduction:**

The Balanced Scorecard sometimes arise question of conjecture and application. There are some reasons, why this happens. In the past, some researchers conducted on the actual implementation of the Balanced Scorecard but the thing is that some of them failed to find that the Balanced Scorecard (BSC) is a kind of performance measurement system which can give the managers the perfect tools, so that, there are some of the important things in the decision making process (Lopes, 1996). Then, the managers can be able to concentrate on the analyzing of the different kinds & sorts of business concerns and then applying those things as the solution to it (Vitale, 1994). The system of the Balanced Scorecard (BSC) raises the overall capability of the managers, so that, there may have some of the investigation part in different working processes simultaneously without the focus losing (Atkinson, 2000). For all of these positive aspects, the Balanced Scorecard became universal solution for the performance measurement.

**1.2 Review of literature:**

Mohamed A. K. Basuony's (2014)article had highlighted that fact that during the last two decades, the use of the Balanced Scorecard (BSC) has been widely spread in all sectors such as manufacturing and services; small and large firms; public and private sector. The idea of this paper was to investigate the contribution made by the Balanced Scorecard in both large firms and SMEs. This research paper critiqued the Balanced Scorecard from different points of view such as generations of the Balanced Scorecard (BSC), performance measures used, benefits of using Balanced Scorecard (BSC), scope of Balanced Scorecard (BSC), the design of Balanced Scorecard (BSC) and strategy deployment. Finally, these different points of view were analyzed in order to reflect the implementation and application of Balanced Scorecard (BSC) in large firms and SMEs. The paper concludes the potential merits of implementing the Balanced Scorecard (BSC) in SMEs as well as the nature, value and application of Balanced Scorecard (BSC) in large firms.

According to Chaudron (2003), the Balanced Scorecard (BSC) is a way of: measuring organizational, business unit or departmental success; balancing long-term and short-term actions. Balancing the following different measures of success; Financial; Customer, Internal Operations, Human Resource Systems and Development (learning and growth); tying the firm's strategy to measures of action. The author comments that much of the success of the scorecard depends on how the measures are greed, the way they are implemented and how they are acted upon.

According to Luecke, R. (2003) the balanced scorecard results are only useful if the management reviews them and openly passed on to employees dealing with the execution phase. The author emphasis the fact that for effective implementation of Balance Scorecard communication is the essence in the process of converting visions and strategies into action. Communication can be an effective tool for motivating employees involved in change.

### 1.3 Hypothesis to be tested:

Hypothesis: Problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organisation.

### 1.4 Statistical Tools Used:

The multiple regression model was performed to Problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organisation. The dependent variable considered was type of products manufactured in their units and the independent variable: X<sub>1</sub>-D Difficulty in assigning weightage to different perspectives, X<sub>2</sub>- Difficulty in establishing cause and effect relationship amongst different perspectives, X<sub>3</sub>- Difficulty in assigning weightage to measures within each perspective, X<sub>4</sub>- Difficulty in quantifying measures for various perspectives, X<sub>5</sub>- Lack of clarity arising from large number of perspectives, X<sub>6</sub>- Lack of clarity arising from large number of measures within each perspective, X<sub>7</sub>- Lack of employee and middle management support, X<sub>8</sub>- Lack of resources both time and finances.

Impact of balanced scorecard on different areas = f (Difficulty in assigning weightage to different perspectives, Difficulty in establishing cause and effect relationship amongst different perspectives, Difficulty in assigning weightage to measures within each perspective, Difficulty in quantifying measures for various perspectives, Lack of clarity arising from large number of perspectives, Lack of clarity arising from large number of measures within each perspective, Lack of employee and middle management support, Lack of resources both time and finances).

Measured impact of balanced scorecard on different areas as a dummy variable and run the following regression model of the Problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organisation. Specifically,

Impact of balanced scorecard on different areas=  $\alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + e$

Where,

Impact of balanced scorecard on different areas (Y) =

X<sub>1</sub> = Difficulty in assigning weightage to different perspectives

X<sub>2</sub> = Difficulty in establishing cause and effect relationship amongst different perspectives

X<sub>3</sub> = Difficulty in assigning weightage to measures within each perspective

- X4 = Difficulty in quantifying measures for various perspectives
- X5 = Lack of clarity arising from large number of perspectives
- X6= Lack of clarity arising from large number of measures within each perspective
- X7 = Lack of employee and middle management support
- X8 = Lack of resources both time and finances

Where,  $\alpha$  is constant and  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8$  are coefficients to estimate, and  $e$  is the error term, which the authors assumed as NID for this research.

**Table: 1**  
**Multiple Regression Model Summary**  
**Problems Faced by the Organisation and Impact of Implementing Balanced Scorecard**

<b>R</b>	<b>R<sup>2</sup></b>	<b>Adjusted R<sup>2</sup></b>	<b>SE</b>	<b>F Value</b>	<b>Sig</b>
.899	.808	.805	.30986	271.473	.000

Level of Significance: 5 per cent

$$Y = .082 - .129X_1 - .125X_2 - .141X_3 - .115 X_4 - .129X_5 - .154X_6 - .099 X_7 + 1.867X_8$$

**Table: 2**  
**Problems Faced by the Organisation and Impact of Implementing Balanced Scorecard**

<b>Variables</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>	<b>Collinearity Statistics</b>	
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>			<b>Tolerance</b>	<b>VIF</b>
<b>Constant</b>	.082	.089	-	.917	.000	-	-
<b>Difficulty in assigning weightage to different perspectives</b>	-.129	.015	-.206	-8.841	.000	.683	1.464
<b>Difficulty in establishing cause and effect relationship amongst different perspectives</b>	-.125	.015	-.207	-8.603	.000	.641	1.561
<b>Difficulty in assigning weightage to measures within each</b>	-.141	.013	-.257	10.611	.000	.635	1.575

<b>perspective</b>							
<b>Difficulty in quantifying measures for various perspectives</b>	<b>-.115</b>	<b>.014</b>	<b>-.192</b>	<b>-8.071</b>	<b>.000</b>	<b>.657</b>	<b>1.521</b>
<b>Lack of clarity arising from large number of perspectives</b>	<b>-.129</b>	<b>.015</b>	<b>-.209</b>	<b>-8.663</b>	<b>.000</b>	<b>.638</b>	<b>1.567</b>
<b>Lack of clarity arising from large number of measures within each perspective</b>	<b>-.154</b>	<b>.014</b>	<b>-.249</b>	<b>-11.276</b>	<b>.000</b>	<b>.762</b>	<b>1.313</b>
<b>Lack of employee and middle management support</b>	<b>-.099</b>	<b>.014</b>	<b>-.162</b>	<b>-7.277</b>	<b>.000</b>	<b>.746</b>	<b>1.340</b>
<b>Lack of resources both time and finances</b>	<b>1.867</b>	<b>.040</b>	<b>1.316</b>	<b>46.295</b>	<b>.000</b>	<b>.460</b>	<b>2.173</b>

**Level of Significance: 5 per cent**

It has been revealed from the above econometric analysis, that F ratio (.082) is statistically significant at 5 per cent level of significant. This indicates the entire regression is significant, that is it established 89.90 per cent relationship between the variables tested. From the above table it seen that the coefficient of correlation (R) value .899 which describes good relationship between variables and the coefficient of determinant (R<sup>2</sup>) .808 value describe that level of association between sample Problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organisations for variation in each of those sixteen independent variables. The following analysis shows the value of constant and coefficient value of each attributes for Problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organisation. To determine of one or more of the independent variables are significant predictors of problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organization the information provided in the co-efficient table is examined. All the above 8 parameters statements are statistically significant. The standardized co-efficient beta column reveals that problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organization met have beta standard co-efficient 0.082, which is statistically significantly at .000.

To assess multi-collinearity, one looks at the size of tolerance and VIF (Variance Inflated Factor). For the tolerance, small indicate the absence of collinearity. The VIF is the

inverse (opposite) of tolerance, one looks for large values. If the tolerance value is smaller than .10, it is concluded that multi-collinearity is a problem. Similarly, if the VIF is 5 or larger, then multi-collinearity is a problem.

Since the tolerance value is substantially above .10 and the VIF is smaller than 5, it is concluded that multi-collinearity among the independent variable is statistically significant.

Problems faced by the organisation in implementation of Balance Scorecard directly impact the future sustainability of the organisation=.082 (Constant)

- ± .129(Difficulty in assigning weightage to different perspectives)
- ± .125(Difficulty in establishing cause and effect relationship amongst different perspectives)
- ± .141 (Difficulty in assigning weightage to measures within each perspective)
- ± .115 (Difficulty in quantifying measures for various perspectives)
- ± .129 (Lack of clarity arising from large number of perspectives)
- ± .154 (Lack of clarity arising from large number of measures within each perspective)
- ± .099 (Lack of employee and middle management support)
- ± 1.867 (Lack of resources both time and finances)

To assess the Problems, faced by the organisation, in implementation of Balance Scorecard directly, impact the future sustainability of the organisation multiple regression modeling was performed and to the relative importance of the individual dimension of the generated scale, Multiple Regression Analysis, indicated out of eight variables tested, all were found to be statistically significant influencing factors, they are: Difficulty in assigning weightage to different perspectives, Difficulty in establishing cause and effect relationship amongst different perspectives, Difficulty in assigning weightage to measures within each perspective, Difficulty in quantifying measures for various perspectives, Lack of clarity arising from large number of perspectives, Lack of clarity arising from large number of measures within each perspective, Lack of employee and middle management support, Lack of resources both time and finances.

### **1.5 Conclusion:**

Balanced Scorecard (BSC) is considered as the world widely used Performance Management System by organizations. Around 57per cent organizations of the world are using the Balanced Scorecard tool for improving their Organizational Performance. The Balanced Scorecard protects the managers from information overload by limiting the performance measures to only four perspectives, namely, customer, financial, internal business, and learning and growth. It also safeguards from sub-optimization in the decision-making process by forcing the managers to consider the four perspectives of business performance to have a complete picture. The implementation of the Balanced Scorecard is a process whereby the organization's strategy is translated into a set of key performance indicators, which improves the sustainability of the organization.

### **1.6 References:**

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